

8 February 2019

Budget Policy Division Department of the Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam,

Thank you for the opportunity to participate in the Federal Government's pre-Budget submission process.

This submission outlines a number of priority issues for Family and Relationship Services Australia's (FRSA) that we ask be taken into consideration in the 2019/2020 Federal Budget and when expending budget allocations throughout the financial year. A list of Commonwealth Government funded programs administered by the Department of Social Services: Families and Children – Programs & Services area delivered by members of Family and Relationships Services Australia is attached (Attachment A).

The Government has a stated priority to bring the Budget back to surplus, and is on track to doing so. However, decisions being made about how to make savings in the Federal Budget are impacting detrimentally on the family and relationship services sector and the children, families and communities. It is essential that the long-term health and wellbeing of children, families and communities, and the nation as a whole, be given priority over expenditure cuts for short-term savings.

It is imperative that family and relationship services, and other service providers in the broader community sector, be adequately funded. While FRSA appreciates ongoing federal funding for our member agencies that deliver family and relationship services, there are numerous shortcomings with current funding allocations and arrangements that prevent us from achieving optimal outcomes for our clients.

First and foremost, organisations are not being adequately funded to deliver services. Looking to achieve savings through efficiencies within organisations has been exhausted. We are now in a situation where services are reporting ever increasing waiting lists and demands for services. This means that children, families and communities are missing out on services that can make a difference in their lives.

FRSA member organisations identify that there is a significant gap between federal funding received for service delivery and the real or actual costs of delivering our services. This is felt particularly harshly in rural and remote service delivery. Resultantly, our members' services have seen real cuts to the value of their funding – as a base level of funding. This problem is compounded when indexation amounts are ad hoc, inconsistent and not in keeping with the rising costs (inflation and wages growth).

Current funding allocations and arrangements also do not reflect the changing demographics of regions, with some regions growing and changing significantly. One FRSA member organisation based in northern Queensland has found there has not only been an increase in population but a significant change in the area's socio-economic status, which has resulted in a huge increase in demand for services to respond to an increasing complexity of issues.

It is important that Government reviews the amount base level funding for all family and relationship services regularly.

In addition, changes to grant agreements which permit organisations to utilise their funding towards innovation, collaboration and evaluation has reflected changing shifts in Government policy, which is positive, but it has effectively diverted funding away from direct service delivery to enable organisations to achieve stated grant deliverables. Innovation, collaboration and evaluation are all important elements of service delivery, accountability and growth however, additional funding should be apportioned to these outcomes.

The solutions to resolving these issues are not overly complicated or insurmountable. But, the solutions do rest within the context of the Federal budget and the priorities being made about expenditure.

To assist organisations delivering much needed services to children, families and communities the Government should in consultation with the sector:

- review the real costs of family and relationship service delivery, and to fund family and relationship services according to these real costs;
- transparently and consistently apply indexation equivalent to Wage Price Index and the Consumer Price Index as appropriate to the mix of funding expenditure (ie: wages/salaries and consumables);
- Fund services for the real wages/salaries level for staff employed under the SCHADS award when the SACS Supplementation Agreement ceases end of December 2020 (effective 30 June 2021)
- appropriately fund consultation and collaboration with the family and relationship services sector in the development of Government's policies and programs
- Extend standard contract lengths and lead time between contracts.

Furthermore, a Report released by Family and Relationship Services Australia in 2017 reinforced earlier work by FRSA that the work of our services have demonstrated longer term economic and social benefits to the whole community. The 2017 report sets a pathway for exploring an untapped potential within the FRSA sector to build and deliver a public health model of services with a much greater emphasis on prevention and early intervention.

Our services have a variety of strengths that make us well placed to take a greater prevention and early intervention approach. These strengths include:

- well-developed expertise and resources for working with a range of families;
- national coverage and extensive community links;
- expertise in the delivery and evaluation of evidence-based and evidence-informed programs/practices;
- a national service footprint;
- engagement with families across key transitions in the family life course; and
- non-stigmatised tertiary services (such as in child protection, corrections and mental health).

Taking a more coordinated approach to prevention and early intervention we align with the objectives of numerous existing national frameworks and initiatives, including the National Framework for Protecting Australia's Children 2009–2020, the National Plan to Reduce Violence against Women and their Children 2010–2022, the National Homelessness Strategy; and the National Suicide Prevention Strategy.

By addressing risk factors facing children and families and increasing protective factors, numerous priority health and social problems that have an economic burden on children and families, as well as on the nation as a whole, can be prevented. These include:

- substance abuse (costing at least \$55 billion [B] annually in Australia);
- anti-social behaviour (violence and crime costing \$36 B annually and family violence contributing \$22-26 B in 2015–16);
- obesity (\$21 B);
- mental illness (\$8.5 B in 2014–15 — up \$911 million from 2010–11);
- developmental injury (e.g., foetal alcohol problems, child neglect and abuse);
- chronic illness;
- school failure (including leaving school and not participating in further education); and
- social exclusion (lack of meaningful and constructive social and economic participation).

If we can be working with the Federal Government with a view to developing a whole-of-government, public health model for working with children, families and children – the research and experience across the globe clearly indicates that there will be both savings to the budget bottom line as well as improved outcomes for children, families and communities.

RECOMMENDATIONS:

The need to fund the real costs of service delivery

While ongoing federal funding is imperative to the continued success of family and relationship service providers, there are numerous aspects of current funding arrangements that can be strengthened. Over recent years, these less than ideal arrangements have impeded our children, families and communities from obtaining optimum outcomes from family and relationship services.

Baseline funding for services has remained the same over multiple years (in some situations up to ten years) which is in short, a funding reduction over these years. In other circumstances, funding being allocated to a particular service type/program has been literally reduced through the process of new/varied grant agreements even though the service/program itself has not changed in any real way. The Family Law Services segment of our membership was also impacted by a three year indexation pause brought in by Treasury at the 2014/2015 Federal Budget.

Indexation continues to vex the sector. There is no pattern or explanation provided to the sector about what allocation of indexation is being provided to the various programmes and services – if indeed indexation is being paid at all.

Ideally, indexation applied to federally funded services would bear some correlation to the CPI and WPI for each respective year. The Australian Bureau of Statistics^[1] records that over the last three years CPI has been 1.3% (2016), 2.1% (2017) and 2.2% (2018). The Australian Government Treasury^[2] reported in December 2017 that the five year annual average for wage growth in the health care and social assistance industry was just under 3 per cent.

Looking at the experience of but one of FRSA's members provides a case in point. The unnamed service provider provides a number of Commonwealth funded services including family law services (Family Relationship Centres, Parenting Orders Program, Family Dispute Resolution, Regional Family Dispute Resolution, Family Law Counselling (under FARS), relationship services (Post-Separation Parenting Programs, Family Relationship Counselling, Communities for Children (CForC), Settlement Services (SETS), Community Mental Health Early Intervention Services for Children (CMHEISC), Emergency Relief and Mental Health Services. The table below provides a comparison between the CPI amount and the average indexation paid to this organisation across all of the services through the years 2016, 2017 and 2018.

There is no apparent rhyme or reason to how indexation is applied for services/programs. When indexation is applied only the amount is provided in the remittance advice, with no calculation or explanation provided. Some services receive more indexation than others, and some do not receive any at all:

- In 2015-16, the FRSA member organisation was funded to deliver 13 federally funded services. No (0%) indexation was given for ten of these services, whereas only 0.87% was given for CMHEISC and 1.5% was given for CForC and FARS.
- In 2016-17, no (0%) indexation was given for seven of the 13 services (FDR, FL Counselling, FRC, POP, PSCP, RFDR and SETS); 1.4% for two services (CMHEISC and FMHSS); 1.5% for one (SFVS) and approximately 3% for three (CForC, FaRS and MHS).
- In 2017-18, the FRSA member organisation was funded to deliver 11 federally funded services. No (0%) indexation was given for two services (SETS and CMHEISC), 1.1% was given for six (FDR, FL Counselling, FRC, POP, PSCP, RFDR) and 2.8% for three (CFC, FaRS and SFVS).

[1] The Australian Bureau of Statistics, retrieved from: <https://www.abs.gov.au/ausstats/abs@.nsf/latestProducts/6401.0Media%20Release1Dec%202018>

[2] Australian Government Treasury, retrieved from: <https://static.treasury.gov.au/uploads/sites/1/2017/11/p2017-t237966.pdf>

More generally across the sector, we hear reports about small, unnamed increases are seen in contracts on an ad hoc basis. Increases when paid are variable, inconsistent and unidentified. As an example of these ad hoc variations, one FRSA member organisation reports there was a 1.1% increase in the funding agreement for a service type in 2017-18, but there was no increase in the contract extension in 2018-19, and no explanation was provided.

There is a great need for our services to receive indexation due to the rising costs of delivering services, including increases in salaries, superannuation and other staff costs, rent, insurance, IT costs. Given that salaries and on costs are a significant component of expenditure by organisations in our sector the Wage Price Index should be an important variable in making assessments about the appropriate amount of indexation that should be paid to services to keep pace with rising costs.

Timing of which any indexation payments are made is also an issue within the sector. It is not unusual for Departments to take a significant portion of the financial year to make a decision about whether or not to pay indexation, how much to pay, and have those payments distributed to service providers. In some circumstances, indexation has been paid only 4-6 weeks ahead of the end of the financial year. This has implications for cash flow and funding acquittals.

The ensuing impact on service delivery

Should the Australian Government want service providers to achieve optimal outcomes for Australian children, families and communities, it is imperative that fair and full funding be provided to cover the real costs of service delivery.

The manifest outcome of the above is the inability to effectively budget and make service and staffing decisions accordingly. While our agencies do numerous things to reduce operating costs (such as centralising intake and streamlining business processes) and increase income (such as increasing the number of clients and service options), ad hoc funding variations compound agencies ability to plan for the future. Temporary reductions in costs and increases in clientele cannot be guaranteed from year to year.

A significant issue looming large for the Family and Relationship services sector is the cessation of the Social and Community Services (SACS) Supplementation Fund at the end of December 2020 (which provides supplementary funds through until 30 June 2021).

By way of background, the Gillard Government's response in 2012 to a Fair Work Australia Equal Remuneration Order regarding staff employment under the Social, Community, Home Care and Disability Services Industry (SCHADS award) (the SACS Award at that time) was to allocate a significant fund established (\$1.2 billion) that was to be used to pay Commonwealth government funded services to meet the costs of the wage increases for staff employed under this award through until 2020.

Given the variations made to the award since 2012 (increased growth in wages) the SACS supplementation now accounts for between 15-20 per cent of wages costs for Commonwealth funded services employing staff under the SCHADS award.

Over and above the issues raised earlier in this submission about the need to adjust 'baseline funding' to services to ensure that they are able to meet the real costs of service delivery. This issue about funding the real costs of service delivery – especially wages – after the SACS supplementation fund ceases is a significant one.

The need to fund our services' engagement in consultation and collaboration in the development of Government's policies and programs

It has been heartening that in recent years the Australian Government Department of Social Services has actively engaged with service providers in reviewing and developing policies and programs. We have welcomed the Government's initiatives to consult and collaborate with our sector, including the Department's co-design process followed in the development of the Try Test and Learn Fund, although results have been mixed. As with many of these types of initiatives, it is not the idea itself that was a bad one. Overly bureaucratic processes combined with unrealistic expectations regarding what can be delivered within limited funding allocations are some of the reasons why the Try, Test Learn Fund did not reach its full potential.

However, a key learning from this process that the sector has been talking about for some time is that consultation and collaboration is a costly exercise, although it need not be excessively expensive. This is now a shared understanding between the sector and the Government agencies. Continued and enhanced consultation and collaboration is required with our sector as Government continues to look to shape its policies and programs to meet the needs of our services and clients. Consultation and collaboration with our service providers is essential as they best know the barriers and enablers to successful service delivery, and the complex needs facing their clients. Clients, including children, also need to participate and have their voices heard in consultation processes.

As consultation and collaboration comes at a cost, FRSA proposes that a budget amount be set aside for such activity.

Longer contracts

One area of policy and program delivery that requires consultation with our sector is the issue of contract lengths. FRSA, and the vast majority of service agencies in the family and relationship sector and the broader community sector, support the recommendation for longer contracts put forward by the Productivity Commission in its 2018 report: *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services*. The recommendation was to adjust standard contract lengths for community sector funding, extending them to 7 years for most contracts and 10 years for service delivery in remote Aboriginal and Torres Strait Islander communities. Implementing this recommendation would strengthen

relationships with people, families and communities using services which can take years to build, and enhance the outcomes achieved by service providers that take years to achieve.

Greater lead-time between contracts

FRSA member organisations have also identified the need for a greater lead-time between contracts. Often, there is very limited opportunities for agencies to respond when funding decisions are made. Providing service providers with longer notice between contracts will improve transition processes and reduce disruption in service delivery.

In summary, to assist organisations delivering much needed services to children, families and communities the Government should in consultation with the sector:

- review the real costs of family and relationship service delivery, and to fund family and relationship services according to these real costs;
- transparently and consistently apply indexation equivalent to Wage Price Index and the Consumer Price Index as appropriate to the mix of funding expenditure (ie: wages/salaries and consumables);
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- appropriately fund consultation and collaboration with the family and relationship services sector in the development of Government's policies and programs
- extend standard contract lengths and lead time between contracts

Please do not hesitate to contact me on 02 6162 1811 to discuss the content of this Submission.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Jackie Brady', written in a cursive style.

Jackie Brady

Attachment A

About FRSA

As the national peak body for family and relationship services, FRSA is committed to strong policy engagement. We have a critical leadership role in representing over 160 FRSA Member organisations and supporting the needs and interests of this strong, diverse and adaptable membership and the children, families and communities they serve. These Member organisations provide family and community services to approximately 400,000 clients from 1,300 outlets across Australia each year. FRSA also has a key role in supporting the growth, development and viability of services dedicated to children, families and communities amidst an ever-changing fiscal and social landscape.

FRSA member organisations receive federal funding to deliver the following family and relationship services:

Children and Parenting services

- Children and Parenting Support
- Intensive Family Support Services
- Child Support Advocacy

Communities for Children Facilitating Partners

Family and Relationship Services

- Family and Relationship Services
- Specialised Family Violence Services
- Family and Relationship Support Services to support Intercountry Adoption Family Support

Kids in Focus

Family Law services

- Family Relationship Centres
- Children's Contact Services
- Supporting Children after Separation Program
- Parenting Orders Program
- Family Dispute Resolution
- Regional Family Dispute Resolution
- Family Relationship Advice Line
- Family Law Counselling (under FARS)

Adult Specialist Support services

- Find and Connect Support Services
- Royal Commission community based support services
- Forced Adoption Services

Our member organisations also deliver numerous other services, including:

- Financial Counselling Services
- Family and Domestic Violence Services
- Men's Services
- Youth Services
- Aged Services
- Drug and Alcohol Services
- Community Mental Health Services
- Settlement Engagement and Transition Support (SETS)