



**FINAL REPORT**

## Expiry of the Social and Community Services Pay Equity Special Account

Implications for family and relationship services



*Prepared for  
Family and Relationship Services Australia*

*24 March 2020*

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## *Glossary*

AGD	Attorney General's Department
AIFS	Australian Institute of Family Studies
ASU	Australian Municipal Administrative, Clerical and Services Union
BCR	Benefit Cost Ratio
CBA	Cost Benefit Analysis
CEO	Chief Executive Officer
CfC	Communities for Children
DOH	Department of Health
DOORS	Detection of Overall Risk Screening
DSS	Department of Social Services
DVA	Department of Veteran's Affairs
ERO	Equal Remuneration Order
FaRS	Family and Relationship Services
FRS	Family and Relationship Services
FRSA	Family and Relationship Services
FTE	Full Time Equivalent
FWA	Fair Work Australia
PM&C	Prime Minister and Cabinet
QIRC	Queensland Industrial Relations Commission
SACS	Social and Community Services
SCHADS	Social, Community, Home Care and Disability Services
SFVS	Specialised Family Violence Services
SROI	Social Return on Investment
WA IRC	Western Australian Industrial Relations Commission

## Summary

The CIE was commissioned by Family and Relationship Services Australia (FRSA) to consider the impact of possible reduced funding levels to the FRSA membership base from 1 July 2021 due to the expiry of the Social and Community Services (SACS) Special Account.

The 2012 Fair Work Australia Equal Remuneration Order (ERO) allowed for a progressive increase in award rates of pay for all levels within the SACS Modern Award 2010. In response to the ERO, the Commonwealth Government announced the creation of a Special Account to cover the increase in wage costs faced by service providers funded by Commonwealth Government grants. Ongoing challenges have been presented to the FRSA membership base since the creation of the Special Account:

- the calculation of the SACS supplementation payments was applied at an industry average level across all government grants, irrespective of the real wage costs faced by individual organisations
- supplementation payments were designed with a sunset clause, that is, payments are to cease at the end of the phase-in period of the Equal Remuneration Order, with the legislation silent on what was to happen after the Special Account ceased in 2021
- Commonwealth government programs implemented after the 2012 determination allowed for the ERO supplementation to be included in baseline funding amounts and therefore, ERO funding for these programs will continue past 2021.

Our analysis of the impact of the Special Account expiry is based on a sector wide survey of the FRSA membership base. The survey and subsequent analysis cover three key elements:

- current funding and service delivery levels across Australia, considering the regional and metropolitan distribution
- the range of efficiency investments made by organisations since 2012, to ensure that the best value for money is received by Australian taxpayers and clients
- the potential scale of impact on clients and Australian taxpayers should funding levels be reduced across the sector from July 2021.

Ultimately our findings point to the Family and Relationship Services (FRS) sector delivering substantial value to the Australian economy and to Australians. A sector wide average benefit cost ratio (BCR) of 5.5:1 was estimated.

This indicates that for every dollar of effective funding that is withdrawn from the sector, \$5.50 will be pushed on to Australians – both FRS service users and Australian taxpayers – and wider government portfolios such as health, justice and education.



The FRSA membership base has documented a wide array of efficiency investments made to date that have ensured that the sector has been able to maintain client numbers in the face of funding pressures and significant cost pressures.

The scope for further efficiency dividends to be reaped by the Commonwealth should SACS Special Account payments not be rolled over to baseline funding is limited.

The most likely scenario is that an *at least* proportional reduction in client services is observed following Special Account expiry.

The analysis indicates that post 30 June 2021 there will be:

- an effective annual funding cut of approximately \$45 million to the FRSA membership base
- \$260 million per year in flow on costs imposed on Australians.

### ***SACS supplementation is critical to maintain FRS services***

The FRS sector covers a range of services, including Family Law Services, Children and Parenting services, Adult Specialist Support Services, post-separation parenting programs, family relationship counselling and domestic violence services. These services are aimed at improving outcomes for vulnerable and disadvantaged members of the community and are provided largely by not-for-profit organisations using funding from various levels of government.

The FRS sector is characterised by client focused service delivery. Approximately 70 per cent of all costs associated with service delivery are labour costs. The need to draw on qualified labour to deliver services creates two challenges for the sector in the current environment:

- labour costs are the largest cost component of service delivery, and the cost component that is increasing the fastest, due to the ERO
- there is limited scope for organisations to transfer away from labour in service delivery, towards capital or information services to mitigate the rising labour costs.

Since 2012, SACS supplementation has represented an increasing proportion of funding and costs allocated on a per client and per employee basis (see chart 1).

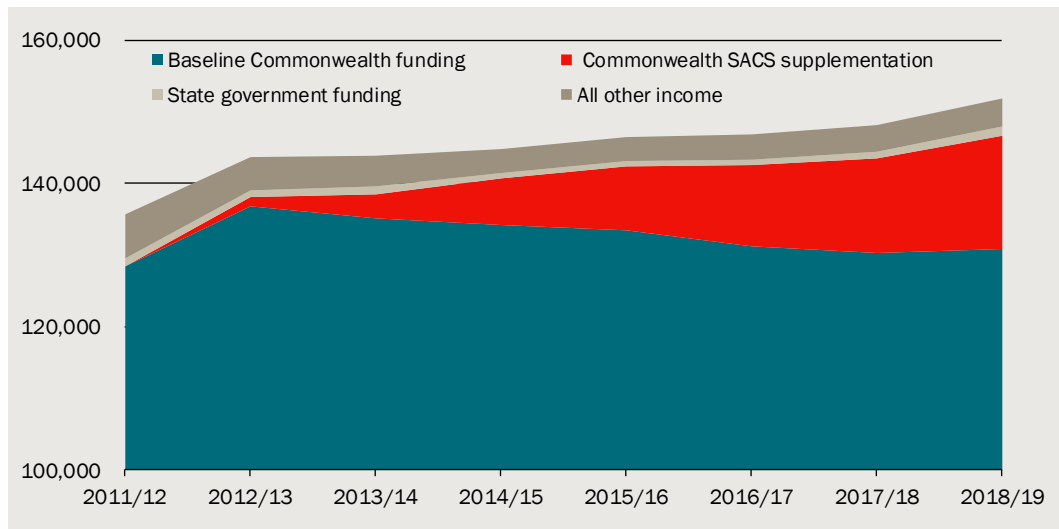
Currently, SACS supplementation accounts for:

- 10 per cent of all current funding allocated per client serviced each year
- 21 per cent of all operational employee expenses.

It is important to measure the reliance on the SACS supplementation in terms of operational employees. These are the employees providing direct services to clients. To the extent that operational employee expenses cannot be covered, services across the FRS sector cannot be delivered.

By 2020-21, SACS supplementation is projected to account for 13.2 per cent of total Commonwealth funding allocated to the FRS sector.

## 1 Income sources per operational FTE



Data source: FRSA membership base survey

### *Expiry of the SACS Special Account risks large impacts on FRS service users*

The expiry of the SACS Pay Equity Special Account and the potential for a subsequent decline in funding across the Families and Children Activity will lead to reductions in service delivery across Australia. Organisations have reported plans to respond in a variety of ways, including closing up to 9 per cent of service locations across Australia and reducing service delivery hours across 22 per cent of service locations across Australia. Table 2 summarises the survey responses received from FRSA members.

## 2 Service centre closures and reduced hours, by geographic region

	Current sites	Sites closed	Sites closed	Sites needing to reduce hours	Sites needing to reduce hours
	No.	No.	%	No.	%
Capital	1 312	47	4	236	18
Regional	1 195	130	11	312	26
Remote	157	59	38	24	15
<b>Total</b>	<b>2 664</b>	<b>236</b>	<b>9</b>	<b>572</b>	<b>22</b>

Source: CIE, FRSA membership base survey – to the extent that the survey respondents are representative of the national sector, the proportion of sites closing and reducing hours may be applied at the national level.

A number of service streams are anticipating quite a large proportion of their sites to be affected by closure or reduced hours, including:

- Children's Contact Services
- Specialised Family Violence Services
- Regional Family Dispute Resolution
- Family Law Counselling.

Employment across the sector is also anticipated to fall following an effective funding cut, as summarised in table 3.

### 3 Reduction in operational employees due to account expiry

Proportional decrease in operational FTE anticipated	
	%
Family Relationship Centres	26
Family Dispute Resolution	20
Regional Family Dispute Resolution	26
Children's Contact Services	16
Supporting Children after Separation Program	23
Family Law Counselling	31
Parenting Orders Program	34
FaRS (Family and Relationship Services)	18
Specialised Family Violence Services	20
Communities for Children Facilitating Partner	31
Children and Parenting Support	17
Home Interaction Program for Parents and Youngsters	49
Find and Connect Support Services	20
Royal Commission Community-Based Support Services	51
<b>Sector wide survey total</b>	<b>22.3</b>

Source: FRSA membership base survey

Ultimately, the number of Australians able to access FRS services is also at risk, with up to 16 per cent of the current national client base potentially unable to be provided with services should the SACS supplementation not be rolled over to baseline Commonwealth funding (table 4).

### 4 Proportional reduction in client numbers from Special Account expiry

Reduction in clients serviced	
National average – proportional reduction in client base	16%
Number of clients potentially affected across the FRSA membership base	92 400

Source: FRSA membership base survey

There were particularly large proportional reductions in clients reported for Specialised Family Violence Services, with up to half of the current client base anticipated to be affected. Between one fifth and one quarter of the client base is also anticipated to be affected for:

- Family Relationship Centres
- Regional Family Dispute Resolution
- Family Law Counselling
- Parenting Orders Program
- Home Interaction Program for Parents and Youngsters
- Find and Connect Services.

The impact on clients in terms of being able to access alternative services of either a similar quality or a less suitable quality, or, as is more likely, of not being able to access any services, is not consistent across Australia. Table 5 summarises the anticipated impact for clients no longer able to be served by FRSA members, noting that in both regional and metropolitan locations, there is some scope for clients to be diverted to some form of support system, but very limited options in remote Australia.

Ultimately, it is anticipated that of those clients that are no longer able to receive services from FRSA members, 70 per cent would find themselves without access to any FRS services. In such cases, they would not be able to access either similar services from alternative providers or be able to access some form of support even it is was not considered to be as suitable as those provided by FRSA members.

### 5 There are limited options for clients to be diverted to other services

Geographic region	Clients diverted to similar services	Clients diverted to less suitable services	Clients no longer receiving any services
	%	%	%
Metropolitan	8	25	67
Regional	8	19	72
Remote	5	9	85
<b>National average</b>	<b>8</b>	<b>22</b>	<b>70</b>

Source: FRSA membership base survey

FRSA members reflected on the characteristics of their client base when considering the likely diversion of clients to other service providers:

- a limited private willingness and ability to pay for alternative services by clients, noting that many FRSA member clients are unlikely to have the resources to pay for privately provided FRS should government funding be reduced
- a limited willingness and ability to access alternative services, noting that particularly in regional and remote locations, clients may not be willing to invest the time in building new relationships with new service providers should current government funded providers no longer operate in the region
- recognition that the FRSA membership base covers the vast majority of services funded by DSS in the FRS sector and as a result, where the FRSA membership base is affected uniformly within a region, there will be limited, if any, other government funded service providers available to absorb new clients.

### *Effective funding cuts to FRS services have large economic impacts*

The size of the effective funding cut imposed on the FRSA membership base depends heavily on:

- the annual indexation rate of baseline funding going forward
- the scale of Special Account payments not rolled over to baseline funding
- how organisations are able to adapt and continue to draw on further efficiency investments to maintain per client costs at current levels.

Two alternate methodologies have been used to project the effective funding cut anticipated across the sector in the 2020-21 financial year.

The first methodology draws on the assessment that the survey respondents are representative of the FRSA membership base and utilises the reported proportion of clients no longer able to be served by service stream and weighted by the average value of Commonwealth funding per client. The greater the number of clients no longer able to be served, the greater the estimated effective funding cut.

The second methodology projects the actual value of SACS supplementation payments at risk after 30 June 2021. This figure has been calculated as follows:

- Commonwealth baseline funding in 2018-19 is assumed to be indexed at 1.5 per cent through to 2020-21
- in 2020-21, national SACS supplementation payments are estimated to be 13.2 per cent of total Commonwealth funding.

Table 6 summarises the effective funding cut calculated through the alternate methodologies.

Ultimately, with 13.2 per cent of Commonwealth funding at risk post 30 June 2021, the FRSA membership base anticipating a 16 per cent reduction in client numbers, and a 22 per cent reduction in employment, the sector is looking towards a more than proportional response to the Special Account expiry.

## 6 Attribution of funding cut across the high-level program streams

	Effective funding cut – survey projection	Effective funding cut – projected SACS supplementation value
	\$ million	\$ million
Family law services	28.20	20.94
Communities for Children FP	5.96	5.33
Family and Relationship Services	9.93	8.37
Children and Parenting	0.90	3.05
Adult specialist support	0.55	0.38
<b>Sector wide total</b>	<b>45.54</b>	<b>38.07</b>

Source: FRSA membership base survey

Note: The difference in methodology in calculating effective funding reduction in the mid-range estimate leads to different funding cut distributions across the service sectors. Children and Parenting survey respondents indicated a less than proportional impact on client service delivery compared to the potential funding cuts.

Across the FRS sector, there is an implied BCR of approximately 5.5. This is a composite figure drawn from the quantitative literature across the FRS sector, and weighted by the current levels of Commonwealth funding across the service streams in the FRS sector.

A BCR of 5.5 means that for any dollar of effective funding cut to the sector through expiry of the SACS Special Account that is not rolled over to an increase in Commonwealth base line funding, a total cost of \$5.50 will be imposed on the Australian economy.

Table 7 summarises the distribution of these wider economic and social impacts from an effective funding cut to the FRSA membership base, representing a large proportion of the Commonwealth funded FRS sector.

## 7 Economic and social cost impacts from reduced funding to FRSA members

	BCR/ SROI	Total cost impact – survey projection	Total cost impact – projected SACS supplementation value
	No.	\$ million	\$ million
Family law services	9	213.63	158.59
Communities for Children FP	3.7	20.78	18.59
Family and Relationship Services	3.3	23.53	19.85
Children and Parenting	3.6	2.56	8.65
Adult Specialist Support	3	1.49	1.03
<b>Sector wide total</b>		<b>262.0</b>	<b>206.71</b>
<b>Sector wide implicit benefit cost ratio</b>		<b>5.75</b>	<b>5.43</b>

Notes: Cost impact measures are weighted by distribution of clients able to access similar, less suitable or no FRS services  
Source: CIE

With up to \$45 million per year at stake across the FRSA membership base, this equates to just over \$260 million of costs per year that will be pushed on to Australians across a range of sectors.

Chart 8 demonstrates how these wider economic and social costs would be distributed across Australians, their employers and other government portfolios.

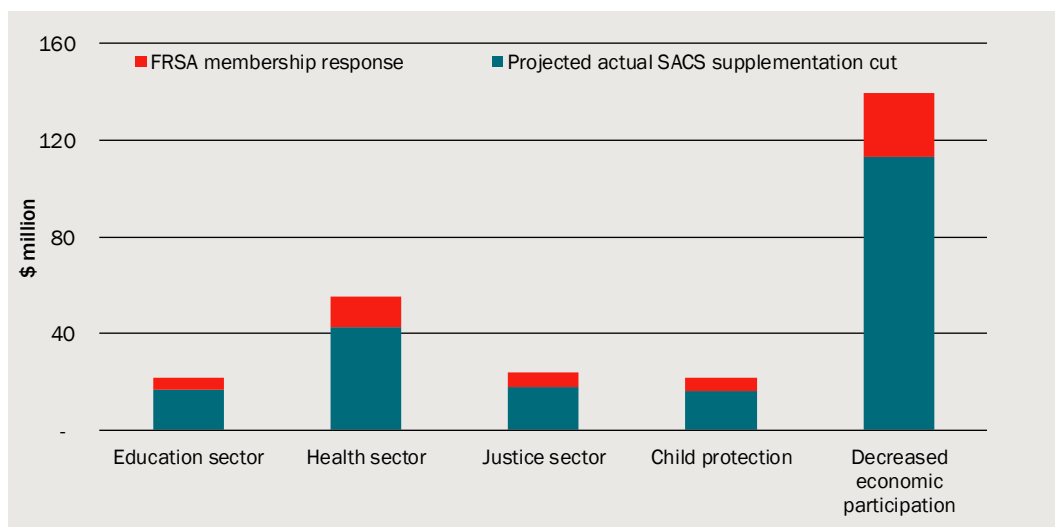
Individuals and their employers bear the largest proportion of costs – 53 per cent, up to \$140 million per year, through individuals who are no longer able to access FRS services having a reduced capacity to work or engage with community and social activities.

In turn, the health sector bears 21 per cent of the costs, up to \$55 million per year, through increased demand for mental health (for example through increased prevalence of anxiety and depression) and physical health (for example obesity) services.

The justice sector faces two streams of cost impositions, firstly through families engaging directly with the family court system rather than the Family Law Services within the FRS sector, and secondly through juvenile justice engagement when children are no longer provided with adequate support services across their childhood. Up to \$23 million per year is estimated to potentially be imposed on the justice sector.

The education sector and the child protection sector each bear up to \$22 million in additional costs per year.

## 8 Distribution of annual costs imposed on Australia and Australians



Data source: CIE

It is important to note that these costs are real costs that may be imposed in a number of different ways, depending on the holistic government response.

For example, increased demand on health services could be funded through increased taxes on Australian taxpayers, or else where taxation is not increased, these costs will be felt through increased unmet demand in the health sector, facing all Australians seeking to access health services.

### *FRSA members have delivered strong efficiency gains to the Commonwealth*

The risk of a more than proportional reduction in client services from an effective funding cut in the sector is real.

The FRSA membership base has invested heavily in efficiency measures over the past eight years. Across the sector, there is strong evidence of a structural shift towards more efficient service delivery methods and client engagement systems, and a reduction in non-essential costs.

In particular, the survey has demonstrated:

- there has been a big focus on investing in new technology systems to improve service delivery and reduce back office expenses
- many service providers have joined up with other programs to share building occupancy costs or have relocated to lower cost premises.

Notably, these efficiencies have been made in an environment of increasing demand for services and client numbers, as well as in an environment of increasing compliance activities.

Following on from these efficiency investments, the Commonwealth has been delivered sizeable efficiency dividends to date. Overall input prices for the FRS sector have increased by up to 35 per cent over the past five years, with the FRS sector investing in service delivery efficiencies such that per client expenses have increased by barely 5 per

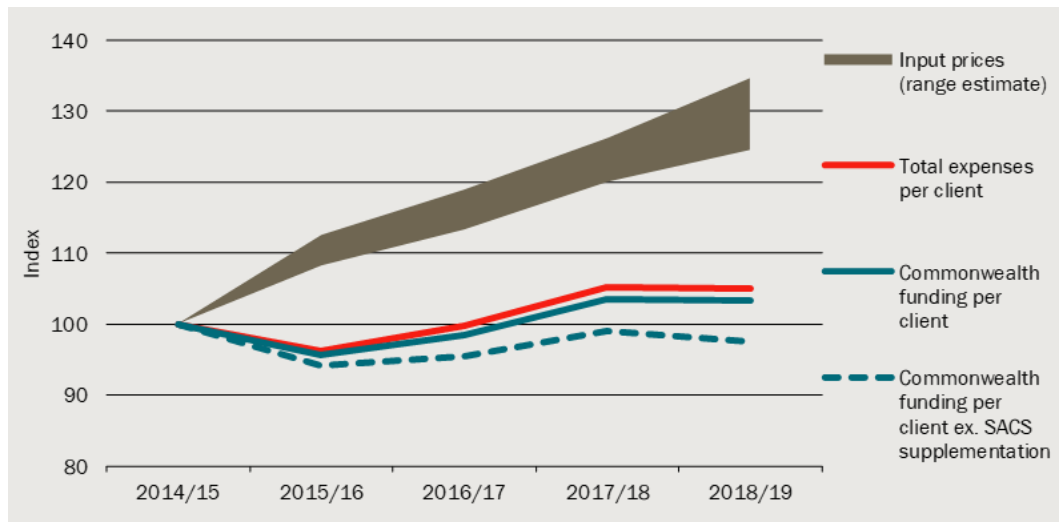
cent over the past five years. The divergence between input cost indexes and funding indexes is shown in chart 9.

Having made efficiency gains of this magnitude, these providers are likely to be at or close to the efficiency frontier for the sector. Further efficiency gains going beyond the broader rate of productivity improvements in the economy will be increasingly difficult.

It is not reasonable to expect that per-client costs could be reduced in line with the removal of all SACS supplementation funding such that client numbers could be maintained without offsetting this with increased baseline funding.

It is however reasonable to expect that many organisations have made the full complement of efficiency investments possible in the short to medium term, and that any further funding pressures would push them beyond the point of viability. Where organisations are pushed beyond the point of viability, there will be a more than proportional response in terms of client and employment reductions from any effective funding cut.

## 9 Cost per client, Commonwealth funding per client, and input prices



Note: Based on 107 service stream providers (23 organisations) who provided complete data for client numbers, expenses and funding for each of the past five years

Data source: CIE analysis of SCHADS award pay rates, Property Council office benchmarks and FRSA membership base survey



## 1 *Fair Work Australia determined award wages should rise*

The 2012 Fair Work Australia Equal Remuneration Order (ERO) allowed for a progressive increase in award rates of pay for all levels within the SACS Modern Award 2010. In response to the ERO, the Commonwealth Government announced the creation of a Special Account to cover the increase in wage costs faced by service providers funded by Commonwealth Government grants.

- The calculation of the SACS supplementation payments was applied at an industry average level across all government grants, irrespective of the real wage costs faced by individual organisations.
- The Special Account legislation was drafted with a sunset clause such that supplementation payments were to cease at the end of the phase in period of the ERO, with the legislation silent on what was to happen after the Special Account ceased.
- Commonwealth government programs implemented after the 2012 determination allowed for the ERO supplementation to be included in baseline funding amounts and therefore, ERO funding for these programs will continue past 2021.

### *Fair Work Australia determination for equal pay*

In May 2011, Fair Work Australia found:

... employees in the social, community and disability services sector (SACS) in Australia did not receive equal remuneration for men and women workers for work of equal or comparable value by comparison with workers in state and local government employment. We consider gender has been important in creating the gap between pay in the SACS industry and pay in comparable state and local government employment.<sup>1</sup>

This ruling was made in response to an application made by the Australian Municipal, Administrative, Clerical and Services Union (ASU) for an equal remuneration order under Part 2-7 of the *Fair Work Act 2009*.

In response to the May 2011 determination in favour of the ASU and joint applicants, Fair Work Australia called for further submissions and encouraged parties to the proceedings to hold discussions. On 17 November 2011, the parties lodged a Joint Submission, noting an agreed outcome.

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<sup>1</sup> Fair Work Australia (2012) Decisions: Equal Remuneration Case *Fair Work Act 2009* s.302 Equal Remuneration Order, s.160 Variation of modern award.

The agreed Equal Remuneration Order, in line with the agreement made in the Joint Submission, was expressed in percentage terms in addition to the modern award rates, by level (table 1.1).

### 1.1 Equal remuneration order percentage pay increases 2012 - 2021

Modern Award Level	Percentage pay increase
Level 2	19
Level 3	22
Level 4	28
Level 5	33
Level 6	36
Level 7	38
Level 8	41

Source: Fair Work Australia (2012) Decisions: Equal Remuneration Case Fair Work Act 2009 s.302 Equal Remuneration Order, s.160 Variation of modern award.

## *The Social and Community Services Pay Equity Special Account*

Recognising the importance of Commonwealth government funding to employers impacted by the SACS ERO, the Commonwealth Government established the Social and Community Services Pay Equity Special Account (the Special Account).

Established under the *Social and Community Services Pay Equity Special Account Act 2012*, the purpose of the Special Account was to:

- 1 assist employers to meet the costs of payments required to be made by the employers as a result of the order
- 2 pay some or all of any increase in fees paid to employers to the extent that the increase in fees relates to one or more pay equity orders.<sup>2</sup>

That is, the Special Account was established to ‘underpin the Commonwealth contribution to these pay rises for social and community services sector workers in Commonwealth funded programs’.<sup>3</sup>

In total, the Special Account was scheduled to incorporate \$2.9 billion over the period 2012 to 2020, as summarised in table 1.2.

### 1.2 Credits made to the SACS Pay Equity Special Account

Year	Amount (\$ million)
2012	69.4
2013	145.2
2014	204.4

<sup>2</sup> *Social and Community Services Pay Equity Special Account Act 2012*

<sup>3</sup> House of Representatives (2012) Social and Community Services Pay Equity Special Account Act 2012 Explanatory Memorandum

Year	Amount (\$ million)
2015	261.6
2016	319.9
2017	381.8
2018	447.2
2019	509.9
2020	576.5
<b>Total</b>	<b>2 916.0</b>

Source: Social and Community Services Pay Equity Special Account Act 2012

The Commonwealth government programs that are eligible to receive payments under the Special Account are summarised in table 1.3. These are the Commonwealth government programs that were active prior to the 2012 ERO, and incorporate employees affected by the ERO.

### 1.3 In-scope programs for supplementation payments

Commonwealth Own Purpose Expense (COPE) Programme	Responsible agency	SACS Wage component (%)
Family Violence Prevention Legal Services for Indigenous Australians	PM&C	64.1
Community Legal Services Programme	AGD	75
Indigenous Women's Services - Community Legal Services	PM&C	75
Indigenous Legal Assistance Program	AGD	66.4
Family Relationship Services Program	AGD	70
Indigenous Justice Program	PM&C	62
Payment to the Red Cross for Asylum Seeker Assistance Scheme	Home Affairs	40
Compliance Resolution, Community Care and Assistance	Home Affairs	50
On-shore Community Detention Services	Home Affairs	15
Humanitarian Settlement Services	Home Affairs	80
Supervision and Welfare for Unaccompanied Humanitarian Minors	Home Affairs	90
Settlement Engagement and Transition Support (SETS) Program	Home Affairs	70
Community Nursing	DVA	5
Veterans' Home Care (including In-home Respite)	DVA	12
Carer and Volunteer Support	DVA	70
Community Mental Health Program	DSS	89
Housing Assistance and Homelessness Prevention	DSS	66
Services for People with Disability*^	DSS	72
Support for Carers*	DSS	85
Families and Children Program*	DSS	70
Financial Wellbeing and Capability Program*	DSS	75
Commonwealth Financial Counselling	DSS	80
Emergency Relief	DSS	30
Family Support Programme - Indigenous Elements - Indigenous Family Safety Program*	PM&C	65

Commonwealth Own Purpose Expense (COPE) Programme	Responsible agency	SACS Wage component (%)
Torres Strait Regional Authority	DSS	40
Community Investment Program*	DSS	75
Gender Equality for Women*	DSS	70
COAG Improved Services for People with Drug and Alcohol Problems and Mental Illness	DOH	70
Substance Misuse Service Delivery Grants - Indigenous Alcohol and Drug Services	PM&C	70
NGO Treatment Grants Program	DOH	70
Mental Health Services in Rural and Remote Areas Program	DOH	30
Youth Mental Health Initiative	DOH	40
Programme of Assistance for Survivors of Torture and Trauma	DOH	30
Better Outcomes in Mental Health Care Program	DOH	20
National Perinatal Depression Plan	DOH	20
Support for Day to Day Living	DOH	70
COAG Mental Health – Telephone Counselling and Self-help and Web-based Support Programs	DOH	10
National Suicide Prevention Program	DOH	60
Telephone Perinatal Peer Support	DOH	40
Commonwealth Home Support Program: Formerly		
Home and Community Care §	DOH	8.2
National Respite for Carers Program §	DOH	6.6
Volunteer Management	DSS	70
Indigenous Community Links	PM&C	75
Family Support Programme - Indigenous elements: Communities for Children - Indigenous Parenting Services	PM&C	70

Source: <https://www.dss.gov.au/communities-and-vulnerable-people/fair-pay-for-social-and-community-services-workers/average-sacs-wage-component-percentages-for-eligible-commonwealth-programmes>

\* Not all activities funded through these DSS programs are within scope.

^ This program includes some eligible grants from the Early Intervention for Children with Disability Program

§ The National Respite for Carers Program and the Commonwealth HACC Program are two components of the new Commonwealth Home Support Program

Note: Australian Disability Enterprises have a unique staffing mix and the base supplementation is offered on FTE positions covered by the ERO.

### *SACS supplementation formula*

Since the Special Account was set up, grant funding to those programs outlined in table 1.3 has incorporated two separate entries, one covering baseline Commonwealth funding, and another covering ERO supplementation payments contributed from the Special Account.

To calculate the amount of supplementary funding for each grant amount, the Commonwealth government applies the following formula:

Program funding amount x % SACS wage component x SACS ERO increase.

The SACSs wage component is reported in table 1.3 and the SACS ERO increase is reported in table 1.4.

The Department of Social Services (DSS) reports that the components of the supplementation calculations were tested in a number of ways to ensure a robust process, including testing with the SACS sector and drawing on data from a 2011 sector wide survey.<sup>4</sup>

#### 1.4 SACS ERO increase

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	%	%	%	%	%	%	%	%	%
New South Wales	0.8	2.1	3.5	4.8	6.2	7.5	8.9	10.2	11.5
Victoria	1.5	4.1	6.8	9.4	12.0	14.6	17.2	19.8	22.4
Queensland (FWA)	2.1	5.6	9.2	12.7	16.3	19.8	23.4	26.9	30.5
Queensland (QIRC)	22.8	23.8	24.8	25.8	25.8	25.8	25.8	25.8	25.8
Western Australia (FWA)	2.5	6.7	11.0	15.2	19.5	23.7	28.0	32.2	36.5
Western Australia (WA IRC)	N/A	5.1	9.3	12.9	16.6	20.2	23.8	27.4	31.0
South Australia	1.6	4.5	7.3	10.1	12.9	15.7	18.5	21.4	24.2
Tasmania	1.6	4.5	7.3	10.1	12.9	15.7	18.5	21.3	24.1
Australian Capital Territory	1.9	5.0	8.2	11.4	14.6	17.8	20.9	24.1	27.3
Northern Territory	1.6	4.2	6.9	9.6	12.3	15.0	17.6	20.3	23.0

Source: <https://www.dss.gov.au/our-responsibilities/communities-and-vulnerable-people/fair-pay-for-social-and-community-services-workers/percentages-used-to-calculate-supplementation>

Notably, the state by state SACS ERO increases were required due to differing award rates of pay across the individual state-based awards in 2012.

Further, the annual increases in ERO payments were based on a salary progression of SACS Award rates at the Level 4, band 1 pay scale. Referring back to table 1.1, any staff at a classification above Level 4 will be required to receive a greater increase in pay than a Level 4 band 1 employee.

### *Expiry of the Special Account and differential treatment of new programs*

This additional Commonwealth funding is set to expire on 30 June 2021. Table 1.5 outlines the forward estimates of payments to be made from the Special Account, which cease after 2020-21.

<sup>4</sup> <https://www.dss.gov.au/our-responsibilities/communities-and-vulnerable-people/fair-pay-for-social-and-community-services-workers/percentages-used-to-calculate-supplementation>

### 1.5 Estimates of supplementation payments

	2018-19 estimated actual	2019-20 budget	2020-21 forward estimate	2021-22 forward estimate	2022-23 forward estimate
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Social and Community Services Pay Equity Special Account payments	454 489	435 882	500 230	-	-

Source: Portfolio Budget Statements 2019-20, Budget Related Paper No. 1.15A, Social Services Portfolio

With more than \$500 million of supplementation funding to be paid in 2020-21 and none in 2021-22, a significant increase in baseline funding levels would be required to cover labour costs at current service levels. At this stage, the Commonwealth government has indicated that this increase will not be forthcoming.<sup>5</sup>

The cessation of the Special Account was anticipated from its implementation, with a sunset clause included in the legislation with Section 10 Sunset provision noting 'This Act ceases to have effect on 30 June 2021.'<sup>6</sup>

The challenge that the sunset clause now presents to the sector and to the Commonwealth is how the additional wage costs associated with the ERO, which continues post 2020, are to be funded. SACS employees will continue to receive award wages that are up to 41 per cent higher than they were in 2012, but the means to cover these additional wage costs has not been identified in the legislation.

Notably, this challenge has been circumvented in the calculation of baseline funding for programs that were implemented post 2012.

The DSS website provides insight into the differential treatment of programs implemented pre and post 2012:

SACS supplementation will not extend to new programs that did not exist in February 2012. As new policy proposals and programs are developed, SACS wage costs (at the relevant award rate) will be factored into the baseline program funding.

The compounding challenge now facing the entire SACS sector can be summarised as follows:

- 1 ERO supplementation payments from the Special Account are to cease from 30 June 2021, while employees will continue to be paid up to 45 per cent more than 2012 award rates
- 2 Programs that have come into existence since 2012 will continue to receive baseline funding commensurate with the ERO award rates, creating tension across pre and post 2012 programs.

<sup>5</sup> ACOSS 2019. Future cuts to ERO supplementation – An ACOSS Briefing Note, Updated - July 2019

<sup>6</sup> *Social and Community Services Pay Equity Special Account Act 2012 s10.*

## 2 *The delivery of Family and Relationship Services*

**The FRSA membership base provides services to approximately 580 000 Australians each year, and directly employs between 4 000 and 5 500 people across metropolitan, regional and remote Australia.**

**The FRSA membership base is an important contributor to the goals and objectives of the Department of Social Services, accounting for approximately 80 per cent of the FRS annual grant funding allocated by the Department of Social Services across key program areas.**

**Further, the FRSA membership base is responsible for providing Commonwealth government funded services across the majority of the Family Law Services sub-sector.**

### ***FRSA members deliver important Commonwealth programs***

Family and Relationship Services Australia (FRSA) is the peak body for the family and relationship services sector, representing a membership base of over 135 organisations.<sup>7</sup>

FRSA represents its members based on their engagement with the Commonwealth Government in the selected service streams within the Families and Children Activity as summarised in table 2.1.

Table 2.1 has aggregated the program components to demonstrate that the key categories of service delivery FRSA members are responsible for are:

- Family Law Services – including mediation and dispute resolution services, diverting couples away from the legal system into resolution services
- Communities for Children – place-based and specialised services for children 0-12 years
- Family and Relationship Services – relationship services targeted at adult and parent relationships
- Children and Parenting – seeking to increase positive family functioning, and providing early intervention in at risk families to ensure wellbeing of children and adult family members
- Adult specialist support – providing specialised services to adults who have suffered specific traumas in their childhoods.

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<sup>7</sup> This does not include FRSA's associate, individual and honorary members that do not deliver family and relationship services.

## 2.1 Categorisation of service streams

<b>Family Law Services</b>	
Family Relationship Centres	Supporting Children after Separation Program
Family Dispute Resolution	Family Relationship Advice-Line
Regional Family Dispute Resolution	Family Law Counselling
Children's Contact Services	Parenting Orders Program – Post Separation Co-operative Parenting Services
<b>Communities for Children Facilitating Partner</b>	
Communities for Children Facilitating Partner	
<b>Family and Relationship Services</b>	
FaRS (Family and Relationship Services)	Specialised Family Violence Services
<b>Children and Parenting</b>	
Children and Parenting Support	Home Interaction Program for Parents and Youngsters
Intensive Family Support Services	Child Support Advocacy
<b>Adult specialist support</b>	
Find and Connect Support Services	Royal Commission Community-Based Support Services

The grant reporting datasets, as published by the Department of Social Services, reveal the importance of the FRSA membership base to the delivery of FRS support across Australia.

Table 2.2 is an extract of the DSS Grant Funding Report, with grant allocations aggregated over a period of 2011-12 to 2018-19. Analysis of this data set over the extended seven-year time frame demonstrates that the FRSA membership base accounted for 78 per cent of DSS grant funding for these program components over the period from 2011 to present.

Funding allocations to FRSA members by service stream, in table 2.2, indicate the importance of the FRSA membership base to DSS program outcomes and deliverables, particularly in the programs of:

- Family Dispute Resolution
- Family Law Counselling
- Family Relationship Advice Line - Information and Advice
- Family Relationship Centres
- Parenting Orders Program
- Regional Family Dispute Resolution
- Supporting Children after Separation.

This analysis was replicated based on implied annual grant allocations for only the 2017-18 financial year, and these results are presented in Appendix B. The analysis over the extended time period, 2011 to 2018, and the annualised 2017-18 financial year data indicate that the proportion of DSS grant funding allocated to FRSA members is quite stable over time, and that the FRSA membership base has been providing important government funded services for an extended period of time.



## 2.2 The importance of FRSA members to DSS program delivery – for the full grant reporting time period

Service Stream	DSS Grants allocated	Stream as proportion of all DSS funding	DSS grants allocated to FRSA members	Stream as a proportion of all FRSA member grants	FRSA members as proportion of DSS grants
	\$	%	\$	%	%
Children and Parent Support Services	256 693 000	12	128 852 000	8	50
Children's Contact Services	88 527 000	4	85 646 000	5	97
Communities for Children - Facilitating Partners	290 404 000	14	204 905 000	13	71
Family and Relationship Services (including Specialised Family Violence Services)	393 622 000	19	359 420 000	22	91
Family Dispute Resolution	70 331 000	3	70 331 000	4	100
Family Law Counselling	85 357 000	4	85 357 000	5	100
Family Relationship Advice Line - Information and Advice	43 869 000	2	43 869 000	3	100
Family Relationship Centres	439 782 000	21	439 782 000	27	100
Home Interaction Program for Parents and Youngsters (a)	110 926 000	5		0	0
Intensive Family Support Services	52 062 000	2	20 052 000	1	39
National Find and Connect	25 530 000	1	13 187 000	1	52
Parenting Orders Programme	83 606 000	4	83 606 000	5	100
Regional Family Dispute Resolution	32 987 000	2	32 987 000	2	100
Royal Commission - Interim Support Services	77 568 000	4	34 219 000	2	44
Supporting Children after Separation	33 908 000	2	33 908 000	2	100
<b>Total</b>	<b>2 090 953 000</b>	<b>100</b>	<b>1 637 229 000</b>	<b>100</b>	<b>78</b>

(a) FRSA members are funded indirectly to provide services under the Home Interaction Program for Parents and Youngsters

Source: CIE and DSS Grants Reporting, <https://www.dss.gov.au/grants/grants-funding>

## Online survey of FRSA membership base

To underpin the analysis of the impact of the expiry of the SACS Special Account, the entire membership base of FRSA was surveyed over the period December 2019 to February 2020.

In total, 52 organisations responded to the survey, covering a large proportion of the FRSA funding base and closely representing the DSS funding distribution to FRSA members.

Table 2.3 compares the Commonwealth funding values reported by survey respondents over the 2011-12 to 2018-19 financial years, against the funding allocated to FRSA members over the same period (available in the most recent DSS Grants Funding Report). Notably the FRSA survey responses cover just over 70 per cent of the grant allocations.

### 2.3 FRSA member survey coverage of DSS grant funding

Service stream	DSS total funding to FRSA members	Total survey responses
	\$	\$
Children and Parenting Support	143 298 000	75 225 050
Children's Contact Services	85 646 0000	75 936 000
Communities for Children Facilitating Partner	222 047 000	104 306 000
Family Dispute Resolution	70 331 000	52 568 000
Family Law Counselling	85 357 000	81 725 000
Family Relationship Advice-Line	43 869 000	-
Family Relationship Centres	439 782 000	365 891 000
FaRS (Family and Relationship Services) including Specialised Family Violence Services	367 267 000	279 904 000
Find and Connect Support Services	-	13 192 000
Home Interaction Program for Parents and Youngsters	23 029 000	1 030 000
Intensive Family Support Services	13 187 000	-
Parenting Orders Program – Post Separation Co-operative Parenting Services	83 606 000	63 155 000
Regional Family Dispute Resolution	32 987 000	38 363 000
Royal Commission Community-Based Support Services	34 219 000	19 254 000
Supporting Children after Separation Program	33 908 000	16 971 0000
<b>Total</b>	<b>1 678 533 000</b>	<b>1 187 519 000</b>
<b>Proportion of DSS grants population</b>		<b>71 per cent</b>

Source: FRSA membership base survey, DSS Grants Funding Report (full data set as available February 2020),

Table 2.4 shows that the survey respondents were a closely representative subsample of the overall DSS funding distribution to FRSA members. There is a slightly higher level of representation from Family Law Services within the survey, and a slight under representation of Communities for Children Facilitating Partners.

## 2.4 The survey is a close representation of total DSS grant funding distribution

Aggregated streams	Survey responses	DSS FRSA grant proportions
	%	%
Family law services	58	52
Communities for Children	9	13
FaRS (Family and Relationship Services)	24	22
Children and Parenting	6	10
Adult Specialist Support Services	3	3

Source: FRSA membership base survey, DSS Grants Funding Report (full data set as available February 2020): <https://www.dss.gov.au/grants/grants-funding>

## Current service delivery location and scale

FRSA members were asked to report on the number of clients to whom they provided services, by service stream, over the 2018-19 financial year.

As summarised in table 2.5, the survey cohort provided services to over 410 000 Australians in 2018-19, across a spectrum of clients from Family Law Services, Specialised Family Violence Services and community-based support for parents through playgroups.

## 2.5 Clients, by location, in 2018-19 financial year – survey respondents

	Capital City	Regional	Remote	Outreach	Total
	%	%	%	%	No.
Family Relationship Centres	54	41	1	4	53 700
Family Dispute Resolution	71	27	0	1	15 000
Regional Family Dispute Resolution	14	85	1	1	6 100
Children's Contact Services	53	44	0	2	10 200
Supporting Children after Separation Program	86	10	0	4	5 700
Family Relationship Advice-Line	76	23	2	0	34 700
Family Law Counselling	71	25	1	3	17 800
Parenting Orders Program	47	51	0	1	10 500
FaRS (Family and Relationship Services)	55	38	1	6	71 200
Specialised Family Violence Services	56	36	4	4	4 800
Communities for Children Facilitating Partner	3	28	0	69	35 500
Children and Parenting Support	29	23	4	43	142 100
Home Interaction Program for Parents and Youngsters	0	86	0	14	700
Find and Connect Support Services	77	17	0	5	800
Royal Commission Community-Based Support Services	83	11	0	6	2 000
<b>Total clients served by survey respondents</b>	<b>44</b>	<b>31</b>	<b>2</b>	<b>23</b>	<b>410 800</b>

Source: CIE, based on FRSA membership survey responses.

Allowing that the survey respondents cover just over 70 per cent of DSS funding across the FRSA membership base, total clients serviced across Australia by the FRSA membership base are potentially in the region of 580 000.

As shown in table 2.5, organisations provide services predominantly to clients in metropolitan locations and regional locations, with remote clients serviced predominantly through outreach services rather than in person access to services and practitioners.

### *Current employment within the sector*

FRSA members were asked a range of questions relating to their current employment levels, as well as changes in employment levels and conditions over time.

Table 2.6 summarises the survey responses over time. In total there were just under 4 000 employees accounted for within the survey, across operational, managerial, part time and full-time classifications. This is likely to equate to approximately 5 700 employees across the entire FRSA membership base.

The majority of employees are employed in a permanent capacity (both full and part time), with a structural shift away from casual employment to contract employment having occurred since 2012-13.

Insights provided by FRSA members indicate that the shift towards contract employment has allowed for an increase in certainty for both employers and employees, while still allowing for employment to be limited to the length of Commonwealth grant funding received.

#### **2.6 Trends in employment level and status**

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	%	%	%	%	%	%	%
Permanent proportion	53	64	59	59	59	58	61
Contract proportion	6	7	9	9	10	12	13
Casual proportion	26	20	18	18	18	17	15
<b>Total per cent</b>	<b>85</b>	<b>91</b>	<b>86</b>	<b>86</b>	<b>87</b>	<b>87</b>	<b>88</b>

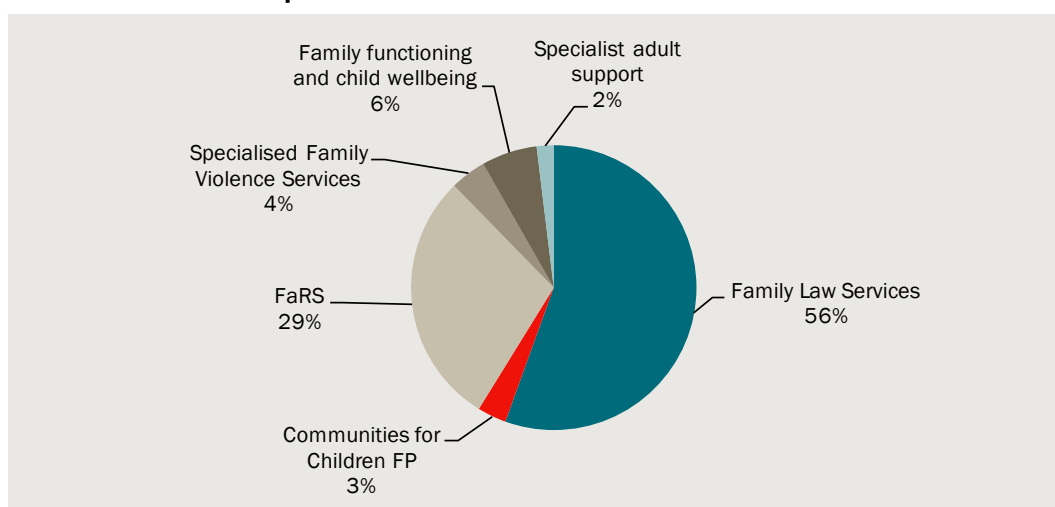
Note: Proportion does not sum to 100 due to some incomplete survey responses.

Source: FRSA membership base survey

FRSA members were also asked about the full-time equivalent employees undertaking strictly operational duties within their service streams (that is, face-to-face, qualified client services). A total of just over 1 400 operational full-time equivalent staff (FTEs) was identified within the survey.

The distribution of these FTEs across the service classifications is shown in chart 2.7, noting that Family Law Services and Family and Relationship Services account for the largest proportions of operational FTE across the sector.

## 2.7 Distribution of Operational FTE across the service classifications



Data source: FRSA membership base survey

Table 2.8, drawn from a separate survey of FRSA members conducted in December 2019, notes that the vast majority of services are provided by paid employees, with the exception being services provided under the Children and Parenting category due to the strong use of volunteers by Playgroups Australia in this category.

## 2.8 Staff and volunteer use across the sector

Service stream – staff classification	Proportion paid staff	Proportion volunteers
Family Law Services	100	0
Family and Relationship Services	99.3	0.7
Communities for Children Facilitating Partner	99.8	0.2
Children and Parenting	2.0	98.0
Adult Specialist Support	100	0

Source: FRSA membership base survey, ANU

### 3 *Efficiency investments have been made on a large scale*

Service delivery across the FRSA membership base has not remained static over the past eight years. Across the sector, there is strong evidence of a structural shift towards more efficient service delivery methods and client engagement systems, and a reduction in non-essential costs.

In particular, the FRSA membership base survey demonstrated:

- there has been a big focus on investing in new technology systems to improve service delivery and reduce back office expenses
- many service providers have joined up with other programs to share building occupancy costs or have relocated to lower cost premises

Notably, these efficiencies have been made in an environment of increasing demand for services and client numbers, as well as in an environment of increasing compliance activities.

The Commonwealth has been delivered sizeable efficiency dividends to date. Overall input prices for the FRS sector have increased by up to 35 per cent over the past five years, with the FRSA membership base investing in service delivery efficiencies to the effect that per client expenses have increased by barely 5 per cent over the same five-year period.

#### *Moving closer to the efficiency frontier*

Defining efficiency in the context of family and relationship services is difficult. Unlike traditional, industrial measures of efficiency, measures of output or the raw numbers of clients served are not good indicators of value and efficiency in service delivery.<sup>8</sup>

This observation has been taken on board by DSS, and the partnership approach introduced to measure client outcomes through the Data Exchange (DEX) system is a move away from output measures of efficiency in the family and relationship services sector, towards outcome measures of efficiency.<sup>9</sup> However, the DEX system has only

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<sup>8</sup> Persson, J. and Westrup, U. (2015) Human services and the concept of efficiency. Papers from the 18<sup>th</sup> annual Dilemmas International Research Conference.

<sup>9</sup> DSS (2019) Measuring outcomes – a beginner’s guide. Available at <https://dex.dss.gov.au/sites/default/files/documents/2019-11/measuring-outcomes-beginners.pdf>

been operating for a relatively short period of time, and data is not yet readily available to consider changes in outcome based efficiency measures across the sector.

Recognising the limitation of current and historical data sets to measure changes in efficiency and outcomes for clients in the FRS sector over time, the membership survey tested a range of activities that are known to move organisations closer to an efficiency frontier in service delivery.

Table 3.1 summarises the range of efficiency investments that were investigated as part of the FRSA membership base survey.

### 3.1 Investment options to improve efficiency in FRS sector

Efficiency category and detail	Comments
<b>Service quality and innovation</b>	
New technology for improved service quality	These structural changes in service delivery mechanisms have the common goal of improving service quality and coverage while maintaining or reducing the cost base.
New technology delivering remote, online, telephone or app-based services to clients	
Delivering group-based programs, introductory programs or self-education programs	
Merging with other programs to assist client engagement	
<b>Overhead cost savings</b>	
Joining up with other programs to share occupancy costs	These locational changes are so-called traditional, cost saving measures taken to reduce overhead costs, and rationalise back of house costs, while maintaining face-to-face client delivery structures.
Relocation to lower-cost premises	
<b>Internal process enhancements</b>	
Merging with other programs to share back-of-house costs	These operational changes are aimed at increasing utilisation rates of both operational staff, as well as administrative and management support staff, while ensuring that resources for client engagement are either maintained or increased.
New technology for streamlining/automating processes/improving utilisation	
<b>Staff cost savings</b>	
Reduce training/professional development	Staff cost rationalisation activities were investigated to test how and to what extent the staff base in 2012 has had to be re-distributed based on the SACS supplementation payments being targeted at SCHADS level 4.1 classification.
Renegotiate enterprise agreement/Reclassify positions/Salary freeze	
Voluntary reduction in hours/purchase of leave	
Supervision by video rather than face-to-face	
<b>Other</b>	
Various organisation-specific investments	Recognising that organisations have unique insight into options to increase efficiency and rationalise costs, open ended questions were asked around what other changes had been made.

Source: CIE.

The range of efficiency investments tested in the survey included both traditional cost savings measures and efforts to improve service quality and client outcomes. Both of these approaches have been covered in the literature to date. However, it is important to note that understanding around outcome measurement in the FRS sector continues to improve and it is through this evolving outcomes-based literature that future quantification of efficiency models, benefit cost analyses (BCA) and social return on investment (SROI) measures will be enhanced.

In 2013, the Australian Institute of Family Studies (AIFS) developed a useful introductory piece titled 'Using technology in service delivery to families, children and young people'. A number of FRSA members provided input to this report, detailing the advantages and challenges they had encountered through the roll out of a range of technology options for particular service offerings across the sector.<sup>10</sup>

One of the important takeout messages of the report was that, while there is a strong role for technology in improving efficiency and quality in service delivery in the FRS sector, the use of technology poses a range of challenges due to the vulnerability of the client base and the very nature of the services being provided. These challenges can limit the degree of reliance possible on selected technology. Table 3.2 provides a summary of these benefits and challenges, as expressed by AIFS.

### 3.2 Benefits and challenges associated with online client services

Benefits	Challenges
Services can be more accessible, for example, for people living in rural or remote areas (although this is limited by bandwidth and availability of carriers), single or at-home parents, people with a disability, people at risk of violence or intimidation, people with agoraphobia, people who are relocating but want to work with the same organisation or therapist, or shift workers.	Practical and technical concerns include clients and/or staff lacking the required skills or being computer illiterate.
When email is used, the written word may be more expressive for some, enabling clients to think through and reflect on content before sending	Older people and those from different cultural and linguistic backgrounds, for example, may feel less comfortable using online services
Clients may feel they have more anonymity, privacy and convenience, often from the comfort of their own home	Online services may lack visual and non-verbal cues, which may lead to misunderstandings. Without face-to-face contact, the practitioner may not be able to observe how couples, or family members interact
Online services offer enhanced self-reflection, in the case of asynchronous (i.e., not in real-time) communication	There may be time delays between contact and response in asynchronous communication
Clients can revisit communications from practitioners and can think things through in their own time	There is a diminished capacity to deal with immediate crises
Practitioners can respond to specialist areas of concern, regardless of geographical location.	It may be difficult to verify the credentials of the practitioner, or that the practitioner and/or client is the person being engaged with online
Services may be available at any time of day (where service models permit).	There may be problems with technical failures, limited access to the communications infrastructure, and/or unreliable Internet connections

<sup>10</sup> Knight, K. and Hunter, C. (2013) Using technology in service delivery to families, children and young people CFCA Paper No.17



Benefits	Challenges
Services may be particularly viable, and even preferable, for “tech-savvy” adults, young people and children	There are security risks, such as email being misdirected through address errors, messages being intercepted by hackers, or data becoming corrupted or stolen due to computer programming errors
Practitioners’ time may be freed up for other clients, as the number of face-to-face sessions is reduced.	Clients may expect online services to be free
Services can be more flexible	Services need to address legal and ethical issues, including confidentiality and privacy
Services may be more affordable.	There may be a lack of practitioner training in the specific requirements of providing online services

Source: Knight, K. and Hunter, C. (2013) Using technology in service delivery to families, children and young people CFCA Paper No.17

Other studies that have reflected on the potential to measure and improve efficiency in client-based service delivery have noted the important need to understand and focus on the human characteristics of the clients and their needs, as well as those of the operational staff delivering the services.

... the focus during assessments of efficiency needs to be shifted away from time and speed towards relationships and knowledge development between professional co-workers. Efficiency when working with children and young people is thus dependent on whether and how individual co-workers work together to develop shared knowledge in order to meet the individual child’s need for support and help... We have established that here are efficiency gains to be made when staff work with each other across organisational boundaries, with a shared target group or with individuals.<sup>11</sup>

Such efficiency measures, and progress towards the efficiency frontier, were targeted through questions related to joining up programs and merging with other programs to improve client engagement.

### *The range of efficiency investments is significant*

Table 3.3 summarises the high-level findings on the scale of efficiency investments made across the sector since 2011.

Notably, every organisation responding to the survey indicated that they had made multiple forms of efficiency investment since 2012, with each organisation making on average 5.6 different changes to their operations, service delivery model or client engagement processes in an effort to improve efficiency.

### **3.3 Efficiencies have been made on a large scale, across all business areas**

Efficiency category and detail	Number of organisations providing survey input
<b>Service quality and innovation</b>	<b>86</b>
New technology for improved service quality	30
New technology delivering remote, online, telephone or app-based services to clients	20

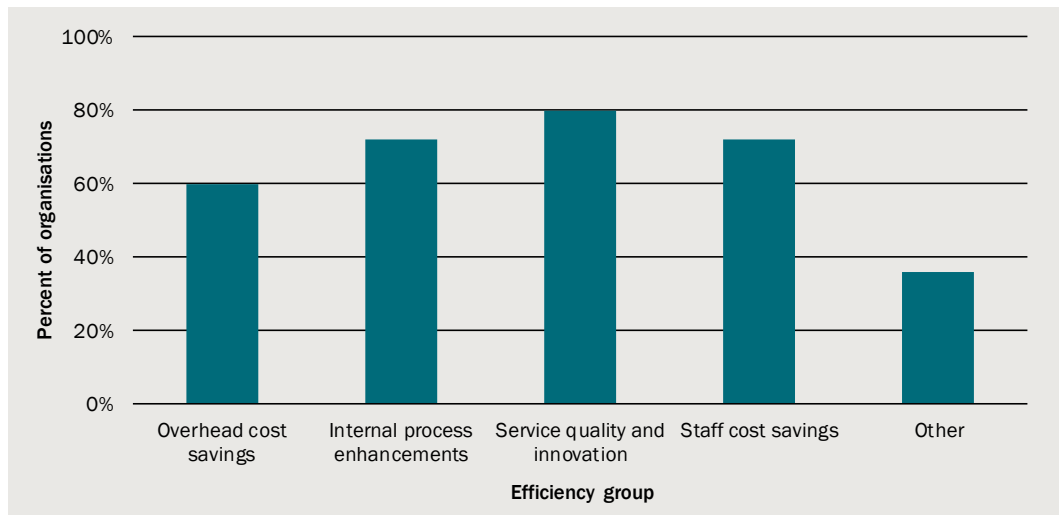
<sup>11</sup> Persson, J. and Westrup, U. (2015) Human services and the concept of efficiency. Papers from the 18<sup>th</sup> annual Dilemmas International Research Conference.

Efficiency category and detail	Number of organisations providing survey input
Delivering group-based programs, introductory programs or self-education programs	21
Merging with other programs to assist client engagement	15
<b>Overhead cost savings</b>	<b>43</b>
Joining up with other programs to share occupancy costs	26
Relocation to lower-cost premises	17
<b>Internal process enhancements</b>	<b>56</b>
Merging with other programs to share back-of-house costs	22
New technology for streamlining/automating processes/improving utilisation	34
<b>Staff cost savings</b>	<b>64</b>
Reduce training/professional development	17
Renegotiate enterprise agreement/Reclassify positions/Salary freeze	18
Voluntary reduction in hours/purchase of leave	7
Supervision by video rather than face-to-face	22
<b>Other</b>	<b>38</b>
Various organisation specific investments	38

Source: FRSA membership base survey

Chart 3.4 presents the proportion of organisations that have been actively investing in each efficiency category over time. The chart indicates the proportion of organisations that have made at least one investment per category and does not report instances of multiple investments in a category being made by a single organisation.

### 3.4 A high proportion of organisations made efficiency investments since 2011

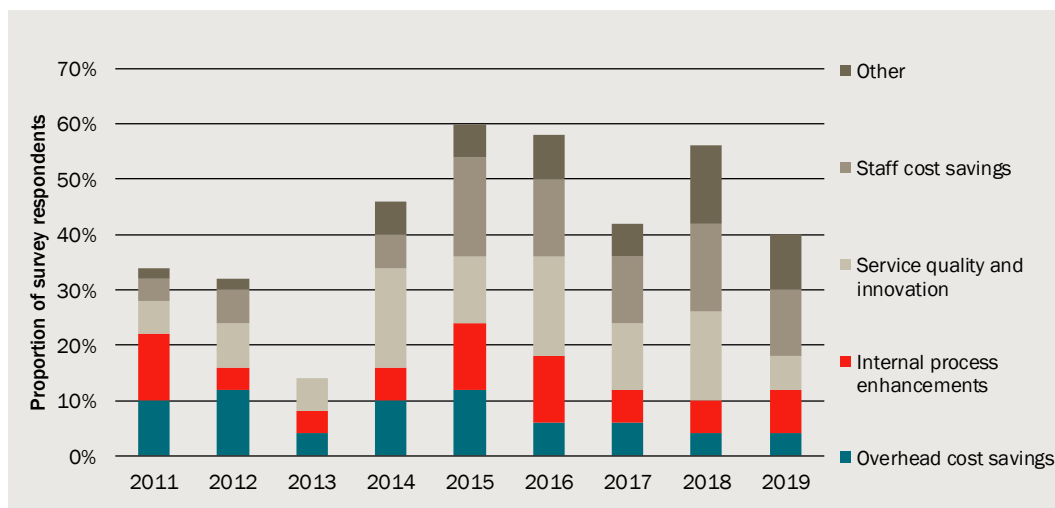


Data source: FRSA membership base survey

As shown in chart 3.5, the timing of investments across the sector has been relatively consistent since 2015.

All of the 50 organisations that answered survey questions related to efficiency investments noted a range of investments that had been made across multiple years.

### 3.5 There has been a strong mix of efficiency investments made over time



Data source: FRSA membership base survey

Detailed discussion around the types of efficiency investments made, and comments made by the FRSA membership base, are provided in Appendix C.

### *Evidence that efficiency investments have made a difference*

There is strong quantitative evidence at the sectoral level to indicate that the FRSA membership base has made efficiency investments that have greatly improved their ability to service clients in a time of funding pressures.

Analysis across the key cost categories of wages and occupancy costs against output measures of cost per client (used in the absence of quality outcomes measures) shows that while cost indexes have increased significantly, a rebalancing of the cost base within the sector has allowed for the index of cost per client to rise minimally.

### *Cost indexes have increased significantly*

Labour makes up at least 70 per cent of total expenses, as was accurately assessed and included in the SACS supplementation payments formula.

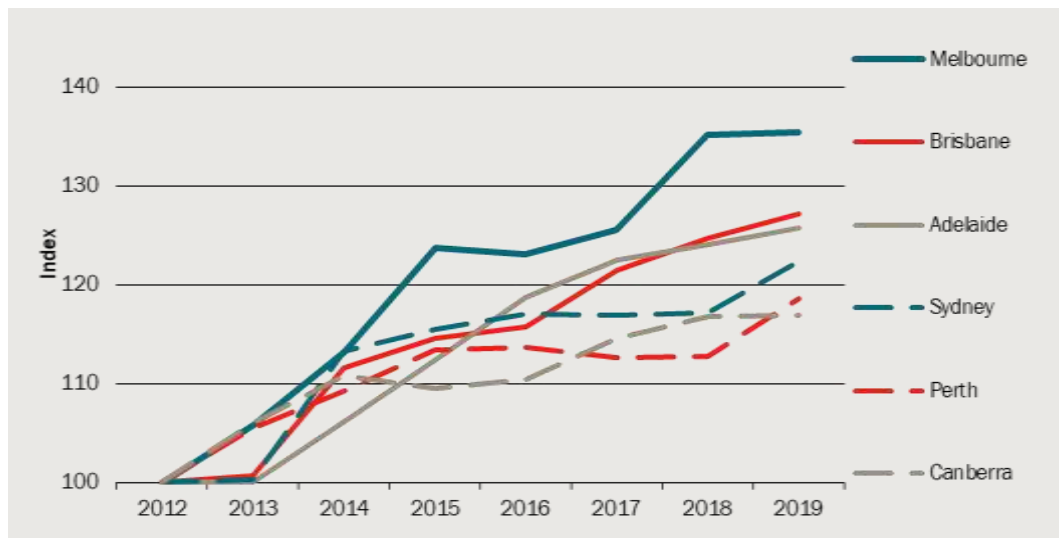
However, the wages of Level 4 and Level 5 employees (the two most common classifications in the sector) have increased by 33 and 37 per cent over the past five years under the modern award.<sup>12</sup> The increases have been even greater for some employees transitioning from a pre-modern award.

<sup>12</sup> Note that the SCHADS Modern Award rates are revised twice a year. December revisions are specifically for the FWA ERO increases, and July revisions are the standard annual pay revisions applicable to most award schemes. This increase has been calculated through revising the actual bi-annual payrates as published by FWA.

Building occupancy costs make up a further 8 per cent of expenses. A review of building occupancy costs around Australia indicates that the price of office building occupancy per square metre of net lettable area has increased by around 8 per cent over the past five years, with an even steeper increase since 2012, based on a population-weighted average across capital cities (see chart 3.6).

Even assuming no growth in prices in regional areas, this means population-weighted average occupancy prices have increased by 5.6 per cent nationally.

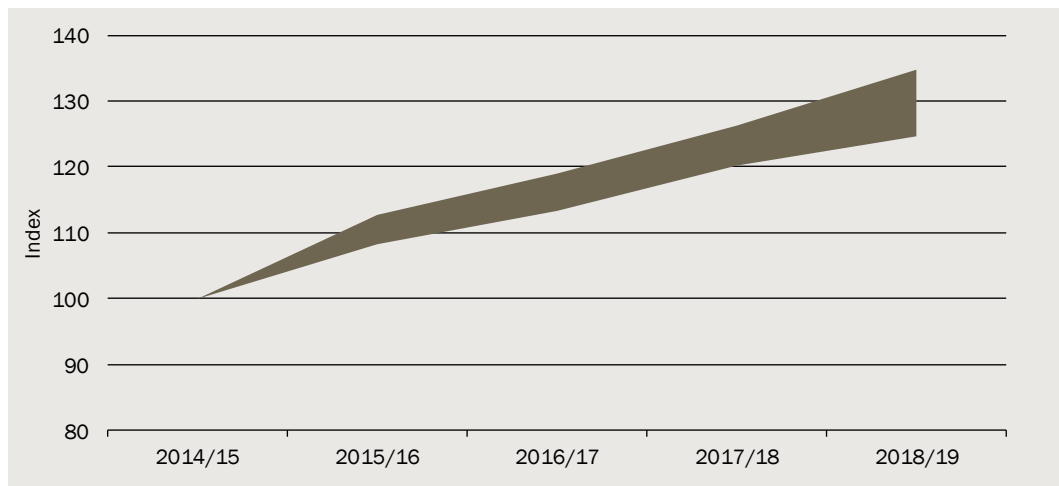
### 3.6 National office operating expenses benchmark, capital city index



Data source: Property Council (2018) Office Benchmarks Report, summary data, <https://research.propertycouncil.com.au/research-and-data/retail-and-office-benchmarks>, and FRSA membership base survey

Combining these indicators, a conservative estimate is that the weighted average of input prices for the FRSA membership base has increased by between 24 and 35 per cent over the past five years. That is, FRSA members have faced increasing costs in the order of between 24 and 35 per cent since 2014, chart 3.7.

### 3.7 Input price index, FRSA membership base (wages and occupancy costs)



Data source: CIE

### *Expenses per client have been strictly maintained*

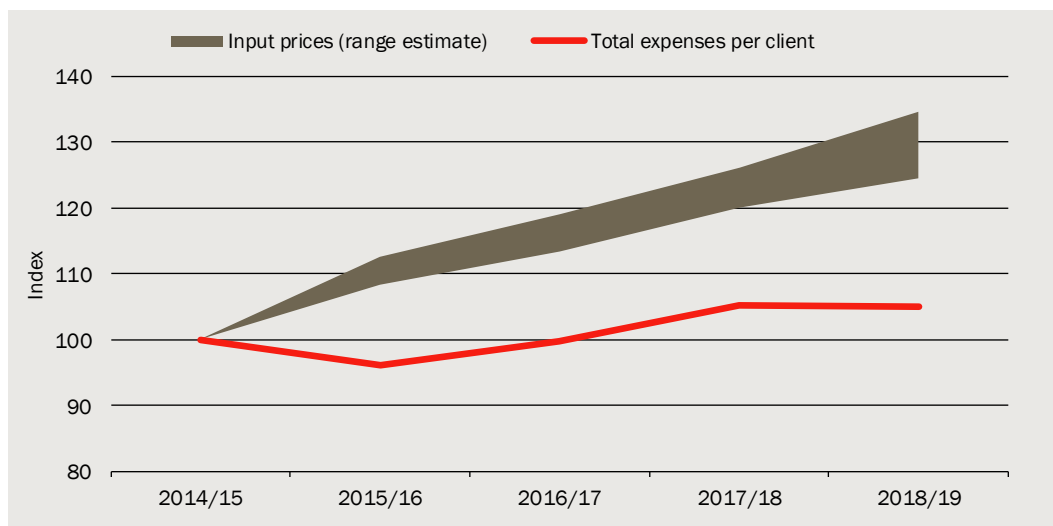
In contrast to the increasing input cost indexes, reviewing the financial and client data provided by organisations in the FRSA membership base survey indicated that the per-client expenses acquitted by service providers have increased by just five per cent over the same period.

Chart 3.8 tracks the implicit input cost index drawing on wage and occupancy cost increases against the total expenses per client index as reported by FRSA members in the survey – noting only those 107 service stream responses providing complete answers to data on client numbers, expenses and funding for each of the past five years are included.

The implication of these figures is that the efficiency investments that have been detailed through the FRSA membership base survey have generated significant savings in per client costs, allowing service providers to continue servicing clients in the face of ongoing funding pressures.

While it is possible that the sub-group of organisations providing complete data for each of the past five years has made more efficiency gains than the sector on average, implying that the figures for the wider FRS sector may not look identical to those presented here, nevertheless, this analysis shows that a substantial efficiency gain has been made by a considerable portion of the sector to date.

### **3.8 Cost per client compared with input prices**



Note: Based on 107 service stream providers (23 organisations) who provided complete data for client numbers, expenses and funding for each of the past five years

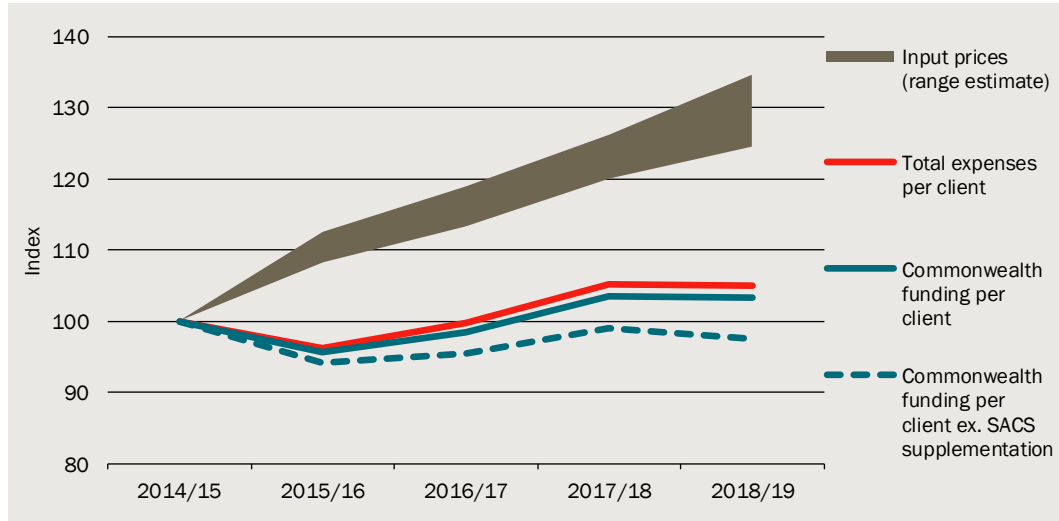
Data source: CIE analysis of SCHADS award pay rates, Property Council office benchmarks and FRSA membership base survey

### *Efficiencies have been delivered to the Commonwealth*

This efficiency gain has already been delivered to the Commonwealth. Chart 3.9 tracks the implicit cost price index, the actual per client expense index for FRSA members and Commonwealth funding indexes for the sector (both baseline Commonwealth funding and total Commonwealth funding including SACS supplementation).

Notably, funding has not increased with input prices, but has instead remained relatively stable, with organisations matching movements in per client funding with movements in per client expenses, despite the sharp increase in input prices.

### 3.9 Cost per client, Commonwealth funding per client, and input prices



Note: Based on 107 service stream providers (23 organisations) who provided complete data for client numbers, expenses and funding for each of the past five years

Data source: CIE analysis of SCHADS award pay rates, Property Council office benchmarks and FRSA membership base survey

Over this same time period, organisations have maintained average client numbers per service stream.

Having made efficiency gains of this magnitude, these providers are likely to be at or close to the efficiency frontier for the sector. Further efficiency gains that go beyond the broader productivity improvements in the economy will be increasingly difficult to achieve. It is not reasonable to expect that per-client costs could be reduced in line with the removal of all SACS supplementation funding and maintaining client numbers will require an offsetting increase in baseline funding.

## 4 *The importance of SACS supplementation to service delivery*

The FRS sector is characterised by client focused service delivery. Approximately 70 per cent of all costs associated with service delivery are labour costs. The need to draw on qualified labour to deliver services creates two challenges for the sector in the current environment:

- labour costs are both the largest cost component of service delivery, and the cost component with the highest growth rate, due to the ERO
- there is limited scope for organisations to transfer away from labour in service delivery, towards capital or information services to mitigate the rising labour costs.

Since 2012, SACS supplementation has represented an increasing proportion of funding and costs allocated on a per client and per employee basis.

Currently, across the FRSA membership base, SACS supplementation accounts for:

- 10 per cent of all funding allocated per client serviced each year
- 21 per cent of all operational employee expenses.

It is important to measure the reliance on the SACS supplementation in terms of operational employees. These are the employees providing direct services to clients. To the extent that operational employee expenses cannot be covered, services across the FRS sector cannot be delivered.

### *Delivery of FRS services is heavily dependent on SACS supplementation*

In the 2018-19 financial year, SACS supplementation payments accounted for 10.8 per cent of total funding to the FRSA membership base. By 2020-21, this figure will increase to 13.2 per cent of total funding, as a national average.<sup>13</sup>

Based on the annualised SACS ERO increase percentages to be applied, the proportion of funding value at risk will be notably divergent across Australia. In Western Australia, some organisations will have up to 20 per cent of annual Commonwealth funding at risk from the Special Account expiry, as calculated in table 4.1.

<sup>13</sup> This is calculated drawing on the state and territory SACS ERO increases in 2020/21 and weighting them by the current national distribution of DSS grant funding allocations to FRSA members. Total funding is measured as baseline funding plus SACS supplementation payments.

#### 4.1 SACS supplementation as a proportion of total funding

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	%	%	%	%	%	%	%	%	%
New South Wales	0.6	1.4	2.4	3.3	4.2	5.0	5.9	6.7	7.5
Victoria	1.0	2.8	4.5	6.2	7.7	9.3	10.7	12.2	13.6
Queensland (FWA)	1.4	3.8	6.1	8.2	10.2	12.2	14.1	15.8	17.6
Queensland (QIRC)	13.8	14.3	14.8	15.3	15.3	15.3	15.3	15.3	15.3
Western Australia (FWA)	1.7	4.5	7.1	9.6	12.0	14.2	16.4	18.4	20.4
Western Australia (WA IRC)	N/A	3.4	6.1	8.3	10.4	12.4	14.3	16.1	17.8
South Australia	1.1	3.1	4.9	6.6	8.3	9.9	11.5	13.0	14.5
Tasmania	1.1	3.1	4.9	6.6	8.3	9.9	11.5	13.0	14.4
Australian Capital Territory	1.3	3.4	5.4	7.4	9.3	11.1	12.8	14.4	16.0
Northern Territory	1.1	2.9	4.6	6.3	7.9	9.5	11.0	12.4	13.9

Source: CIE, based on the SACS supplementation formula applied by DSS.

However, calculating the proportion of total funding at risk does not provide a full picture of the degree of reliance on SACS supplementation payments.

Table 4.2 reports on the proportion of operational employee expenses incurred by FRSA members over time that have been covered by the SACS ERO supplementation payments.

These figures have been limited to operational employee expenses as they provide a direct comparison between:

- 1 the cost base that the supplementation payments are targeted to cover (operational employees under the SCHADS Award), and
- 2 the degree of reliance that operational employees have on supplementation payments to maintain service delivery.

Further, the entirety of the FRS service delivery is dependent on operational employees being funded appropriately to provide face-to-face services. To the extent that operational employee costs cannot be covered adequately, the FRS sector faces a decline in viability.

#### 4.2 SACS supplementation as proportion of operational employees' expenses

	2015-16	2016-17	2017-18	2018-19
	%	%	%	%
Family Law Services	12	15	17	21
Communities for Children	26	29	36	39
FaRS (incl Specialised Family Violence Services)	12	16	16	20
Children and Parenting Support	18	19	28	28
Specialist Adult Support Services	12	16	15	26
<b>Sector average</b>	<b>12</b>	<b>15</b>	<b>17</b>	<b>21</b>

Note: Figures calculated based on survey responses covering both SACS supplementation and operational employee expenses.

Source: CIE.



As can be seen, on average across the FRSA membership base in 2018-19, more than one fifth of operational employee expenses were covered by the SACS supplementation payments from the ERO Special Account. This is despite SACS supplementation payments only making up 10 per cent of total funding at that time.

This degree of reliance has steadily increased over time, as the scale of the ERO payments have increased following the phase in calculation determined by FWA in 2012.

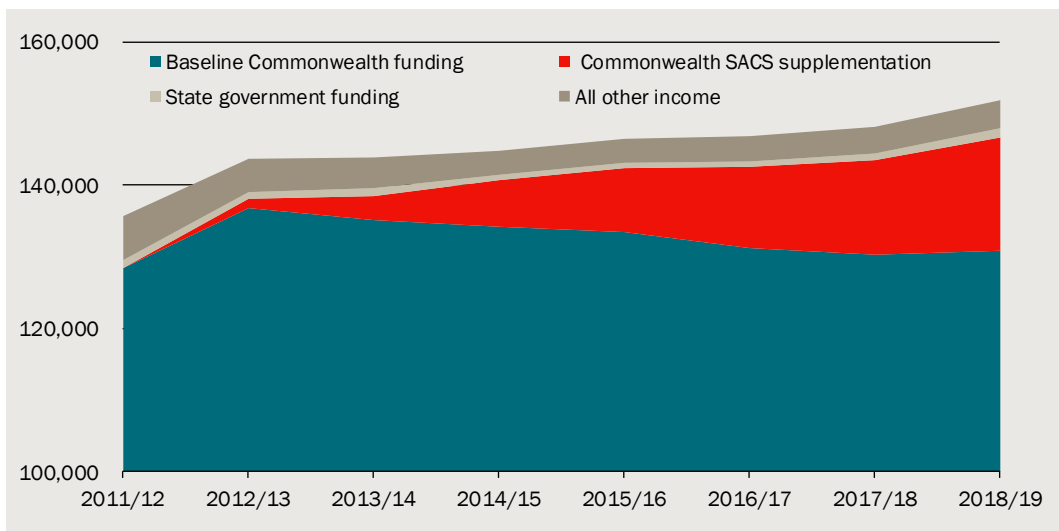
Where particular service streams have a lower proportion of their costs covered by the SACS supplementation payments, this does not indicate a reduced reliance on payments. Instead, it provides insight into those particular sub-sectors that have a greater proportion of higher paid operational employees, and that have faced higher increases in SCHADS Award rates than have been covered by the SACS supplementation payments.

Chart 4.3 tracks the proportion of income sources per operational FTE across the FRSA membership base over time. This chart, therefore, provides a slightly different perspective on the increasing reliance on the SACS supplementation payments, as well as the dynamic between baseline of Commonwealth funding and SACS supplementation payments.

Since 2011-12, total income from all sources per operational FTE has increased by 12 per cent from \$136 000 to \$152 000. However, over this same time period, the value of Commonwealth baseline funding per operational FTE has only increased by 2 per cent and has been declining since 2012-13. The additional 10 per cent income has come solely from the SACS supplementation payments.

In 2018-19, 10 per cent of income per operational FTE was accounted for through the SACS supplementation payments, 85 per cent from Commonwealth baseline funding, and an additional 5 per cent from other sources.

**4.3 Income sources per operational FTE**

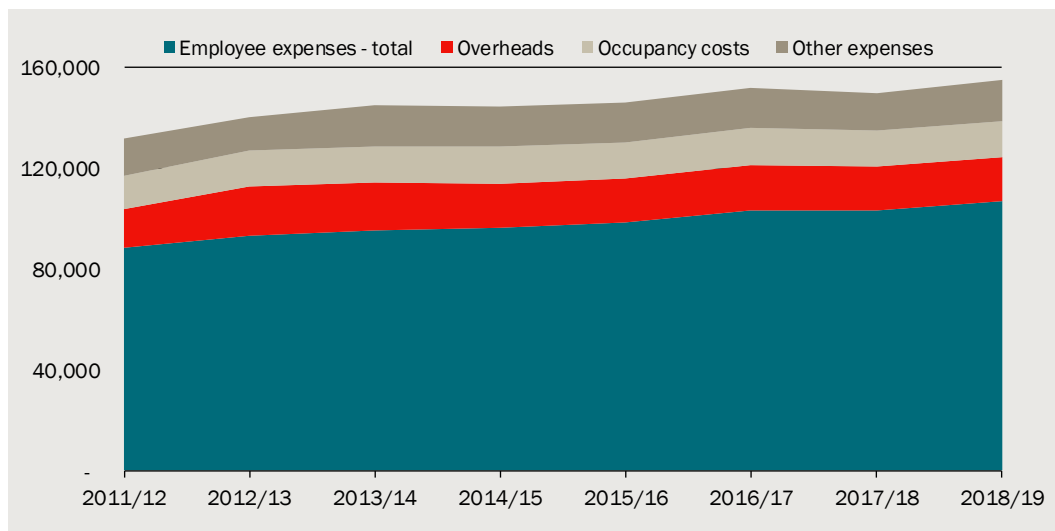


Data source: FRSA membership base survey.

Chart 4.4 summarises the trend in expenses incurred per operational FTE across the FRSA membership base. Notably, a fairly constant level of expenses per FTE has been maintained, in line with income per FTE.

These graphs also demonstrate the not for profit nature of the FRSA membership base, where all income can be accounted for almost entirely in year by year expenses.

#### 4.4 Expenses per operational FTE



Data source: FRSA membership base survey

### *Government funding has not kept pace with increasing costs*

Chart 4.5 provides a single snapshot of the trends in income and expenses that the FRSA membership base has faced since 2012, presented in index form.

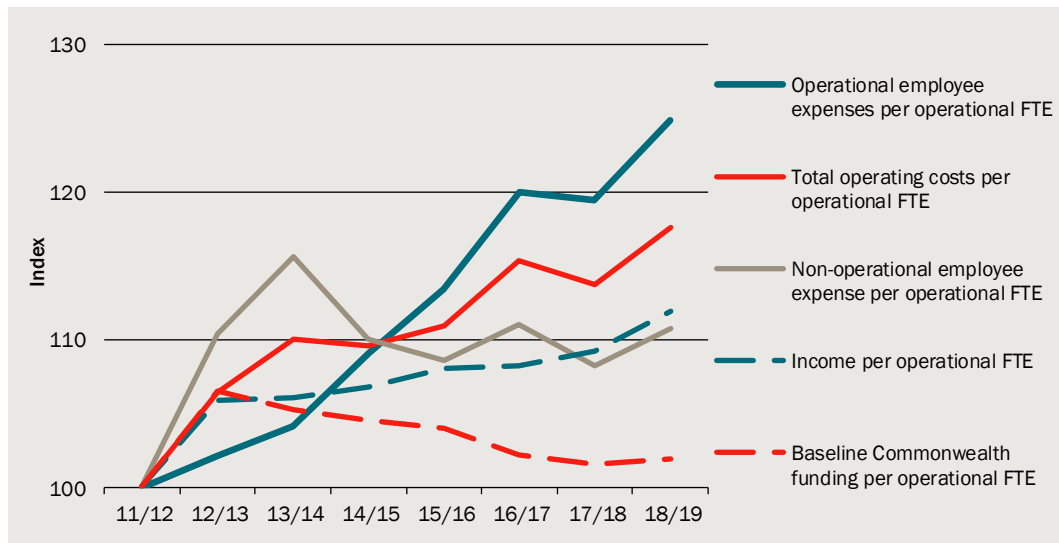
Most importantly, the chart shows that increases in operating costs per operational FTE have not been matched by increases in income per operational FTE; therefore, efficiencies have been made elsewhere.

As expected, operational employee expenses is the cost category that has experienced the fastest rate of growth – as this category includes costs associated with ERO salaries.

To the extent that baseline Commonwealth funding is expected to cover the increases only in non-operational employee costs (assuming that SACS supplementation is to cover increases in operational employee expenses), even this position cannot be supported.

Chart 4.5 demonstrates that non-operational employee expenses, normalised by the number of operational FTE, have increased by just over 10 per cent over the time period in which baseline Commonwealth funding has increased by only 2 per cent.

#### 4.5 Income and expenses per operational FTE



Data source: FRSA membership base survey

The average measure of a 2 per cent increase in Commonwealth baseline funding over the time period obscures the decline in the most recent years.

The decline in Commonwealth baseline funding in recent years coincides with decisions to freeze indexation on all grants under the Family Law Services category for three consecutive years, 2014-15 to 2016-17.

Since 2012-13, even when indexation has been applied to the FRSA membership base, indexation rates have been on average approximately 1.5 per cent, and applied to the original grant funding value, rather than on a cumulative, annual basis.

#### *Actual wages growth has been increasing beyond supplementation*

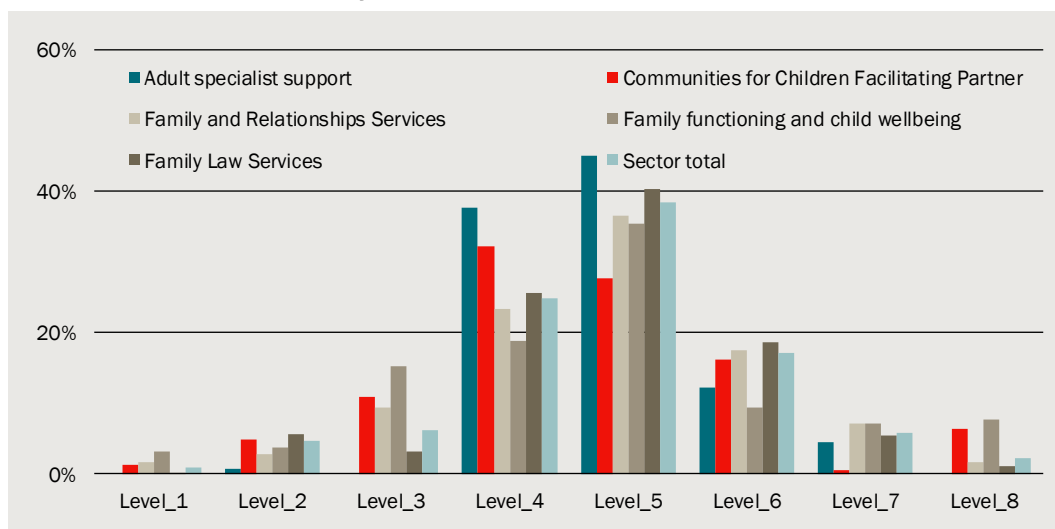
As previously discussed, the SACS ERO supplementation that has been paid by the Commonwealth since 2012 is based on a formula that assumes the average classification of employees across the sector is a level 4.1 within the SCHADS Award.

The greater the proportion of staff within an organisation that are classified higher than a 4.1 employee, the greater will be the impact on the organisation's budget, with additional funding needed to be diverted to operational employees and/or savings found elsewhere.

Chart 4.6 summarises the distribution of operational FTEs across the FRSA membership base by the relevant SCHADS Award classification – the average classification is a level 5.

The total actual pay increase for a level 5 classification is 5 percentage points higher than for a level 4 classification, as was reported in table 1.4. This implies that for the FRSA membership base, the SACS supplementation payments from the Special Account are not able to match the pay increase that organisations themselves need to fund.

#### 4.6 Distribution of staff pay classifications across the FRSA membership base



Data source: FRSA membership base survey

It is also important to note that chart 4.6 is based on the current distribution of staff pay classifications in the sector. As noted previously, organisations have altered the pay and conditions of staff over the past eight years in response to funding pressures.

Reclassification of positions to lower pay grades within the award would have brought down the average pay classification within the FRSA membership base. This means that the formula used to calculate SACS supplementation payments has inadvertently placed pressure on service providers to align their pay grades more closely to the average of the SACS sector, at band 4.1, rather than the higher qualifications that recognise the need for skilled and highly qualified employees within this sector.

#### *Limited funding growth restricts client numbers despite growing demand*

With average Commonwealth funding per client remaining steady over time, and average costs incurred per client also remaining constant over time, the number of Australians that have been able to access FRS support has also remained constant.

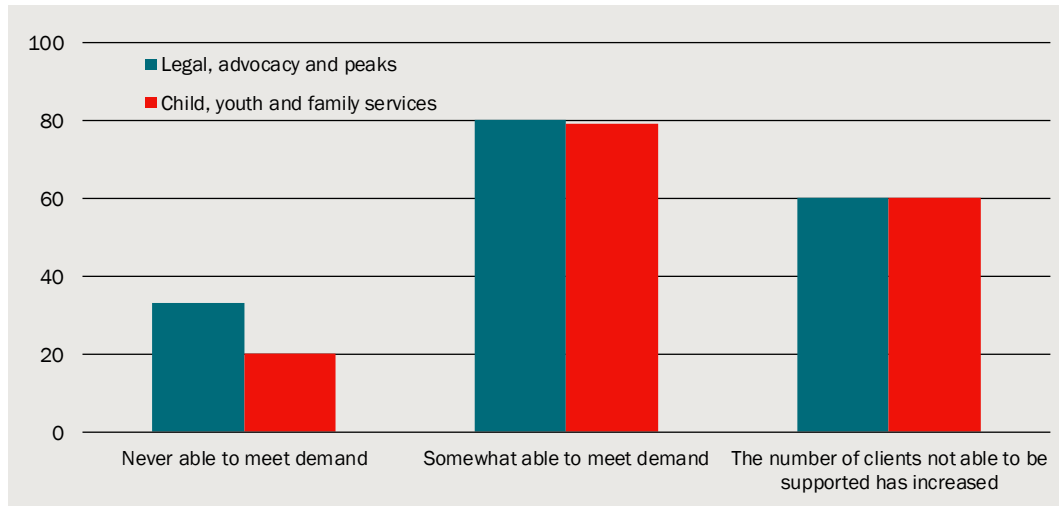
However, over the past years demand for services has been reported to be growing strongly, both in terms of the number of potential clients seeking assistance and the complexity of the challenges being faced by clients. Services providers have reported a compounding of issues, with:

- increasing complexity in the cases that need to be managed
- increasing volumes of clients seeking services
- reductions and increased uncertainty in funding.<sup>14</sup>

<sup>14</sup> Australian Council of Social Services (2019) Demand for Community Services Snapshot. In partnerships with the Councils of Social Service and Community Sector Banking

Chart 4.7 summarises the changes and unmet demand and unmet need observed over the sector in the 2019 financial year.

#### 4.7 Measures of unmet demand and unmet need



Data source: Australian Council of Social Services (2019) Demand for Community Services Snapshot. In partnerships with the Councils of Social Service and Community Sector Banking

When seeking to measure and report unmet demand across the FRSA membership base, the strong differences between organisations on how wait times were measured and how wait lists were managed (including having wait lists closed when they reach a certain length) meant that a single measure was not possible.

These difficulties in measuring wait times and unmet demand were also recognised in a 2016 report reviewing funding arrangements in the Family Law Services sector. However, drawing on data provided by DSS, the authors were able to elicit some insights into the challenges in the sector.

Table 4.8 summarises the service stream waiting times averaged across the sector, drawing on DSS sourced data. The fact that these averages obscure large divergences was discussed. Indeed, wait times to access Family Relationship Centres for example, were averaged at 3.7 weeks, but were noted to vary between 2 weeks to 3 months in some locations.

Of particular note and concern across the sector were the significant wait times reported by Children's Contact Services, demonstrating the substantial pressure being placed on children and families requiring these services. Wait times in some locations were noted to be up to 6-9 months, despite families having court orders granting them access to Children's Contact Services.<sup>15</sup>

<sup>15</sup> KPMG (2016) Future Focus of the Family Law Services. Prepared for the Attorney-General's Department.

#### 4.8 Average service wait time

Family Law Services service type	Average wait time (weeks)
Children's Contact Services	7.9
Family Law Counselling	1.2
Family Dispute Resolution	3.0
Family Relationship Centres	3.7
Parenting Order Program	3.5
Post Separation Cooperative Parenting	2.0
Regional Family Dispute Resolution	2.6
Supporting Children After Separation	1.4
Telephone Dispute Resolution	6.3
All services	3.7

Source: KPMG (2016) Future Focus of the Family Law Services. Prepared for the Attorney-General's Department.

Observations around an increasing inability to service increasing demand are not new observations in the FRS sector. Analysis of the funding envelope for the Family Law Services sector over the coming ten years has found:

- the 2014-15 – 2018-19 funding envelope did not adequately meet the projected population increase for individuals aged 25-49, the cohort most likely to access Family Law Services
- this projection was true for both the 2014-15 to 2018-19 funding period and the projected five-year period to 2023-24
- the shortfall was found to continue to widen over time and was anticipated to increase to \$21.2 million by the end of the 2023-24 financial year.<sup>16</sup>

Importantly, the calculated funding shortfall figures did not include SACS supplementation. Including Special Account expiry in 2020-21 would double the funding shortfall projected, with a further \$20 million of funding to the Family Law Services sector estimated to be at risk from Special Account expiry.

The analysis of the funding shortfall for the Family Law Services was based on the very conservative assumption that increased demand came only from population growth. Increased complexity in cases presented to Family Law Services was not considered, nor was an increasing propensity for people to engage with Family Law Services considered.

The conservative nature of this assumption was recognised in the report, with further demographic and social trends being investigated. Of particular note for the Family Law Services sector was an observation that an increase in non-nuclear families that include grandparents, stepparents, aunts, uncles and other carers in the Family Dispute Resolution process has the potential to complicate the mediation process, and increase the resources required per outcome measure.

<sup>16</sup> KPMG (2016) Future Focus of the Family Law Services. Prepared for the Attorney-General's Department.

Wider observations regarding the complexity and risk profile for Family Law Services clients were as follows:

- Family Law Services providers noted increasingly complex client needs, requiring additional funding and time from operational employees, with an increased risk profile being closely associated with increasing complexity
- increasing risk profiles of clients was leading to increased collaboration and integration across socio-legal services, such as mental health, alcohol and other drug services, domestic violence and child protection services.<sup>17</sup>

An important implication for the expiry of the Special Account is that the increased integration leads to increased fragility within the system should one or more of the supportive sectors, for example, child protection and family violence services, no longer be able to meet demand.

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<sup>17</sup> KPMG (2016) Future Focus of the Family Law Services. Prepared for the Attorney-General's Department.

## 5 *Service delivery will be impacted by the expiry of the Special Account*

The expiry of the SACS Pay Equity Special Account and the potential for a subsequent decline in funding across the Families and Children Activity will lead to reductions in service delivery across Australia. Organisations have reported plans to respond in a variety of ways, including:

- closing up to 9 per cent of service locations across Australia
- reducing service delivery hours across 22 per cent of service locations across Australia
- reducing operational employment by up to 22 per cent
- reducing the number of Australians receiving FRS services by 16 per cent.

Regional and remote locations in Australia are expected to have a higher proportion of service sites affected than metropolitan areas.

### *The expected scale of service delivery to fall*

Many organisations in the FRSA membership base are already scoping options to manage the expiry of the SACS Special Account and the likely decrease in total funding for the sector from 1 July 2021.

FRSA members were asked to share their plans and their anticipated changes in service delivery scale, location and distribution should SACS supplementation not be rolled over to baseline funding.

Table 5.1 provides a national picture of the scale of site closures and anticipated service hour reductions. Up to 9 per cent of current service locations are anticipated to need to close, with organisations noting that a reduction of funding would push them past the point of viability. A further 22 per cent of locations would reduce their service hours, with many after-hours service providers noting that extended and weekend hours would no longer be viable.

A number of service streams are anticipating significant impacts on their capacity to service clients, including:

- Children's Contact Services
- Specialised Family Violence Services
- Regional Family Dispute Resolution
- Family Law Counselling.



The close linkages between Children’s Contact Services and Specialised Family Violence Services has been noted by the FRSA membership base. Those families accessing Children’s Contact Services have been observed to be more likely to also be engaged with Specialised Family Violence Services.<sup>18</sup> Further, Children’s Contact Services in particular tend to provide a large portion of their services outside of regular business hours, such as weekends, when there is the greatest demand for supervised contact with children.

All organisations providing Children’s Contact Services noted some form of impact to service delivery from expiry of the Special Account. This aligns with the information provided in table 4.8, with wait times for Children’s Contact Services noted to be the longest of all the Family Law Services sector.

### 5.1 Service delivery reductions – survey responses

	Current sites	Sites closed	Sites closed	Sites reduced hours	Sites reduced hours
	#	#	per cent	#	per cent
Family Relationship Centres	106	19	18	63	59
Family Dispute Resolution	57	5	9	37	65
Regional Family Dispute Resolution	79	20	25	43	54
Children’s Contact Services	35	9	26	26	74
Supporting Children after Separation Program	31	2	6	16	52
Family Law Counselling	162	32	20	76	47
Parenting Orders Program	69	17	25	32	46
FaRS (Family and Relationship Services)	254	49	19	123	48
Specialised Family Violence Services	52	4	8	39	75
Communities for Children Facilitating Partner	35	3	9	26	74
Children and Parenting Support	1738	67	4	69	4
Home Interaction Program for Parents and Youngsters	3	1	33	1	33
Find and Connect Support Services	14	3	21	9	64
Royal Commission Community-Based Support	42	8	19	23	55
<b>Total</b>	<b>2677</b>	<b>239</b>	<b>9</b>	<b>585</b>	<b>22</b>

Source: FRSA membership base survey

In total, the survey respondents to these questions directly indicated that approximately 28 500 Australians would no longer be able to be provided with FRS support following Special Account expiry. This equated to 16 per cent of the survey respondents’ current client base.

Survey respondents to this question accounted for 25 per cent of the FRSA membership base by value and were representative of the entire sector in terms of the service streams and grant funding allocations they covered.

<sup>18</sup> This observation has also been raised in other studies of the sector, including Commerford, J. and Hunter, C. (2015) Children’s Contact Services: Key Issues. CFCA Paper No. 35.

Extrapolating this impact to the FRSA membership base, a 16 per cent reduction in clients able to be served is approximately 92 400 Australians who would no longer be able to access services from FRSA members.

Table 5.2 summarises the service stream reductions in client levels reported by survey respondents, a translation of the closure of service locations and reduction in service hours into a proportional reduction in the current client base.

There were particularly large proportional reductions in clients reported for Specialised Family Violence Services, with up to half of the current client base anticipated to be affected.

Between one fifth and one quarter of the client base is also anticipated to be affected for:

- Family Relationship Centres
- Regional Family Dispute Resolution
- Family Law Counselling
- Parenting Orders Program
- Home Interaction Program for Parents and Youngsters
- Find and Connect Services.

## 5.2 Proportional reduction in client numbers from Special Account expiry

	Reduction in clients served per cent
Family Relationship Centres	23
Family Dispute Resolution	13
Regional Family Dispute Resolution	22
Children's Contact Services	19
Supporting Children after Separation Program	18
Family Law Counselling	25
Parenting Orders Program	24
FaRS (Family and Relationship Services)	16
Specialised Family Violence Services	49
Communities for Children Facilitating Partner	20
Children and Parenting Support	5
Home Interaction Program for Parents and Youngsters	25
Find and Connect Support Services	22
Royal Commission Community-Based Support Services	6
<b>National average - proportional reduction in client base</b>	<b>16</b>
<b>Number of clients affected nationally (across FRSA membership base)</b>	<b>92 400</b>

Note: Proportional client reductions reported based on reduced survey coverage (35 per cent response rate to this question), responses were closely representational of the population

Source: FRSA membership base survey

### *A strong regional and remote impact is expected*

Site closures and reductions in service hours are not anticipated to be uniform across Australia. Survey respondents were asked to nominate changes to service delivery by regional classification, with the findings summarised in table 5.3.

Of the 159 sites operated by survey respondents in remote locations across Australia, up to 59 (or 38 per cent) anticipate having to close due to the Special Account expiry. Further, there appears to be less scope for merely reducing service hours in remote locations, compared to regional and metropolitan locations. A lower proportion of remote locations (15 per cent) anticipate reducing their service hours, compared to 26 per cent in regional areas and 18 per cent in metropolitan locations.

#### 5.3 Service centre closures and reduced hours, by geographic region

	Current sites	Sites closed	Sites closed	sites reduced hours	sites reduced hours
	#	#	per cent	#	per cent
Capital	1312	47	<b>4</b>	236	<b>18</b>
Regional	1195	130	<b>11</b>	312	<b>26</b>
Remote	157	59	<b>38</b>	24	<b>15</b>
<b>Total</b>	<b>2664</b>	<b>236</b>	<b>8.8</b>	<b>572</b>	<b>21.5</b>

Source: CIE, FRSA membership base survey

While the survey response rate by detailed service stream activities was too low to allow for detailed analysis, the following insights have been noted:

- In remote locations, the most heavily affected service streams are anticipated to be:
  - All Family Law Services, with almost all providers answering the survey indicating almost full closure of services. These service providers currently account for almost 35 per cent of remote family law service clients
  - Family and Relationship Services, with all service providers indicating that they would be required to either close sites completely (70 per cent of sites), or reduce hours (30 per cent of sites)
  - Specialised Family Violence Services, with all respondents indicating that service hours would need to be reduced
  - Adult Specialist Support Services (Find and Connect and Royal Commission support services), with almost all service centres likely to face closure for remote service delivery
- In regional locations, the most heavily affected service streams are anticipated to be:
  - Communities for Children – Facilitating Partners, with almost all service providers indicating a necessary reduction in service delivery hours
  - Children’s Contact Services, with almost all service providers indicating a need to reduce service hours, and a fifth of locations facing closure
- In metropolitan regions, the most heavily affected service streams are anticipated to be:

- Family Law Services, with more than three quarters of services indicating a need to reduce service hours
- Specialised Family Violence Services, with 10 per cent of locations facing possible closure, and a further 80 per cent facing reduced service hours.

### *The sector will need to reduce employment*

Site closures and reductions in service hours will be driven predominantly through a need to reduce wage costs across the sector, following the anticipated expiry of the Special Account.

Survey respondents were asked to consider the scale of operational employee job losses that would be required should the SACS supplementation not be rolled over to baseline Commonwealth funding.

Table 5.4 summarises the survey responses only, noting the current FTE employment levels, the anticipated job losses, and the proportional reduction across the individual service streams.

Just under 60 per cent of survey respondents answered these questions, indicating a high coverage rate that is representative of the FRSA membership base.

#### **5.4 Reduction in operational employees due to account expiry**

	Total FTE count	Decrease in FTE	Decrease in FTE
	#	#	per cent
Family Relationship Centres	264	69	26
Family Dispute Resolution	45	9	20
Regional Family Dispute Resolution	40	11	26
Children's Contact Services	94	15	16
Supporting Children after Separation Program	21	5	23
Family Law Counselling	64	20	31
Parenting Orders Program	42	14	34
FaRS (Family and Relationship Services)	307	54	18
Specialised Family Violence Services	42	8	20
Communities for Children Facilitating Partner	30	9	31
Children and Parenting Support	72	12	17
Home Interaction Program for Parents and Youngsters	2	1	49
Find and Connect Support Services	5	1	20
Royal Commission Community-Based Support Services	6	3	51
<b>Sector wide survey total</b>	<b>1 034</b>	<b>231</b>	<b>22.3</b>

Source: FRSA membership base survey

Note: For those both answered their number of FTE and reduced FTE

Survey respondents answering questions related to FTE reductions reported direct employment losses of 231 FTE positions, from a current employment level of 1034. This represents a possible upper bound of a reduction of 22.3 per cent of operational staff across the FRSA membership base in Australia.

This reported figure of 22 per cent reduction in operational FTE is proportional to the value of operational employee costs that is at risk should SACS supplementation not be rolled over to baseline Commonwealth funding. This indicates that the sector is very closely monitoring the source and variability of income received from the Commonwealth and, following years of efficiency investments, has reached a point where there is likely to be a one for one reduction in operational employment, for any reduction in operational employee-based income.

### *Additional redundancy expenses are likely to further reduce operational budgets*

Job losses are not without costs in Australia, for both employees and employers. FRSA members are anticipating a sizable redundancy payout bill associated with the reductions in FTEs. This will further impact organisational capacity to deliver services to clients.

Table 5.5 summarises the survey responses with respect to expected redundancy payouts across the FRSA membership base.

#### **5.5 Anticipated redundancy costs associated with FTE reductions**

	Average per organisation	Average per FTE
	\$	\$
Family Law Services	34 510	25 700
FaRS (Family and Relationship Services) including Specialised Family Violence Services	22 350	13 890
Communities for Children Facilitating Partner	9 930	5 840
Children and Parenting	10 270	9 390
Specialist Adult Support Services	11 310	14 100
<b>Total across survey respondents</b>	<b>27 410</b>	<b>16 880</b>

Source: FRSA membership base survey

## 6 *Service delivery reductions will have far reaching impacts*

**Across the FRS sector, there is an implied Benefit Cost Ratio (BCR) of approximately 5.5. That is, for every dollar of effective funding cut to the sector through expiry of the SACS Special Account that is not rolled over to an increase in Commonwealth base line funding, a total cost of \$5.50 will be imposed on the Australian economy.**

**Approximately \$45 million in annual funding is estimated to be at risk across the FRSA membership base. This equates to just over \$260 million of costs per year that will be pushed on to Australians who are no longer able to access FRS services, and to Australian taxpayers through increased demand across the health care, education, justice and child protection sectors.**

### ***The costs of the SACS Special Account expiry will be wider than the FRS sector***

The FRS sector, and the FRSA membership base, provides significant value to the Australian community across both economic and social measures. This value accrues directly to clients accessing services and to the community more generally through delivery of services that promote a healthier, happier and more connected population.

Clients access FRSA member services in a range of situations, from information gathering to improve skills in a general setting, right through to crisis support. The benefits accruing to clients of FRS services can also take on a range of dynamics, from immediate improvements in circumstances to longer term alteration of life course projections.

Reductions in service delivery across the FRSA membership base will have real costs. These costs will closely match the scale and timeframe of benefits that would otherwise have accrued from continued or increased baseline funding for the sector. Some clients will feel immediate costs and impacts from reduced access to practitioners, and others will observe a longer-term reversion to old life course trajectories.

To estimate the social and economic costs from expiry of the ERO Special Account, with no offsetting increase in baseline funding for the FRSA membership base, our analysis covers:

- 1 understanding how clients will be affected by reduced service delivery, including their likelihood of being able to access alternative, suitably qualified service providers
- 2 understanding the social and economic return on investment across the key areas of FRS, as calculated across similar government funded programs in the past – including

how these economic returns are distributed across, health, education, justice, child protection and economic activity.

### *Understanding how clients will be impacted from reduced services*

Survey respondents were asked to assess the range of alternative service providers in their geographic region that would be available to clients should they themselves no longer be providing services.

Respondents were asked to make an assessment of how their affected client base would be redistributed, based on their knowledge of how likely clients would be to seek alternative, possibly fee for service providers, for example, or whether there were simply no other service providers operating in the region.

Tables 6.1 provides a summary of the geographic distribution of impacts to clients across all service streams, as reported in the survey. Notably, the highest proportion of clients no longer being able to access any services is in remote locations. While clients in regional and metropolitan locations do have a slightly greater range of alternative options open to them, the vast majority of clients are anticipated to be completely locked out of the FRS sector.

#### **6.1 There are limited options for clients to be diverted to other services**

Geographic region	Clients diverted to similar services	Clients diverted to less suitable services	Clients no longer receiving any services
	%	%	%
Metropolitan	8	25	67
Regional	8	19	72
Remote	5	9	85
<b>National average</b>	<b>8</b>	<b>22</b>	<b>70</b>

Source: FRSA membership base survey

While the proportion of clients no longer receiving any services is very high, this distribution is influenced by:

- a private willingness and ability to pay for alternative services by clients, noting that many of the clients of FRSA members are unlikely to have the resources to pay for privately provided FRS should government funding be reduced, and
- a willingness and an ability to access alternative services, noting that particularly in regional and remote locations, clients may not be willing to invest the time in building new relationships with new service providers should current government funded providers no longer operate in the region
- recognition that the FRSA membership base covers the vast majority of services funded by DSS in the FRS sector, and therefore, where the FRSA membership base is affected uniformly within a region, there will be limited, if any, other government funded service providers available to absorb new clients.

Table 6.2 provides a summary of the sector’s anticipated redistribution of clients, by service stream.

Notably, the Family and Relationship Services category is where the largest proportion of clients are anticipated to still be able to access similar quality services, should SACS supplementation funded service providers reduce service delivery.

Again, these distributions of clients are heavily skewed towards clients no longer receiving any services and are subject to the same influences as the geographic classifications.

Particular considerations to note are as follows:

- Communities for Children Facilitating Partners noted that should they reduce their services, there are no alternative options available to community partners or to parents in the regions outside of metropolitan areas. This result speaks to the strong investment in community level engagement that has been developed to date through the Communities for Children Program, which would need to be repeated should current organisations leave the sector and new organisations enter to fill the gap. New service providers would require a notable period of time to establish new connections within a local area, and to come up to speed with the needs and challenges particular to the local area. Until such connections and local knowledge are established, the survey responses indicate that there are no alternate options for clients
- The Adult Specialist Support providers also indicate that there is no opportunity for clients to access similar services outside of their organisation. Should this sector reduce service delivery, clients would be required to either access inferior services or, more likely, be left with no access to the support services they require.

## 6.2 Clients across different service streams will be affected differently

Service category	Clients diverted to similar services	Clients diverted to less suitable services	Clients no longer receiving any services
	%	%	%
Family law services	6	20	74
Communities for Children FP	6	0	94
Family and Relationship Services	15	26	59
Children and Parenting	3	35	61
Adult specialist support	0	20	80
<b>Total</b>	<b>8</b>	<b>22</b>	<b>70</b>

Source: FRSA membership base survey

## *Understanding the flow on benefits of the FRS sector*

For every dollar of Australian taxpayer money that is invested in the FRS sector, an economic and social return is earned. The size of this return is calculated through specific cost benefit analyses (CBA), or social return on investment (SROI) analyses.



The larger the social and economic return on government expenditure in the FRS sector, the greater will be the flow on costs to the Australian community following the expiry of the SACS Special Account and any consequent reduction in government expenditure and service delivery.

Over the past decade, there has been a range of studies, both across Australia and internationally, attempting to quantify the scale or economic and social return on this investment. These studies are inherently difficult due to the nature of the services provided, the challenges in tracing clients over time to map their life outcomes, and the difficulty of determining attribution of life outcomes to the services and supports clients received.

Table 6.3 provides a summary of this impact literature that is considered to be robust enough to use as a measure of impact across the Australian FRS sector. Where possible, Australian studies were drawn on. Additional detail on the literature review and insights provided by the quantitative analyses is provided in appendix D.

### 6.3 The wider value of FRS services

Program stream	Range of BCR and SROI estimates	Notes
Family Law Services	9.15 – 12.85	The majority of benefits were associated with diverting couple away from the legal system, drawing on mediation and communication strategies
FaRS (including Specialised Family Violence Services)	3.7 – 5.5	Very limited quantitative evaluations of Relationship Services internationally. Figure is based on a single international study; alternative studies were not deemed robust enough to consider.
Communities for Children Facilitating Partner	3..3 - 4.8	Two separate evaluations of the CfC program were published over 2010-2017
Children and Parenting	3.6	Based on community playgroup engagement, drawing on international studies and longer-term value of childhood development and parenting skills development
Specialist Adult Support Services	3	BCR is inferred based on returns to other forms of counselling services, no specific evaluations were found for Specialist Adult Support Services

Source: Refer to Appendix D.

When considering the economic and social returns on investment in the FRS sector, it is also important to understand how these returns are distributed across the Australian economy, across different government portfolios and across Australians.

Table 6.4 has been developed as part of the quantitative literature review of CBAs and SROIs across the FRS sector. Notably, the majority of the social and economic benefits associated with FRS government funding and investment are gained by individuals and their employers, through increased economic activity (increased productivity in the workforce and increased engagement with the workforce).

The health sector is the second highest beneficiary of government funding of the FRS sector, through improvements in mental and physical health of clients.

Justice sector benefits are associated with diversions of clients away from the judicial system: both adults utilising Family Law Services and children in at-risk families experiencing a reduction in risk factors linked to juvenile justice issues.

#### 6.4 Distribution of social returns across government portfolios

Program stream	SROI estimate	Education sector	Health sector	Justice sector	Child protection	Increased economic participation
	No.	%	%	%	%	%
Family Law Services	9	10	20	10	10	50
Family and Relationship Services	3.7		15	0.1		84.9
Communities for Children Facilitating Partner	3.3:1		37	10		53
Children and Parenting	3.6:1	11.6	2.2	0.17	1.83	84.2
Specialist Adult Support Services	3		50			50

Source: Refer to Appendix D.

### *Special Account expiry to have more than proportional impact*

The size of the effective funding cut imposed on the FRSA membership base, and the wider FRS sector, from the expiry of the SACS Pay Equity Special Account depends heavily on:

- the scale of funding that is not rolled over to baseline funding, and
- how organisations are able to adapt and implement further efficiency investments to maintain per client costs at current levels in the face of ongoing cost increases.

Two alternative methodologies have been used to project the effective funding cut anticipated post 30 June 2021.

The first methodology draws on the assessment that the survey respondents are representative of the FRSA membership base and utilises the reported proportion of clients no longer able to be served by service stream and weighted by the average value of Commonwealth funding per client. The greater the number of clients no longer able to be served, the greater the estimated effective funding cut.

The second methodology projects the actual value of SACS supplementation payments at risk in post 30 June 2021. This figure has been calculated as follows:

- Commonwealth baseline funding in 2018-19 is assumed to be indexed at 1.5 per cent through to 2020-21
- in 2020-21, national SACS supplementation payments are estimated to be 13.2 per cent of total Commonwealth funding.

Table 6.5 summarises the effective funding cut calculated through the alternate methodologies.

## 6.5 Attribution of funding cut across the high-level program streams

	Effective funding cut – survey projection	Effective funding cut – projected SACS supplementation value
	\$ million	\$ million
Family law services	28.20	20.94
Communities for Children FP	5.96	5.33
Family and Relationship Services	9.93	8.37
Children and Parenting	0.90	3.05
Adult specialist support	0.55	0.38
<b>Total</b>	<b>45.54</b>	<b>38.07</b>

Source: FRSA membership base survey

### *Uncertainty remains around actual funding allocation to FRSA members*

It is important to recognise that as DSS funding to FRSA members as a total value is not published discretely, the projected value of SACS supplementation at risk in 2020-21 relies heavily on the assumptions that:

- current government funding will be indexed at 1.5 per cent
- the FRSA membership base survey figures represent 70 per cent of funding allocated to the entire FRSA membership base.

It is also noted that the Budget forward estimates published by DSS anticipate net reductions in baseline funding under the Families and Children Component over the 2020-21 and 2021-22 financial years. It is not clear whether ongoing grant funding categories within the Families and Children Component are likely to be affected, or how the FRSA membership base will be directly affected. These figures have not been utilised in the analysis.<sup>19</sup>

Further, any reduction in baseline funding between now and 2020-21, or a limitation on indexation, will likely bring forward the reduction in client services anticipated for the expiry of the Special Account.

### *FRSA membership base is anticipating a more than proportional impact*

Survey respondents indicated that 16 per cent of their client base would no longer be able to be served should SACS supplementation not be rolled over to baseline funding for the sector. This is greater than the 13.2 per cent funding reduction anticipated through a direct calculation of the Commonwealth funding value at risk.

A more than proportional reduction in effective funding across the sector implies that a significant proportion of the sector would reach a tipping point, beyond which further efficiencies in service delivery would be very difficult to identify in the short term. Any reductions in funding will result in these organisations needing to cease service delivery

<sup>19</sup> Portfolio Budget Statements 2019-20, Budget Related Paper No. 1.15A, Social Services Portfolio

at specific locations, with a more than proportional impact on regional and remote Australia.

This assumption is most likely to be played out in regional and remote locations across Australia, with the potential for metropolitan clients and organisations, due to economies of scale, to be able to keep locations open by spreading fixed costs over a larger number of remaining clients.

A more than proportional reduction in clients has been treated as though the funding per client no longer served has effectively been taken out of the FRS sector. That is, no new or existing FRS organisations would have capacity to take up this funding to deliver services to an increased client base at the anticipated Commonwealth government funding rate.

The upper bound estimate of the funding cut across the sector is \$45.5 million per year.

### *Understanding the true costs of effective funding cuts*

Table 6.6 calculates the wider cost impacts from the effective funding cuts to the FRSA membership base from SACS Special Account expiry. The figures are drawn from the BCR and SROI estimates in the quantitative literature, as well as survey respondent assessments of how clients will be diverted to similar, less suitable, or no services.

Overall, SACS Special Account expiry could impose up to \$213 million of additional costs per year due to funding cuts across the Family Law Services sector.

Across the entire FRS sector, there is an implied BCR of approximately 5.5. A BCR of 5.5 means that for each dollar of effective funding cut to the sector through expiry of the SACS Special Account, that is not rolled over to an increase in Commonwealth base line funding, a total cost of \$5.50 will be imposed on the Australian economy.

## **6.6 Economic and social cost impacts from reduced funding in the FRS sector**

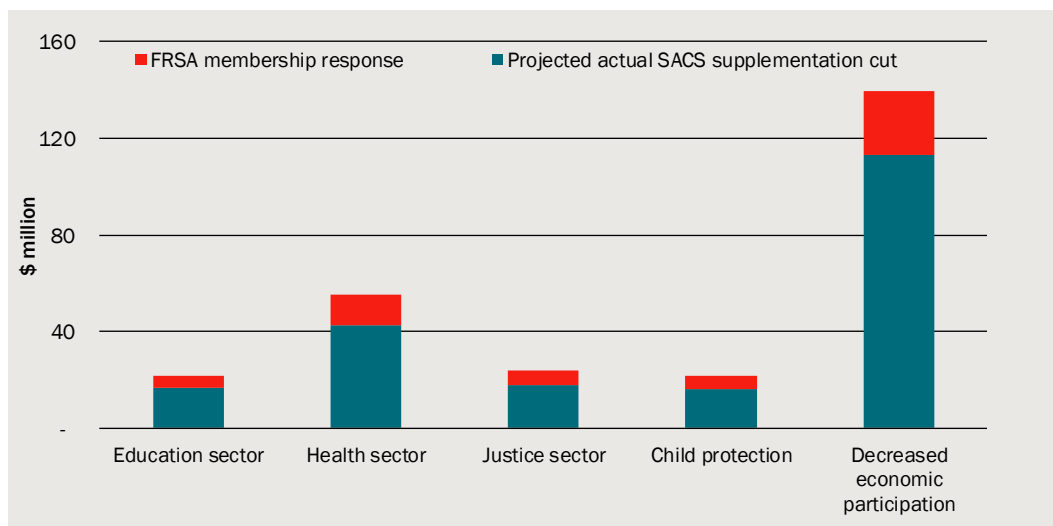
	BCR/ SROI	Total cost impact – survey projection	Total cost impact – projected SACS supplementation value
	No.	\$ million	\$ million
Family law services	9	213.63	158.59
Communities for Children FP	3.7	20.78	18.59
Family and Relationship Services	3.3	23.53	19.85
Children and Parenting	3.6	2.56	8.65
Adult Specialist Support	3	1.49	1.03
<b>Sector wide total</b>		<b>262.0</b>	<b>206.71</b>
<b>Sector wide implicit benefit cost ratio</b>		<b>5.75</b>	<b>5.43</b>

Notes: Cost impact measures are weighted by distribution of clients able to access similar, less suitable or no FRS services  
Source: CIE

Up to \$45 million per year in funding is at stake across the FRSA membership base, equating to just over \$260 million of costs per year that will be pushed on to Australians across a range of sectors.

Chart 6.7 demonstrates how these wider economic and social costs would be distributed across FRS clients, their employers, Australian taxpayers and other government portfolios.

### 6.7 Distribution of annual costs imposed on Australia and Australians



Data source: CIE, see table 6.4

Individuals no longer able to access FRS services and their employers bear the largest proportion of costs – 53 per cent, up to \$140 million per year. These costs are imposed through individuals experiencing a reduced capacity to work in the face of reduced access to FRS services. Flow on social and community costs are also imposed when clients are no longer able to engage in social and community activities as well as if they had continued to access FRS support.

The health sector bears 21 per cent of the costs, up to \$55 million per year, through increased demand for mental health (for example through increased prevalence of anxiety and depression) and physical health (for example obesity) services. In these cases, those clients and their families who are no longer able to access FRS services are more likely to experience deterioration in both their mental and physical health.

The justice sector faces two streams of cost impositions.

Firstly, there is an expectation that the number of families needing to engage directly with the family court system rather than the Family Law Services will increase. This situation is likely to occur when FRS services are not able to bring about an acceptable resolution for families in a timely manner, at which point families will have a higher propensity to divert to the family court system.

The second impact pathway for the justice sector is through juvenile justice engagement when children are no longer provided with adequate support services across their childhood.

Up to \$23 million per year is estimated to potentially be imposed on the justice sector in Australia from expiry of the Special Account.

The education sector impacts are anticipated to flow through reduced support to children in need. These children require additional supports within the education sector, and also have a higher propensity to repeat grades.

Finally, the child protection sector is expected to face up to an additional \$22 million in costs per year, flowing through an increase in the number of families no longer receiving the support they need to be able to keep their children safe within the home environment.

It is important to note that these costs are real costs that will be experienced in different ways, depending on the holistic response of the Australian government.

For example, increased demand for health services may be met with an increase in taxation and a commensurate increase in service provision. In this case, the cost is imposed directly onto Australian taxpayers.

Alternatively, if an increase in health care services is not funded through increased taxes, the increase in demand will be felt through lengthening waiting lists and increasing unmet demand. In this case, the cost is imposed on all users of the Australian health system.

## 7 Conclusions

The FRSA membership base has invested heavily to improve the efficiency of service delivery in the past eight years. Input prices for wages and for building occupancy costs have increased substantially, while Commonwealth funding to deliver services has not kept pace. Over this same time period, organisations have managed to keep expenditure per client reasonably stable.

The Commonwealth government has been delivered significant efficiency gains over time through structural changes and cost savings in the way that FRSA members deliver services to clients. It is not clear that there is much scope for further efficiency improvement in the sector, at least in the short run.

The impending expiry of the SACS Pay Equity Special Account, and subsequent cessation of SACS supplementation payments has the FRSA membership base anticipating that up to 13.2 per cent of total income is at risk, and up to 21 per cent of operational employee expenditure is at risk.

Scenarios of the effective funding cut that would be imposed from the expiry of the SACS Pay Equity Special Account have estimated the wider potential costs that could be imposed on FRS clients, Australian taxpayers and the Australian community.

Between \$200 million and \$260 million in costs per year may be imposed from a withdrawal of approximately \$38 million per year in Commonwealth funding to FRSA members.

On the ground, these costs translate to:

- just over 92 000 Australians no longer able to access FRS services for themselves or their family
- clients no longer able to receive FRS services being less likely to be able to engage in employment, social or community activities, reducing employment income and community connectivity
- clients with exacerbated health conditions, both mental and physical, will increase pressure on the health system that would need to be addressed either through increased taxation to expand services, or be imposed on all health system users through increased waitlists
- increased pressure on the justice sector, as families no longer receive adequate support to mediate, and as interactions with juvenile justice increase due to inadequate support for children and families.

Ultimately, the strong representation of the FRSA membership base across DSS funding categories indicates that should their services no longer be available, there are limited options for clients to turn to for support.





**PART A**

Appendices





## A Program components in scope

### A.1 FRSA responsibility under the Families and Children Activity (DSS)

Program activities	Description
Family Relationship Centres	<p>Family relationship Centres enable families to access information about family relationships at all stages – forming new relationships, overcoming relationship difficulties or dealing with separation. Family Relationship Centres also refer families to other services that help people deal with a wide range of family issues.</p> <p>Family Relationship Centres provide intact families with assistance in relationship and parenting skills through appropriate information and referral and assist separating families to achieve workable parenting arrangements (outside the court system) by providing information, support, referral and dispute resolution services, delivering high-quality, timely, safe and ethical services.</p>
Family Dispute Resolution	<p>Family Dispute Resolution services assist families to reach agreement and to resolve their disputes related to family law issues outside of the court system, including but not limited to: separation and divorce, children, and property. This includes assistance in improving post separation relationships.</p>
Regional Family Dispute Resolution	<p>Regional Family Dispute Resolution services assist families to reach agreement and to resolve their disputes related to family law issues outside of the court system, including but not limited to: separation and divorce, children, and property. This may include the provision of counselling and group work as part of meeting the needs of separated families in their community.</p>
Children's Contact Services	<p>Children's Contact Services enable children of separated parents to have safe contact with the parent that they do not live with, in circumstances where parents are unable to manage their own contact arrangements. Where parents are not able to meet without conflict, Children's Contact Services provide a safe, neutral venue for the transfer of children between separated parents. Where there is a perceived or actual risk to the child, this program provides supervised contact between a child and their parent or other family member. Parents may be ordered to attend a Children's Contact Service by a court to facilitate changeover or have supervised visits with their children.</p>
Supporting Children after Separation Program	<p>The Supporting Children after Separation Program aims to support the wellbeing of children under the age of 18 years experiencing separated or separating families, and difficult family relationships. The program helps children to address relationship issues arising from these circumstances and provides opportunities for them to participate in decisions that impact upon them.</p> <p>The Supporting Children after Separation Program provides a range of age-appropriate interventions including individual counselling and group work for children. Services can also facilitate access for families to child inclusive practice as a component of family dispute resolution where assessed as appropriate.</p>
Family Relationship Advice-Line	<p>The Family Relationship Advice Line is a national, telephone-based service which aims to help families at all stages of their lives. It provides a range of information and advice on maintaining healthy relationships, family separation, the impacts of conflict on children and developing workable parenting arrangements after separation. This program also provides family dispute resolution, simple legal advice and referrals to a range of services.</p>
Family Law Counselling	<p>Family Law Counselling services help people with relationship difficulties better manage their personal or interpersonal issues, relating to children and family during marriage, separation and divorce.</p>

Program activities	Description
Parenting Orders Program – Post Separation Co-operative Parenting Services	The Parenting Orders Program assists separated families in high conflict to work out parenting arrangements in a manner which encourages consideration of what is in a child's best interests. The program allows the establishment or maintenance of relationships while also ensuring the safety of all parties. It helps parents understand the effect their conflict is having on their children, and how to develop strategies to constructively develop and manage parenting arrangements.
FaRS (Family and Relationship Services)	Family and Relationship Services aim to strengthen family relationships, prevent breakdown and ensure the wellbeing and safety of children through the provision of broad-based counselling and education to families of different forms and sizes. These services focus primarily on prevention, early intervention and target critical family transformations, including formation, extension and/or separation.
Specialised Family Violence Services	The Specialised Family Violence Services (SFVS) is a component of the FaRS sub-activity. It contributes to the strategic vision of the National Plan to Reduce Family Violence against Women and their Children 2010-2020 that 'Australian women and their children live free from violence in safe communities' and its action plans. This will be achieved through delivery of specialised services that support individuals, couples, children and families who are experiencing or at risk of family or domestic violence.
Communities for Children Facilitating Partner	Communities for Children Facilitating Partners (CfC-FP) are a place-based service which develops and facilitates a 'whole of community' approach to early childhood development and wellbeing for children from 0-12 years (but can include children up to 18 years) CfC-FP builds on local strengths to meet community needs and create capability within local service systems, using strong evidence of what works in early intervention and prevention. The service collaborates with other organisations, and funds other organisations (known as Community Partners) to provide services including parenting support, group peer support, case management, home visiting services and other supports to promote child wellbeing
Children and Parenting Support	Children and Parenting Support Services have a primary focus on children aged 0-12 years and provide support to children and their families based on prevention and early intervention. Services actively seek to identify issues that are, or could, impact on child or family outcomes and provide appropriate referrals before these issues escalate.
Intensive Family Support Services	Intensive Family Support Services are evidence-informed and outcomes-based and focus on reducing child neglect and increasing the capacity of families to support their children to be safe, nurtured and thriving. Intensive Family Support Services provides the most vulnerable families in identified communities in the Northern Territory and South Australia with practical parenting education and support to parents and caregivers in their communities and homes for up to 12 months, to help them improve the health, safety and wellbeing of their children.
Home Interaction Program for Parents and Youngsters	HIPPY is a two-year, home-based early learning and parenting program for families with young children.
Child Support Advocacy	Child Support Advocacy funding is provided to community organisations that regularly assist separated or separating parents with support and information regarding their interaction with the Child Support Scheme
Find and Connect Support Services	The Find and Connect component includes a support service in each state and territory, a national web resource to assist with records tracing and access, and advocacy groups that are funded to support stakeholders and present consolidated views and directions to Government and the sector. The Find and Connect Support Services provide specialist counselling, referral services, peer, education and social support programmes and assistance to locate and access records and reconnect with family members (where possible) for Forgotten Australians and Former Child Migrants.
Royal Commission Community-Based Support Services	This component includes a range of community-based support services to provide support to people affected by the Royal Commission into Institutional Responses to Child Sexual Abuse (the Royal Commission). These services provide a broad range of assistance including counselling, information and referral and case management to ensure victims and survivors of child sexual abuse, and their families, are able to access support and participate in the Royal Commission.

Source: Program Specific Guidance – Commonwealth Agencies in DEX – 31 July 2019

## *B Annualised comparison of DSS grant funding and FRSA membership*

For the 2017-18 financial year, a comparison was made across the FRSA survey responses with the annualised DSS grant funding as calculated from the DSS grant reporting spreadsheet. Tables B.1, B.2 and B.3 demonstrate that the annualised survey responses, are representative of the annualised DSS grant dataset.

### **B.1 FRSA member survey coverage of DSS grant funding, 2017-18**

Service stream	DSS total funding to FRSA members	Total survey responses
	\$	\$
Children and Parenting Support	23 053 061	14 920 468
Children's Contact Services	16 655 765	12 855 317
Communities for Children Facilitating Partner	42 743 378	17 952 996
Family Dispute Resolution	13 352 803	10 298 636
Family Law Counselling	16 992 410	14 583 120
Family Relationship Advice-Line	8 922 419	-
Family Relationship Centres	87 464 934	64 531 782
FaRS (Family and Relationship Services) including Specialised Family Violence Services	68 060 544	46 562 971
Find and Connect Support Services	-	1 829 797
Home Interaction Program for Parents and Youngsters	3 344 916	217 329
Intensive Family Support Services	2 511 755	-
Parenting Orders Program – Post Separation Co-operative Parenting Services	16 982 835	11 606 578
Regional Family Dispute Resolution	6 376 398	6 673 434
Royal Commission Community-Based Support Services	-	3 685 446
Supporting Children after Separation Program	6 988 427	4 470 574
<b>Total</b>	<b>313 449 644</b>	<b>214 227 039</b>
<b>Proportion of DSS grants population</b>		<b>68</b>

Source: DSS Grants Funding Report, FRSA membership base survey

## B.2 The survey is a close representation of DSS grant funding (17-18)

Aggregated streams	Total survey proportion	DSS FRSA grant proportions
	%	%
Family law services	58	55
Communities for Children	8	14
FaRS (Family and Relationship Services)	24	22
Children and Parenting	7	8
Adult Specialist Support Services	3	1

Source: DSS Grants Funding Report, FRSA membership base survey

### B.3 The importance of FRSA members to DSS program delivery – for annualised grant funding in 2017-18

Service Stream	DSS Grants allocated	Stream as proportion of all DSS funding	DSS grants allocated to FRSA members	Stream as a proportion of all FRSA member grants	FRSA members as proportion of DSS grants
	\$	%	\$	%	%
Children and Parenting Support	40 235 691	11	23 053 061	7	57
Children's Contact Services	17 513 804	5	16 655 765	5	95
Communities for Children Facilitating Partner	56 646 414	15	42 743 378	14	75
Family Dispute Resolution	13 352 803	4	13 352 803	4	100
Family Law Counselling	16 992 410	4	16 992 410	5	100
Family Relationship Advice-Line	8 922 419	2	8 922 419	3	100
Family Relationship Centres	87 464 934	23	87 464 934	28	100
FaRS (Family and Relationship Services) including Specialised Family Violence Services	73 298 475	19	68 060 544	22	93
Find and Connect Support Services	18 487 702	5	-	0	0
Home Interaction Program for Parents and Youngsters	9 572 885	3	3 344 916	1	35
Intensive Family Support Services	4 882 895	1	2 511 755	1	51
Parenting Orders Program – Post Separation Co-operative Parenting Services	16 982 835	4	16 982 835	5	100
Regional Family Dispute Resolution	6 376 398	2	6 376 398	2	100
Royal Commission Community-Based Support Services	-	0	-	0	N/A
Supporting Children after Separation Program	6 988 427	2	6 988 427	2	100
<b>Total</b>	<b>377 718 091</b>	<b>100</b>	<b>313 449 644</b>	<b>100</b>	<b>83</b>

a FRSA members are funded indirectly to provide services under the Home Interaction Program for Parents and Youngsters

Source: CIE and DSS Grants Funding Report, <https://www.dss.gov.au/grants/grants-funding>

## C Insight into efficiency investments across the sector

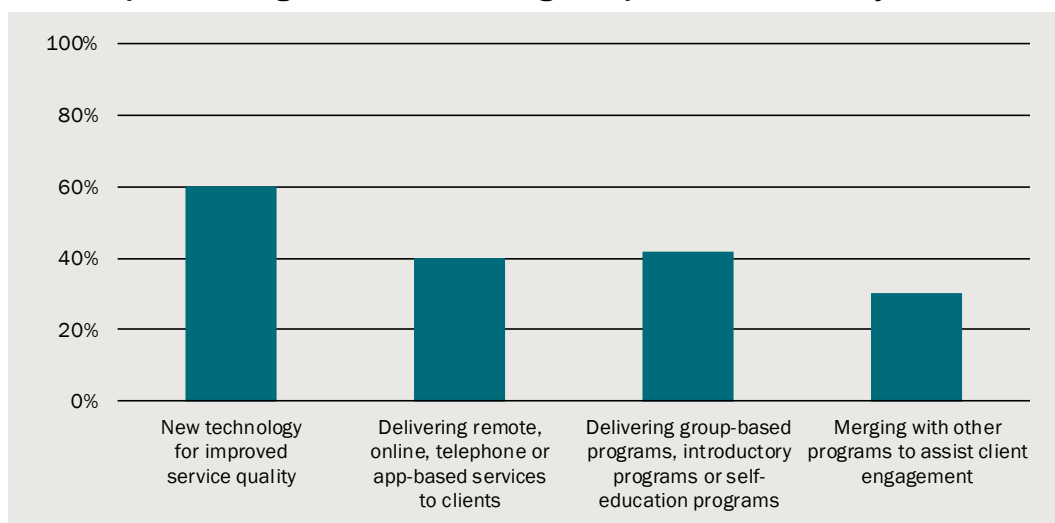
### *Efficiency investments to improve service quality and innovation*

A range of efficiency investments were identified as directly or indirectly targeting efficient improvement in service quality, and innovation in client engagement:

- New technology for improved service quality
- New technology delivering remote, online, telephone or app-based services to clients
- Delivering group-based programs, introductory programs or self-education programs
- Merging with other programs to assist client engagement.

A total of 86 survey responses were collected in relation to this category, indicating that on average, each service provider in the sector has invested in between one and two different options to efficiently improve service quality over the time period.

#### **C.1 Proportion of organisations innovating to improve service delivery**



Data source: FRSA membership base survey

### *Insights on technology used for service delivery and client engagement*

As shown in chart C.1, new technology investments for service quality improvements were the most common efficiency investments; made by 60 per cent of organisations across the sector. This was followed by new technology to increase service offerings to clients; made by 40 per cent of the sector.

The range of technologies invested in to improve service quality was quite broad, with respondents noting investments such as:



- the use of video conferencing facilities to increase access for regional areas and to reduce travel costs
- establishing call centres resulting in an increase in client bookings and savings in administrative staff costs, as well as the use of text message reminders implemented for client appointments to reduce cancellation rates, and increased use of some app-based systems during client appointments
- investment in suites of technology that can be used collectively such as CareLink, electronic signatures, One Drive, Teams and Multimedia rooms to improving service quality
- Detection of Overall Risk Screening (DOORS) assessment and inhouse training conducted across remote Australian locations via video link
- Smart Boards used in education sessions, video conferencing used to link with mediation and education sessions
- introduction of new online booking system to increase client access to services, relative to previous telephone-based booking system.

Specific technologies were reported as having notable impacts and efficiencies in accessing and adequately serving regional and remote clients, as well as maximising the return on administrative and back of house costs, with FRSA members reporting the following examples:

- intake, education sessions and Family Dispute Resolution sessions are occurring more by phone as face-to-face service delivery is difficult to continue in outreach sites
- mediation and education staff make full use of video conferencing systems to conduct client intake, mediation, education and other client appointments. Video conferencing systems are set up in nine organisational offices across the region and these are used daily or weekly by staff for client sessions
- introduction of new telephone systems has allowed for a single phone number entry point for clients, with intake then being shared across three regionally based teams – rather than providing clients with an option of calling one of three different intake teams.

Overall, the survey responses across the FRS sector noted a strong uptake of technologies in all areas of service delivery and administration. In particular, organisations operating in regional and remote locations are investing heavily in video conferencing and online connectivity with clients. Further, comments provided across all technology-based questions echoed the findings of the AIFS technology report, noting some limitations across particular client cohorts, as well as concerns regarding client data security.

### ***Insights into the use of group based, introductory or self-education programs***

Just over one fifth of survey respondents noted that they had rolled out a range of group based, introductory or self-education programs as part of their service delivery offerings over the past eight years. These new service delivery methods were implemented as a means of maximising the resources available to clients to cover extended waiting periods to engage with a practitioner, or to allow a single practitioner to engage with a larger

client group more quickly and more effectively than having to wait for one on one service delivery.

Comments that were provided across the survey included:

- due to waitlists, the service introduced a self-education program for parents to access until a service could be provided to their children
- service delivery is often moulded to suit presenting needs and trends
  - introductory sessions have been introduced at various times throughout the funding period
  - most recently in 2018 and 2019 the mediation and education sessions have been changed to have more support and case coordination sessions, where required, to ensure the best possible outcome for clients
- efficiencies observed have been more than proportional to the investment, with improved screening and an introduction of a Pathways team for improved integration of services.

Interestingly, the roll out of a wide range of online services has drawn out increased demand for group based and face-to-face services for those cohorts known to be less technologically proficient, with one respondent noting:

Demand for in-language and culturally specific services continues to increase especially from those aged over 65 years. As one example, given that a number of state and federal government services are only accessible online, our service receives requests to assist seniors with online applications where those seniors have no internet access/knowledge or English language skills. Additionally, the service is responding to increasing requests for computer learning classes for the over 65 which again is funded primarily by the organization.<sup>20</sup>

Overall, the sector appears to be drawing on the use of group based and self-directed resources as much as possible to maintain engagement with clients.

### ***Insights into program mergers to assist client engagement***

Client engagement has also been shown to increase when organisations merge their program offerings and service delivery streams within the organisation. Back of house program mergers within organisations allow for practitioners and managers to have greater visibility of the range of programs and service offering available for both clients and referral pathways.

Program mergers to increase client engagement was noted by just on a quarter of survey respondents. However, it should also be noted that the majority of organisations responding to the survey were already offering a range of services under the DSS Family and Children Activity, indicating that there may be a natural limit on further mergers in the sector.

Those organisations that had indicated program mergers to increase client engagement noted a range of investments and benefits for clients and staff:

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<sup>20</sup> FRSA membership base survey

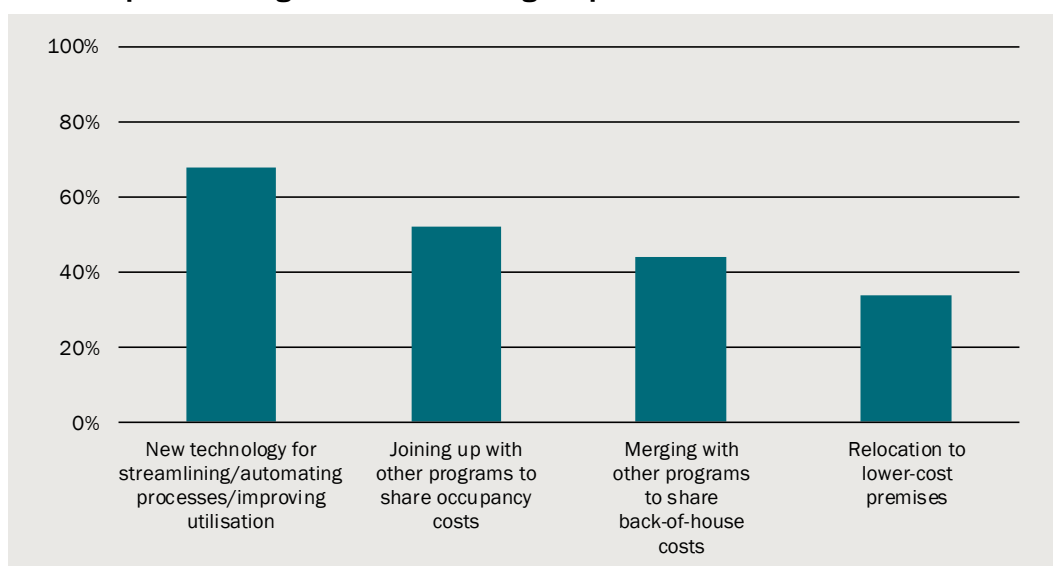
- programs used to have their own unique intake workers but since 2014 intake 'teams' have been formed which have capacity and skill to undertake intake across a range of program types
- efficiencies have been derived from development of the integration of hybrid work and referrals to each other's programs, as well as additional services co-locating to reduce rental expenses
- co-location with services targeting similar client cohorts is the most effective approach
- staff working remotely, co-locating in the offices of other service organisations have been able to promote a wider service offering and access a wider range of clients in need.

### *Investments in operational efficiency and managing overheads*

Operational efficiency investments and management of corporate overhead expenses have been made across a range of areas since 2011.

Chart C.1 summarises the range of operational investments and structural changes that organisations have made to enhance efficiency.

#### **C.1 Proportion of organisations investing in operational efficiencies**



Data source: FRSA membership base survey

#### *New technologies for operational efficiency*

Almost 70 per cent of organisations noted an investment in technology to streamline processes, reduce costs and improve on staff utilisation rates. Client management systems and data management systems were heavily invested in over the survey time period.

Organisations with experience in these technologies noted that they allowed for notable reductions in administration and support costs, while often recognising an improvement in case load management and in tracking client progress. Investment in such technologies

was not considered to be an easy or cheap task however, with organisations noting that up to two years of investigation, trialling and market research was required prior to identifying the optimal package of technologies for the mix of client services on offer.

Specific comments made in relation to these operational technologies include:

- a new client management system was able to save 2.5 FTE administration staff
- shared client management system has allowed savings in FTE resourcing compared to the former manual management of client files. The system allows for more accurate capture of total client numbers and sessions to monitor and manage organisational performance
- up to two years was invested in researching and trialling client management systems to identify the system that would work best within the organisation
- implementation of new technologies and improving current technologies is ongoing, with recent integration with the DSS reporting framework delivering a notable increase in efficiency
- internal technologies such as HR improvements are ongoing with the implementation of online recruitment systems and online travel bookings, leave and improved communication systems – a large bulk of these were improved over the 2018 and 2019 calendar years and will ensure increased staff efficiency.

### ***Program mergers to share occupancy or back of house costs***

Within the survey, there were three distinct questions asked related to program mergers. The first was related to program mergers that enhanced client engagement; results are presented in chart C.1.

A further two questions were related to program mergers that were either:

- 1 made on a locational basis, whereby program offerings were relocated into a single premise to reach economies of scale in client traffic, or
- 2 made at an organisational level, to share program management, human resources, government reporting and other back of house costs associated with program delivery.

Program mergers made on a locational basis were noted by almost half of the survey respondents. As with many other efficiency investments, the locational mergers were often noted as allowing organisations to maintain their client numbers in the face of funding pressures. However, in some cases, locational mergers did mean a reduction in geographic spread of service offerings:

- one organisation had consolidated three offices in four years, including co-locating with other services at a reduced rate in 2016
  - in June 2019 two regional offices were consolidated to reduce rental costs which in one building had risen by approximately \$100 000 over an 11-year period. In the longer term further rental outlay reductions are anticipated by locating all services at the one site
- another respondent reported that in 2015 each of their state and territory organisations joined under single contract administered by the national body and by joining up with

other programs they are able to make the most of their funding, which has not increased over time, by using the resources and infrastructure that have already been put in place by their collaborative partners

- merging locations across program delivery resulted in a reduction in rental costs which enabled an increase in clinical staff
- both family relationship centres used to be standalone programs but since 2014 they have been co-located with other programs which has allowed for sharing of rent and other building costs
  - importantly, this sharing of rental costs has allowed us to roughly maintain staffing levels over time, despite funding pressures
- efficiencies have largely allowed us to maintain client numbers and sessions provided.
- the consolidation of two reception areas and related resources into one location allowed for savings on salaries and on-costs, less the cost of modification and renovation to the office building formerly accommodating a reception area.

Merging with other programs (at an organisation level, not necessarily at the point of service level) to share back of house costs, as distinct from mergers to improve client accessibility or share occupancy costs, also provided notable savings to many organisations. These savings more often than not resulted in increased funds being available for primary client service delivery. Larger organisations in particular were the most likely to draw on these efficiency savings, noting that:

- pooled administration and intake teams in some areas were implemented to share costs, for example utilising staff from other services to backfill sick leave
- delivery of various federal and state funded programs allowed back of house costs to be shared, drawing on economies of scale, where applicable.

### ***Relocation to lower cost premises***

A range of experiences were noted with respect to re-locations to lower cost premises, including a scaling back of regional presence, as well as decisions that were in the interests of organisational efficiency, including client satisfaction:

- the organisation has reduced its regional site-based presence and now provides outreach services from main offices
- the organisation relocated to more suitable premises to increase reach in the community with the initial outlay including fitting out an empty shell of an office which in the long-term achieved better outcomes for the organisation in regard to breaking down barriers to accessibility
- Specialised Family Violence practice co-located to the local police station with the reduced rental costs meaning an increase in staffing resources and therefore client servicing
- the opportunity was taken to move to lower cost premises with no compromise to client services, client numbers, facility standard and operational circumstances. Some start-up costs applied to the new location and there were also expenses related to the conclusion of operations and relocation of office from the old site.

## *Alterations to staff wages and conditions*

Overall, changes to staffing pay and conditions as a category of efficiency investments and organisational restructures sit uneasily with the sector given the current challenges in recruiting and retaining staff in general.

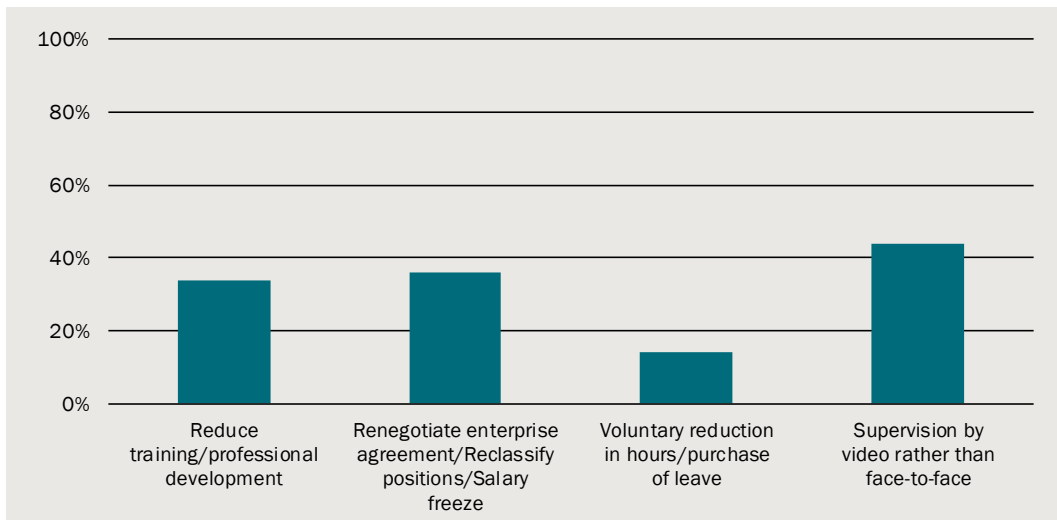
Over many years, access to professional networks in regional locations, and appropriate salaries, conditions and professional development opportunities have been identified as key challenges to the sector.

Box C.2 summarises the skills and employment challenges currently being experienced across the sector, at the same time that funding pressures are forcing organisations to seek savings and efficiencies in all possible areas.

That said, a total of 64 responses were made in this category, across 50 survey respondents, indicating that most, if not all organisations across the sector have had to make some level of change in staffing pay and conditions since 2011.

Chart C.1 summarises the range of changes made in this time period.

### **C.1 Proportion of organisations altering staffing pay and conditions**



Data source: FRSA membership base survey

## C.2 Skills and employment challenges in the SACS

The Community Sector and Development IRC's 2019 Skills Forecast highlights several challenges the sector has been experiencing which are impacting workforce skills requirements, including:

- Government policy/legislation changes – A number of national and state/territory-based Royal Commissions into areas of relevance for the sector (i.e. child protection, family violence, aged care, etc.) have released key recommendations impacting workforce practices.
- Skills shortages – Skills gaps identified represent a combination of technical and 'soft skill' areas (e.g. cultural and engagement skills with various population groups, skills to identify family violence incidents, etc.).
- Low retention of staff – Reasons for staff turnover are attributed to various factors including a lack of career pathways, the difficulty or complexity of client demands, the lack of security of employment and the burn-out of staff.
- Lack of career progression opportunities available – The workforce strongly desires more varied and innovative career progression opportunities.
- Ageing workforce – This is a contributing factor to the numbers of staff leaving the sector, and employers are challenged in adapting workplace arrangements that will encourage a substantial number of mature-age workers to remain in work. The advantages of retaining mature-age workers include their extensive work experience, maturity levels/professionalism, strong work ethic and reliability. Strategies to establish workforce sustainability issues, including the retention of mature-age workers, are required at both a government and an institutional level and should involve changes to human resource practices, raising the profile and status of the workforce, and implementing sector-wide strategies to address workplace remuneration and conditions.
- Caseload management – The number of cases assigned to a practitioner and the associated time pressure poses a significant issue for the workforce. Practitioners may be managing more than 25 cases at any one time, which places significant pressures on workers to effectively support clients and their families. These pressures can cause low job satisfaction and recruitment and retention issues for organisations. The development of skills in caseload management, including self-management, resilience and emotional intelligence, is critically important for community services workers.<sup>21</sup>

### *Renegotiate enterprise agreement, reclassify positions or freeze salaries*

A significant number of organisations reported changes to salary arrangements for staff. Organisations that were previously paying above award wages to attract and retain staff,

<sup>21</sup> National Industry Insights (2019) Community Sector and Development, available at <https://nationalindustryinsights.aisc.net.au/industries/community-services/community-sector-and-development>



or hiring more qualified staff than base line requirements, have had to review these wage cost pressures over time. Organisations noted the following type of actions:

- a review and reclassification of all staffing levels was made
- salary increases were frozen alongside a reclassification of roles to bring salaries in line with the SCHADS Award
- counsellor and Family Dispute Resolution Practitioner roles were reclassified from level 5 to level 4
- following the introduction of a new CEO, the position package was reduced
- reclassification of leadership team positions was introduced leading to a reduction in the number of executive roles (applicable separation costs applied), with several Practice Manager roles being created
  - notably, this created more support and improved management in the program and practitioner space and resulted in annual costs savings in total remuneration on an ongoing basis.

### ***Voluntary reduction in hours/purchase of leave***

A small proportion of organisations have asked employees to consider voluntarily reducing their hours or purchasing leave entitlements. This action is seen as distributing the wage cost reductions across the organisation more efficiently, rather than removing whole FTE positions. While this option does allow for staff to increase their work flexibility if they so choose, there are also flow on impacts for service delivery levels, and the ability to retain staff in some circumstances:

- purchased leave arrangements were introduced which are regularly taken up by approximately one-third of the workforce, resulting in annual salary costs savings without needing to reduce numbers of employees (and a number of qualitative benefits such as improved work-life balance) and in turn reducing client numbers and sessions offered by 1 per cent per year.

### ***Insights into increasing use of supervision by video rather than face-to-face***

The most commonly reported efficiency in the category of staff wages and conditions is the use of remote teleconferencing supervision to reduce travel costs. Most commonly, these investments were made in regional areas, seeking to further reduce travel costs, with specialist clinical supervision sourced from metropolitan locations:

- Reduction in CEO visits for supervision, previously twice monthly visits were made, and this has reduced to monthly Skype calls
- Supervision by video conference started during 2018-19 and will increase significantly in 2019-20 with the purchase of specialised video conferencing technology
- To provide an appropriate level of counselling clinical supervision to regional areas, Skype or telephone has to be used as these areas cannot afford the travel costs associated with face-to-face supervision
- Internal and external supervision sessions are conducted via video for facilitators, mediators, counsellors and numerous staff. A mix of face-to-face and video sessions



are conducted throughout the year. Video conferencing significantly reduces travel costs, and this is used increasingly over the past years.

Importantly, a number of organisations have noted that large-scale up-front costs have been required to roll out video conferencing technology that is of a high enough quality to support client and supervision requirements. On average, organisations that have invested in this specialised technology have faced outlays of approximately \$100 000.

### ***Insights into reductions in training and professional development budgets***

With regards to reducing training and professional development budgets, organisations expressed a range of adjustments that have been made, including:

- A reduction or cessation to travel outside of the geographic region
- Requiring staff to pay for their professional development personally and claim back on tax
- The introduction of online, rather than face-to-face, training and learning modules reduced the training budget by up to 30 per cent.

In other instances, organisations have gone to great lengths to adjust organisational level budgets and have drawn on efficiencies in other business areas to be able to maintain professional development budgets for as long as possible. This effort was considered necessary as organisations note the difficulty in attracting and retaining staff in general, which is heightened in an environment where training and professional development is being restricted.

In other instances, organisations have looked to economies of scale in program amalgamation and staff locations, and have redesigned the delivery of professional development programs bringing trainers and training sessions on site, to reduce staff travel costs and time.

### ***Organisation specific efficiency investments have been made***

A large proportion of efficiency investments noted by organisations did not fit into the above categories, but survey respondents were able to elaborate on a range of other investments and organisational changes that had been made over time. Summaries of the key points are made in table C.1.

#### **C.1 Diversity in organisational specific efficiency investments**

Changes in operational processes	Drawing on organisational level evaluations and performance reviews
<ul style="list-style-type: none"> <li>■ Increased total sessions to reduce unit cost per session provided to clients</li> <li>■ Collaboration with other agencies ensures a more efficient and timelier referral pathway for families requiring support.</li> <li>■ A split of programs across regions to reduce site-based costs and share operational resources</li> </ul>	<ul style="list-style-type: none"> <li>■ The evaluations of FARS and SFV programs enabled us to improve our services to complex and vulnerable families and also to improve our collaborative domestic and family violence initiative with the Queensland Police. Both evaluations were paid out of organisational reserve funds as the programs were unable to afford them.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Focus on staff utilisation has allowed the organisation to manage latent capacity estimated to be at least 3 FTE hours per week.</li> <li>▪ In 2018 and 2019, we undertook a significant change in our service delivery model. The model changed towards a more holistic service style where clients are supported more intensely, where required, with centralised referral and support staff. This was in response to a trend analysis, spanning multiple years, where the complexity of clients and cases led to a rework of the service model.</li> </ul>
<b>Restructuring staffing arrangements (increased use of casual labour)</b>	<b>Reducing non-essential costs (or costs with longer payback periods)</b>
<ul style="list-style-type: none"> <li>▪ Review of the Contact Program including staffing, with reductions (redundancies) made to Permanent Part Time staff, and an increase in casual positions to maximise hours and allow flexibility for cancellations.</li> <li>▪ In recognition of the increased need in outreach sites, recruitment of more casuals in outreach sites is ongoing. This reduces travel costs and leads to a more localised and familiar service for remote communities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The organisation had previously outsourced research and data collection to Universities, over time, these non-essential activities have been removed due to budget constraints</li> <li>▪ Production and distribution of electronic client resources instead of printed resources</li> </ul>

Source: FRSA membership base survey

## *D Understanding the true value of FRS sector*

The average BCR and SROI measures used here recognise that it is not possible for clients or for service providers to differentiate between the highest and lowest valued clients being served.

That is, when organisations close their operations, or service hours are reduced, services are not only reduced to those clients that are on the margin (that individually have a relatively low BCR or SROI for their engagement), the decision to close or reduce hours is a locational based decision, thereby affecting all clients.

As all clients are excluded from services, drawing on the average BCR and SROI calculated per service stream is appropriate in this case.

### *The value of Family Law Services*

The Productivity Commission noted the importance of considering both the direct net costs to government from altering funding arrangements in categories such as family legal supports, and the net societal costs:

Not providing legal assistance for civil matters can be a false economy where the costs of unresolved problems are shifted to other areas of government spending such as health care, housing and child protection. It is desirable from a budgetary perspective, for government to understand the extent to which these costs are avoided through legal assistance. Even within a given set of budget constraints, additional outlays in legal assistance are likely to be justified if they reduce outlays in other areas of government spending by a similar or greater amount.

However, of greater economic significance are the costs to the community as a whole that may be avoided by providing assistance with legal problems. In many types of adverse outcomes, the costs are mainly borne by groups other than the government. For example, more than two thirds of the costs of family violence are estimated to fall upon victims, their families and employers (Access Economics 2004). Thus, reducing the incidence of these adverse outcomes may be welfare-enhancing across society even if this comes at a net budgetary cost to government and so, in principle, may justify public funding of legal assistance.<sup>22</sup>

The Productivity Commission has estimated the direct costs to government from family violence, as distinct from costs to society (table D.1).

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<sup>22</sup> Productivity Commission (2014) Access to Justice Arrangements. Inquiry Report. Appendix K Measuring the benefits of legal assistance services

### D.1 Estimating the annual cost to government of family violence

	Access Economics	KPMG	PC lower estimate	PC upper estimate
Year	2002-03	2021-22	2014-15	2014-15
Cost to government	\$1.3 billion(a)	\$2.9 billion	\$1.8 billion	\$2.6 billion
Cost to society	\$8.1 billion	\$15.6 billion	\$12.6 billion	\$13.6 billion
Number of female victims	353 600	385 426	360 000	370 000
Cost to government per victim	\$3 270	\$7 640	\$5 000	\$7 000
Total social cost per victim	\$19 800	\$40 000	\$35 000	\$36 750

<sup>a</sup> Calculated by combining the estimated costs to the Australian government of \$848 million and state and territory governments of \$487 million

Source: Access Economics (2004); KPMG (2009) Productivity Commission estimates

As shown in table D.2, the preferred quantitative approach is to consider the range of likely outcomes and provide evidence to support a chosen probability distribution to be assigned to these outcomes.

### D.2 Estimating the benefits of providing legal assistance for Apprehended Violence Order applications in 2014-15

	Lower estimate	Average estimate	Upper estimate
<b>Parameters</b>			
Cost to government per victim	\$5 000	\$6 000	\$7 000
Cost to the community per victim	\$35 000	\$35 875	\$36 750
Additional probability of obtaining an AVO with legal assistance	40 per cent	50 per cent	60 per cent
Probability that an incident of violence will be avoided due to obtaining an AVO	10 per cent	15 per cent	20 per cent
<b>Estimated benefits</b>			
Expected avoided cost to government per instance for an AVO application	\$200	\$450	\$840
Expected avoided cost to society per instance of assistance for an AVO application	\$1 400	\$2 690	\$4 410

Source: Productivity Commission estimates from Productivity Commission (2014) Access to Justice Arrangements. Inquiry Report. Appendix K Measuring the benefits of legal assistance services

Ultimately, the Productivity Commission found that the avoided costs to government per instance for an AVO is likely to more than offset the cost of providing a duty lawyer in each case.<sup>23</sup>

Importantly, the report also noted the following:

- as the estimated benefits vary widely based on the parameters that are used, sensitivity analyses are imperative

<sup>23</sup> Productivity Commission (2014) Access to Justice Arrangements. Inquiry Report. Appendix K Measuring the benefits of legal assistance services

- the results are highly sensitive to assumptions used and vulnerable to being skewed by spurious assumptions, requiring strong evidence to be triangulated from a number of sources to support any assumptions
- the Productivity Commission has made recommendations to improve the collection of relevant and consistent data in the civil justice systems to reduce these analytical challenges in the future.

The Productivity Commission also found that there was not a similar return on investment in different legal services in Australia, with family dispute resolution services providing the majority of economic and social benefits (table D.3).

### D.3 Disaggregated results of economic value of Legal Aid (by service type)

	Family law representation	Duty lawyer	Family dispute resolution
Legal Aid service cost per case (a)	\$4 143	\$615	\$1 411
Efficiency cost of SRLs in court (b)	20 per cent	5 per cent	120 per cent
<b>Case outcome assumption A (c)</b>			
Costs to courts per case (d)	\$10 763	\$10 763	\$10 763
Efficiency benefit per case (e)	\$2 153	\$538	\$12 916
Benefit-cost ratio (f)	0.52	0.88	9.15
<b>Case outcome assumption B (c)</b>			
Costs to courts per case (d)	\$15 106	\$15 106	\$15 106
Efficiency benefit per case (e)	\$3 021	\$755	\$18 127
Benefit-cost ratio (f)	0.73	1.23	12.85

<sup>a</sup> From table 5.1, p. 30 of PwC report. <sup>b</sup> From p. 29 of PwC report. <sup>c</sup> Two case outcomes assumptions are used to calculate court costs, with the share of cases finalised by mediated and final agreements varied (see pp. 30–34 of PwC report). <sup>d</sup> From table 5.5, p. 34 of PwC report. <sup>e</sup> Calculated by multiplying the efficiency cost of SRLs by the cost to the courts per case. <sup>f</sup> Calculated by dividing the efficiency benefit of each legal aid service by the legal aid service cost per case. A ratio below 1 implies that costs exceed benefits.

Source: Commission estimates based on figures and results contained in PwC (2009). From Productivity Commission (2014) Access to Justice Arrangements. Inquiry Report. Appendix K Measuring the benefits of legal assistance services

All of the Family Law Services provided by FRSA members fall into the category of family dispute resolution, as used by the Productivity Commission. That is, the services are aimed at diverting families out of the legal system and towards mediated agreements and supportive arrangements for separated families.

Therefore, the range of benefit cost ratios applicable to the Family Law Services sector is between 9.15 and 12.85. As a highly conservative assumption, the analysis in this report has drawn on a benefit cost ratio for the Family Law Services of 9.

When considering the distribution of these returns to investment in family dispute resolution, a study from the United Kingdom provides some insights.

When considering the returns to legal aid assistance in family law matters, the Law Society of Scotland found that for every £1 of funding for Legal Aid in family law cases, approximately £5 was returned to society and distributed as follows:

- 95 per cent of the benefit accrues to the individuals being provided with assistance, these individuals are not required to represent themselves, which would otherwise have negative impacts on their health, employment and relationships
- 5 per cent for public services, including the justice system, the main benefit being that more cases are likely to be resolved outside of court.
- unquantified benefits were also found, including better outcomes in terms of child residence and contact.<sup>24</sup>

For the purposes of the analysis in this report, benefits were distributed as follows:

- 10 per cent to the justice sector, noting that the Family Law Services work is predominately focused on diverting cases out of the court system, compared to the Legal Aid system in Scotland, which intervenes once families have got to the point of seeking legal representation
- 50 per cent of benefits directly to individuals in terms of continuing employment
- 20 per cent of benefits to the health system
- 10 per cent of benefits each to the education sector and child protection, recognising the impact on children from improvements in family dispute resolution.

### *The value of place-based services for children and their families*

The Communities for Children program has been the subject of at least two quantitative evaluations to date.

In 2010, a report prepared for the then Department of Families Housing, Community Services and Indigenous Affairs calculated that positive family functioning was worth up to \$5.4 billion to the Australian economy each year, in 2010 dollars.<sup>25</sup>

The study specifically focused on the benefits associated with ‘intervening in childhood and adolescence to prevent poor outcomes later in life’. That is, the value of positive family functioning was limited to improvements in child outcomes.

The findings of the report were based around evaluations of three particular government funded programs, all targeting children:

- Communities for Children (children aged 0-5 years) – benefit cost ratio of 4.8:1
- Positive Parenting Program (children aged 2-12 years) – benefit cost ratio of 13.8:1
- Reconnect program (persons aged 12-21 years) – benefit cost ratio of 1.8:1.

The report summarised the key characteristics of positive family functioning on children, in table D.4.

<sup>24</sup> Hammond, C. and Vermeulen, I. (2017) Social Return on Investment in Legal Aid. Prepared by the Law Society of Scotland.

<sup>25</sup> Access Economics (2010) Positive Family Functioning. Prepared for the Department of Families Housing, Community Services and Indigenous Affairs

#### D.4 Characteristics of family functioning domains

Domain	Characteristics/Proxies
Emotional	Closeness of parent-child relationships, warmth, responsiveness, sensitivity, perceived parental and family support as well as healthy open communication, and security/safety
Governance	Establishment of age-appropriate rules, expectations and consistency
Engagement and cognitive development	Reading and verbal engagement, quality time fostering the development of educational, language and interaction skills
Physical health	Healthy/unhealthy physical activities or environments as well as access – including in-utero to specific products (e.g. fruit and vegetables, cigarettes and alcohol)
Intra-family relationships (dyadic family relationships)	Quality relationships between all members of the family. For example, sibling rivalries, parent-child relationships as well as the health of the parents' relationship
Social connectivity	Involvement of parents and children in activities outside of the family unit (e.g. school, community service, volunteer work). Also includes relationships with extended family and work/life balance

Source: Access Economics (2010) Positive Family Functioning. Prepared for the Department of Families Housing, Community Services and Indigenous Affairs.

In terms of economic impact domains, family functioning was found to influence three key outcome areas:

- health outcomes (from lower level of obesity, anxiety, depression and lower rates of smoking, alcohol abuse and illicit drug use) – 37 per cent
- productivity outcomes (from improvements in lifetime earnings due to better secondary and tertiary education outcomes) – 53 per cent
- social outcomes (from lower rates of criminality and reduced court and prison system costs) – 10 per cent.

In 2017, a program specific evaluation of Communities for Children in North West Adelaide was published.<sup>26</sup> This evaluation, looking at a specific geographical area, estimated a social return on the CfC FP program of 3.28:1.

Notably, the study undertook a comprehensive stakeholder engagement program, and assessment of the additive impacts of the CfC FP program, allowing for discounting based on the unobserved status quo, diversion of benefits away from other programs, and crowding out impacts, as summarised in table D.5.

#### D.5 Attribution, deadweight, drop-off and displacement in CfC-FP evaluation

Element	Description	Scale
Attribution	How much of the gross change in outcomes can be attributed to the program being delivered – this covers questions such as the scale and quality of similar programs operating in an area and whether the program itself is considered to be effective	45 per cent
Deadweight	How much of the gross change in outcomes would have been observed irrespective of the program being delivered – this is related to the unobserved status quo	20 per cent

<sup>26</sup> Nova Smart Solutions (2017) Communities for Children – Social Return on Investment Forecast Analysis

Drop-off	Recognising that the impact programs have is most likely to dissipate over time, this question relates to what proportion of maximum impact is assessed as being observed after one, two- and three-years post intervention	100 per cent
		80 per cent
		60 per cent
Displacement	Recognising that there are costs (monetary, time, social etc) associated with engaging with services, this question asks whether there are other social outcomes that are not achieved because families and children are participating in the program	10 per cent

Source: Nova Smart Solutions (2017) Communities for Children – Social Return on Investment Forecast Analysis

Unfortunately, the methodology published in the study does not allow for a breakdown of benefit categories across health, productivity and social outcomes, as was published in the 2010 positive family functioning report. Therefore, the analysis in this report draws on the lower bound estimate of the social return on investment of 3.3 as published in 2017, and the distribution of impacts, as published by Access Economics in 2010.

### *The value of investing in adult relationship services*

The Family and Relationship Services program, separate from the Specialised Family Violence Services, focussed on maintaining, improving and protecting adult relationships within a family unit, to maximise the wellbeing of all members of the family (including any children).

#### *Quantitative impact evaluations for adult relationship services*

Internationally, there is very limited quantitative evidence regarding the economic and social returns to such interventions in adult relationships when expressed as a benefit cost ratio or a social return on investment figure against government or program funding. Only two UK studies were identified that specially address this question.

Only one study has been used in this piece of analysis, due to concerns on the validity of the second.

The study that has been used for this report is a 2012 study that found that investments in couple therapy had a socio-economic return of 4.58 to 1, for every dollar invested, with a confidence interval of plus or minus 20 per cent.<sup>27</sup>

There are challenges associated with this particular study, but overall, the authors have used bottom up, client-based data to estimate the value of self-reported changes in circumstances, and taken a conservative approach to the factors of:

- Deadweight – what would have happened without the counselling services
- Displacement – asking if there are societal benefits that are not being achieved because the couple took time to attend counselling
- Attribution – the extent to which changes in outcomes are due to, or caused by, the counselling sessions.

The findings of the report are summarised in table D.6.

<sup>27</sup> Nicholls, N. and Rouse, J. (2012) Socio-economic impact of couple therapy: Tavistock Centre for Couple Relationships. nef consulting



## D.6 Breakdown of impacts areas for couples counselling

Outcome area	Socio-economic value	Proportion of impact
Adult labour market	1 477 800	77.8
Health service usage	142 400	7.5
Criminal justice	18 700	0.1
Children's long-term labour market	109 000	5.7
Children's health service usage	152 500	8.0
<b>Total benefits</b>	<b>1 900 400</b>	
<b>Total costs</b>	<b>415 100</b>	
<b>BCR</b>	<b>4.58</b>	

Source: Nicholls, N. and Rouse, J. (2012) Socio-economic impact of couple therapy: Tavistock Centre for Couple Relationships. nef consulting

The authors note that there was only a small number of users reporting labour market outcome changes, and the small number was not sufficient for significance tests to be valid. This does raise questions as to the validity of the final benefit cost ratio that was calculated; hence we have drawn on their lower bound estimate, 20 per cent below the headline result, or 3.7.

The second report that was identified in the literature as having attempted to quantify the value of relationship services was published in 2014 and estimated a notably high benefit cost ratio estimate of 11 to 1 across a range of couples counselling services including pre-marriage and marriage counselling programs.<sup>28</sup>

The challenges associated with drawing on this particular study relate to the method used to calculate the benefits associated with preventing relationship breakdowns.

The primary challenge of this study is that it draws on the UK Cost of Family Failure Index, published by the UK organisation, Relationships Foundation. In 2016, the cost of family breakdowns was reported as being £51 million per year, and categorised across a range of government portfolios, such as tax credits, health, housing, justice and education.<sup>29</sup>

Critiques of the Relationships Foundation Cost of Family Failure Index include:

- there is no causal relationship quantified between family failure and the costs calculated, instead, the proportion of total government costs in each category that are attributed to family breakdown are assumed
- the outcomes attributed to family breakdown are not evidence based, with correlation and causality being confused – notable studies link parental and family background characteristics (that are in turn occasionally drivers for family breakdown) rather than family breakdown itself, as causal factors of many of the outcomes listed

<sup>28</sup> Spielhofer, T. et al (2014) Relationship support interventions evaluation. Department for Education, United Kingdom

<sup>29</sup> Relationships Foundation (2016) Counting the cost of family failure: 2016 update.

- the fact that all family breakdowns were viewed as a net cost to society, when instead there is evidence to conclude that a proportion of family breakdowns are in the interests of all parties involved.<sup>30</sup>

These methodological concerns indicated that any benefit calculations based on the Cost of Family Failure Index are likely to be inflated.

There are further concerns relating to the assumptions around valuing reductions in rates of relationship breakdown, with the authors noting:

In some cases, a relationship ending may have a positive outcome, if that relationship has been harmful to one or both partners and/or their children. However, the research team were not able to identify any suitable evidence with which to quantify this effect. The present analysis, therefore, assumed that reductions in rates of relationship breakdown serve as a suitable proxy for reductions in rates of unhealthy relationships (either through ending relationships, or improving relationship quality).<sup>31</sup>

This assumption again leads to the conclusion that any reduction in relationship breakdowns is a net benefit to society, which is, as yet, unsubstantiated.

### *The value of child and parenting support, child development*

The Child and Parenting Support program provides grant funding for a range of activities that are related to strengthening parenting skills, and to provide support and intervention services to at risk families.

In 2016, the Australian Institute of Family Studies investigated the evidence for benefits from supported playgroups— an integral part of this grant funding category.

While the findings were not quantified, the study demonstrated the mechanisms through which supported playgroups generate value including:

- Improvement in parenting skills and techniques
- Increased social and family support networks
- Increased learning competencies for children as they reach school age
- Increased social and emotional functioning for children as they reach school age.<sup>32</sup>

All of these factors are critical to early childhood development.

Subsequently, a formal cost benefit analysis of the community playgroup program, delivered across Australia, found a broad economic return of just under 4 to 1. That is,

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<sup>30</sup> Gingerbread (2015) Challenging the costs of relationship breakdown. Available at <https://www.gingerbread.org.uk/wp-content/uploads/2017/10/Challenging-the-cost-of-relationship-breakdown.pdf>, accessed on 19 February 2020

<sup>31</sup> Spielhofer, T. et al (2014) Relationship support interventions evaluation. Department for Education, United Kingdom

<sup>32</sup> Commerford, J. and Robinson, E. (2016) Support playgroups for parents and children. The evidence for their benefits. CFCA Paper no. 40

for every dollar of Australian taxpayer money invested in community playgroups, the economic and social return is \$3.60.<sup>33</sup>

Benefits from Community Playgroup participation as articulated in the study are summarised in table D.7 and D.8.

### D.7 Benefit pathways from community playgroup participation

Impact type	Child	Parent/Carer	Society (externalities)
Emotional and cognitive	Behaviour IQ and Achievement	Family relationships Home environment	Community networks Trust
Education	Grade promotion Remedial classes Graduation	Continuing education	Education norms School peer
Work	Work and income	Work and income	Employment norms
Welfare	Independence	Independence	Welfare norms
Justice system	Arrests	Arrests	Law abiding norms
Health	Child abuse Medical care	Family planning Medical care	Family norms Health externalities

Source: Daly, A., Barrett, G. and Williams, R. (2019) Cost benefit analysis of community playgroup

### D.8 Benefit calculations from community playgroup participation

Cost-Benefit category	Description	Value over 10 years	Proportion of benefits
		\$	%
Costs	Accommodation, co-ordinator's time, other resources	223 172	N/A
Benefits of play	Conservatively estimated at \$10 per child per play session, drawing on private fee-based services	458 592	56.8
Benefits of volunteer employment	Conservatively estimating that 1.2 per cent of volunteer coordinators will subsequently return to full time work at \$36000 per annum due to skills developed	181 674	22.5
Benefits of children's employment	Extrapolation from increased school readiness measures into increase likelihood of gainful employment in later life	38 531	4.8
Cost savings to the education sector	Reduced resources to be directed to remedial classes or costs associated with grade repetition	94 416	11.6
Cost savings to the healthcare sector	Increased health and wellbeing information and skills are provided to parents, thereby introducing longer term improvement in child and family health indicators	17 984	2.2
Cost savings to child protection	Recognising that a small proportion of vulnerable children who attend playgroups are provided protection in the form of increased parental skills and engagement, thereby possibly delaying or negating the need for child protection services	1 349	0.2
Cost savings to the justice system	Where children and parents are provided with increased support in childhood, it is assumed that one interaction with the justice system is avoided 10 years later for the 0.6 per cent of playgroup children classified as disadvantaged	14 747	1.8

Source: Daly, A., Barrett, G. and Williams, R. (2019) Cost benefit analysis of community playgroup

<sup>33</sup> Daly, A., Barrett, G. and Williams, R. (2019) Cost benefit analysis of community playgroup

A more detailed longitudinal study conducted in Chicago, United States, estimated the age-26 benefits of Child-Parent Centre Early Education Program, a specialised, early parent-child intervention for at risk children and families.

The analysis covered the three programs delivery arms, preschool (aged under 3 years), school-age (4-6 years) and extended (participants engaging up to 12 years of age). As has been well established in the literature, investments in the preschool program returned the highest value, as follows:

- Preschool program benefit cost ratio of 10.83:1
- School aged program benefit cost ratio of 3.97:1
- Extended intervention program benefit cost ratio of 8.24:1.<sup>34</sup>

The portfolio specific distribution of benefits, across the three age groups is presented in table D.9. Notably, the highest returns to intervention are for the pre-school age group, with the drop in returns for the school aged group possibly being due to the shorter length of engagement for these students (2 years) than for the extended intervention who had a total length of engagement with the program for up to 6 years.

#### D.9 Benefits associated with at-risk early childhood intervention

	Preschool benefit	Preschool percentage	School age benefit	School age percentage	Extended benefit	Extended percentage
	\$	%	\$	%	\$	%
Education sector	5 903	6	4 115	27%	5 459	18%
Health sector	3294	4	0	0%	429	1%
Justice sector	42 462	46	1 489	10%	15 368	51%
Child protection	7 330	8	1 271	8%	5 864	20%
Increased economic participation	33 231	36	8190	54	2900	10
Total benefit per participant 2007 \$	92 220		15065		30 020	
Benefit cost ratio per participant	10.83		3.97		8.24	

Source: Reynolds, A. et al (2011) Age-26 Cost-Benefit Analysis of the Child-Parent Centre Early Education Program. Child Development 82(1)

The scale of difference in the benefit cost ratio between the Reynolds evaluation in Chicago, and the Daly evaluation in Australia is likely driven by difference in the target and participating populations. For example, the Child-Parent Centres program in Chicago specifically targets at-risk and high-poverty locations. In contrast, Playgroups Australia's community playgroups program is available to all children and parents in the community irrespective of their risk profile and socio-economic status.

<sup>34</sup> Reynolds, A. et al (2011) Age-26 Cost-Benefit Analysis of the Child-Parent Centre Early Education Program. Child Development 82(1)





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