



Our Ref: D1203162

Ms Samantha Parsons  
Committee Clerk  
Estimates and Financial Operations Committee  
Legislative Council  
Parliament House  
PERTH WA 6000

Dear Ms Parsons

## **FUNDING FOR NON-GOVERNMENT ORGANISATIONS**

I refer to the article published in The West Australian on 30 April 2012, titled "Monitoring missing on \$600m program" which included references to evidence provided by myself to the Standing Committee on Estimates and Financial Operations hearings on 23 April 2012. The article notes that:

*"The State Government has no idea whether a \$600 million package designed to lift salaries in the not-for-profit sector is going towards higher salaries, according to a senior public servant."*

As outlined in my evidence to the Standing Committee on 23 April 2012, the allocation of funding to the not-for-profit sector announced in the 2011-12 State Budget and resultant funding increases to eligible not-for-profit organisations is being monitored through a range of mechanisms. These include:

- Anecdotal advice from the not-for-profit community sector, which indicates that a significant proportion of funding allocated by the State Government is currently being passed to employees of eligible organisations through increased wages.
- Preliminary advice from a survey conducted by the Western Australian Council of Social Services (WACOSS) is that approximately 70 per cent of the funding received by respondents has been passed on to wages and conditions so far, noting that around 70 to 80 per cent of the costs of not-for-profit organisations are wage related.

- The legal and industrial frameworks for the not-for-profit community sector requires organisations to meet a range of requirements in relation to their employees, including remuneration arrangements dictated through both Federal and State industrial awards.

The Fair Work Australia decision of 1 February 2012 on the Australian Services Union equal remuneration case for the Social and Community Services sector will impose further requirements on relevant organisations in the not-for-profit community sector from 1 December 2012.

It is intended that the additional funding provided by the State Government will enable these organisations to meet the current and emerging legal and industrial obligations on the sector, and will be appropriately monitored through relevant existing industrial and legal frameworks.

- The Partnership Forum has endorsed an evaluation framework for the Sustainable Funding and Contracting initiative announced by the State Government as part of the 2011-12 State Budget. Amongst other things, the framework will monitor overall trends in not-for-profit community sector wages overtime to ensure the ongoing sustainability of services delivered by the sector.

The overall approach to the implementation and ongoing monitoring of the Sustainable Funding and Contracting with the Not-for-Profit Sector initiative was developed jointly between the public and not-for-profit sector.

The not-for-profit community sector comprises a wide range of organisations with different service models, cost structures, industrial arrangements and financial circumstances. It was considered appropriate that the Board and management of each organisation makes the decisions about the allocation of the additional funding based on their unique circumstances.

The public and not-for-profit community sector jointly advised that it would be inappropriate to add another layer of prescription to contracts by defining how the not-for-profit community sector uses and pays its employees. Instead, the focus has been on ensuring that organisations have appropriate levels of funding to meet their contractual service delivery outcomes and other legal obligations (including those resulting from the Fair Work Australia decision on the equal remuneration case), but are not constrained in the way they seek to achieve this.

Yours sincerely



Rebecca Brown  
**A/DEPUTY DIRECTOR GENERAL**

10 MAY 2012