



2018 WA State Budget Analysis

Our Vision

All people living in Western Australia have housing that enables them to thrive

17th May 2018



Introduction

On Thursday, 10th May 2018, the Western Australian (WA) State Government released its 2018 budget, outlining the State's economic and fiscal strategy.

Shelter WA has produced an analysis of the Government budget papers and identified the key commitments and measures that will have a direct impact on all West Australians, with a focus on affordable housing and ending homelessness.

The budget indicates an upturn in prospects for the WA economy, as the impact of the post-boom recession continues to diminish. This has been underpinned by investment into the State and sustained global and Chinese demand for WA commodities and services.

This has resulted in jobless rates stabilising, wages gradually on the rise and State final demand forecasted to grow as the domestic economy continues to improve.

As a broad economic document, the State Government has delivered a stable budget. It was positive to hear the Government announce that the budget is on track to surplus by 2020-21 as net debt is reduced.

There were some welcome measures announced in the budget regarding housing. Shelter WA was particularly pleased to see the investment of \$394 million (\$184 million of which from the State) for the 'Social and Affordable Housing and Jobs Package' around METRONET community hubs. It is positive that Metronet is not a just a transport project but is creating opportunities for urban regeneration.

Whilst the METRONET announcement was welcome, and we understand the need for fiscal discipline, investment in housing and supported services will contribute to budget repair, and create jobs and economic growth, especially for the construction and property sectors, whilst providing housing to those West Australians who need it most.

To raise revenue, the Government issued cost of living increases without exemptions for lower-income households that will impact on housing affordability. Shelter WA's position is that there are other means of raising revenue without this impact.

The State continues to be fiscally constrained due to Federal financial contributions, whilst receiving a low share of the GST revenue. Shelter WA welcomes the Government's efforts in fighting for a fairer share of GST for WA.

Shelter WA's priority for this budget was using investment in housing as an opportunity for systemic reform, delivering both budget repair and better service delivery. We believe housing assets and underutilised government land are a multi-billion-dollar asset that could be optimised to deliver net economic benefits along with the positive impact on people's lives that safe, secure and stable housing brings.



The Government's 'Affordable Housing Action Plan' anticipated for the middle of this year, and the post-budget announcement regarding 'The Precincts' project, provides further opportunity to add to the delivery of new social and affordable housing supply.

Ultimately, whilst this budget indicates that investment in social and affordable housing is a government priority, Shelter WA urges the government to do more. The need for fiscal discipline is commendable, but the budget did not address many of the significant housing affordability issues that continue to challenge citizens of WA, in particular in regional WA.

Housing influences a whole range of non-housing outcomes including workforce participation, access to jobs, services, social participation, family stability and educational outcomes. It is unacceptable that housing insecurity and homelessness remain a key issue for many people across our State.

Shelter WA will continue to advocate for the Government to develop a long-term vision, strategy and plan, and sustained investment, to significantly grow affordable and social housing supply in the State, and in turn ensure housing is a basic human right for all citizens.

Key Western Australia Economic Statistics 2018/19

- State Economic Growth (Gross State Product): 3.25% +
- Unemployment Rate: 5.75% -
- Population Growth: 1.2% +
- Inflation Consumer Price Index: 1.5% +
- Wage Price Index: 1.75% +
- Median House Price: 1.4% +
- Dwelling Investment Growth: 4.75% +
- Business Investment: -14%
- Expense Growth: 0.9% -
- Net Debt: \$25.9b -
- Net Operating Balance: -\$906m (deficit)
- **Projected Return to Surplus: 2020-21 (+\$1.3b)**

Western Australian Budget's Economic Forecast

KEY BUDGET ASSUMPTIONS Western Australia

	2016-17 Actual	2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate
Real Gross State Product growth (%)	-2.7	2.5	3.25	3.75	3.0	3.0
Real State Final Demand growth (%)	-7.2	-0.25	-0.25	3.75	3.75	3.75
Employment growth (%)	-0.9	2.25	1.5	2.0	2.25	2.25
Unemployment rate (%) ^(a)	6.2	5.75	5.75	5.5	5.25	5.0
Wage Price Index growth (%)	1.4	1.5	1.75	2.75	3.0	3.25
Perth Consumer Price Index growth (%)	0.6	1.0	1.5	2.0	2.5	2.5
Iron ore price, \$US/t, CFR ^{(a)(b)}	68.8	68.3	61.9	60.8	62.1	63.4
Iron ore volumes (million tonnes)	793	813	822	836	837	839
Crude oil price (\$US per barrel) ^(a)	49.7	62.1	66.0	62.2	59.4	57.7
Exchange rate (US cents) ^(a)	75.4	77.8	77.0	77.2	77.4	77.4
Population growth (%)	0.7	1.0	1.2	1.5	1.8	2.0
Interest rate assumptions (%) ^(a)						
– Public Bank Account interest earnings	2.1	2.0	2.0	2.0	2.1	2.1
– Consolidated Account borrowings	3.1	3.1	3.2	3.3	3.4	3.6

(a) Data expressed as annual average during the financial year.

(b) The benchmark (62% Fe) iron ore price delivered to north China inclusive of cost and freight (CFR).

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Key Budget Developments

- \$3.6 billion invested into METRONET
- \$2 billion of funding into Western Australian roads
- \$655 million for the health infrastructure investment
- \$394 million for the METRONET Social and Affordable Housing and Jobs Package
- \$20.3 million into establishing the NDIS sector transition fund
- \$20 million for the Principal Shared Path (PSP) program
- Total royalties are projected to decline by \$164 million
- Increased fees and charges by 4.8% (\$292) for the representative household:
 - Increased electricity (7%) and water (6%) tariffs
 - Additional emergency services levy fees up by 10.1%
 - Public transport fares increased by 1.5%

¹ Western Australian State Budget 2018 - Budget Paper 3 (Economic & Fiscal Outlook), p. 24



- Vehicle licence charge increased by 5.8%
- Drivers licence fees raised by 3.7%
- Concessions:
 - \$3.5 million allocated for HUGS to meet demand for 2018-19
 - \$6 million to financial counselling services between 2019-20 and 2021-22

Housing Snapshot

- Invested \$394 million to the Social and Affordable Housing and Jobs Package
 - \$209 million from private sector partnerships
 - \$184 million as a State Government contribution
 - \$41 million capital expenditure by the Department of Communities
 - \$143 million in operating expenditure
 - Between 2018-19 to 2021-22 this package will deliver the construction of 1390 social and affordable homes across Metronet community hubs
 - Up to 320 new social houses (Up to 23% to be social houses)
 - Up to 200 housing opportunities for vulnerable singles/couples on the priority waiting list
 - Up to 300 homes created with universal design to meet the needs of people of every age and ability
 - At least 400 affordable homes (At least 29% affordable houses)
 - 670 homes for full market price
 - Additional 2350 new jobs created to support construction and redevelopment
 - Estimated \$765 million to boost the local economy
- Homelessness support services:
 - Cost of service reduced from \$87.4 million to \$63.1 million
 - Reduction in income from \$31.9 million to \$15.6 million



- Despite the number of clients expected to increase by over 400 in 2018-19
- Continuation of funding for the North-West Aboriginal Housing Fund
- Funding commitment of \$15.3 million for Infrastructure WA
- Residential Tenancies Act amendments: To support victims of family violence in resolving tenancy issues
- Residential Parks Act (long-stay tenants): that will implement the recommendations of the Act's statutory review to provide greater certainty and transparency about contracts and costs
- Federal-State Relations:
 - A commitment to continued Commonwealth funding for NPARH (remote housing) is being sought following the expiry of the current agreement (\$100 million p.a) on 30 June 2018
 - Negotiations are ongoing for establishing the National Housing and Homelessness Agreement (NHHA) to replace the National Specific Purpose Payment (NSPP) and the National Partnership Agreement on Homelessness (NPAH) - the budget reflects continuation of NSPP funding in the meantime
- Foreign buyers surcharge increased from 4% to 7% - raising an additional \$50 million
- No changes or increases to stamp duty or land tax
- The Government will continue to examine the commercialisation of Landgate
- First-home owners grant expenditure revised down by \$13.9 million over the four years (due to weaker demand first home purchases)
- Crisis and transitional accommodation in Collie refurbished for circa \$390,000 for 2018-19 (election commitment fulfilled)
- Mental health accommodation and support strategy is being developed this year, however there is no financial commitment to date (public consultations anticipated for mid-2018).

State Budget Report Card: Against Pre-Budget Submission Recommendations

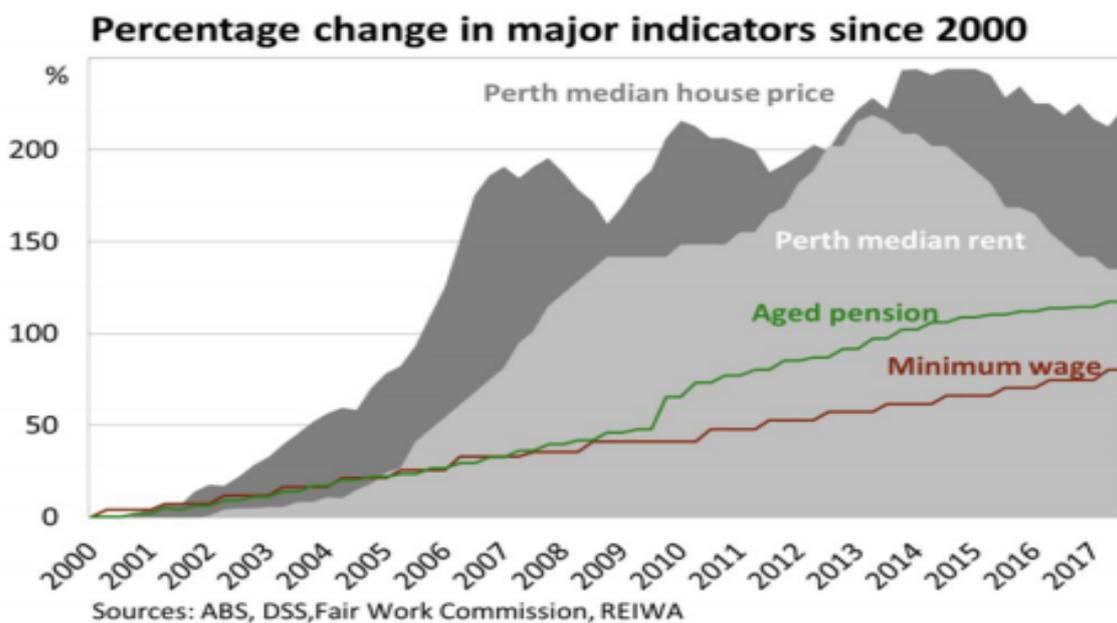
Shelter WA's Recommendation	Budget Response
Plan for Housing Affordability & End Homelessness	
State Affordable Housing Strategy.	—
Aboriginal Housing Strategy.	✗
Boost Affordable Housing Supply & Facilitate Investment	
Housing First Collective Impact Model.	—
Community Housing Growth Strategy.	✗
Shared Assessment Framework & Tenancy Support System.	—
METRONET & Urban Planning Reform	
All State Government land and housing developments include a minimum 15% affordable housing targeted to low-moderate income households.	—
Minimum targets of circa 10-20% are set for social and affordable housing in METRONET community hubs.	✓
The State audit must, repurpose and reinvest underutilised Government and land assets for additional social housing supply.	—
A return of 15% of social and affordable housing is specified in the disposal of State assets.	✗
Strata Title Reform: Ensure termination of strata schemes includes concessions for low-income households.	—
Tax Reform	
Property Tax Reform: replace stamp duty with a broad-based progressive land tax, with exemptions for low-income households.	✗
Tenancy Reform & Making Rentals More Secure	
Commence five-year review of the Residential Tenancies Act	✓
Reform the Residential Tenancies Act to abolish without grounds terminations.	—
Place a moratorium on the use without grounds terminations for tenants in public housing.	—
Amend the Residential Tenancies Act to include family and domestic violence provisions.	✓
Review the regulation of boarding and lodging arrangements.	—
Develop a funding model to deliver secure and sustained funding for tenant education and advisory services.	—
Explore the feasibility of a tribunal to address tenancy disputes	—

Shelter WA Analysis & Commentary

Western Australia urgently requires a long-term vision and strategy to grow affordable and social housing supply. This will take commitment, sustained investment and working closely with the community sector and industry.

This is needed to ensure that all West Australians have the basic human right to an accessible, appropriate and affordable home.

The following tables indicate why people are in housing stress.



Housing costs in Perth have increased far more in proportion than increases in the minimum wage or aged pension, as the table above shows,² lower-income households are finding it increasingly difficult to find an affordable home for purchase or rent.

Approximately 14,000 people are on the social housing waitlist, with an average wait time of over two years.³

The table below⁴ displays that even moderate-income households (including those earning 80% of the median income) in WA struggle with housing affordability issues as they cannot afford a lower-quartile priced home with repayments below 30 per cent of their income.

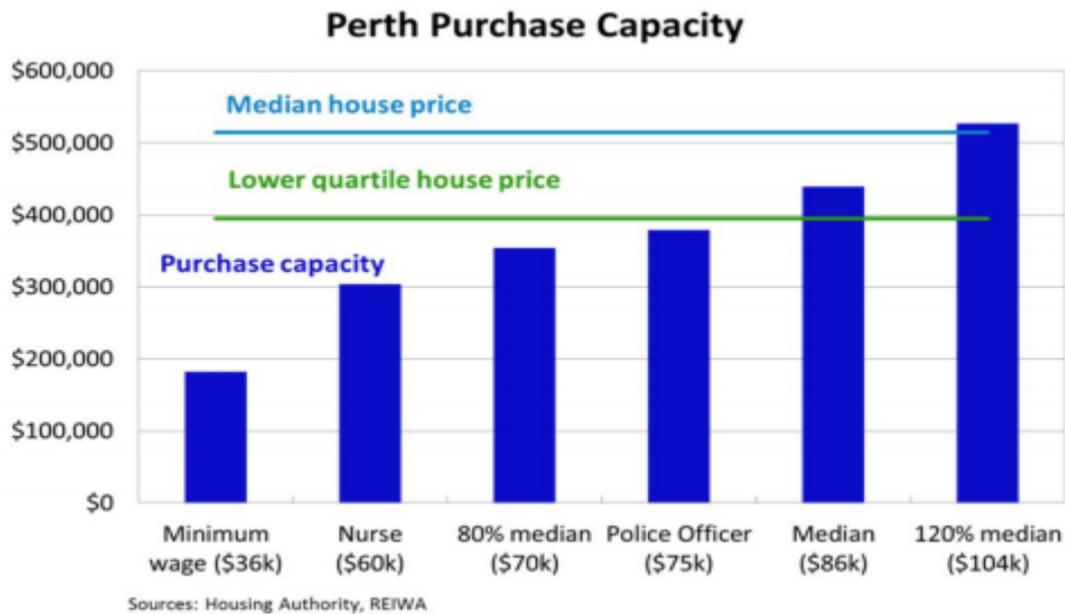
² Housing Authority, 2018. 'Quarterly Economic Update January 2018'

³ Western Australian State Budget, 2018. Budget paper 2, vol. 2, p. 422

Rethink Social Housing, 2018. 'Discover the public housing region in Western Australia'

<http://www.rethinksocialhousing.com/The-Waitlist>

⁴ Housing Authority, 2018. 'Quarterly Economic Update January 2018'



Affordable & Social Housing

Shelter WA welcomes the \$394 million towards the State’s Social and Affordable Housing and Jobs Package. Whilst a good initiative in a challenging budget cycle, this does not go far enough to respond to the housing required for people who are experiencing homelessness or housing stress.

Of that \$394 million investment, \$209 million is projected to derive from private sector partnerships and \$184 million from State funding (\$41 million from capital expenditure by the Department of Communities and \$143 million in operating expenditure).

Shelter WA supports the long-standing and effective strategy that the private sector will play an integral role in building on existing land and redeveloping housing assets owned by the State. However, there is concern that there is no reference to the role of the community housing sector in delivering this supply. METRONET provides an opportunity to work not just with industry, but with the community housing sector to deliver new social and affordable housing to respond to current and projected demand.

It is positive that Shelter WA’s pre-budget submission recommendation of a minimum target of 10-20 per cent for social houses is reflected in the package. Of the 1390 homes, 23 per cent will be social houses and at least 29 per cent will be affordable.

The 2017 WA Labor Platform commits to increase the level of social housing from four to six per cent of housing in WA. On current figures, there is a shortfall of about 21,000 dwellings, plus an additional 1,200 dwellings every year to keep up with overall growth in housing in WA.

In an economic sense, it is positive to see an additional 2350 new jobs will be created to support the construction and redevelopment of these homes, resulting in an estimated



\$765m to boost local economy and a neutral State debt impact over forward estimates period.

Shelter WA also welcomes the WA State Government's post budget announcement of an urban infill project, 'The Precincts.' This project aims to deliver 5,000 homes across four sites (Bentley, Joondalup, Beaconsfield and Cannington) during the next 15 years.

At the same time, the Government called for expressions of interest from the private sector to partner in the developments. These market-leading developments aim to set a new benchmark for medium-to-high density urban infill in WA.

Whilst Shelter WA supports the focus on medium to high density urban infill, and a vision of neighbourhoods with heart and soul, the announcement did not detail how social and affordable housing would be incorporated within these developments.

There are good examples of mixed tenure developments that provide housing diversity and choice to people delivered by the community housing sector in partnership with government and industry. We hope that this model will be built on.

Community Housing

Shelter WA's Pre Budget-Submission recommended that a Community Housing Growth Strategy was developed by government in partnership with the community sector.⁵ The Department of Communities is currently undertaking a Community Housing Study and we are keen to see positive outcomes from the study.

Community Housing Providers have a proven ability to work in collaboration with private industry, financiers and community service agencies to deliver the social and affordable housing outcomes sought by government.

Strata Title

Whilst there was no specific reference in the budget in relation to strata title reform, it is positive to see significant work has progressed. This reform is critical as it promises opportunities in increasing affordability, providing capacity to support quality urban infill and vibrant precincts. It supports the vision and intent of Metronet.

It will also ensure that land and strata properties are appropriately managed, maintained and utilised in the best way possible.

Homelessness Services

Regarding other housing initiatives, Shelter WA is concerned with the reduction of expenditure and income on homelessness services despite the projection of the number of clients increasing.⁶

⁵ Shelter WA Pre-Budget Submission 2018, p. 4

⁶ Western Australian State Budget 2018. Budget Paper 2, vol. 2, p. 423



It is not clear in the budget papers what is driving a lower estimated expenditure on people who are experiencing homelessness and we're requesting an urgent briefing on the detail on homelessness and other support services funding.

The Shelter WA Pre Budget-Submission also recommended that government develop an Aboriginal Housing Strategy in partnership with Aboriginal people to address severe housing shortages, respond to domestic violence and homelessness in remote communities, country towns and urban areas.

Aboriginal & Regional Housing

In the regions, we welcome the ongoing commitment to the North West Aboriginal Housing Fund which will provide new housing options and intensive support for Aboriginal families.

Funding certainty for remote Aboriginal housing is an ongoing area of concern. There is no new funding partnership or commitment from the Federal Government as of 1 July 2018 to replace the National Partnership on Remote Housing. This places the State under significant budget pressure given the Commonwealth had previously committed a \$100 million annually to housing in WA remote communities.

Shelter WA welcomes the investment into the crisis and transitional accommodation in Collie. Apart from this, there are no new identifiable housing initiatives for regional WA.

Disability & Mental Health

Shelter WA notes the \$20.3 million committed to establishing the NDIS sector transition fund to transfer the NDIS from State to Commonwealth responsibility, over the next two years. The NDIS will have major implications for housing assistance.

The increase in overall funding for disability services, alongside the individualisation of funding—no longer tied to a specific service or home—could potentially enable many NDIS participants to independent living in the community.

To achieve this objective, it is estimated that by 2020, over 100,000 participants (Australia-wide) could be without access to well-located, accessible and affordable housing, including an estimated 2,200 dwellings in Western Australia.

It is noted that under current legislation, the NDIS is not responsible for the provision of housing for participants. There remain outstanding questions regarding the NDIS's capacity to support the housing needs of participants, and more specifically the nature of user cost of capital subsidies. A key question is whether and how housing assistance for NDIS participants can be individualised.

Shelter WA also notes the Mental Health Accommodation Strategy is being developed, however there is no financial commitment against this important item.

Tenancy

Regarding tenancy, we support the proposed amendment to the *Residential Tenancies Act* (1987) supporting victims of family violence to resolve tenancy issues, along with amendments to the *Residential Parks (Long-stay Tenants) Act* (2006) to provide greater certainty and transparency about contracts and costs.

It is concerning that pressure remains on the rental accommodation account which funds tenancy services as interest on the bonds is projected to remain static over the next two years, with a modest increase in 20/21.

Foreign Buyers Surcharge

Shelter WA tentatively welcomes the foreign buyers surcharge increase from four to seven per cent, putting the rate at a reasonable and comparative level to New South Wales and Victoria.

The housing industry have suggested that there is some potential for an increase to the surcharge to reduce foreign investment in new developments, such that these developments will not progress.⁷ Shelter WA notes that the WA government is threading the needle between managing the impacts of foreign investment on housing, while allowing sufficient foreign investment to support the property sector.

We want to see an effective affordable housing system in WA. In other cities around the world, we can see that high levels of foreign investment can lead to homes being left empty, and house prices growing beyond the grasp of residents. Overall, we are encouraged that the Government is making the attempt to balance competing interests.

Land Tax & Stamp Duty

Shelter WA notes there is no changes in stamp duty or land tax to a more progressive, broad-based system of taxation in the sector that includes concessions for lower-income households. Stamp duties on property transfers raise the cost of housing, discourage people from moving and prevent the freeing up properties for more valued uses.

This research reinforces findings by The Henry Tax Review, the Grattan Institute and AHURI, which indicates that stamp duties have a detrimental impact on residential mobility, housing affordability and efficient use of the housing assets. What is more, stamp duties are volatile depending on property prices and turnover.^{8 9 10}

⁷ REIWA, 2018. 'Business as usual budget fails to reinvigorate property market'. Website news.

⁸ Australian Government (2009) Henry Tax Review, Review of Australia's Future Tax System: Final Report pages 51 to 54.

⁹ Grattan Institute (2015) Property Taxes, <https://grattan.edu.au/wp-content/uploads/2015/07/826-Property-Taxes.pdf>.

¹⁰ AHURI Op cit.



A broad-based land tax would create a simpler system for people to buy and sell a home and move to locations where opportunities for employment are greater.

It will also encourage owners to sell their property on high-value land, which will speed up development in areas where land is expensive and lead to more available and affordable houses.

This is reform that Shelter WA strongly recommended in our pre-budget submission, and that housing industry bodies are calling for.

Closing

The proportion of social housing in our State keeps decreasing, but the proportion of people who would benefit from secure, affordable rental accommodation does not.

While Shelter WA understands the mentioned need for fiscal discipline, with projected weaker activity in residential construction, there is further opportunity for Government to drive economic activity and respond to housing stress.

Shelter WA urges the State and Federal Governments to make social and affordable housing a key priority. Every citizen of this State has a basic human right to a home and Shelter WA looks forward to working collaboratively with our members and key partners to achieve this.