



2019-20 ERO Supplementation Fact Sheet

Information for not-for-profit community service providers

The community services sector delivers valuable services to our State's vulnerable individuals, families and communities. It contributes significantly to economic growth, employment and community wellbeing. The Government recognises concerns about funding levels and the impact of increases in award salary rates under the Equal Remuneration Order (ERO).

Additional funding of up to \$60 million over the next four years from 2019-20 will be available for eligible contracts.

What is the ERO?

The ERO was issued in 2012 by Fair Work Australia to address gender pay inequity in a female-dominated industry. It increases annual wages each December from 2012 to 2020, lifting the pay rate to between 23 per cent and 45 per cent above the *Social, Community, Home Care and Disability Services Industry Award*¹ rate.

Background

At the 2019-20 Mid-Year Review, the Expenditure Review Committee (ERC) approved provisional funding up to \$60 million over four years (2019-20 to 2022-23) to supplement not-for-profit (NFP) sector contracts with sustainability concerns directly resulting from the ERO.

Supplementation was approved by the State Government for current service agreements that were awarded prior to 1 July 2013, but had not been able to adjust for the ERO.

The ERC delegated authority to the Premier, the Minister for Community Services, and the Treasurer to jointly approve the final eligibility criteria for contract supplementation. These criteria were developed by the Departments of Finance, Treasury, and Communities following discussions with the Western Australian Council of Social Service (WACOSS) and Community Employers WA (CEWA), and were approved by the ministers in March 2020.

The ERC also requested that the Department of Finance audit all contracts under the Delivering Community Services in Partnership (DCSP) Policy. The audit identified and reviewed all contracts eligible for supplementation.

¹ *Social, Community, Home Care and Disability Services Industry Award 2010*

What are the eligibility criteria for receiving ERO supplementation?

Eligible service agreements have been determined by the Departments of Treasury and Finance using the contract audit data. Service agreements eligible for supplementation include those:

- awarded under the Delivering Community Services in Partnership (DCSP) Policy, before 1 July 2013
- with staff on an award affected by the ERO (see below)
- receiving partial or full funding from the State Government.

Which awards are impacted by the ERO?

The three awards primarily impacted by the ERO are:

- Social, Community, Home Care and Disability Services Industry Award 2010
- Social and Community Services Award (Western Australia) Interim Award 2011
- Crisis Assistance Supported Housing Industry – Interim Award 2011.

How has the amount of supplementation for each service agreement been determined?

The Departments of Treasury and Finance have determined the amount of supplementation for eligible service agreements.

Supplementation has been calculated on:

- annual funding level
- ERO increments for an average level four salary² from 1 July 2018
- an annual average ERO rate and Annual Wage Review (AWR) increments from 1 July 2018 minus the Non-Government Human Services Sector indexation received, which has been calculated as 11.6%
- proportion of State funding
- an assumption of 80% salary costs.

² Based on the *Social, Community, Home Care and Disability Services Industry Award 2010*, Level 4.

The supplementation payments will be inclusive of indexation under the Indexation Policy for the Non-Government Human Services Sector.

An example of ERO supplementation funding for a service with an annual contract value of \$500,000 is:

Annual contract value	State funded component (50%)	Salary costs of State funded contribution (80%)	ERO supplementation for 2019-20*
\$500,000	\$250,000	\$200,000	\$23,200

*11.6% of the State funded employment costs

There has been no specific weighting given to hours of operation, number of staff or significance of sustainability concerns.

How have eligible service agreements been identified?

The Department of Finance has audited contracts to identify eligible service agreements. The audit has been finalised in consultation with government agencies who have contractual arrangements with community service providers and with input from WACOSS and CEWA.

Are there any exceptions to the eligibility criteria?

Yes, in a very limited number of cases with special circumstances – for example, 24/7 NHHA³ service agreements have been included despite new contracts being established since 1 July 2013. These services have been previously determined to be experiencing significant sustainability concerns as a result of the ERO.

Will the supplementation form part of a service agreement's base level funding?

Yes. This is to recognise the ongoing higher costs of delivering services as a result of the ERO. It will reset the base level funding for recurrent funding of eligible service agreements across out-years and includes provision for future ERO increments in 2020-21 and 2021-22.

Do service providers need to demonstrate financial distress or sustainability concerns to receive supplementation?

No, there is no need to demonstrate financial distress or sustainability concerns.

³ National Housing and Homelessness Agreement

How would I know if my service agreement has been renegotiated to account for the ERO?

Your service agreement may have been renegotiated or otherwise amended to account for the ERO in a number of ways. These include:

- advertised through an open request process, through which you were the successful service provider
- recontracted to you through a preferred service provider request process
- varied to amend volume of services or price.

If you are not certain whether your service agreement has been renegotiated to account for the ERO, please contact your government agency contract manager for clarification.

When can providers with eligible service agreements expect to receive supplementation?

Providers with eligible service agreements will receive a letter in April notifying them of the proposed variations to include supplementation. This letter will outline the eligible service agreements and the amount of supplementation funding for each agreement. The service provider must respond agreeing to vary the contract before being paid.

The Government expects that government agencies will pay supplementation for eligible service agreements promptly.

What can service providers who aren't receiving supplementation do to address sustainability concerns?

Service providers who aren't eligible for supplementation but have concerns about the sustainability of their services should contact their government agency contract manager to discuss options for addressing these concerns.

Who can provide more information?

The government agency contract manager for your service agreement will contact you to discuss how and when you will receive supplementation, if you meet the eligibility criteria outlined above.