

Part 5: Funding context

5.1. Department of Human Services' funding policy framework

5.1.1 Key principles

The key principles underlying the department's funding policy framework are:

- Client focus and outcome are paramount – funding approaches must empower people to make choices and there must be opportunities to seek and use client feedback.
- Long-term investment in the human services sector is essential to achieve both quality and efficiency, while contributing to community building.
- Funding methods need to provide incentives for efficiency, achieve equitable distribution of resources according to need, and monitor the quality of outcomes.
- Government expectations of organisations need to be clearly articulated, and agreed, to ensure there is accountability for expenditure of public funds. These include not only specification of outputs, but also other factors not easily defined in output measures (such as accreditation and evaluation).
- Probity is essential to ensure participants can be confident about the integrity of any competitive process undertaken.
- Contract terms need to be variable to reflect broader policy objectives, such as ensuring long-term investment in staff and capital.
- Funding decisions are based on an assessment of the suitability of a combination of funds allocation methods and quality assurance strategies that best advance the public interest.

5.1.2 New and growth funding

Within this framework, the department's funding policy identifies four methods for allocating new and growth funding – advertised submission, invited submission, direct allocation and competitive tendering. The three key principles of best value for clients, partnerships and financial responsibility are used to determine which of these is most applicable. This translates into a set of practical criteria for using each of the four funding methods. These are shown in Table 5.1.

**Table 5.1:
Criteria for determining
funds allocation
methods**

Funding allocation method	Basic description	Key criteria
Advertised submissions process	<p>Involves open competition between providers.</p> <p>Assessment on the basis of ability to meet quality, quantity and timeliness requirements.</p> <p>Simpler and shorter than tendering.</p>	<ol style="list-style-type: none"> 1. Emphasis of the selection process is the achievement of quality outcomes for clients not price competition. 2. Outputs and outcomes are difficult to specify. 3. Provider and client organisations may be involved in needs identification, service planning and/or service specification. 4. Service or unit pricing. 5. Supportive of attracting more innovative, smaller providers than currently exist. 6. Greater flexibility to negotiate with providers as part of the funding process.
Invited submissions process	<p>As for advertised submissions, but using selected providers only.</p>	<ol style="list-style-type: none"> 1. The service sector is small, specialised or requires development. 2. The department wishes to supplement a range of existing providers by facilitating new entrants to the sector. 3. Outputs and outcomes are difficult to specify. 4. Provider and client organisations may be involved in needs identification, service planning and/or service specification. 5. Greatest opportunity for flexibility to negotiate with providers as part of the funding process.
Direct allocation	<p>Involves no contestable processes.</p>	<ol style="list-style-type: none"> 1. Ministerial direction. 2. Government policy dictates provider. 3. Distributing funds to providers in areas where there is only one possible provider. 4. Growth funds allocated to all of the organisations providing the service. 5. Pre-qualified panel of providers.
Competitive tendering	<p>Providers compete on the basis of value for money through publicly advertised tendering processes for fixed term contracts.</p>	<ol style="list-style-type: none"> 1. There are sufficient providers to constitute a competitive market. 2. Goods or services can be tightly specified. 3. Encouragement of price competition. 4. A purely commercial relationship with the provider is desired. 5. Competition does not have adverse impacts on service continuity, integration and partnership priorities.

5.1.3 Recurrent

From 2003–04, the department implemented three-year service agreements to assist organisations in making long-term investments and in retaining experienced staff.

Three-year service agreements make a clear distinction between base funding and funding for new and growth services. All funding rollovers are conditional upon service providers meeting minimum performance benchmarks and service quality standards.

While recognising the benefits of long-term funding, the department's funding policy acknowledges that some movement of funds between sectors and organisations is critical to ensure innovation and development in the human services sector. To facilitate this, a continuous program of quality review and service evaluation is being undertaken to complement the renegotiation of service agreements. This is occurring within a framework of partnership with the human services sector, and will form the basis of the development of a broad range of strategies to foster service restructuring and innovation.

5.2. Disability Services Division specific funding policy

The decision to use an invited or advertised submission process, as appropriate, will generally be made by regional management in accordance with local circumstances. Organisations that have been selected for funding will have their funding details documented in service agreements (for community service organisations) or in regional service agreements (for government service providers).

5.2.1 Allocation of 2006–07 new and growth funds

The allocation of Disability Services new and growth funding is based on the department's funding policy framework, as outlined in section 5.1. New funds will be allocated through one of the four principle methods described in Table 5.1. Regional directors, in some cases in conjunction with the division, will determine the most appropriate method based on the factors applicable to each case. In most instances of new and growth funding, this will involve advertised or invited submissions.

Advertised and invited submissions

As most externally delivered Disability Services are based on known unit cost funding, and since service quality is the paramount goal of service provision, any competition is based on the quality of the service delivered rather than price. Therefore, as well as submissions being assessed on the basis of the departmental funding principles, submissions for Disability Services' funds will also use the following, additional, submission assessment criteria to ensure the provision of high quality services:

- information on the competency of the workforce
- information on the proportion of funds that will be expended on direct service, and the proportion to be expended on overheads
- a community relationship plan, which outlines how the service provider consults with its client and geographic community
- a case planning mechanism, if one is appropriate for the service type, which details how individual choice is maximised
- a quality assessment framework that includes mechanisms for service user feedback.

Direct allocation

Direct allocation may be used where the circumstances meet the criteria for this method – notably for individual funding arrangements where people will be able to exercise choice from a pre-qualified panel of service providers. This will apply in particular to Futures for Young Adults and HomeFirst. Regional directors may determine the allocation of new or growth funds, between the external and internal service delivery sectors, based on a consideration of the resource balance needed to ensure that efficient quality services are provided. They will also consider the need for adequate flexibility to meet a range of demand scenarios.

Funding rounds

A limited number of funding rounds are conducted annually, dependent on the availability of funds. These support the sector through small grants for minor works and equipment and also promote the aims outlined in the State Disability Plan. Funding rounds are generally through an advertised submission process. The Disability Services website at <http://hnb.dhs.vic.gov.au/ds/disabilitysite.nsf/pages/disabilityhome> will detail the purpose, timing and process for funding consideration as any funding rounds occur.

Funding portability

For a number of activities, including HomeFirst, Futures for Young Adults, Community Options, Flexible Support Packages and Individualised Support Packages, funding is driven by the number of clients choosing to use the service. This element of client choice effectively makes the funding ‘portable’, which means a different funding and budgeting approach is necessary.

The funding portability means that the projected funding amounts, which are shown in the service agreement, are estimates that are based on the current service levels. Funding for these activities, and reconciliation of service levels, may be varied periodically in response to changes in client choice and need. Such variations will be discussed with organisations as they occur.

Given the goal of promoting individual choice, it is expected that an increasing number of clients will take up individualised funding options whereby they choose the services they wish to use. This may result in greater variability for the service provider group within these activities and this needs to be factored into budgeting and planning processes.

5.2.2 Disability Services Business Rules (DSBRs) 2006-07

DSBR1 Regions and service providers must comply with legislative requirements for all services funded under the *Intellectually Disabled Persons’ Services Act 1986* and/or the *Disability Services Act 1991*, or the *Disability Act 2006* (which will repeal the *Intellectually Disabled Persons’ Services Act* and the *Disability Services Act* when it comes into operation). It is expected that all sections of the *Disability Act 2006* will come into operation on 1 July 2007 unless proclaimed earlier.

DSBR2 Service expansion arising from new funding or through service redevelopment must occur in accordance with departmental policy (that is, through advertised or invited submissions or direct allocation as appropriate). New funding to external organisations must be signed off in line with departmental business rules.

- DSBR3 Services obtained will be cost-effective, in other words, at the best value for the estimated costs at the required quality and within guidelines.
- DSBR4 Regions must examine the choice of internal versus external service provision and clearly document their methodology for selection and outline why a particular service is selected.
- DSBR5 Expenditure should be assigned to the activity most closely meeting actual service delivery. This may require the appropriate transfers of budgets and targets via the Budget Management System (BMS) regional budget variation process. Where applicable, salary oncosts should be included in transferred budgets and targets. Regions are to observe any divisional instructions on specific purpose budget allocation.
- DSBR6 It is the responsibility of regions to ensure that all Training and Development funding and allocations remain in Activity 17064 under the Information, Assessment and Planning Output and that expenditure (particularly backfill) matches where the training budget is sourced from.
- DSBR7 Inter-regional transfers of funds and targets associated with portability of funding tied to individuals (for example, HomeFirst, Futures for Young Adults clients) need to be initiated by the transferring region via the Budget Management System (BMS) regional budget variation process.
- DSBR8 There must be adherence to the Quality framework for disability services, an annual organisational self-assessment against the Victorian Standards for Disability Services and compliance with the Victorian Standards for Disability Services.
- DSBR9 Targets under all specified initiatives must be met. Regions and service providers must pursue revenue targets in accordance with fees policies and guidelines. Any revenue shortfall will be met from reduced budget expenditure.
- DSBR10 Regions responsible for delivering or funding either a statewide or cross-regional service, on behalf of the program, should ensure that the service is accessible by individuals from across the state. Notional regional targets for this service should be negotiated with lead program and service advisors. The Disability Services equity formula (see Part 4.6) should serve as a guide in considering appropriate regional targets.
- DSBR11 Regions must maintain a capacity to deal with crises.
- DSBR12 As a signatory to the Commonwealth State Territory Disability Agreement, Victoria has agreed to support people with a disability moving interstate.
- In brief:
- Where people with disabilities move interstate, states and territories agree to facilitate access into their service system through transparent demand management processes based on relative priority of need.
 - States and territories also agree to allow individuals to register their demand for service prior to any planned transfer. This approach gives people with disabilities the security of staying in their state of origin until services become available to them in the new location.
 - Where the move is urgent, unplanned or due to circumstances beyond the control of the individual or their families/carers, the state of origin agrees to give consideration to the transfer of funds for up to 12 months.

The full policy is available online at

<http://hnb.dhs.vic.gov.au/ds/disabilitypub.nsf/pages/MovingInterstate:Assistancetopeoplewithadisabilitytheirfamiliesandcarers-PolicyDocument?opendocument>

5.3. Unit prices

Funding to the external sector for Disability Services or community service organisations (CSOs) is largely administered through unit price funding. Unit prices were established in 1994-95 and incorporate a provision for salaries, allowances, long service leave, recreation and staff sick leave, public holidays, annual leave loading, WorkCover and superannuation. The unit prices also include provision for operating and other costs and police checks.

The prices have been adjusted over time to reflect movements in wages and prices and, since 2003-04, unit prices have been adjusted in accordance with the annual Department of Human Services CSO price index.

5.3.1 Disability Services pricing principles

In 2004-05, the department developed the Disability Services pricing principles in consultation with the disability peak bodies (see below). This document is also available online at

<http://hnb.dhs.vic.gov.au/ds/disabilitypub.nsf/pages/PricingPrinciples-DisabilityServices?opendocument>

Disability Services and the disability peak bodies have developed Disability Services pricing principles that will support pricing of disability supports provided by community service organisations in the future.

Disability Services pricing principles exist within a reality of government policy and funding and therefore must:

- reflect government policy directions and priorities within the context of annual and longer-term budget decisions
- be driven by the vision, principles and goals of the *State Disability Plan 2002-2012*
- conform to the Department of Human Services funding policy framework
- reflect the service partnership between government, people with a disability, their families and carers, and with community service organisations in the achievement of positive outcomes. In this way, it is recognised that people with a disability will draw on formal and informal supports and access to disability services and the generic support system.

The Department of Human Services and the disability sector is committed to the development of a sustainable, efficient and innovative sector that achieves the vision and direction of the *Victorian State Disability Plan 2002-2012*.

Within the above context for disability supports in Victoria, the Disability Services pricing principles have pricing that:

- facilitates person-centred and individualised approaches, enabling people with a disability to exercise self-determination and make realistic choices in relation to the support they receive, cognisant of community norms and expectations and resource constraints

- promotes integrated support and provides flexibility across service settings and service types, including generic and specialist services
- reflects the rights and expectations of people with a disability to receive quality services and support
- considers cultural, rural/remoteness and isolation issues
- promotes an efficient, innovative and responsive disability support system that advances continuous improvement and best practice
- promotes the viability and sustainability of disability supports that are responsive to the needs of individuals with a disability and their families
- is transparent and robust to enable people with disabilities and service providers to make informed and effective planning choices
- is fairly and objectively developed, based on efficient support, delivery and infrastructure/overhead components and acknowledging policy, legislative and service agreement requirements
- is consistent with the development and maintenance of a strong dynamic and skilled workforce.

These principles will guide future pricing for disability supports in Victoria. They articulate a shared view between the department and the peak organisations of the aspirations for future disability prices. It is recognised that applying the principles to existing pricing structures will need to be discussed and negotiated over time, recognising policy and resource parameters.

Pricing is one of a range of strategies to implement the objectives of the *Victorian State Disability Plan 2002–2012* and government objectives more broadly. These principles will be used during the development of the Industry Development Plan as it shapes the sector's future direction.

The State Government may not necessarily fund the full costs of all disability supports. The State Government is not the sole source of existing funding for support services provided by community service organisations, for example, some organisations receive client fees. The department recognises the need to be transparent of its funding contribution in this policy context.

The sector is conscious of government funding requirements and processes, including the current price indexation policy applicable to the sector, and recognises the need for efficiency and accountability in the expenditure of public funds.

5.3.2 Price indexation

On 1 July 2006, indexable prices for non-government service providers were increased by 2.6 per cent. This funding was flowed in August 2006, backdated to 1 July 2006.

Following further representations from the Victorian Council of Social Service and other community sector peak organisations, the government has offered an increased indexation rate of 2.9 per cent. This increase will be paid in October 2006, including arrears backdated to 1 July 2006.

The government has also committed to the establishment of an infrastructure fund of \$6 million to be used over three years to assist non-government organisations to meet the costs of infrastructure purchase, replacement or upgrade. The Department of Human Services will provide further information about how the fund will be allocated.

In aggregate, the indexation offer and the infrastructure fund provide a total increase of 3.5 per cent in State funding. When combined with the lower Commonwealth indexation rates, an overall increase in funding of 3.1 per cent is guaranteed over the next three years.

5.3.3 Disability Services unit prices 2006–07

Column A: Final prices from 2005–06 and incorporate that year’s standard indexation of 2.6 per cent, plus supplementary indexation of 0.35 per cent or 0.10 per cent for certain activities which attracted the ‘exceptional event’ criteria arising from the Australian Industrial Relations Commission May 2004 Safety Net Adjustment decision.

The 2005–06 price table included information relating to Family Options Caregivers’ reimbursements and Brokerage payments under activity number 17034 Flexible Support Packages. Application of these standardised prices was, and still is, subject to discussion between department regions and funded organisations.

Column B: 2006–07 prices incorporating standard indexation of 2.9 per cent on the Column A Prices, (unless indicated otherwise) effective from 1 July 2006.

Table 5.2
Interim unit prices –
Disability Services

Service type/Activity	Unit of service	A. 2005–06 Final prices	B. 2006–07 (Plus 2.9 per cent on 2005–06 base funding unless noted otherwise)
Information, Assessment and Planning Output			
17028 Case Management			
Welfare Support Service (welfare worker)	1 hour of service	\$32.98	\$33.94
Complex Case Management (social worker)	1 hour of service	\$41.36	\$42.56
Statewide Service Coordination (social worker)	1 hour of service	\$39.41	\$40.55
Chronic illness case management	Client package	\$12,817.00	\$13,189.00
17033 Information Services			
1 unit	1 EFT worker	\$87,404.00	\$89,939.00
2 units	2 EFT workers	\$171,088.00	\$176,050.00
Primary Support Output			
17025 Aids and Equipment			
	All components of this activity other than oxygen funding have been indexed by 2.6 per cent for 2005–06 and by 2.9 per cent for 2006–07.		
Specialist services / professional services	1 hour of service	\$57.42	\$59.09
17026 Behaviour Intervention Services (BIS)			
(Interim unit prices)	Standard intervention	\$3,006.00	\$3,093.00
(BIS unit prices are subject to a benchmarking exercise)	Complex intervention	\$6,014.00	\$6,188.00
17006 Criminal Justice Services			
	(All included 0.35 per cent supplement in 2005–06)		
Counselling	Per client (interim)	\$4,313.00	\$4,438.00
Outreach	Per client (interim)	\$4,772.00	\$4,910.00
Crisis/emergency accommodation	Per client	\$70,974.00	\$73,032.00
Supported accommodation	Per client (interim)	\$75,661.00	\$77,855.00
17023 Independent Living Training			
Unqualified assistant	1 hour of service	\$25.92	\$26.67
Qualified assistant	1 hour of service	\$29.16	\$30.01
Professional services	1 hour of service	\$57.42	\$59.09

Service type/Activity	Unit of service	A. 2005-06 Final prices	B. 2006-07 (Plus 2.9 per cent on 2005-06 base funding unless noted otherwise)
17010 Respite		(All included 0.35 per cent supplement in 2005-06)	
Facility-based/residential service respite			
8 hour worker	1 hour of service	\$35.82	\$36.86
24 hour worker	1 shift of service	\$388.17	\$399.43
Sleepover allowance	Allowance per annum per facility	\$28,555.00	\$29,383.00
In home/community access respite/group activities			
Paid direct care staff	1 hour of service	\$28.42	\$29.24
Volunteer coordination	1 hour of service	\$34.09	\$35.08
Camps/holidays			
Outreach unit cost	1 hour of service	\$28.42	\$29.24
24 hour care for paid direct care staff	1 shift of service	\$388.17	\$399.43
Volunteer coordination	1 hour of service	\$34.09	\$35.08
Community-based weekend respite			
Without public holiday	2 staff on duty*	\$2,079.00	\$2,139.00
		*Add \$1,069 to the 2006-07 base price for each additional staff on duty	
All weekends and public holidays (rate per annum)	2 staff on duty*	\$119,490.00	\$122,955.00
		*Add \$61,478 to the 2006-07 base price for each additional staff on duty.	
Respite coordination	1 hour of service	\$35.24	\$36.26
17042 Therapy			
Unqualified assistant	1 hour of service	\$25.92	\$26.67
Qualified assistant	1 hour of service	\$29.16	\$30.01
Professional services	1 hour of service	\$57.42	\$59.09
Community Participation and Inclusion Output			
17024 Advocacy Services			
1 unit	1 EFT worker	\$87,404.00	\$89,939.00
2 units	2 EFT workers	\$171,088.00	\$176,050.00
17022 Day Programs		(All included 0.10 per cent supplement in 2005-06)	
Core	Client EFT per annum	\$14,055.00	\$14,463.00
High	Client EFT per annum	\$20,668.00	\$21,267.00
Very High	Client EFT per annum	\$22,895.00	\$23,559.00
17201 Futures for Young Adults (FFYA)		(All included 0.10 per cent supplement in 2005-06)	
Level 3	Client EFT per annum	\$14,055.00	\$14,463.00
Level 4	Client EFT per annum	\$20,668.00	\$21,267.00
Level 5	Client EFT per annum	\$22,895.00	\$23,559.00
Level 5+	Client EFT per annum	\$22,895.00	\$23,559.00
5+ Special facility-based service	Client EFT per annum	\$26,364.00	\$27,129.00
<p>Note: from 1 July 2004, unit prices only apply to new participants who are funded through FFYA to attend Adult Training Support Service day programs. Unit prices are based on an equivalent full time (EFT) place according to identified support levels (3, 4, 5, 5+). All other funding within FFYA is allocated based on each individual's person-directed plan and assessed need for support. The funding amount is attached to the individual and is portable. Existing FFYA participants (except those in fixed price programs) should be funded according to the Service Needs Assessment (SNA) levels and receive funding indexation at 2.9 per cent – thus for 2006-07, the recommended maximum for an SNA Level 1 person in 2006-07 funding will rise from \$7,591 to \$7,811 and the maximum for a SNA Level 2 assessed person will rise from \$9,001 up to \$9,262 per EFT place.</p>			

Service type/Activity	Unit of service	A. 2005-06 Final prices	B. 2006-07 (Plus 2.9 per cent on 2005-06 base funding unless noted otherwise)
Individual Support Output			
17034 Flexible Support Packages			
Continuity of Care			
Statewide service coordination	1 hour of service	\$39.41	\$40.55
Family Choice Program (Fragile Children's Health)	Family Package	\$42,769.00	\$44,009.00
Making a Difference			
Complex case management	1 hour of service	\$41.36	\$42.56
Family Options			
Funded organisation cost element	Moderate	\$15,525.00	\$15,975.00
	High	\$15,525.00	\$15,975.00
	Very High	\$15,525.00	\$15,975.00
Brokerage element	Moderate	\$5,849.00	\$6,019.00
	High	\$11,697.00	\$12,036.00
	Very High	\$11,697.00	\$12,036.00
Caregivers' reimbursement element			
0-7 years	Moderate	\$7,280.00	\$7,491.00
	High	\$10,399.00	\$10,701.00
	Very High	\$12,480.00	\$12,842.00
8-10 years	Moderate	\$8,789.00	\$9,044.00
	High	\$12,555.00	\$12,919.00
	Very High	\$15,068.00	\$15,505.00
11-12 years	Moderate	\$10,569.00	\$10,876.00
	High	\$15,097.00	\$15,535.00
	Very High	\$18,117.00	\$18,642.00
13+ years	Moderate	\$14,809.00	\$15,238.00
	High	\$21,155.00	\$21,768.00
	Very High	\$25,387.00	\$26,123.00
16-17 years	Moderate	\$10,528.00	\$10,833.00
	High	\$16,907.00	\$17,397.00
	Very High	\$21,140.00	\$21,753.00
18-20 years	Moderate	\$9,959.00	\$10,248.00
	High	\$16,337.00	\$16,811.00
	Very High	\$20,571.00	\$21,168.00
21+ years	Moderate	\$7,041.00	\$7,245.00
	High	\$13,420.00	\$13,809.00
	Very High	\$17,652.00	\$18,164.00
17200 HomeFirst	(All included 0.10 per cent supplement in 2005-06)		
Service provision (up to 34 hours per week per package)	1 hour of service	\$28.42	\$29.24
Service coordination (notional 40 hours per annum per package)	1 hour of service	\$32.55	\$33.49
17008 Outreach Support	(All included 0.35 per cent supplement in 2005-06)		
Outreach support (incorporating Lead Tenant)	1 hour of service	\$28.42	\$29.24
Lead tenant volunteer coordination	1 hour of service	\$34.09	\$35.08
Volunteer reimbursements	Limits set in specification and guidelines		
Residential Accommodation Support Output			
17017 Congregate Care	(All included 0.35 per cent supplement in 2005-06)		
8 hour worker	1 hour of service	\$35.82	\$36.86
Sleepover	Allowance per annum	\$28,555.00	\$29,383.00
17016 Shared Supported Accommodation	(All included 0.35 per cent supplement in 2005-06)		
8 hour worker	1 hour of service	\$35.82	\$36.86
24 hour worker	1 shift of service	\$388.17	\$399.43
Sleepover	Allowance per annum	\$28,555.00	\$29,383.00

The following activities are either funded based on packages of rates or block grants, or by negotiation – all base funding at commencement of 2006–07 is indexed by 2.9 per cent.

17061	Building Inclusive Communities (Metro/Rural Access)
17082	Community Options
17081	Individualised Support Packages (Support and Choice)
17035	Recreation
17080	Sector Development and Innovation
17064	Training and Development

