



AUSTRALIAN
LOCAL GOVERNMENT
ASSOCIATION

Submission to the Senate Standing Committee on Community Affairs

In response to the Inquiry into the adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia

10 SEPTEMBER 2019

Introduction

The Australian Local Government Association (ALGA) welcomes the opportunity to make a submission to the Senate Standing Committee on Community Affairs Inquiry into the adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia. This submission builds on an increasing community discussion about the adequacy of Newstart and related payments and whether these payments are sufficient to meet the basic everyday needs of Australians receiving these welfare payments regardless of where in the country they live.

This submission seeks to highlight information about how the current levels of Newstart and related payments impacts on the broader community and local governments ability to deliver services to their community. The information is provided to assist the Committee understand the pervasive impact of inadequate welfare support for vulnerable members of the Australian community.

Local Governments Nationally

The Australian Local Government Association (ALGA) is the national voice of local government. It is a federated body of state and territory local government associations that represent 537 local government authorities across the country.

Local Government nationally employs just under 189,500 Australians (around 10 per cent of the total public sector), owns and manages non-financial assets with an estimated written down value of \$426 billion (2017-18), accounting for 33.1% of Australia's public infrastructure, raises around 3.6 per cent of Australia's total taxation revenue per annum and has annual operational expenditure of around \$37 billion (2017- 18), six per cent of total public sector spending.

Local Government's expenditure is directed towards the provision of local infrastructure and services across the nation. These include: housing and community amenities; transport and communications; recreation and culture and general public services. In 2017-18 local governments nationally spent \$3.8 billion on housing and community amenities and another \$1.8 billion on social protection¹

It should be noted, at an aggregate level, local government undertakes its work while being more than 90% self-funded. However, many rural and regional councils do not have the means

¹ Australian Bureau of Statistics (2019) Government Finance Statistics, Australia, 2017-18 55120D0019_201718

to collect the same revenues as their urban and larger regional counterparts and are consequently are reliant on external funding sources. Adequate grant levels are absolutely critical for these councils to be able to function in the best interests of their residents and to equalise the availability of services and infrastructure across the country.

Considerable local government funds are spent on vital work that relates to broad national issues. As the level of government closest to the community, ALGA is aware of, and understands the myriad of challenges faced by local communities as they live, work and interact in an increasingly complex domestic and global environment. Local communities require support to respond and adapt to factors they cannot control, such as drought, natural disasters and economic upheavals.

Local Government strives, wherever possible, to assist communities to overcome these types of challenges, enhance their capacity to respond to new and unforeseen challenges and identify opportunities that can help build resilience and increase overall prosperity.

Each year ALGA convenes the National General Assembly (NGA) of Local Governments where representatives from councils from across Australia gather to discuss issues of importance to the sector. In the lead up to the NGA councils submit motions on issues of national significance to local governments. These were formally debated and voted on by delegates at the NGA. Successful resolutions are subsequently considered by the ALGA Board and referred to the Australian Government for their consideration and action as appropriate.

At this years' NGA, held in June, councils overwhelmingly supported a motion as follows "that the National General Assembly calls on the Federal Government to significantly raise Newstart, Youth Allowance and all underfunded social security payments and that all payments be indexed at the same rate as the pension as this has been recognised as an absolute minimum standard of living". At the 2018 NGA the following motion was also overwhelmingly passed "in light of the burden placed on local governments across Australia to respond to the needs and challenges of people living in poverty and homeless, that the National General Assembly calls on the Federal Government to raise the Newstart Allowance to the level of the Henderson Poverty Line to increase the wellbeing and life chances in our community".

The Economic Costs of Inadequate Income Support Payments

As highlighted above, local governments raise only 3.6% of Australia's total taxation revenue. They also face multiple and competing demands on their limited financial resources. Poverty within the community creates additional demands on local government services particularly in 'thin markets' such as rural and remote area where there may be no other services available to support vulnerable members of the community or in local government areas such as the inner

cities where the vulnerable may congregate. For examples, local libraries provide community members with access to information technology in order to apply for jobs but also can act as de-facto childcare centres when children are left there unattended when their parents attend job interviews. Librarians may also provide welfare recipients with assistance and opportunity through education, literacy, and access to information technologies. A local library branch provides a safe place and resources for the poor, homeless, unemployed immigrants and marginalised people. The City of Melbourne has invested in a dedicated social worker to work in its libraries, as part of an Australian-first program to provide support services to at-risk people such as those experiencing homelessness.

Local governments as the level of government closest to the community, plays an important role in engaging with and planning for the needs of their communities. Some councils choose to extend their involvement in housing their community beyond the traditional land use planning requirements for example by collaborating with local community service providers, providing information about homelessness services and supporting innovative solutions to homelessness which include prevention, supporting crisis and other services and assisting with pathways out of homelessness.

Whilst there is no specific mandate for Local Government to play a major role in addressing homelessness, Local Government through its planning, health, community development and regulatory powers can facilitate positive local and regional responses to end homelessness. For example, the City of Sydney is investing \$6.6 million over 3 years to operate their Homelessness Unit – the only Council in NSW with a dedicated service – and is working in partnership with the state government, non-profit philanthropic organisations and the corporate sector, to facilitate rough sleepers out of homelessness, prevent people from becoming entrenched in homeless in the inner-city, help avoid homelessness in other regions and make sure those who do become homeless are assisted out of homelessness quickly. The City of Melbourne is also providing direct support and funding for programs addressing homelessness and coordinating support services for rough sleepers including an in-house assertive outreach team to help rough sleepers find permanent pathways out of homelessness in partnership with Launch Housing. Other councils are also involved in homelessness projects that reflect the needs and demographics of their communities.

These investment decisions mean that the council is not able to fund other worthwhile projects in the local government area including projects that have both social and economic benefits including job creation. It is also in effect a form of cost shifting from the Australian Government onto local governments and the local communities they serve. This is not new. In 2003 the House of Representatives Standing Committee on Economics, Finance and Public Administration tabled *The Fair Share Report* on cost shifting and local government finances highlighting that “... health and welfare is a major area of cost shifting onto local government.”

With the Government's continued reticence to increase Newstart and related payments this cost shifting will continue.

In addition to people experiencing or at risk of homelessness we recognise that many people who are on Newstart may be home owners and consequently are required to pay council rates². Whilst local governments across the nation empathise with Newstart recipient and the significant challenges that they face surviving on this payment we would be concerned if the Committee recommended that rating concessions and rebates be extended to Newstart recipients without supplementary funding to local governments to provide services to their communities. If this occurred, we would likely see a repeat of the situation where across Australia Local Government's rate revenue has been impacted by the transfer of public housing to the community housing sector over recent years. As community housing, unlike public housing, receives a rate discount, councils either needed to absorb the reduction in rates impacting on their ability to provide services for the wider community and upgrade ageing infrastructure or rates needed to rise for other ratepayers to address the shortfall. This is not a satisfactory outcome for any community.

Conclusion

Local Governments across Australia are concerned about the adequacy of Newstart and related payments on both individuals, families and the community more broadly. Many local governments address the impacts of an inadequate safety net payment on a daily basis. In many cases they are providing both services and infrastructure to assist the unemployed and other vulnerable members of the community meet their daily needs and specific requirements associated with individuals maintaining their income support payments. This is in effect cost shifting from the Australian Government, which raises over 80% of Australia's tax revenue, to local governments who raise only 3.6% of the nations tax revenue.

We thank you for the opportunity to provide a submission to this Inquiry. If you wish to discuss any aspect of our submission please do not hesitate to contact Ms Roz Chivers, Executive Director Policy and Research

Adrian Beresford-Wylie
Chief Executive

² According to figures from the Department of Social Security in 2019 over half a million people over the age of 34 were receiving Newstart. Of these almost 184,000 are 55 years and older.