



**31<sup>st</sup> January 2011**

**The Chief Executive Officer**

Inquiry into a National Disability Long-term Care & Support Scheme  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601

**Dear Sir/Madam,**

**SUBMISSION**

Knoxbrooke Incorporated is a medium sized participant in the disability care and support sector. We submit the following observations with the hope that it might be of some assistance to the inquiry.

**Knoxbrooke Incorporated, a brief introduction:**

- Knoxbrooke inc. was established by parents of people with a disability and interested members of the community more than 40 years ago and now provides day programs, supported employment and accommodation to over 250 people with intellectual and other disabilities in the outer eastern suburbs of Melbourne.

The Day Program has 121 attendees and 65 staff members.

- Accommodation comprises of two supported accommodation houses with 11 tenants and independent living accommodation (unsupported by DHS) for another 11 individuals. The staffing level for our accommodation services is 14.
- We also run a large wholesale and retail plant & bonsai nursery, a packaging and assembling workshop and provide horticultural services, garden maintenance services and vocational training. This sustains 114 supported employees, 20 trainees and 67 employees.
- Knoxbrooke funding comes from the following sources
  - DHS \$3,189,391 40%
  - FaHCSIA \$1,228,926 15%
  - ADE sales \$2,872,711 36%
  - Client fees and services \$ 553,207 7%
  - Other \$ 170,925 2%
  - \$8,015,160

Over recent years federal funding and State funding has reduced considerably in real terms on top of an inadequate start base.

This has placed severe pressure on our resources and limited our growth.

We have invested heavily in to our infrastructure and this has left us with a substantial debt of \$1,425,000 the servicing of which drains our profitability and cash resources. However without this investment we would not have been able to establish and maintain the above services.

In summary Knoxbrooke lives from hand to mouth. We have utilised our resources to the limit and the finance cost related to our borrowings places us at a disadvantage in the market place both in the cost of service provision and the ability to make positive business decisions.

**To consider the design of any proposed scheme we must firstly review the current position**

**Our observations:**

**FaHCSIA:**

- We believe that FaHCSIA structure and administration is appropriate for their responsibilities and obligations.
- Their "helicopter" approach to management is a good balance between commercial freedom and the responsibilities of the Australian Disability Enterprise (ADE) and the required control by government
- This process is supported by quality and compliance audits
- We deal with a representative from FaHCSIA who seems to have direct access to the decision making management.

**DHS:**

- DHS has a different attitude altogether, it micromanages NGO's (Non Government Organisations)
- Its budget and policies seem to be torn between their obligations as a service provider and a service administrator
- We deal with the Eastern Region and it appears to have locked itself into uneconomic residential structures that absorb a disproportionate amount of their budget to the detriment of its service administration activities
- We deal with a PASA (Program And Service Advisor) who reports to a team manager who in turn reports to a manager who then is responsible to an assistant regional director and a regional director.
- DHS currently funds training and vocational placement within the Knoxbrooke nursery environment for school leavers who are looking at improving their employability after completing vocation training. This has proved to be a very effective way of providing work experience and on

the job training in a supported environment in an actual workplace. This style of training produces people who are work ready with industry competency levels at a minimum of certificate 2.

## **Our Recommendations:**

### **Supported Employment Considerations**

- As well as non recurrent grants, a pool of funds or a bank be created to make low or no interest loans to organisations that can put forward a positive business case with desired social outcomes taking security for these loans on commercial terms requiring charges on the property or equipment purchased.

This would result in:

- successful businesses repaying the advance thus replenishing the pool of funds
- for businesses that struggle, no interest loans can keep them viable
- for businesses that fail, realising the security could reclaim the assets thus resulting in a better chance to continue the employment of the supported workers

- Longer Term Contracts with FaHCSIA

Contracts have historically been for three years, presently we have a rollover of the previous three year contract for an extra one year.

Contracts should reflect the undertaking by the ADE or the vision period, in certain cases it could be up to 10 years

This allows total project security and employment certainty for staff

There should be an obligatory negotiation period for renewal terms that could be a minimum of 6 months before the conclusion of the existing contract.

- Set Annual Indexation Terms

This should be linked to CPI or another more appropriate available published statistic (e.g. changes in average weekly earnings).

- Current funding levels are too low to cover our obligations of community support and continuous employment

Funding support levels need to be increased by a minimum of 15%

- Set up a "Special Needs Funding" pool to support supported workers for their individual needs in:

- retirement
- planning for retirement
- accommodation issues
- other social needs

- Remove the cap on the number of places nationally and for individual organisations and allow easier transfer between ADE's  
The social and health benefits for supported individuals are underestimated.  
Better self esteem and engagement
  - reduces community health costs because of the involvement in work by the individuals
  - helps reduce public nuisance incidents. It is well reported that individuals with intellectual disabilities are the highest representation in our penal system.
- A single across the board assessment tool is required to remove anomalies in wage setting across all ADE's  
The Government should review all existing assessment tools and compile a comprehensive set of rules that are assessed by a Government approved agency
- The current red tape moratorium on DMI's needs to be made permanent for workers who's support levels remain unchanged
- Relief or coverage for directors' liabilities, similar to the Victorian Government's VMIA Insurance support should be introduced nationally
- A higher level of earnings should be allowed before the reduction in pension of 50cents in the \$1 for supported employees
- New procurement guidelines for all Government departments (Federal, State and Local) when contracts are let to large companies that they include positive incentives for sub contracting or purchasing from Australian Disability Enterprises. This is already done for Indigenous people and local communities.

**We must be careful not to lose the commercial reality of the workplace.**

Since to the separation of DEEWR and FaHCSIA many ADE's now operate within the definition of a Social Enterprise.

Most ADE's have improved the financial viability of their business operations over past years and have provided sustainable social outcomes for their employees.

The "Social Enterprise" sector under DEEWR is receiving considerable funding for development of new business models.

Consideration of expansion of ADE's using some of these DEEWR resources would provide better value for money utilising existing expertise and overheads rather than taking the risk of a new Social Enterprise.

### **RTO Integration to work:**

- Encouragement of school leavers to participate in programs similar to that delivered by our RTO which is located in the workplace. People with a disability leaving school need practical education in a real workplace where they learn their responsibilities to the employer as well as their rights as an employee. This is not possible in the artificial environments often created in the TAFE sector. Workplace training up to and including certificate 2 level is about orientation into the workplace teaching workability skills and then assisting trades people. Level 3 and above education and training is industry specific, teaching specialist skills which are much more readily addressed at TAFE.
- Investment in onsite facilities at ADE's which provide industry recognised training will provide a better integrated approach to the critical period of moving from school to the workplace.

### **DHS Considerations:**

- DHS to adopt the FaHCSIA approach to administration in that:
  - it takes on a "helicopter" approach to administration of NGO's
  - speeds up its quality assurance and compliance audit processes to compliment this approach

According to a staff structure chart dated 2009 this could see the Eastern Region staff levels reduced to the team managers (4 or 5) who would deal directly with the NGO's and perhaps be supported by one or two of the existing PASA's. This would reduce their bureaucracy by up to 12 employees (the 2009 chart indicates 14 PASA's) in the Eastern Region alone.

It is our estimate that this still leaves 16 people below the manager, the assistant director and the director plus the head office support to oversee the approximate 22 organisations and their clients in this region.

- The ISP (Individual Support Packages) management should be consolidated into the DHS head office and be removed from the Eastern Region.

The individual's choices are broader than the regions and need a consistent approach.

- DHS financial systems when accounting to support organisations are inadequate, incomplete, difficult to reconcile and often inaccurate.

Consolidating the upgrading of systems, information flow and reports to one central location would be more efficient and cost effective. We understand that a new payment system is being rolled out in 2011.

The problems presently encountered adds cost to NGO's and does not provide any services

- Split off the accommodation service delivery to a new independent non government organisation or through existing NGO's already involved in the sector.

Research indicates that NGO's are more economical and provide a superior service than that currently supplied by DHS.

We question whether the full estimated economic savings can be made but it would be substantial and would remove the perception that funding is being diverted from day program supports and other programs.

**Funding considerations:**

At present all existing base funding levels are inadequate to allow the sector to meet all of its contractual obligations in every area that they are involved. This is supported by independent investigations and reports for all Victorian State services and this extends to the Federal area at nearly the same extent.

We support the concept of a National Disability Insurance Scheme as a no fault scheme, with access to all eligible individuals.

We do not believe that it should be an additional levy on taxable income but believe that there are adequate resources in national revenues to accommodate this model within the budget. It is our opinion that substantial financial savings can be made by remodelling DHS's accommodation and day program practices. This must be addressed on a national basis. In our opinion DHS policies and processes are expensive, too micro managed and do not provide efficient services.

There is a substantial unmet need that must be addressed through efficient and well considered reforms. This is on top of a current inadequate base funding regime. However these issues must be dealt with sooner rather than later before it becomes an insurmountable problem.

These observations are presented in good faith and we are available at a time convenient to you to explain or expand on our thoughts.

Yours sincerely

**Patrick Dalton**

Chairman of Board of Management

**Rad Kilian**

Chief Executive Officer