



Communiqué

Indexation to Health Funded Non-Government Organisations

NGOs that receive funding from NSW Health should have recently received communication from the Department seeking information on the 'dollar amount of their grants covered by the SACS award'.

This communiqué is intended to provide you with background and information on this issue, and provide some advice on responding to this request.

There are two key points that are particularly important to note:

1. The letter from NSW Health sets a reply date of 19 September. The implication given in the letter is that if you do not reply by this date it will be assumed you are not covered by the SACS award and you will receive 2.5% indexation, and not 3.3%. While we have called for the latest letter to be withdrawn we would urge all NSW Health funded NGOs to provide a response by the set date.
2. The letter implies that the 3.3% indexation rate "applies to the salary component of your grant." This is not the case. If your organisation is covered by the SACS award, the higher indexation rate applies to the whole grant. This figure should have been provided to you in the letter.

Current Status: Responding to NSW Health

The correspondence recently sent to NGOs funded by NSW Health contains a number of inaccurate and misleading statements. NCOSS have written to NSW Health outlining our concerns and seeking the retraction of the letter and calling for the immediate provision of 3.3% indexation on all NSW Health grants to NGOs in line with the decision of the Budget Committee of Cabinet. Concerns raised include:

1. It is our understanding that the State Budget provided a 2.5% increase to NSW Health for its own staff costs (in line with the Government's wages policy). This does not apply to NGOs. It is therefore not correct, to state that NSW Health was provided with "a NGO indexation factor of 2.5%"
2. It is our understanding that the Budget Committee of Cabinet approved a 3.3% indexation to funding for NGOs covered by the SACS Award in recognition of the fact that the award

provided for a 3.5% increase in pay from 1/7/08. The indexation applies to the full funding and not just the salaries component. It should be noted that all other agencies have applied the 3.3% indexation to the full amount of funding and not just the salary component.

3. NSW Health's interpretation of "covered by the SACS Award" does not conform with our understanding of industrial relations law and practice.
4. NCOSS also believes that the question posed in the letter (to indicate the dollar amount of the grant affected by the SACS award) in the context of the whole letter to be confusing and highly likely to produce an inconsistent application of indexation between NGOs.

Our Position

Our position remains that NSW Health apply a consistent indexation rate of 3.3% to its NGO grants, in line with the decision taken by the Budget Committee of Cabinet, and the position of all other NSW Government Human Service Agencies and the Ministry of Transport. Further, this rate of indexation applies to the entire amount of funding received from NSW Health and not just the "salaries" component.

Based on available figures, NCOSS has calculated that the difference between providing 2.5% and 3.3% indexation to all Health funded NGOs is \$944, 800. Given that it is likely that the vast majority of NGOs will be 'covered by the SACS award' the difference between covering only these NGOs and all NGOs is much smaller, and largely insignificant in a health budget of over \$13 billion.

Should NSW Health pursue its current approach of providing different indexation rates to NGOs, we believe that the ultimate cost of this approach, in terms of service delivery provided by NGOs and relationships between the Department and the NGO sector, will be greater than the financial one had they applied a consistent indexation rate of 3.3% to NGOs.

Background

When the NSW Budget for 2008/09 was released on 3rd June, a range of NGOs present at the NSW Health budget briefing were informed that 2.5% indexation would be applied to grants to NSW Health funded NGOs.

Following on from this, on behalf of the NGO sector NCOSS wrote to the Minister for Health requesting an immediate reconsideration of this indexation rate on the grounds that it was out of line with levels of indexation applied to NGO grants by other NSW human service agencies, (including DoCS, Housing NSW and DADHC) all of which had allocated 3.3% indexation to NGO grants in recognition of SACS award increases.

Disappointingly, NCOSS is yet to receive any formal response to this communication.

On the 2nd July at the NSW Health NGO Advisory Committee Meeting, the NSW Health Peaks were informed that NSW Treasury had instructed them to provide 3.3% indexation on NGO grants covered by the SACS award. NSW Health indicated that they would be undertaking further work to determine which organisations they would consider to be 'covered by the SACS award'. The NGO representatives present at that meeting expressed significant concern about this approach, emphasising that 3.3% indexation should be applied to all NGO grants. The following issues were also raised:

- That Aboriginal Medical Services (AMS) overwhelmingly use the Aboriginal and Torres Strait Islander Health Service Award, and not the SACS award. As such, any indexation arrangements based on the type of award used are likely to result in a lower level of indexation being provided to AMSs across the state. This outcome would clearly undermine the Government's commitments to closing the gap in life expectancy and

health outcomes for Aboriginal people. Such an outcome may also be interpreted as discriminatory.

- That NSW Health's approach was inconsistent with all other human service agencies and the Ministry of Transport, who had automatically applied 3.3% to all NGOs.
- That this issue needed to be resolved quickly so that indexation payments could be passed on to NGOs. Given that NGO budgets are generally very tight, the level of indexation can make a significant difference to planning and service delivery over the period. Any uncertainty associated with grants compromised the operation and service delivery of NGOs.

Following this meeting, NCOSS again wrote to the Minister for Health seeking urgent clarification and intervention on this issue. We continue to await a response.

During this period, NCOSS has sought to discuss this matter with a number of senior departmental representatives, including the Director General and Deputy Director General. NCOSS has been disappointed with the Department's response in relation to this issue, there having been no meaningful communication or consultation undertaken, and no resolution provided.

Despite requests that the NSW Health Peaks be consulted and informed of the Department's activities in relation to determining which NGOs they consider to be 'covered by the SACS Award, the Department's recent correspondence to NGOs on 'the amount of their grant covered by the SACS award' was undertaken without any communication or consultation with the NGO Health peaks.

Conclusion

The issue of indexation to NSW Health funded NGOs has been raised repeatedly by NCOSS and other Health NGO peaks since the State Budget was handed down. We have consistently sought advice and information about what NSW Health's position was and what they were intending to do.

We hold significant concerns about the process adopted by NSW Health in determining this matter. We are particularly concerned that despite our requests to be kept advised of NSW Health's intentions that this letter has apparently been sent without any advice from NSW Health to the Health peaks about its contents. This not only reduces our capacity to provide appropriate and consistent advice to the sector but also to provide feedback to NSW Health.

The NSW Health NGO peaks will continue to advocate to the new Minister for Health and the Department that NSW Health provide 3.3% indexation to all NGOs that it funds.

For more information please contact:

Kristie Brown
NCOSS Senior Policy Officer
Kristie@ncoss.org.au
P: 9211 2599 ext. 130