Not a One-Stop Shop: The NDIS in Australia's social infrastructure

percapita
FIGHTING INEQUALITY IN AUSTRALIA

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Introduction

The NDIS was conceived as a three-tier system, with each tier providing a critical contribution to the overall system of support and care for people with disabilities. Like a three-legged stool, the removal or weakening of any one of these tiers will fundamentally destabilase the NDIS.

Tier 2 was originally designed to provide a robust community-based support system, which could offer information and services not only to NDIS participants but also to the roughly 4 million people with disabilities who are not eligible for Tier 3 individualised support packages.

However, the definition and scope of government support to Tier 2 services were diminished under the previous government, despite calls from the sector and the Productivity Commission to restore the scheme to its original design. In fact, recent research shows that 90% of Australians living with a disability who do not receive Tier 3 packages report being unable to access the services and support they need.[1]

Tier 2 funding now accounts for less than 1 per cent of total program investment.

Many Tier-2 service providers predate the NDIS and have traditionally relied heavily on donations and volunteers to remain viable. However, the impact of COVID and recent rapid rises to the cost of living have reduced the capacity of many volunteers, while economic pressures have resulted in a decline in private donations at the same time as overheads have risen.

National Disability Services commissioned Per Capita to examine trends in Tier 2 aligned grant programs and the adequacy of this category of NDIS funding. The analysis sought to identify patterns of federal funding decisions related to the Information Linkages and Capacity Building (ILC) grants, and to examine disability funding for similar supports and activities funded at Local and State Government levels.

This research examines two key trends of concern relating to the provision of Tier 2 services:

1. The changing structure of federal and state funding for Tier 2 services, and;
2. The declining level of volunteering in the sector, upon which, in the absence of appropriate funding, many Tier 2 organisations are increasingly dependent.

We highlight the sporadic and unpredictable nature of federal funding for Tier 2 services. We find that the uncertainty created by the federal approach to funding Tier 2 services, coupled with the decline in support for community based services by Local and State Governments, undermines the efficacy and sustainability of these essential supports This is because the non-profit and community-based organisations that deliver these services are particularly vulnerable to unpredictable cash flows.

A copy of the full report is available at the NDS website, www.nds.org.au

[1] Olney S, Mills, A & Fallon L (2022) The Tier 2 tipping point: access to support for working-age Australians with disability without individual NDIS funding. Melbourne Disability Institute, University of Melbourne

Key Findings

Our analysis shows that, while government revenues for the NDIS overall have remained steady, private donations to community-based and non-profit (NFP) services have fallen.

Similarly, there have been dramatic declines in overall NFP sector volunteering, putting greater pressure on Tier 2 supports and activities delivered through a diminishing pool of volunteers and paid staff.

While some providers, such as charitable organisations, can mitigate these effects by directing profits generated through Tier 3 service provision to the provision of Tier 2 supports, not all providers are motivated to do so, especially those in the for-profit market segment. This puts Tier 2-like activities in a precarious position should the charitable sector continue to receive reduced donor funds and lower levels of volunteering.

Local government investment in social protection and health has increased nominally

At a local council level, Social Protection, the expenditure category that subsumes all disability associated expenditure, has only increased by $154 million dollars over a 10-year span. Health expenditure has only increased by 127 million over the same span. In the same time transport investment rose by over 3 billion dollars.

Modest Federal investment in Tier 2 Investment

The average annual expenditure for Tier 2 aligned activities – including ILC grants and Partners In The Community (PITC) grants – is approximately $177 million[2]. This is arguably an insufficient sum, given the importance of Tier 2 activities and their role as a 'whole of community' protection.

NFP Sector volunteering is in decline

The overall pattern of not-for-profit sector volunteering within Australia has fluctuated over time. Between 2006 and 2010, more than 1 in 3 (34%–36%) people aged 18 and over reported volunteering through an organisation in the previous 12 months (AIHW, 2022). In 2019, this dropped to 29%. This decline will likely place greater pressure on service providers.

Significant volatility in disability sector employment and staff volunteering

The level of volunteering in the disability services sector has been stable in recent times (2021-2022), but we found that this was largely due to an increase in volunteering within operational (staff) roles. The rise in staff volunteering was not sufficient to offset the loss of many casual and ongoing staff over the same period. While the recent rise in staff volunteers demonstrated a high level of commitment by such staff to the service provided to people with disabilities, it reflects the pressure on service providers due to the loss of paid staff. Essentially, the sector is overly reliant on the unpaid operational volunteers.

Increase in informal volunteering

People providing informal volunteering (unpaid work or support to people living outside their household) increased in 2019 (AIHW, 2022). This elevated volunteer level suggest that vulnerable people may be turning to informal sources of care, likely due to the decline in both NFP donations enabling program delivery and in *formal* volunteering as people who formerly volunteered in the sector have reduced capacity for unpaid work due to the rising cost of living.

Limitations in existing federal, state and local datasets

Existing reporting guidelines do not require local state and federal funding entities to provide detailed data about the use and outcomes of Tier 2 investments. Such data are critical to the sustainability of the NDIS and to understanding the extent of Tier 2 investment. The advent of the National Disability Data Asset (NDDA) is, however, a promising development which, if implemented correctly, will provide industry stakeholders with vital data to enhance decision making.

[2] We acknowledge that further funding for some 'Tier 2 type' activities may be in place through pre-existing federal arrangements, and state level funding agreements. These activities may predate the NDIS. Newly funded Tier two focused activities through targeted ILC grants and associated grants are however modest.

Conclusion and recommendations

The headwinds facing the disability services sector are significant. Rising costs of living, and of operating community organisations, are adding extra pressure both in terms of funding and volunteering, meaning that the sector requires critical funds to ensure that Tier 2 services continue to be offered.

While the NDIS continues to provide significant Tier 3 supports to the community, the consistent underfunding of Tier 2 may have consequences for Tier 3 funding levels in the future. The absence of adequate Tier 2 supports from local and community-based organisations reduces the vital support provided to people with disabilities who are not eligible for an individual Tier 3 support package. This increases the likelihood that people reliant on Tier 2 services will experience an exacerbation of their disability, leading to them requiring Tier 3 support in future.

Expenditure on Tier 2 supports must be consistent with, and of sufficient scale to offer, critical support to the millions of Australians living with a disability that are seeking social connection, information, referral services, community engagement activities and tools to support and empower them to better engage with society.

Given the volatile nature of Tier 2 catagory funding and the trends in volunteering and sector specific employment over recent years, Per Capita makes the following recommendations for policy change.

Recommendation 1: Additional transitional investment in the short term

Better transitional funding initiatives are needed to ensure the continuity of existing and recently underfunded Tier 2-like programs and initiatives to ensure continuity of service and to ensure that the social capital generated though longstanding programs, many of which were previously funded through state-based agreements, is not lost.

Recommendation 2: Scale investment to achieve scheme objectives in the medium term

All stakeholders in the NDIS must be able to determine the appropriate strategy to viably increase their investment in Tier 2 service provisions, beyond transitional funding alone. This investment must acknowledge the pre-existing initiatives that have been underfunded or defunded and the purpose of the NDIS. Viable investment to scale Tier 2 activities to sufficient levels commensurate with the scheme is critical. The provision of greater Tier 2 investment may reduce the transition of some parties to Tier 3 supports.

Recommendation 3: Robust data capture process pertaining to Tier 2

We recommend a strong data capture and disclosure process pertaining to Tier 2 funding that links expenditures to annual intervals at a minimum. While current public data include funding block values and recipients, data pertaining to the aligned year of investment and investment outcomes is essential. Data disaggregation is essential to understanding long term Tier 2 investment trends, and capturing and analysing investments in Tier 2 is critical. The annual expenditures on Tier 2-like activities, administered previously by the National Disability Insurance Agency (NDIA) and now by the Department of Social Security (DSS), is critical to determining the effectiveness of Tier 2 activities and to identifying areas of shortfall.

Recommendation 4: Additional funding for volunteer facilitation

Not-for-profit organisations must be funded to provide the necessary supports to volunteers and to involve volunteers in Tier 2 activities. Further funding of Tier 2 supports may be necessary to accommodate the decline in volunteer -ed Tier 2 supports, and to facilitate greater participation. The funding of volunteer activity and activity supports should not be at the expense of core Tier 2 funding.

Recommendation 5: Capacity replacement investment in the short term

Beyond the funding required within Recommendation 1 (Transition) and Recommendation 2 (Scaling), additional capacity replacement funding may be necessary. Given the decline in volunteering and donor funding, as well as the drop in both casual and ongoing employment aligned to Tier 2, many critical Tier 2 supports and associated community connections are in jeopardy. Additional investment in ILC activities through the expansion of the DSS administered grants program is essential to bring stability to service delivery and maintain valued social supports. Such funding increases are also needed to provide sufficient capacity to the sector after the impact of COVID and significant cost of living pressures.

Recommendation 6: Stabilisation of funding provision

The increased investment in Tier 2 recommended above should be made in a stabilised manner to reduce the volatility that varied and piecemeal investment in service delivery introduces to provider enterprises and balance sheets. Volatile arrangements erode goodwill, and social capital is often lost as programs that implement effective Tier 2 supports see their investment withdrawn, affecting both workers and the recipients of care.

Recommendation 7: More granular data provision at Local (Council) level

It is essential that council level data in alignment with existing expenditure reporting frameworks be reported with sufficient detail to disentangle high level expenditure categories. Present reporting requirements are that councils only report to 10 high level categories, know as functional purposes, and associated sub-categories, making the analysis of disability category specific expenditure untenable[3]. Reporting practices should be reformed to provide more transparent and accountable records of disability program expenditure.

Recommendation 8: Provision of State level disability services investment data

It is necessary that state agencies report on specific expenditures and investments made in Tier 2 supports to enable informed assessment and policy decision-making in how resources are allocated between the different tiers of the NDIS. More detailed program outcomes data is needed to inform Tier 2 program design and to ensure the sustainable use of program funding. Both the volatile nature of funding and the lack of published outcomes data makes the design and development of sound and useful services challenging.

For a copy of the full report visit www.nds.org.au

[3]The classification of expenditure in ABS publications and datasets is based on a system of classification developed by the OECD that splits expenditure by government into 10 functional categories under the "Classifications of the Functions of Government" (COFOG). The first level of the 10 functional purposes include, General public services, Public order and safety, Economic affairs, Environmental Protection, Housing and community amenities, Health, Recreation, culture and religion, Education, Social Protection, Transport. The category that incorporates disability expenditure is Social protection and is further segregated into 10 sub levels including Sickness and disability, Old age, Survivors, Family and children, Unemployment, Housing, Social exclusion n.e.c., R&D, social protection, Social protection (including natural disaster relief), Social protection n.e.c. Detailed expenditure on Disability is not reported separately by councils beyond their financial reports and reporting to relevant state departments. State departments responsible for local government data furnish this data to the ABS.