

## COMMONWEALTH STATE / TERRITORY DISABILITY AGREEMENT

The development of a third Commonwealth State/Territory Disability Agreement (CSTDA) is nearing completion. This is a very important Agreement for people with disabilities. It will set the funding arrangements for disability services for the next five years – and is particularly important for accommodation and support services. Whether there is any further funding for unmet demand, new services and indexation for these services will be determined by State and Commonwealth Governments over the next two months.

So far, Senator Vanstone has made a nation-wide offer of \$15m in 2002/03 rising to \$35m in 2006/07 for new services plus about 2% per annum for indexation. The commitment over five years of most States and Territories is less clear, however, it appears that more than \$100m in new funding has been committed for 2002/03 alone.

The disability sector needs to have a clear position about what we expect Governments to deliver on as part of a third CSTDA.

The Australian Cerebral Palsy Association calls on Governments to cooperate in the delivery of the following outcomes:

1. An immediate injection of funding to resolve outstanding **unmet need** – conservatively estimated to require \$400 million.
2. **Indexation** that is adequate to meet annual cost increases – requiring \$29m from the Commonwealth in 2002/03 and 3% pa thereafter (with a similar % commitment from States).
3. Annual **growth funding** linked to population growth to avert another unmet need crisis – requiring \$54m from governments in 2002/03 and 2.3% pa thereafter
4. Better cooperation to ensure access to, and coordination between, services for **people with high support needs**.

Our rationale for these outcomes is detailed in the following pages.

## Who Funds what Under the Current CSTDA?

### All CSTDA Services

In 2001/02, the Commonwealth provided 30% of the total CSTDA funding, while States/Territories contributed 70%:

Commonwealth	\$790m <sup>1</sup>	(30%)
States/Territories	\$1,860m	(70%)
<b>Total</b>	<b>\$2,650m</b>	<b>(100%)</b>

### Accommodation and Support Services

In 2001/02, the Commonwealth provided 21% of the funding for accommodation and non-employment services administered by States and Territories, while the States/Territories contributed 79%:

Commonwealth	\$501m	(21%)
States/Territories	\$1,860m	(79%)
<b>Total</b>	<b>\$2,361m</b>	<b>(100%)</b>

What is clear from these statistics is that the States are bearing the majority of the costs for the CSTDA. Whether this is right, fair or reasonable is a matter for Governments to sort out. However, it is clear that more needs to be done and the onus would seem to be on the Commonwealth to lift its funding contribution.

## Unmet Demand

Clearly unmet demand continues to be one of the most pressing issues for the sector – and has now been further informed by a report from the Australian Institute of Health and Welfare (AIHW). This report is available from the AIHW web-site, [www.aihw.gov.au](http://www.aihw.gov.au)

Not surprisingly, AIHW finds that substantial unmet need remains:

- ❑ 12,500 people still need accommodation and respite services;
- ❑ 8,200 places are needed for community access services; and
- ❑ 5,400 people need employment support.

The report says that these estimates are conservative and are based on people with severe and profound disabilities. No estimate of the cost of meeting these needs is included, however, it is likely that around \$400m in recurrent funding is required to address the backlog in accommodation and non-employment services alone.

Under the current CSTDA, an additional \$300m in recurrent funding was provided for unmet need - \$100m of which was from the Commonwealth. This was made

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<sup>1</sup> Its \$790m comprises a contribution of \$501m to accommodation, respite, community access and community support services administered by States and \$289m for services it administers (employment, plus advocacy, information and print disability services).

possible due to a) strong and consistent sector lobbying b) the commitment of Ministers to address this issue being enshrined in a clause in the Agreement itself and c) substantive evidence from AIHW to quantify the need.

In contrast, in the lead up to the new CSTDA, there appears to be no specific commitment from the Commonwealth to even discuss, let alone fund, unmet demand - despite the latest research from AIHW<sup>2</sup>.

It is unacceptable that there should be a reduction in commitment when the AIHW report clearly shows continuing levels of unmet need.

## Indexation

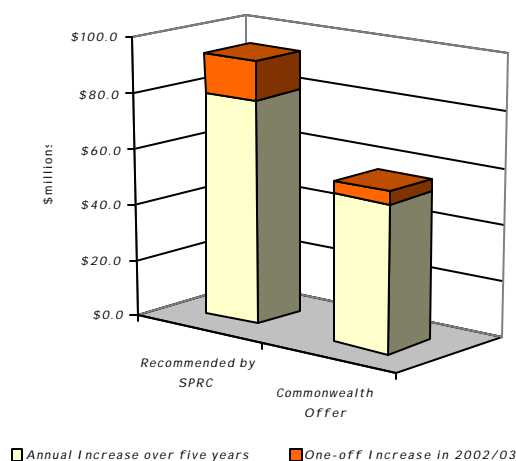
An independent research study recently completed by the University of New South Wales Social Policy Research Centre (SPRC) examined the indexation paid by the Commonwealth under the CSTDA and concluded that it was inadequate for human services. This report is available from the SPRC web-site, [www.sprc.unsw.edu.au](http://www.sprc.unsw.edu.au)

The average Commonwealth indexation rate of 2% pa proposed for the next CSTDA is below what is required to meet increased cost pressures such as wage movements, increases in compulsory insurance and workers compensation premiums, and increased costs arising from the introduction of the GST. The report proposes that 3% pa be provided, along with a one-off adjustment in 2002/03 of 2.8%.

As shown in the following graph, in dollar terms, the Commonwealth offer to States of \$57m over five years represents 60% of what has been suggested by this independent research.

### Indexation to be paid to States and Territories 2002/03 – 2006/07

#### Commonwealth Offer vs SPRC Recommendations



<sup>2</sup> Although it is acknowledged that some States such as Western Australia have published four-year budget estimates which outline significant increases in funding and plans to tackle unmet need.

The rationale for the use of a different indexation rate applies equally to all CSTDA services - where the level of indexation paid by the Commonwealth and States has often lagged behind the actual cost increases incurred by service providers.

As proposed previously by ACPA, if Governments cannot agree on a revised indexation formula, then they must offer supplementary funding to services to maintain their viability. Senator Vanstone acknowledged this need when she recently provided Commonwealth administered agencies with a one-off 4% payment in June 2002.

## Population Growth

The SPRC study also examined factors influencing the future demand for CSTDA services. It suggested that the Commonwealth increase funding by 2.3% pa, over and above indexation, so that services could maintain pace with projected growth in demand. The report also acknowledged that there are other environmental factors, not included in the formula (such as changes in labour force patterns and the availability of informal carers) that will affect future demand for services.

It is understood that the Commonwealth provided growth funding to States and Territories of 2.9% pa in the current CSTDA. The offer for the new CSTDA is \$35m or 1.4% pa, less than half the previous rate.

Most States have handed down budgets for 2002/03 and appear to be maintaining a reasonable level of effort.

Faced with continuing growth in the population of people with disabilities needing services and critical unmet need, it is unacceptable that the Commonwealth is offering no contribution toward unmet need in State administered services and just 1.4% pa growth.

## People with High Support Needs & CSTDA Employment

The Commonwealth has announced an unprecedented \$258m increase over three years for employment, of which \$98m is for the CSTDA Employment Program. Depending on how the money is targeted, it will go a long way to addressing unmet demand and growth in the need for services.

However, there was no mention of addressing the slide of people with high support needs out of employment services and the increasing interface problems between Commonwealth and State programs.

ACPA believes that the participation of people with high support needs in employment delivers positive outcomes for individuals, their families and the community, and cost-effective outcomes for taxpayers. Like most Australians, inclusion in ordinary community life and the paid workforce is one of the main goals of people with disabilities and their families. It also helps reduce demand for other high cost services such as accommodation.

It is therefore incumbent upon Governments to provide policy, funding and program arrangements which increase the opportunities for this to occur in a timely and coordinated manner – especially for those with the greatest need for support. The current system is failing to do this. Governments must:

- ❑ ensure that the CSTDA employment program returns to its core business, that is, supporting people with the most significant disabilities;
- ❑ ensure that the structure and level of funding provided for employment does not discourage the provision of services to people with high support needs; and
- ❑ cooperate to improve pathways between services, including the development of coordinated or blended funding arrangements.

## A Sustainable Future for Disability Services

Despite the overwhelming evidence regarding unmet need for services, increases in the population of people with disabilities and inadequate indexation, the third CSTDA is offering no meaningful solutions.

The current Commonwealth offer to States for accommodation and related support services is just \$92m over five years - \$57m for indexation and \$35m for growth. In the face of the evidence, this is perhaps one tenth of what could be considered a reasonable contribution.

State commitments are by and large unknown due to an absence of forward estimates for most States, however, budgets for 2002/03 indicate that most are maintaining reasonable levels of growth.

ACPA calls on Governments to deliver the following outcomes as part of their CSTDA negotiations:

- ❑ an immediate and significant injection of funding to respond to unmet need;
- ❑ indexation of at least 3% to keep pace with annual cost increases;
- ❑ annual growth funding which keeps pace with population growth; and
- ❑ cooperation to address the problems being experienced by people with high support needs - particularly in accessing employment.