

ACT Budget Submission

March 2023

Introduction

CPA Australia represents the diverse interests of more than 170,000 members working in over 100 countries and regions around the world, including nearly 120,000 members in Australia. We have over 3,300 members in the ACT working in a range of sectors and industries as well as supporting small business and individual clients.

We make this pre-Budget submission on their behalf and in the broader public interest.

Accountants are at the front line of supporting Canberra's business, including businesses in distress. Our members are telling us that 2023 is likely to be characterised by four key challenges:

- continued high input costs
- higher interest rates
- weakening demand
- labour and skills shortages.

While business confidence is currently at reasonable levels, it is beginning to trend downwards as consumers and businesses adjust their behaviour in response to rising interest rates and increases in other day-to-day expenses. With further interest rate increases predicted and the end of fixed interest rate periods for many borrowers, we expect the economy to slow in 2023.

The other major challenges facing business are supply disruptions, cybersecurity threats and regulatory changes.

Given this challenging environment, CPA Australia recommends that the key themes for this budget should be:

- capability building for business and not-for-profits (NFPs)
- tackling skills and worker shortages
- climate change action
- economic transformation

- reducing regulatory pressure
- improving public finances.

We recommend that the government works with stakeholders to design budget measures that help business and NFPs build their capability to respond to risks and opportunities. Such measures should improve the resilience of businesses to manage through shocks and challenges without the need for significant government support.

In an environment of economic ebbs and flows, rebuilding the economy and improving public finances need not come at the expense of environmental, social and governance (ESG) issues broadly and effective climate change action more specifically.

Our members are telling us that in an environment where many businesses are facing significant and new risks, it is more difficult than usual for them to keep up with regulatory change. Providing greater regulatory certainty and stability should help business over the coming years.

For more information

If you have any questions about this submission, please contact Kimberley Ohayon, General Manager ACT Division at Kimberley.ohayon@cpaaustralia.com.au or on 0417 450 773.

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Summary of recommendations

Supporting business and NFPs to build capability

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Tackling skills and worker shortages

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Climate change action

- [Building resilient capacity and unlocking future-ready skills](#)
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Supporting business and Not for Profits to build capability

Incentivising small business and NFPs to access advice

There are several ways to build the management capabilities of small businesses and NFPs. However, with both sectors facing significant risks that threaten the viability of some organisations, this budget should focus on programs that can be implemented quickly and have an almost immediate impact.

The quickest way for small businesses and NFPs to build capability is to seek advice from those who have the knowledge, skills and experience to assist with building that capability – their existing professional advisers. We recommend that this budget funds a program that provides direct financial incentives to small business and NFPs to access advice from their adviser of choice. We suggest the ACT Government model such a program along similar lines as to the Victorian Government's [Small Business Specialist Advice Pathways Program](#).

Expanding business advisory services provided by governments or their contractors is a sub-optimal solution. Such services only reach a small proportion of businesses and rarely offer specialist or tailored advice. Small businesses are overwhelmingly more likely to seek advice from a private provider, especially accountants. For example, CPA Australia's [Asia-Pacific Small Business Survey](#) found that 47 per cent of Australian small businesses received advice from an accountant or business consultant in 2022, compared to 11 per cent who received advice from government.

The government should introduce support programs that leverage the existing relationships small businesses have with professional advisers. This is likely to reach far greater numbers of small businesses in need of advice.

Recommendation 1

Fund incentive payments to small business and NFPs to encourage them to access tailored advice from approved professional advisers of their choice.

Digitalising small business and NFPs

Over the past 15 years, CPA Australia has surveyed over 39,000 small businesses across the Asia-Pacific region. The results, presented in our annual [Asia-Pacific Small Business Survey](#), show that the digital capability of Australian small businesses is typically well behind their counterparts in Asia and larger local businesses. This includes online retailing and social media use.

The survey suggests that this lack of digital skills is likely to be having a negative impact on their profitability and efficiency.

The performance of small businesses and NFPs can be improved by helping them build their capability and capacity to choose, buy, implement and leverage technologies. With many having limited resources, government support is necessary to drive digital transformation.

A major barrier to effective technology investment by small business and smaller NFPs is their generally low understanding of technology and its applications.

Programs that support investment in selected technologies may complement the Federal Government's Technology Investment Boost and help to overcome this investment barrier. Therefore, we recommend that this budget includes funding for innovative programs that encourages investment in selected technologies, such as e-commerce. Such a program should build greater awareness and understanding of technology options available to small business and NFPs, including in cybersecurity and data privacy.

One example is the Victorian Government's [Small Business Digital Adaptation Program](#). It provided a \$1200 rebate to help small businesses buy pre-approved technologies.

Recommendation 2

Introduce financial incentives and training programs that build the capability and capacity of smaller businesses and NFPs to invest in technologies most appropriate to their organisation.

Encouraging companies to resolve solvency issues early

Our members working in insolvency are expecting a larger than usual increase in the number of insolvencies in 2023 and 2024.

The ACT government should consider measures which may help businesses resolve solvency issues early. This increases the probability of viable businesses continuing or the likelihood of a return to creditors should the company enter external administration.

We have been working with other professional and industry bodies to consider proactive measures that can be taken to tackle these issues.

Recommendation 3

The ACT Government should work with professional and industry bodies to develop solutions that effectively support businesses in distress, including enabling a dignified exit for those that need to close.

Tackling skills and worker shortages

Skilled migration

Skills and worker shortages continue to hinder Australian and ACT businesses and the community. For business, it is restricting their ability to grow and manage through challenges. More broadly, it is affecting the delivery and quality of some public services.

While much has been done to address shortages, these shortages remain. We recommend that this budget includes further measures to encourage skilled migration and address the gap between the workforce the ACT has and the workforce it needs.

It should be noted that there is strong global competition for labour, talent and international students.

Recommendation 4

Highlight and promote the opportunities for skilled migrants in the ACT. This should include featuring accounting, audit and finance professionals prominently in the ACT's workforce attraction planning.

Older Australians

Older Australians have great potential to contribute to the workforce. We recognise that the number of older Australians willing to return to the workforce may not be large and the willingness of employers to employ older workers may also not be significant.

We recommend that this budget include measures aimed at encouraging older Australians to consider re-entering the workforce and encouraging employers to hire older workers.

Recommendation 5

Educate businesses on the benefits of taking on older workers and provide support frameworks for older Australians to return safely and comfortably to the workforce.

Climate change action

Building resilient capacity and unlocking future-ready skills

CPA Australia commends the ACT government on its proactive approach and initiatives to transition to a net zero future. We note that this important suite of policies enables the ACT to capitalise on opportunities arising from transitioning to a low emissions economy.

Small businesses will be critical in the transition and will need guidance and direction from government as the deadlines and impetus for transition approach.

Recommendation 6

Develop a clear roadmap for the ACT that is easy for small business to understand and which includes key milestones for initiatives and transition dates.

Recommendation 7

Develop a suite of resources for small business to understand how they can take steps now to understand, and minimise their carbon footprint/improve their energy efficiency.

Supporting those most impacted by the transition to renewables

As Australia transitions at greater speed to a lower carbon state, there needs to be recognition that this can't happen at the expense of those working in sectors earmarked for being phased out.

The government needs to work with stakeholders to design and implement measures that minimise the impact on those people, communities and small businesses most likely to be negatively affected by the transition to renewables.

We recommend that this budget includes long-term funding for measures that support individuals, communities and small businesses most impacted by the transition.

Recommendation 8

Fund the re-skilling and placement of workers from industries most likely to be negatively affected by the transition to renewables.

Recommendation 9

Invest in the development and deployment of green technologies.

Reducing regulatory pressure and improving public service delivery

Improving stakeholder engagement

Effective stakeholder engagement by government is essential to good policy development and its successful implementation, as well as driving Canberra's economic transformation.

Effective engagement includes governments engaging with a broad cross-section of stakeholders and giving the community sufficient time to consider proposed policy, law and administrative changes. Running too many consultations at similar times should be avoided.

The ACT government's consultation approach is generally inclusive and the Your Say platform is a great tool to engage with a broad cross-section of the community.

Recommendation 10

To improve stakeholder engagement and coordination, CPA Australia recommends that the ACT government ensures that it:

- **engages with a broad cross-section of stakeholders**
- **measures the effectiveness and inclusiveness of consultations**
- **coordinates the timing of consultations to avoid conflicts and mitigate unnecessary peaks**
- **ensures transparency around the progress of policy initiatives.**

Developing standardised and scalable disaster support for business

Natural disasters brought on by climate change will occur with increasing frequency and severity, yet there is no standard form of direct government assistance for affected business. This delays the delivery of support following a disaster. It also adds to the work pressures on our members as they must learn about each new disaster support program to help their small business clients and employers – especially where they are doing this in different jurisdictions (i.e. for their ACT and NSW clients).

We recommend that this budget includes funding for the development of a standardised and scalable disaster support framework for government to deploy in future disasters/ or economic shocks (such as COVID). This would allow for a quick distribution of business support based on robust evidence based, proven policy.

Having a ready-made disaster support program for business, which is based on robust risk analysis and evidence-based policy, would enable future governments to implement tried, tested and sound disaster support quickly. It would also help advisers quickly aid their small business clients to apply for the support as they wouldn't have to learn about new programs or manage differing requirements.

Recommendation 11

Fund the development of a standardised and scalable disaster support framework to provide certainty for business, government and the community in challenging times.