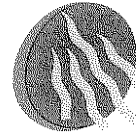




The Honourable Warren Pitt MP  
Member for Mulgrave



Queensland  
Government

Minister for  
Communities,  
Disability Services  
and Seniors

Our reference: DSQ 00146-2006

19 SEP 2006

Mr Elton Humphery  
The Secretary  
Senate Community Affairs References Committee  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600



Dear Mr Humphery

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

Thank you for the opportunity to provide a submission to the Senate Community Affairs References Committee's examination of the funding and operation of the third Commonwealth State/Territory Disability Agreement (CSTDA). I apologise for the delay in forwarding this submission to you, which occurred due to caretaker conventions being observed.

Since 1991, the Queensland Government has been a party to the three intergovernmental agreements (most recently referred to as the CSTDA) that provide for the administration of specialist disability services.

The attached submission outlines key issues arising from this arrangement, which are relevant to the parameters of and inclusions in the agreement and operation of specialist disability services post June 2007 upon the expiry of the third CSTDA.

Any future funding arrangement between the Commonwealth and state and territory governments needs to ensure an adequate and equitable allocation of funds, a substantial increase in indexation funding by the Commonwealth and a focus on outcomes to enable increased flexibility in the way specialist disability services can be delivered to people with a disability.

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Should you require further information or assistance in relation to this matter, please contact Ms Helen Ferguson, Executive Director, Policy Directorate, Disability Services Queensland on 07 3224 4970.

Yours sincerely

A handwritten signature in black ink that reads "W Pitt". The letters are cursive and connected.

Warren Pitt MP  
**Minister for Communities, Disability Services, Seniors and Youth**

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## **DISABILITY SERVICES QUEENSLAND**

**Submission to the Senate Community Affairs References Committee's examination of the funding and operation of the third Commonwealth State/Territory Disability Agreement (CSTDA).**

### **The joint nature of the CSTDA**

As a community, the interests of people with a disability are best served when parties which can make a positive difference do so in a collaborative manner. This includes people with a disability, their families, carers and alternate decision makers, all levels of government, the non-government sector, the private sector, and communities. In this context, the Queensland Government recognises the specialist nature of disability services as complementary to other informal and formal supports to assist people with a disability to live as valued and participating members of their community.

This notion of partnership does not, however, diminish the responsibility of government to promote equity for its more vulnerable citizens, through its role in policy setting and service provision. The CSTDA is a framework through which the two levels of government demonstrate a commitment in this regard. The Queensland Government has further shown its commitment to promote equity for its citizens through the newly enacted *Disability Services Act 2006* (the Act). The Act strengthens and protects the rights of people with a disability, while also including specific rights for people with a disability over and above having the same human rights as other members of society and being empowered to exercise their rights. It provides a contemporary framework for delivering services and meeting community expectations of quality and accountability.

As parties to the CSTDA, the Commonwealth and State/Territory Governments are responsible for funding specialist disability services for people with high support needs. Administrative responsibility is split between the parties to contribute to effective and efficient service provision and to reduce duplication.

Recognition of the joint nature of the CSTDA and the shared responsibility of both levels of government is fundamental to achieving the agreed principles of the CSTDA. They are also fundamental to the performance of governments in working towards the continuing improvement in disability policy and services prescribed by these principles.

### **The nature of the funding commitment**

The Queensland Government has made significant additional investment in disability services in recent years, representing commitment at the State level to respond to the needs of people with a disability. A commensurable effort by the Commonwealth Government has not been realised.

The table below shows that, over the five-year term of the CSTDA, Queensland has increased its contribution to disability services by 166 percent. In the same time, however, the Commonwealth Government's increase is estimated to be only 15.4 percent.

		2002-03	2003-04	2004-05	2005-06	2006-07	Total
		(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Qld	State	238,548*	276,467*	329,269*	410,366	516,028	1,770,678
	Commonwealth	102,222*	105,386*	107,991*	115,946	117,943	549,488
	Total	340,770*	381,853*	437,260*	526,312	633,971	2,320,166

\*Audited Actuals. Data as at 9 May 2006

In Queensland, in 2002-03 the Commonwealth Government's commitment to disability services under the CSTDA represented 30.0 percent of total funds. In 2006-07 the Commonwealth Government contribution only represents 18.6 percent of the total due to overall increases in funding in Queensland. On the 2002-03 percentage, the Commonwealth funding trajectory could be \$221.1 million in 2006-07.

Since 1998, the State Government-sourced component of Queensland's budget for specialist disability services has increased by 312 percent. This translates to an increase in the proportion of State contribution to the total funding for specialist disability services in Queensland from 66.8 percent to 81.4 percent.

In 2006-07, Disability Services Queensland has achieved a record budget of \$634 million for the delivery of specialist disability services. The increase of 22 percent in this year's Budget largely represents a 20.7 percent increase in State funding, with the Commonwealth contribution increasing by just 1.3 percent.

The level of Commonwealth funding for specialist disability services in Queensland is clearly not keeping pace with the level it was at in 1998, having increased by only 90 percent since then. In that year, Commonwealth funding made up 33.2 percent of Disability Services Queensland's budget. On that ratio, in a budget of \$634 million, the Commonwealth's contribution should be \$210 million, instead of the actual budget allocation of \$118 million, for 2006-07. Clearly, while both jurisdictions have increased their funding over the term of the agreement, the Commonwealth Government's expenditure overall on disability services is well below an acceptable level.

The prevalence and survival rate of people with a disability is increasing, due to improved treatment modalities and improved technology. The increasing number of people with an acquired disability has significant implications for Queensland, particularly in terms of caring for people with complex needs who have multiple core restrictions. Commonwealth funding under the CSTDA has not adequately reflected the growth in Queensland's population, nor the high prevalence rate of Queenslanders who are eligible to receive specialist disability services under the CSTDA. In fact, Queensland has a higher prevalence of people with a severe or profound core activity restriction than all other states, with the exception of Tasmania<sup>1</sup>. From this perspective, the Commonwealth's flat-rate funding commitment is inequitable. A formula-based approach would demonstrate more of a joint approach, rather than relying so heavily on

<sup>1</sup> Australian Bureau of Statistics 2003, *Survey of Disability, Ageing and Carers*, ABS.

increases in funding from the states and territories. This would be more in accordance with the notion of shared responsibility that underpins the CSTDA. It is important that the State and Commonwealth governments take a leadership role in promoting the rights of all people with a disability across the human services system.

### **Concern regarding the adequacy of indexation**

Funding for disability services needs to keep up in real terms with economic drivers including wages, operational costs and fuel prices. Indexation can mitigate the impact of these drivers, by offsetting the general cost increases in providing services. However, there is variation in the rate of indexation applied between the Commonwealth and states and territories.

Indexation from the Commonwealth Government under the third CSTDA remains based on the wage cost index II, providing for an official indexation rate of 2.1 percent in 2005-06, reducing to a rate of only 1.8 percent in 2006-07. This is despite the CPI rate being an average of 2.5 percent. States and territories consistently provide a higher rate of indexation than the Commonwealth, at an average of 3.13 percent for 2006-07. The Commonwealth Government indexation rate is based on the wage cost index II, whereas the Queensland Government indexation rate is based on a combined wage:cost index. The index is calculated by taking 25 percent of forecast CPI growth and 75 percent of forecast State average weekly earnings growth.

The way the Commonwealth Government treats the CSTDA indexation is in stark contrast to the indexation it applies to other special purpose payments. For example, the Australian Health Care Agreement has varying indexation rates, the general component of which comprises 2 percent wage cost indexation (based on the wage cost index II) and 2.84 percent population growth (weighted population). Seventy-five percent of the general component comprises 1.7 percent utilisation growth.

Other examples are the Home and Community Care Program, which has a range of indexation rates between 2.1 and 3.85 percent applied annually, and the Supported Accommodation and Assistance Program, which has an indexation rate of 2.2 percent. This inequity needs to be addressed in any future funding agreement.

Indexation models adopted by the Commonwealth Government have been based upon the assumption that there will be efficiency dividends or productivity savings that result in reduced labour costs or efficiencies due to technology or telecommunications improvements. However, research has found that industries such as human services are not able to make productivity gains in ways that are available to other industries. This is due to the fact that they are highly labour intensive, have limited opportunities for technology-based productivity gains, experience significant flow-on pressures for wage increases from allied sectors and are expected to meet prescribed service delivery standards. The assumptions made by the Commonwealth about productivity growth are therefore not in accordance with this generally accepted principle<sup>2</sup>.

Increased demand for services continues to impact on Queensland's capacity to support disability services and meet the needs of people with a disability. This issue is further exacerbated by minimal indexation rate application to CSTDA funding by the Commonwealth. The minimal indexation rate applied by the Commonwealth erodes the real value of base

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<sup>2</sup> Social Policy Research Centre 2002, *Methods to Address Requirements for Changes in Funding Disability Services Brought about by External Change*, University of New South Wales.

funding under the CSTDA and threatens the viability and long-term sustainability of services. In 2006-07 the Queensland Government applied an ongoing indexation rate of 3.4 percent in recognition of the increase in the cost of service provision. However, the Commonwealth Government will only be providing funding for indexation at the rate of 1.8 percent (plus or minus any adjustments), meaning that the average indexation to be applied in 2006-07 will be 3.0 percent.

There is a need for a realistic rate of indexation from both levels of government just to preserve the base funding under the CSTDA and to reflect cost pressures in the sector which impact upon service viability and sustainability. Given population trends, including a growing ageing population, planning for a sustainable disability sector must be a key consideration. The correlation between age, prevalence and severity of disability and a reduction in supply of informal care must also be taken into consideration. While distinct from funding to meet demand for services, inadequate indexation rate application by the Commonwealth similarly exerts pressure on disability service provision.

### **Issues arising from input controls**

Under the CSTDA, the Commonwealth Government imposes 'input controls' by prescribing the services that can be funded and delivered, such as accommodation support, community support, community access, respite services, print disability, advocacy and information services. The input control process requires the matching new funds to programs, resulting in a service system that is rigid and requires people to fit the programs instead of providing services that are needs based. Input controls make it difficult for the Queensland Government to exercise flexibility to promote service improvement, given. There is conflict between the Commonwealth Government's emphasis on input controls and the Queensland Government's desire to focus on outcomes.

Given the five-year term of the CSTDA, flexibility is needed to promote service improvement and innovation in response to local priorities, and to promote the capacity to develop responses to emerging issues. The CSTDA was developed in such a way as to "rope" all funds into expenditure on the six service types only. This is proving to be limiting to Queensland's ability to be more responsive and innovative. For example, the new initiative to assist younger people in residential aged care is provided for through a bilateral agreement that sits outside the CSTDA because of the limits of the CSTDA, especially in relation to the provision of multidisciplinary approaches to service responses. Intergovernmental agreements should be constructed to maximise the coverage of related policy areas, in the context of increased expectations of intra-governmental coordination. To be well-positioned to respond to future demands, Queensland requires a CSTDA that will provide capacity for greater flexibility.

There has been strong growth by jurisdictions during the term of the CSTDA, which should not be attributed to input controls. Rather, it reflects the commitment of the respective governments to improve services for people with a disability. It is this focus on outcomes, rather than inputs, which offers a further opportunity to improve upon the design of a future intergovernmental agreement for specialist disability services.

In contrast, the retention of input controls and growth requirements may inhibit future high spending growth by states and territories, by introducing a risk premium in putting additional effort into areas of need. New Commonwealth programs that require matching with "new money" may also disadvantage outcomes in states and territories that have already rapidly increased spending on disability services. Having flexibility in input controls will contribute to

an environment which is conducive to efforts to achieve efficiency savings, which can be then directed to the delivery of additional services.

The Queensland Government is mindful of the need for accountability and transparency in the delivery of specialist disability services. A shift away from input controls presents opportunities for improving performance reporting under the CSTDA, tailored to individual state and territory circumstances.

As the primary funding sources for specialist disability services (other than employment services), states and territories face major risks from inefficient or ineffective expenditure. There are strong incentives, other than input controls, to ensure sound performance in the delivery of specialist disability services.

### **Challenges of interface issues and an ageing population**

The complexity of disability services delivery is compounded by the relationship between disability and other personal and environmental factors, such as health, education, housing, home and community care, employment and aged care. The complexity is also compounded by the impacts that reforms in these areas have on the disability sector. In this regard, the implications of recent Commonwealth reforms in employment and income support for people with a disability are yet to be realised. They are of concern in the context of the financial security and, hence, options available to people with a disability to live and participate in their communities.

Disability Services Queensland considers that clear policies are needed regarding the provision of services to people with a disability who are ageing, primarily to enhance clarity regarding who is responsible for people over 65 years of age with a disability. The Queensland Government considers that the Commonwealth Government should take responsibility for those aged over 65 years, including those who have a disability, while Queensland should maintain responsibility for those aged less than 65 years. To have clear policies in this area would help to reduce the complexity surrounding the provision of services to this cohort.

Overall, the Australian population is growing and ageing, as is the population of people with a disability. Challenges now facing the disability service system include an ageing population, unpaid carers, who remain the main providers of assistance to people with a disability, and ageing parents of adult sons and daughters with a disability. As the major source of income support for people with a disability and their carers, and with responsibility for aged care, there is an obvious role for the Commonwealth Government in facilitating a seamless transition between disability and aged care services<sup>3</sup>. However, research suggests that there is an absence of a national whole-of-Government approach to ageing and people with a disability, as well as specific policy about provision of support for older people with lifelong disabilities<sup>4</sup>.

The number of people aged 65 years and over is expected to increase by 88.6 percent to 5.159 million in 2026, accounting for approximately half of Australia's projected population

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<sup>3</sup> Australian Institute of Health and Welfare 2005, *Disability and Disability Services in Australia*, AIHW cat. No. DIS43, AIHW.

<sup>4</sup> Fyffe C, Bigby C & McCubbery J 2006, *Exploration of the Population of People with Disabilities who are Ageing, Their Changing Needs and the Capacity of the Disability and Aged Care Sectors to Support Them to Age Positively*, Grimwood.

growth over the next twenty years<sup>5</sup>. There is a strong correlation between age and prevalence and severity of disability. Ageing can also prematurely affect some people with a disability. The impact that ageing has on the funding and delivery of specialist disability services, including the disability sector workforce, must be a key consideration in future arrangements for the national funding and administration of specialist disability services.

### **Strategic direction for the future**

At the July 2006 meeting of the Community and Disability Services Ministers' Conference (CDSMC), the Ministers agreed upon three key priority areas of shared concern that would likely benefit from national collaboration for a fourth CSTDA, focussing on service improvement, demand management and interface issues. Queensland supports the key priority areas. In detail, they are:

1. Service Improvement, specifically in terms of: equity and access; matters of cultural appropriateness; quality; performance and accountability; workforce capacity; and flexibility of service types.
2. Demand Management, with respect to: scope of service eligibility; equitable allocation of resources; unmet need; efficiency and effectiveness; and sector sustainability.
3. Interface Issues, particularly in the areas of: health and aged care; home and community care; young people in residential aged care facilities; mental health/psychiatric disability; and day options/employment services.

Queensland has also identified a range of priorities for its future attention, which need to be reflected within any subsequent CSTDA. They are:

- Indigenous people with a disability, especially in rural and remote areas of Queensland;
- children with disabilities, including children with autism;
- responding to people with acquired brain injury and spinal injuries;
- people with intellectual/cognitive disabilities who exhibit challenging, and at times, violent behaviours, posing risks to services and/or the community;
- children in the education system and/or in the child protection system who either now, or will in the future, need specialist services;
- strengthening non-government sector capacity –
  - innovative models of accommodation support;
  - expanding day activities and respite; and
  - enhancing community support, in particular intensive behaviour support; and
- young people in residential aged care.

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<sup>5</sup> Australian Bureau of Statistics 3222.0 – Population Projection, Australia, 2004 to 2010 – Series B.