QON No.18

Legislative Assembly for the Australian Capital Territory
Standing Committee on Social Policy

Inquiry into Annual and Financial Reports 2023–2024

Answer to question on notice

Asked by: Ms Fiona Carrick MLA

Addressed to: Suzanne Orr MLA

Reference: Community sector funding and sustainability/Community Services Directorate

Hearing: 10 February 2025
In relation to: Community sector funding and sustainability
Question received: 18 February 2025
Answer Due: 25 February 2025

Over the past decade, the Community Sector has raised their concerns to Government that the Community Sector Indexation rate is not enough. Over the years, this accumulative loss of funding has been detrimental to community organisations and has impacted negatively on their ability to maintain staff and deliver services.

1. Given this, how will the Government address this accumulative loss, and ensure future indexation rates cover the full amount of legislated wage increases, additional superannuation requirements, increases in the long service leave levy, and general increases in the operational costs of service delivery?

The ACT government has previously indicated that a reassessment of wage indexation will not occur till work from the sector sustainability group is complete in December of this year.

2. What evidence suggests that the community sector and the people they serve can wait another financial year for wage reform?

3. Can you indicate what concrete measures have been, or are being, put in place to ensure that the commissioning of community services will prioritise codesign to ensure services are not working in silos?

Suzanne Orr MLA: The answer to the Member's question is as follows:

1. The ACT Government contracts over $200 million in services and activity delivered by the non-government organisation (NGO) sector each year. The Community Sector Indexation (CSI) Rate is determined each year as part of the ACT Budget and applies to multi-year service funding agreements. The CSI formula is determined and applied to community sector agreements specifically to acknowledge the unique nature of many community sector organisations that invest the majority of their

funding into staff costs and so uses a formula of 80% for the wages component and 20% for the non-wage component.

In June 2021, the Government amended the formula for applicable funding agreements in response to the 2.5% increase to minimum and award wages by the Fair Work Commission. This resulted in a rate of 2.35%.

In 2022, the Government again revised the formula for community sector indexation in response to the 4.6% increase in the Social, Community, Housing and Disability Services (SCHADS) Award outlined in the Fair Work Commission determination. This resulted in a CSI rate of 4.43% for 2022-23.

The CSI rate was adjusted in 2024-25 to reflect the impact of the Social, Community, Home Care and Disability Services (SCHADS) Award wage increase. As a consequence of the SCHADS component increasing to 3.75 per cent, the CSI rate for the ACT is 3.6 per cent in 2024-25.

The Government recognises that indexation alone is not the only factor impacting sector sustainability and is therefore also not the only mechanism for ensuring future sustainability.

2. Please see answer to question 1 for an outline of how the community sector indexation rate has been amended to account for wage reform.

3. The Commissioning Framework is based on a co-designed process with the community sector, and each commissioning phase undertaken so far has involved high levels of consultation engagement. It is unclear what the member means by services not working in silos.

Approved for circulation to the Standing Committee on Social Policy

Signature: Date: 26/02/25

Minister for Disability, Carers and Community Services, Suzanne Orr MLA