



**Western Australian Government  
Indexation Policy for the  
Non-Government Human Services  
Sector**

**June 2019**

# POLICY STATEMENT

## Policy Objectives

The *Western Australian Government Indexation Policy for the Non-Government Human Services Sector* (the *Indexation Policy*) provides for transparency and consistency in the level of indexation to be applied to prices in contracting arrangements under the *Delivering Community Services in Partnership Policy 2018* (the *DCSP Policy*).

The objectives of the *Indexation Policy* are to provide:

- increases to service agreement prices over the life of a service agreement to assist in addressing cost increases;
- transparency and consistency in the level of indexation across community services service agreements; and
- administrative simplicity in the application of the *Policy*.

Indexation is not intended to meet growth in services due to demand pressures. In addition, extraordinary situations will occasionally arise where one-off increases to specific costs make prices unsustainable within the life of a service agreement. Service agreements established under the *DCSP Policy* provide for a separate process for the variation of prices in extraordinary situations, which will be considered subject to adequate justification and the availability of funding, and approved at the absolute discretion of the Public Authority.

Similarly, the *Indexation Policy* does not cover changes to base service agreement prices that arise from renewal of service agreements at their expiry.

## Implementation

This is a Government initiated revision of the *Western Australian Government Indexation Policy for the Non-Government Human Services Sector 2015* (*Indexation Policy*) and has been endorsed by Cabinet.

The *Indexation Policy* is subordinate to and should be read in conjunction with the *DCSP Policy*. Definitions in the *DCSP Policy* also apply to this *Indexation Policy*.

Implementation of the revised *Indexation Policy* is to commence on 1 July 2019 for all service agreements, whether existing, renewed or new.

The Department of Treasury will provide ongoing support and oversight for the *Indexation Policy*. All enquiries should be directed to the Department of Finance, Funding and Contracting Services (FaCS).

## Scope

The *Indexation Policy* applies to service agreements between Public Authorities and Organisations for the purchase of Community Services. The *Indexation Policy* applies to the State funded component of such service agreements.

The *Indexation Policy* also applies where pricing frameworks or other mechanisms are in place between Public Authorities and Organisations to facilitate individualised funding arrangements between Public Authorities and individuals for the purchase of Community Services from Organisations. In these instances, the indexation policy applies to the unit prices contained in the pricing framework or other arrangement.

The *Indexation Policy* does not apply to:

- All other funding arrangements (including grants) under the *DCSP Policy*; or
- Contractual arrangements that are not for Community Services as defined in the *DCSP Policy*.

## **INDEXATION RATES**

### **Determination**

The indexation rate applicable to eligible service agreements and individualised funding arrangements will be calculated according to the following formula:

$$\text{CPI} * 0.2 + \text{WPI} * 0.8$$

Where:

- CPI is the annual percentage increase in the Perth Consumer Price Index; and
- WPI is the annual percentage increase in the Perth Wage Price Index.

Indices will be sourced from the latest actual data available on 1 July as published by the Australian Bureau of Statistics.