



**Submission to the Productivity Commission Inquiry into
the Contribution of the Not for Profit Sector**

June 2009

About Australia's Carers

Australia has almost 2.6 million carers, and nearly 500,000 of these are primary carers – the people who provide the most care. Carers are sometimes referred to as 'family carers' to distinguish their role from other caring roles in our society such as paid care providers. Many carers are termed 'sandwich carers or the sandwich generation' because they care for more than one person – a frail parent, a partner or a child with a disability or chronic condition. The majority of these carers are women.

Carers are the foundation of our aged and community care system, and the annual replacement value of the vital care they provide is over \$30.5 billion. In 2005 it is estimated that carers provided 1.2 billion hours of unpaid care and the productivity loss of this care is approximately \$4.9 billion.

Sources:

Australian Bureau of Statistics (2004) 2003 Disability, Ageing and Carers: Summary of Findings, Australia, Canberra
Access Economics (2005) The Economic Value of Informal Care, prepared for Carers Australia, Canberra

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Executive Summary

Carers Australia works with the Australian Government in two broad roles:

- as an advocate for carers' needs and interests and
- as the principal contractor and manager of several national carer support programs and projects.

Government has recognised that these two roles can co-exist quite effectively; firstly because of the extensive knowledge that Carers Australia and the state and territory Carers Associations (the Network of Carers Associations) have about carers' needs and issues which has been developed from our constant and close contact with them; and at the same time, Government recognises that the profile and infrastructure of the Network are essential to the effective delivery of national carer support programs. While the Government supports our advocacy role on the one hand and contracts with us on the other to deliver programs, we believe that our effectiveness in both of these roles could be significantly improved if a number of changes were made to the contractual arrangements with our funding bodies and funding were increased to take account of the full cost of delivering services.

The following Recommendations are proposed:

Funding and contracting practices

- That Australian Government Departments
 - adopt a standard funding agreement, such as the Plain English version recently developed by the Department of Families, Housing, Community Services and Indigenous Affairs.
 - determine a period of no less than 3 years for contracts covering ongoing programs and services.
 - increase the basic level of funding in all funding agreements to more reasonably allow for the costs of infrastructure, workplace improvements and staff and volunteers' professional development.
 - review the basis on which funding is indexed from year to year, taking into account the real level of cost increases to not for profits and their limited ability to make ongoing efficiency gains.

Workforce and training

- That the Australian Taxation Office review the arrangements for salary sacrificing applicable to not for profits employees, so as to restore the real value of the tax saving which has been eroded in recent years.
- That Australian Government Departments consider entering secondment arrangements with not for profits to achieve a greater understanding of the financial and planning challenges that not for profits continually face.
- That Australian Government provide access to subsidised leadership and other skills training for volunteers, particularly Board members. Collective solutions should be explored as well as tailored individual solutions.

Reporting and evaluation

- That Australian Government Departments' regular program reporting focus on outcomes and the impact of service deliverers' interventions
- That Australian Government Departments develop standard reporting requirements for demographic data about individuals who are the focus of funded programs; state and territory bodies that fund similar programs should be consulted in this process and encouraged to adopt the same reporting standard.
- That funding bodies involve service deliverers more fully in the design of evaluations of programs they are delivering, to the extent allowed by the limitations imposed by potential conflicts of interest.
- That funding bodies recognise that service deliverers are well placed to review the quality of their own practice in delivering programs and should be funded to do so.

Innovation and research

- That funding bodies dedicate an additional percentage of program funding to innovation and research with a view to testing out new ways of working and applying the learnings in the longer term. Sustainability of the innovation over time should also be provided for. This funding would be available to service deliverers, either alone or in partnership with others to access.

About Carers Australia

Carers Australia is the national peak body representing those Australians who provide unpaid care and support to family members and friends with a disability, mental illness or disorder, chronic condition, terminal illness or who are frail.

Carers Australia works to raise community awareness of carers' issues and advocates to ensure that carers can participate fully in family, social and community life and in employment and education. We do this by:

- Advocating for carers with government, business and community sectors
- Influencing government and other stakeholder policies and programs at the national level
- Managing national programs and services in collaboration with state and territory carers associations
- Identifying gaps in carer support and other relevant services
- Establishing and utilising strategic relationships consistent with our values
- Conducting community awareness raising activities and campaigns
- Working in partnerships to develop a strong evidence base
- Maintaining and strengthening our position as the national voice of carers
- Fostering a culture of continuous improvement at all levels of the organisation.

Scope of this submission

This submission will focus on those Terms of Reference that deal with maximising the efficiency of the not for profit sector by

- describing the nature of our relationship with the Australian Government Departments that provide our funding;
- highlighting the issues that relate to our role as contractor, including reporting and accountability requirements;
- commenting on the difficulties associated with our paid workforce and volunteers, primarily as a result of inadequate funding and long term sustainability issues.

While the submission is written from the perspective of Carers Australia, the national peak body representing carers, our experiences with Australian Government Departments and views are consistent with those of the state and territory carers associations. All associations, in addition to funding received from state and territory sources, also receive some level of funding from Australian Government sources, either as subcontractors to Carers Australia or as direct contractors to a number of Departments, to deliver specific carer support services.

Carers Australia's structure and governance

Carers Australia is an Association incorporated under the *Associations Incorporations Act 1991* (ACT). The eight members of the Carers Australia Board are appointed from each of the state and territory Carers Associations which are themselves separately constituted bodies incorporated under the relevant state or territory legislation.

Carers Australia and each of the Carers Associations have formed the Network of Carers Associations to collaborate on a range of shared activities, such as the management and delivery of nationally funded carer support programs, federal election campaigns, the communication strategy for National Carers Week and the development of national positions on carer support policies. The Network Memorandum of Understanding and a number of agreed Protocol statements underpin our cooperative activities.

Carers Australia's funding

Carers Australia receives funding from the Australian government in three ways:

1. as a peak body under the Department of Health and Ageing's (DOHA) Community Sector Support Scheme (CSSS)
2. as the primary contractor for ongoing national programs funded under DOHA's National Respite for Carers Program (the Carer Advisory and Counselling service); and the Department of Families, Housing, Community Services and Indigenous Affairs' (FAHCSIA) assistance to Young Carers Program; Carers Australia sub-contracts the delivery of these programs to each of the state and territory Carers Associations
3. via one-off payments for focused short-term projects. We have received one-off payments from DOHA to fund projects such as the development of a national website, production of a book of carers' stories, research into carers' information needs and the development of a carer education and training business plan. We also receive annual funding for the staging of National Carers Week as stand-alone one-off payments. DOHA one-off payments have also temporarily boosted the capacity of the Counselling Program both at the national level and at the state and territory association level. FAHCSIA has provided one-off funding to support the Young Carers Forum held in alternate years.

Carers Australia also receives support from a small number of corporate organisations to fund one-off carer engagement or support projects.

Our relationship with Government

Carers Australia works with the Australian Government in two broad roles:

- as an advocate for carers' needs and interests and
- as the principal contractor and manager of several national carer support programs.

Government has recognised that these two roles can co-exist quite effectively; firstly because of the extensive knowledge that Carers Australia and the state and territory Carers Associations (the Network of Carers Associations) have about carers' needs and issues which has been developed from our constant and close contact with them; and at the same time, Government recognises that the profile and infrastructure of the Network are essential to the effective delivery of national carer support programs. While the Government supports our advocacy role on the one hand and contracts with us on the other to deliver programs, we believe that our effectiveness in both of these roles could be significantly improved if a number of changes were made to the contractual arrangements with our funding bodies and funding were increased to take account of the full cost of delivering services.

Funding adequacy

Carers Australia began to receive DOHA's CSSS funding in the mid 1990s and apart from annual 'indexation' increases, the level has not been reviewed since. The complexity of the advocacy role has

increased in recent years, with a stronger emphasis on evidence-based policy making and a more complex environment. None of this additional complexity has been reflected in our CSSS funding, and in real terms the value of this funding has reduced. Annual increases have consistently been discounted to less than half of the Wage Price Index and well below the annual Consumer Price Index. When we asked the Minister for Finance in the previous government in 2007 to explain the reason for the discounted annual increase, we were advised that it was to encourage savings and greater efficiencies. We have not yet asked the current Minister for Finance about the practice, but we have no reason to believe that the current government is taking a different view.

Carers Australia, because of the diversity of caring situations and carers' needs, must of necessity maintain contact with a large number of Ministers and senior officials in at least 6 different portfolios: Health and Ageing, FAHCSIA, Prime Minister and Cabinet, Education, Employment and Workplace Relations, Veterans Affairs and Human Services. In addition, the CEO and members of the Board are invited to sit on various Ministerial and Departmental Advisory groups across these portfolios. While we are sometimes remunerated for these roles, not all costs are covered, for example preparation and follow up costs. Representation on non-Departmental advisory groups is not reimbursed at all. The level of CSSS funding may not have envisaged the degree of representation Carers Australia is required to resource and, given the lack of review in recent years and the discounted indexation percentage applied, the gap between funding and the real costs is widening.

In relation to the program funding received from DOHA there has been no real increase in the funding provided for the Advisory service since its inception in the late 1990s, even though DOHA undertook a major review of the function in 2005-6. The FAHCSIA program to support young carers has been significantly underfunded since it began in 2004 and there has been no real increase since that date.

What the constant discounting does not recognise is that not for profit organisations with limited resources such as ours, have very little capacity to continually make savings when the basic level of funding is small and wages are the most significant cost. In addition, we are not able to accommodate regular increases in rent and utilities, travel and infrastructure costs, such as accounting, auditing and office equipment costs which generally increase at a rate higher than the additional funds we receive annually.

Regardless of the growing gap between our ongoing costs and the level of funding we receive, there are a range of basic workplace costs which are not able to be covered by our current funding and, without an injection of funds, cannot be sustained in the long term. Examples are professional development costs for staff, upgrading of equipment, including our IT systems and hardware, and reviewing the safety and health of our working environment at regular intervals.

DOHA have recently provided some one-off funding to the Network for OHS and infrastructure improvements, which is the first time that one of our funding bodies has done so, recognising that there are additional costs that are necessary to maintaining our capacity as a service provider.

Contracting Issues

In 2005, a consortium of Carers Australia and all of the state and territory carers associations (now known as the Network of Carers Associations) won the competitive tender to deliver Advisory and Counselling services to carers nationally. This was in fact a continuation of our existing contracts, but one of the requirements of the new tender was for Carers Australia to be the principal contractor, with the eight associations sub-contracted to Carers Australia. Since that time, Carers Australia has entered 3 contracts with DOHA for the same service: the first of 15 months duration, the second for 1 year and 9 months and the current contract has a life of 3 years. There are clear efficiencies and more certainty for the Network if contracts for ongoing services are renegotiated to remain in place over a longer timeframe. Negotiating leases on premises is made easier if there is greater certainty of revenue and staffing levels over a longer period. We believe that, as far as possible, the duration of contracts should be no less than 3 years. FAHCSIA, on the other hand, have chosen to enter a new contract with us annually, even though it is an ongoing program and the funds involved are very small. From July this year, we understand that the period will be for 2 years, which is a move in the right direction. In addition, FAHCSIA have developed a Plain English version of their standard funding agreement. While this has not changed the basic provisions of the standard agreement, it is much easier to understand and to navigate.

Contracts of longer duration also have other benefits. Awarding contracts of 3 year terms or longer would decrease the amount of time and funds spent on negotiating and renegotiating contracts, both within Government and in the not for profit sector. For this reason, we believe that longer term contracts would result in more funds being available to spend directly on programs.

Recommendations

That Australian Government Departments

- adopt a standard funding agreement, such as the Plain English version recently developed by the Department of Families, Housing, Community Services and Indigenous Affairs
- determine a period of no less than 3 years for contracts covering ongoing programs and services
- increase the basic level of funding in all funding agreements to more reasonably allow for the costs of infrastructure, workplace improvements and staff professional development
- review the basis on which funding is indexed from year to year, taking into account the real level of cost increases to not for profits and their limited ability to make ongoing efficiency gains.

Workforce issues

The Issues Paper invites comment on not for profits' experiences with attracting both paid workers and volunteers with the appropriate level of skills (page 26).

Carers Australia and state and territory associations have difficulty recruiting and retaining high quality employees because of:

- The less than competitive salaries that we are able to offer
- The uncertainty of ongoing employment beyond the end of the current funding agreement
- Our minimal capacity to offer professional development opportunities
- The high demand in the community for the skill sets we are seeking

Compared to the salaries available in the Australian Public Service (APS) in Canberra –with which Carers Australia must compete for staff – our salaries are significantly less than APS equivalents. While for some years our staff have benefited from ATO approved salary sacrificing arrangements which have the effect of enhancing the real value of salaries, the changes in the tax rate thresholds in recent years have eroded the value of these arrangements quite significantly.

Specifically we note that the \$30,000 cap on Fringe Benefits Tax exemption received by eligible not for profits, such as ours, is not indexed and has not increased for a substantial period of time.

On the other hand, many of our staff value the intrinsically satisfying work of carers associations, seeing it as a means of ‘giving back’ and of making a real difference to peoples’ lives. Staff in our associations are dedicated, hard working and personally committed to the work they do and as organisations we do what we can to retain valuable staff. But inevitably, staff do leave and the costs of filling vacancies, inducting new staff members and the loss of productivity are hidden costs that associations have to bear. When this happens frequently, as is does, the costs are considerable.

Often in the course of working with Departments we find that their staff are not fully aware of the financial complexities that we work under, or the difficulties of strategic planning when revenues are uncertain. We believe that it would be worthwhile to second certain departmental staff into key positions in our organisations so that they could become familiar with the challenges we face. Realistically they would need to be retained as Departmental employees throughout the period of the secondment.

Volunteers

We believe that the needs of the volunteers that contribute in significant ways to our organisations are not fully recognised by funding Departments. Where this is most critical is in relation to members of our Boards. Board members, who devote significant time and personal resources to the governance of our organisations, have positions of increasing complexity and responsibility, given the changing environment we are working in.

We believe that Board members should be able to access leadership and other governance training but there are only limited funds to support their leadership and training needs. Sometimes pro bono or discounted training is available, but this does not always suit the needs of the individual or the requirements of the organisation. Many not for profits would be in the same position as we are, and collective solutions should be explored, as well as tailored individual solutions.

For this reason, we believe that the Australian Government should provide access to subsidised leadership and governance training opportunities for volunteer Board members. Given the heavy reliance on volunteer Board members and the responsibility of Board members to set the strategic direction of an organisation, we believe that such an initiative would be of substantial benefit to not for profits and a minimal cost to the Australian Government.

Recommendations

- That the Australian Taxation Office review the arrangements for salary sacrificing applicable to not for profits employees, so as to restore the real value of the tax saving which has been eroded in recent years

- That Australian Government Departments consider entering secondment arrangements with not for profits to achieve a greater understanding of the financial and planning challenges that not for profits continually face
- That the Australian Government provide access to subsidised leadership and other skills training for volunteers, particularly Board members. Collective solutions should be explored as well as tailored individual solutions.

Performance and evaluation

As recipients of government funding, we agree that we must be regularly held accountable for the manner in which the funding is spent, the quality and effectiveness of the services we deliver and the extent to which the needs of the program target groups are being met. Accountability to funders is achieved through the regular reporting of throughput data and via periodic program evaluations.

The Issues Paper sought comments on the effectiveness of existing accountability and reporting requirements, including options for improvement (page 40).

In relation to regular reporting, what creates difficulties for us, and our state and territory colleagues as well, however, is the volume of the data required and the lack of consistency between funding bodies' requirements. Departments have for many years required detailed reports on the demographics and living circumstances of the carers we assist. While it is important to collect data that measures the extent to which members of target groups are being assisted, and some essential contact data, it is often quite intrusive to collect the range and level of personal details that we are required to report on. Rather, we believe that funders should be focusing on outcomes and impacts as a means of measuring the effectiveness and quality of our services. DOHA's recent review of Performance Indicators relating to the Advisory and Counselling service unfortunately did not take the opportunity to move the focus of performance reporting in this direction. FAHCSIA are currently reviewing their information needs on the young carers program and we would encourage them to focus more on outcomes than has been the case to date.

There is also variation in the financial reporting requirements across portfolios. Every budget, acquittal and financial report has a different chart of accounts. This complexity is even greater for the state and territory associations who receive funding from state/territory or local government sources as well as from the Australian Government. Adopting a standard chart of accounts and definitions could significantly reduce inefficiencies in this area.

The Issues Paper also invited comment on the effectiveness of program and service delivery evaluation arrangements (page 40). In this context we contend that periodic evaluations of programs have 3 essential aims:

- To assess the service deliverer's performance in meeting program requirements
- To identify areas for continuous improvement in service delivery
- To review the effectiveness of the program parameters

While it is important for service deliverers, for reasons of conflict of interest, not to be involved too closely in the first element, we believe that the second and third elements would benefit significantly from more service deliverer input. Both of our funding bodies have recently undertaken reviews of programs delivered by the Network. While our feedback was sought on both programs, we believe that we should have been involved earlier in the design of the reviews, so that our extensive knowledge of the program could have focused the outcomes more effectively. When Carers Australia instigated a

review in 2008 of carer counselling practice across the Network, we involved associations who have been delivering the service and DOHA, our funders, at the design stage and throughout the review process. We believe that this approach enriched the process and made for high quality outcomes, which can now form the basis of implementing real improvement in practice.

- Recommendations**
- That Australian Government Departments' regular program reporting focus more on outcomes and the impact of service deliverers' interventions
 - That Australian Government Departments develop standard reporting requirements for demographic data about individuals who are the focus of funded programs; state and territory bodies that fund similar programs should be consulted in this process and encouraged to adopt the same reporting standard
 - That funding bodies involve service deliverers more fully in the design of evaluations of programs they are delivering, to the extent allowed by the limitations imposed by potential conflicts of interest
 - That funding bodies recognise that service deliverers are well placed to review the quality of their own practice in delivering programs and should be funded to do so.

Innovation

The Issues Paper asked whether there are constraints on innovation, and if so, what can be done to remove them (page 30) and also (on page 40) it asks for comments on the effectiveness of arrangements for trialling or piloting new approaches to service delivery.

Carers Australia believes that a more proactive approach needs to be taken to funding innovation and research. In the past, innovation has tended to be achieved through small scale pilot projects, focused on a particular geographic area and/or selected demographics. Usually the projects have had limited funding and a short life. Clearly there are risks to the funding body in supporting these projects, firstly the scale may be too small to be sure that the results can be applied more broadly, or on an ongoing basis; secondly, there may be questions about the capacity of the current service deliverer, or the sector more broadly to deliver an expanded program and sustainability in the longer term. There is also the risk that the pilot project does not produce the hoped-for outcomes.

Carers Australia's experience with projects of this kind is that they are often ad hoc, relying on short term funding and they are not integrated into a longer term development strategy for the broader program being delivered. We believe that in the interests of continuous improvement, risks must be taken to test out new ways of working and applying the learnings in the longer term. There should also be provision for maintaining the innovation over time. One response to the constraints identified above would be to dedicate a certain percentage of program funding to innovation and research which service deliverers, either alone or in partnership with research bodies, professional evaluators or others, could seek to access in a planned and strategic way.

- Recommendation**
- That funding bodies dedicate an additional percentage of program funding to innovation and research with a view to testing out new ways of working and applying the learnings in the longer term. Sustainability of the innovation over time should also be provided for. This funding should be available to service deliverers, either alone or in partnership with others to access.

Conclusion

A robust and effective not for profit sector is vital to the Australian community. Carers Australia believes that introducing reforms, such as those recommended in this submission, would go a long way to improving the current arrangements.