

# Victorian Implementation Plan

NATIONAL PARTNERSHIP AGREEMENT ON PAY EQUITY FOR  
THE SOCIAL AND COMMUNITY SERVICES SECTOR

## PART 1: PRELIMINARIES

1. This Implementation Plan is a schedule to the National Partnership Agreement on Pay Equity for the Social and Community Services Sector and should be read in conjunction with that Agreement. The objective in the National Partnership Agreement is to provide Eligible Service Providers with wage supplementation to assist them in meeting the increased wage costs arising from the Fair Work Australia (FWA) Pay Equity Order in respect of the social and community services (SACS) sector.
2. This Implementation Plan describes the method for calculating and allocating supplementation to Eligible Service Providers.

## PART 2: TERMS OF THIS IMPLEMENTATION PLAN

3. This Implementation Plan will commence as soon as it is agreed between the Commonwealth of Australia, represented by the Minister for Social Services, and the State of Victoria, represented by the Minister for Community Services.
4. As a schedule to the National Partnership Agreement on Pay Equity for the Social and Community Services Sector, the purpose of this Implementation Plan is to provide the public with an indication of how the reform is intended to be delivered and demonstrate Victoria's capacity to achieve the outcomes of the National Partnership.
5. This Implementation Plan will cease on completion or termination of the National Partnership, including the acceptance of final performance reporting and processing of final payments against performance benchmarks or milestones.
6. This Implementation Plan may be varied by written agreement between the Commonwealth and State Ministers responsible for it under the overarching National Partnership.
7. The Parties to this Implementation Plan do not intend any of the provisions to be legally enforceable. However, that does not lessen the Parties' commitment to the plan and its full implementation.

## PART 3: STRATEGY FOR VICTORIA'S IMPLEMENTATION

### Project information

8. On 1 February 2012 Fair Work Australia (FWA) handed down a decision on the equal remuneration case that will increase wages for employees in the SACS sector by 23 to

45 per cent over nine equal instalments commencing on 1 December 2012 and ending on 1 December 2020.

9. The decision applies to workers covered only by Schedule B and C of the Social, Community, Home Care and Disability Services Industry Award 2010.

A. The method used for calculating the supplementation for eligible service providers

10. The Victorian Government funds SACS related organisations to provide services to the Victorian public using unit-price-based funding models. This means that departments pay organisations a set price to deliver a specific service. Prices have been developed through a range of mechanisms.
11. Many services are jointly funded by the Victorian and Commonwealth Governments through the Specific Purpose Payments (SPPs) and National Partnership (NP) Agreements described in Schedule A to the National Partnership Agreement.
12. Funding models consist of both salary (which includes wages, superannuation, allowances) and non-salary components (which can include accommodation, motor vehicles, office administration, management overheads). Victorian funding models generally use a wage ratio of 80 per cent salary and 20 per cent non-salary.
13. To calculate the cost of the FWA decision, the SACS classification in the unit prices have been increased by a rate equivalent to the wage increases awarded in the Pay Equity Order. On average, this is approximately 32 per cent over the nine year implementation period. All the other cost components, including overheads and employee classifications not within scope of the FWA decision, are held constant.
14. As the Commonwealth's SACS funding methodology uses a variable wage component dependant on specific program assumptions (ranging from 21 to 70 per cent compared to Victoria's average of 80 per cent) and Pay Equity Order rate (28 per cent compared to Victoria's average of 32 per cent), the Commonwealth's SACS increase is applied separately to the Commonwealth's portion of the price.
15. The formula used to calculate the increase is;

**Total funding per unit price \* weighted Commonwealth contribution \*  
Commonwealth SACS wage component \* Commonwealth SACS wage increase**

**Whereby:**

- a) Total funding per unit price is the value of the National Specific Purpose Payments or National Partnership Agreements, and Victorian Government funding provided to service providers for a unit of service.
- b) Weighted Commonwealth contribution is the proportion of total funding for each unit price that comes from National Specific Purpose Payments (SPP) or National Partnership Agreements (NP).
- c) Commonwealth SACS wage component is the Commonwealth deemed average SACS wage component of a program (i.e. 21 – 70 per cent).

- d) Commonwealth SACS wage increase is the Commonwealth deemed wage increase based on the Pay Equity Order decision by FWA (i.e. 28 per cent).

**B. SACS supplementation relating to National Disability Insurance Scheme launch**

16. A proportion of Commonwealth funding from payments due under the National Partnership Agreement will be retained by the Commonwealth to meet part of the Commonwealth contribution to the cost of the National Disability Insurance Scheme (NDIS) launch sites. This is because of requirements under the Commonwealth's *Social and Community Services Pay Equity Special Account Act 2012*.
17. The amount of payments from the National Disability SPP and the Home and Community Care Program Review Agreement that will be contributed to the National Disability Insurance Scheme is based on the methodology outlined in Clause 14 and 16 of Appendix A in Schedule B of the Intergovernmental Agreement for the National Disability Insurance Scheme Launch.
18. SACS supplementation has been adjusted for the estimated NDIS component of grants. The amount to be retained is proportionate to the expected number of NDIS participant numbers in Victoria's launch site(s) and to the total expected participants in Victoria. The proportion to be retained will be reduced by the amount of these grants being repaid to the Commonwealth in-kind. Table 1 sets out the amounts to be retained by the Commonwealth.
19. The amount of payments made under the National Disability SPP and the Home and Community Care Program Review Agreement that will be counted towards the Commonwealth's contribution will be reviewed and amended consistent with any changes to client phasing or financial contributions within the launch site. The amount of SACS payments to be contributed directly to the National Disability Insurance Scheme by the Commonwealth will be agreed by Victoria and the Commonwealth at least 30 days before each payment is due.

Table 1. SACS payment to be retained by the Commonwealth to meet part of the contribution to the cost of the National Disability Insurance Scheme

(\$'000)	2013-14	2014-15	2015-16
<i>Specific Purpose Payments</i>			
National Disability Services	67	332	579
<i>National Partnership Agreements</i>			
Home and Community Care Program Review Agreement	0	69	0
<b>Total</b>	<b>67</b>	<b>401</b>	<b>579</b>

**C. The jurisdiction's strategy for engaging with the sector**

20. The sector has been engaged regularly through the Human Services and Health Partnership Implementation Committee (HSHPIC), a joint committee of peak bodies representing the community services, housing and community health, drugs and

alcohol and mental health sectors and the Department of Human Services (DHS) and Department of Health (DH).

21. A Pay Equity Implementation Reference Group was established specifically to manage the implementation of the SACS pay equity case. Group membership consists of representatives from a broad range of service providers and peak bodies.
22. Service providers will receive communications about SACS funding supplementation and the implementation process through:
  - a) The Funded Agency Channel
  - b) Fact sheets
  - c) Forum presentations
  - d) Emails

#### D. Adjustments to funding offers

23. If an Eligible Service Provider believes the supplementation paid to it is not consistent with the methodology described in Part A15 of this Implementation Plan, it may request a review by the relevant Victorian funding agency (e.g. DHS or DH).
24. Requests for review need to be lodged within 30 days of the Eligible Service Provider receiving notification of the total funding supplementation increase for 2012-13.
25. The process for requesting a review is:
  - a) Submit a request together with supporting documentation to the relevant Victorian funding agency.
  - b) If the request to review is accepted, the department will conduct a detailed assessment of all funding supplementation provided to the organisation.
  - c) The relevant agency will make an assessment of the Eligible Service Provider's claim and make a determination. The determination outcome can include: an increase in supplementation, a decrease in funding supplementation, or no change. Where practicable, the process is expected to be completed within 30 days of receiving relevant information.
26. If Eligible Service Providers believe their funding offer is too high they must contact the relevant Victorian funding agency.

#### Estimated costs

27. The maximum financial contribution to be provided by the Commonwealth for the project to Victoria is \$71.2 million payable in accordance with Part 5 and Schedule A of the National Partnership. All payments are exclusive of GST.
28. The total funding will be reduced by the proportion of funding to be retained by the Commonwealth to meet part of the Commonwealth contribution to the cost of the National Disability Insurance Scheme. The total amount to be retained is \$1.047 million.
29. The Commonwealth contribution can only be moved between years with the agreement of the Commonwealth.

**Program logic**

- 30. The project information detailed in this Implementation Plan will achieve the outcomes and objectives stated in the National Partnership by providing wage supplementation to Eligible Service Providers impacted by the Pay Equity Order.

**Risk management**

- 31. A risk management plan is in place. Risks have been actively identified, entered into a risk log and categorised in terms of impact and likelihood.

**Relevant Victorian Context**

- 32. As noted above under Project Information, the Victorian Government funds organisations to provide services to the Victorian public using unit-price-based funding models. The National Partnership recognises this funding model under clause 17.

**Sign off**

The Parties have confirmed their commitment to this agreement as follows:

Signature *Mary Woodroffe* Date *16/12/13*  
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[By state/territory Minister]

Signature *[Signature]* Date *17/6/14*  
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[By Commonwealth Minister]