

Senator Claire Moore
Chair
Community Affairs References Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senator Moore

**SENATE COMMUNITY AFFAIRS REFERENCES COMMITTEE INQUIRY
INTO THE FUNDING AND OPERATION OF THE COMMONWEALTH STATE
TERRITORY DISABILITY AGREEMENT (CSTDA)**

I wrote earlier this month indicating a number of concerns that Western Australia has of aspects of the multi-lateral and bilateral agreements negotiated over the 14 year history of the CSTDA.

The submission attached covers these concerns in greater detail and highlights areas that in my view require urgent attention, if a fourth CSTDA is to be an effective means of meeting the needs of people with disabilities nationally.

I would welcome the opportunity to appear personally before the Inquiry to discuss these important areas of concern.

Yours sincerely

**HON TONY MCRAE MLA
MINISTER FOR DISABILITY SERVICES**

Att:

**SUBMISSION TO THE SENATE COMMUNITY
AFFAIRS REFERENCES COMMITTEE**

**Inquiry into the funding and operation of the
Commonwealth State Territory Disability Agreement**

**Submission prepared by Disability Services
Commission, Western Australia**

Executive Summary

This submission outlines the experience of the Disability Services Commission with the funding and operation of the Commonwealth and State Territory Disability Agreement (CSTDA). The submission addresses a number of issues against the terms of reference for the inquiry and identifies areas of strength and those of concern in respect to the agreements.

The submission outlines briefly the rationale for the original Commonwealth State Disability Agreement (CSDA) and how successive agreements have evolved (page 7). The submission identifies the Australian Government's lack of responsiveness to earlier evaluations of the agreements (page 9).

There is a focus on the role of the Australian Government under the agreements and how policy changes by the Australian Government have redefined this role and altered the relationship between the Commonwealth, States and Territories (pages 9-12).

This submission includes a brief analysis of the use and impact of bilateral agreements, including their use by the Australian Government as a policy tool without regard for service needs (pages 12-15).

In addressing the second Term of Reference, this submission highlights issues that Western Australia considers of significance in provision, maintenance and improvement of services to Western Australians with a disability. These issues include Indexation (page 17); Growth Funding (page 19); Unmet Demand (page 21); and Historical Inequity (page 22).

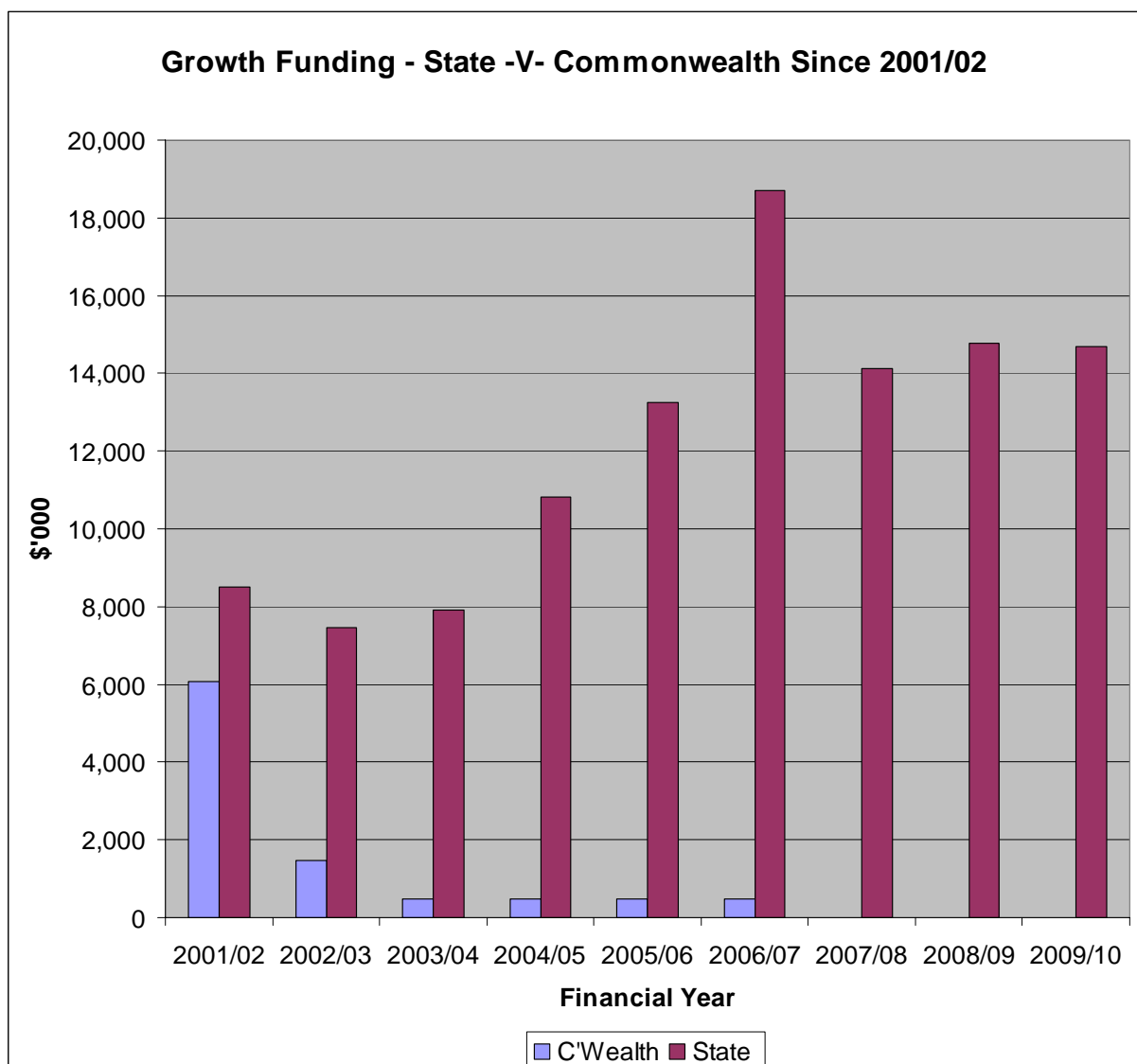
The response to the third Term of Reference outlines the impact that Western Australia anticipates from the ageing population, and from the need to ensure that

people with a disability who are ageing receive appropriate aged care services (page 27).

The submission concludes by providing general suggestions in support of a fourth agreement that will enhance the services delivered to Western Australians with a disability, their carers and families (page 29).

1 Overview

The third CSTDA ends on June 30, 2007. Western Australia has been a partner in all three agreements and during that time has demonstrated its substantial commitment to ensuring that people with disabilities in Western Australia are provided with the opportunity to live a good life. This commitment has been demonstrated through the allocation of significant levels of growth funding for disability services in this state over the past decade. This has included growth of 44.1% since 2002.



Historically there is bi-partisan commitment within Western Australia for achieving strong outcomes for people with a disability, and there is also a high level of

collaboration between government and non-government agencies within the disability sector.

Western Australia has been a pro-active partner in CSTDA negotiations and has helped to promote issues important to all jurisdictions throughout successive negotiations. It is important to note that the spirit of each of the agreements has been on ensuring that people with a disability have the opportunity to participate in Australian life. All jurisdictions have shown commitment, and contributed to meeting this goal.

The CSTDA has allowed the Commonwealth, States and Territories to maintain a focus on disability and direct resources specifically to meeting the needs of Australians with a disability to an extent that was not occurring before the existence of these agreements.

While that in itself should not be held as the only argument for the continuation of the multilateral agreements, it is strong evidence in support of specific collaborative funding arrangements for disability services. This evidence notwithstanding, Western Australia has concerns about some aspects of the multilateral and bilateral agreements negotiated over the 14 year history of the CSTDA.

The CSTDA has provided clarity for the respective administrative responsibilities of the Commonwealth, States and Territories, but has not delivered clarity on funding responsibilities.

Of particular concern is the inequity in the distribution of funding from the Australian Government amongst the States. Western Australia only receives only 8.1% of the funding compared to its 10.25% share of the national population of people with a disability and a 10% share of the population generally. The Australian Government and the other states/territories acknowledged during the negotiations for the current agreement that inequity continues to be an issue in CSTDA funding arrangements. At the Community and Disability Services Ministers Conference on 28 June 2002, State, Territory and Commonwealth Ministers agreed in principle to address the inequitable funding issue. Subsequently significant work was undertaken but progress stalled prior to the signing of the current agreement.

As a result people with a disability in this State have missed out on funding for much needed services.

A second issue of concern is the inadequate level of indexation applied to CSTDA funding by the Australian Government. Western Australia, along with other States and Territories, has made additional efforts to ensure adequate state indexation is available to community organisations that assist people with disabilities.

In addition, the consequences of Australian Government policy changes and subsequent reforms to disability employment services are reflected in cost shifts to the States and Territories which places further pressure on state resources.

These and other issues are addressed within the submission under the relevant Terms of Reference.

2 Term of Reference (a) – An examination of the intent and effect of the three CSTDA to date

KEY POINTS

- The Commonwealth State Territory Disability Agreements have been effective in ensuring that all jurisdictions have specific funding available for people with a disability.
- The agreements have been somewhat effective in providing growth funds for unmet need.
- The agreements have been effective in clarifying administrative responsibility but the responsibility for funding of some areas has been blurred by policy changes by the Australian Government as a part of its Welfare Reform agenda that have resulted in cost shifting from the Australian Government to the States.
- The agreements have been somewhat effective in setting direction nationally but the anticipated progress through the National Disability Administrators projects in support of this agenda has been hampered by an excessive and overambitious workload and the narrow focus by the Australian Government on accountability.
- Where jurisdictions are clear on their responsibilities and sufficient funding is made available there have been strong outcomes for people with disabilities as exemplified in Western Australia in meeting the accommodation needs of people with a disability through the Accommodation Blueprint.
- The concept of a disability agreement between the Commonwealth, States and Territories continues to have relevance, particularly given the service delivery expertise of States and Territories and the resource capacity of the Australian Government to provide impetus for improvement.
- The general bilateral agreement between Western Australia and the Australian Government has not been as effective as hoped.

The environment that led to the development of the first multilateral agreement – the Commonwealth/State Disability Agreement (CSDA) was one where services to people with a disability were provided at varying levels of success across jurisdictions. Duplication of effort, significant unmet need, and the legacy of previous

decades of minimal services were drivers for an unprecedented endeavour by all jurisdictions to work together to provide more coordinated and responsive services for people with a disability.

The first agreement sorted out the tangle of responsibilities, set a common legislative framework, established agreed national service standards, and included additional funding for the transition of specific services to more contemporary models of service.

The second agreement attempted to build on the strengths of the first and made provision for bilateral funding agreements in order to address specific areas of need. The second agreement also explicitly recognised the existence of unmet need and the requirement for urgent action to address it by providing specific additional funding within the framework of the agreement.

The third agreement introduced a preamble which moved the agreement away from solely describing a joint funding arrangement and articulated the vision and values that drive the commitment of the Commonwealth, States and Territories to people with disabilities and also set national strategic priorities. The third CSTDA introduced two new requirements - states/territories were required to enter into bilateral agreements (which were unfunded), and were also required to broadly 'match' the percentage growth committed by the Australian Government to employment services.

One thing is common to all three agreements – a genuine commitment to people with a disability on the part of all governments and to ensure that resources are specifically allocated to people with a disability.

The intent of these agreements has always been to ensure that people with a disability receive equitable access to the services they require to participate in Australian life. This has not wholly been the effect as people with a disability in Western Australia do not receive equitable funding support from the Australian Government through the CSTDA.

There have been a number of reports examining the intent and effect of the CSTDA or providing information about critical issues related to it. For example:

- Yeatman, A. (1996) *Review of the Commonwealth/State Disability Agreement*.
- SPRC (2002) *Methods to Address Requirements for Changes in Funding Disability Services brought about by External Change*; and
- AIHW (2002) *Unmet Need for Disability Services - Effectiveness of funding and remaining shortfalls*.

The response by the Australian Government has been largely to ignore the reports where there was any suggestion that an increased level of commitment was required by the Commonwealth. States and Territories have been somewhat more responsive, particularly in the area of indexation, but the usefulness of the reports has been limited by the lack of response to the recommendations of the reports at the strategic policy and planning level.

2.1 ROLE OF THE AUSTRALIAN GOVERNMENT

The current agreement included both a preamble and national priorities that suggested a positive direction for the agreement. It was anticipated that the Australian Government would play a pivotal role in ensuring that the principles espoused in the preamble were carried forward nationally. The Australian Government's role in the CSTDA should be that of joint funder and as facilitator of efforts to meet national objectives which would include monitoring the performance of State and Territory Governments – specifically in terms of outcomes, rather than the current focus which is primarily input driven.

From the perspective of Western Australia this has been a role not fully taken up by the Australian Government, particularly in terms of the loss of focus on its status as a 'joint' funder of services to people with a disability. This has been to the detriment of disability services nationwide.

2.1.1 Focus on Accountability

It has also been the experience of Western Australia that the Australian Government's role has become largely about ensuring transparency and accountability for the funds that it provides under the CSTDA. Western Australia

acknowledges that transparency and accountability for funding is a critical part of the agreement. Jointly developing and implementing a robust outcomes/outputs reporting framework, tailored to individual State circumstances, should be a priority for a renegotiated CSTDA.

Accountability is only one of seven joint responsibilities under the agreement and should be considered a part of the funding framework rather than the focus of the funding framework.

A specific responsibility (outside of the joint funding commitment) of the Australian Government has been the provision of employment services in accordance with the objectives of the national agreement, responsive to local needs and circumstances. Western Australia has observed that while the Australian Government has made significant commitments and growth funding to this area of responsibility, we have seen an increase in requests for state provided services from groups screened out by Australian Government policy changes. In particular this has impacted upon people with an intellectual disability. This issue is discussed in detail below.

2.1.2 Cost-shifting impact of Australian Government Policy

The following analysis is drawn from Australian Government Disability Services Census Data¹ for Western Australian's with a disability from 1998-2004 and demonstrates an apparent shift in the population covered by Australian Government employment programs from those with higher support needs to those with lower support needs.

- Direct staff hours have remained constant while the number of people accessing the program has increased by 30%.
- Indirect staff hours have fallen by 14%.
- There has been a major change in the proportion of people with intellectual disabilities from 62% in 1998 down to 41% in 2004. (People with intellectual disabilities are generally deemed to have higher support needs than many of the other population groups accessing the program).

¹ Department of Family and Community Services (FACS), 1999, 2000, 2001, 2002, 2003 & 2004. *Australian Government Disability Services Census*. FACS, Canberra, ACT

- There has been a significant increase in the proportion of people with low support needs from 11.5% in 1998 to 23.5% in 2004.
- Over the six year period, there has also been a significant change in the number of hours people with disabilities are working, with more program participants working less than two days per week.
- The proportion of Western Australians with a disability employed for 15 hours or less has increased from 18% to 29%.
- The proportion of Western Australians with a disability employed for 30 hours or more each week fell from 53% to 43%.

The introduction of the Commonwealth *Disability Services Act 1986* was the impetus for stringent Australian Government driven reforms to employment support for people with disabilities. Employment was seen as a right for all people regardless of disability and providing employment options to people with a disability was seen to intrinsically value the participants.

In this climate of reform, the highly acclaimed, jointly sponsored (Australian Government and State) Western Australian Post School Options (PSO) program began in 1991 and it was shown that school leavers with high support needs could succeed in a range of individually supported jobs and in open employment. With these other options available to them, very few school leavers chose sheltered workshops.

Since 1997, the Australian Government reforms have significantly redefined the scope of the Disability Employment Program, that is, who is eligible, and what is considered to be an employment outcome. This has not been done in consultation with States/Territories and represents a fundamental shift in the interpretation of responsibilities on which the first Commonwealth/State Disability Agreement was negotiated.

At the same time these narrow changes were being implemented, sheltered workshops were redefined as 'Business Services' and required to adopt a 'duality of focus', such that they would continue to be a human service provider but, were required to operate commercially viable businesses. This of course meant that people with low productivity were sacked from services and new people sought to fill

vacancies had to be productive.

With the introduction of Centrelink, the Western Australian PSO program lost its hallmark flexibility. Program demarcations once again became barriers, particularly for school leavers with high support needs. The flexible and seamless movement between the State (alternatives to work) and Australian Government (employment support) was lost and the program weakened.

In 2006 the Australian Government withdrew its last remaining funding (\$70k administration) and has declined to participate on the PSO Working Party. Access to data about annual school leaver outcomes is now limited to the information obtained from the annual school leaver survey conducted by the PSO program. School leaver data are not available from the Australian Government.

Western Australia continues to be concerned about the impact of changes and reforms to the Commonwealth employment program, including:

- reduced access to assistance for people with high support needs, with particular concern expressed about school leavers;
- increased care responsibilities / pressure on families; and
- the cost-shifting implications for States and Territories.

Western Australia has expressed these concerns a number of times in correspondence from the State Minister for Disability Services to their Australian Government counterpart and in particular has acted as an advocate for families who have felt the impact of these changes.

2.2 BILATERAL AGREEMENTS

Bilateral agreements became a feature of the agreements with the development of the second CSDA which introduced two bilateral agreements that became the vehicle for growth funds allocated on population basis.

2.2.1 The General Bilateral Agreement

Under the current CSTDA the Australian Government imposed a requirement that each State and Territory must enter into a general bilateral agreement – to which no funding was attached - or otherwise it would not sign the multilateral agreement with its associated funding commitment.

This bilateral agreement was largely driven by Canberra's policy agenda and was developed centrally by the Australian Government. While the broad intent was to progress joint work under areas of mutual interest to both tiers of government, the Western Australia's experience has been that it has been very difficult to progress the implementation plans.

This is the result of organisation changes within the Australian Government that have divided responsibilities for work between organisations that were not part of the original agreement and which have struggled to develop the capacity to take on elements of the bilateral work plan.

As an example, in the disability/aged care interface, the Department of Health and Ageing (DOHA) is instrumental in progressing the actions, however DOHA did not participate in developing the bilateral agreement as they had no role under the CSTDA at that time. DOHA have had tasks assigned under the bilateral work plan as external requirements and there is still some sense that they have been unable to fully commit the resources required to the workplan.

Similarly, progress in the employment area has been hampered by changes to Australian Government administrative arrangements whereby business services remain under FACSIA and job network services (formerly known as open employment services) moved to the Department of Employment and Workplace Relations (DEWR). This has added an additional layer of complexity to communications and, as with aged care; DEWR was required to take on work plan commitments from the general bilateral agreement.

In summary, the general bilateral agreement under CSTDA 3 has proven cumbersome and, while at officer level there is willingness to progress, little has been achieved to date in areas of mutual interest. The Australian Government has

provided little input to the implementation work plan and the State typically ends up reporting its areas of progress and deferring to the Australian Government.

2.2.2 Issue Specific Bilateral Agreements

There have been a number of bilateral agreements during the second and third CSTDAs. These have been quite prescriptive and have limited the capacity of States and Territories to respond flexibly within their own jurisdictions. These agreements have also served the policy decisions of the Australian Government at times intruding upon the capacity of States and Territories to carry out their own policy decisions.

An example of this is the Older Carer's Bilateral Agreement under the current CSTDA. This agreement required joint funding of an initiative to provide additional respite for older carers of people with disabilities. This agreement is implicit acknowledgement of the continued unmet need in disability services.

While additional funding to respite care is always welcome, the need at that time, as now, is for additional funds for long term accommodation support. This has been the expressed desire of older carers, fearful of what the future might hold for their sons and daughters if they were not placed appropriately in residential accommodation.

For this group in particular, offering additional respite gave no sense of security or confidence that their loved one would be well cared for when they were no longer able to do so themselves.

There is also no indication from the Australian Government that the funding provided under this bilateral agreement will be continued, creating another level of uncertainty for older carers and making administration of the program very difficult for States and Territories.

The Australian Government has consistently refused to take any responsibility for funding of accommodation services, even when there are clear links between their funding priorities and the capacity of the states to meet the needs of carers and people with a disability. At the same time the Australian Government demands greater efforts on all fronts and the States and Territories are left with the dilemma of

not being able to deliver the required level of services in areas that are important in the long term (such as early intervention) in order to meet basic but critical needs such as accommodation for people with high support needs.

The Australian Government is the major beneficiary of the efforts of families and carers as well as the States and Territories. This should be recognised.

The second CSTDA saw the introduction of a bilateral agreement on Unmet Need and all jurisdictions committed to significant funding increases in order to address this issue. At the time the Australian Government did not identify if their contribution was to be recurrent and during negotiations for the current CSTDA the Australian Government presented their unmet need contribution as also their growth dollars to the third CSTDA, in effect counting the same dollars twice. This has seen the gap between growth provided by States and Territories and growth provided by the Australian Government widen considerably.

Term of Reference (b) - The appropriateness or otherwise of current Commonwealth/State Territory joint funding arrangements, including an analysis of levels of unmet needs and, in particular, the unmet need for accommodation services and support.

KEY POINTS

- Indexation of CSTDA payments by the Commonwealth is inadequate and this is eroding the ability to maintain service levels.
- Most jurisdictions have recognised the impact of low rates of indexation on the ability to maintain services and all States and Territories provide indexation at a rate higher than that of the Australian Government.
- Specific Purpose Payments (SPP) for Disability Services have been beneficial in ensuring funding for services to people with a disability.
- Australian Government conditions on the CSTDA Specific Purpose Payments, including the imposition of input controls have limited the effectiveness of the States and Territories to increase efficiency and to use funds flexibly to meet local needs.
- Western Australia has made significant contributions to growth funding in disability services. This effort has not been recognised by the Australian Government when further funding bilateral agreements are negotiated.
- Unmet demand, particularly in accommodation has been addressed by the State with additional funding, but the Australian Government should also assist, given the original intent of the agreement.
- The original CSDA established a funding inequity between the various States and Territories that has been acknowledged by Ministers from the Australian Government and other States and Territories. However the issue has never been fully addressed and people with a disability in several States and Territories continue to receive an inequitable level of funding support. The key issue is of equity to people with a disability and ensuring each jurisdiction's capacity to provide services in line with national standards.
- The cost of establishing a position of funding equity is comparatively low.

- Western Australia would like to see a renewed effort to address this issue in a way that does not disadvantage other States or Territories as a part of negotiations for any future agreement.

The current joint funding arrangements are intended to ensure that the Australian Government and the States and Territories provide appropriate funding within their area of responsibility. Policy changes, and differences in approach to some issues have resulted in cost shifts and shortfalls in funding to some areas.

Western Australia has identified a number of issues that impact upon the ability of the state to deliver and maintain services to people with a disability. These include the indexation of CSTDA funding, growth funding, expressed demand and unmet need and an historical inequity in funding to Western Australia.

3.1 INDEXATION OF CSTDA FUNDING

The provision of appropriate indexation to meet cost increases in the normal business cycle enables non-government organisations to keep pace with cost increases in the delivery of agreed outputs. Without appropriate levels of indexation, non-government organisations are faced with reduction in outputs which may in turn seriously impact on the continuity of existing services, such as accommodation support. Indexation on CSTDA funding paid to non-government human service organisations contributes to maintaining stability within the non-government sector while at the same time enhancing rationality in funding decisions, continuity of service provision, autonomy and capacity.

3.1.1 Indexation rates and methods

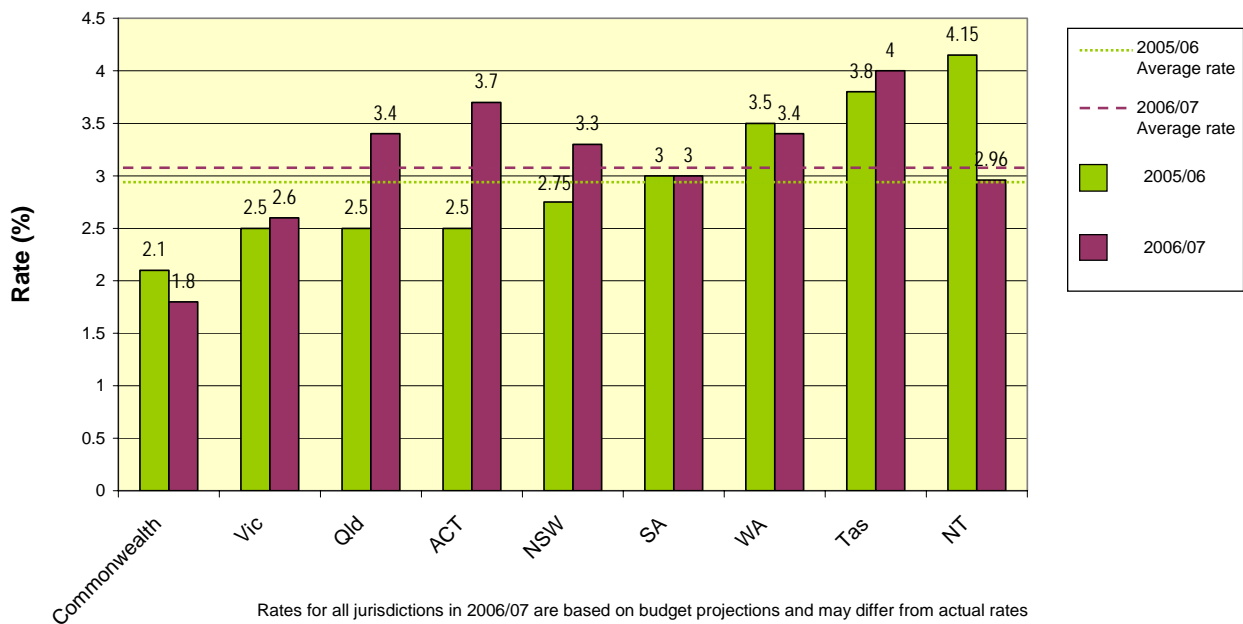
The average rate of indexation across all jurisdictions (including the Commonwealth) is 3.1%. Five States and Territories provide indexation at better than this average rate (Western Australia is included among those who provide better than the national average rate of indexation).

In 2002, the Social Policy Research Centre provided a report² commissioned by the National Disability Administrators which advised on the application of an appropriate level of indexation to be applied under the CSTDA. This report was received by the Ministers responsible for Disability Services on 28 June 2002.

The Social Policy Research Centre's report recommended that indexation be based on actual movement in wages with a low discount factor that reflects a more realistic level of productivity savings within the disability sector. The report recommended that a wage cost index (WCI) be used based upon the Australian Bureau of Statistics (ABS) WCI data combined with a general Consumer Price Index (CPI) inflator to cover the (nominal) 10 per cent of costs not related to wages.

The Australian Government did not adopt this recommendation, and indexation from the Australian Government under the third CSTDA remains based on the wage cost

CSTDA Indexation rates for all jurisdictions 2005/06 and 2006/07



index II, providing for an official indexation rate of 2.1% in 2005/06 and a rate of only **1.8% for 2006/07**. Of enduring concern is the fact that all State and Territories now consistently provide a higher level of indexation under the CSTDA than the Australian Government, in some cases more than double State and Territory governments have committed to unprecedented levels of growth funding under the third CSTDA,

² SPRC (2002) *Methods to Address Requirements for Changes in Funding Disability Services brought about by External Change*, Report presented to the Victorian Department of Human Services for the National Disability Administrators, University of New South Wales, Sydney (also known as the Bradbury Report)

however the value of this growth funding and the capacity to maintain output levels is being eroded, and the viability of services threatened, because the Australian Government does not provide a realistic rate of indexation.

The inadequate level of Commonwealth indexation leaves the States responsible for all the financial risks of meeting emerging financial pressures over the term of the agreement.

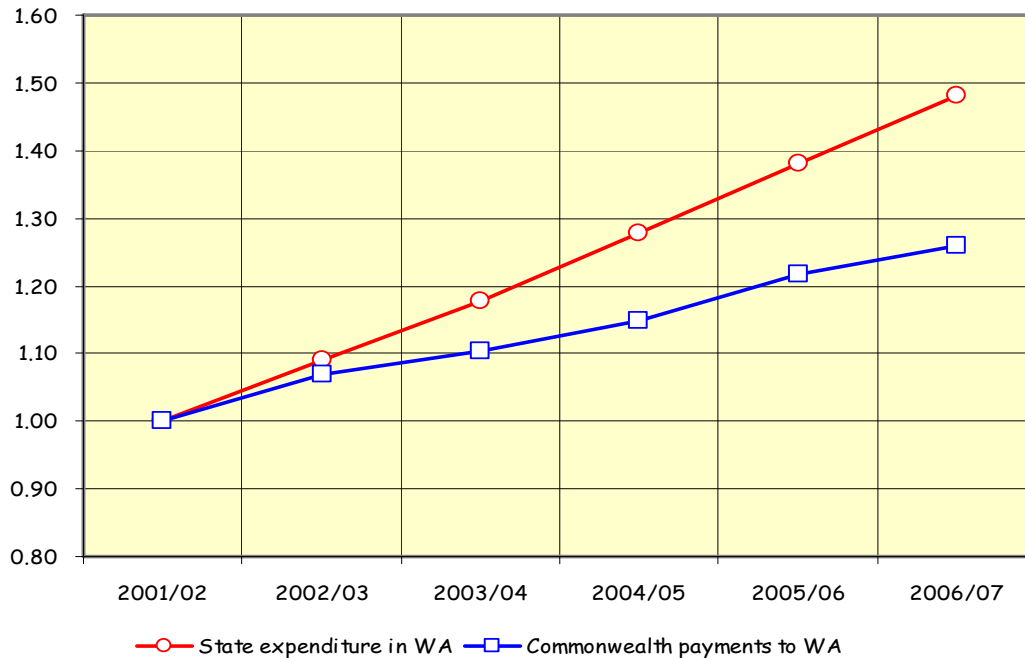
3.2 GROWTH FUNDING

Western Australia has delivered unprecedented growth funding to the disability services sector over the past decade. Most recently, the state budget included a total of \$18.7m (96%) growth funding for 2006/07 that together with \$0.8m (4%) from the Australian Government provides \$19.5m in growth funding for 2006/07.

The rate at which the state has grown disability funding is significantly faster than the rate of growth from the Australian Government. Since 2002, Western Australia has provided a compound annual growth rate of 8% against the Australian Government's 4.7%.

Australian Government growth funding has consistently failed to take into account demand pressures such as people with disabilities who are ageing.

Commonwealth and State CSDA / CSTDA expenditure
in Western Australia, 2001/02-2006/07 *relative to 2002*
(2002 expenditures set at 1.00)



The graph below indicates relative growth provided by the Australian Government and Western Australia from 2002 to the present time. The data is taken from the CSTDA Schedule A (including funding for the Older Carers Bilateral Agreement).

Over the course of the current CSTDA, Western Australia has surpassed its agreed growth funding targets but the Australian Government funding to the States and Territories has not matched this effort. The Australian Government applies a 'matched funding' requirement as a part of most bilateral agreements, but there is no structure in place to acknowledge additional funding efforts made by the States and Territories.

A further shortcoming of the Commonwealth's introduction (as part of a regime of input controls) of a 'matched commitment' at the time of signing an agreement is that this does not recognise previous efforts of States and Territories. This can create a disincentive to states in making additional efforts in growth funding during an agreement as this additional effort becomes effectively locked-in to areas that may not be reflective of need in the State or Territory.

Input controls can impede the delivery of good outcomes to the community in the following ways:

- Inflexibility in the use of funding to achieve best community outcomes.
- Risk premium for states in putting additional effort into areas of need as the additional expenditure risks becoming incorporated into a “maintenance of effort” condition.
- Disincentives for efficiency as states do not have the option of directing efficiency savings to other priority areas.
- Freezing historical resource allocations.
- Misallocation of high value marginal dollars.

A clear example of how input controls can become a disincentive is the bilateral agreement being developed on the basis of the Council of Australian Government (COAG) Young People in Residential Aged Care initiative. While this agreement is outside of the boundaries of the CSTDA it does highlight the issues faced by the States and Territories when dealing with input controls.

This agreement requires that funding commitments (and particularly Australian Government funds to match State contributions) be based on new dollars. In Western Australia there has been an existing program for over a decade to address the issue of Young People in Residential Aged Care with the State contributing a total of \$56.7m the last decade compared to some \$7.4m from the Australian Government. The input controls within the bilateral agreement do not recognise our existing commitment and growth efforts in this area. In effect Western Australia has been penalized for leading the way in innovative service delivery.

3.3 UNMET DEMAND - ACCOMMODATION

Under the first CSDA there was agreement that funding and administrative responsibilities would be shared between both levels of government. There was an understanding that while the States had administrative responsibility for accommodation services, the Australian Government would continue to make a solid contribution towards meeting the cost of State-administered services, particularly accommodation. It is of concern that increasingly the Australian Government appears to see accommodation, with its huge demand factors, as being solely a State funding responsibility.

Unmet demand for Accommodation Support Funding (ASF) in Western Australia may be gauged most readily through data from the DSC Combined Applications Process (CAP), which allocates funds to new applicants or to people with existing funding who have additional requirements due to changed need. The table below outlines the Accommodation Support Funding (ASF) unmet demand for 2005/06.

Accommodation Support Funding (ASF)	
Unfunded Applicants 2005/06	276
Notional cost to meet this unmet demand	\$14,924,702.00

The State continues to make substantial annual increases to disability funding and as mentioned earlier has provided an 11.7% increase in funding for 2006/07.

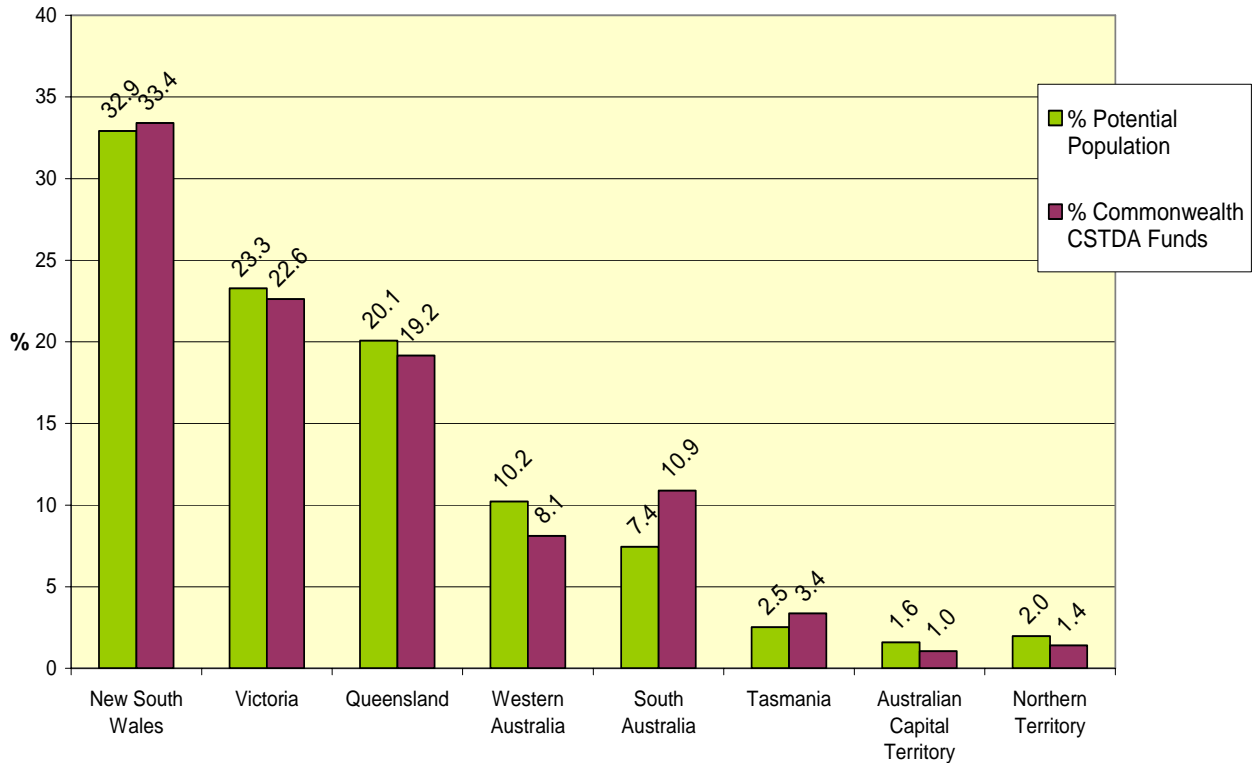
This will enable more people to receive disability services, including an additional 113 to receive accommodation support. Even if there were no new applications for ASF and the entire funds were allocated to the 276 people unfunded from 2005/06, there would remain 163 people unfunded.

The shortfall in Australian Government funding, compounded by Western Australia's historical low equity share, means that people with disabilities continue to miss out on much-needed support, including accommodation.

3.4 HISTORICAL INEQUITY

Western Australia's share of Commonwealth CSTDA funding for 2006/07 was \$50,017,000. This represents 8.1% of the total funding provided by the Australian Government. In contrast WA has 10.2% of the national population of people with a disability and a 10.0% share of the general national population.

2006 Potential Population Compared with the Share of Funding Received from the Commonwealth

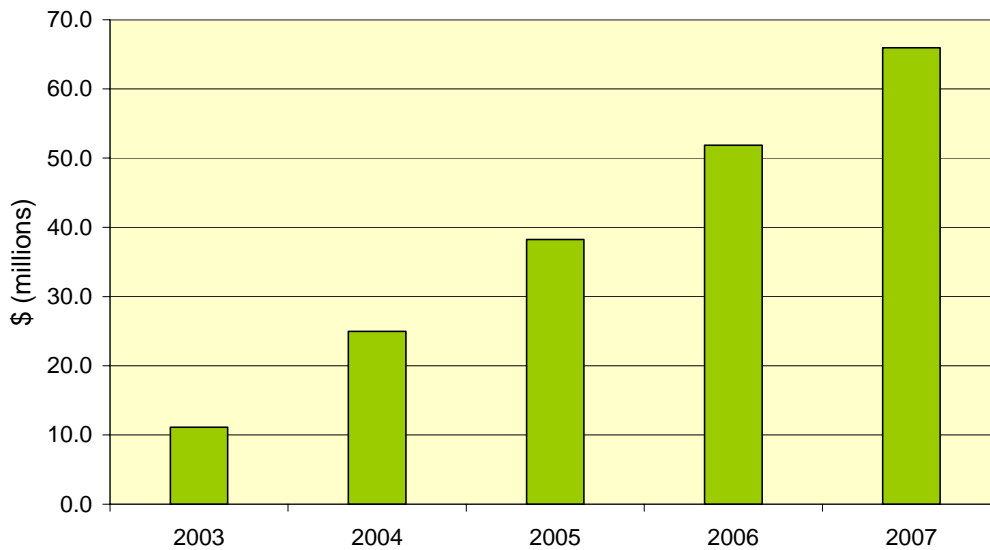


The table below highlights how this inequity impacts at the per capita level and significantly restricts the capacity for growth of services.

CSTDA Funding Inequity						
Jurisdiction	AIHW potential population estimates	Potential population share	Actual AG funding 2006-07 (Schedule A)	Actual funding share 2006-07 (Schedule A)	Actual per-capita 2006-07	
New South Wales	230,064	32.9%	\$206,049,000	33.4%	\$896	
Victoria	162,736	23.3%	\$139,612,000	22.6%	\$858	
Queensland	140,274	20.1%	\$118,183,000	19.2%	\$843	
South Australia	52,009	7.4%	\$67,136,000	10.9%	\$1,291	
Western Australia	71,423	10.2%	\$50,017,000	8.1%	\$700	
Tasmania	17,639	2.5%	\$20,754,000	3.4%	\$1,177	
ACT	11,098	1.6%	\$6,470,000	1.0%	\$583	
Northern Territory	13,738	2.0%	\$8,686,000	1.4%	\$632	
Total	698,981	100.0%	\$616,908,000	100%	\$883	

The difference between what the State receives from the Commonwealth and what we should receive from the Commonwealth is substantial and will amount to a cumulative shortfall of \$66m over the life of the current agreement including nearly \$14m in the coming financial year. Interestingly this amount of \$14m corresponds to the amount required to address unmet demand as discussed in the previous section (4.3).

**Cumulative Australian Government CSTDA 'Funding shortfall' to Western Australia
2002-03 to 2006-07**



This shortfall has meant that Australian citizens who live in Western Australia have been treated inequitably and have consistently received a lower per capita level of funding from the Commonwealth. Payments to Western Australians are 22 per cent lower at \$679, compared with the per capita average to other jurisdictions \$870.

Under the 1991 CSTDA the distribution of Commonwealth funds between States/Territories was based on historic arrangements and was inequitable relative to population share. States and Territories that focussed on supporting employment services prior to the first agreement have since been disadvantaged, while States and Territories that inherited major Commonwealth funded congregate care facilities have been advantaged.

This was recognised in the first agreement, which noted that “the Commonwealth is committed to achieving an equal per capita distribution of Commonwealth funds made available to disability services to the States” (part VII 7(5)). No progress was made on this issue during the term of the first agreement.

Subsequently the second CSTDA continued the historical inequity, but included provisions for the equitable distribution of growth and unmet needs funding. These provisions have continued under the CSTDA III.

During negotiations around CSTDA III, Ministers considered options for an accelerated equity formula. The Commonwealth Minister took the position that they would allocate their growth funds on whatever equity funding formula agreed to by States/Territories. Ultimately, agreement was not reached, and the overall distribution of funding to the States and Territories has remained inequitable. The Commonwealth was not prepared to provide additional funding to address the equity issue.

Preliminary analysis (based on potential population estimates released by Australian Institute of Health & Welfare (AIHW) in February 2006, and CSTDA funding estimates revised in May 2006) illustrates that the inequity in CSTDA funding remains, with five jurisdictions still receiving less than their population share of funding. South Australia and Tasmania receive more than their 'equity based' share, with NSW just over their equity share. In 2006/07, this meant that five jurisdictions received at least \$28m less than their 'fair share'

The implication of this inequity is that people with disabilities in a number of jurisdictions are receiving less than their fair share of Commonwealth funding.

It is the view of Western Australia that equity can be established if certain principles are adopted. The core principle underlying a move towards equity must be to recognise that this is funding used to provide services to individuals and that no Australian with a disability should be disadvantaged on the sole basis of the jurisdiction they reside in.

The second principle is that no state or territory should receive a lower proportion of funds than is appropriate for their population. In the case of South Australia and Tasmania this may mean that the level of funding they receive may be the level necessary and thus should not be reduced.

However, it is one thing for States and Territories to receive additional support if that is required, but that should not be at the expense of other jurisdictions and by implication at the cost of reduced services to people with a disability in those states or territories.

Western Australia is keenly interested to establish equity on a basis that does not disadvantage people with a disability in other jurisdictions, but that delivers equity to Western Australians with a disability, who have been missing out on critically needed support under the current Australian Government funding regime.

The Australian Government takes a strong role in ensuring accountability for funding it provides, in a 'senior partner' approach. However during discussions about proportional distribution, the Australian Government has stepped back and expressed a desire for states to determine how this should occur. When States and Territories have suggested an approach that establishes an equal baseline of funding to establish equity this argument has been rejected.

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4 Term of Reference (c) An examination of the ageing/disability interface with respect to health, aged care and other services including the problems of jurisdictional overlap and inefficiency

KEY POINTS

- The interface between disability and ageing is blurred. Clarity could be improved by developing policy related to the services delivered to people with a disability who are ageing.
- Presently the number of people who are effected by the lack of clarity around these issues is quite small in Western Australia. The lack of reliable longitudinal data makes good trend predictions difficult, however given what we know about the broader Australian population it is anticipated that this group has the potential to increase in number quite rapidly over the next decade. This should be considered an area of impending unmet need, and should be a factor considered in future planning for aged care services.
- People with a disability can need ageing related services earlier as a consequence of living with a disability for a long time or due to a shorter than average life expectancy.
- People with a disability are entitled to aged care services in order to assist them with ageing related difficulties, or in assisting to age-in-place.

The ageing/disability interface is one of potential confusion. There are some issues that are outside of the scope of CSTDA but the main concern for Western Australia is that people with disabilities who are ageing require (and are entitled to) support that is related to their disability and support related to their needs as they age.

The distinction is blurred further because age related conditions affect people with some disabilities earlier than people without those disabilities.

4.1 IMPACT OF THE AGEING POPULATION

The proportion of people over 65 years in the population is increasing and the number of people over 65 years is increasing. The numbers of people with disabilities

who are ageing is relatively small; however, the disability sector is starting to see a significant increase in the number of people requiring support for aged care needs in addition to disability needs.

Some of the changes in support needs that the population of people with life long disabilities will experience as they enter middle age will have to do with the length of time they have lived with their disability, the nature of their disability and the severity of their disability. For example, people who have lived a long time with spinal cord injuries may experience problems with posture and bladder function while people with severe cerebral palsy because of excessive wear and tear on muscular and skeletal systems may experience decline in function and energy levels prematurely.

Others will experience changed needs that relate to old age, for example people with Down Syndrome have been reported as acquiring Alzheimer's at the following rates: 40 – 49 years at 9.4%; 50 – 59 years at 36.1%; and 60 – 69 years a 54.5 %.³

The disability sector would like to support people with disabilities to age-in-place (that is, remain in their existing home for as long as this is possible) and to age as positively as possible. Access to health and aged services and additional disability services may be required for some of this group as they acquire aged related needs. For example as people age it will be important to monitor and treat health conditions including diabetes and heart disease, provide aged care services that address disorientation and memory loss and provide additional disability services to enable people to undertake leisure activities especially for people who had previously been involved in disability employment services.

It is important that the issue of needs that are associated with ageing are not confused with younger people with disabilities who are in or at risk of entering residential aged care inappropriately because they were not able to access disability services. This need is acknowledged and Western Australia's *Young People in Nursing Homes* program has been addressing this need since 1995. This program has recently been given additional support through the COAG initiative on *Young People with a Disability in Residential Aged Care*.

³ Prasher, V.P. (1995), Age-specific prevalence, thyroid dysfunction and depressive symptomatology in adults with Down syndrome and dementia. *International Journal of Geriatric Psychiatry*, 10, 25-31

Some people with disabilities who are younger than 50 years of age may enter or seek entry to residential aged care because they need nursing care, or because they are unable to secure assistance from disability services. However others may seek entry to residential aged care because they have ageing related needs as a result of ageing prematurely. There are also some people who will need aged care services (rather than aged care accommodation) to age-in-place because they have aged related needs.

The purpose of disability services is to address the disadvantage people experience because of their disability and to enable them to live in the community and to access the services and facilities that are available to all members of the community.

It is recognised that in some situations there may be overlap between the two sectors because of the similarity of some services. However there are also differences and where there are differences there needs to be the capacity to bring these two service sectors together to develop a package of support for the individual. Disability services are not aged care services nor is it the role of the disability sector to provide health or aged care services.

5 Conclusion

Western Australia views the current and previous Commonwealth State Territory Disability Agreements as having made a significant contribution to ensuring that people with a disability are provided with better opportunities to participate in Australian life.

The agreements have been very positive in establishing national standards for services, but not as positive in ensuring the level of support required to meet those standards.

The effectiveness of the CSTDA has been eroded in a number of ways, primarily through the consequences of policy decisions by the Australian Government.

Part of the original focus of the agreements was that there are shared responsibilities involved. The contribution of Australian Government funding was in recognition of these shared responsibilities.

The larger proportion of funding is provided by the states who are accountable for that spending within their own jurisdictions and also to the Australian Government through accountability frameworks established under the agreements.

An acceptance of shared responsibilities by the States and Territories should not be taken by the Australian Government as an invitation to exercise disproportionate control over policy direction in the disability services sector. As this submission has shown, the proportion of the Australian Government contribution to the sector, particularly in Western Australia, has shrunk. Despite this, the Australian Government has sought ever higher levels of control over both administration and policy of the State's and Territory's disability services.

The effectiveness of growth funding provided by the Australian Government has been eroded by the low rate of indexation it applies. While indexation has not been applied using consistent methodology across all States and Territories, there has been a recognition that the rates have been provided at inappropriately low levels and significant efforts have been made to redress this. All States and Territories have increased the rate of indexation on CSTDA funding; the Australian Government however, has continued to calculate indexation using a method that delivers an inadequate rate that does not maintain service delivery.

The CSTDA should ensure equitable levels of support to Australians with a disability through equitable funding to all States and Territories. Any future agreements should establish a funding model that uses current levels as a base and establishes future equitable distribution above that base.

The agreements should enable States and Territories to work with the Australian Government to ensure that Australians with a disability are given the opportunity to participate in the life of the nation, regardless of their support needs or the state or territory in which they reside.

3 August 2006