

## **FUNDING AND PROCUREMENT REFORM**

### **Frequently Asked Questions**

#### **1. What funding increase for the community sector was announced in the WA 2011-12 State Budget?**

The WA Government's 2011 State Budget announced funding for the not-for-profit community sector of \$604 million over the next four years, including the current financial year.

The funding will provide an increase to eligible service agreements in the not-for-profit sector of an average 25% by 2014-15.

#### **2. What will the indexation rate be for 2011-12? Will it be in addition to the funding increase?**

The funding includes \$96 million for indexation which will be an additional 4% in 2011-12.

YES. This is in addition to the first component of funding increases – a 15% price adjustment on the funding levels of current eligible contracts.

#### **3. Is my organisation eligible? How much extra funding will my organisation receive?**

The not-for-profit community sector has organisations with very diverse State Government contract arrangements. These include:

- State contracts that are funded entirely by the State Government;
- State contracts that are blend of State and Commonwealth funding; and
- State contracts that are funded by the Commonwealth only.

Those with contracts funded entirely by the State Government are eligible for Component One of the funding increases.

For those organisations with a mix of State, Federal and other funding the news is still good, but the details are likely to be specific to each organisation and will take a little longer to determine.

What we do know is:

- Contracts where the Commonwealth contribution is less than 50%, the State funding adjustment will apply to the entire value of the contract.
- Contracts where more than 50% is Commonwealth funded, there will be no immediate increase in the value of the contract. These organisations are not eligible for the Component One increase. These contracts will instead be reviewed once the outcome

of the Fair Work Australia Social and Community Services Equal Remuneration Case is known and how the Commonwealth responds to these decisions.

- Joint-funded contracts delivering the National Partnership Agreement on Homelessness are eligible for Component One increase though this funding will apply only to the State Government's 50% share of the contract. These increases will also have different timing for implementation. The Department of the Premier and Cabinet advises "these will be addressed as a matter of priority following the outcome of the Fair Work Australia Social and Community Services Equal Remuneration Case, with an increase paid commensurate with the Component I price adjustment and Component II determined following consultation with the Commonwealth."
- Contracts funded entirely through the Commonwealth are not eligible for the State Government funding increase. The Commonwealth has indicated that it will consult with the sector through the Community Sector Wages Group to look at improving funding to enable organisations to meet the cost of the Award outcomes from Fair Work Australia.

#### **4. Are these funds intended to provide new or additional services?**

NO, these funds are intended only to improve the sustainability of existing contracts and services, not to provide additional services or to service additional clients.

#### **5. How will these extra funds be provided to eligible organisations?**

Organisations will receive a letter from their funding provider advising them of their contracts that are eligible for the funding increases. The funding increase will be rolled out in two components and will also include annual indexation on service agreements, starting with 4% indexation in 2011-12.

The first component will be a flat 15% price adjustment to increase the funding levels in all existing contracts paid in 2011-12.

The second component will provide an average increase of 10% on existing contracts as they are revised to match the new procurement policy – the *Delivering Community Services in Partnership Policy* from 2013-14.

#### **6. What is Component One of the roll out?**

The first component will fund an upfront across-the-board percentage price adjustment of 15% for eligible human services contracts from 1 July 2011. The payment will be made according to the current schedule of payments in place in your eligible contracts.

For details regarding eligibility please visit the Department of the Premier and Cabinet website and download the fact sheets – Sustainable Funding and Contracting with the Not-for-Profit Sector. These can be found at:

## **7. What is Component Two of the roll out?**

A second increase averaging 10% will be rolled out between 1 July 2013 and 30 June 2014 as contracts are reviewed. These payments will be linked to the roll out of procurement reforms.

This second component is targeted towards ensuring the inequities in the funding shortfall are addressed. The adjustments are linked to progressing key contracting reforms, with additional funding allocated to contracts to ensure that services are funded in a sustainable manner. It is designed to address particular funding inequities including the higher operating costs in regions and other complexities.

The eligibility for the increased funds varies across the sector, and organisations should seek advice directly from their funding providers, as well as refer to the Department of the Premier and Cabinet fact sheet [Department of the Premier and Cabinet - Sustainable Funding and Contracting with the Not-for-Profit Sector – Component Two](#).

## **8. What is the new contracting policy and what are the key changes?**

The further element of the funding increase is based around a new procurement policy – the *Delivering Community Services in Partnership* (DCSP) policy.

The DCSP policy has been developed jointly by the public and not-for-profit sectors to build and support a more mature contracting relationship between the sectors.

The DCSP policy will replace the *Funding and Purchasing Community Services* policy. It facilitates a greater focus on achieving better outcomes for the community through the funding and contracting of sustainable community services by both sectors.

The DCSP policy applies to all government agencies that provide funding for, or purchase community services from, not-for-profit organisations.

Features of the policy include:

- emphasising the need to establish a genuine partnership between government agencies and the not-for-profit sector;
- clear oversight by the Partnership Forum of the implementation by the public and not-for-profit sectors and governance of the DCSP policy;
- providing an overview of the funding and contracting options available and guidance on when each should be used, thereby providing greater clarity around the distinction between grants and service agreements;
- moving away from funding not-for-profit organisations and prescribing inputs, services and costs in contracts to focusing on the achievement of outcomes, delivery of outputs and sustainable prices;

- highlighting the need to reduce the unnecessary administrative burden in contracting activities; and
- establishing central agency support and guidance to government agencies and not-for-profit organisations in implementing the DCSP policy.

For more information about the procurement reforms and the DSCP policy contact Kylie Towie, Department of Finance on (08) 6551 1358 or [kylie.towie@dtf.wa.gov.au](mailto:kylie.towie@dtf.wa.gov.au).

[\*Delivering Community Services in Partnership \(DCSP\) policy\*](#)

## **9. When are the contract changes going to be rolled out?**

From 1 July 2011, Component One (the 15% uniform price adjustment) will apply to all eligible service agreements that were in place as at 31 January 2011.

Contracts signed between 31 January and 30 June 2011 will not be subject to the price adjustment except where they involve the roll-over of existing contracts (as at 31 January 2011) under substantially the same conditions.

The payments will be made according to the current payment schedule in place in your existing eligible contract.

Between 1 July 2013 and 30 June 2014, Component Two (the second price adjustment increase which averages 10%) will be rolled out as human services contracts are reviewed and will be linked to the roll-out of contracting reforms.

The Partnership Forum will oversee the governance and implementation structure around the funding and contract reform initiatives announced in the State Budget.

The Forum, which comprises equal numbers of public sector and not-for-profit sector leaders, was established to strengthen the relationship between the Government, the public sector and not-for-profit sector to address issues of mutual concern with a view to achieving beneficial outcomes for both sectors and for the Western Australian community.

## **10. How do I pass these funds on to staff and make our services more sustainable?**

It is intended that this additional funding predominantly be used for wage increases for employees. With community sector workers funded through multiple and complex funding streams, this funding alone will not completely resolve the issue of low wages in our sector, but it is a welcome start.

Determining the amount to increase employee wages can be a difficult task. While it is important to pass on this funding increase to employees, it is also important that the organisation ensures it can afford the wage increase.

WACOSS can link our members with support from Employer Assist to provide guidance about the implementation of the funding increase, particularly in relation to wage increases.

We encourage community service organisations to be aware of their obligations and to seek professional advice about how to ensure they are compliant with their legal and contractual obligations and the intention of funding providers that these funds are used to improve staff wages and build sustainable services.

For more information please refer to the advice prepared by Employers Assist entitled [Guidance for Community Service Employers - Funding Increases and Wages Considerations](#). The article can be found at the WACOSS website [www.wacoss.org.au](http://www.wacoss.org.au)

## **11. How do these new community sector funding arrangements relate to the community sector wage equity case currently before Fair Work Australia?**

The new funding arrangements are not directly related to the Fair Work Australia (FWA) case, which has not yet been fully decided. There is however an expectation that these measures will go some to all of the way towards ensuring that WA State funded organisations are able to meet the outcomes of the pay equity case, particularly to pass on the new award wage rates.

The WA Government has committed to revisit funding arrangements once FWA has delivered a decision and the Commonwealth Government has indicated how it intends to respond.

WACOSS has been advocating for many years for better and more equitable wages and conditions for community sector workers and continues to strongly support the pay equity case being decided by FWA. WACOSS will continue to support our national networks and unions who are representing the sector on the pay equity case.

## **12. How will the community sector be supported through these reforms? Where can I get more information?**

Funding of \$18 million has also been allocated to support the implementation of sustainable funding and contracting with the not-for-profit sector and ensure genuine benefits for the not-for-profit sector and Western Australian community generally.

This includes the establishment of the Funding and Contracting Services (FaCS) Unit in Government Procurement at the Department of Treasury and Finance, to ensure appropriate guidance and support to both the public and not-for-profit sectors for the implementation of the DCSP policy and associated procurement reforms.

WACOSS will continue to provide further information and support for organisations throughout the implementation process in the coming weeks, months and years. The process for implementing these reforms will take some time, and we encourage organisations to take the time to plan their response carefully.

WACOSS will support the sector with regular updates, workshops and events and help build capacity in small organisations to respond to the reforms and strengthen their sustainability.

More information can be found at the WACOSS website [www.wacoss.org.au](http://www.wacoss.org.au) or the Department of Premier and Cabinet website at [\*Department of the Premier and Cabinet - Sustainable Funding and Contracting with the Not-for-Profit Sector\*](#)