



National Commission of Audit

Via email: submissions@ncoa.gov.au

Submission on Terms of Reference of National Commission of Audit

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The St Vincent de Paul Society (the Society) is a respected lay Catholic charitable organisation, operating in 149 countries around the world. In Australia, we operate in every state and territory, with more than 50,000 members, volunteers, and employees. Our people are deeply committed to our work of social assistance and social justice, and we run a wide variety of programs around Australia. Our work seeks to provide help for those who are marginalised by structures of exclusion and injustice, and our programs target (among other groups) people who are homeless and insecurely housed, migrants and refugees, people living with mental illness, and people experiencing poverty.

The National Commission of Audit (“the Commission”) has invited submissions on its terms of reference. The National Council has consulted with the Society’s state bodies, and welcomes the opportunity to contribute this submission.

The Society agrees that a review of government spending, and a search for increased effectiveness, is appropriate. Indeed, much of the Society’s advocacy is targeted at increasing the effectiveness of government programs. For example, more funding on early intervention systems would vastly increase the effectiveness of our education and criminal justice program, and increasing the rate of Newstart to enable people to thrive would result in an improvement in employment participation outcomes.

However, we believe that the terms of reference take a rather narrow view of the problem (as “inefficiency”), and the solution (as “cutting expenditure”). There are six themes we would like government, or the Commission, to consider, which we believe are not suitably reflected in the current terms of reference.

Theme 1: Individual outcomes are shaped by environment

One of the terms of reference is that “government should do for people what they cannot do, or cannot do efficiently, for themselves, but no more”. If this is a statement of what the role of government is meant to be, then we do not agree with its underlying assumptions.

The statement sets up a false dichotomy between what people inherently or by nature “can” and “can’t” do for themselves. Conversely, the Society believes that evidence makes it clear that the capacities everyone in our community has, and their outcomes, are heavily influenced by social context, and the supports given to us individually (better education, better healthcare, better housing all lead to better outcomes). Although it takes more upfront capital, when people are invested in and

empowered they “can efficiently do” far more for themselves than when we put them down and give them barely enough to survive.

Secondly, every Australian benefits from government doing things for them, even if they “can” do it themselves: government gives wealthy people tax exemptions on superannuation contributions, even though they “can” fund their own retirement; government runs hospitals that are open to everyone, even though richer people “can” buy their own private health care if they choose. Clearly, government’s function and its intention is *not* simply to do for people what they “cannot do for themselves, but no more”.

Taking these two points together, we believe government’s role is not helping out if “people can’t do it for themselves” (giving a family a meal). Instead, we believe it is “empowering and enabling all people and communities to thrive” (giving a woman an education, and a decent opportunity at employment, so she can buy food for herself and her children).

We believe that the Commission should explicitly state that the government recognises it does have a key role in ensuring the provision of services to all Australians, and particularly in empowering those who are currently the least empowered in our community. This is also in line with the findings of the previous Commission of Audit, that governments should get involved *not* where people “can’t do it themselves”, but where the market has failed to deliver social outcomes regarding health, education, and standard of living.¹

The better question to ask is “where the market is failing, how can the government ensure the best overall outcomes for its citizens, within the nation’s resources and capacities, and what are the best ways of achieving this?”. This is a strategic, long-term approach to the empowerment, self-sufficiency, health and wellbeing of all Australians, rather than merely cutting all programs that deliver more than the bare minimum to keep people alive from day to day.

In short, especially when it comes to equitable and affordable access to the essentials of life such as housing, healthcare, education, income support and employment assistance, the Society believes that governments must do what markets cannot.

¹<http://www.finance.gov.au/archive/archive-of-publications/ncoa/chap2.htm>.

Theme 2: Big Society policies are not desirable in Australia

Related to the role of government, another underlying assumption of the terms of reference appears to be that government-run programs are basically undesirable, and must be limited as much as possible. For example, under 'Phase 1', the Commission is asked to look at opportunities for the Commonwealth to cease undertaking some activities, and to shift responsibility to the private sector, non-for-profit sector, and State and local government. This is very similar to the policy of "Big Society" promoted by David Cameron in the UK, except without the claim that it will also cause some social good, as well as reduce spending.

In the UK, Big Society resulted in cuts to government spending that were not matched by increased funding to charities or to local government, and communities have not always been able to step in to fill the gap. This has led to some particularly negative outcomes. For example, social housing spending was reduced by 52% since 2010, and this seems to have contributed to a 14% increase in homelessness.² There have also been increases in acute admissions to hospitals as more sustainable health-management programs lost funding, and tendering services out has also caused predictable problems around quality of service.

It is also important to note that the UK context preceding Big Society was different to ours: while British government spending stood at around 47-50% of GDP, Australian government spending is already far lower at 34%. Proportionally, Australia also has 12% fewer public servants than Britain. Also, the Australian not-for-profit sector already employs more people and contributes more to our economy than the UK sector does to its economy:³ Asking the sector to take on more makes less sense here than in the UK. Asking the sector to take on more as a means of achieving an overall cut in social expenditure will never make sense to anyone who wants to see an Australia with lower rates of poverty, inequality and disadvantage.

Theme 3: Our government is already financially efficient

Building on the comment about the Australian government being different to that in UK, it is notable that the Australian government is already one of the most efficient

² <https://www.gov.uk/government/publications/statutory-homelessness-in-england-october-to-december-2011>.

³ <http://www.notforprofit.gov.au/about-us/about-us-page-1>, <http://knowhownonprofit.org/basics/what-is-non-profit#how-big-is-the>, [http://www.charity-commission.gov.uk/About us/About charities/factfigures.aspx](http://www.charity-commission.gov.uk/About_us/About_charities/factfigures.aspx).

in the world, where efficiency is the quotient of effectiveness divided by taxation. Our government is in the 94th percentile in terms of effectiveness:⁴ the ninth most effective government in the OECD, ahead of the United Kingdom and United States, and only just behind Canada and New Zealand. At the same time, we are the fifth lowest taxing country in the OECD.⁵ We are the only country to be in the top 10 in terms of effectiveness, and the bottom 5 in terms of tax levels: our efficiency level (effectiveness/taxation) is very high relative to all other governments.

Obviously our public service and our social services are not perfect, but we believe that the current very high level of efficiency should be acknowledged by the Commission, and in the public debate. The existing high level of efficiency also means that there is probably not scope for major savings without either cutting major programs, or serious tax reform.

Theme 4: Long-term wellbeing is “efficient”

We believe that government’s role is to enable and empower citizens, and that the best way to do this is not to cut services that cost money. It is particularly risky to do this when we already have possibly the most efficient government in the world. Instead, to enable and empower citizens, we believe that government must engage in longer-term, systemic changes. Additionally, and luckily, these longer-term savings will also save the government vast sums of money into the future, instead of facing the long-term costs of “selling the car today and having to catch taxis forever instead” (the situation that the community has already faced with privatising utilities, for example).

Longer-term investment in services does work, both to address social problems but also to cut costs into the future. Investing in education, housing, health, and employment today will see savings in the future, as people’s own strengths are socially and economically harnessed. As a nation, we have to spend money today to lift people out of poverty and disadvantage, and help them find the skills to make the best lives possible for themselves and their families.

⁴<http://info.worldbank.org/governance/wgi/index.aspx#reports>.

⁵<http://www.oecd.org/tax/tax-policy/revenue-statistics.htm#TaxRevTrends>.

Theme 5: The government has more money to spend

The types of reforms that the Society, and indeed many in the community and even in government, would like to see – deep and systemic changes to our healthcare, education, employment, housing, and criminal justice systems – would require a large injection of funds from the government.

The current terms of reference seem to suggest that a look at “efficiency” is unable to consider that government expenditure might need to increase in order to improve effectiveness and value for money. Similarly, the section on “State of the Commonwealth’s Finances” focuses almost totally on budget risks from expenditure, and totally ignores the flip side of the amount of taxation government can levy. At its root, the terms of reference seem to suggest that government has a fixed income, which it must manage as best as it can.

In fact, as identified in our recent report ‘Two Australias’,⁶ there are a wide range of ways in which government could increase its income without damaging the economy or business confidence. ACOSS has also done a lot of work on taxation reform.⁷ Simple measures that could increase revenue include cutting tax exemptions on large superannuation contributions along with other measures that would rein in some of the government hand-outs to the rich.

We understand that taxation reform is most likely out of the ambit of the Commission, but we do think that the assumption that the government has a limited and unalterable income needs to be challenged.

Similarly, some types of efficiency will be best addressed by changes to taxation: something the terms of reference do not seem to acknowledge. For example, there is a grave shortage of affordable housing in Australia, which is a key element of the level of homelessness. Re-visiting the effects of Capital Gains Tax and Negative Gearing as drivers of demand would be much more significant in addressing the problem than “saving money” by chopping bits of the public service, or by terminating certain housing programs on the basis of accounting inefficiency.

⁶http://www.vinnies.org.au/icms_docs/169073_Two_Australias_Report_on_Poverty.pdf.

⁷http://www.acoss.org.au/policy/economics_and_tax/.

Theme 6: There are more savings

The Society hopes that consideration will be given to at least three areas where large savings could quickly be brought about, while increasing wellbeing and decreasing unnecessary suffering. First, compulsory income management should be abolished. It is highly costly and causes suffering to many Indigenous people while the results are at best mixed.⁸ Allowing people to engage in *voluntary* income management seems like a desirable alternative. Secondly, we must abolish mandatory detention of asylum seekers, and instead allow them to live in our community, with work rights. This would save the government hundreds of millions of dollars each year, as well as boosting the economy, since most asylum seekers are ready and able to work and start paying taxes. Finally, we advocate for less use of sentences of imprisonment for many who commit minor offences, and instead support weekend detention or home detention. Prison simply does not work as a deterrent or to rehabilitate, and keeping people in the community provides a much better (and cheaper) long-term outcome.

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Ultimately, we are concerned that the terms of reference reflect a policy focus of minimising expenditure rather than optimising the national interest, and this will limit the outcomes of the Commission. We hope that the Commission will be able to take a broader view of efficiency, including consideration of the six principles above.

⁸ http://www.fahcsia.gov.au/sites/default/files/documents/11_2012/nim_first_evaluation_report.pdf