



2022-23 October Federal Budget Update

26 October 2022

The [2022-23 October Federal Budget](#), the first for the new Albanese Labor Government, was handed down by Treasurer Dr Jim Chalmers last night amid a slowing global economy impacted by war, inflation and natural disasters.

The focus of the budget was to address the rising cost of living without stoking inflation; encourage investment; and repair the Government's fiscal position.

The headline announcements in the Budget included:

- **\$4.7 billion** over four years to increase **Child Care Subsidy** rates up to 90 per cent from July 2023, for eligible families earning less than \$530,000.
- **\$531.6 million** over four years to expand **Paid Parental Leave** to 26 weeks by 2026.
- A new national **Housing Accord** that brings together Governments, investors and industry to boost supply and deliver up to 20,000 new affordable homes over five years from 2024 (as part of a plan with an “aspirational” target of 1 million new affordable homes).
- A “**Powering Australia Plan**” that aims to drive investment in cleaner, cheaper energy.

The Budget contained a number of initiatives that will be welcomed by Local Governments, including an expansion of the **Local Roads and Community Infrastructure Program**; additional funding for **Disaster Mitigation** and a new **Growing Regions Program** and **Precincts and Partnerships Program** (replacing the Building Better Regions Program and the Community Development Grants Program).

In its submission in advance of the Budget, **WALGA** identified priority areas for spending including telecommunications and digital connectivity, road infrastructure and coastal risk planning. The Budget contained funding for important election commitments related to telecommunications, however, more could be done to manage the impact of climate change on our coastal areas.

The Budget also forecasts that the Australian economy will not be immune from the downturn in the global economy, with economic growth expected to slow to 1.5% and the **unemployment rate** to rise to 4.5% in 2023-24.

Of note for Local Governments was the adjustment to the timing for funding for transport and rail infrastructure projects, presumably designed to address the challenges of delivering projects in the current high cost and supply constrained environment. This will see funding for a number of projects pushed out beyond the forward estimates and could have implications for some projects important to some Local Governments and their communities. WALGA is seeking further information from the Commonwealth Government as to whether Local Government programs will be affected by this change and will keep Members informed of any developments.

Key Economic Data

| Budget Aggregates | 2021-22 (Actual) | 2022-23 (Forecast) | 2023-24 (Forecast) | 2024-25 (Forecast) | 2025-26 (Forecast) |
|-------------------------------|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Underlying Cash Balance (\$b) | -32.0 | -36.9 | -44.0 | -51.3 | -49.6 |
| % GDP | -1.4 | -1.5 | -1.8 | -2.0 | -1.8 |
| Net Debt (\$b) | 515.6 | 572.2 | 634.1 | 702.8 | 766.8 |
| % GDP | 22.5 | 23.0 | 25.8 | 27.4 | 28.5 |
| Economic Parameters | 2021-22 (Actual) | 2022-23 (Forecast) | 2023-24 (Forecast) | 2024-25 (Forecast) | 2025-26 (Forecast) |
| Real GDP | 3.9 | 3.25 | 1.5 | 2.25 | 2.5 |
| Employment Growth | 3.3 | 1.75 | 0.75 | 1 | 1.25 |
| Unemployment Rate | 3.8 | 3.75 | 4.5 | 4.5 | 4.25 |
| Consumer Price Index | 6.1 | 5.75 | 3.5 | 2.5 | 2.5 |
| Wage Price Index | 2.6 | 3.75 | 3.75 | 3.25 | 3.5 |

Financial Assistance Grants

- Provision is made in the Budget for \$2.9 billion in Financial Assistance Grants in 2022-23. This includes \$2.1 billion brought forward from the 2022-23 estimate and paid to State and Territory Governments in 2021-22.
- Of the remainder, \$569 million is provided for the General-Purpose component and \$252 million for the Local Roads component.
- WA Local Governments will receive \$99.6 million in Financial Assistance Grants in 2022-23, with \$61 million in General Purpose grants and \$38.6 million in Local Road Grants.
- Thereafter, WA will receive \$370.7 million in Financial Assistance Grants in 2023-24, \$385.5 million in 2024-25 and \$400.8 million in 2025-26.
- WA's share of the total Financial Assistance Grants pool across the forward estimates remains stable at around 12%.

Further information on Financial Assistance Grants can be found [here](#).

Transport



The Federal Government will re-profile **\$6.5 billion** of funding nationally for existing projects within the **Infrastructure Investment Program** to beyond the forward estimates, to better align the investment with construction market conditions,

Key areas of transport funding for WA are as follows:

- **Roads to Recovery** - WA will receive \$287.5 million over four years; an increase of \$1.8 million (0.6%) compared with the March 2022 budget.
 - **Local Roads and Community Infrastructure Program** - Relative to the March Budget, and in line with the pre-election commitment, the program has been extended by one year to 2025-26 and is forecast to provide \$36.5 million in that year and \$246.9 million over four years to WA Local Governments.
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- **Black Spot Program** - Funding of \$53.7 million is provided to WA over four years, unchanged from the March Budget.
 - **Bridges Renewal Program** - \$43.2 million has been provided over four years for WA. This represents a \$2.6 million (6.4% increase) over the March budget as a result of projects deferred from 2022-23 to 2023-24.
 - **Northern Australia Roads Program** - Funding for WA has been reduced by \$22 million over four years.
 - **Heavy Vehicle Safety and Productivity Program** - An additional \$19.8 million has been provided for WA over four years. WALGA is seeking further detail on how this funding will be directed.
 - **Rail Investment (METRONET)** – An additional \$97 million (4.3%) has been provided over four years and the program has been re-sequenced with \$235 million deferred from 2022-23 to 2023-24 and 2024-25.
 - **Roads of Strategic Importance** - Funding to WA has been reduced by \$40.3 million (5.6%) over four years. WALGA is seeking further information from the Commonwealth Government as to whether Local Government programs will be affected by this change.
 - **Urban Congestion Fund** – This has been removed from the Budget. This Fund previously provided WA \$453.3 million over four years directed to State Government projects.
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WA Infrastructure Projects

Limited new funding was provided for infrastructure projects in Western Australia. The key announcements included:

- \$75 million over five years from 2023–24 to support the delivery of the **Bentley Hospital Surgicentre** in Perth in partnership with the WA Government.
 - \$634.8 million additional funding for priority rail and road infrastructure projects including \$400 million for the Alice Springs to **Halls Creek Corridor** upgrade (the **Tanami Road**) and \$125 million for **electric bus charging infrastructure** in Perth.
 - \$0.8 million in 2022–23 to support the development of short stay accommodation in **Laverton**.
 - The **Pilbara** will receive a share of \$672.7 million over seven years from 2022–23 towards enabling infrastructure to support emerging industries and economic transition.
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Grants and Other Funding

Regional Development

- The Budget includes **\$1 billion** over three years from 2023-24 for two new programs to drive regional development through competitive grants and collaborative partnerships.
 - The **Growing Regions Program** will fund local infrastructure projects and is available to community groups and local councils in regional and rural areas.
 - The **Regional Precincts and Partnerships Program** will see the Commonwealth Government work with State and Local Government to invest in place-based projects that transform regional centres.
 - Two discrete, time-limited programs have been funded to deliver commitments in suburban and regional locations. These include the Investing in **Our Communities Program (\$349.9 million)** and the **Priority Community Infrastructure Program (\$1 billion)**. These programs will deliver local community, sport and infrastructure commitments of varying scales related to election commitments.
 - These new programs are part of a redirection of funds from previous programs including the **Building Better Regions Fund** and the **Community Development Grants Program** as identified in the Spending Audit.
 - \$180 million in 2025-26 for the **Regional Australia Level Crossing Safety Program** to improve safety at level crossings in regional areas nationwide.
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Housing

- A key platform of the budget is a **Housing Accord**, that brings together States and territories, the Australian Local Government Association, investors, and representatives from the construction sector. Under the Accord, the Government will provide **\$350 million** over five years, with ongoing availability payments over the longer term, to deliver an additional 10,000 affordable dwellings. States and territories will also support up to an additional 10,000 affordable homes, increasing the dwellings that can be delivered under the Accord to 20,000.
 - **\$15.2 million** has been provided to establish a **National Housing Supply and Affordability Council** to independently advise the Government on housing policy.
 - The Government will develop a **National Housing and Homelessness Plan** to set out other actions and longer-term reforms.
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Disaster Preparedness

- The Government will invest up to **\$200 million** per year on prevention and resilience initiatives through the **Disaster Ready Fund**. The Fund will support projects such as flood levees, sea walls, cyclone shelters, evacuation centres and fire breaks.
 - The Government is also spending **\$22.6 million** over four years to help reduce the cost of insurance in disaster prone communities. This funding will be used to establish partnerships between Government and the insurance sector.
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Telecommunications

In line with Election commitments, the Government will provide **\$757.7 million** over five years from 2022–23 by redirecting funding to improve mobile and broadband connectivity and resilience in rural and regional Australia, including:

- **\$400 million** over five years from 2022–23 to support the roll out of mobile base stations to improve highway and underserved community mobile coverage, and initiatives to improve the resilience of communications services to support the roll out of base stations to improve highway and underserved community mobile coverage.
 - **\$200 million** over five years from 2022–23 for two additional rounds of the **Regional Connectivity Program** to fund the delivery of telecommunications infrastructure to improve digital connectivity in regional, rural and remote Australia
 - **\$40 million** over three years from 2022–23 for an improving mobile coverage round of the **Mobile Black Spot Program** to implement commitments for new mobile infrastructure to improve mobile coverage and reception quality across Australia
 - **\$39.1 million** over five years from 2022–23 for two additional rounds of the **Peri-Urban Mobile Program** to improve mobile reception in peri-urban areas that are prone to natural disasters
 - **\$30 million** over five years from 2022–23 for the **On Farm Connectivity Program** to support farmers and agricultural businesses to purchase and install on farm connectivity equipment
 - **\$20 million** over five years from 2022–23 to conduct an independent audit of mobile coverage to better identify black spots and guide investment priorities
 - **\$6 million** over three years from 2023–24 for the **Regional Tech Hub** platform to provide free and independent advice on telecommunications connectivity and services in regional and rural Australia
 - **\$2.5 million** over five years from 2022–23 to establish a **First Nations Digital Advisory Group** to lead consultation with First Nations people on the design and delivery of digital inclusion initiatives.
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The Government will provide an equity investment of **\$2.4 billion** to **NBN Co** over four years from 2022–23 to upgrade the National Broadband Network (NBN) to deliver fibre-ready access to a further 1.5 million premises by late 2025. The additional investment will support nearly 90 per cent of Australia's fixed line footprint to have access to world class gigabit speeds by late 2025.



Climate Action

- The Government is investing **\$42.6 million** to restore the **Climate Change Authority**, introducing an Annual Climate Change Statement to Parliament and increasing transparency around climate-related spending in the Budget
 - **\$105.2 million** has been provided to support First Nations people to respond to climate change in their communities
 - The Government will invest **\$7.1 million** to begin reducing its own emissions to net zero by 2030. A further **\$39.1 million** will improve the Australian Public Service's climate expertise, including by rebuilding Treasury's climate modelling capability.
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Voice to Parliament

- **\$75.1 million** will be provided in the Budget to prepare for the delivery of a referendum to enshrine a **First Nations Voice** to Parliament in the Constitution.
 - **\$5.8 million** will be provided to fund the first step in delivering the Government's **\$27.7 million** election commitment to establish an independent Makarrata Commission.
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Wellbeing

The Budget flags the Government's intention to move towards the beginnings of an Australian Wellbeing framework. It notes that the Treasury will continue to work and consult with a range of stakeholders to inform the development of a stand-alone "**Measuring What Matters Statement**" in 2023.

Economic Outlook

The October Federal Budget was handed down in a time of heightened economic volatility across the globe with the war in Ukraine and the ongoing pandemic continuing to impact supply chains, increase inflation and constrain energy markets. To date, Australia has outperformed other developed nations thanks to its geographical isolation, strong and responsive institutions, and elevated commodity prices that have benefitted its key industries.

However, **inflation remains a major challenge** for our economy with the Reserve Bank raising interest rates at record speed to dampen spending in the economy in an effort to contain prices. At the same time, labour market conditions remain tight as businesses are struggling to find skilled and unskilled workers even as the borders reopen. To sustain economic growth during the pandemic, the previous Coalition Government plunged the budget into record levels of debt.

The extent of the structural challenge facing the Budget was reflected in the official figures, which project cash deficits across the forward estimates. The underlying cash deficit is estimated to be \$36.9 billion (1.5 per cent of GDP) in 2022–23, increasing to \$49.6 billion by 2025-26. Net debt is projected to grow to more than \$766 billion by 2025-26, sitting at 28.5% of GDP.

While the Budget contains some efforts to repair the nation's fiscal position there remains no credible path to surplus or to pay off debt, suggesting that the tough fiscal decisions have yet to be made.

The strong performance of the Australian economy post-pandemic is expected to ease in line with deteriorating global conditions. **Real GDP growth** is expected to dip to 1.5% in 2023-24, before returning to 2.5% in the out years. The **labour market** is expected to remain tight with unemployment increasing slightly to 4.5% in 2023-24 and 2024-25, whilst employment growth is forecast to bottom out at 0.75% in 2023-24, climbing to 1.25% by 2025-26.

Inflation is expected to peak at 5.75% later this year before falling to 3.5% in 2023-24 and returning to the midpoint of the Reserve Bank's target range of 2.5% the following year. **Wages** are expected to continue to fall in real terms throughout 2022-23 before rising above inflation for the next three years. Wages growth is expected to remain strong through the forward estimates.

Government expenditure is forecast to slow down in 2022-23 and 2023-24 as stimulus is unwound with the responsibility of growing the economy shifting to the private sector. **Household consumption** is expected to remain strong through 2022-23 before slowing down in 2023-24 as the burden of rising interest rates dampens demand. However, **business investment** is forecast to remain strong with growth of 6% in 2022-23 and 3.5% the following year, with mining investment climbing from 4.0% in 2022-23 to 5.5% in 2023-24.

This budget has credibly banked most of the windfall tax revenues from the elevated commodity prices however the path to budget surplus is unclear and there is limited fiscal space to respond to global shocks or an economy that performs poorer than expected. With just six months to wait until the next budget, the new Government has more work to do to address the budget's entrenched structural challenges.

Quick Links

To read more about what the Federal Budget means for Local Governments please visit:

[ALGA Statement](#)

[ALGA Financial Assistance Grants Fact Sheet](#)

[ALGA Transport Fact Sheet](#)

If you have any further questions on the Federal Budget, email WALGA Economist, [Daniel Thomson](#) or call 08) 9213 2015.

