



Brief: Federal Budget 2024-25

The delicate way forward to a soft landing, cost-of-living relief and more housing

On Tuesday May 14, the Federal Government announced their 2024-25 Budget, which included some key measures for our industry including the \$11.3 billion Homes for Australia plan and the \$90.6 million construction skills and training package.

The state of the budget and economy

- A \$9.3 billion surplus is now forecast for 2023-24.
- A deficit of \$28.3 billion (1.0 per cent of GDP) is forecast in 2024-25 and \$42.8 billion in 2025-26.
 - The deficit for 2024-25 is greater than initially forecast in MYEFO released in December 2023.
- The 2023-24 surplus was largely due to the resilience of the labour market and high commodity prices.
- Subsequent deficits are due in large part to growing budget demands of the *Future Made in Australia* program, Defence, the National Disability Insurance Scheme, interest payments on debt, Aged Care and Health.
- Forecasts for major economic indicators are as follows:

Major economic parameters(a)

	Outcome	Forecasts				
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Real GDP	3.10	1.75	2.00	2.25	2.50	2.75
Employment	3.50	2.25	0.75	1.25	1.75	1.75
Unemployment rate	3.60	4.00	4.50	4.50	4.50	4.25
Consumer price index	6.00	3.50	2.75	2.75	2.50	2.50
Wage price index	3.70	4.00	3.25	3.25	3.50	3.50
Nominal GDP	9.90	4.75	2.75	4.00	5.25	5.25

Source: Budget 2024-25 BP1, Statement 1

- The Budget forecasts that inflation will fall back inside the Reserve Bank of Australia's (RBA) 2 to 3 per cent target band by the end of the calendar year, well ahead of the RBA's own forecasts, which have CPI at 3.8 per cent in December.
 - This represents a downward revision from the 3.75 per cent prediction in MYEFO in December 2023.
- Real GDP growth is forecast to be 1.75 per cent in 2023-24 and 2.0 per cent in 2024-25.
- Population growth is projected to be 2.0 per cent in 2023-24 and 1.5 per cent in 2024-25.
- Net overseas migration is forecast to decline from 528,000 in 2022-23, 395,000 in 2023-24, and 260,000 in 2024-25.
- Estimated real spending growth is estimated to be 4.5 per cent in 2023-24, 3.6 per cent in 2024-25 and 1.8 per cent in 2025-26.



Federal Budget 2024-25 investment in home building

- The Government has committed to \$6.2 billion *in this Budget* to address historic underinvestment in the Australian housing system, which includes (some of these items are also included as part of other budget line items):
 - \$1 billion funding for states and territories to build essential civil infrastructure, such as roads, sewers, energy, water infrastructure.
 - 20,000 fee free TAFE and pre-apprenticeship places for the housing and construction industry.
 - \$1.9 billion for increase of Commonwealth Rental Assistance over 5-years
 - Provide up to \$1.9 billion in concessional finance for community housing providers and other charities.
 - Continuity and certainty of long-standing funding (\$1.6 billion per year) under the new National Agreement on Social Housing and Homelessness (formerly the National Housing and Homelessness Agreement).

New home building

National Housing and Homelessness Plan

The Government will develop the National Housing and Homelessness Plan (the Plan). The Plan will be a 10-year strategy and outline how all levels of government can work together with the private and the community sector to deliver the short-, medium- and long-term actions needed. The Plan will build on the Accord, where the Government is working to deliver 1.2 million new, well-located dwellings in the five years from 1 July 2024.

Homes for Australia

The 'Homes for Australia' package provides an additional boost to the Housing Australia Future Fund (HAFF) to build more housing under that scheme and is something HIA has been calling for as part of this year's Budget. However, while the commitment of \$11.3 billion is welcome, there's confusion in media reporting that it's a large injection into building more social housing - it's not.

Underneath the headline, the detail rather indicates continuity and certainty of long-standing funding (\$1.6 billion per year) under the National Housing and Homelessness Agreement and more modest down payments on the scale of funding required.

Under the new National Agreement on Social Housing and Homelessness, the Government is offering the states and territories an additional \$423.1 million over five years for social housing and homelessness services, bringing the total to \$9.3 billion.

One of the key commitments in the plan includes an additional \$1 billion funding for states and territories to build essential civil infrastructure, such as roads, sewers, energy, and water infrastructure. HIA has been calling on the Government to double its previous \$500 million infrastructure commitment announced in last year's budget, to assist with bringing forward the key infrastructure needed to get residential land 'shovel ready' faster, so it is pleasing to see this funding boost included. As part of the Government's commitment to this target, \$1.5 billion will be made available to the states and territories, including \$1 billion through the Budget, to help clear infrastructure bottlenecks delaying the construction of new housing.

Social and affordable housing

The Federal Budget builds on present funding commitments to social and affordable housing, particularly the \$10 billion HAFF investment. This Budget provides additional concessional financing of up to \$1.9 billion for community housing providers and other charities to support delivery of new social and affordable dwellings under the HAFF and the National Housing Accord.



National Planning Reform Blueprint

Work underway through National Cabinet's Planning Reform Blueprint provides the mechanism for states and territories to address structural inefficiencies in the planning, zoning and land release systems that prevent the market from responding more efficiently to demand.

Planning ministers will report on their progress in implementing the Blueprint twice a year to National Cabinet over the course of the Housing Accord period.

Investment in student accommodation

The Homes for Australia plan also includes the Government working with the higher education sector to increase the supply of student accommodation for domestic and international students. The Government will implement regulatory requirements to ensure public universities provide more purpose-built student accommodation. The Government will consult on the details of these requirements and transition arrangements prior to commencement. The stated goal is to increase the supply of student accommodation for all students and ease pressure on the private rental market.

Build to Rent

The Build to Rent incentives include halving the managed investment trust withholding tax rate from 30 per cent to 15 per cent and increasing the capital works tax deduction (depreciation) rate from 2.5 to 4 per cent per year for newly constructed Build to Rent properties.

The Government has also lowered foreign investment application fees for new Build to Rent developments and will also allow foreign investors to purchase established Build to Rent developments and apply lower fees to these applications, conditional on the property continuing to be operated as a Build to Rent development.

Commonwealth Rental Assistance

This Budget provides further relief for renters by increasing maximum rates of Commonwealth Rent Assistance (CRA) by an additional 10 per cent, at a cost of \$1.9 billion over five years from 2023-24. Because of these increases and indexation, maximum rates of CRA will be 40 per cent higher than they were in May 2022 which will benefit up to 1 million households.

For some time now, HIA has argued that for those requiring additional rental assistance, market-led solutions like CRA are often more effective and affordable than social housing. Unlike public housing, CRA however, can support people regardless of whether they live in public, community, or privately-owned housing. This kind of tailored and time-limited support can also be more appropriate for those who only need temporary assistance. Australia's Productivity Commission has stated: *"Commonwealth Rent Assistance is designed on sound principles ... it is a flexible payment that responds to recipients' needs in a timely way, supports housing choice and adjusts as needs change over time."*

Help to Buy Scheme

Help to Buy is the Federal Government's proposed shared equity scheme to offer support to Australians seeking to enter home ownership, with a proposed 40,000 places over a four-year period. The already-announced \$5.5 billion "Help to Buy" shared-equity scheme is yet to win sufficient votes in the Senate to be legislated. However, Budget provisions have been made in anticipation of the Bill's ascent.

Northern Territory housing

The Government will contribute \$2.1 billion in support of a joint \$4 billion investment with the Northern Territory Government for housing in remote communities. The Government's contribution will support a ten-year remote housing agreement to halve overcrowding in the Northern Territory and provide \$120.0 million over three years for urgent repairs and maintenance of housing and essential infrastructure on Northern Territory Homelands.



Commonwealth-owned land release

The Federal Government has committed funding for feasibility studies on the number of surplus Commonwealth-owned land holdings. This is to determine their suitability for release as housing to support the 1.2 million new, well-located homes target under the National Housing Accord.

This package of housing announcements is not going to move the needle on Australia's significant housing and worker shortage, but it is a step forward by the Federal Government and important cash boost to the residential building sector.

Engineered stone import ban

The Federal Government is committing a total of \$32.1 million to an engineered stone import prohibition- \$20.0 million in 2024-25 and \$12.1 million in 2025-26. Commonwealth funding will be directed to the Australian Border Force to enforce a legislated import prohibition on engineered stone products entering Australia, to support the state and territory ban on the use, supply, and manufacture of engineered stone which will take effect in most jurisdictions from 1 July 2024, with limited exemptions for certain legacy contracts.

In conjunction with this, the Government stated that it will be terminating funding provided in the 2023–24 MYEFO measures *Prohibition on the Use of Engineered Stone – communication strategy* and *Review of the Safety, Rehabilitation and Compensation Act 1988*. The Government reports that the saving will equate to \$3.5 million over two years from 2023–24 by redirecting funding from the 2023–24 MYEFO measure, *Prohibition on the Use of Engineered Stone – communications strategy*.

Household energy efficiency

The Clean Energy Finance Corporation (CEFC) was established as a Commonwealth Authority in August 2012 through the Clean Energy Finance Corporation Act 2012 (CEFC Act). Under the CEFC Act, the CEFC has been provided \$10.0 billion to invest in renewable energy, low emissions technology and energy efficiency projects. The Government has also provided CEFC with an additional \$20.5 billion to support the Government's policy priorities. This includes \$1.0 billion to support household energy efficiency upgrades. The \$1 billion Fund will work with established co-financiers to provide discounted consumer finance to fast-track sustainability improvements in existing homes. Energy efficiency upgrades and battery-ready solar PV are among projects that will be eligible for finance.

Residential construction skilled trades

The Treasury Budget Papers highlighted the significant constraint of an acute shortage of skilled labour in the residential construction sector. They indicated that these labour shortages can partially be explained by an increase in non-dwelling construction activity, that has drawn on the supply of labour available for dwelling construction. It was pleasing to see that Treasury Budget Papers referenced an HIA media release stating, "*The most acute trade shortages in the first quarter of 2024 existed in bricklaying, ceramic tiling, plastering, carpentry and roofing.*"

In response to these conditions the Federal Budget promises an investment of \$90.6 million to boost the number of skilled workers in the construction and housing sector. The Government purports that this investment will help close the national skills gap and provide the skilled workforce the economy needs to increase housing supply. The multimillion-dollar investment includes:

- \$62.4 million, working with States and Territories, to deliver an additional 15,000 Fee-Free TAFE and VET places over two years from 1 January 2025.
- \$26.4 million, working with states and territories, to deliver approximately 5,000 places in pre-apprenticeship programs over two years from 1 January 2025; and
- \$1.8 million to streamline skills assessments for around 1,900 potential migrants from countries with comparable qualifications and prioritise the processing of around 2,600 Trades Recognition Australia skills assessments in targeted occupations.



Employer subsidies for taking on an apprentice

To support apprentice retention and completion rates, the Government has committed to increase Phase Two Incentive System payments for apprentices in priority occupations from \$3,000 to \$5,000 and hiring incentives for priority occupation employers from \$4,000 to \$5,000 for 12 months from 1 July 2024.

This will provide certainty to apprentices and employers while the Government awaits the findings of the Strategic Review of the Australian Apprenticeship Incentive System. HIA will continue to advocate for a long term continuous employer funding arrangements rather than cyclical nature of such schemes.

Earlier in the year, HIA also lodged its pre-budget submission outlining key initiatives that could be taken to address the skills shortages and it is pleasing that a number of these have been picked as part of the Federal Budget announcements.

We also note that HIA submitted a comprehensive response to the Strategic Review of the Australian Apprenticeship Incentive System on May 14.

Work Health and Safety accreditation

The Government is committing to spending \$7 million to support building and construction industry firms to gain Work Health and Safety (WHS) accreditation and \$6.2 million to support building industry peak employer associations to assist their members in gaining the WHS accreditation required to participate in Government-funded housing projects. This is a direct response to HIA's advocacy work- calling on the Government to assist and support the builders who will actualise the investment in 40,000 new social and affordable homes under the Housing Australia Future Fund (HAFF) and National Housing Accord programs.

Women's participation in the construction workforce

The Government is investing in female participation in construction (amongst other fields) through the *Building Women's Careers* program, the Australian Skills Guarantee, the Fee-Free TAFE placements, and Jobs and Skills Australia. The major announcement within this Budget is the *Building Women's Careers* program.

The Government is investing \$55.6 million to launch the *Building Women's Careers* program. The stated goal is \$55.6 million over four years from 2024–25 to drive structural and systemic change in work and training environments. The program will fund partnerships between training providers, community organisations, employers, and unions to improve women's access to flexible, safe and inclusive work and training opportunities in traditionally male-dominated industries of national priority, including clean energy sectors. It will deliver around ten large-scale projects, and several smaller local projects, to support women to access flexible training in clean energy, construction, tech and advanced manufacturing.

The *Australian Skills Guarantee*, which comes into effect on 1 July 2024, will help to increase the number of women working on major Government-funded construction and ICT projects, and investments via the new National Skills Agreement.

The Commonwealth and state and territory governments' Fee-Free TAFE initiative is continuing to exceed targets and remove financial barriers to training and upskilling. Fee-Free TAFE is targeted towards priority cohorts, including women facing economic insecurity, women undertaking study in non-traditional fields and unpaid carers.

The Government is continuing to address current and emerging workforce skills and training needs through Jobs and Skills Australia. Jobs and Skills Australia has a legislative function to provide advice on opportunities to remove barriers to gender equality in the provision of training and in the labour market.



National innovation visa

This Budget targets skills in demand, with around 70 per cent of the permanent Migration Program allocated to skilled visa categories. The Government will also introduce a new National Innovation visa to attract exceptionally talented migrants and replace the Global Talent visa and the Business Innovation and Investment visa. These actions complement reforms being developed for the points test used for certain skilled visas. It is presently not clear whether the new National Innovation Visa will have a direct application to skilled trades that are critical to new housing supply chains, though we expect there will be a benefit in certain trades. As a matter of priority, HIA will engage with Government on how this new visa can be utilised in the residential building industry.

Investment in small businesses

Instant asset write-off

Small businesses with an aggregated annual turnover of less than \$10 million will continue to be able to immediately deduct eligible depreciating assets costing less than \$20,000, which are first used or installed ready for use by 30 June 2025. The asset threshold applies on a per asset basis, so small businesses can instantly write off multiple assets.

Payment Times Reporting Scheme

The Government will provide \$25.3 million over four years from 2024–25 to improve payment times for small businesses and ensure the Payment Times Reporting Regulator can deliver its expanded functions, which include naming slow paying big businesses, and fund fit-for-purpose ICT infrastructure for an overhauled Payment Times Reporting Scheme.

In summary, it is pleasing to see the recognition and focus on housing as a Budget centrepiece. However, while there is some welcomed investment in home building and skilled trades, more investment and further ambitious policy reform is needed to reach the Federal Government's 1.2 million new home target. We will continue to advocate for this focus to be maintained in the lead up to next Federal election.

Educating on industrial relations reform

The Productivity, Education and Training Fund will provide \$60.0 million to employer and employee representatives to engage with their members and government on the implementation of significant reforms that impact businesses, workers, and the community, including the transition to a net zero economy, Securing Australians' Superannuation reforms and recent workplace relations changes.

Group training organisations & apprenticeships

The Government is investing \$91.0 million to develop the clean energy workforce. As a part of this, eligible Group Training Organisations will be reimbursed for reducing fees to small-to-medium enterprises seeking construction apprentices, as well as in clean energy and manufacturing.



Renter rights

The Government is working with states and territories to strengthen renters' rights through the Better Deal for Renters package. As part of this package, all levels of government have agreed to implement a 9-point plan that includes:

- Developing a nationally consistent policy to implement a requirement for genuine reasonable grounds for eviction.
- Moving towards limiting rent increases to once a year.
- Phasing in minimum rental standards.

In addition to the broader supply measures the Government has a plan to increase the supply of specialist rental accommodation. This is intended to help moderate affordability pressures and introduced more equilibrium between renters and landlords.

Future Made in Australia

The revival of local manufacturing with an emphasis on clean energy is a centrepiece of the Government's Budget this year. The Future Made in Australia Act (which is often referred to without the "act" on the end) is bringing together a range of new and existing manufacturing and renewable energy programs under one umbrella, totalling in excess of \$15 billion. In other words, the government is investing sizable taxpayer money towards supporting local industry and innovation, especially in the renewable energy sector:

- \$1 billion for the Solar SunShot program to increase the number of Australian-made solar panels.
- \$2 billion for its Hydrogen Headstart scheme to accelerate the green hydrogen industry.
- \$470 million to build the world's first "fault-tolerant" quantum computer in Brisbane, matching the Queensland government's contribution.
- \$840 million for the Gina Rinehart-backed mining company Arafura to develop its combined rare earths mine and refinery in Central Australia.
- \$230 million for WA lithium hopeful Liontown Resources, which is also partly owned by Gina Rinehart
- \$566 million over 10 years for Geoscience Australia to create detailed maps of critical minerals under Australia's soil and seabed.
- \$400 million to create Australia's first high-purity alumina processing facility in Gladstone.
- \$185 million to fast-track Renascor Resources' Siviour Graphite Project in South Australia.
- A \$1 billion export deal to supply Germany with 100 infantry fighting vehicles, manufactured at Rheinmetall's facility in Ipswich.

HIA anticipates that the program will result in a modest impact on residential building. The short-term impact will be the necessity for increased short and long-term accommodation around these clean energy manufacturing sites to house the essential workers. Secondly, the manufacturing facilities will drive economic activity in the relevant region which should translate to a correlating demand and supply boost to housing in the locality.