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Via email: nick.xenophon@sabest.org.au
5 March 2018

Re: Funding Certainty and the Mid-Year Budget Review

The signatories to this letter are the leaders of peak bodies in the not-for-profit health and community services sector in South Australia. Our members, and others in the sector, provide vital services to vulnerable and disadvantaged people, and our sector has the highest employment growth rates of any sector in South Australia.

We are writing because we are concerned at the prospect of cuts to funding for the services offered by our sector. While many sector organisations generate their own funding and may have a variety of other sources of funds, there is no doubt that the South Australian

government is a crucial part of resourcing South Australian not-for-profits. Many of our services to the community are procured by the government on the basis that our sector provides services in a better, more efficient, more flexible and/or more community-focused way than other alternatives, including direct government provision of services.

Our concern about the funding for our sector arises from the “efficiency dividends” announced by the government in the Mid-Year Budget Review and the tax cuts you have announced through the course of the election. The government’s efficiency dividend to replace the \$90m p.a. revenue slated from the state bank tax amount to an average of 0.6% of departmental operating expenses.

On top of this, we note that the Liberal Party has promised tax cuts amounting to around \$130m (\$90m ESL and \$44m in payroll tax), and your policy also supports the ESL tax cut. While there are obviously other budget measures in the mix, these tax cuts give rise to our concern about efficiency dividends and funding cuts to our sector.

We are also sceptical about simply hoping that economic growth or cutting waste will simply make up for lost revenue. While economic growth undoubtedly plays a part in growing the budget, it does not automatically lead to a commensurate growth in government revenue. For instance, the budget predicts that the economy will grow by 7% in the next 4 years (2.25% p.a.), but in real terms tax revenue will only increase by 5% in that four years. This may mean that economic growth would have to be particularly strong to cover revenue requirements, and we remain concerned about the size and impacts of any efficiency dividends needed to balance the budget. We note this also does not take into any account the additional pressures that will flow from any reduction in GST distributions.

We are also concerned that “efficiency dividends” implemented by departments remove funding decisions and accountability from Ministers, and note that historically, Departmental CEO’s have almost always found it easier to cut funding to non-government organisations before making any reductions in their own staff and operational budgets.

The non-government health and community services sector run vital services often on small budgets with no room to move. Far from creating efficiencies, any cuts to funding will inevitably lead to fewer services or less quality of services provided to vulnerable and disadvantaged people.

For this reason, **we are asking you to commit to quarantining the non-government sector from the impacts of any funding cuts or government efficiency dividends.**

We have also written to the Premier and Mr Marshall in similar terms.

This commitment does not impact on the government’s ability to change funding priorities, service providers or replace poorly run services. It is simply a direction to Department CEO’s that when finding the budget savings required for the efficiency dividend, they must not cut funding to non-government services or the allocations to NGO funding within programs. But even with these caveats, a commitment to quarantine our sector from the impacts of funding cuts or government efficiency dividends will give greater certainty to our sector and

ensure that we can continue to maintain the vital services that vulnerable and disadvantaged people rely on.

If you would like to discuss this issue, please contact SACOSS CEO Ross Womersley on 8305 4223 or by email at ross@sacoss.org.au

Yours,



Ross Womersley
CEO SACOSS



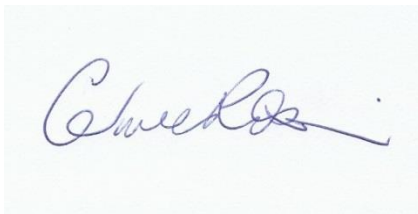
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