



2019-20 ERO 24/7 NHHA¹ Supplementation Fact Sheet

Sustainable contracting for 24/7 NHHA services in 2019-20

The McGowan Government acknowledges the importance of the community services sector (the Sector) in delivering services to vulnerable individuals, families and communities.

In response to the urgent concerns raised by the Sector on the sustainability of the State's 24/7 services, the Department of Communities (Communities) commissioned research to better understand the impact of the Social and Community Services Award wage increases applied through the Equal Remuneration Order (ERO) on these contracts.

The research looked at 24/7 NHHAⁱ contracts, which provide critical around the clock, seven-day services that support people experiencing homelessness, including people who are impacted by family and domestic violence and youth at risk. This research revealed that the ERO is a factor impacting the ongoing sustainability of these services going forward.

To ensure these critical services continue, the Government will provide ERO supplementation in 2019-20 totalling up to \$1.9 million to 24/7 NHHA services that are accessible to existing service users and new/potential service users 24 hours a day, 7 days a week.

Contract supplementation will support the continued and sustainable delivery of services while Communities finalises the development of two whole of government strategies; the *10-Year Strategy for Reducing Family and Domestic Violence* and the *10-Year Strategy on Homelessness*.

Why is there an ERO?

The ERO was issued in 2012 by Fair Work Australia to address the gender pay inequity in what is a female-dominated industry. It provides for annual wage increases each December from 2012 to 2020 to lift the pay rate from 23 per cent (Level 2) to 45 per cent (Level 8) above the underlying Social, Community, Home Care and Disability Services (SCHCDS) award rate for employees.

¹ National Housing and Homelessness Agreement



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Subsequent to this, the Western Australian Industrial Relations Commission passed a similar ERO for the Social and Community Services (WA) Interim Award (SACS) and the Crisis Assistance Supported Housing WA Interim Award (CASH).

How will supplementation be calculated?

Eligible services will receive a maximum percentage funding increase of 9% to the total annual State funding contribution for 2019-20.

This has been calculated based on:

- State government's contribution of total funding for 2019-20;
- An average employment cost of 80 per cent of total State funding; and
- An average annual ERO rate² and an Annual Wage Review (AWR) gap (AWR less Non-Government Human Services Sector (NGHSS) Indexation) for 2018-19 and 2019-20 which has been calculated as 11.6%.

Example: ERO supplementation for a NHHA service with an annual contract value of \$500, 000:

Annual Contract value	State funded component (50%)	Employment costs of State funded contribution (80%)	ERO supplementation for 2019-20 [^]	Supplementation as % of State funded component
\$500,000	\$250,000	\$200,000	\$23,260	9%

[^] 11.6% of the State funded employment costs

Additionally, these services will also receive the National Partnership Agreement on Pay Equity (NPAPE)ⁱⁱ for the Commonwealth portion of funding and State NGHSS Indexation.

How will community services receive supplementation?

² Based on SCHCDS Level 4.



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One off supplementation will be applied to upcoming 24/7 NHHA contract variations and extensions for the 2019-20 financial year and will be distributed to community services as part of their annual funding arrangements.

Services will not be asked to submit individual evidence to support claims for supplementation in 2019-20.

Why has Government prioritised 24/7 NHHA services over other 24/7 services?

The Sector identified an urgent need to focus on the sustainability of critical services that operate around the clock seven days a week to support people experiencing homelessness.

The sustainability issues of NHHA 24/7 services was impacted by a range of factors and prioritised for the following reasons:

- (1) these contracts were previously excluded from eligibility for Component 2 funding;
- (2) these contracts were established before the ERO was introduced and providers have not had the opportunity to retender or factor the ERO into their operational costs;
- (3) these providers have limited opportunity to reduce the volume of services, as they are accessible to existing service users and new/potential service users 24 hours a day, 7 days a week;
- (4) peak bodies have raised concerns about the sustainability of 24/7 contracts, with particular focus on the 24/7 NHHA services;
- (5) sustainability issues were shown to be an issue in the SalaryOne report commissioned by the Department of Communities; and
- (6) the development of the Department of Communities' 10-year homelessness and 10-year family and domestic violence strategies.

Will Government consider ERO supplementation for other services in the future?

The impact of the ERO on the sustainability of services will continue to be monitored across government.



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To support this, the Department of Communities will compile relevant evidence of sustainability issues (specific to the ERO) raised by service providers. The Delivering Community Services in Partnership Policy can be utilised as a way for service providers to raise these issues with contract managers within agencies on a case-by-case basis and to renegotiate contracts to a sustainable level (where applicable). Information will be shared with the Department of Finance as needed to respond to sustainability issues in other areas of the Sector.

Further information

Please contact your Communities contract manager to find out more about the 2019-20 24/7 NHHA ERO supplementation for your organisation.

ⁱ From 1 July 2018, the National Affordable Housing Specific Purpose Payments was replaced by National Housing and Homelessness Agreement funding and maintains the funding associated with the National Partnership Agreement on Homelessness. The National Housing and Homelessness Agreement also replaces the National Affordable Housing Agreement.

ⁱⁱ The NPAP 2016-19 provides Commonwealth funding of approximately \$115 million nationally over three years to community service organisations delivering Commonwealth-State programs to meet SACS Award wage increases. The NPAP covers the Commonwealth portion of the funding agreement