11.7 AGED AND DISABILITY REFORMS - COUNCIL’S FUTURE ROLE

File No: 2017/862
Mark Florence - Director
Development & Community Services

For Decision

RECOMMENDATION

That Council:
1. Provides formal notice to the representatives of the Commonwealth Government Department of Health, and Victoria State Government Department of Health and Human Services of its decision to exit its agreements to deliver services under the Commonwealth Home Support Program (CHSP) and Home and Community Care – Program for Younger People (HACC-PYP) from 30 June 2018, subject to agreement by the Commonwealth;
2. Directs that this period of notice be used to work constructively with the Commonwealth and Victoria State Governments and other parties to manage an orderly transition process to a new provider that protects the interests of clients and their families;
3. Notes that there will be a range of support measures offered to staff affected by this decision;
4. Acknowledges and accepts that it is the responsibility of the Commonwealth and State Governments to consider and appoint any new CHSP and HACC PYP provider;
5. Endorses the recommendations of the EOI assessment document provided as a confidential attachment to this report; and
6. Receives further reports at the April and June 2018 Council meetings on the progress and status of the transition process and activities.

MOTION

That Council close the meeting to the public under the powers of sections 89(2)(d), 89(2)(c) and 89(2)(h) of the Local Government Act (1989) to discuss Item 5 of the recommendation.

Moved: Cr Goldsworthy
Seconded: Cr Price

CARRIED

This meeting moved into Confidential, recording and live streaming ceased at 6.45pm.

This meeting was reopened to the public, recording and live streaming recommenced at 6.58pm.
MOTION
That parts 1,2,3,4,& 6 of the recommendation as written, be considered separately to part 5.

Moved: Cr Goldsworthy
Seconded: Cr Murdoch

CARRIED

RESOLUTION
That Council:
1. Provides formal notice to the representatives of the Commonwealth Government Department of Health, and Victoria State Government Department of Health and Human Services of its decision to exit its agreements to deliver services under the Commonwealth Home Support Program (CHSP) and Home and Community Care – Program for Younger People (HACC-PYP) from 30 June 2018, subject to agreement by the Commonwealth;
2. Directs that this period of notice be used to work constructively with the Commonwealth and Victoria State Governments and other parties to manage an orderly transition process to a new provider that protects the interests of clients and their families;
3. Notes that there will be a range of support measures offered to staff affected by this decision;
4. Acknowledges and accepts that it is the responsibility of the Commonwealth and State Governments to consider and appoint any new CHSP and HACC PYP provider;
5. Receives further reports at the April and June 2018 Council meetings on the progress and status of the transition process and activities.

Moved: Cr Goldsworthy
Seconded: Cr Murdoch

CARRIED

RESOLUTION
That Council:

5. Endorses the amended recommendations of the EOI assessment document provided as a confidential attachment to this report.

Moved: Cr Price
Seconded: Cr Gaffney

CARRIED
INTRODUCTION

Indigo Shire Council is a local provider of home and community care services to assist older people, those recovering from acute care and people with a disability to live independently in the community. This has been an important part of Victorian local government for more than 30 years. The Home and Community Care (HACC) program was initiated in the early 1980’s and most local governments invested in the development of an integrated suite of services across assessment, domiciliary support, home maintenance, delivered meals, senior citizens centres and planned activity groups.

Over this time, the investment and organisational commitment to aged, disability and post-acute care services provision has become emblematic of the relationship between local government and its community. Investment in HACC services has been a means of expressing a strong commitment to the most vulnerable members of the community: this includes older people, people with a disability or mental illness and people at risk of homelessness.

Over the past eight to ten years there has been a series of discussions and negotiations between the Commonwealth, States and Territories to establish new rules and arrangements for where responsibility vests for funding and controlling the means of delivery of these services. The reforms to how aged and disability services are funded and delivered are arguably the largest social reform and program of industry restructuring experienced since the introduction of Medicare more than 40 years ago.

This report explores the background of the reforms, implications for Council and recommends a Council decision on a way forward that seeks to:

- Protect the interests of existing and future clients and families;
- Recognise obligations and entitlements owed to existing staff;
- Identify the role that Indigo Shire can play in supporting older people in its community;
- Respond to the uncertainty and likely directions of the aged care reforms;
- Considers the broader financial and service context of Council; and
- Provide support and investment in the development of local providers to build capacity to effectively operate in the future CHSP/HACC-PYP funding and operating environment.

BACKGROUND

Service Context

Indigo Shire Home Support services are funded (in part) under the Commonwealth Home Support Programme (CHSP), (over 65 years) and State administered Home and Community Care – Program for Younger People (HACC PYP) (under 65 years) designed to provide basic services to enable older people to live independently for as long as is appropriate. The CHSP is part of an integrated aged care system that includes:

- Home Support – ‘entry level’ basic services – domestic assistance, personal care, shopping etc – over 900,000 people nationally access home support services across Australia;
- 4 levels of ‘Packaged Care’ – funded at various levels from ‘basic care’ to ‘high care’ to maintain independence – 90,000 people nationally receive packaged care; to
- Residential Aged Care – funded residential aged care – nearly 235,000 people nationally access residential care.

Indigo Shire participates in home support and package care. Services delivered by Indigo Shire under the CHSP/HACC Include: Domestic Assistance, Personal Care, Property Maintenance, Social Support, Respite Care, Delivered Meals and Assessment.
In 2016/17 Indigo Shire delivered approximately 13,800 hours to 500 clients under the CHSP/HACC Programme (an average of 30 hours per client per annum). Many CHSP/HACC clients come on and off the service depending on need, others remain on with relatively low levels of support to maintain independence.

Indigo Shire is one of several providers of CHSP/HACC services and up to a dozen ‘packaged care’ providers active within the municipality.

The Origins of the Reforms


These reports established and highlighted the ‘burning platform’ that initiated the reform agenda and have shaped the underlying architecture and mechanisms of the systems that are now being designed, developed and established through the CHSP and National Disability Insurance Scheme (NDIS).

The key drivers for the aged care reforms include:

- The number of people in Australia requiring aged care (in some form) will increase by 350% between 2011 and 2050;
- There were significant system weaknesses (difficult navigation, limited services, variable quality and no consumer choice) and inefficiencies (duplication of effort, no competition and high cost structures) that needed to be eradicated; and
- There was real concern that the cost of providing adequate care for older people in future would be unaffordable as a nation.

The drivers of the disability reforms include:

- Political determination to introduce a comprehensive disability insurance scheme to address years of inefficient, fragmented and uncoordinated policy and service delivery;
- A consumer driven, market based model would drive the most efficient use of government resources; and
- A three-year implementation period would transform the lives of over 460,000 Australians and generate a massive market for efficient delivery of services no matter where people lived.

Council of Australian Governments – August 2011

The 31st meeting of the Council of Australian Governments (COAG) held on 19 August 2011 made a series of decisions and commitments related to the broader health system and more specifically aged and disability care.

‘Schedule F – Aged Care and Disability’ to the COAG National Health Reform Agreement 1 clarifies the future roles and responsibilities of governments regarding basic community care services currently delivered through the HACC program, Commonwealth funded and managed community and residential aged care, and certain specialist disability services provided under the National Disability Agreement and managed by States. The following statement is extracted from Schedule F:

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'F5 – The Commonwealth will take full funding, policy, management and delivery responsibility for a consistent and unified aged care system covering basic home care through to residential care.'

Schedule F determined that the Commonwealth would be responsible for:

- Regulating packaged community and residential aged care delivered under Commonwealth aged care programs;
- Funding packaged community and residential aged care delivered under Commonwealth aged care programs for people aged 65 years and over (50 years and over for Indigenous Australians);
- Funding and regulating basic community care services for people aged 65 years and over (50 years and over for Indigenous Australians); and
- Funding specialist disability services delivered by the States in accordance with their responsibilities under the National Disability Agreement for people aged 65 years and over (50 years and over for Indigenous Australians).

State responsibilities would include:

- Regulating specialist disability services delivered under the National Disability Agreement;
- Funding and regulating basic community care services for people under the age of 65 years in line with their principal responsibility for delivery of other disability services by the States in accordance with their responsibilities under the National Disability Agreement, except Indigenous Australians aged 50 years and over for whom the cost of care will be met by the Commonwealth; and
- Funding packaged community and residential aged care delivered under Commonwealth aged care programs for people under the age of 65 years, except Indigenous Australians aged 50 years and over.

In 2012, the Australian Government announced policy changes to the aged care system. These reforms were passed into law in June 2013. The five-year plan called Living Longer Living Better (LLL) introduced navigation for older Australians through an aged care online gateway known as My Aged Care.

The COAG National Health Reform Agreement underpins a very clear transfer of primary responsibility for the funding of both aged and disability services to the Commonwealth, it also references State Government responsibilities. It is noted that local government is not mentioned as a co-funding partner under the new arrangements.

The Victorian Home & Community Care Model

The Victorian HACC model that developed over 30 years from 1984 was very different to the mechanisms in the rest of Australia. Local government, with the encouragement and support of the Victorian Government took on a strong service delivery and local area planning role. In most other states, local government did not play a strong role in the delivery or coordination of services under the program.

It has been argued by some stakeholders that the previous Victorian HACC system was superior to other States because of its highly-integrated nature and delivery of higher quality services. The Victorian model was also seen by some as expensive when compared with other States and operated under monopoly conditions which prevented client choice.

Since 1984, Victorian local governments have co-funded a complex and highly integrated service system and worked with the Victorian Government at a regional level to ensure services met local
needs and responded to emerging demands. The local government co-investment is estimated at between $180m and $250m annually.

When the CHSP commenced roll-out in the rest of Australia in 2015 (except Western Australia), the Commonwealth and Victorian Governments agreed that special transition provisions would apply in Victoria until 1 July 2019. This saw the continuation of ‘block funding’, a stability of funding commitment and establishment of a Victorian Regional Assessment Service (VRAS). The Commonwealth Government have recently announced that they will extend Regional Assessment Services (RAS) and CHSP funding arrangements for an additional year to July 2020. The extension will be a separate one-year contract which is yet to be negotiated.

The medium-term future of the VRAS is not known and is currently under review.

Commonwealth Objectives and Reform Principles

The Commonwealth has a clear agenda to create a consistent and affordable national program to provide an integrated suite of aged care services from entry level ‘home support’, to more comprehensive ‘packaged care’ arrangements to support independent living and through to residential care that meets the needs of local communities.

Some of the key philosophies and principles that underpin the reforms include:

- **Consumer Directed Care** – government is moving towards providing ‘packaged care’ funding to the client to enable choice and control – the client purchases services from a range of providers who can provide part or all of the needs. Consumer Directed Care has a strong human rights and philosophical basis but introduces competition and signals the end of ‘block funding’ certainty for providers in most circumstances.

- **A Simplified Gateway** – the Commonwealth has established My Aged Care as the single point of entry for all Australians to access aged care services – the recent Legislated Review of Aged Care has recommended merging of the RAS (Home Support) and Aged Care Assessment Teams (ACAT) (Residential Aged Care) nationally. The Commonwealth Government is currently considering its response to the Legislated Review, but it is considered likely that the response will have an impact on the VRAS operated via the Victorian Government and delivered primarily through local government and community health.

- **Demand Driven System** – the current ‘block funded’ and supply driven system will progressively move to a ‘demand driven’ funding system to ensure consistent services are delivered to where they are needed rather than what areas funding is allocated – funding will be provided directly to the client for the purchase of required services and supports from a range of providers. The former HACC program did not have equitable allocation of funding between geographic areas and could not respond in an agile manner to growth and change in demand patterns.

- **Competition Policy** – there is a renewed national focus on competition policy to drive economic growth, productivity and efficiency in service delivery. It is considered likely that future government policy decisions will be based on market and competition principles meaning that local government direct service will face greater market exposure.

- **Competitive Neutrality** – local government must remove any inherent advantage gained through its public ownership – its relatively high cost structures and lack of economies of scale will be exposed. The ‘advantage’ is in the form of the use of a ratepayer subsidy and
this issue will impact immediately under the NDIS roll out and more than likely under the future CHSP program design.

- **Monopoly Market** – the protected market conditions under the previous HACC system are likely to be completely dismantled to facilitate open competition and improved efficiency. Local government is not well equipped and lacks the agility to effectively operate under market conditions. (Block funding may be retained for some remote areas, but it is likely to be on a ‘most efficient’ multiple provider basis.)

- **Market Efficiencies** – it is observed that the Commonwealth may be seeking market efficiencies and reduced transaction costs by having fewer contracts with larger organisations operating across broader geographic areas. Organisations with a scale many times the size of local government providers can benefit from competitive advantages due to economies of scale, broader service offerings and lower unit cost to deliver services.

- **Client Contribution** – the Commonwealth has published the National Guide to the CHSP Client Contribution Framework (October 2015) that will progressively be implemented to ensure that all Australians make a consistent contribution to care depending on their capacity and capability.

### Legislated Review of Aged Care Act – The Tune Review

A key marker for the future of aged care reforms was the Legislated Review of the Aged Care Act that was tabled in parliament in August 2017. The Review was conducted by Mr David Tune AO PSM as the independent reviewer and clearly points to the continuation of consumer directed care, market principles and development of an integrated national platform to meet the growing demands in the aged care space.

The report noted that Commonwealth have allocated $18.6bn for aged care in 2017/18 which is the first part of a $100bn commitment over 5 years. This includes $5.5bn to extend CHSP until 2020.

Key recommendations from the Review with an impact for local government include:

- The **merger of the RAS and ACAT workforces** on a national basis which might have implications for the unique VRAS model.

- That the government further **increase access to high level home care packages** to better reflect current demand by allowing for the temporary allocation of a home care package where there is a residential care place that is not being used.

- That the government **introduce a level 5 home care package** to allow people with higher care needs to stay at home longer, with the level of assistance being no higher than the average costs of care in residential care.

- That the government introduce an **aged care system navigator and outreach services** to assist consumers who have difficulty engaging through the existing channels to effectively engage with My Aged Care. The services should be funded by the government and not be delivered by the government or aged care providers.

- That the government continues to **improve the My Aged Care website** for consumers and providers by making the design and layout easier to use and providing information in more accessible, plain-English formats.
• That the aged care sector, in collaboration with the vocational education and training, and tertiary education sectors, should act to ensure education and training is responsive to the sector’s needs including:
  o Identifying the scope of training required for on-the-job training, continuing professional development, and specialised training;
  o Exploring a range of options to deliver what is required, e.g. partnerships, cooperative models or arrangements with existing non-aged-care training providers;
  o Promoting and encouraging ageing and aged care as a specialisation in nursing education; and
  o Making effective use of allied health workers.

The Government has received the Review Report and will now consider its response together with a large number of responses to a Future of Aged Care Discussion Paper that was published for consultation earlier this year.

No timetable has been provided for release of the response and how this will impact on the design and architecture of the post 2020 Home Support and Packaged Care programmes.

Implications and Challenges for Local Government

There are a range of factors that will be critical in determining if local government can effectively participate through investment and delivery of Home Support services, these include:

• Client care – Ensuring that quality care services are maintained will remain an important focus for local councils. Indigo Shire is no different but direct service delivery is unlikely to be the most appropriate role for councils under the reforms.

• Mandate to Operate – it is considered more likely than not that the Commonwealth will continue the move to ‘demand’ and ‘consumer driven’ funding models and seek to engage with more efficient providers operating across larger geographic areas. This could mean that Council might not have a mandate to operate. If a mandate is granted to local government, it would likely be under a ‘competitive provider’ model which would bring into play other legislative and market implications (such as competitive neutrality) for Council.

• Alternative Providers – the Commonwealth reforms seek to provide greater competition and choice in the market. It is in the interests of the Commonwealth, Council and ultimately clients to have diversity in the market of providers – it is in Council’s long-term interest to increase the capacity of local community and not-for-profit services to operate efficiently and effectively as part of a healthier provider eco-system. Council as a highly subsidised operator may be an impediment to building a stronger local market.

• Cost of Delivery – the unit cost of delivering an hour of service for Victorian local government is somewhere between $65.00 and $85.00 which is well above the level of grant funding and client contribution. As part of this process opportunities for efficiencies were explored and no significant efficiencies were identified. This effectively results in a ratepayer subsidy for each hour of service delivered – for Indigo Shire this is approximately $10 to $15 per hour. It is clear that many alternative providers are able to provide CHSP services on a viable basis within the income from CHSP Grants and Client Contributions.

• Uncertainty and Ambiguity – a critical issue for local government is that it finds itself in a period of extended uncertainty. The original reform timetable was for CHSP to conclude in mid-2018 with a merger with Packaged Care and full introduction of consumer directed care. This milestone has now been extended twice (to 2019 and now to 2020) which means that
the program and policy uncertainty is entering its 3rd or even 4th year. This is having a range of impacts on staffing, morale and service capability.

- **Policy Settings** – Indigo Shire Council and other Victorian local governments have been long term contributors in supporting the viability of the previous integrated HACC model. The current reforms provide an opportunity for Indigo Shire to review its position in broader aged care programs and services, and build on its strengths in service planning and facilitation and advocacy across the whole of life spectrum which includes early years, families, young people, and ageing and disability.

- **Business Strategy** – the current reforms provide a once in a 30-year opportunity to undertake a strategic review of Council’s medium to long term business strategy. If Council were to remain in community care service provision it would require a radical shift in its business model and structures to be competitive and compliant. The risks to council in a highly competitive environment would be considerable in terms of costs and the ability to be viable and sustainable.

- **Market / Client Segmentation** – the majority of community members will be able to navigate successfully to the new program structures but there is emerging evidence that clients with vulnerability may have trouble in transitioning and maintaining contact with the new systems. Council could play an important role in assisting these groups with access and maintaining connection with the new systems.

- **Market Conditions** – the reforms are driving a very significant restructure within the not-for-profit and for-profit service provider sector. Wide-scale mergers and acquisitions are totally transforming the market landscape with very large entities operating across multiple States providing highly integrated services tailored to respond to consumer-driven funding mechanisms. It is very difficult to see how local government might be able to compete on an equal footing with such organisations.

- **Innovation** – there are a range of innovative responses emerging that will likely transform service delivery in the coming decade. ‘Managed Care’ is one example where government and large insurers use broad scale data analysis to identify areas of risk and offer more cost-effective preventative or community supports. Similar disruption is occurring across the entire service landscape and will impact the efficiencies and effectiveness of how services are provided into the future.

### Strategic Options for Indigo Shire

(i) **Continue as CHSP/HACC-PYP Provider until 2020**

Indigo Shire has previously resolved to remain as a provider of Home Support services until 2018. At its meeting on 28 October 2014, Council resolved:

*That Council:*

1. Acknowledges the immediate and future challenges facing Councils in relation to Home and Community Care (HACC) services.
2. Confirm its intent to maintain its vital role in the management and delivery of Home and Community Care (HACC) Services in Indigo Shire until further review in 2018.

All current providers of CHSP/HACC-PYP will have a degree of certainty until 1 July 2020. The programme architecture and commissioning model that the Commonwealth will implement following this is not known and is not expected to be announced until well into the 2018 calendar year.
As a continuing provider of services, the challenge for Indigo Shire (and all Victorian councils who are still delivering these services) will be to navigate a range of mitigating factors that will progressively come into play over the next two to five years, these include:

- **The Need to Reduce Unit Costs** – National Competition Policy dictates that Council cannot subsidise or underwrite service delivery unless there is a market failure. There is no practical way for Council to meaningfully reduce the costs of service delivery due to a range of pre-existing structural and industrial relations arrangements. The establishment of a separate ‘corporatised’ operating arm of Council is not considered practical due to the expense and high level of risk.

- **Primary Responsibility** – the Commonwealth has indicated that it is solely responsible for funding and delivery of aged care through a consistent and integrated national program. In a financially constrained operating environment (due to rate capping and other factors) there is a strong argument that Councils should not be actively seeking to take on responsibility for services and outcomes they are ultimately not responsible for.

- **Uncertainty and Ambiguity** – the impact of uncertainty and ambiguity on program sustainability is significant. Organisational and staff morale has been impacted and staff have expressed a desire for certainty and clarity in Council’s position.

- **Workforce Matters** – the roll-out of the NDIS and increases in aged care funding will mean that there will be a shortage of trained and experienced workers. Council has relatively good working conditions but is not able to offer career pathways or a wider range of work that might be offered by larger integrated care providers.

- **Mandate to Operate** – the future CHSP programme design is yet to be revealed but it is considered more than likely that the Commonwealth will move to a ‘demand and consumer led’ model. If Council is provided with a mandate to operate, it is likely to be as one of several competitive providers within a regional context. This would introduce a significant financial and commercial risk to Council.

- **Block Funding** – the Commonwealth has signalled its intent to progressively move to a ‘consumer directed’ and ‘demand led’ model of provision. This will mean the end of ‘block funding’ (except in some very remote areas where this form of funding might be required to sustain services) that provides local government with known targets and annual funding paid in advance. A shift away from block-funding will introduce a significant level of financial and commercial risk.

- **Declining Scale** – as the NDIS roll-out progresses and other changes occur the size and scale of Indigo Shire’s service will decrease, further increasing unit costs of delivery and placing pressure on Council’s budget. Indigo Shire’s application for extension of its contract to deliver Department of Veterans Affairs Home Care was not renewed in November 2017. The recent loss of this contract was unexpected and decreased operating scale by around 8%. Council’s financial contribution to supporting Home Care services has increased significantly in recent years and is likely to continue to increase if scale declines. This also has an impact on availability of work for existing staff.

(ii) **Rescind the CHSP Agreement with the Commonwealth and State**
Indigo Shire Council is able, under the terms of its agreement with the Commonwealth and the State, to provide notice of its intention to terminate its contracts to deliver CHSP and HACC PYi services on behalf of the Commonwealth and State.
If Council was to take this course of action it is strongly recommended that a reasonable notice period of at least 6 months is provided to ensure there is opportunity to manage an orderly transition. This will include:

- Ensuring the Commonwealth and State have time to undertake due diligence and re-commissioning to reassign funding to a new provider or providers;
- Engaging with clients and families to ensure that the transition is undertaken in a way that protects the interests of current users of the service;
- Working with staff and union representatives to ensure an effective transition program; and
- Managing the impact of any change to ensure issues are identified and managed with care and due diligence.

Some councils have exited from Home and Community Care (eg Wodonga, Alpine, Strathbogie). It is understood from various sources that there are several Victorian local governments who are actively considering their future role in delivery of CHSP services and may be looking to transition out of delivery in the medium term.

With respect to CHSP services, the Commonwealth has stated that there are clear processes and pathways for such a transition to occur on an orderly basis and one option includes:

- Council to provide notice of termination with a reasonable notice period (6 – 9 months);
- The Commonwealth undertaking due diligence and selective commissioning process to appoint a new provider (or providers) for the programme agreement;
- The Commonwealth, Council and selected provider working collaboratively to manage transition of clients and client records;
- Council, after the required notice period, returning its CHSP funding to the Commonwealth;
- Council meeting its industrial relations obligations to staff and providing transitional assistance for staff interested in continuing to work; and
- Council monitoring transition and consolidation of clients and service arrangements.

The State has indicated that it would conduct a similar process but is waiting on any decision of Council on CHSP services before committing to any transition process for the HACC-PYP.

There are other options for transition that might include formalised sub-contracting arrangements, but these have a range of associated risks, these include:

- Programme uncertainty beyond 2019 and 2020 creates contracting risk and any arrangement would be short-term;
- If Council conducts a formal procurement process, there are significant requirements and obligations under the Local Government Act to be met; and
- There are potential ‘transfer of business’ risks for the successful organisation that might see the transmission of local government employment arrangements undesirable.

Commonwealth representatives have indicated that Councils may also provide separate advice of an alternative local provider that it might consider through its own due diligence processes. Any such advice provided to the Commonwealth would be on a completely ‘without prejudice’ basis and there is no obligation to act on the advice from Council.

(iii) Consider Alternative Roles

Local councils, as a level of government, play a range of very important leadership roles for its community which include:

- Advocate – identifying needs and ensuring those who are responsible are held accountable for the delivery of the required services and outcomes;
- Planner – local government has a strong role to play in planning for the health and well-being of its community – this includes the service needs of vulnerable members of the community;
- **Convenor** – if Council is not a provider of services it can play the role of a broker and bring parties together to plan for more integrated and coordinated approaches to delivering services; and
- **Provider of Core Services** – Council plays an important role through the delivery of services (libraries, recreation, open space, paths etc) – the current reforms provide an opportunity to consider re-investment of resources into adapting these services to meet the future needs of older people.

The current reform process provides the opportunity for a complete review of Council policy in terms of the outcomes it wishes to deliver for older people (and people with a disability). This might include:

- Are there specific population groups that are more vulnerable and may not be able to access or maintain connection with the new service system?
- What programs and services might Indigo Shire deliver into the future, what might they commission and what might be left to the market?
- What role will Indigo Shire play with the larger healthier cohort of older people? It currently funds a range of community development activities that could be expanded?
- What role will libraries, neighbourhood houses and recreation centres play into the future?
- Is there a role for Indigo Shire in providing services and activities for the growing number of old people (>85) who will have more chronic illnesses and higher levels of disability?

Indigo Shire is currently undertaking a major Age-Friendly City initiative and it might consider undertaking a comprehensive cross-organisational mapping process of where and how it provides ‘universal’ services or supports to older people and how opportunities might be extended through this project.

This World Health Organisation led global initiative is supported by the Municipal Association of Victoria and Victorian Government and looks at how local government might achieve the following vision:

> "An age-friendly world enables people of all ages to actively participate in community activities and treats everyone with respect, regardless of their age. It is a place that makes it easy for older people to stay connected to people that are important to them. And it helps people stay healthy and active even at the oldest ages and provides appropriate support to those who can no longer look after themselves."

**Discussion of Options**

Councils play an important role in the service planning, facilitation, co-ordination, and advocacy for programs and activities for residents across the “whole of life” spectrum. Early years, youth, families, and ageing and disability services are all important functions that Councils provide leadership and influence.

In all these service areas, Councils maintain a strong client focus and work to achieve the most appropriate client outcomes but do not necessarily provide direct service delivery.
The aged care reforms have created a policy and funding environment where it is unlikely that local
government can play a meaningful role as a service provider because of underlying cost structures
and legislative impediments. This is at a time when there are mounting pressures on local
government to critically examine its roles and functions to ensure that best public value is delivered
by rate-payer funding in a financially constrained environment.

The Commonwealth Government has clearly stated that it is responsible for funding, coordinating
and commissioning an integrated aged care system. These directions appear to be well set and there
is little evidence that there will be wholesale changes away from the continued implementation of a
demand-led, market-based, and consumer-directed home support model.

Local Council has a range of important roles and functions that it will continue to play as a level of
government. These include leadership, advocacy and planning. The Age-Friendly City initiative will
assist in identifying and refining Council’s future role and function in relation to aged care and older
people.

This report recommends that Council:

- Makes a decision to provide notice to terminate its agreement to deliver services under the
  CHSP and HACC PYP;
- Notes that Council intends to work constructively with the Commonwealth and State
  Governments to manage an orderly transition for clients; and
- Accepts that this decision will have a significant impact on staff and commits to meeting all
  industrial relations obligations, which may include redundancies, transition support,
  redeployment and retraining support.

This important recommendation is made on evidence available to Council officers at this time and
the future directions of the aged care (and disability) reforms.

Key questions for Council (and community) will include:

- **Why doesn’t Council wait until 2020 before making any decision?**

  The uncertainty and ambiguity of how the reforms will ultimately be delivered and structured
  is a considerable concern for Councils. The direction from the Commonwealth is reasonably
  clear and that Councils are unlikely to be best placed to deliver services.

  The introduction of a new provider allows that provider time to establish itself in the local
  market and to strengthen its service delivery in advance of the forthcoming competitive
  market environment. Council’s presence in the competitive market would be a hindrance to
  effective service provision.

- **Will Home Support Services continue to be funded and provided within Indigo Shire?**

  The Commonwealth Government is moving towards a nationally consistent, ‘demand led’
  and ‘consumer directed’ programme for Home Support and Packaged Care. Funding for
  services will continue to be available until and beyond the 2020 milestone – there is no risk
  that services will be unavailable for the citizens of Indigo Shire.

  The Commonwealth Government has committed to increasing funding to aged care and
  providing a better integrated and coordinated suite of national services to meet the needs of
all Australians. The transition process may face some hurdles but there is a commitment to improvement and remedying identified issues as quickly as possible.

- **Is Council best placed to deliver CHSP services?**

  Council has a strong history in planning, coordinating and delivering services under the previous HACC program. The structures and processes that created the unique Victorian HACC model have been significantly disrupted and the next phase of reforms will continue this trend.

  The factors that mitigate against local government participation as a provider include: high cost structures; overall impact on organisational viability; limited geographic reach; limited service types; National Competition Policy and lack of competition experience.

- **Who will be responsible for delivery of services to rural and remote areas?**

  Indigo Shire Council is not classified as a remote area, however, one of the key concerns is that clients living in Indigo Shire Council will not be serviced by a new ‘demand led’ or ‘market driven’ model. The Commonwealth Government has taken responsibility for the design of a programme that will deliver outcomes for all Australians (no matter where they live).

  Any new provider appointed by the Commonwealth will have an obligation to deliver services to all geographic areas, townships and settlements currently covered by Indigo Shire.

  A major risk for Council is that there will likely be a continuing decline in the scale of its own service and that all it might be left with is the very high cost, difficult to deliver services that really need to be managed within the context of a larger more efficient service base.

  The timing of this decision allows the necessary time for Council and the new provider to assess and determine all service needs and coverage to ensure that every eligible client receives the care that is needed.

  Council can play an important role in supporting an effective transition, ensuring accountability and potentially intervening in emergency situations where there is risk of service failure.

- **How will transition impact clients?**

  Given the 6 month notice there should be limited impact on clients. There is evidence from previous transitions (e.g. Alpine Shire and Wodonga) that transitions have been handled with care and due diligence. All providers (and Commonwealth) are critically aware of the need for sensitivity and due diligence in managing the process.

  Some clients, already known to Council, will need special care and attention but additional resources will be applied to ensure effective transfer.

  Home Support services are designed as ‘first stage’ care arrangements and ultimately most clients will have to experience a change in provider as circumstances change.
• Will service standards be impacted?

The Commonwealth and State governments are responsible for setting and overseeing appropriate service standards. The new provider must be accredited against these standards and consistently achieve compliance in order to maintain a mandate to operate.

• How will a transition impact staff?

Indigo Shire Home Support and administrative staff are employed under an Enterprise Agreement that contains a range of rights and entitlements.

A decision to withdraw from a program area will trigger industrial relations obligations including redundancy of roles and transition support provisions. This in turn will mean that there will be retrenchment of individuals or potentially limited opportunities for redeployment within Council.

A Community Care Service Working Group was formed in recent months to ensure that staff and employee representatives were engaged in the review process (see Attachment 1 – Terms of Reference). The drivers for the formation of this Working Group were the significant and imminent sector reforms and to provide input into Council’s evaluation of the viability of continuing to deliver Community Care services.

The Working Group convened a number of times and assessed a broad range of relevant issues. At the conclusion of its work, the Working Group resolved to present to Council a number of key messages for consideration. These are:

1. That when considering the future of service provision, Council should take into account that it is a signatory to the Age Friendly Victoria Declaration;

2. Council should consider that the Community Care staff are residents and ratepayers of Indigo Shire; and

3. That any decision made by Council be clearly and extensively communicated to clients and the community.

An orderly transition to a new provider(s) will include opportunities for the majority of existing staff to be considered for roles with the new provider. This has been seen in other municipalities where Council has transitioned to new providers.

The broader context is positive for direct care workers. The NDIS will massively increase demand for trained and skilled workers and most Council employees would have positive prospects for future employment.

Expression of Interest – Alternative Provider

Council’s interest in engaging in this process is to protect the interests of existing clients and staff who would benefit from a more orderly transition process.

To inform this report and Council decision making, a confidential and selective expression of interest (EOI) process was conducted with five providers of CHSP/HACC PYP services to gauge interest and explore capability. This process has been undertaken on a completely ‘without prejudice’ basis and
to satisfy Council that there might be an alternative local provider with the capability to potentially take on the CHSP/HACC PYP contracts.

Council received three comprehensive responses. Senior officers and an independent professional have undertaken an assessment through a desktop review and interview process.

This EOI requested information from each of the respondents regarding:

- Current scope of services and performance;
- Understanding and experience in managing a service transition process; and
- Track record in quality service delivery.

A critical function of the process was to identify risks associated with each option and consider strategic alignment with Commonwealth Government reforms and directions. It was made very clear through EOI documentation and discussion that Council’s role would be to provide advice on a ‘without prejudice’ basis to the Commonwealth Department of Health.

A summary of the EOI documentation and assessment outcomes are included in the Confidential Attachment to this report.

It is critical to re-state that:

- The EOI process should not be construed or perceived as a procurement process under the Local Government Act;
- Any recommendation is made on a without prejudice basis and the Commonwealth and State will undertake their own due diligence and make an independent decision on recommissioning; and
- The EOI process has been conducted to mitigate the potential impact on clients and strengthen the local service network. It should not, and does not imply or infer a transfer, or transmission of business under any industrial agreement or legislation.

This report will seek delegation to the Chief Executive Officer to write to the Commonwealth and State delegates advising of the EOI process and the outcomes on a ‘without prejudice’ basis.

KEY IMPLICATIONS

Legislative Issues

There are no significant legislative issues arising from the report. The Commonwealth Government has clearly stated that it is responsible for funding, planning and commissioning of a new aged care system for Australia.

The Local Government Act requires Council to provide governance and leadership for its community through advocacy, decision making and action. These often difficult and complex decisions need to be in the long-term interest of the community and appropriately reflect the financial resources available.

Environmental Issues

There are no significant environmental issues arising from this report.
Economic Issues
The Commonwealth Government has an economic imperative to ensure that the future aged care system is affordable for the national economy. A clear part of the reform agenda is to employ the most efficient means possible to deliver services that are required.

The development of a healthy provider ‘eco-system’ is in the interests of both Council and the Commonwealth Government. The transfer of CHSP Funding into the local economy will act to strengthen and support the capacity of the local service providers to more effectively compete in the new environment.

The Labour Market Information Portal indicates that Health Care and Social Assistance will be the single largest employment area for growth in Victoria, it will account for more than 1 in 4 (26%) new jobs in the next 5 years. In regional Victoria, Health Care and Social Assistance will account for 28% of jobs growth.

This will present a challenge for government and regional economies to train and develop the workforce required to service needs.

Local government is a significant local employer and the impact of the reforms will mean that there will be transitional risk for existing staff. Council will meet its industrial relations obligations and with increasing workforce demand it is entirely likely that most staff who wish to continue working will be able to find employment.

Social Issues
Local government has a long history in the provision of aged and disability services through the previous HACC Program (now the CHSP) and through this built a strong social contract with its community. The Commonwealth reforms are a disruption to this relationship and there is concern that clients and staff might be disadvantaged through the transition process. The recommended action is designed to minimise this concern and to provide stability to the service delivery.

RISK MANAGEMENT
The following high-level risks are identified in the report:

Authorising Environment – Indigo Shire may potentially not be able to continue as a provider of CHSP services beyond 2020 as it may not have a mandate or an enabling authorising environment.

Financial Risk – there is a likelihood of increasing financial risk (on the basis of current unit costs) for Indigo Shire if it continues to be a provider of services due to cost structures and reducing economies of scale.

Competitive Neutrality – Council needs to be aware of and understand the emerging risk related to Competitive Neutrality – unless there is an overwhelming policy basis, it cannot lawfully subsidise the costs of its operations to provide a competitive advantage.

Employee Relations Considerations – there are significant industrial and employee relations risks for Council no matter what decision Council takes, these include:

- Changes to work hours available for existing staff;
- Potential redundancy for staff if service levels decline; and
- Facilitating the transition of current workers to new employers.
Accountability – in a financially constrained operating environment (rate capping etc) local government should not be actively seeking to take on responsibility for services and outcomes it is not required to be responsible for.

Competition – in a competitive market without block funding, local government is exposed to a range of additional commercial risks that it has not previously encountered.

Reputation – council could attract criticism from the community for its decision to exit its role in direct delivery of home support and community care services

RISK MITIGATIONS

The recommendation as presented will mitigate against any risks by:

- Reducing levels of uncertainty and ambiguity;
- Acting on sound research and analysis;
- Placing clients and staff at forefront of decisions;
- Positioning Council for greater influence in future service planning;
- Providing extended time for establishment of a new provider in the market; and
- Prudently managing Council resources against service demands.

FINANCIAL IMPLICATIONS

The CHSP is a significant program in the broader context of the Indigo Shire budget. The $1.54m annual program employs 34 part-time care workers (average 13 hours per week) and 7 office-based support staff (majority part-time).

The 2016/17 Home Support program deficit of $196,260 represents approximately 1.5% of annual rate income of $12.778m. The 2017/18 deficit is projected to increase to $284,000. There is little doubt that the pressures of competitive neutrality and service scale decreases will significantly increase the cost of this service in future years.

There are significant transition costs (approximately $450,000) involved in the decision, but these costs will be offset by future savings. It is likely that these will be recouped over a three-to-five-year timeframe.

Once a new provider is known it is possible some costs will extend into next year to finalise the process, and if applicable this will form part of the budget process.

LEGAL/COUNCIL PLAN/POLICY IMPACT

Council Plan

The recommendation that Council transition out of the delivery of Home Support Services is significant in terms of the overall strategic objectives for Council. Implications include:

- Appropriate services will continue to be delivered by local providers to support older people to live independently for as long as possible;
- The decision will assist Council to remain financially viable and ensure that services are delivered in a more cost-effective manner;
- Council will work through community partnerships and adaptation of universal services to deliver outcomes for older people in its community;
The overall growth of the Health Care and Social Assistance sector will support economic growth; and

The decision is appropriate in the context of the broader aged and disability reforms and the shift of responsibility from a cooperative and co-funded approach to the Commonwealth Government taking on overall responsibility.

For these reasons, Council included Action 1.2.4 in the recently adopted Council Plan 2017-2021: To evaluate and plan for the implementation of aged care reforms and the National Disability Insurance Scheme.

National Competition Policy

Under Competitive Neutrality Principles that apply to government run businesses, Home Support Services would be characterised as a ‘significant business’ for Council. It is likely to be operating in a competitive environment and therefore it cannot enjoy any advantage arising from its public ownership. There is no practical way in which the underlying costs structures can be adjusted without significant investment and therefore Council will be vulnerable to a complaint under this legislation.

CONCLUSION

The very clear change of policy and accountability for aged care at a national level demands that Council considers the implications and makes decisions that are in the long-term interests of its community and organisational sustainability.

There is no doubt that the Home Support program that Council has funded and delivered for over 30 years was an important part of the network of supports that have allowed older people to live independently with good levels of health and wellbeing. This decision will not mean that services are not available in the future, it will mean that they will be delivered by organisations that have higher levels of efficiency and better alignment with the overall objectives of the Commonwealth Government.

An EOI undertaken by Council has identified that there are qualified and capable alternative providers that can be recommended to the Commonwealth and State. A recommended provider would represent an investment in the future sustainability of the local service system.

In taking this decision Council commits to supporting an effective transition process for clients and accepting industrial relations obligations and responsibilities it owes to direct service and support staff.

The thorough and extensive process of education, research, analysis and assessment undertaken by Council has demonstrated that the role of Council in direct service delivery of home support and community care services cannot be sustained under the new Commonwealth reforms.

However, Council can continue to play a very influential role in supporting the ageing population through service planning, facilitation and advocacy.

The proposed transition to a new service provider maintains quality care for the clients, supports client-led demand, and maintains opportunities for current and future staff.

The decision represents a responsible and considered action by Council and demonstrates strong leadership on a matter of great importance.
Attachments

1. Terms of Reference - Community Care Working Party
2. Provider Assessment (Confidential)