



# 2005-06 NSW State Budget Analysis

## A social justice Budget? - overview

With a strong economy and a budgeted surplus of \$303m, NCOSS is disappointed that the NSW Government has made only a small attempt to address long term, chronic recurrent underspending across a range of human services.

Whilst the capital works (infrastructure) program has been boosted by an additional \$4 billion over four years, a sizeable portion is dedicated to law and order and roads.

### Economic overview

The NSW economy continues to grow with a projected growth of 2.75% and unemployment steady at 5.25%. The risks to this growth come from areas such as skills shortages.

A Fiscal Responsibility Bill was introduced with this Budget, which aims to keep the general government liabilities as a diminishing share of Gross State Product, moving to 6% by 2014-15.

There will be an increase in stamp duties on some forms of insurance and an increased dividend from electricity companies.

### Aboriginal Affairs

With several reannouncements, this was a disappointing section of the Budget. The Aboriginal Communities Development Program has been extended, while the Aboriginal Housing Office's expenditure has been reduced by 0.1%.

### Community Services

The overall budget for the Department of Community Services (DoCS) now totals \$1 billion, with an increase this year of \$75.6m (as per the 2002, five year enhancement package).

Significant overspending on out of home care services for high and complex need children and young people has yet to be successfully managed. There has been no increase in the Foster Carer

Allowance, and no increased spending for the Community Services Grants Program or Children's Services, which threatens the viability of these programs.

### Corrective Services

There has been an increase in capital expenditure with 1,500 new beds to be implemented over five years. However, the official visitors program and employment programs have both had funding reduced.

### Disability

With a total budget of \$1.5 billion, about half of these grants are now going to non-government organisations.

Programs to assist in the transition for people with disability to supported accommodation, have received welcome funding, with another \$2.9m going to increase the availability of respite care.

However, there has been no new allocation of funds to the Attendant Care Program.

### Health

The main focus of the health budget is on infrastructure, beds and waiting lists, with a small increase for mental health programs. It is a disappointment that primary and population health continue to be of lower priority than acute care, which is in contrast to NSW Health's stated goals.

As previously announced, mental health services receive an extra \$22m in 2005-06, which will go towards emergency care services and new community mental health initiatives.

However, there were no increases in oral health, health related transport and IPTAAS which are key health needs identified by communities during NCOSS consultations.

## Housing

The Budget contained both strengths and weaknesses in addressing the critical funding shortfall in public and community housing.

Strengths include addressing the backlog in maintenance work and a small increase in the numbers of social and public housing stock.

Weaknesses contained in the budget are that unmet consumer demand is likely to increase over the next ten years and that the recent Reshaping Public Housing plan will have negative impacts on the financial sustainability of the Department of Housing due to changes to the tenant mix.

## Legal Aid

Community legal centres have had a funding increase of 6.3% while Legal Aid will receive an extra \$10m. The Domestic Violence Court Assistance Scheme has had an extra \$600,00 allocated for 2005-06, something NCOSS has argued for strongly.

## Older People

NSW has matched the Commonwealth offer of an 8.1% increase for Home and Community Care, with total funds reaching \$468.7m.

Transitional Aged Care has also increased with 390 new places available for the year ahead.

## School Education

Private schools have had an additional \$37.8m, while there has been no attempt to address the

backlog in public schools' maintenance. There has also been funding allocated to allow for the recruitment of an additional 660 teachers' aides for those with special needs.

However, there are no increases in funding for English as a Second Language teachers. A welcome initiative is the additional \$53m over four years for Aboriginal education, although the figure falls well short of what we understand the recent Review recommended.

## TAFE

There has been no overall recurrent increase in funding, despite the acknowledged skills shortage in the employment market. However, capital expenditure did receive an additional 7%.

## Transport

Concession funding has been reduced by 9.7% as a result of changes to the Pensioner Excursion Ticket and a decline in CountryLink travel. Easy access upgrades for CityRail stations will receive an increase of 24%.

Sydney Buses have had funding increased, while ferries face a cut of 33%. NCOSS also has concerns about the use of the Parking Space Levy in funding the Parramatta interchanges and other bus stations.

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## Aboriginal Affairs

The overall budget for the Department of Aboriginal affairs is now \$56m, an increase of \$6.6m in 2005-06 over the revised figures for 2004-05.

This increase was due to a scheduled increase in expenditure for the Aboriginal Communities Development Program (ACDP), a capital construction and infrastructure program aimed at improving health and living standards in 22 Indigenous communities.

It was announced that this program would be extended from a seven year, \$200m project, to a 10 year, \$240m project to be completed in 2007-08. In 2005-06, the ACDP accounts for \$45.1m of Aboriginal Affairs expenditure.

Just over one third (\$18m) of ACDP moneys will be directed to the Aboriginal Housing office to build and purchase further housing.

The Budget papers re-announced the Two Ways Together Package and committed \$10m for 2005-06. The four year project started in 2004-05 and funds existing programs across multiple agencies.

Under NSW Health, Aboriginal Health Services have increased expenditure by a total of 7.3% on last years revised budget, to bring total expenses up to \$56.8m. NCOSS welcomes this expenditure.

The Budget papers announced an Aboriginal Education Enhancement of \$53m over four years

for the Department of Education and Training, with \$7.8m allocated for 2005-06.

The Department plans to implement most of the recommendations from the Review of Aboriginal Education, they specified the provision of:

- Individualised learning plans
- Increased access to pre-schools
- Enhanced development of staff working with Aboriginal students

NCOSS is concerned that \$53m over four years may be inadequate; The Sydney Morning Herald reported on 5 May, 2005, that the Department's own costings of carrying out the recommendations was \$80m.

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## Ageing, Disability and Home Care

The overall budget for the Department of Ageing, Disability and Home Care (DADHC) in the next financial year will top \$1.5 billion recurrent, half of which goes to funded organisations.

The reporting in the DADHC Budget papers is extremely unclear as the various funding programs are grouped into the broad categories of Supported Accommodation and Community Support. Actual progress in funding programs under these categories is difficult to follow. DADHC could improve its financial reporting along the lines of the comprehensive and transparent DoCS' summary report on Budget initiatives.

### HACC, Aged Care and Carers

The Home and Community Care program (HACC) is jointly funded by the Federal and State Governments to provide basic support services to enable older people, people with disability and their carers to remain in their own homes and avoid premature entry to long term residential care. HACC provides food services, community transport, home nursing, domestic assistance, personal care, home modification and maintenance, neighbour and social support and services to people with complex care needs.

The Productivity Commission reported that, in 2003-04, NSW had the lowest government real expenditure per capita of eligible population on HACC services as well as the lowest per capita HACC services received per 1,000 eligible population in Australia.

The NSW Government appears to have met the Federal Government HACC growth allocation of 8.1% totalling \$33.5m bringing total HACC investment to \$468.7m in NSW. The NSW growth

contribution is \$13.7m. NCOSS, however, calculates that this total increase translates into a growth rate in real terms of 6.7%. While this is a very welcome increase, it falls far short of the 20% recommended in the NCOSS Pre-Budget Submission.

The HACC State Plan has finally been signed off in early June. This Plan will permit the release of around \$20m unspent funds from 2003-04 financial year. Due to this unacceptably late approval and consequent delayed distribution of HACC funding from the 2004-05 financial year, there will be at least another \$31m of unspent funding, again awaiting approval in the next round of joint government sign-offs. The Federal Government estimates a much higher amount of unspent funding in NSW. Last year, then Minister Tebbutt reported negotiations with the Federal Government to avoid these unacceptably long holdups but this year's delay has been the longest in memory. This year, Minister Della Bosca made the same commitment.

The Home Care Service of NSW (HCS) has received an increase of 6% over last year's allocation. DADHC reports that HCS has one third of the HACC market share and that the increase will deliver and increase of 10.5% in hours, including efficiency gains from last year. This will translate into service provision proportions of 48% domestic assistance, 38% personal care and 14% respite and other services.

Despite NSW being one of the lowest jurisdictions for Aboriginal and Torres Strait Islander HACC clients receiving HACC services, there was no specific mention of services to this identified priority group.

The State Government will continue its contribution towards the Federally funded Veterans' Home Care Program and will match the Transitional Aged Care pilots. NSW will not, however, match the funding for respite for older carers announced in the 2004 Federal Budget at a cost to NSW of around \$14m. No prior negotiations with NSW were arranged before the Federal Government announcement and this means that older carers in NSW may miss out on these promises.

The NSW Budget papers reveal an \$800,000 increase in expenditure for the Ageing Program over last year. This effectively returns the allocation to this previously diminishing program to its 2002-03 funding levels. No accompanying announcement explained the increase and the DADHC Budget material lists a smaller expenditure amount of around \$4.5m including continued funding of \$2.5m towards the Dementia Action Plan, \$1.5m for organisations supporting older people and \$350,000 for the Seniors Information Services, contracts for which expire this year when tenders will be called. DADHC will spend \$2.5m on Seniors Week.

NCOSS and the NSW Aged Care Alliance are gravely concerned at the apparent downgrading of older people as a priority for the NSW Government.

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## Disability

Minister Della Bosca explained that 45% of disability funding goes to only 3% of the clients. There were a number of very welcome budget initiatives.

There will be \$10.1m this year to support 120 people with disability transferring from other government agencies. This includes people turning 18 years who were previously state wards under the responsibility of DoCS. Approximately, 30 people leaving the Department of Corrective Services' responsibility will be supported through the development of a transition program possibly including on-going support. This allocation will increase to \$110m over four years.

The Budget Papers and Departmental announcement vary but there will be \$3.5-4.5m to support people with disability affected by Boarding

House closures. An amount of \$24.8m will provide premises for these two initiatives.

Arising from the recent consultation process around new models of supported accommodation, there will be \$1.2m (rising to 8.4m over four years) to trial new models. Children and young people in direct DADHC accommodation services will be able to purchase necessary aids and equipment up to \$2.5m this year. These people with disability are ineligible to access the Provision of Aids for the Disabled Program (PADP).

There will be \$6.8m to support children and young people to remain at home, and this will include 20 new DADHC case managers. An expansion of the Behaviour Intervention Services to cover all regions will cost \$800,000.

DADHC reports \$2.2m for respite to benefit up to 300 people and families. DADHC admitted this will free up currently "blocked" respite beds. NCOSS is concerned that this serves to restore desperately needed respite rather than increase its provision.

New funding of \$6m has been allocated to the Community Participation program, arising from the ATLAS reform process. This allocation will not restore previous levels of service provision but is intended to supplement services to people with very high support needs and increase all Community Participation service users to a minimum of 18 hours per week.

NCOSS notes that this continues to represent a cut to individual programs over last year and that the new money may have been re-allocated from last year's cuts. This allocation will be released to services for the remainder of 2005 ahead of a new tender process for all existing Community Participation providers. NCOSS also welcomes increased and more realistic funding levels in the forward estimates for the Program up to 2009. NCOSS will continue to pressure for improvements to the adequacy, quality, portability and flexibility of supports in post-school and adult programs.

There were no new Attendant Care places announced in this Budget. A slight increase was noted to the desperately needed and under-supplied PADP program but the Physical Disability Council of NSW records its serious disappointment at funding levels for this program.

While a capital amount of \$15.9m was allocated towards devolution of people with disability from large disability institutions, it is unclear whether this is a new amount. No recurrent funding was announced towards this initiative and NCOSS notes that stage one has not yet been completed and there are no current plans for progressing stage two to complete the closure of all institutions by 2010. The Director-General announced a discussion forum on disability issues scheduled for late June and a Roundtable on supported accommodation in July.

As in previous years, NCOSS again notes an overspend of \$30m by DADHC under the supported accommodation and community support categories. When asked how DADHC would deal with this overspend, the Director-General explained that DADHC will take steps to review its operations and create efficiencies. It remains unclear within the budget papers how this overspend will be compensated.

There were concerns that, despite the rhetoric, DADHC continues to deal only with desperate crisis. There have been few real moves towards more preventative and timely support services for people with disability.

While trial models and consultation processes are necessary and welcome, the escalating need for supported accommodation by people with disability who are now in the community has not been addressed with a deliberate funding investment in this budget. The effect must be to continue to block respite and to inappropriately pressure other services.

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## Community Services

The total budget for the Department of Community Services (DoCS) reaches \$1.014 billion in 2005-06, up from \$903.7m in 2004-05.

The increase includes:

- indexation (2.75% for most programs, except SAAP for which it will be lower),
- public service pay increases (around 3%),
- an additional 150 caseworkers plus support staff, and
- the \$75.6m due to roll into the funding base from the 2002 funding package.

Treasury has extracted \$6.4m from the total budget as a 'global savings cut'.

While this appears to be a significant increase for DoCS, it is limited in its scope to the areas targeted under the funding package – child protection, out of home care and early intervention. Other DoCS programs continue to be disappointed by the lack of attention to their need for viability funding and additional funding to meet increased demand. Children's Services, SAAP (Supported Accommodation Assistance Program) and CSGP (Community Services Grants Program) all face ongoing problems stemming from the lack of funding initiatives over a long period of time. For

most programs it is at least 10 years, and for some much longer, since new money was injected into the funding base.

### Children's services

The budget reflects no new money for preschools, despite almost two years of investigations into the inadequacy and inequity of the program's affordability funding to assist with fee relief. Departmental funding now represents only around 20-25% of the cost of running a preschool, compared to around 70-80% when the program began.

The budget briefing from DoCS has flagged funding reform for children's services but the affordability review is now some 18 months past its report by date, with no resolution in sight.

The total budget for children's services is \$101.8m with preschools receiving \$93.584m, reflecting an increase due to indexation.

Vacation care receives \$2.646m, up from \$2.549m, so clearly no commitment to spending on capital improvements for services trying to meet the national standards or to regulation of this part of the sector.

## Community Services Grants Program (CSGP)

For CSGP, the main issues are viability and the lack of commitment on the part of the Government and the Department to invest in community development. The development of a business case for CSGP funding has been hampered by the low priority afforded to CSGP and in particular to data collection for the program. The focus on the core work of child protection continues to see CSGP left out in the cold. We are no closer to any understanding of what the DoCS vision is around its new Communities Division or how this might benefit DoCS funded community and youth programs.

Spending on the CSGP is \$73.9m, up 3.6% on last years budget of \$71.3m. \$14.6m, attributed last year to Family and Individual support, has this year been transferred to a similar line item but under the Early Intervention program so that funding to families now appears in two separate places.

There is also funding of \$24m for Families First services.

## Prevention and Early Intervention

Most of the new money in DoCS is represented by the \$75.6m for out of home care and early intervention.

In 2004-05, DoCS spent \$14.6m for early intervention, through both a direct funding and expression of interest process. In 2005-06, that rises to \$38m. \$8m of this total represents funding transferred across to out of home care last year to help with over spending, and repaid in this years budget.

The additional EIP funding is currently being put out to a two-stage expression of interest process which should see services entering contracting agreements in September.

## Child Protection and Out of Home Care

Unusually this year, the budget papers do not indicate any expected increase in numbers of children either receiving out of home care services (16,000) or in out of home care at the year end (11,000). Past years have seen an increase of around 1,000 children in both categories and the reason for the optimism here is unclear.

DoCS estimates that, by the end of 2004-05 they will have received 210,000 reports concerning children and young people, and that in 2005-06 they will receive around 230,000 reports. The number of

children receiving protective services in 2004-05 is around 53,000, up from 47,000 in 2003-04, and this is expected to rise again in 2005-06 to 58,000.

Given this situation, the major increase in funding is for an additional 125 caseworker positions for child protection at a cost of around \$16m.

In Out of Home Care, we are still seeing the usual overspend, mostly on the high needs end, with individual funding packages continuing to eat up funds pending the resolution of the expression of interest process. An over spend of roughly \$28m is evident for 2004-05, although this at least represents a steadying of the ship in that it equates to (rather than being more than) the overspend in 2003-04.

Out of Home Care has also repaid \$8m to the Early Intervention Program in this budget – money used last financial year out of the EIP money to prop up out of home care. An extra \$45.5m goes in to out of home care in this budget from the 2002 funding package - this includes funding for an additional 25 out of home care caseworkers.

While it was disappointing to see no increase in allowances for carers for the fourth year in a row, DoCS has flagged a substantial review of allowances and contingencies.

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## SAAP

For services for the homeless, the 2005-06 State Budget was overshadowed by the unresolved negotiations between the Commonwealth and States and Territories for the next 5-year agreement for the Supported Accommodation Assistance Program (SAAP V).

DoCS funding for refuges for men, women, youth, children and intoxicated persons is projected to increase in nominal terms from \$112.866m in

2004-05 to \$114.241m in 2005-06. This includes some state-funded non-SAAP services. Indexation for SAAP services is just 2.2%, compared to 2.75% for other DoCS funding programs. This appears to reflect the indexation formula adopted by the Commonwealth.

With the existing SAAP IV agreement due to expire on 30 June, NCOSS and the SAAP peaks have been campaigning for substantially increased funding, the need for which was confirmed in the May 2004 national evaluation for the program.

Unfortunately current indications are that SAAP services in NSW will be left out in the cold as a result of the Commonwealth's latest funding offer. SAAP services have clearly reached a point of no return and continue to do more with less. Real reductions in service levels for the homeless, and those at imminent risk of homelessness, are very much on the cards, as a result of the Commonwealth's negotiating stance.

In the meantime the existing SAAP agreement has been extended until 30 September.

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## Corrective Services

Another budget and another large increase in spending on prisons. Expenses have increased 5.5% to \$763m in real terms. (Percentages have been adjusted to account for 3% inflation.)

Capital Expenditure has increased a whopping 46% to \$164m. The overall increase has been \$9.6% to a total of \$928m. The Corrective Services budget seems to have no trouble increasing every year, and is now heading to the billion dollar mark.

In 1995-96, the total budget was \$355m, so it has increased by 161%. Adjusting for inflation, this would mean an approximate doubling of the prisons budget in 10 years. At the same time, the numbers of inmates has increased from a daily average of 6,300 to 9,000, up from 8,300 last year. A look at the capital expenditure suggests that the figure is not levelling off.

The Department is planning an expansion of Cessnock and Lithgow Correctional Centres to accommodate 500 more prisoners, and a new 500 bed Western Region Correctional Centre, to be

completed by 2009. A total of 1,000 new beds. If they build them, they will fill them.

With growing numbers and high recidivism rates, it might be expected that the Department would be increasing funding to inmates after-care. However, the Grants program to NGOs for these services has increased only slightly in real terms by less than 1% to \$2.6m. This is a miserly 0.3% of the expenditure budget. Hardly a commitment to rehabilitation.

The figures for the official visitors scheme are an anomaly. In 2004-05, in total the budget was \$82,000, but the revised expenditure was \$111,000. This suggests they were undertaking some of the functions of the disbanded Inspector General's Office. For 2005-06, it has been cut back to \$85,000, suggesting the Department expects these functions to cease.

*Team: Bill Pope (NCOSS), Eileen Baldry (Penal Reform Council), Brett Collins, Stacy Scheff (Justice Action)*

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## Economics and Finance

A new Treasurer has not brought a significant change in direction in fiscal policy in NSW. The first Refshauge budget does not depart significantly from the previous Egan budgets. Budget surpluses and limited borrowing remain the order of the day. NSW Government's budget is expected have an operating surplus of \$303m in 2005-06 and will rise over the next three years to reach \$965m in 2008-09.

A sound economic policy should recognise the need for budget deficits during periods of economic

recession and borrowing for infrastructure development (i.e. schools, hospitals, railways, electricity generators, roads etc) as essential tools of economic management. The new Treasurer has allowed for a modest increase in public debt (\$3.5 billion) to pay for infrastructure, but this remains a drop in the ocean compared to the needs of NSW.

### Fiscal Responsibility Bill

The Treasurer announced a Fiscal Responsibility Bill that establishes new targets for the government's

financial liabilities and net debt in the medium (five years) and long term (10 years). General government net financial liabilities are to be 7.5 per cent or less of gross state product by 30 June 2010 and 6% or less by 30 June 2015. Further, underlying general government net debt is to be set at the same level as at 30 June 2005.

The Government's view is that this fiscal strategy puts in place a framework within which expenditure decisions can be taken that are sustainable. However, this framework appears to unnecessarily constrain the NSW Government's options in fiscal policy. During periods of economic recession, when gross state product falls, the Government's financial liabilities and net debt are required to fall. This is at a time when fiscal policy should be loosened to reduce the impact of the recession.

### **Economic outlook**

The budget papers predict the continuation of the current strong economy. The economy (gross state product) is expected to grow by 2.75 % in 2005-06, up from 2% in 2004-05. The rate of inflation (measured by Sydney CPI) is expected to increase from 2.5% in 2004-2005 to 3% in 2005-2006. The rate of unemployment is expected to remain steady at 5.25%.

The major risks to the economy are the continuation of the drought, interest rates, oil prices and global imbalances. These are beyond the scope of the NSW Government to manage. The budget papers appear to underestimate the risk to NSW of a shortage of skilled labour. The Government is relying on the relatively modest Securing our Skilled Workforce Plan (announced on 20 March 2005) to ensure skills shortages are minimised.

### **Revenue measures**

The main changes in revenue are the changes to land tax, the increase in stamp duties and a large increase in dividend payments from electricity companies.

From 2006, a tax-free threshold of \$330,000 will be applied to land. The Land Tax will be a flat rate of 1.7% on the unimproved land value in excess of \$330,000. This is expected to raise \$40m additional funds in 2005-06. After the 2007 election, however, this revenue rate falls.

From 1 September 2005, stamp duties on some forms of insurance will rise from 5% to 9%. It is estimated this could mean an additional \$100 cost for public liability insurance for small community organisations. This measure will raise \$120m in 2005-06. NCOSS is calling for exemptions for community organisations and low-income households. Registered charities are already exempt.

The budget estimates that the dividends paid to the government from state owned electricity companies will increase 31.7%, from \$649m in 2004-2005 to \$855m in 2005-2006.

The budget statements suggests this increase "reflects a convergence of payout ratios across electricity network businesses (transmission and distribution) which provide commercial and competitive returns...", which is no explanation at all.

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## **Education and Training**

Compared to last year there has been a 4.5% increase but with CPI at 3% and 3% factored in for salary increases, this means there has been no attempt to tackle some critical areas of the education system.

Most notably there is only an extra \$10m in the budget for school maintenance, representing funding from the Federal Government. This is despite the recent audit of schools by Tony Vinson that demonstrated the need for an immediate

injection of \$90m to address the physical neglect of public schools.

There have also been no moves to increase the numbers of school counsellors or English as a Second Language teachers despite increasing demand for their services.

Once again, private schools have received a disproportionate increase to their fund-ing with a significant \$37.8m top up (5.7%), compared to 4.5% to public schools.

On the positive side there is funding for 660 teachers aides for children with special needs, although not for teachers and there appears to be additional funding to assist with integration.

There is also funding of \$53m over four years to fund recommendations from the Review of Aboriginal Education, including community schools in approximately 30 locations and individualised learning plans for Aboriginal students.

It appears that this funding starts at \$7.8m in 2005-06 reaching \$14.4m in 2008-09. It will therefore fall short of the estimated \$80m full costing for the recommendations suggested by Dennis Fitzgerald, former Director of Equity Programs in the Department, in a recent Sydney Morning Herald article.

It will be important for government to be transparent about how this money is spent and how Aboriginal communities are involved in decision-making. It is also important to monitor which recommendations from the review have not been funded and the consequences of those decisions for Aboriginal students.

There are concerns that the budget papers make no reference to the continuance of Priority Action Schools (PAS) which have been rumoured to lose funding for the past two years. This reflects the lack

of transparency of budget papers, in which line items have been disappearing for years so that programs become absorbed into line items around staffing costs etc. NCOSS has argued strongly for the continuation of PAS and will be seeking reassurance from the Minister around the Government's commitment to working with, and providing additional funding to, our most disadvantaged schools.

## TAFE

Additional funding in TAFE reflects a specific allocation to part-time and casual teachers worth around \$60m. There is no real overall increase in terms of programs, and fees continue to be an issue.

There is a 7% increase of capital expenditure.

In the face of huge, well documented skills shortages, there is no real new funding to address the problem.

The budget papers reveal a \$2m cut to Adult and Community Education – this follows a \$4m cut in the last budget. It brings into question the rhetoric around the need for "lifelong learning", and further disadvantages those seeking an alternative path back into education and training.

*Team: Linda Frow, Phil Bradley and Dianne Giblin (Federation of Parents & Citizens Assocs.)*

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## Health

All amounts in this analysis are based on the net cost of services, which is indicated in the budget papers as total expenses less retained revenue.

The 2005 Health Budget was considered a cautious but reasonable attempt to address some of the ongoing problems facing health services in NSW.

There has been a general feeling that hospitals would be left to run down. However the large increase, as well as ongoing commitment, to capital works, in this budget is welcomed. It is a positive step to see the NSW Government taking responsibility for resourcing hospitals rather than the usual Commonwealth/State blame shifting.

The overall net cost of services for Health for the 2005-2006 financial year is \$9,528 billion – a real growth of 5.6% on last year's revised net budget. Capital expenditure rose from \$600.2m in 2004-05

to \$646.5m in 2005-06 an increase of 7.7% and part of the ongoing roll out of a four year, \$2.5 billion program.

Identification of NGO expenditure remains difficult within the budget papers as the line item for voluntary organisations, under which the NGO program is funded, covers both NGOs and other services.

NCOSS was informed in 2004 that:

*"voluntary organisations' line item category includes estimated budgets for other than the traditional NGO grants administered program."*

However, we were also informed that:

*"NSW Health proposes to review the line item reporting for grant payments to allow for improved disclosure in time for the 2005-06 state budget and subject to Treasury approval provide a more*

*meaningful separation of budgets reported for voluntary organisations."*

Unfortunately, this did not happen and NCOSS would encourage NSW Health and Treasury to improve budget transparency by showing NGO funding as a separate line item.

However, at the NSW Health budget briefing it was announced that funding for Health NGOs had increased from \$78.1m in 2004-05 to \$82m in 2005-06. That is, NGOs would be receiving a 2.75% increase. While this is welcomed by the Health NGO sector, the increases in stamp duty on public liability insurance will impact negatively on any gains made. NCOSS has constantly argued for a 12.5% increase to NGO funding in order to meet the increasing costs of core service delivery.

The Health NGO budget is broken down into:

Drug and Alcohol Services .....	\$17m
Aids Services .....	\$19m
Aboriginal Services .....	\$7m
Mental Health .....	\$8.9m
General NGOs .....	\$18m

The mental health budget was underspent by approximately \$10m in 2004-05 with the initial budget of \$739,517m and the revised budget at \$729,674m, though this could be due to the revised budget being based on expenditure to date and not the end of the financial year. In 2005-06, \$791,375m will be spent on mental health; an increase of 7%.

Mental Health also received an additional \$24m as part of the ongoing roll out of the \$241m, four year package announced in 2004-05.

This money has been targeted towards more acute and non-acute care beds, an integrated state wide child and adolescent mental health service and workforce development. An additional \$22m was also announced to fund more Psychiatric Emergency Centres in Hospital Emergency Departments, community services in rural areas and improved rehabilitation services (including expanded NGO services).

In the budget papers, it also states that this money is for mental health services for older people, the establishment of specific services for adolescents in contact with the juvenile justice system, dual diagnosis services and early intervention for persons aged 16–25. The various initiatives to be established from this money are currently awaiting approval from the Minister for Health. However, it was

commented that the funding would be split fairly evenly between acute mental health services and community/rehabilitation services in partnership with Health NGOs.

NCOSS welcomes this investment in much needed community based and rehabilitation services, rather than last year's focus on acute care services. A greater portion of the funding needs to be targeted towards services in the areas of prevention, promotion, early intervention, rehabilitation and relapse prevention.

The ongoing roll out of the Housing and Accommodation Support Initiative (HASI) continues with another \$8m announced in April prior to the budget, bringing the total amount of additional funding to the program of \$13.8m and providing assistance to 460 people with a mental illness. NCOSS has argued that HASI should be expanded by 100 places a year for the next four years and it is a positive step to see that from the 100 people to be assisted in 2003, the program has increased and passed this target. NCOSS supports NSW Health's ongoing commitment to this program.

NCOSS welcomes NSW Health's commitment to improving health services for Aboriginal people and it is good to see that Aboriginal health received a 7.6% increase in funding, with a net expenditure this year of \$52,496m.

Aboriginal voluntary organisations however had a 2.6% decrease in funding from the 2004-05 revised net budget, from \$8,790m to \$8,553m. The budget for Aboriginal voluntary organisations in 2004-05 was \$6.196m but NCOSS had been informed that there was an error in the budget papers and that the estimates for Aboriginal services and population health had been transposed. Therefore the actual budget for Aboriginal voluntary organisations in 2004-05 was \$8.178m, only an additional \$612,000 increase in funding, from the actual net budget, has been made in 2005-06 compared to the \$2.594m shown in the papers.

Rural and regional health funding has increased from \$2.78 billion in 2004-05 to \$3 billion in 2005-06. This has been targeted at:

- more clinical services;
- additional beds;
- recruitment of medical staff;
- upgrading hospital facilities;
- access to mental health services; and
- making health services 'closer to home.'

While it can be argued that these are much needed services and NCOSS is pleased to see the increase in rural and regional funding, NCOSS has been repeatedly informed in its regional and rural consultations that other health needs remain a priority (not excluding mental health) and this includes oral health, health related transport, drug and alcohol services, men's and women's health services and other community based health services.

Health Related Transport, the Isolated Patients Transport Accommodation Assistance Scheme (IPTAAS) and oral health remain key health issues and, as commented previously, are identified continuously as areas for additional funding during NCOSS consultations.

According to the Report of the Chief Health Officer of NSW, one third of all children have evidence of decay, hospitalisations for the removal and restoration of teeth have increased amongst both adults and children and the oral health of people living in rural and remote areas remains worse than those living in metropolitan areas. Dental health non-inpatient occasions of service have declined from 1,707 in 2002-03 to a projected 1,680 in 2005-06, which implies that fewer people are getting treatment even though the demand in the community is increasing and that complications arising from ongoing poor oral health and lack of access to dental services is resulting in people ending up in hospital for treatment.

There has been ongoing insufficient funding for IPTAAS and there is increasing demand for the need for health related transport as a result of increasing same day procedures, early discharge and centralisation and specialisation of health services.

In brief:

- Justice Health received a much needed 10.6% increase in funding. However, this is essential if the Government continues in its commitment to increasing and expanding prisons.
- Ambulance services continue to be expanded with \$10m for 100 new staff and to lease 22 new vehicles in the metropolitan area. There is also a continuation of commitments made in 2003-04 to employ 230 additional ambulance officers in rural and regional areas and an enhancement of medical retrieval services for rural and regional areas and helicopter retrieval for children receiving critical care (\$2.2m).
- Cancer funding is a continuation of funding commitments made previously of \$205m over four years to the Cancer Institute (\$30m in 2005-06)
- Primary and Population Health continue to be a small portion (12%) of the overall health budget, with a combined 4.4% increase on 2004-05 from \$1 billion to \$1.1 billion, even though ongoing research shows that prevention, early intervention and post treatment support reduces the overall health costs to the community and to the Government.

It must be noted however that the ongoing use of an historical structure of health service delivery means that the real cost of health care in terms of not only health and wellbeing but the individual, community and society remains un-costed.

*Team: Samantha Edmonds (NCOSS), Jenna Bateman (Mental Health Coordinating Council), Denele Crozier (Women's Health NSW) and Gillian Church (Mental Health Association NSW).*

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## Housing

On the housing front the May State Budget was largely overshadowed by the Government's April 27 Reshaping Public Housing package.

As detailed in June's NCOSS News, that package detailed far-reaching changes to who is eligible for public housing, how long they can receive assistance, and how much they have to pay, and detailed plans to replace, modify or refurbish some 30,000 dwellings over 10 years.

In 2005-06, total expenditure on the Housing Policy and Assistance Program is budgeted to be \$656.7m. This is sourced predominantly from Commonwealth and State funds, plus agency internal funds and asset sales. (There are slightly different breakdowns given in different Budget material).

The asset management of existing dwellings continues to be the biggest budget item, accounting

for \$284m or more than 37% of the total housing budget. Asset management includes:

- provision for repairs and maintenance;
- major upgrading work; and
- regeneration of some public housing estates.

The housing supply program, for the provision of new stock for public, community and Aboriginal housing, was the prime focus of Commonwealth-State Housing Agreement (CSHA) funding in earlier periods. In 2005-06 it is allocated \$219.2m, or one third of the total housing budget.

The remainder of the budget is spread across a range of other housing programs, include rental bonds for private renters, the Special Assistance Subsidy program, and for the Department's New Products and Services initiative.

The key positive new measure in the Budget was the commitment of \$190m over four years to help meet the Department of Housing's working capital requirements. \$20m was allocated for this purpose in 2005-06.

The financial sustainability of the public housing system has been under considerable pressure and this working capital injection will contribute towards operational sustainability of the Department of Housing.

The Budget also provided confirmation of an ambitious \$1 billion program, first announced last December, to address the Department of Housing's \$650m backlog in maintenance work. The Department has been provided with a \$125m loan facility, of which \$100m will be drawn down in 2005-06, to extend to a further 16 areas the Maintenance Reform Program first piloted in the Sutherland area. This entails a greater focus on planned or pre-emptive maintenance, rather than crisis call outs. It is understood that the Department anticipates repaying the loan out of anticipated savings on future maintenance costs.

The tight budgetary situation facing the Department means that there will only be a very small net increase in the supply of social housing stock in

2005-06. It is estimated that total dwellings under management will increase by just 477 units in 2005-06, from 148,050 to 148,527. By June 2006, the anticipated total stock will comprise 127,776 public housing dwellings (down 685), 13,260 community housing dwellings (up 1,035), 6,062 aboriginal housing dwellings (up 88), and 1,429 crisis accommodation dwellings (up 39). These figures include a total of more than 8,600 leased dwellings.

It is clear that stock increases of this magnitude will be insufficient to meet current consumer demand, nor allow the social housing sector to maintain its share of the total housing market in this state. This reinforces the need for the Government to develop a broader housing affordability strategy on a whole of government basis.

NCOSS remains concerned about the implications of the Reshaping Public Housing agenda. Increased rent charges, changes to eligibility requirements and renewable tenancies are likely to have significant impacts and further skew the social mix within the tenant population.

Equally we have yet to see sufficient modelling to give us confidence that the ad hoc measures that have been announced to date truly provide a framework for achieving ongoing financial sustainability to the Department's public housing operations.

*Team: Adam Farrar (NSW Federation of Housing Assocs), Warren Gardiner (NCOSS), Craig Johnston, Mary Perkins Shelter NSW, and Karine Shellshear (Association To Resource Co-op Housing)*

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## Law and Justice

### Legal Aid Commission

The Legal Aid Commission of NSW received a modest but welcome increase with total expenses increasing by 7.2% to \$155.5m and capital expenditure up by 9.3% to \$5.3m.

The gross cost of legal aid for criminal, family law and civil matters rose by 6.8% from \$131.6m to \$140.6m. This should pave the way for the total number of legal aid case approvals to increase by 1.3% to 54,247. Criminal matters comprise 75% of all legal aid case approvals.

Grants to community legal centres increased from \$9.347m in 2004-05 to \$9.770m in 2005-06, an increase of 6.3%.

Funding for the Women's Domestic Violence Court Assistance Program increased by almost 21.9% to \$3.7m. This was in line with the recommendation in the NCOSS Pre- Budget Submission, reflecting the growing demand for assistance across the State.

The Legal Aid Commission also received funding of \$2.8m to participate in a justice sector initiative to reduce the number of matters committed for trial in the District Court. This initiative is predicted to provide significant efficiencies and cost reductions to the criminal justice system.

Additional funding of \$600,000 was devoted to the provision of legal assistance to persons detained under the Mental Health Act and for people with a mental illness who are involved in proceedings before the Guardianship Tribunal.

### **Juvenile Justice**

It was very much a steady as she goes budget for the Department of Juvenile Justice, with total recurrent expenses rising by 3.7% from \$130.6m to \$135.4m. This only allows for existing programs to be maintained at current levels of expenditure.

Recurrent grants to NGOs will grow in nominal terms from \$6.46m to \$6.58m but fall slightly in real terms.

The main issue remains the transfer of the Kariong Juvenile Justice Centre to the Department of Corrective Services. This decision is being examined by a select committee of the NSW Legislative Council, which is currently due to report its findings on 29 July.

The size of the daily average detainee population is projected to remain stable at 310, the same as in

2004-05, with the average length of committals remaining at 9 months. Similarly the number of community-based orders in force is expected to continue at 1,200.

With the opening of the Eighteenth Youth Justice Conferencing office in the Far West in late 2004-05, the number of Youth Justice Conferences held is expected to show a modest increase from 1,320 in 2004-05 to 1,400 in 2005-06. Conferencing provides an opportunity for victims to have a direct say in outcome plans and for ensuring that offenders take responsibility for their actions.

The budget includes \$4.1m for ongoing activity under the Government Plan of Action on Drugs.

The Department's capital works budget has fallen substantially from \$37.9m in 2004-05 to \$12.7m in 2005-06. This is due to the finalisation of several major capital works projects, particularly the upgrades of Cobham at Werrington (completion due in June 2005) and Reiby at Airs (December 2005), and the completion of the new 46 place Junipera Detention Centre for women at Lidcombe (August 2005). Built at a total cost of \$30.6m, Junipera will replace Yasmar as the state's sole detention centre for girls and young women.

The Budget papers foreshadow the implementation of a new structure for the Department's community based services. The aim is said to be to provide relevant DJJ staff with increased professional supervision, staff development and clearer role definitions.

*Teams: Warren Gardiner (NCOSS)*

*Legal Aid Commission: Janet Loughman (Kingsford Legal Centre), Simon Moran (PIAC)*

*Juvenile Justice: Janet Loughman, Eric Scott (ACWA) Law and Justice*

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## **Transport Services**

While there were no significant new initiatives in the transport area, the 2005-06 budget for transport services continues to ride on the wave of investment committed by the NSW Government in 2004-05, largely in the area of rail infrastructure.

There has been a large scale increase in the total allocation for Transport Services of approximately \$374m or a real increase of around 11%. The total

budget for transport services, inclusive of the funding for the Independent Transport Safety and Reliability Regulator, sits at over \$3 billion per annum.

### **Rail**

The major increases in allocation for transport are in the rail infrastructure area, with continued

investment in the rail clearways program and new rolling stock for CityRail services. In 2005-06, evidence of this infrastructure investment will largely show up in new outer suburban and Hunter region rail cars, while the fleet modernisation announced in 2004 will only result in the delivery of new cars from 2008. While the total allocation for the Rail Clearways program was \$1 billion over six years, only \$97.5m of this has been allocated for 2005-06, to fund ongoing projects including rail turnbacks, and additional station platforms.

There has been a useful 21% real increase in allocation for CityRail station easy access upgrades in 2005-06, with upgrades due to commence at a further 14 stations.

### **CountryLink**

With real reductions in spending on CountryLink services, 2004 was a worrying year for regional rail services. The Casino to Murwillumbah rail service was cancelled in June, and the cessation of Broadmeadow to Newcastle services was announced in December. In contrast to last year, in 2005-06 there is some good news for country rail services, with CountryLink services receiving an extra 4.6% (or 1.6% factoring CPI). Infrastructure investment includes a fairly significant 30% real increase for country network operations.

### **Bus and Sydney Ferry Services**

With the exception of significant changes in the allocation for State Transit Authority concessions (see below), both publicly and privately operated bus services in NSW have been given a substantial increase in funding allocation, partly, it can be assumed, to resolve ongoing viability issues.

The allocation for STA services has increased by approximately 30%, taking the 2005-06 investment for services to \$117m. Around \$60m will be invested in 2005-06 for 124 replacement buses in Sydney and Newcastle.

The allocation for private bus operators – which includes operators in Sydney, outer metropolitan areas and country areas – has been increased by a substantial 18% (or approximately 15% real). This figure would take into account additional costs associated with the new contracts that are currently being negotiated in metropolitan Sydney. Note also, that funding for bus services will be quite different once the new contracts are in place. The NSW Government will directly receive a proportion of the fare box revenue from transport operators which will offset some of the costs of contracting services.

Sydney Ferries have received a reduction in allocation for services of approximately 30% in 2005-06. This is strange, given that Sydney Ferries received an increase in allocation in the previous year of the same magnitude. The Ministry of Transport confirmed at an NCOSS briefing that this injection of funds in 2004-05 was a one off payment to 'settle' the new Sydney Ferries authority which had just been separated from STA.

### **Public Transport Concessions**

An anomaly in 2005-06 is a reduction in allocation for concession tickets with the combined allocation for STA and RailCorp concessions reduced by approximately 9.7%. The Ministry of Transport have suggested that this reduction was a result of changes in cost as a result of the Pensioner Excursion Ticket (PET) and a decline in concession travel on CountryLink.

This raises two issues of concern. Firstly there has been significant community concern over the dramatic increase in the cost of PET, which rose from \$1.10 to \$2.50 in early 2005. This increase was meant to fund the expansion in PET, which has so far been made available across metropolitan Sydney. This is due to be expanded to outer metropolitan areas and to some regional centres as new bus contracts are signed in these areas.

NCOSS had recommended repeatedly to the NSW Government a three year staged increase in the costs of PET, in order to reduce the impact of the fare increase for current users. The apparent 'windfall' generated by the availability of PET demonstrates that there was capacity for the Government to have increased the cost of PET over time, or made PET available at a lower cost.

Secondly, the reduction in allocation for concessions may also create an opportunity for changing the eligibility for transport concessions in NSW, in particular targeting low income working households who are currently not eligible for a fare reduction.

### **Parking Space Levy**

The Parking Space Levy (PSL) is a NSW Government revenue measure aimed at decreasing the use of private motor vehicles in busy urban districts.

In 2004, NCOSS expressed concerns that the funds sourced through the PSL were being used inappropriately to fund bus stations, bike lockers and commuter car parks for the North West Transitway – projects that would normally be part

of a regular capital works allocation. This trend continues in 2005-06, with a further \$25.9m allocated from the PSL derived fund to pay for bus stations on the North West T-Way. Note that a review of the Parking Space Levy was initiated in early 2004, with a final report yet to be released.

## **Community Transport**

Given the magnitude of the funding increases enjoyed in other parts of the transport portfolio, the 2005-06 investment in community transport can be characterised as lacklustre. The Ministry of Transport (MoT) are yet to finalise the 2005-06 allocation for HACC transport, which comprises the bulk of community transport funding in NSW.

The Community Transport Program (CTP) and Area Assistance Scheme (AAS) have both received 3% indexation (ie, no real increase), which although welcome, does not address the needs that have been identified for a number of years by community transport operators and members of the community. Note that this also comes at a time when there has been no new investment by NSW Health in its Transport for Health program (see the Health section on page 12).

NCOSS last year recommended directing some the savings associated with reforms to SSTS payments towards flexible community transport – this recommendation was not met.

MoT regional coordinator positions were established in 2004 to better coordinate services in regional areas. There is a continued allocation of \$2.2m in 2005-06 for these positions. Despite strong representations to the MoT from a number of organisations, there is no new allocation to establish metropolitan based Regional Coordinators. NCOSS believes that the effectiveness of bus reform for low income households will be compromised unless these coordinators are in place.

The Taxi Transport Subsidy Scheme has received useful additional allocation of \$1.4m or 8.2% (around 5.2% factoring CPI).

## **Rural and Regional NSW**

Although massive rail investments will ultimately benefit many residents in Sydney, there are large sections of the state that have missed out on any substantial new investment in services. NCOSS rural and regional consultations consistently reveal that more investment is needed in country NSW to address the high levels of transport disadvantage experienced by many communities. NCOSS believes

that promoting a mix of transport services for rural and regional NSW should be a priority for governments in coming years.

Note that outside of the transport portfolio, the NSW Government has doubled the accommodation allowance for apprentices who have to travel over 120km to attend training - effectively lifting the allowance from \$14 a day to \$28 per day. This useful, albeit small, increase will certainly go some way to assisting this low income group.

## **Roads**

Strategic investment in the roads portfolio can have important social justice outcomes, including promoting links between communities to jobs, education and services, facilitating modes of public transport such as bus services, and enabling transport forms such as walking and cycling, and promoting better accessibility for people with mobility difficulties.

But private motor vehicle transport carries heavy social and environmental costs, and NSW spending in this area has lacked any goals in relation to achieving a reduction in the use of cars, or any commitment to finding more sustainable approaches to transport planning.

In 2005-06, the transport budget experienced a proportionally larger increase in allocation than the roads budget, with total expenditure on transport services in 2005-06 (\$3.0m) compared to NSW Government spending on roads (\$2.93m) in the same period. Note though that this only reflects NSW Government spending. The Federal Government also allocates large scale resources to roads infrastructure and does not provide an equivalent investment in public transport.

## **Fines**

The NSW Government stands to gain \$230m in 2005-06 from fines revenue, of which over 90% is derived from motor traffic fines. Although this represents a reduction in the projected revenue in 2004-05 (possibly as a result of changes to fine amounts in late 2004), the NSW Government also experienced a fines revenue windfall last year of \$23m – this should offset any shortfall in 2005-06.

In 2004 NCOSS argued for the implementation of capacity to pay transport fines, to allow low income fine recipients to receive a fine reduction. NCOSS has argued that transport related fines in NSW have had dramatic impacts for some low income households, particularly where failure to pay fines

has lead to a licence suspension. Unfortunately the NSW Government did not meet this recommendation.

*Team: Dinesh Wadiwel (NCOSS), Joan Gennery (Western Sydney Community Forum), Charles Latimer (Cancer Council NSW), Anne Hurni (University of Western Sydney)*

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## Women

While it has been known since the last budget that the Department for Women would become the Office for Women and be relocated to the Premiers Department, and that this would be accompanied by a significant budget cut, it is sad to see it realised in 2005-06.

The revised budget in 2003-04 stood at \$5.6m (net cost of services) with grants and subsidies of \$1.155m. In 2004-05, this was revised down to \$3.07m with grants of \$1m. 2005-06 sees the grants program virtually abolished and a total budget for the Office of Women of \$2.275m

While the grants program was always small, it has been a major source of funding for women's projects over many years, contributing to the development of women's organisations, training projects, research projects and resources.

It is short sighted of the government to believe that what they see as such a small cut will not have long reaching consequences.