



# Making of the Interim Portable Long Service Leave Regulations

October 2019

Neighbourhood Houses Victoria (NHVic) is the state peak body for 400 Neighbourhood Houses across the state. These organisations are usually small community based incorporated associations managed by a few paid staff and governed by an elected volunteer committee or board of local community members.

NHVic supports the concept of a portable long service leave scheme in principle. We see it as a good strategy for protecting employees' rights to paid long service leave and for supporting organisations to provision adequately and mitigate the risk of an unplanned liability.

However the implementation of the scheme as it is now may actually result in some serious negative financial and administrative impacts on Neighbourhood Houses.

## Financial impacts

Neighbourhood Houses return much needed funds in accrued LSL provisions to organisational budgets when an employee leaves an organisation before they become eligible to access their LSL entitlements. In the centralised scheme this advantage is lost.

There is a possible loss of income from the investment of LSL provisions. Smaller community organisations operate within the restrictions of tight budgets. In some cases

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interest is a significant contribution to organisational income and may support a paid position or fund essential staffing costs such as professional development.

The Neighbourhood House EBA provides for more generous arrangements than the current legislated minimum for LSL. The Agreement has a more generous accrual rate and an earlier eligibility date. The Agreement allows for LSL entitlements payout at 5 years on termination of service compared with the statutory 7 years. This means that Neighbourhood Houses have to make provisions as per the Agreement and pay the levy for employees that pre date the start of the scheme. We understand there will be some scope to claim the overlapping amount back but there is still a cash flow issue that will be difficult for many NHs to manage.

## **Administrative impacts**

We understand that the PLSL Scheme will 'sit alongside' the NH EBA arrangements but we are concerned that the interaction between the two sets of LSL obligations will impose a significant administrative burden that is difficult for small under resourced organisations to absorb.

The Authority has asserted that the onus is on the employer to decide which employees are covered by the scheme and which are not. We are concerned that this will lead to inconsistency across the sector and in the worst case expose an organisation to an unplanned liability for back payment of the levy.

### Recommendations

Pause the implementation process to allow for a full consultation and assessment of the particular implementation issues faced by smaller organisation such as Neighbourhood Houses.

Provide clearer more definitive guidance around which staff within a neighbourhood house are covered.

The Authority to formally endorse the decision making re coverage of individual employees so that the onus is not entirely on the organisation

An assessment of the financial impact for small organisaions that will now lose revenue from interest income and loss of absorption of provisions that are left behind by ineligible employees.

Clarify the reimbursement process where provisioning and payment of levy coincides for employees whose service precedes the scheme and overlaps with it.

Conduct a review and develop a practical guide to how the PLSL scheme interacts with existing LSL arrangements in the NH EBA particularly where there is more generous provisioning and some degree of portability.

We want some dedicated implementation resources that go beyond the mechanics of the scheme processes. This should include appropriate training and information specifically for the volunteer community based committees of small organisations such as those with 5 or less employees.

This support needs to be embedded as a permanent feature of the scheme and not just concentrate on an initial establishment phase