

# INDEXATION

## WHAT IS IT, AND WHAT DOES IT MEAN FOR SPECIALIST HOMELESSNESS SERVICES?

### WHAT IT IS

Indexation is a mechanism for adjusting funding to align with higher costs of delivering services. Governments calculate indexation based on parameters such as the Consumer Price Index and Wage Cost Indices. It is not a funding increase – it is about covering higher costs.

## INDEXATION & NSW SPECIALIST HOMELESSNESS SERVICES

SHS funds come from both Commonwealth and NSW Governments – equally split 50:50. The Commonwealth Government funding sits under the National Housing and Homelessness Agreement, which is annually indexed with reference to the Wage Cost Index-1. For the financial year 2023/24 this indexation rate was 3.25%, a rate that doesn't account for the many other increases in the costs of delivering services. In contrast, NSW Department of Communities and Justice paid an indexation rate of 5.75%, on the State component only, for the 2023/24 financial year. The indexation amount was paid as a one-off lump sum to SHS in 2023.

In the lead up to the 2023/24 NSW Budget, Homelessness NSW advocated for the NSW Government to apply an indexation rate of 6.2%. This would have helped cover the soaring costs of service delivery associated with wage increases and higher costs of living.



# INDEXATION ACROSS AUSTRALIA

STATE AND TERRITORY GOVERNMENTS TREAT INDEXATION DIFFERENTLY. BROADLY, THE APPROACHES TO INDEXATION CAN BE BROKEN INTO TWO CATEGORIES.

In the majority of States and Territories, the State Government applies a single rate of indexation to both the Commonwealth and State components of funding. This means that if the Commonwealth has a low indexation rate SHS are not worse off as the State will make up the difference.

Eg. The Victorian Government paid a flat indexation rate of 5.4% on all contracts. The State made up the difference between the 3.25% and 5.4% rates for the Commonwealth component as well as paying 5.4% on their own component. (The shortfall sits with the State).

For example: If a SHS had a contract for \$500,000 the indexation would be:

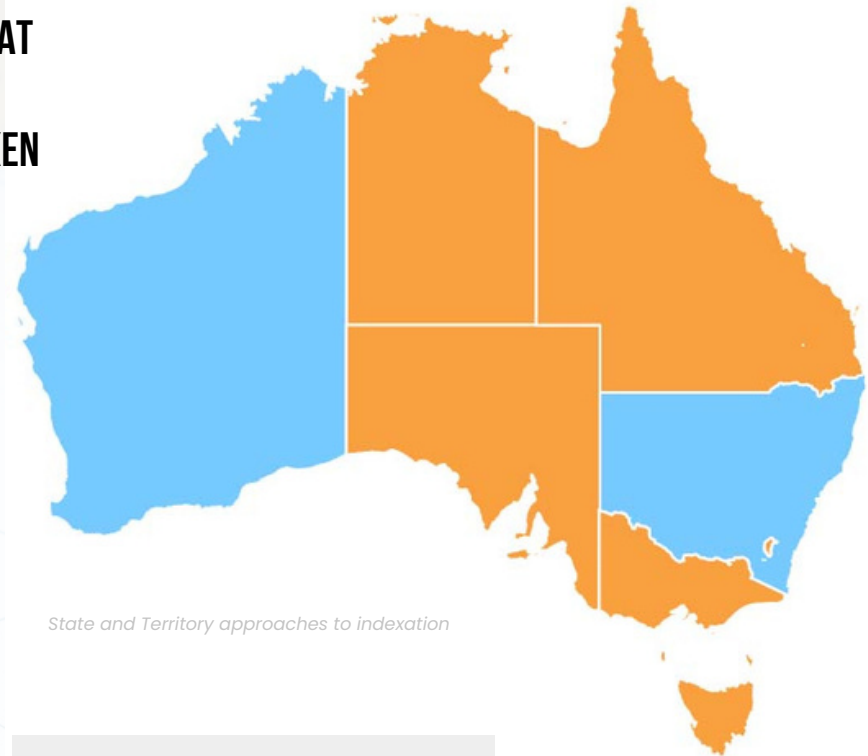
- Commonwealth component (\$250,000) at 3.25% = \$8,125
- VIC component (\$250,000) at 5.4% = \$13,500
- VIC covering shortfall of Commonwealth component (\$250,000) at 2.15% = \$5,375
- **Total indexation lump sum = \$27,000**

In NSW and WA, different rates of indexation are applied to the Commonwealth and State components of funding. States determine the indexation for their component of funding irrespective of the amount paid by the Commonwealth. This means that if the Commonwealth has a low indexation rate, services will be worse off overall.

Eg. The NSW Government paid 5.75% on their component of SHS funds and the Commonwealth paid 3.25% on their component, so SHS received an overall indexation rate of 4.5%. (The shortfall sits with the services.)

For example: If a SHS had a contract for \$500,000 the indexation would be:

- Commonwealth component (\$250,000) at 3.25% = \$8,125
- NSW component (\$250,000) at 5.75% = \$22,500
- **Total indexation lump sum = \$22,500**



State and Territory approaches to indexation

## THE SOLUTION?

The Commonwealth Government must appropriately index payments as part of the next National Housing and Homelessness Agreement.

The NSW Government should align its indexation model with the majority of states and territories. NSW should ensure that the impact of low Commonwealth indexation rates is not borne by already-overstretched Specialist Homelessness Services.



# EQUAL REMUNERATION ORDER (ERO)

## WHAT IT IS

Between 2012 and 2020, the wages of people working in social and community services increased. This was due to an Equal Remuneration Order (ERO) put in place by the Fair Work Commission, to improve pay equity for a predominantly female workforce. A supplementation fund was attached to the National Housing and Homelessness Agreement to contribute to the higher costs associated with the increase in wages.



## WHAT IS IT, AND WHAT DOES IT MEAN FOR SPECIALIST HOMELESSNESS SERVICES?

## ERO AND NSW SPECIALIST HOMELESSNESS SERVICES

From 1 July 2023 the Commonwealth Government will cease payment of the ERO supplementary funding. However, NSW Department of Communities and Justice has stated that "The Commonwealth wage supplement (formerly the Social and Community Services – Equal Remuneration Order or SACS-ERO supplement) will be paid to eligible services for 2023/24 through the extension of the National Housing and Homelessness Agreement to 30 June 2024. Payments beyond 2023/24 will depend on the terms of the future federal funding arrangements." Ultimately, there is no long-term, secure funding to account for wages growth in our sector.

## THE SOLUTION?

In renegotiating the new National Housing and Homelessness Agreement (to take effect 1 July 2024) it is crucial to embed a new investment model to ensure that funding keeps pace with the real costs of SHS service delivery.

We support the advocacy efforts of Homelessness Australia on this issue.  
[230213-ERO Brief \(homelessnessaustralia.org.au\)](https://homelessnessaustralia.org.au/230213-ERO-Brief)