



13 July 2022

The Hon Cameron Dick
Treasurer and Minister for Trade and Investment
GPO Box 611
BRISBANE QLD 4001

Dear Treasurer

Indexation for funded housing and homelessness services

Q Shelter recently wrote to the Minister for Communities, Housing and the Digital Economy, The Hon Leeanne Enoch, to raise concerns about indexation levels for the housing and homelessness sector. Q Shelter also provided input to QCROSS's recent letter to you on the same topic and our representatives were present at the recent QCROSS State Budget, where you confirmed the State Government will look into this issue. For the record, Q Shelter commends the Federal Government for supporting an increase to the minimum wage. So many people on low-middle wages simply cannot afford basic living costs, including housing. The increase of both the National Minimum Wage and Modern Award Minimum Wages are important steps in poverty reduction.

Q Shelter highlighted to the Minister, that the housing and homelessness sector is under increased demand pressure from more and more households including working families. Yesterday's report from the Auditor General shows extraordinary demand for assistance without adequate housing supply. Yesterday we also heard from a Q Shelter member that they had only just been informed of their indexation rate which is 2.49%. This is lower than the indexation rate applied to other community services at 2.88%. It is also significantly lower than the rise in wages and other costs borne by community sector employers.

Q Shelter has these concerns:

- We highlighted to Minister Enoch that an unintended consequence of the wage increases without adequate indexation is to reduce the sustainability of delivering services. We understand from members that in response to wage increases, a reduction in staff hours may be necessary which will mean a reduction in services. One organisation is considering not replacing staff as they leave to balance their budgets. The nett result is a reduction in support services at a time when organisations are reporting contact from thousands more households across the State who edge towards homelessness.
- For housing providers, the impacts will include use of retained earnings and rental income to cover rising wage costs. This combined with increasing interest rates, bond rates and inflation, will add significant barriers to QHIGI's success.
- The late notification of the indexation rate prevents funded services from preparing sustainable budgets in readiness for the new financial year. Most organisations prepare budgets from March/April to ensure they can present those budgets to their governing body in readiness of the new financial year. This early preparation is also essential to organisations ensuring they can cover costs including wages. The late notification negatively impacts good governance and financial accountability.
- The uncertainty heavily impacts sector leaders. At this time of great community need, these impacts are taking a toll when more is being asked of all housing and homelessness sector workers including committed leaders. Recruitment and retention is a consistently challenging issue for our members and everything should be done to prevent growing pressure on people make up a committed sector workforce. Q Shelter subsidises an Employee Assistance Program for our members and at the close of the financial year, the take up of this program by our members was 3.8% higher than the broader industry. The presenting issues included a 12.4% increase in work-related matters.
- Other jurisdictions are indexing at a higher rate. The Department of Communities and Justice in New South Wales for example has funded indexation at 5.5%.

ABN 214 955 03 790
PO Box 214, Spring Hill, Qld 4004
Telephone: 07 3831 5900 || Fax: 07 3236 1396 || www.qshelter.asn.au

We acknowledge the Traditional Owners of the land in which we work and meet. We pay our respects to their Elders past, present and emerging.



The gap between Queensland Treasury Indexation (QTI) rates and direct wage cost increases is not limited to the current year. By way of example, the table below shows a simple comparison between direct wage increases, under the main Award applying in the affordable housing sector (SCHACADS) and the QTI, over the last three years. The following amounts show simple differences between increasing wage costs and QTI indexation. These impacts would also compound each year.

YEAR	QTI*	WAGES	Difference
2020/21	2.375%	1.75% - SCHACADS Annual Increase 1.35% - Portable Long Service Leave Levy commenced	0.73%
2021/22	1.5%	2.5% - SCHACADS Annual Increase 0.5% - Superannuation Guarantee increase to 10%	1.5%
2022/23	2.88%	4.6% - SCHACADS Annual Increase 0.5% - Superannuation Guarantee increase to 10.5%	2.22%

* Note: The indexation rates in this table reflect the higher rates applicable to some community services, not the lower rates applied to Specialist Homelessness Services.

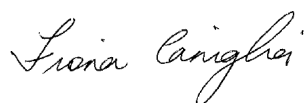
The longer-term impact of indexation rates below the true rising costs of service delivery paints a grim picture for the future of community services. If this trend continues, the sector will continue to reduce support services, and targets for the growth of social and affordable housing will need to be adjusted.

We urge you to bring forward actions to increase the rate of indexation for this year to cover the true costs of wage rises and other employment related expenses. We also urge you to work with other relevant Ministers to address the timeliness of advice to the sector in support of high standards in governance including the timely preparation of sustainable budgets.

We hope this letter helps you to consider the needs of our sector. Every part of the community services industry is impacted. Because housing need and homelessness is such a growing concern, we write to highlight a strong case for working with Treasury to guarantee no nett loss to service delivery and housing growth projects in this portfolio area.

Thank you in advance for considering our views. Please contact Michael Boylson (Chief Operations Officer Michael.boylson@qshelter.asn.au) if you would like us to provide any further information.

Yours sincerely



Fiona Caniglia
Executive Director

cc.

The Hon Leeanne Enoch, Minister for Communities, Housing and the Digital Economy
Clare O'Connor Director General
Mary-Anne Curtis Associate Director General
Mark Wall General Manager Policy, Strategy and Programs