

Mr David Thodey AO  
Chair  
Treasury Department  
52 Martin Place  
Sydney NSW 2000



Via email: [FFRReview@treasury.nsw.gov.au](mailto:FFRReview@treasury.nsw.gov.au)

Dear Mr Thodey

***Re: NSW Review of Federal Financial Relations***

Thank you for the opportunity to provide a submission to the NSW Review of Federal Financial Relations.

NCOSS is the peak body for social and community services in NSW and represents over 400 organisations who work with people and communities experiencing inequality and disadvantage. We advocate as an independent voice to progress social justice and shape positive change in NSW.

Enshrined in our constitution, our role includes representing the needs of disadvantaged and vulnerable individuals and groups to all levels of the government and non-government sector. It also includes developing informed public opinion. We believe a critical part of this process is strengthening opportunities for civil society voices to be heard on the issues that matter to and impact them.

NCOSS recognises the opportunity that this review presents to improve the efficiency and transparency of interactions between the NSW and federal governments. There is no doubt of the need to ensure that taxpayer dollars are invested to provide citizens with the best possible returns. These returns include a fair and equitable society where basic needs of citizens are met, where people are treated with dignity regardless of financial circumstance and where all have equal opportunity to reach their potential.

This submission briefly outlines key issues for consideration during the review.

The Discussion Paper recognises state responsibility to continue to fund and deliver government services, including community services.

The community sector is currently a significant economic contributor, employer and provider of services in NSW. The workforce comprises 12.5% of the NSW workforce. The sector also provides opportunities for volunteers who contribute around 328 million unpaid hours. Employment in the sector has grown by over 24% in the past five years. It will continue to be a growth industry as demographic and community needs change.

Building a sector that can meet the needs of the NSW community is an economic and employment opportunity. It should be noted however that there are a number of challenges facing the sector including two immediate threats to service delivery.

Inadequate indexation for NGOs providing essential services, such as domestic violence, housing and homelessness and services for vulnerable families, is in effect a funding cut. The most recent budget allocated 1.75% indexation for Department of Communities and Justice funded services which was later adjusted to 2%. This is too low to fund the increased costs of business as usual for services. These costs include mandated annual increases to the national minimum wage under the SCHADS award and annual increases in operating costs such as rent, electricity and council rates. Moreover there is no indication

or certainty for services that future funding will include provisions in lieu of the Equal Remuneration Order (ERO) supplementation which finishes in 2021.

The NSW government has recognised the efficiency of the community sector in delivering services. This has in part informed the transfer of responsibility for provision of social services from the government to the community sector. Noting that this policy decision has resulted in efficiencies there is no justification for the community sector to bear the burden of future cost cutting. Indeed the need for growth funding to respond to rising demand generated by occurrences such as drought, bushfires, declining regional economies should be considered.

Adequate funding of services will allow them to be effectively delivered and the state to fulfil its responsibility to ensure that all citizens have their basic needs met.

NCOSS supports the modernisation of commonwealth-state funding agreements and an approach that provides states with flexibility in expenditure. Flexibility should be accompanied by transparency, including reporting via the budget process on expenditure on community and social services to the citizens of NSW. This was not the case with the NSW Budget 2019-20 papers which did not provide sufficient detail on expenditure on community services, particularly funding for NGO delivered programs. Requests by the sector for this information have gone unanswered.

Similarly, NCOSS supports the flexibility being sought by the state from the Commonwealth to allow for less prescription and a greater focus on delivery of outcomes. These principles should also be applied to funding agreements between the NSW government and the community sector. Consistent with recommendations made by the Productivity Commission inquiry into human services reforms, standard contract lengths should be extended to facilitate more sustainable service delivery in the community.

With regard to modernising tax systems and federal-state arrangements, the following information is provided for consideration.

### **Income support and individualised funding models**

Federal policy settings, such as inadequate income support and the move towards individualised funding, shift costs to the states when people fall through the cracks.

Inadequate rates of income support accompanied by punitive compliance requirements continue to entrench inequality and disadvantage in NSW. It is now widely acknowledged that Newstart is insufficient to provide an adequate standard of living and to support people to gain employment. Access to income support is also increasingly accompanied by punitive compliance requirements that stigmatise and isolate individuals and families. Poverty and entrenched disadvantage inevitably results in increased demand on state funded services, particularly in the areas of child protection, mental health and housing.

The introduction of individualised funding packages, such as the National Disability Insurance Scheme and My Aged Care, has resulted in increased demand on state funded services. This demand is related to the increasing numbers of people requiring support to access personalised care through the NDIS or aged care system. Many people are ineligible for care plans, or are eligible but are on long waiting lists and/or find it impossible to navigate the increasingly complex systems. Local services end up supporting many of these people without the extra resources to do so.

### **Gambling taxes**

NSW is the biggest gambling state in the biggest gambling country in the world. In the next decade the people of NSW are predicted to gamble \$85 billion on gaming machines, generating \$22.5 billion in tax revenue. Most of this revenue will come from the most vulnerable and disadvantaged communities in NSW.

The Discussion Paper makes reference to a Commonwealth Productivity Commission recommendation that ‘the NSW government eliminate tax concessions for certain types of gambling providers and instead provide support for community activities via transparent and direct government funding.’<sup>1</sup> While the Productivity Commission’s recommendation is supported in principle, the benefits of tax revenue from gaming machines may not outweigh the significant costs of gambling related harm to communities. The social cost of gambling throughout Australian communities is estimated at \$4.7 billion, yet the social and community service sector who are responsible for meeting the needs of the impacted communities are chronically under-resourced.

The current tax exemptions on gaming machine profits require further consideration. In 2019-20 the NSW government will forfeit \$907 million of revenue as a result of these tax exemptions. This is almost the entire budget of the Stronger Communities Cluster.

NCOSS also holds serious concerns about the transparency of the ClubGRANTS scheme and its overall ability to remedy some of the social harms caused by gambling. In NSW Clubs are eligible for tax rebates of up to 1.85% on gaming machine profits if they fund community programs through the ClubGRANTS scheme. Of the 2% of gaming machine profits paid into the ClubGRANTS scheme, 20% can be paid as “in-kind” support. For example, by leasing a room to a fishing club and putting a monetary value on it.

Unlike Victoria, NSW Clubs are not compelled to publish a full list of grants and donations, meaning there is no transparency or accountability on how funds are allocated. NCOSS representatives that sit on ClubGRANTS committees report that funds are often allocated to ‘pre-ordained’ organisations. This is done in two ways:

- A portion of funds are not considered by the committee because it has been promised to ‘sponsors’.
- Within the funding pool, clubs decide to award to organisations that they have a relationship with or can benefit the club rather than seeking committee input and voting on the preferred project.

The ClubGRANTS scheme is presented as funding for the community sector but there is no evidence it is delivering measureable benefits to communities which is an ever-increasing requirement under contracting arrangements in the community services sector.

### **Housing and land taxes**

As at 30 June 2019 there are over 50,000 applicants for housing in NSW. Over 4,500 of these are priority housing applicants. For most of Greater Sydney the wait time for social housing is over 5 years, and for much it is over 10 years.

It is estimated that there needs to be at least 5,000 additional social housing properties every year for the next 10 years to meet the current social housing need in NSW.<sup>2</sup> This same research highlighted that direct investment by governments would provide a 24% saving compared to the option of a revenue subsidy model.

Social housing is essential infrastructure. State and federal governments should review the current federal and state tax arrangements on housing and develop an agreed and consistent approach to investment in social housing and the homelessness service system. This should include agreement on

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<sup>1</sup> *NSW Review of Federal Financial Relations: Working Together for a Better Future* (Oct, 2019) p. 13.

<sup>2</sup> Lawson, J., Pawson, H., Troy, L., van den Nouwelant, R. and Hamilton, C. (2018) *Social housing as infrastructure: an investment pathway, AHURI Final Report 306*, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/306>, doi:10.18408/ahuri-5314301

the roles and responsibilities, commitment to transparent and regular reporting and management and the development of a long term strategic investment approach.

Consideration should also be given to a broad based land tax to replace stamp duty. In 2014 NCOSS worked with the NSW Business Chamber to explore options for the reform of property taxes. The report on this work *Taking on tax: reforming NSW property taxes* can be found at <http://www.nswbusinesschamber.com.au/NSWBC/media/Policy/Thinking%20Business%20Reports/FINAL-NSWBC-NCOSS-Taking-on-Tax-Report.pdf>

### **Mental health**

The current arrangements for the funding of health services do not systematically allocate responsibility for community mental health care. The result is a significant 'missing middle' in service provision, between primary care and hospitals. The community mental health care sector is under-funded and struggling to support people falling into this gap.

The mental health system continues to lack direct pathways to community services that combine psychosocial, peer and clinical support as well as information, resources and referral to acute services. For those who are able to access support, it is increasingly challenging to navigate the complex system that is often not person-centred or designed to accommodate and address intersecting needs. There are also particular issues for people with complex mental health issues exiting prisons and hospitals. They are rarely provided with adequate support to transition back into the community and find stable housing, placing them at greater risk of homelessness and re-admission to institutional care.

I hope that the information provided will assist the Panel in the development of the draft report and welcome the opportunity to participate in further consultations. Should you require any additional information, or wish to discuss any of the issues raised in this submission please contact Anna Bacik, Director, Policy and Research on 02 8960 7917 or [anna@ncoss.org.au](mailto:anna@ncoss.org.au).

Yours sincerely

A handwritten signature in cursive script that reads "Joanna Quilty". The signature is written in black ink and is positioned above the typed name and title.

Joanna Quilty  
Chief Executive Officer  
NSW Council of Social Service  
**29 November 2019**