



# FACT SHEET

## Standardising Indexation Rates for Not-for-Profit Organisations

The State Government is adopting a consistent across-government approach to indexation rates in funding for Not-for-Profit (NFP) organisations.

<p><b>Why?</b></p>	<p>Currently, different Departments offer different rates of indexation, often to the same NFP organisation. These changes will mean that all Departments must use the same mandated indexation rate for any funding to the NFP sector.</p> <p>This new approach to indexation is one of a suite of reforms under the new South Australian Not for Profit Funding Rules and Guidelines (SANFRAG) that simplify and improve government funding to NFPs.</p>
<p><b>What is impacted?</b></p>	<p>All multi-year funding agreements between South Australian Government agencies and NFPs, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• services transitioning to the National Disability Insurance Scheme (NDIS)</li> <li>• services transitioning to the Commonwealth Government under aged care reform arrangements</li> <li>• indexation arrangements negotiated as part of a competitive tender arrangement.</li> </ul>
<p><b>Key changes</b></p>	<p>Standard indexation will occur as a rolling four-year agreed indexation rate, linked to the forward estimates. The default indexation rate will be set at 2% for 2017-18 and 2018-19, and at 2.5% for 2019-20 and 2020-21.</p> <p>All agencies must pass on the full indexed amount to NFPs they fund:</p> <ul style="list-style-type: none"> <li>• for any new multi-year funding agreement with no specified indexation rate; and</li> <li>• existing funding agreements with no specified indexation rate.</li> </ul> <p>Where the services contracted include staff employed under the Social, Community, Home Care and Disability Services Industry Award 2010, who are eligible for pay adjustments until 1 December 2020 under the 2012 Fair Work Australia's Equal Remuneration Order (ERO), a combined indexation and ERO rate will continue to apply.</p>
<p><b>When does it start?</b></p>	<p>Now. Cabinet mandated an implementation date of 1 July 2017.</p>
<p><b>Are current contracts impacted?</b></p>	<p>Current contracts are only impacted if:</p> <ul style="list-style-type: none"> <li>• they will extend beyond 1 July 2017; and</li> <li>• there is currently no specified indexation rate in the contract.</li> </ul> <p>In these cases, a variation to the contract will be required, specifying the application of indexation at the designated rate.</p>
<p><b>Underpinning principles</b></p>	<p>SANFRAG is based on principles outlined in the:</p> <ul style="list-style-type: none"> <li>• Department of the Premier and Cabinet Circular 044</li> <li>• Treasurer's Instructions 11 and 15</li> <li>• <b>Stronger Together</b> commitment</li> <li>• South Australian Not for Profit Funding Policy.</li> </ul>
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