



# 2020-21 Pre-Budget Submission

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## Contacts

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### **UnitingCare Australia**

Level 3, 42 Macquarie St.  
Barton ACT 2600

**Phone:** (02) 6249 6717

**Contact:** Corinne Dobson, [corinned@nat.unitingcare.org.au](mailto:corinned@nat.unitingcare.org.au)

**Website:** [unitingcare.org.au](http://unitingcare.org.au)



### **About UnitingCare Australia**

UnitingCare Australia is the national body for the Uniting Church's community services network and is an agency of the Assembly of the Uniting Church in Australia.

We give voice to the Uniting Church's commitment to social justice through advocacy and by strengthening community service provision.

We are the largest network of social service providers in Australia, supporting 1.4 million people every year across urban, rural and remote communities.

We focus on articulating and meeting the needs of people at all stages of life and those that are most vulnerable.

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## Overview

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Budgets are about priorities. In this submission, UnitingCare Australia urges the Federal Government to deliver a budget that prioritises a more equitable and just vision for the nation. In a context of stagnant public spending and persistent inequality, we need a Federal Budget that closes gaps in essential services, repairs the social safety net, and ensures a more equitable and sustainable tax system. And, as communities across Australia reel from the devastation of prolonged drought and unprecedented bushfires, the need for urgent action on climate change – and support for those worst affected – is clear and compelling.

Despite 28 years of uninterrupted economic growth, inequality in Australia is growing and core government services are not meeting the community's needs. The benefits of growth have flowed disproportionately to those at the top of the income and wealth spectrum, while wages below the median have stagnated. Underemployment and insecure, low-quality jobs are growing. Unacceptable rates of poverty and child social exclusion persist. Inequities in health and education have also increased, while housing affordability is at an all-time low and home ownership is falling.

At the same time, the under-resourcing of ambitious social reforms and sustained funding cuts have placed our health, education, and community services under strain. Gaps in our social security system are pushing many vulnerable people deeper into poverty. Unprecedented income tax cuts and the persistence of unfair and inefficient tax breaks risk widening the gap between rich and poor, and eroding the revenue base that is needed to fund essential services and supports.

Against this backdrop, UnitingCare Australia is calling for a rebalancing of the 2020-21 Federal Budget in favour of neglected services and people facing financial hardship and disadvantage. Now is not the time for more savage cuts to social security or essential services, nor is it time for more tax cuts to people who do not need financial help.

Since its election in May last year, the Federal Government has maintained it can do three things at once: deliver unprecedented income tax cuts over the coming decade, guarantee essential services, and maintain a budget surplus. We believe this approach to the budget is untenable and unsustainable. The claim that growth in public spending can be held at 50-year lows to fund Australia's largest tax cuts ever is unrealistic, and puts essential services at risk. With wages and consumer spending stalling and unemployment increasing, public concern is growing around the future of jobs and economic opportunities. Unless a more equitable and sustainable Budget strategy is adopted, with investment in critical social infrastructure, our nation will struggle to manage the economic, social and environmental challenges we face now and into the future.

The 2020 Federal Budget is an opportunity to correct the country's course and adopt a more equitable and sustainable Budget strategy: one that tackles economic inequality, secures the revenue to guarantee essential services for our ageing population, and supports justice and self-determination for our First Peoples. This submission identifies some key elements that we believe should be prioritised in the Budget to put Australia on the path toward a more sustainable, equitable and secure future.

# Budget Priorities

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## Justice and self-determination for First Peoples

This year's Federal Budget must set a new direction in the Government's approach to First Peoples, providing measures that support self-determination and lead to tangible and lasting outcomes across communities.

For the past six years, Federal Budgets have failed to provide the funding and community-led approaches needed to deliver this approach. The 2014 Federal Budget cut \$534 million from Indigenous programs. More than \$145 million was subsequently slashed from Aboriginal and Torres Strait Islander services and programs in the 2015 Budget, and new spending over the past five years has failed to bridge the funding gap and the legacy of sustained underinvestment. Core funding for National Congress was withdrawn in 2014 and, in late 2019, funding was cut to the National Family Violence Prevention and Legal Services Forum.

Alongside these cuts to funding, the continual churn and restructuring of First Peoples' policy and programs has created constant upheaval and uncertainty, undermining the stability and sustainability of Aboriginal-controlled community organisations, and eroding the effectiveness of programs and policies.

While funding cuts and policy instability remain ongoing concerns, UnitingCare Australia was encouraged by Ken Wyatt's appointment as Minister for Indigenous Australians. The Minister committed to resetting relations with First Peoples, elevating their Voice in policy development and delivery, and delivering community-led solutions to tackle youth suicide and generate economic development. We welcome these stated aspirations but believe much deeper and sustained efforts are required if real reform and lasting change is to be achieved.

Although large disparities in health outcomes and life expectancy persist, we commend the shift in the way governments are working with First Peoples to accelerate progress on closing the gap. The formal agreement with the Coalition of Peaks and the Federal Government's support for the Priority Reforms they have developed are positive steps.

While promising inroads have been made in the governance of Close the Gap, the Government's approach to the Voice to Parliament has been disappointing. There also continues to be a reliance on top-down and paternalistic measures and policy-making processes in other areas of policy. This includes the proposed expansion of the cashless debit card, and the continuation of punitive interventions that disproportionately target unemployed First Peoples in remote areas, such as the Community Development Program. Such interventions have involved little, if any, opportunity for engagement and input from affected community members. Despite the official rhetoric, First Peoples still do not have a seat at the table as equal partners.

It is vital the 2020 Budget moves beyond this prevailing top-down and paternalistic approach and commits to measures that genuinely empower communities and affirm their right to self-determination. We reject the Federal Government's blanket refusal to contemplate a Voice to Parliament, despite the clear wishes of First Peoples expressed in the Uluru Statement from the Heart. In addition to adequate and secure funding for an independent national representative body, we urge the Federal Government to work with First Peoples in a genuine partnership across all key areas of policy, including health, justice, employment, housing, disability, and children and families.

## Sustainable long-term funding to community services

There is a pressing need to reverse cuts made since the 2014 Budget and to restore community service funding levels, with funding that is long-term and commensurate to the level of need. The ad-hoc, opaque and top-down funding processes that have characterised the Indigenous Advancement Strategy need to be replaced with a more transparent, consultative and community-driven approach. Similarly, if tangible progress is to be made in closing the gap, dedicated funding must be allocated to deliver real change and to support the priorities identified by First Peoples. Ultimately, the Government must look to community-driven solutions and capacity-building if it is serious about improving outcomes.

## Supporting children and young people

We welcome the Government's commitment to "delivering a better future for our Indigenous children and youth across this nation".<sup>1</sup> However, more needs to be done if this aspiration is to be realised. Aboriginal and Torres Strait Islander children and young people continue to experience widespread discrimination and disadvantage, and are 11.4 times more likely to be in out-of-home care than other children and 23 times more likely to be in juvenile detention.<sup>2,3</sup>

UnitingCare Australia has supported calls for an Independent National Commissioner for Aboriginal and Torres Strait Islander Children and Young People.<sup>4</sup> The Federal Budget should provide adequate resourcing to enable the Commissioner to perform his or her functions and to ensure accountability for the health, safety and wellbeing of children and young people.

In addition, further funding is required to support Aboriginal and Torres Strait Islander children in their early years. This includes increased funding to improve access to early childhood education that is culturally safe and delivered by appropriately skilled teachers. There should also be a boost to federal funding for family support and reunification services for families at risk of or recently experiencing child removal.

## Strengthening mental health and wellbeing

Investment in Aboriginal and Torres Strait Islander mental health and wellbeing services is imperative if social and health outcomes are to improve. Services and programs need to be culturally capable, better integrated, accessible, and tailored to community needs. In addition to funding for community-controlled services, mainstream health and mental health programs must be better equipped to provide culturally safe and strengths-based support when working with First Peoples experiencing challenges to their wellbeing.

## Disability and age care

The needs of First Peoples with disability or requiring aged care must also be a focus in this year's Budget. As [outlined below](#), UnitingCare Australia recommends that the Federal Government fund a range of measures to overcome significant inequities in access and outcomes for First Peoples in relation to the aged care system. Additional funding is also required to [support First Peoples to access and navigate the NDIS](#).

### Justice reinvestment and legal assistance

Comprehensive and concerted action to reduce incarceration rates among First Peoples is imperative. While this is an issue that cuts across all levels of government, the Commonwealth has an important leadership role to play. This should include funding a Justice Reinvestment coordinating body to promote the reinvestment of resources from the criminal justice system to local community development initiatives that address the drivers of crime and incarceration. This independent body would be led by First Peoples and responsible for collecting relevant data, developing options for initiatives, evaluating programs, and providing assistance to local sites wishing to implement justice reinvestment.

In addition to establishing an independent Justice Reinvestment body, the Federal Government should invest in a Justice Reinvestment grants program. This could provide dedicated funding to extend the justice reinvestment project currently underway in Bourke NSW, as well as providing funding for additional trial sites in other states and territories. These sites would be identified in cooperation with state and territory governments and contingent on local community support and an active role for First Peoples in designing, developing and implementing associated initiatives.

We remain deeply concerned about the adequacy and security of funding for essential legal services for First Peoples. In last year's Federal Budget, the Government announced that funding for Aboriginal and Torres Strait Islander Legal Services would be mainstreamed into a national mechanism, abolishing the standalone Indigenous Legal Assistance Program that the Commonwealth had supported for fifty years. This decision has undermined funding certainty and runs counter to the goal of self-determination, reducing community control over the strategic direction, priorities and cultural safety of legal services provided to First Peoples.

In addition to reinstating standalone and guaranteed funding for Aboriginal and Torres Strait Islander Legal Services, we urge the Government to restore funding to the National Family Violence Protection Legal Services Forum (NFVPLS Forum). The NFVPLS Forum, whose funding is due to cease at the end of June 2020, is the country's only national peak body for Aboriginal and Torres Strait Islander victims and survivors of family violence and sexual assault. We urge the Government to reverse its decision. In addition to reinstating funding, further resources should be provided to ensure the voices and experiences of Aboriginal and Torres Strait Islander women are heard and strengthened – rather than silenced.

### Housing, income management and the Community Develop Program

Finally, it is imperative the 2020 Budget commits to ongoing funding for a [new First Peoples housing strategy](#), and that the punitive and paternalistic programs imposed on unemployed First Peoples are abandoned, including income management, the Community Development Program and ParentsNext. We urge the Government to jettison proposals to expand the cashless debit card to the Northern Territory and Cape York. The imposition of this card is the very antithesis of self-determination and conflicts with the Government's stated aspirations of partnership and co-design. While we oppose compulsory approaches, we support voluntary opt-in income quarantining where it is supported by the local community, and backed up with wrap-around supports developed in partnership with the community. Ultimately, programs to expand employment opportunities and improve social outcomes must be developed in a genuine partnership with First Peoples.

## Ageing to our full potential

UnitingCare Australia believes that every older person should be able to live well, as part of their community, with dignity, and in a place of their choosing. However, as the Aged Care Royal Commission has revealed, this vision is not being realised for many older people who need support as they age. Australia's aged care system is in crisis as more older people in Australia face the prospect of being unable to access the care they need when they need it.

Rising demand, fiscal pressures and changing demographics are placing unsustainable pressure on our aged care sector. Current funding arrangements foster an over-reliance on residential aged care, while at the same failing to reflect the actual costs of providing quality care and basic services. Residential aged care providers report increasing costs each year, with many incurring unsustainable losses. At the same time, almost 120,000 older people are on waiting lists for urgent home care services.

Across the aged care system, significant disparities persist in terms of access and inclusion, particularly in rural and remote Australia. As the Aged Care Royal Commission has highlighted, the current system does not adequately cater to the different care needs of older Australians with diverse needs. If our aged care system is to meet the expectations of people with diverse needs, services must be funded to:

- recognise the differential costs of service provision where they exist;
- address communication and other barriers;
- respond to intersectionality, cultural safety and trauma where appropriate;
- enable flexible service delivery models;
- be accountable.

Existing funding arrangements do not reflect the costs of delivering services that meet these various needs.

Inequities of access and outcomes are particularly pronounced among older First Peoples.<sup>5</sup> First Peoples are underrepresented in aged care programs, despite needing access to services and support at a younger age due to the cumulative effects of health and social disadvantage and intergenerational trauma. While remote communities face specific challenges related to their geographic isolation, such as limited workforce and sparsity of services, older First Peoples in regional and metropolitan locations also experience barriers to accessing aged care services that meet their cultural and social needs and preferences.<sup>5</sup> First Peoples may be reluctant to engage with mainstream service providers based on a lack of cultural safety and past negative experiences involving inconsistent, unreliable or cultural insensitive service provision. Moreover, of those First Peoples who receive Commonwealth Home Support Program packages, there is an under-representation of Level 3-4 packages, despite the higher proportion of First Peoples elders with very complex needs.<sup>6</sup>

This crisis in our aged care system will only deepen without immediate and targeted investment. While we recognise systemic and comprehensive change takes time, action is needed now. The Aged Care Royal Commission will deliver its final report in November 2020, however a number of findings from its work to date can and must be addressed immediately to safeguard the wellbeing of individuals receiving aged care services and supports.



To improve access to vital aged care services and ensure the sustainability of the sector, UnitingCare Australia urges the Government to develop and fund measures to reduce the wait time for home care packages to two months by the end of 2020. This must include:

- uncapped funding to ensure access to Level 3-4 home care package for every person assessed as needing one;
- immediate access to funding for fast-tracked services to people who need palliative care, thereby preventing premature entry to residential aged care;
- restoration of arrangements that maintain the distinction between entry-level support and reablement services (CHSP), and deliver more intensive or ongoing services provided in the home.

In addition, immediate funding is needed to sustain services ahead of the structural adjustment that we anticipate will be required following the Royal Commission, including:

- an increase to the rural and remote supplement by at least \$10 per resident per day;
- an ongoing increase in residential aged care funding of at least 9.5% on 2019-20 levels;
- support for the Aged Care Industry Workforce Council to implement the outstanding recommendations from the aged care workforce strategy, *A Matter of Care*.

Concerted action is also needed to improve the aged care system for First Peoples. This includes:

- increasing funding for specialist, targeted aged care services for First Peoples;
- expanding culturally safe, community-based aged care programs that provide services for our First Peoples' elders, with a particular focus on increasing access to higher levels of package care (Level 3-4);
- funding initiatives to improve the cultural safety and social responsiveness of mainstream aged care service providers, such as funding for Aboriginal community-controlled organisations to deliver regular cultural competency training;
- expansion of the National Aboriginal and Torres Strait Islander Flexible Aged Care Program (NATSIFACP), so that more First Peoples have the option of accessing Indigenous-specific services if this is their preference, in metropolitan and regional areas as well as the rural/remote areas where NATSIFACP funding is currently directed;
- increasing funding for advocacy services and First Peoples support workers to assist older First Peoples to access and navigate the aged care system.

## Climate justice

Action on climate change is a moral, social, economic and environmental imperative. As communities across Australia continue to grapple with the consequences of prolonged drought and bushfires of an unprecedented scale and intensity, the need for decisive action is clear.

While climate change affects us all, the impacts across communities are not distributed evenly. Climate change, and policy responses to it, can affect low-income and vulnerable people more than others, exacerbating existing inequalities and vulnerabilities. People living in poverty often live in areas more susceptible to climate change and in housing that is less resistant; lose relatively more when affected; have fewer resources to mitigate the effects; and have less assets and financial resources to rebuild and recover from the impacts.<sup>7</sup>

While a failure to act on climate change will exacerbate inequality and poverty, poorly designed policy responses can further compound vulnerabilities and social and economic disparities. Equity and justice considerations must therefore be central in climate adaptation and mitigation policies. While there will be both costs and benefits as we transition to a clean economy, the burden on low-income and vulnerable households will be greatest without a carefully planned and managed transition.

It is essential this year's Budget delivers comprehensive and concerted action on climate change. Our response to climate change must be urgent and wide-ranging. But it must also be fair and equitable, ensuring no one is left behind. We call on the Government to put in place a credible plan for a just, equitable and rapid transition to a low-carbon economy, alongside measures to strengthen the resilience of communities and support people and the services they rely on to adapt to the effects of climate change.

### Reducing carbon emissions

Given the urgent need to mitigate the extent of climate change, we urge the Government to deliver measures in this year's Budget that are based on more ambitious emission reduction targets, and backed up by credible, scalable and equitable transition policies for emission-intensive sectors.

Australia has committed to achieving the Paris Agreement to limit global temperature increases to well below 2°C and pursue a limit of 1.5°C. While the Federal Government has set a 2030 emissions reduction of 26-28 per cent on 2005 levels, this is inadequate to meet the Paris goal and conflicts with our responsibilities as a wealthy developed nation and leading per capita emitter.<sup>8,9</sup> Moreover, the Federal Government's own emissions projections suggest Australia is not even on track to meet its deficient 2030 emissions reduction target.<sup>10,11</sup> Unless the Government adopts more ambitious and rapid transition policies, Australia will not meet our international commitments and will undermine collective efforts to prevent a rapid and dangerous escalation of climate change.

### Supporting communities in transition

The effects of climate change and the transition to a low carbon economy are uneven, with certain regions and communities bearing the greatest burden. Farms in some regions are becoming unviable, inland towns too hot, water scarce. Communities dependent on forestry or the burning or extraction of fossil fuels are facing dramatic change as these industries transition to less carbon-intensive options. If this transition is managed poorly, there is a risk certain regions will be left behind, with vulnerable workers and communities bearing the greatest costs. If managed well, we can have a structured and equitable approach that mitigates the immense human and economic costs of climate disruption and helps to build more inclusive and thriving communities.

To achieve a just transition, the Federal Government should establish a statutory authority to support communities to transition to cleaner industries and build resilience to the effects of climate change. This authority should adopt a place-based approach that engages communities in the development of comprehensive social and economic development plans, and that takes into account the diverse social, health, educational and employment needs of affected communities, especially those who are vulnerable or marginalised.

To support transition plans, the Government should also invest in a rural and regional community renewal program. This would include support for communities reliant on carbon-intensive industries to diversify their regional economies; support for farmers to adapt practices and build resilience to climatic changes; and assistance to rebuild social infrastructure and strengthen the capacity of local health and community services in areas affected by natural disasters.

### Building resilience to climate change and extreme weather events

To effectively prepare and respond to the climate change, governments must move beyond a narrow focus on emergency planning and invest in the institutions and social infrastructure needed to create enduring resilience across all social groups. To support efforts to strengthen community resilience and climate adaptation, the Government should invest in a research centre to build and disseminate the evidence on climate risks and vulnerability; identify gaps in social and physical infrastructure; assess the needs and barriers to climate adaptation and resilience in health and community services; and develop tools to assist decision makers and communities to adapt.

As part of its remit, this research centre should develop a climate vulnerability map, enabling communities and groups of heightened need to be identified, and providing a foundation for policies designed to strengthen community resilience to climate change. This map would incorporate a range of dimensions of vulnerability, including levels of social disadvantage and health and economic inequalities; access to healthcare and social support services; and the quality of housing and local infrastructure.

### Supporting a resilient and responsive community sector

It is essential community service organisations are equipped to respond to climate change and support communities when needed most. These organisations assist before, during and after climate disasters and extreme weather events. They also contribute to long-term community development, cohesion, rebuilding and resilience. Yet as natural disasters become more ferocious and frequent, community services will become increasingly

stretched. In addition, such organisations are themselves vulnerable to climate hazards and extreme weather events. In the wake of natural disasters, community services must often grapple with intense demand for support while facing significant barriers to delivering services, such as insufficient financial resources, damage to their own infrastructure, staffing shortfalls, vicarious trauma, and increased wages bills.

Community organisations are critical in strengthening community resilience and recovery from climate events, yet they cannot fulfil this role if they don't receive the support they need to be strong and sustainable. We therefore urge the Government to establish a community sector adaptation fund to enhance the resilience of community organisations to climate change and extreme weather. In addition, funding arrangements should ensure community organisations receive timely compensation for their contributions to response and recovery efforts, and avoid penalising such organisations for failing to meet contractual obligations due to their participation in disaster response and recovery.

### Energy efficiency and affordability

The need for decisive policy and regulatory action to improve energy affordability and efficiency in low-income housing is clear. The poor energy performance of many homes, combined with increasingly extreme weather and significant rises in energy costs, means that a growing proportion of the population are living in homes that are too cold in winter and too hot in summer.<sup>12</sup> The burden of rising energy costs is falls most heavily on low-income households, who pay disproportionately more of their income on energy (6.4% on average) compared to households on the highest income quintile (1.5%).<sup>13</sup>

All too often, measures designed to improve the energy efficiency of homes miss those who need it most. While low-income households have the potential to reap the greatest benefits from more energy efficiency homes, they are often least able to take-up existing government incentives or tax offsets, and lack the capital to invest in rooftop solar schemes.

To ensure access to energy is more equitable and affordable, we encourage the Government to review and redesign the Small-scale Renewable Energy Scheme (SRES). The SRES creates a financial incentive for individuals and small businesses to install small-scale renewable energy systems such as solar panels, small-scale wind systems and solar water heaters. While UnitingCare Australia welcomes measures to encourage the uptake of renewable energy, low-income households should not bear a disproportionate burden of the costs. Households on low incomes cannot afford to invest in small-scale renewables, yet they bear the costs for subsidies via higher electricity bills. To alleviate the burden on low-income households, we recommend the costs of the SRES be shifted off electricity bills and onto the Federal Government's budget. In addition, subsidies should be limited to low-income homes only, including social housing and low-income owner-occupied houses.

Targeted measures are also needed to improve the energy efficiency of public and community housing stock. Social housing stock is more likely to have poor energy efficiency performance, leaving those living in such housing disproportionately affected by increases in power and utility bills.<sup>14,15</sup> This is leading to energy rationing and poorer social and health outcomes. To improve the energy efficiency of social housing, UnitingCare Australia recommends that the Federal Government provide funds to match state and territory investments in energy efficiency upgrades to the poorest quality social housing.

## First Peoples

Climate change is having a negative impact on all Australians, but it is impacting Aboriginal and Torres Strait Islander peoples differently and disproportionately. Vulnerability to climate change is intensified by the social, health and economic disadvantages experienced as a result of colonisation.<sup>16</sup> First Peoples in remote parts of Australia are particularly prone to extreme weather events, such as flooding, cyclones, extreme heat and rises in sea levels. Given the importance of First Peoples' connections to Country, climate extremes and natural disasters threaten cultural and spiritual wellbeing where there is damage to Country, destruction of sites of cultural significance, and disrupted access to land and sea.<sup>20,21</sup>

At the same time, connections to culture and country need to be recognised as a source of strength and resilience for First Peoples.<sup>17</sup> Responses to climate change should build on community strengths and support the development of place-based approaches that are community led and adequately resourced. To improve community resilience to climate change and extreme weather events in remote areas, additional Federal Government funding is needed to support community-led programs and to improve poor quality housing and infrastructure.

In addition, the Federal Government should provide funding to support clean and efficient energy for remote communities. First Peoples in remote areas often lack access to the electricity grid and are reliant on expensive and carbon-intensive methods to generate power, such as diesel generators. Investment in a First Peoples Community Fund to support renewables such as solar could directly benefit remote communities that run on diesel by creating jobs, reducing household energy costs, increasing energy security and reliability, as well as bringing the environmental benefits of reduced emissions.<sup>18,19</sup> Importantly, such a fund should ensure renewable energy development in remote areas is community owned and led, in line with community priorities, and supports sustainable economic development.

## Bushfire recovery

The devastation wrought by recent bushfires has been of an unparalleled scale and intensity. As many parts of Australia continue to brace against ongoing bushfire threats, others are beginning the huge task of recovery and rebuilding.

We have welcomed the creation of the National Bushfire Recovery Agency and the National Bushfire Recovery Fund, along with a range of measures the Federal Government has taken to support those affected by the bushfires. It is critical the Federal Government continues to support a nationally coordinated response that addresses the short, medium and long-term recovery phases.

We believe the response to the bushfire crisis needs to be grounded in a better understanding of the diverse needs of affected communities, particularly those with pre-existing vulnerabilities and limited economic resources. While peoples from diverse backgrounds and circumstances have been affected by the fires, the lives of some victims were already precarious. There are also groups with special needs such as the aged, people with physical, intellectual or psychosocial disabilities, people from different language groups, people fleeing or surviving family violence, and people with fewer social connections. To ensure vulnerabilities and social and economic disadvantages are not exacerbated, the perspectives of those with diverse needs must be included in decision-making and factored into bushfire recovery efforts.

The Federal Government must also strengthen engagement with First Peoples, who not only live in greater proportions within the affected areas but are also disproportionately impacted through the damage to Country and loss of cultural heritage and resources.<sup>20,21</sup> Bushfire recovery efforts must recognise the historical, social and cultural experiences of First Peoples in affected regions, drawing on community strengths and supporting responses that are community-led and based on meaningful engagement with First Peoples.<sup>20,22</sup>

UnitingCare Australia believes additional financial assistance is needed to assist those with pre-existing vulnerabilities and limited financial resources. We remain concerned about the inadequacy of the current Disaster Recovery Payment, which provides a one-off payment of \$1000 per adult and \$400 per child. We welcome the Government's decision to provide an extra \$400 per child, however the Disaster Recovery Payment remains inadequate to support individuals and families on lower incomes and with fewer assets, limited housing options, and a lack of social support networks. Similarly, the inadequacy of the Disaster Recovery Allowance, along with Newstart and Youth Allowance, is simply not enough to support people to meet their most basic needs, let alone rebuild and recover in the wake of the bushfire devastation.

The pivotal role of community service organisations also needs to be fully recognised and supported in the planning, funding and delivery of bushfire recovery. In the immediate aftermath of the fires, government funding is important to allow organisations to be flexible, respond quickly to surges in demand, and recruit additional staff to meet increased needs. With bushfires continuing to break out in parts of Australia, we urge the Federal Government to budget for a contingency fund to meet surges in demand. In addition, funding arrangements for existing programs should be flexible to enable organisations to

participate effectively in disaster response and recovery efforts. This should include additional funding arrangements that:

- are commensurate with the level and complexity of community need, allowing community services to meet surge capacity as well as long-term recovery needs;
- enable organisations to rebuild and repair infrastructure damaged during the bushfires, as well as strengthen their resilience to future disasters or climate events;
- support organisations in providing continuity of care for people with heightened vulnerabilities and disadvantages; and,
- ensures community organisations receive timely compensation for their contributions to response and recovery efforts and are not penalised for failing to meet contractual obligations due to participation in disaster response and recovery.

In addition to providing immediate relief and material support, it is important traditional and ongoing service needs – including family, ageing and disability, child protection, family violence, mental health, and drug and alcohol supports – are not overlooked in the immediate aftermath and lengthy recovery phase.

Issues around homelessness and the shortage of affordable housing have also been compounded in regions affected by the bushfires. The need to house large numbers of people displaced by the bushfires is placing added pressure on a housing system already at breaking point. Studies within Australia and overseas have highlighted how natural disasters tend to exacerbate pre-existing housing inequalities and increase homelessness in affected communities.<sup>23,24,25</sup> To meet the added demand and prevent an escalation in long-term housing insecurity and homelessness, Federal Government funding is urgently required to support the construction of additional social housing, and to replace and repair damaged housing stock.

Finally, it is critical funding is allocated to build community resilience and enable recovery over the long term. While emergency funding is imperative, recovery is a lengthy and complex process, and organisations must be funded to ensure the necessary services and supports are in place at whatever point individuals and families need them – whether three, six or twelve months, or three or four years hence.

## Securing revenue to fund services and reduce inequality

In a context of rising inequality and growing demand for public services, getting Australia's tax settings right is critical. Political debate has fostered the misconception that government is big taxing, big spending and inefficient, and that the solution to our structural deficit is to be found in cutting expenditure rather than raising revenue or taxes. Yet in comparative terms, Australia is a low-taxing nation, and the eighth lowest among the 39 countries in the OECD.<sup>26</sup> The main pressures on the budget have not come from expenditure on social security or services, but from the proliferation of inequitable tax concessions and loopholes, in addition to a succession of unprecedented income tax cuts.<sup>27</sup>

While the Government predicts a slim budget surplus for 2020-21, public spending has been kept at a 50-year low to fund Australia's largest tax cuts ever.<sup>28</sup> Such low levels of spending reflect years of underinvestment in public infrastructure such as social housing, combined with cuts to essential services and payments that are now locked into future budgets. Tax cuts legislated to commence from 2023 will only compound future pressures on the budget, increasing the gap between rich and poor, while leaving a massive hole in the Government's revenues. At the same time, essential aged care, health and disability services are expected to cost \$21 billion more per year in a decade's time.<sup>29</sup>

The design of tax policy settings is not only fundamental to securing the revenue for public services and infrastructure, but also shapes levels of inequality by redistributing income and wealth. Increasingly, the growth of tax concessions that disproportionately benefit the most wealthy has undermined the redistributive nature of Australia's tax and transfer system. Analysis has shown that tax concessions to the wealthiest fifth of households cost the Federal Budget about half as much as the total cost of welfare payments.<sup>30</sup> Each year, more than \$68 billion in tax concessions goes toward the wealthiest 20 per cent of households – a figure that is greater than the cost of Newstart, disability support, the age pension, or any other single income support group.

Recent tax cuts will only add to budgetary pressures. The government has maintained it can implement income tax cuts costing \$34 billion a year, hold real annual growth in public spending to its lowest level in 50 years, keep the budget in surplus, while at the same time guaranteeing the services the community needs.

We believe this approach to taxation is unsustainable, placing future funding for essential services at risk and locking Australia into a trajectory of growing inequality. The argument that increasing costs in health, aged care, education and community services can be curbed through greater efficiencies or with a dose of competition is naive at best, dangerous at worst.

UnitingCare Australia urges the Government to reset its budget strategy. We support an Australia where everyone has access to quality services, education and healthcare, and this in turn requires growing our revenue base by getting rid of unfair tax breaks and ensuring the wealthy pay their fair share.

Instead of delivering tax cuts to those with the greatest means, we support progressive tax reform that starts at the top by removing unfair tax breaks and wasteful tax concessions. Not only will this help address the structural deficit, but it will redirect money away from tax sheltered locations, like superannuation and housing, and into productive areas that will support a stronger economy and more equitable wealth distribution.



Ultimately, we can only create a just society if, as a community and as a nation, we make adequate provision for people who are forced to carry the burden of inequality. And as a nation we can only provide for those most in need if we structure our tax system to raise revenue fairly and sustainably: not by delivering ever more tax cuts, but by removing unfair tax concessions and loopholes that contribute to inequality and reduce the funds we have to invest in what the community needs.

### Reform superannuation to rein in unfair and unsustainable tax concessions

Superannuation tax breaks are a large and growing cost to the budget bottom line at a time when the Commonwealth Budget faces substantial long-term challenges. Population ageing will only add to the budgetary cost of superannuation tax breaks over time as a larger share of Australians become eligible for tax-free super earnings in retirement.

The highly concessional taxation of superannuation was intended to encourage investment in superannuation and maximise retirement incomes. However, the present tax treatment of contributions and earnings is deeply inequitable and fiscally unsustainable. Tax concessions for superannuation cost more than \$45 billion a year, and will soon surpass total spending on the Age Pension.<sup>31,32</sup> At the same time, these tax concessions are overwhelmingly skewed towards high-income and high-wealth households, with the richest ten per cent of households receiving \$12 billion – more than the bottom 80 per cent combined.

A key equity issue with the income generated from superannuation is that its level of concession is unsurpassed by any other form of investment, given it is taxed at only 15 per cent. This makes it very attractive to high-income earners seeking tax advantages, while providing virtually no benefit to low-income earners. In addition, despite laws setting a limit to the superannuation balance cap of \$1.6 million, this cap is limited to new assets and grandfathering rules apply to existing assets prior to 1 July 2017. Grandfathering permits the excess superannuation balance to simply move to another account that is still concessionally taxed at 15 per cent, thereby favouring high-income earners. Although non-concessional contributions cannot be added to an account once the \$1.6 million balance cap has been reached, concessional contributions can still be added, again favouring high-income earners.

We believe at least \$9 billion per annum could be raised from progressive reforms to the current system, with almost all of this being raised from the highest income/wealth households. Such reforms include:

- Extending the 15% tax on fund earning in the accumulation phase of superannuation to the pension phase;
- Removing refunds for dividend imputation credits above a fixed annual level;
- Curbing the use of 're-investment strategies' to avoid taxation of income from superannuation and the diversion of assets to super to avoid Capital Gains Tax;
- Replacing existing complex and inequitable tax concession for superannuation contributions (the 15% and 30% flat taxes on employer contributions, deductions for personal contributions, the rebate for spouse contributions, concessions for 'catch-up contributions' and deductions for saving for a first home) with a progressive taxation of contributions and earnings on the basis of the individual's marginal rate, minus a rebate.

### Scale back the Seniors and Pensioners Tax Offset (SAPTO)

SAPTO is a tax offset that reduces the personal income tax paid by seniors, such that seniors pay less tax than workers on the same income. Most of the benefits of SAPTO flow to middle-income seniors who receive only a part Age Pension or are not eligible for the Age Pension at all. This tax offset is poorly targeted toward maintaining income support for those households most in need, with middle-income retirees being the main beneficiaries. Restricting the SAPTO to pensioners would balance the objectives of ensuring adequate income support for those who need it most and aligning the tax treatment of groups with similar incomes. If this change was implemented, people who receive a full Age Pension would continue to pay no income tax, while those with enough income to not qualify for a full Age Pension would pay some income tax.

### Curb tax avoidance and evasion by companies operating internationally

Billions of dollars in public revenue are lost each year to international corporate tax avoidance and evasion practices, such as shifting debts and expenses to higher tax jurisdictions and transferring profits to low-tax jurisdictions or tax hideouts.<sup>33</sup> UnitingCare Australia welcomes the Government's reforms to prevent harmful and unfair tax avoidance and evasion by companies operating across national borders. We commend reforms to tackle corporate tax base erosion and to prevent the shifting of profits offshore, including the introduction of a Diverted Profits Tax and a Multinational Anti-Avoidance Law. However, we believe much more can, and needs, to be done. Too many corporations operating profitably in Australia pay little or no tax, and further tax law reform and proactive regulation is required to ensure all businesses pay their fair share.

In particular, we support:

- **the closure of debt deduction loopholes by tightening thin capitalisation rules.** The purpose of thin capitalisation rules is to ensure that Australian entities in a multinational group do not erode the Australian tax base with excessive amounts of interest deductions on debt funding. We believe these rules should be strengthened by restricting allowable debt deductions to those based on a company's global debt-equity ratio, thereby preventing companies from shifting debts to Australia. Additional measures should be put in place to stop profit-shifting to foreign subsidiaries located in jurisdictions with low or no tax
- **legislating further transparency requirements and disincentives to prevent companies from using tax havens to avoid paying their fair share of tax.** This includes extending public reporting requirements to private companies with an income exceeding \$100 million (currently private companies only have to publicly report tax information if their income is above \$200 million). To prevent companies from using tax havens, a further disincentive would be applying **special withholding taxes on transfers of funds to 'secrecy jurisdictions' (i.e. known or suspected tax havens) where companies provide insufficient information to enforce international treaties.**

### Curb tax avoidance and evasion by high-wealth individuals using discretionary trusts

There is a need to reform the tax treatment of discretionary trusts. Discretionary trusts are frequently used as a vehicle for tax avoidance by high-income individuals, primarily through income-splitting and avoidance of Capital Gains Tax. This is deeply inequitable and is

resulting in billions of forgone Commonwealth revenue every year (with estimates ranging from \$2 billion to \$3.5 billion in lost annual tax revenue).<sup>34,35</sup>

The overwhelming majority of wealth in private trusts is held by the wealthiest households. Loopholes that are exploited to minimise tax include 'income splitting', which is used to reduce tax by (notionally) distributing payments to beneficiaries (usually family members) in lower tax brackets. In order to curb tax avoidance through income-splitting, UnitingCare Australia supports the application of a **minimum standard tax rate of 30 per cent to discretionary trust distributions to beneficiaries**.

In addition, we support **tightening the tax treatment of capital gains arising from discretionary trusts**. Currently, the distribution of untaxed capital gains from the revaluation of assets within a discretionary trust to beneficiaries does not attract Capital Gains Tax (although it does for fixed trusts). Extending the Capital Gains Tax to un-taxed income distributed to beneficiaries would prevent this loophole from being used to avoid tax.

### Phase out fossil fuel subsidies to carbon-intensive industries

National tax-based subsidies for fossil fuel production and consumption have been estimated to add up to \$12 billion every year (although a 2019 report released by the IMF estimated that annual fossil fuel subsidies in Australia total \$29 billion, equating to \$1,198 per person on a per capita basis). The largest fossil fuel subsidy is the Fuel Tax Credit Scheme, which primarily goes to large, multinational mining and energy companies that are extremely profitable (despite many paying little or no tax in Australia). This scheme refunds off-road users the full amount of excise tax and gives a partial rebate to on-road heavy transport.

We believe public subsidies specifically directed towards the production and consumption of fossil fuel subsidies should be phased out over time, with the phasing out implemented in a way that is mindful of the equity implications and the potential impact on employment in regional Australia. This should begin with the abolition of fuel tax credits for off-road use (excluding agriculture). Alternatively, to mitigate concerns about the effects on smaller enterprises, a cap per claimant could be introduced.

### Undertake further reforms of the petroleum resource rent tax

Historically, Australia has received little recompense for the extraction and export of its non-renewable energy resources due to overly generous tax concessions and loopholes. This has in part been due to the poor design of the petroleum resource rent tax (PRRT), which is a profits-based resource tax intended to collect a share of the windfall profits resulting from the extraction of oil and gas. The result has been that many companies have extracted finite Australian resources and sold them for significant profits, while paying very little tax.

Recent policy changes have gone some way toward rectifying problems with the PRRT. This includes the lowering of uplift rates (which limit the scope for excessive compounding of deductions, which are in turn used to reduce tax liabilities on profitable offshore projects); the removal of onshore projects from the PRRT; and the review of Gas Transfer Pricing Regulations.

While these recent changes are a step in the right direction, we believe reform could go much further to ensure highly profitable companies pay their fair share. In particular, we believe the Government needs to act more swiftly to price gas for the PRRT before our

resources are exploited without return. More prompt action on pricing the gas for the PRRT is imperative given booming offshore LNG exports and new major offshore LNG projects.

Additional reforms to gas transfer pricing arrangements could produce a substantial increase in extra PRRT revenues, while at the same time reducing red tape, increasing transparency, and ensuring that Australia maintains a highly competitive regime for current and future investment in the oil and gas sector. In particular, unless design flaws in the gas transfer price design are fixed, the low PRRT revenue trend will likely continue, even with the reduction in uplift rates that took effect on 1 July 2019. To ensure Australia receives a higher return on the extraction and export of our natural resources, we recommend that a **netback only approach to transfer pricing be adopted for all existing and future LNG projects**. Such a change will ensure Australia receives a fair share of the benefits from gas exports, while at the same time enabling billions to be reinvested each year into vital services and the nation's future prosperity.

### Remove refundable franking credits

While the removal of refundable franking credits proved contentious in the 2019 Federal Election campaign, we believe there are sound equity and fiscal sustainability arguments in support of this policy.

The burden on government revenue from franking credits is significant and increasing. Under current policy settings, the retirement of the baby boomer cohort with their substantial shareholdings – held directly and through Self-Managed Super Funds (SMSFs) – will place substantial pressures on tax revenues. The Parliamentary Budget Office estimates the revenue loss from excess franking credits will grow from \$5.6 billion in 2020-21 to \$6.9 billion in 2027-28. At the same time, the majority of those who benefit from these credits are wealthier retirees who tend to have high-balance SMSFs but have low *taxable* incomes (due to the inequitable tax treatment of retirement incomes and substantial shareholdings and superannuation balances).

To mitigate the effects on the small number of affected retirees on low actual incomes, an exemption could be applied to income support recipients (e.g. pensioners) who receive franking credits. Alternatively, refunds could be removed for franking credits that are above a fixed annual threshold.

We believe the removal of refundable franking credits is a fair way to raise public revenue for essential services such as health and aged care, as those affected can afford to pay. It is much fairer than increasing user charges for those services or cutting services. Retired people with little income and wealth are the least likely to benefit from refundable franking credits, yet will be worst affected by the under-funding of future health and aged care services due to insufficient revenue.

### Reform the Medicare Levy

The Medicare Levy should be strengthened so that high-income earners cannot use tax shelters to avoid paying it. This would involve broadening the income definition for the Medicare Levy to that applying to the Medicare Levy Surcharge, and removing the exemption from the 0.5% Medicare Levy surcharge for high income-earners with private health insurance. In addition, the Medicare Levy income threshold for seniors should be lowered to better align it with the threshold applied to working-age Australians.

### Review and reform the private health insurance rebate

Private health insurance is ostensibly designed to assist with the costs of care in the private system, to support choice of private provider, and to help take the pressure off public hospitals. However, it is clear it has failed to meet these objectives. It is also overly complex and costs the federal government billions in forgone revenue each year.<sup>36,37</sup> Government subsidies for private health insurance (which currently cost more than \$6 billion every year) and financial penalties to encourage people to take out private insurance are becoming less effective.<sup>36,38</sup>

We believe the current public subsidy of the private health insurance system needs to be urgently reviewed. The public contribution is too great and does not provide a reasonable return for taxpayers and the wider community, in either health or economic terms. The private health insurance rebate system is uneconomic, inequitable and poor value for money. It penalises people in regional and remote areas because there tend to be few private hospitals outside metropolitan areas. It is also inefficient, with administrative costs about three times higher than Medicare. The subsidy has failed to alleviate the pressure on public hospitals, and at the same time private gap insurance has driven up the cost of healthcare and facilitated enormous increases in specialist fees. The continuation and expansion of the private health insurance rebate is not only squandering billions each year in government revenue, but risks entrenching a two-tiered health system while at the same time weakening the ability of Medicare to control healthcare costs.

### Reform the tax treatment of housing by halving the capital gains tax concession and restricting negative gearing

Current housing tax concessions are not only a burden on Commonwealth revenue, but have also driven housing prices through the roof, rewarding speculative private property investors at the expense of people trying to secure a home. Capital Gains Tax concessions and negative gearing provide much greater benefits to existing owners and people who can afford to invest, driving up home prices and household debt, while leaving people living on low incomes languishing in an expensive rental market.

Curbing negative gearing and the Capital Gains Tax discount will not only recoup billions each year in revenue, but will also help ease the boom/bust cycle in housing and make housing more affordable for all. To achieve this, we recommend the 50 per cent discount for personal taxes on capital gains be reduced to 25 per cent (without grandfathering). In addition, negative gearing should be wound back and passive investment losses quarantined so that such losses can only be written off against other investment income.

### Withdraw the personal income tax cuts legislated to be introduced from July 2022

The personal income tax cuts legislated to be introduced from July 2022 should be withdrawn, and the savings devoted to essential services.

The Government's full personal income tax plan will reduce government revenues by about \$300 billion over the coming decade.\*

Modelling shows the tax cuts overwhelmingly benefit high-income earners, with most people on low incomes receiving little or no benefit. The full package of tax cuts will widen the gap between rich and poor, undermine the progressive structure of our income tax

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\* The projected decline in government revenue covers the period 2018-19 to 2029-30.

system, and deprive governments of the revenue needed to guarantee essential services and a decent social safety net. Given the massive dent to Government revenue, the legislated tax cuts will inevitably lead to more cuts to essential service and supports – an approach that is economically, socially and morally indefensible.

**No escalation in defence spending (including scaling back naval shipbuilding and expenditure on construction of new submarines fleet).**

Under the Coalition Government, there has been a dramatic escalation in defence spending. Expenditures have been steadily increasing, with the forecast that defence spending will be at 2 per cent of GDP by 2020–2021. The Government’s commitment to a spending target of 2 per cent of GDP was reaffirmed in the 2016 Defence White Paper. Annual spending on defence already stands at over \$38 billion.<sup>39</sup> In order to reach 2 per cent of GDP in 2023–2024, defence spending will need to continue to increase by 2.8 per cent in real terms per year.

We do not believe a sound basis has been put forward to justify a 2 per cent spending target, and the cost to the Budget bottom line places is unsustainable. Defence spending should be maintained at the current ratio of expenditure to GDP to allow space for other spending areas to be maintained.

## Secure and affordable housing

Affordable and secure housing is beyond the reach of a growing number of people in Australia. We have among the most expensive housing in the world, with housing stress reaching historical highs.<sup>40,41</sup> There is a severe shortage of social housing and a growing number of low-income households are priced out of the private rental market.

A strong social housing system is fundamental in combatting poverty and inequality, yet chronic underinvestment and neglect has left Australia's social housing system in a parlous state. Over the past three decades, Commonwealth investment in social housing has declined substantially, and this has contributed to a backlog of maintenance needs, lengthy waiting lists, shrinking public housing stock, and rolling financial losses among state housing authorities.<sup>42</sup> A legacy of this underinvestment is the decline in social housing as a share of all households, which has shrunk from 5.6 per cent to 4.7 per cent of all housing over the past decade and a half.<sup>43</sup>

One of the most severe consequences of this broken housing system is the growing rates of people at risk of, or experiencing, homelessness. Ever increasing rents are pushing more individuals and families to the brink of homelessness and, for those that do become homeless, the lack of affordable housing helps to keep them that way. At the same time, frontline homelessness services are overstretched and struggling to meet demand. Every day, homelessness services are forced to turn away hundreds of people requesting help and basic shelter.<sup>44</sup>

Tackling Australia's homelessness and housing affordability crisis must be a priority in this year's Budget. To reduce homelessness and reverse the decline in affordable housing, it is imperative the Commonwealth boosts investment in social housing. In the context of a sluggish economy and the recent decline in housing construction, an immediate investment in social housing would help to kick-start the economy, generating jobs and income growth at the same time as alleviating the shortfall in affordable low-income housing.

In addition, any credible strategy to increase affordable housing must include reform of housing tax concessions, including phasing out negative gearing and reducing the capital gains tax discount. The current tax settings see billions of government revenue forgone each year in concessions that overwhelmingly benefit the most wealthy, as well as encouraging speculative investment that drives up the costs of housing, contributes to dangerously high household debt levels, and compounds the current housing affordability crisis.<sup>45,46</sup>

Alongside additional funding and taxation reform, there is a pressing need to strengthen research and policy capability. The Federal Government is essentially flying blind in relation to housing policy, with no dedicated department or agency at the Commonwealth level to provide policy analysis and regular and authoritative information on housing demand and supply. We believe it is essential that an independent agency is re-established to provide specialised policy advice and information, and to monitor, analyse and evaluate housing and homelessness indicators across jurisdictions.

To ensure those on the lowest incomes can meet their basic housing needs, Commonwealth Rent Assistance must also be increased by 30 per cent and properly indexed properly. The real value of rent assistance has declined over time as spiralling rents have risen faster than

inflation, leaving 41 per cent of recipients in rental stress and severe financial hardship.<sup>47,48,49</sup> In addition to an immediate increase, Commonwealth Rent Assistance should be reviewed to remove inequities in the current payment structure and to ensure it meets the needs of people on low incomes.

The forthcoming Budget must also guarantee ongoing and adequate funding to homelessness services, which are currently overstretched and underfunded. Secure and sufficient funding for such services should be part of a renewed plan to end homelessness by 2030 – a plan that addresses the drivers of homelessness, rapidly rehouses people who are homeless, and provides adequate and flexible support for those needing help to sustain housing.<sup>50</sup>

Finally, we call on the Government to guarantee adequate, ongoing funding for Aboriginal and Torres Strait Islander Housing. At a population level, First Peoples experience disproportionately high levels of housing stress, overcrowding and homelessness.<sup>51</sup> Given the stark disparities in housing outcomes, we are deeply concerned about the Federal Government's failure to renew the National Partnership on Remote Housing (NPRH), which expired in June 2018 and left an urgent funding gap. Outside of remote areas, there has been no dedicated Commonwealth funding for housing for Aboriginal and Torres Strait Islander people since 2009, despite the housing stark inequities that exist in rural, regional and metropolitan areas.<sup>52,53</sup>

UnitingCare Australia firmly believes that any credible national effort to improve housing affordability and reduce homelessness must include specific policy commitments, dedicated resources and appropriate governance arrangements to improve housing outcomes for First Peoples. This includes the development of a new National Aboriginal and Torres Strait Islander housing strategy for urban, regional, rural and remote areas. Under the strategy, funding should be boosted under the National Housing and Homelessness Agreement to build the capacity of Indigenous Community Housing Organisations. In addition, a new inter-governmental remote housing agreement should be negotiated between the Commonwealth and state and territory governments.



## Properly funded services to strengthen communities and support those in need

In order to build a fairer society and stronger communities, it is vital we properly resource community services. These services play a central role in alleviating poverty and disadvantage, reducing social and economic inequality, and contributing to more cohesive and inclusive communities. Yet nationally, the community sector faces funding and regulatory challenges that make it harder to achieve outcomes for people and communities. These challenges are multi-tiered, with essential services underfunded, struggling with short-term funding arrangements and growing needs, and grappling with freezes in indexation, funding cuts and the restructuring of major funding programs. Since the 2014 Federal Budget, more than \$1.8 billion has been cut from the community sector and the funding climate for community services has been one of chronic uncertainty and a decline in real terms.

Across various sectors, funding cuts have had a profound impact on services that support the most vulnerable and disadvantaged in our communities, including homelessness and housing services, legal assistance, emergency relief, financial counselling, community health, drug and alcohol services, asylum seeker and refugee services, services for children and families, and programs for First Peoples. Indexation has not been adequate to account for rises in wage costs. The lack of a consistent or adequate approach to indexation has resulted in real cuts to the value of funding for many community services, with unfunded shortfalls placing services under strain. Providers cannot plan ahead for quality services, let alone innovate, when community sector workers are uncertain about their futures. The combination of funding cuts, freezes in indexation and the repackaging of funding allocations has wrought havoc in critical areas of social infrastructure, undermining the capacity of the sector to meet the needs of people experiencing poverty and inequality.

Further tax cuts built into forthcoming Budgets will inevitably mean more cuts to essential community services now and into the future, along with increased user costs and poorer social outcomes. Starving publicly-funded services of resources, and outsourcing such services to the for-profit sector, is contributing to unmet demand, increasing user costs, and unsustainable pressure for a range of community services that support those most in need.

Against this backdrop, it is essential the 2020 Budget changes direction and restores funding and adequate indexation to community services. Federal funding for community services should be increased in order to reverse the cuts seen since the 2014 Budget, respond to population growth and increases in the cost of delivering services, and meet the rising demand for services. While an immediate increase in the forthcoming Budget is crucial to meet urgent gaps in funding, the allocation of funding into the future should be made following a comprehensive service needs and demand analysis, conducted in partnership with the community sector and communities across Australia.

### Fair wages and the cessation of the Equal Remuneration Order

It is imperative the Federal Government ensures community services receive proper funding to maintain services at the same time as meeting their obligation to pay fair wages to their workers. In 2012, the Fair Work Commission established an Equal Remuneration Order (ERO) to provide for annual wage increase and lift the pay rates for human and community services employees. This was a landmark decision which sought to address the gendered

undervaluation of work performed in much of the community services sector. It resulted in wages increases of up to 45 per cent over eight years. Most governments across Australia, including the Federal Government, provided additional funding to ensure community sector organisations could pay for these wage increases while maintaining essential services to communities.

The legislative requirement that obliges the Federal Government to fund ERO increases is due to expire next year. There is no funding budgeted to continue this supplementation beyond 2021, and the Federal Government has not agreed to increase the base rate of most grants to incorporate the supplementation.

If the base grant for programs currently receiving ERO supplementation does not rise to incorporate the ERO payments, there will be significant funding cuts for community sector organisations delivering federally funded programs. This will mean cuts to the services that people in communities across Australia rely on. It also means that the gains in gender equity achieved as a result of the Equal Remuneration Order will be diminished by job cuts in the community sector's predominantly female workforce.

We therefore urge the Federal Government to increase the base rates of grants for community sector organisations currently receiving ERO supplements, thereby preventing cuts across the community sector.

### A National Disability Insurance Scheme that leaves no one behind

UnitingCare Australia believes that Australians deserve a world-leading disability services sector that strengthens the capacity of people with disability to contribute to their community and society. The 2019-20 Budget provides the Commonwealth with the opportunity to make a significant contribution towards achieving this.

We recommend that the Government:

- ensure the NDIS is truly demand driven and uncapped;
- improve the NDIS planning process to ensure plans properly meet the needs of participants and are flexible;
- ensure that the NDIS Price Guide reflects the actual cost of providing all necessary services to an appropriately high quality;
- appropriately address supply gaps in thin markets guaranteeing participants access to quality services and greater choice and control;
- ensure timely access to early intervention services for children;
- increase funding for and access to Specialist Disability Accommodation payments; and
- ensure there is sufficient funding for independent advocacy for people with disability.

In addition, we believe more needs to be done to improve access to the NDIS for First Peoples. The number of First Peoples living with disabilities is nearly twice the rate of other Australians, yet they experience multiple barriers to accessing the NDIS.<sup>54</sup> Additional funding is needed to provide targeted support and advocacy for First Peoples seeking to access and navigate the NDIS, and to ensure a holistic and culturally appropriate approach is taken to assessment and planning.

## Investing in Early Childhood

UnitingCare Australia advocates strong investment in prevention services and supports to ensure that children can grow and thrive in safe and supportive families and communities. This includes providing supports for children, as well as for their parents, families and carers (such as positive parenting, family skills programs and, where necessary, trauma-informed care). Appropriate investment provides the most effective means to break cycles of poverty and address the complexity of issues that lead to children being removed from their families and placed into out-of-home care. Given the extremely high and rising rates of Aboriginal and Torres Strait Islander child removal, priority should be given to providing support to Aboriginal and Torres Strait Islander families that will ensure the healthy development of their children from conception onwards.

In addition, it is essential funding is increased and provided on a long-term basis to facilitate universal access to quality **early childhood education and care** for all Australian children. The benefits for children of early childhood education are clear and well established, including developmental gains, improved health and social wellbeing outcomes and economic productivity arising from improved educational outcomes. Early childhood education is also key to reducing educational inequities and the impact of early disadvantage on later educational outcomes and life chances.<sup>55</sup>

Despite the compelling need for a strong early childhood education system, Universal Access National Partnership agreements since 2013 have been short term, creating uncertainty for parents and their children, as well as for the sector, and for state and territory governments. Providing certainty via a five-year agreement would enable preschool providers to better plan their educational programs and infrastructure.

In addition, it is essential there is a more equitable distribution of funding. Despite the established benefits of early child education, there remains an unacceptable divide in both opportunities and outcomes between the poorest and wealthiest communities. A third of Australian children do not attend preschool for the number of hours needed to make a difference, and this proportion is much higher for children from disadvantaged backgrounds.<sup>56</sup> The growing divide between advantaged and disadvantaged young children is adding to the challenges for our overall education system which is already struggling to reduce gaps in achievement.

It is imperative the Budget both increases investment in early childhood education and ensures a system that distributes funding more equitably and efficiently. This includes reforming policy settings so that children can access two days of quality early childhood education and care, irrespective of their parents' workforce participation or other activity. To ensure greater equity, the activity test within the Child Care Subsidy should be redesigned so that children can have up to 30 hours per week of subsidised early education and care, without parents having to meet work or study requirements. In addition, the Government should fund a targeted program to support evidence-informed, culturally safe and well-integrated early childhood and family-focused programs in early education and care services that work with high numbers of Aboriginal and Torres Strait Islander children.

## Adequate income and a strong social safety net

UnitingCare Australia believes income support payments should be accessible to those who need it and paid at a level that ensures human dignity and an adequate standard of living. Our social security system provides an important shield against poverty and deep inequality, and maintaining our social safety net is essential to ensure households on low incomes can meet their needs and participate in society.

Successive budgets, however, have torn away at the foundations of our social security system, delivering a raft of savage cuts to the social safety net, opening up gaps in access, increasing conditionality and harsh compliance requirements, and reducing payments to the most vulnerable individuals and families. In a social security system that is already one of the most tightly targeted and meagre among comparable countries, the impact of such drastic cuts and reductions in access has been devastating.

The Government has justified more onerous compliance activities, meagre payments, and extended waiting periods on the basis that it will encourage people into work and reduce alleged 'welfare dependency'. We contest this justification. Working age payments for people on income support fall well-below the poverty line on any measure, and Australia ranks second-worst in the OECD for poverty rates among the unemployed.<sup>57</sup> Despite having one of the lowest payment levels for unemployment benefits, Australia has one of the most onerous and compliance-heavy social security systems in the OECD.<sup>58</sup> Contrary to government rhetoric, Australia's social security system is already lean and highly targeted, with support to the bottom 20 per cent of households more concentrated than any other OECD nation.<sup>59</sup> Our social security expenditure is low by OECD standards (at 8 per cent of GDP, compared to the 12 per cent average across the OECD), and has declined proportionately since 2000.<sup>60</sup>

We cannot risk any further erosion of Australia's social protection system without increasing poverty, social exclusion, community division and poorer population health outcomes. The social security system should not be further depleted to achieve a budget surplus. Its fundamental purpose is to protect people from falling into poverty. Forcing people to live below the poverty line does not help people into jobs, and it is crucial our social security system is strengthened rather than eroded through further cuts and punitive compliance measures. In a context of growing inequality, we believe that payments and support for people at risk of poverty should be the last place the Government looks for savings in the 2020 Budget.

### Increased and appropriately indexed support payments

One of the biggest risk factors to poverty in Australia is to receive Newstart, Youth Allowance or another allowance as your sole source of income.<sup>61</sup> Income support payments are unacceptably low and have failed to keep pace with rising costs of living. In real terms, there has not been an increase to the Newstart Allowance in over two decades, and the current payment of \$40 per day is simply not enough to meet basic living costs. The rates of Newstart and Youth Allowance fall well-below standard benchmarks for income adequacy and poverty – even when additional supplement payments (such as rent assistance or the energy supplement) are factored in.<sup>62</sup> Inadequate indexation has meant that payments and allowances have fallen behind wages growth and behind the costs of essential services.

The poverty and hardship experienced by those reliant on support payments not only robs people of their dignity, but also acts as a barrier to employment and participation, making it difficult for people to engage in education or training and maintain a sense of connection and belonging. People living on income support experience severe deprivation and are frequently unable to afford a proper diet, essential healthcare or secure housing.<sup>63</sup> All of these factors impact on the long-term health and wellbeing of individuals and families and the communities in which they live.

In addition to inadequate payment levels, recent Federal Budgets have tightened access to payments and introduced ever more punitive and complex compliance measures. One in four people who rely on Newstart Allowance have a disability<sup>64</sup>, and tighter eligibility for the Disability Support Pension (DSP) has forced a significant number of people with a disability onto the lesser payment of Newstart<sup>65</sup> – a meagre payment that in no way accounts for the additional costs associated with disability. Such measures are particularly disturbing given the disproportionately high rates of poverty experienced by people with a disability in Australia.<sup>66</sup> Australia currently ranks *highest* out of 27 OECD countries for the percentage of people with disability living in poverty, with around 45 per cent of people with disability in Australia living near or below the poverty line.<sup>67,68</sup>

A succession of harsh changes to payments for single parents has had a particularly devastating impact. Single parents with children over the age of eight have been forced off Parenting Payment Single and onto the lower Newstart payment. A freeze in income thresholds has also meant that payments to single parents are reduced more quickly if they re-enter work. Coinciding with these policy changes has been an increase in the rate of child poverty in single parent households, with one in three children in single parent households now living below the poverty line.<sup>61</sup>

A range of other measures have narrowed access or reduced payment rates, including the abolition of the Income Support Bonus, freezing allowance free areas, and the removal of backdated carers allowance payments. Additional restrictions for parenting and disability support payments have resulted in greater surveillance, intrusive and demeaning 'verification' processes, higher administrative costs to government, and often lower payments. Over recent years, there has been an application of a harsher compliance and sanctions regime; further extensions to payment waiting periods; and the removal of protections for certain groups of people who face difficulties completing a claim due to social vulnerabilities.<sup>69</sup> The cumulative effect of these changes has been billions cut from the social security system and increased financial hardship for people already living below the poverty line.

UnitingCare Australia calls on the Government to abandon these punitive measures and halt the relentless attacks on income support recipients. At a time of growing concern about economic stagnation and rising inequality, it is imperative the 2020 Budget prioritises poverty reduction and focuses on improving the adequacy of payments and the accessibility of support to those who need it. At a minimum, this must include:

- **increasing the rate of Newstart Allowance and independent Youth Allowance by \$95 a week, and indexing payments to wages and price increases;**
- **reinstating the Parenting Payment Single until the youngest child turns 16;**
- **revising income thresholds and taper rates to remove financial disincentives to moving from income support into employment;**
- **remove rules that unfairly restrict equitable access to the Disability Support Pension for people who have a chronic illness or disability; and,**

- **unfreezing indexation on eligibility thresholds for income support payments.**

In addition, UnitingCare Australia supports the establishment of an **independent payments review commission or tribunal** to regularly assess the adequacy of all social security payments (including pensions, allowances, family payments and supplements) and indexation arrangements. Currently, there is no regular independent assessment of the adequacy of income support payments. An arms-length commission or tribunal – much like the Fair Pay or Remuneration Commission – would be able to review the best available evidence and data, and recommend benchmarks for income required to achieve an adequate standard of living.

### Family payments

The core purpose of our family payment system is to protect against child poverty. Policies of recent governments, however, have slashed payments to vulnerable families, and this has coincided with an increase in the rates of children living in poverty in Australia.<sup>61</sup> Despite being one of the wealthiest countries in the world, around 17.3 per cent (739,000) of all children in Australia are living in poverty, an increase of 2 percentage points over the past decade.<sup>61</sup> The rates of poverty are highest among single parent households, with more than one in three (39 per cent) of children in lone-parent families living below the poverty line. Since 2012, the poverty rate for children in lone parent families has gone up from 36.8 to 39 per cent.<sup>10</sup>

Despite these high levels of child poverty, successive budgets have targeted family payments for some of the largest savings in the social security portfolio. Cumulatively, recent budgets have slashed billions from the family payments system. The upshot of such funding cuts is that families are forced to cover higher living costs with less. As Professor Peter Whiteford has concluded, cuts in family and sole parent payments have significantly increased poverty among children in Australia:

Since 2006, the cumulative effects of changes mean that for single parents still on Parenting Payment Single with two younger children have lost nearly \$85 per fortnight; about 6% of their disposable incomes. For families with older children (receiving Newstart), the loss is about \$271 per fortnight; a cut in disposable income of nearly 19%.

In a nation that is one of the wealthiest in the world, the persistence and growth of child poverty is reprehensible. It is essential this trend is reversed, and that the family payment system is strengthened to ensure low-income families are adequately supported to raise children and maintain an acceptable standard of living. Budget proposals to cut payments must be abandoned and the level, targeting and indexing of payments should be strengthened to ensure that payments are adequate and reaching those who need it.

### Conditional welfare and compliance measures

Australia not only has one of the lowest unemployment payment levels in the OECD, but also has one of the most onerous and compliance-heavy social security systems.<sup>70</sup> Access to income support is conditional on an ever-expanding regime of compliance activities and sanctions. This includes extensive job search requirements; mandatory participation plans; Work for the Dole; and, in some regions, proposed drug-testing trials and the expansion of the cashless debit card.

The Government's relentless focus on penalising rather than supporting people locked out of the labour market is driven by ideology rather than evidence. This approach feeds into

stigmatising rhetoric that denigrates people who receive income support and deflects attention from the structural and policy drivers of unemployment. Research shows that the primary barrier to workforce participation in Australia is not a disinclination to work, but rather a lack of real employment opportunities.<sup>71,72,73</sup> There is just one job available for every eight people who are unemployed or need more paid work.\* This lack of employment opportunities is a structural rather than behavioural problem and will not be addressed by imposing onerous obligations and sanctions or forcing people to live in poverty.

We therefore urge the Government to wind back, rather than expand, excessive participation requirements and sanctions for people who are unemployed. This includes a range of programs which target specific regions or population groups, such as compulsory income management, the cashless debit card, and the Community Development Program. These programs have failed to improve employment outcomes and have contributed to a range of social harms. The proposed drug-testing trial is another measure that is expensive, lacks supporting evidence, and is likely to increase harms including stigma, marginalisation and poverty.<sup>74</sup>

We are also concerned about the ParentsNext Program, which is compulsory for unemployed parents who live in designated areas and meet certain criteria of age and/or social disadvantage. Failure to comply with mandatory participation plans can lead to penalties and payment suspensions for program participants. This constrains parents' ability to exercise control over their lives and risks compounding financial hardship and distress. It also devalues the role of parenting and may reinforce inequitable employment outcomes by encouraging women with young children to accept precarious, insecure and inadequately remunerated work.<sup>75</sup> While we support programs that assist women who want paid work into meaningful employment, participation in such programs should not be compulsory and a condition for receiving income support. There is, in our view, no circumstance in which suspending or cancelling a parenting payment is an appropriate penalty.

### Compulsory income management

UnitingCare Australia urges the Government to scrap the cashless debit card and other forms of compulsory income management. Such policies are costly, demeaning, discriminatory and have ultimately failed to deliver any measurable benefits.

Income management is designed to restrict the purchases income support recipients make by quarantining a portion of their income, which in turn can only be spent on government approved items. The majority of those subject to income management are First Peoples and participating on a compulsory, rather than voluntary, basis.<sup>76</sup> According to the Government, the scheme is necessary to improve financial management skills, foster self-reliance, promote socially responsible behaviour, and prevent spending on illicit drugs, alcohol, gambling or pornography.

Beyond some limited success where people have entered into the scheme voluntarily, there is no evidence of meaningful or sustained benefits.<sup>19,77,78,79,80</sup> The most detailed evaluation of income management in the Northern Territory was devastating in its conclusions: no improvement in community wellbeing, no evidence of greater financial autonomy for individuals, an increased sense of disempowerment and dependence on welfare, and a general failure to meet the policy's stated goals.<sup>24</sup> There is no evidence that the majority of

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\* This ratio incorporates trend data on the number of people who are either unemployed or underemployed and is derived from the Australian Bureau of Statistics (ABS) Labour Force Data and the ABS Job Vacancy Data.

those subject to the scheme had been mismanaging their meagre income support payments, and yet the “tools envisaged as providing welfare recipients with the skills to manage have become instruments which relieve them of the burden of management”.<sup>81</sup>

There is also no compelling evidence that the cashless debit card has been effective.<sup>82</sup> Despite this, the Government has overlooked evidence of the harms arising from the card, and instead cherry-picked and misrepresented contested findings from a flawed evaluation to justify the card’s continuation and expansion.<sup>25</sup>

Ultimately, the cashless debit card and other forms of compulsory income management represent an expensive and ineffective policy approach that is demeaning and disempowering. It is discriminatory due to its disproportionate impact on First Peoples and contributes to stigma and humiliation among people who are made to feel responsible for their poverty.

Compulsory income management cannot conceal the reality that achieving ‘self-reliance’ is extremely difficult when you are living on inadequate income or in communities where education and essential services are under-resourced. Instead of maintaining this costly and ineffective program, we encourage the Government to redirect funding into productive programs and services that are developed in partnership with communities. Where individuals genuinely volunteer to participate in some form of income management, they should have access to an opt-in scheme designed in consultation with communities, and augmented by financial counselling, employment support and other wrap-around services.

### Equitable access to the social safety net

We strongly oppose measures to limit access to income support and social protections for new arrivals and other migrant groups in Australia. Access to social security should be determined on the basis of need, not on the basis of false distinctions between the ‘deserving’ and ‘undeserving’, or arbitrary social categories such as race, geographic location or migration history.

Recent measures to restrict access to new arrivals and certain migrant cohorts, however, undermine the non-discriminatory and needs-based foundation of our social security system. Since 2019, the Federal Government has imposed a four-year waiting period for a range of support payments and concessions for families, carers and people who are unemployed, in addition to extending the residency waiting period for the Age Pension and Disability Support Pension.<sup>83,84</sup> At the same time, many asylum seekers living in the community are being cut off completely from support payments, rendering them destitute and reliant on support from charities.<sup>85</sup> These measures coincide with various proposals to restrict access to citizenship and redefine visa and residency arrangements in ways that deprive some groups access to the social safety net, thereby compounding the marginalisation of the most vulnerable and disadvantaged migrant cohorts.

Excluding new arrivals and certain categories of migrants from basic social support contravenes values of fairness, justice and solidarity. Such a move is discriminatory and divisive, and risks creating an underclass of migrants cut off from the basic rights and supports afforded to other residents. It will result in some people being denied basic support payments if they have a new baby, have the misfortune to lose their job, fall ill, care for a terminally ill family member, or experience another circumstance that prevents them supporting themselves through work.



Of particular concern are the likely impacts on the most marginalised migrant cohorts, including women experiencing domestic violence, precarious workers vulnerable to exploitation, older migrants experiencing elder abuse, and asylum seekers with histories of trauma. Without access to a safety net, such groups risk being trapped in a cycle of poverty, precarity and vulnerability. In the context of an increasingly toxic political debate around migration, we believe such proposals represent a disturbing shift in our system of social protection and support, and one that must be actively resisted.

## Good health for all

Ensuring all people have access to the resources and opportunities essential for good health and wellbeing should be a priority for Australian governments. Yet health outcomes are uneven, and our health system is unbalanced. There is clear evidence that health is inextricably linked to socioeconomic status, with socioeconomically disadvantaged people more likely to suffer illness, disability, and a lower life expectancy.<sup>86,87,88</sup> Those who are the most socioeconomically disadvantaged are twice as likely to have a long-term health condition as the most affluent Australians, and will die on average three years earlier than the wealthiest.<sup>89</sup> In addition, First Peoples continue to experience an acceptable and pronounced gap in health outcomes.<sup>90</sup>

These health disparities do not simply arise from the health system and access to healthcare. Access to universal healthcare is crucial, but so too is a sustained focus on supporting the social determinants of good health and preventing disease and ill-health. When considering Budget expenditure, we need to more systematically factor in the health-related costs of cuts to education, housing and income support and, conversely, the downstream health benefits and savings that can be realised when we invest in the social infrastructure and services that support good health.

The current piecemeal, reactive response to preventable health conditions is leaving many people behind. Too much of our health spend is directed toward tertiary care or hospital services, with a mere 1.3 per cent of health expenditure directed toward preventative measures.<sup>91,92</sup> The failure to invest in measures to prevent chronic diseases and other health conditions has a detrimental and disproportionate impact on the health of people on low incomes, while at the same time placing an unsustainable burden on our health system.

We welcome the Government's recent announcement that it would develop a National Preventive Health Strategy.<sup>93</sup> This strategy is long overdue, however it is imperative it is backed up by dedicated funding and a mechanism to drive change. To support the strategy, we urge the Government to re-establish a national dedicated preventive health body to set nationwide goals, advise on evidence-based policy, direct strategic investment, coordinate implementation of initiatives, and assess the cost-effectiveness of population-wide preventative health interventions.

In addition to supporting the social determinants of good health and investing in prevention, it is imperative the Federal Budget supports a universal health system, which is the most effective, efficient and equitable way to ensure the delivery of health services. Yet the foundations of our universal healthcare system are being eroded by the ongoing inequities in the fee-for-service model of primary care, along with the shift toward a 'user pays' model, creeping privatisation, and an increasing reliance on co-payments. The growing proportion of healthcare costs falling directly on individuals and families has contributed to deepening health inequities and barriers to access. Compared to comparable countries, Australians already pay excessive out-of-pocket costs on healthcare, and among wealthy countries we have the third highest reliance on out-of-pocket payments.<sup>94</sup>

Compounding these issues are the billions that the Government provides each year to prop up the private health insurance industry. Private health insurance subsidies are diverting enormous amounts of public money – money that could have supported publicly-funded universal healthcare – into supporting a private health insurance industry that doesn't contribute to population health and undermines equity. The Government's own estimates show that the Private Health Insurance Rebate will cost taxpayers more than \$6.4 billion for

2020-21.<sup>95</sup> There is clear evidence that the Rebate has failed to take the pressure off public hospitals and is contributing to a two-tier health system that provides access to care based on the ability to pay.<sup>96</sup> We believe expenditure on the Rebate should be redirected to support better population health outcomes, including support for community-based services and addressing existing gaps in the health system.

One particular gap in the health system that requires urgent attention in the 2020 Budget is oral health. Oral health is fundamental to overall health and wellbeing, yet the disparities in access to oral care are stark in Australia.<sup>97,98</sup> For many disadvantaged individuals and families, the costs of dental treatment place it beyond reach. The groups of people who are least likely to access care and treatment are those on low incomes<sup>99</sup>, Aboriginal and Torres Strait Islander peoples<sup>90</sup>, people living in remote areas<sup>100</sup>, people with disabilities, young adults on income support, and sole parents.<sup>101</sup>

Despite this, little has been done to address the unmet oral health needs of low-income and disadvantaged groups. Instead, the Federal Government continues to provide almost as much financial support for dental care through the Private Health Insurance rebate (which disproportionately benefits middle and higher income earners and the private health insurers themselves) as it provides to low-income households through the Child Dental Benefits Schedule and the woefully under-resourced National Partnership Agreement on Public Dental Services for Adults.<sup>98</sup> Commonwealth funding urgently needs to be increased to ensure those who need dental care can access it, irrespective of their income or social and locational circumstances.

We also need to see a genuine commitment to improving Australia's mental health system. This includes addressing the chronic underfunding of community-based mental health services, the variability of care across the country, and growing rates of suicide. Despite some welcome small-scale measures announced in recent years, the Federal Government has failed to deliver the systemic changes and additional resources that are urgently needed.

While there is a marked lack of capacity at all levels of mental health care, underfunding is particularly pronounced in relation to adolescent mental health, refugee and migrant mental health, First Peoples mental health, and mental health services in regional and remote areas. Problems with the rollout of the NDIS remain an ongoing concern for many people with poor mental health, and it is imperative the forthcoming Budget ensures people living with a mental illness or psychosocial disability are able to access and receive appropriate, coordinated support – irrespective of whether they are eligible for the NDIS. People who live with a mental illness also continue to experience stark disparities in physical health outcomes and life expectancy, and more needs to be done to strengthen the coordination of mental healthcare with the wider health system, including Primary Health Networks.

## Budget transparency

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Understanding how budget measures affect different groups in society is key to understanding how the budget will alleviate or exacerbate inequality and poverty. Such an understanding is also vital to democratic accountability and informed public debate.

Recent budgets have often seen important information and analysis omitted from public view. Previously, a distributional analysis of budget measures had been released, showing how people across the income spectrum were differentially affected by policy decisions in the budget. This analysis, however, was omitted from the 2014 Budget Papers and has been absent since.

The presentation of certain measures has also become increasingly opaque, with the Budget Papers obscuring important information that helps to understand exactly how funding is allocated and how specific budget decisions effect different population groups. For example, in Aboriginal and Torres Strait Islander programs and services, various program streams have been absorbed into broad categories which make it difficult to discern and identify how funds are actually expended. Metrics on Indigenous program and sub-program funding levels and distributions are often absent, and unspent funds are reshuffled and rebadged in ways that make it unclear whether 'new' funding announcements actually represent additional funding, or whether they are simply being provided at the expense of other previously announced programs. Similar such problems have been evident in program grants for social services and community health initiatives provided by the Department of Social Services and the Department of Health respectively.

An additional gap in current budgetary processes and reporting arrangements is the lack of reporting mechanisms that track budget measures against the UN Sustainable Development Goals (SDGs).<sup>\*</sup> UnitingCare Australia firmly supports the Commonwealth Government's stated commitment to implementing the SDGs. Given budgets are the primary political and economic expression of government policy, embedding the SDGs into budget processes and reporting is key toward their achievement.<sup>102</sup> As noted in a UN compendium on institutional arrangements, "Budgets can be used to track support to specific targets, identify opportunities for adjustment and constitute an incentive for alignment and integration of programs with the SDGs".<sup>103</sup> Despite this, budget reporting in Australia is characterised by a lack of distributional analyses and reporting linked to SDGs.

This lack of transparency is undermining the accountability of the budget process. In addition, savage cuts to the Australian Bureau of Statistics and the Australian Institute of Health and Welfare have reduced the availability of data that assists in monitoring and modelling the impacts of given budget measures on different population cohorts.

In the interests of accountability, we urge the Government to improve the transparency of expenditure decisions and to publish more detailed analysis of budget measures. This includes implementing budgetary processes and reporting mechanisms that show the effects of budget revenues and expenditures on the SDGs. It also requires modelling the overall impact of budget measures on different population groups – including by income, household type, parental status, and gender. Restoring this type of analysis in the Budget Papers would be an important step in improving transparency and government accountability for measures that effect poverty and inequality across the community.

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<sup>\*</sup> The Sustainable Development Goals, adopted by all United Nations Member States in 2015, comprise 17 interdependent goals which aim to address the three aspects of sustainable development – economic prosperity, social development, and environmental protection.

## Conclusion

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In this Budget, the Federal Government faces a clear choice. It can make decisions that entrench inequalities, that deliver tax cuts to the most wealthy and deplete the revenue needed to fund our hospitals, schools, aged care system, community services and public infrastructure. Or, it can choose to remove inequitable tax concessions and loopholes and invest in our communities, our public services, and our social safety net.

If the Government continues down the pathway of more tax cuts and spending cuts – and those spending cuts are directed to public services, shrinking the social safety net, and shifting to ‘user-pays’ systems in essential services such as healthcare and education – it is inevitable that the wealth gap in Australia will increase and become further entrenched.

The Government has an opportunity to make the investments and deliver the policy measures to provide justice and self-determination for First Peoples, tackle inequality and poverty, take action on climate change, and guarantee the resources to fund healthcare, community services and aged care that meets the needs of everyone in our community, today and into the future.

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