



Budget Policy Division
Department of the Treasury

Submitted via [Treasury Consultation Hub](#)

24th August 2020

Re: 2020-21 Pre-Budget Submissions

Dear Madam/Sir

Thank you for the opportunity to participate in the 2020-2021 Federal Government's Pre-Budget Submission process.

Better Place Australia as a member organisation and Board member of Family and Relationship Services Australia (FRSA), we write to you in support of FRSA's Pre-Budget Submission to the Treasury's process for 2020-21. FRSA recently commissioned research on the impact of possible reduced funding levels to the FRSA membership base from 1 July 2021 due to the expiry of the Social and Community Services (SaCS) Special Account.

The SaCS Pay Equity Special Account was established by the Commonwealth Government in 2012 to assist the sector to afford the increase in wage costs that were handed down as part of Fair Work Australia's Equal Remuneration Order ruling in this landmark case.

SaCS supplementation is currently used to help employers meet their obligations to pay their staff at award wages. Programs established by Government since the ruling have the award wage costs built into baseline funding. For those programs, funding is commensurate with current market labour rates and not historical rates.

This year, independent research on this issue was undertaken by the Centre for International Economics, commissioned by FRSA. The main findings of the [research](#) are:

- The FRSA membership has invested heavily in efficiency measures over the past eight years and is at, or close to, the efficiency frontier. That is, there is limited, if any, scope for further efficiencies. Costs of service delivery continue to rise, and funding levels have not kept pace with these costs.
- The Family and Relationship Services (FRS) sector delivers substantial value to the Australian economy and to Australians. A sector-wide average benefit cost ratio (BCR) of 5.5:1 was estimated.
- On expiry of the SaCS Special Account:
 - There will be an effective annual funding cut of approximately \$45 million to the FRSA membership base, and \$260 million per year in flow on costs imposed on Australians, reflecting the BCR of 5.5.
 - FRS providers anticipate reducing operational employment (employees providing direct services to clients) by up to 22 per cent, with the greatest impact felt in

regional and remote locations. In real terms, this equates to 1,100 jobs lost across Australia.

- There will be a 16 per cent reduction in clients able to be served. In real terms this will equate to approximately 92 400 children and adults not able to access services from FRSA members.

Family and relationship services account for a proportion of support programs reliant on the SaCS Supplementation funding. The broader impact on organisations delivering social services – and on their clients – will be much greater.

We have attached a summary sheet (following) of the research findings and impact

At an organisational level we face the prospect of scaling our operations back in the vicinity of 10 to 20% depending upon the program and reducing our 'in demand' services back accordingly.

Within the context of the COVID-19 pandemic, it is critical that organisations are given certainty that they can continue – at the very least – to retain all staff and deliver services to vulnerable children, families and communities at current levels, come 1 July 2021.

We request that Treasury gives this matter serious consideration in its deliberations. We support FRSA's recommendation that: ***The Government commits to increasing baseline funding to meet Family & Relationships Services Sector wage costs in line with the current SCHADS Award post-June 2021.***

Yours faithfully,

Mr. Serge Sardo

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Cessation of the ERO supplementation

The Issue

The 2012 Fair Work Australia Equal Remuneration Order (ERO) allowed for a progressive increase in award rates of pay for all levels within the SACS Modern Award 2010. In response to the ERO, the Commonwealth Government announced the creation of a Special Account to cover the increase in wage costs faced by service providers funded by Commonwealth Government grants. The Federal Government provided additional funding (ERO supplementation) to ensure that community sector organisations could pay fair wages and maintain essential services to our communities.

Currently this ERO supplementation* funding will cease in 2021/2022*.

Implication for the Family Relationship services (FRS) and the Community:

- \$45 Million funding cut
- 250 family & relationship program sites will close
- 1,000 skilled Australian workers will lose their jobs and be forced onto JobSeeker payments
- 100,000 community members will lose access to services
- Most organisations will contract by 10 to 20%

The \$ flow on consequences?

The CIE report indicates that for every dollar of effective funding that is withdrawn from the sector, \$5.50 will be pushed on to Australians – both FRS service users and Australian taxpayers – and wider government portfolios such as health, justice and education.

What services will be affected?

The FRS sector covers a range of services, including Family Law Services, Children and Parenting services, Adult Specialist Support Services, post-separation parenting programs, family relationship counselling and domestic violence services. These services are aimed at improving outcomes for vulnerable and disadvantaged members of the community and are provided largely by not-for-profit organisations using funding from various levels of government.

Can't efficiency gains be made to offset the funding loss?

The Commonwealth Government has been delivered significant efficiency gains over time through structural changes, technology and cost savings in the way services are delivered. Overall input prices for the FRS sector have increased by up to 35 per cent over the past five years, with organisations investing in service delivery efficiencies to the effect that per client expenses have increased by barely 5 per cent over the same five-year period. It is clear that there is not much scope for further efficiency improvement in the sector, at least in the short run.

The fix

The Commonwealth ensures that that ERO supplementation continues; or the base rate of grants where ERO supplementation currently applies to permanently increase so as to incorporate the current rate of ERO supplementation.

Timing

Community organisations are now making staffing and other strategic and operational decisions that will be impacted by this issue in 2021. The community sector needs certainty, well in advance of the end of the legislative guarantee of this funding. That is why the next Federal Budget must include a specific appropriation in the forward estimates to ensure the ongoing provision of this funding

* Funding for ERO payments is secured (until June 2021) by an act of the Commonwealth Parliament, the [Social and Community Services Pay Equity Special Account Act 2012](#). Under this act, the last payment to the special account occurs on 1 July 2020, which is why ERO payments cease in July 2021.