



People Helping People Achieve

Contribution of the Not for Profit Sector Submission to the Productivity Commission

Yooralla welcomes the opportunity to submit a response to the Productivity Commission's Review into the Contribution of the Not for Profit Sector. Yooralla supports the submission made by National Disability Services and appreciates Government's commitment to 'finding the best solutions to the problems of social exclusion by ensuring the not for profit, private and government sectors work together effectively, and by using evidence-based programs and policies'.

Yooralla was established in Melbourne in 1918. It is an organisation committed to ensuring that people with disabilities have the same rights and opportunities as other people in the community. We provide an integrated and responsive range of services to meet the expressed needs of people with disabilities, their families and carers. The scope of activities incorporates:

- Residential services
- Day support services and activities
- In home support
- A continuum of responsive respite, information and service options
- Family Options, a service that provides alternative placement in families where the birth family can no longer manage the care of the individual
- Early intervention services and flexible support
- Therapy services in schools and for adults
- Independence skill development support
- Equipment information, needs assessment and prescription
- Case Management
- Service Planning
- Individualised support packages
- Business Services (Commonwealth funded)

Yooralla's annual turnover is approximately \$70m and employs 1,500 people. We support thousands of Victorians with disabilities each year.

Our response to the Review will therefore concentrate on our experience of working as part of the not for profit sector in the specific area of disability services.

1. Assessment of current and alternative measures of the contribution of the not for profit sector and how these can be used to better shape government policy and programs so as to optimise the sectors contribution to society

There has now been a range of reviews on this matter that complement the annual report of the Productivity Commission into the cost of government funded services. We would assert that in fact there are a range of measures and data, collected at some considerable cost, that are not used to shape government policy or to achieve better allocation of

resources. In effect, the comparative value of the not for profit sector is continually reinforced compared with the cost of funding like services in the government sector and yet we see no move to remove that discrepancy either through outsourcing these services or through insistence that the same funding methodologies are equally applied to both sectors.

We call on the Productivity Commission to make a strong recommendation to redress this situation.

2. Identification of unnecessary impediments to the efficient and effective operation of community organisations and measures to enhance their operation

Impediments to Efficiency

A number of reviews have been undertaken into the impact of the increasingly onerous burden of red tape and compliance. Victoria's Strengthening Community Organisations Project is one example of such a review. Governments at all levels and in different Departments establish an increasing range of unfunded accountability requirements that are not consistent or coherent in their approach. Establishing a universal approach to accountability, standards and compliance requirements would substantially reduce the administrative cost of managing services. Despite these reviews, Yooralla has not seen any reduction of the administrative workload. On the contrary, the burden continues to grow.

An example of this is the recent introduction of Victoria's Disability Act (2006). As required, a Business Impact Statement would have been undertaken and yet we were unable to obtain a copy of it or to assess whether government had a clear idea of the new compliance costs of that Act. An analysis of costs arising from the implementation of this legislation has shown that the cost to Yooralla has been at least 1.5% recurrently plus and additional \$273,560 in non-recurrent costs. There has been no additional funding to meet this cost.

The Productivity Commission is in a position to recommend that Business Impact Statements are made publicly available for consultation and that identified costs are funded prior to implementation of the legislation or policy.

Impediments to Effectiveness

A major impediment to achieving effective support and social inclusion is the continuing failure of Government to adequately fund demand. The extent of unmet demand has been consistently documented. The current model of funding in itself is based on an outdated welfare model which seeks to rationalise and limit demand rather than to meet genuine need. It provides services at a point in time rather than recognising that the needs of people with disabilities change over their life course. It is focused on minimising costs on the short term rather than minimising costs and maximising opportunities over a lifetime.

A total rethink is required. The proposal for a comprehensive National Disability Insurance Scheme (NDIS) is an efficient and effective way of addressing the issue at its core. The idea has been discussed before. In April 2008 a submission to the 2020 Summit recommended: "The time is right to reform the disability sector: to shift from the current crisis-driven welfare system to a planned and fully-funded National Disability Insurance Scheme that will

underwrite sustained, significant long-term improvements in meeting the needs of people with disabilities and their families.”¹

This idea was supported at the Summit and the Final Summit Report recommended that the government “Establish a National Disability Insurance Scheme, similar to a superannuation scheme, to support the families of children with brain injury from birth and other non-insurable injuries.”²

The models for a NDIS already exist in Australia, as there are already fully-funded no-fault insurance schemes to meet the needs of people injured in the workplace in NSW, Victoria, SA, NT and the Commonwealth and in car accidents in NSW, Victoria and Tasmania. There are also international examples of disability insurance schemes, such as the Accident Compensation Commission in New Zealand.

The advantages of these schemes are very significant. First, with an insurance model the families of people with disabilities can have confidence that the needs of their family member will be met, reducing stress and risks of family breakdown. Second, a life-time approach to care ensures that early intervention, therapy, accommodation and equipment/home modifications are available immediately following diagnosis or injury, leading to better and lower cost long-term outcomes. Third, active case management facilitates as normal a life as possible and minimises the risks of over-dependence on publicly funded support. Full details of the proposed scheme are available at www.ndis.org.au .

The existence of such a scheme would mean that in the disability sector, the relationship between the government and the not for profit sector would be replaced by a relationship between the insurer and the not for profit. This relationship would mean that both parties would be interested in delivering cost effective services that improve outcomes. It would be in the interest of the insurer to ensure that early intervention is provided to manage effectively the long time nature of the claim and it is even likely to do so by ensuring that it pays a value for money price to the not for profit sector to get good outcomes.

Yooralla strongly supports the inclusion of a recommendation in the final report that supports a comprehensive National Disability Insurance Scheme.

In the meantime, Yooralla is concerned that productivity cuts to funding continue to occur despite a range of reports that have shown that the sector is under-funded to deliver the agreed services. Productivity cuts occur in the way that indexation is calculated and passed on in funding and through increasing demands for additional compliance. It is essential that the under-funding of the sector is addressed. It is only through sustainable not for profit organisations that the social inclusion agenda can be effectively achieved. For example, Yooralla recently participated in a study conducted by Seward Dawson³ with 10 other large disability service organisations in Victoria. The study showed that for the sector as a whole there is approximately underfunding in the base of about \$52m (for 2009/10). Even if this funding gap is filled, the not for profit sector remains more efficient than the government sector.

¹ B P Bonyhady and H Sykes: Disability Reform: From Crisis Welfare to a Planned Insurance Model, April 2008, which was submitted to the 2020 Summit

² 2020 Summit Final Report

³ Price Review of “Out of Home” Disability Services – Interagency Group Findings, 2009

The introduction of individualised funding, under the current model, is both welcomed and frustrating. Welcomed because it provides new and better opportunities for people with disabilities and their families/carers to live the life they choose but frustrating as Government has failed to work with the sector to develop effective funding methodologies that will ensure the sustainability of the sector. If there is genuine interest in effective and efficient administration of individualised funding, we propose the adoption of a NDIS. The move from payment in advance to payment in arrears (often with delays of up to three months) combined with additional costs of managing funding arrangements and accountability mean that many organisations will experience substantial cash flow issues and will be increasingly unable to provide the staff and professional expertise required.

We strongly recommend that the Productivity Commission addresses this long-standing issue of inadequate funding in order to ensure the sustainability of the sector immediately.

Questions 3 and 4 have been answered together.

- 3. Consideration of ways in which the delivery and outcomes from government funded services by not for profit organisations could be improved.**
- 4. Examination of the recent changes in the relationships between government, business and community organisations and whether there is scope to enhance these relationships so as to improve outcomes delivered by the not for profit sector.**

The current purchase-provider contractual relationship between Government and not for profit organisations is purely utilitarian and if governments are indeed interested in improving outcomes, the empty language of partnership that is used needs to be given meaning and translated into reality. Thus, Yooralla calls for a transformational relationship, rather than a 'master-servant' relationship. The current situation provides very limited opportunities for the provider to have meaningful influence on the shape, design and content of the contract.

Yooralla recommends that the Productivity Commission develop a model clause between Government and not for profit organisations that reflects this ethos. Yooralla believes that this is a pre-requisite and necessary condition to deliver better outcomes as the parties would jointly be solution focused.

Additional suggestions include:

- a) Government funded, regular and, transparent⁴ benchmarking exercises which will inform the sector as to what are the best business models to adopt in order to deliver services both efficiently and effectively.***
- b) Adequate incentives and supports provided to the sector to rationalise itself such that it could capitalise on economies of scale and scope while at the same time provide choices for consumers.***
- c) Requirements that the sector adopt common practices, for example, have a common chart of accounts etc, so that (1) and (2) can be achieved effectively.***
- d) Where information is sought, it is used effectively. The following two questions should be asked of any new request for information:
(1) Does the information sought have any real value? Will it be used to assess effectiveness or to create systemic responses/improvements?***

⁴ The results need to be made available in a timely way to the participants of the research

(II) Is there a mutual benefit for the reporter as well as the recipient of the information?

e) In effect, much information is collected where the use of information is tenuous or unknown. There is no mutual benefit. Yooralla therefore recommends that all information requirements are subject to a range of agreed standard questions that ensure that the information is valuable, informs public policy and is of benefit to the organisations and the people they serve. Yooralla also recommends that the collection of information is streamlined and cost effective.

5. Examination of the impact of the taxation system on the ability of not for profit organisations to raise funds and the extent to which the tax treatment of the sector affects competitive neutrality.

Tax treatment for the sector creates opportunity for social benefit without disadvantage to government or the for profit sector. A major advantage to the sector has been the capacity to provide salary packaging for employees. Unfortunately, the structure of salary packaging has the effect of disadvantaging low paid employees, particularly those who work in individualised support arrangements where few hours can be offered. Finding a way to create a stronger advantage for low paid, part-time staff could substantially assist in resolving the well documented workforce shortage.

Yooralla recommends that the Productivity Commission note that low income workers are not really advantaged by salary packaging.

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