



INDEXATION FOR THE SA NOT-FOR-PROFIT SECTOR

OCTOBER 2025

About SACOSS

The South Australian Council of Social Service (SACOSS) is the peak body for the non-government health and community services in South Australia, and has a vision of justice, opportunity and shared wealth for all South Australians.

SACOSS aims to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. We undertake research to help inform community service practice, advocacy and campaigning. We have 75 years' experience of social and economic policy and advocacy work that addresses issues impacting people experiencing poverty and disadvantage.

Acknowledgement

The SACOSS office, where this report was produced, is on the unceded lands of the Kaurna people, and we pay our respects and acknowledge the Kaurna people as the custodians of the Adelaide region and the Greater Adelaide Plains. We acknowledge and pay our respects to the cultural authority of Aboriginal and Torres Strait Islander communities and organisations, and appreciate the cultural knowledge that is held and shared.

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Executive Summary

Indexation of funding in multi-year service contracts aims to maintain the real value of funding for those contracts and services.

Currently, the South Australian government provides indexation at a flat rate of 2.5% across the sector, with supplementary indexation being applied in some years. This rate does not compare well with indexation in other Australian states and territories and does not cover the increasing costs of service provision.

SA government indexation over the past five years is broadly reflective of other jurisdictions, mainly due to significant supplementary indexation payments in 2022-23 and 2023-24, but even this has not kept pace with increasing service costs. Further, with no supplementary indexation announced (yet) for 2025-26, our state will have the second lowest indexation rate in the country for this year and it will again fail to cover cost increases.

Based on the work of leading academic, David Gilchrist, SACOSS is proposing a purpose-built NFP sector indexation formula to properly reflect sector costs. That formula would calculate the indexation rate as:

- 75% of (SCHADS wage increases + extraordinary wage item increases)
PLUS
- 25% of Non-Discretionary CPI
PLUS
- extraordinary non-wage cost increases multiplied by % of total expenditure.

The “extraordinary wage item increases” in the formula should capture increases in the Superannuation Guarantee Levy, while this report also considers the additional costs of the Portable Long Service Leave Scheme (PLSL) under the wages heading and recent hikes in insurance costs as an extraordinary non-wage cost increase.

Applying a generalized form of the indexation formula, this report finds that:

- the value of sector funding has declined by 3.6% over the last four years due to inadequate indexation;
- the value will decline by a further 1% without supplemental indexation in 2025-26 (or 1.8% if the additional costs of PLSL are not covered by a rebate).

This inadequate indexation has a real impact on sector organisations. For instance, for each \$1m of expenditure in 2025-26, an average organisation would need to find an extra:

- \$26,250 to cover award wage increases
- \$3,750 to cover the addition superannuation guarantee levy
- \$6,750 to cover the additional costs of PLSL (noting that the levies only apply to 3 quarters in 2025-26)
- \$4,500 to cover price increases in everything else.

The current indexation will only cover \$25,000 of this approximate \$41,000 of additional costs, so that for every \$1m of expenditure, sector organisations will be around \$16,000 worse off.

Given this, and the current severe financial pressure on sector organisations, **SACOSS is recommending:**

- ***That the Mid-Year Budget Review provide for 2025-26:***
 - ***a minimum 1% indexation supplementation plus an extra increment*** (to be determined by the government in consideration of this report) ***as a step towards addressing the shortfall in previous years, alongside a rebate for the additional costs of the portable long service leave scheme*** (SACOSS' preferred approach);
OR
 - if there is no PLSL rebate, ***a minimum 1.8% indexation supplement and extra increment as a step towards the previous shortfall.***

- ***The government adopt the SACOSS indexation formula to apply for 2026-27 and onwards.***

1. Introduction

Indexation rates applied to multi-year government service contracts are important for the not-for-profit (NFP) sector to cover increasing costs over the life of a given contract. Indexation is not meant to deal with the adequacy or otherwise of initial costings in contracts, nor cover every unexpected cost increase that may impact on a particular NFP organisation. Rather, the indexation rate is applied to contracts across the sector in order to maintain the real value of those contracts and services.

For South Australian government contracts, the [standard NFP service contract](#) requires indexation to be paid at the “NFP Indexation Rate for that Financial Year” (clause 8.5), a term mirrored in the standard [Grant Agreement](#) (clause 4.4). Departments have no choice in this, and any contract with a different rate would need to be approved by Treasury.

There are enormous advantages to having an automatic, mandatory, sector-wide indexation rate. Without it, the NFP sector risks returning to a situation where departments set their own indexation rates (even down to 0%). Since it was negotiated in 2017, the [NFP Indexation Rate](#) has been set at the indexation rate applied by Treasury to departmental funding, which is currently 2.5%.

Using this standard government rate made sense when it was first adopted, but the rate no longer reflects changes in the cost base of the NFP sector which have been different from the government sector in recent years. Between June 2020-21 and the June Quarter this year, the [Wage Price Index](#) for the public sector in South Australia has increased by 10.9%, while the SCHADS award increased by 21.7%, more than double the wage increases faced by the state government.

This difference in the cost base and the inadequacy of the government indexation rate for the NFP sector has been recognised by Treasury providing supplementary indexation above the basic 2.5% in a number of recent years.

Table 1: SA Indexation Rates - recent years

Financial Year	SA Indexation
2020-21	2.50%
2021-22	2.50%
2022-23	5.10%
2023-24	4.75%
2024-25	3.50%
2025-26	2.50%

Source: SACOSS calculations from SA Budget Papers

While supplementary indexation provided in the middle three years in table has been welcome, this approach to supplementing an inadequate base is problematic because it makes forward planning difficult. The supplemental indexation has often been announced in the Mid-Year Budget Review (after the financial year has started) or in the June State Budget, after organisations have set their own budgets for the next year. Further, the supplemental indexation has been applied unevenly with some NFP sectors organisations,

particularly in the arts/culture sector missing out. And ultimately, as will be shown later in this report, even with the supplementation, the indexation rates still have not covered the cost increases faced by the NFP sector.

In relation to sector funding issues, the [SACOSS Submission](#) to the last state budget highlighted the financial pressures on the community service sector and called for:

- Adoption of a purpose-built indexation formula for the sector
- Catch-up funding to restore the value of funding lost in the recent years due to inadequate indexation;
- Review of base level funding and the treatment of profits/unexpended funds.

These remain important, but **this report is more limited in scope and is primarily addressed to seeking supplemental funding in the 2025 Mid-Year Budget Review**. This would provide a much-needed immediate funding boost for the sector, with further discussion and the adoption of the SACOSS indexation formula to be considered later.

To meet the timetable for the Mid-Year Budget Review, a preliminary version of this report was submitted to government in August, with this final version being launched at the SACOSS Sector Funding and Workforce Conference in October 2025. While the fundamentals of the report and the recommendations are unchanged from that earlier version, some figures have been updated in this version – particularly in relation to the costs of portable long service leave where additional data became available and the numbers were updated to account for inflation.

2. Approaches to Indexation

Other Australian Jurisdictions

There is no national standard or agreed formula for indexation on government funding for community services. The Councils of Social Service have collated state and territory government indexation rates over a number of years, and SACOSS has added the annual increase in the base rate for Disability Service Workers under the NDIS funding. The results are in the table below, which summarises the method used in each jurisdiction, the average indexation over the last 5 years (2020-21 to 2024-25) and the indexation applied for 2025-26.

Some caution should be used in relation to the NDIS indexation figures. The first figure is in fact a four-year average of the indexation for disability service worker funding, but there are a range of different indexation arrangements for Specialist Disability Accommodation and other specific services, and other funding parameters have also changed.

Accordingly, while it is useful for reference, the NDIS data is excluded from the national averages in the table, which are a simple (unweighted) average of the state and territory indexation.

Table 2: State/territory Comparison of Sector Indexation

Jurisdiction	Formula	5-year Average	2025-26
WA	80% Wage Price Index + 0.8xSGL + 20% CPI	3.2%	4.02%
NSW	Unknown	3.9%	3.50%
QLD	75% National Wage Case + 25% CPI	3.7%	3.81%
ACT	80% WPI or SCHADS + 20% CPI	3.4%	3.35%
Victoria	80% National Wage Case + 20% CPI	3.5%	3.35%
SA	Standard government rate (+ supplementation)	3.5%	2.50%
Tasmania	No formula, but 2024 commitment to 12.5% over 3 years	3.0%	3.00%
NT	Different rates for frontline, non-frontline agencies & capital grants (figures here are frontline agencies).	2.0%	2.35%
National	Average of all state and territories	3.3%	3.24%
NDIS*	Annual Price Review based on market data & sector feedback	4.9%	3.95%

Source: Information provided by state and territory Councils of Social Service, SACOSS calculation from NDIS statements.

As can be seen, South Australian government indexation over the past five years is broadly reflective of other jurisdictions (being just above the national average of all states and territories). This was mainly due to the significant supplementary indexation payments in South Australia in 2022-23 and 2023-24 (5.1% and 4.75% respectively), and the poor indexation applied in Tasmania and inconsistent indexation in the Northern Territory with zero increases until 2023-24, and then 5% per annum promised for the next two years, but with lower rates actually delivered in 2025-26.

While the 5-year data shows the importance of the supplementary indexation applied by the SA government in the past, its absence this year – on top of a low base rate – means

that South Australia had the second lowest indexation of all the jurisdictions for 2025-26. The Northern Territory was lowest, although they have three different indexation rates (Frontline agencies 2.35%, Non-frontline agencies 1.68%, capital grants 2.68%). The SA indexation rate was 23% (0.74 percentage points) below the national average rate.

It should also be noted that even the national average rate of sector indexation is below the increases in the SCHADS award (average 3.7% increase). The 0.4 percentage point difference between national average indexation and the increases in the SCHADS award translates to a loss in value of 2% of total funding over the 5-year period, while increases in the Superannuation Guarantee Levy have added another 2% to the loss of value on the wage bill. The 3.5% increase in the SCHADS award from 1 July this year and a further 0.5% increase in the Superannuation Guarantee Levy continue this trend.

The Gilchrist Proposals

In [definitive research](#) published in 2023, University of WA authors Professor David Gilchrist and Clare Feenan have analysed NFP indexation rates and processes around the country and critiqued both arbitrary rates (like SA's 2.5%) and also indexes based on combinations of the Wage Price Index and the Consumer Price Index. They argued that these approaches do not provide an adequate reflection of cost pressures on the NFP sector.

Gilchrist and Feenan called for an industry-specific cost index to be developed based on ABS or new survey data. While this remains their preferred option, in its absence, [Gilchrist & Perks](#) propose a proxy indexation formula as follows (based on an assumption that wages account for around 75% of sector costs):

$$0.75(\Delta \text{ SCHADS} + \Delta \text{ SGL}) + 0.25(\Delta \text{ NDI}) + \text{rural adjustment}$$

Where:

- Δ = Change
- SCHADS - Social, Community, Home Care and Disability Services Industry Award rate
- SGL – superannuation guarantee of 0.5% until 2025
- NDI – non-discretionary consumer price index component
- Rural adjustment – additional indexing amount of \cong 2.6% to account for disproportionate inflationary pressure in regional and rural service environments.

The formula above represents a good approach, but there are some issues with the data. While costs in regional SA are higher than in Adelaide (which should be factored into the initial contract price), there is no official data on price increases outside of Adelaide. By contrast, WA has a regional price data series, although Gilchrist's methodology on this point is complicated. More broadly, in recent years SA sector organisations have highlighted insurance price increases as a critical budget pressure, but it is hard to capture these (or other) extra-ordinary cost increases which may not be reflected or weighted appropriately in the CPI (and therefore would not be included in the formula).

SACOSS Proposal

On the back of the above research, SACOSS is recommending the adoption of a purpose-built NFP sector indexation rate, but we propose a slightly more generic version of the

Gilchrist-Perks formula above to accommodate a range of potential external pressures in different years. The formula is:

- **75% of (SCHADS wage increases + extraordinary wage item increases) PLUS**
- **25% of Non-Discretionary CPI PLUS**
- **extraordinary non-wage cost increases multiplied by % of total expenditure.**

It would be up to the Treasury (in consultation with the sector) to decide what constitutes “extraordinary” items here, but the basic principle would be that they need to have significant impact across the whole sector. For example, as we show below, “extraordinary wage item increases” should capture increases in the Superannuation Guarantee Levy, and possibly the costs associated with the introduction of the Portable Long Service Leave Scheme.

Extraordinary non-wage cost increases could include the recent hikes in insurance costs, weighted as a proportion of total expenditure.

The use of this (or similar) formula does not require a change to the Standard Contracts. It simply requires a policy decision that this formula be used to calculate the “NFP Indexation Rate” referred to in the contracts. In that sense, it would be a relatively simple way to deal with inadequate indexation and assist sector organisations meet cost increases over the life of contracts.

3. Calculating Sector Costs and Indexation

Wages

As evident in the various indexation formulas noted above, wages account for the majority of community service expenditure, with most (but not all) of this wage expenditure covered or underpinned by the SCHADS award. For the wider NFP sector, the awards may differ (or be based on minimum wages), but sector wage costs go up broadly in line with the annual national wage case decisions of the Fair Work Commission. Recent decisions have delivered wage rises significantly above the South Australian indexation rate, and given that wage expenditure averages around 75% or 80% of sector expenditure, this has a major impact on sector costs and is the most significant factor in the inadequacy of current indexation.

In line with best practice in other states, as well as the Gilchrist formula, SACOSS is proposing that increases in the SCHADS award is the base for the wage component of sector indexation.

Superannuation

Superannuation is a long-established part of Australian wage system and employer contributions via the Superannuation Guarantee Levy are mandated by Commonwealth law. However, pursuant to federal government policy, the levy has been increased by 0.5% each year for the last four years. The cost to sector organisations of this increase has not been recognised or covered in most indexation formulas (other than as a contributory factor in supplementation), but any increase in the SGL has the same effect on sector costs as an increase in wages and should be automatically accounted for in the same way.

In the SACOSS indexation formula, any increase in the SGL would be added to the 75% wage component of the indexation rate and would then be fully covered by indexation.

Portable Long Service Leave

In a [separate report to Treasury](#), SACOSS analyses the costs to the sector of the introduction of the Portable Long Service Leave Scheme. While SACOSS has long been a supporter and proponent of this scheme, it will inevitably impose additional costs on the sector. There are initial (not inconsiderable) set-up costs to meet new registration, reporting and payment obligations, but as the SACOSS report identified, there are also long-term costs to the sector from loss of income earned from holding long-service leave provisions.

While the extent of loss varies across organisations depending on their long service leave provision holdings, SACOSS estimated, from a survey of sector organisations, that current income from LSL provisions averaged the equivalent of 0.26% of total payroll (wages and superannuation). The loss of this existing income will not be immediate and so is not reflected in SACOSS' calculation of the cost of scheme, but it will nevertheless be felt over time.

Of more immediate impact is the difference between the current expenditure on long service leave and the 2.2% levy which will be charged under the portable scheme, a cost to sector organisations which arises principally from the fact that more staff will be able to

access long service leave. The table below, based on the SACOSS survey results, shows the extent of such impacts for small (payroll under \$3m p.a.), medium (payroll \$3m-\$30m) and large organisations (payroll above \$30m). The methodology and detail of the calculations is set out in the [SACOSS PLSL cost report](#), but the third column of this summary table shows considerable cost impact on organisations. The fourth column shows the percentage increase which could be factored into an indexation formula.

Table 3: Costs of Portable Long Service Leave

Organisation	Average LSL Expenditure*	Estimated PLSL Total Cost**	Difference	Difference as Percent of Wages & Super
Small	\$16,305	\$23,346	\$7,041	0.7%
Medium	\$76,750	\$282,202	\$205,452	1.5%
Large	\$611,289	\$1,217,786	\$606,497	1.1%
Aggregate - all Organisations				1.2%

* includes Superannuation Guarantee Levy on one-half of payments

** includes levy plus lost investment income

It should be emphasised that these are predominantly *new* costs imposed on organisations by the introduction of the PLSL scheme. While employees have current entitlements to LSL, the current expenditures (in column 1) are considerably lower than the proposed levy.

Further, and importantly, long service leave costs are not generally or fully covered by existing funding arrangements. The NDIS includes long service leave in its costs stack, but at only around 1.4% of payroll (based on less generous interstate schemes), so the new levy represents an immediate loss of funding of around 0.6% of payroll. But South Australian government funding also does not cover existing long service leave costs because, as the SACOSS survey shows, organisations do not always or necessarily factor the LSL leave costs into tenders or costing of projects. Even where organisations do include LSL loading in their costings, the state government funding is only part of their funding base – so the SA government is not funding the full costs of long service leave. Again, see the [SACOSS PLSL report](#) for more information on this issue.

Is it an indexation issue?

While the data above shows that the PLSL scheme levy represents a significant, policy-based cost to the community services sector, the implications for indexation are complicated by the fact that:

- not all organisation paying the levy receive state government funding (e.g. those funded under the NDIS or through private funding), and
- not all NFPs receiving state government funding and indexation are in scope of the PLSL scheme (e.g. art and cultural, sporting or environmental organisations).

The first issue means that the funding meant to cover the costs of the PLSL scheme would not assist a range of organisations providing community services. The latter means that additional indexation funding to cover PLSL costs would go to organisations not covered by the scheme. This latter issue could be arguably be accommodated by applying a separate

supplementation to organisations in the PLSL scheme to those outside the scheme, but this would undermine the logic of having a sector-wide indexation rate and risk returning to the fractured and inconsistent approaches that pre-dated the current indexation arrangements.

For this reason, in our other report, SACOSS has proposed that the state government provide a rebate (either temporarily or permanently) to cover the additional costs incurred by paying out the PLSL levy.

If this rebate proposal is adopted, there is no need to incorporate PLSL costs into the indexation formula or supplemental indexation for 2025-26.

However, if that recommendation is not adopted, then given the costs to the community service sector and the potential impact on service provision, the 1.2% of wages cost impact identified above should be included in the indexation formula as part of the wage cost component.

In the calculations in the later section of this report, the PLSL increment is calculated separately.

Insurance

A number of community service organisations have raised the impact of increasing insurance costs on their budgets and the sustainability of their services. In response, SACOSS included questions on insurance costs alongside the survey on portable long service leave costs.

Many organisations use a broker and purchase insurance as a bundle, while some of the bigger organisations reported Industrial Special Risk insurance as their largest insurance expenditure. Others highlighted motor vehicle or public liability as the primary insurance expenditure.

The table below shows the total insurance expenditure of small, medium and large organisations (as a simple average of the insurance expenditures of organisations in those categories), alongside an overall average (again, not weighted for organisational size). We have insurance data for 26 organisations, comprising 8 small organisations, 12 medium-size and 6 large organisations.

Table 4: Insurance Expenditure and Increases

	Insurance Expenditure	Percent of Total Expenditure	Percent Increase 2021-22 to 2024-25
Small	\$16,908	1.3%	12.0%
Medium	\$221,101	1.2%	39.2%
Large	\$643,581	0.8%	53.2%
All Organisations		1.2%	48.9%

As the table shows, insurance was a greater proportion of total expenditure for smaller organisations than for the large organisations, although generally it was the larger organisations that had the more significant expenditure increases. However, there were

exceptions as, unsurprisingly, the community housing providers in the survey had a large relative expenditure on property insurance and their total insurance bill accounted for up to 6% of overall expenditure.

The sums of money spent on insurance can be large and have an impact on service provision. Three large organisations saw an increase of \$400,000 or more in insurance expenditure across the four years, while the simple average increase for medium size organisations was \$72,500 over the period. However, while these sums are considerable, there was significant variations across organisations in each category and overall.

The average increase over four years was 48.9%, but six organisations saw their insurance expenditure more than double in that time. One organisation (a medium-size organisation) saw a 217% across the period, which more than doubled the proportion of the organisation’s expenditure going on insurance, although it was still only 1.6% of total expenditure. By contrast five organisations saw a decrease in insurance expenditure (although it is not clear if this was based on reduced premiums or reduced coverage).

The table below shows the simple average of increases in these insurance costs each year, with the highest increases recorded in 2023-24, but again, with three organisations reporting their insurance more than doubling that year while two recorded a decreased insurance expenditure.

The table also compares these increases to the insurance components of the Adelaide CPI. While the types of insurances differ between households and sector organisations, the proportion of the budget expenditure on insurance is similar (1.2% average for sector organisations in our survey, 1.22% in the [CPI weightings](#) – rising to 1.36% in 2025), and as can be seen, with a little variation, the overall trend of price rises is similar.

Table 5: Insurance Expenditure Increases and CPI

	2022-23	2023-24	2024-25	Total Increase
SACOSS Survey	7.5%	24.8%	13.6%	48.9%
CPI	12.3%	22.8%	3.8%	38.9%

In terms of impacts on indexation, what the table shows is that over the medium term, the CPI underestimates the insurance increases for sector organisations in the SACOSS survey, but the broad trends were similar. Given the more robust statistical base of the CPI and the advantage of an ongoing data series, it seems reasonable to use CPI-Insurance as a proxy in the indexation formula.

Further, with those insurance costs having increased by more than double the rate of the general CPI that is included in the indexation formula, these insurance cost increases could constitute an extraordinary, sector-wide non-wage cost increase for inclusion in the proposed indexation formula.

That said, despite the significant price increases, its impact on the overall sector indexation calculation is limited because it remains on average only small part of organisational expenditure. Indeed, including insurance in the calculation adds only an extra 0.1 points to

the Sector Index for 2023-24 and 0.2 points to the index in 2024-25 when the 22.8% increase in the previous year is factored in. With the increase in prices slowing in 2024-25 (though still above inflation), it makes no difference to the index for 2025-26.

Overall, insurance costs can be seen to be part of the general cost pressures experienced by a range of organisations in recent years. As will be seen below, ***the inclusion of extraordinary insurance costs in the sector index formula is important in further showing the inadequacy of sector indexation over that period and reinforcing the call for catch-up funding to restore the value of service-funding.***

However, insurance costs will not be relevant to a narrower calculation of indexation supplementation for the current year.

4. Applying the Indexation Formula

The last 4 years

The indexation formula proposed by SACOSS can be used to show the inadequacy of sector indexation over the last four years.

The following table provides an example of the proposed formula for the Sector Cost Index, with the calculation being: $F = 0.75*(B+C) + 0.25*D + (E-D)*0.012$.

The last term, $(E-D)*0.012$, which is the extraordinary insurance calculation, assumes that insurance accounts for 1.2% of total NFP costs (based on the survey results) with the “extraordinary” element being the above-CPI increase (E-D). However, as noted earlier, the inclusion of this adjustment does not make a difference to the index for 2025-26.

As the last column of the table shows, even with the supplementary indexation payments, the state government indexation rate has not kept up with the sector costs as reflected in the proposed index (and would have been much worse without the supplementary payments).

Table 6: Indexation – the last 4 years

A	B	C	D	E	F	G	H
Year	SCHADS % Increase	Extra Wage Costs % (Super)	Non-Discretionary CPI (Previous Year)	Adelaide Insurance CPI	Sector Cost Indexation %	State Govt Indexation %	Cumulative Difference
2021-22	2.5		4.1	3.3	2.9	2.5	-0.4
2022-23	4.6	0.5	7.6	8.9	5.7	5.1	-1.0
2023-24	5.75	0.5	6.1	12.3	6.3	4.75	-2.5
2024-25	3.75	0.5	4.5	22.8	4.5	3.5	-3.6

Current Year

Based on this funding deficit, SACOSS’ submission to the 2025-26 State Budget had called for catch-up funding and purpose-built sector indexation. However, the budget contained no boost to sector indexation and the standard government rate of 2.5% was applied to sector funding. Yet even ignoring the loss of value of sector funding in recent years, the standard government indexation rate does not cover cost increases faced by the sector from last year to this year.

The table below applies the same SACOSS indexation formula to cost increases this year. As discussed above, the Portable Long Service scheme will result in additional costs to the sector, but as SACOSS has proposed other methods for dealing with these costs (i.e. a rebate on the levy), the indexation calculation is presented both with and without portable long service leave.

The increase in insurance costs is included in the table (for symmetry with the table above), but as noted earlier, it does not have an impact on the sector indexation rate in 2025-26.

Table 7: 2025-26 Indexation

A	B	C	D	E	F	G	H
Year	SCHADS % Increase	Extra Wage Costs % (Super /PLSL)	Non-Discretionary CPI (Previous Year)	Adelaide Insurance CPI	Sector Cost Indexation %	State Govt Indexation %	Difference
Not including PLSL costs							
2025-26	3.5	0.5	1.8	3.8	3.5	2.5	1%
With PLSL costs							
2025-26	3.5	1.7	1.8	3.8	4.3	2.5	1.8%

As can be seen in the last column, the bottom line is that the state government indexation leaves a short-fall of 1% if PLSL is dealt with through a separate rebate, or 1.8% if PLSL costs are not dealt with separately – noting that the latter would only apply to community service organisations in scope of the PLSL scheme and not to all NFP organisations.

While these percentage figures may initially appear relatively small, they represent significant imposts on sector organisations’ budgets. Put in straight monetary terms, for each \$1m of expenditure in 2025-26, an average organisation would need to find an extra:

- \$26,250 to cover award wage increases
- \$3,750 to cover the addition superannuation guarantee levy
- \$6,750 to cover the additional costs of PLSL (noting that the levies only apply to 3 quarters in 2025-26)
- \$4,500 to cover price increases in everything else.

The current indexation will only cover \$25,000 of this \$41,000 of additional costs, so that for every \$1m of expenditure, sector organisations will be \$16,000 worse off.

On this basis, **SACOSS is seeking (at a minimum) supplemental indexation in the Mid-Year Budget review to cover those amounts.** However, as this will not address the historic devaluation of sector funding, **we are also seeking an extra increment** as a step toward addressing the shortfall in previous years.

This would be an important immediate step while the broader issues of formula and costs are being considered.

5. Conclusion and Recommendations

This report has argued that, while it was a step forward at the time, tying NFP index to the state government rate has resulted in inadequate indexation for the community service sector due to differences in the cost base of government and the NFP sectors. The SA govt indexation rate has been below cost increases faced by sector organisations, and, without supplementation, is below that provided by almost all state and territory governments in 2025-26.

When calculated using the purpose-built sector indexation formula proposed by SACOSS, the real value of funding has declined by 3.6% over the four years from 2021-22 to 2024-25, with a further shortfall of 1% this year (not including any additional costs of portable long service leave).

Accordingly, *SACOSS is recommending:*

- ***That the Mid-Year Budget Review provide for 2025-26:***
 - ***a minimum 1% indexation supplementation plus an extra increment*** (to be determined by the government in consideration of this report) ***as a step towards addressing the shortfall in previous years, alongside a rebate for the additional costs of the portable long service leave scheme*** (SACOSS' preferred approach); OR
 - if there is no PLSL rebate, ***a minimum 1.8% indexation supplement and extra increment as a step towards the previous shortfall.***

- ***The government adopt the SACOSS indexation formula to apply for 2026-27 and onwards.***

Such measures would bring South Australian community sector indexation for this year more into alignment with that provided by most other state and territory governments, and provide a much-needed boost to sector funding and sustainability and help ensure that vital services are maintained.



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