Australian Alcohol & Other Drugs Council

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To whom it may concern

Thank you for the opportunity to make a submission to the *Stronger, More Diverse and Independent Community Sector* consultation. As a Health Peak and Advisory Bodies program grant recipient, the Australian Alcohol and other Drugs Council (AADC) welcomes the opportunity to provide comment on the issues outlined within the Issues Paper and challenges facing Australia's alcohol and other drugs (AOD) sector more broadly.

AADC is broadly supportive of some of the reforms canvassed within the Issues Paper, including:

- Improving coordination between tiers of government
- Establishing timely and transparent indexation
- Greater clarity and flexibility in administration costs and level of grant funding
- Longer grant cycles, greater flexibility and improved renewal notice periods
- Fostering a community voice

However, limited detail on the scope of the proposed reforms is provided within the Issues Paper. This submission seeks to identify key issues for Australia's AOD sector and expands on necessary details to ensure that reforms result in a strengthened community sector.

The policy and funding environment for Australia's community sector should be founded on principles of stability, partnership and collaboration across community organisations and with government, rather than competition. As such, to strengthen the community sector, AADC recommends:

- Establishing an environment that supports improved funding, sector capacity and coordination
- Establishing a national governance framework and strengthening other partnerships to ensure coordination in the development, implementation and funding of National Strategy and AOD sector priorities

About the AADC

AADC is the national peak body representing the AOD sector. We work to advance health and public welfare through the lowest possible levels of AOD related harm by promoting effective, efficient and evidence-informed prevention, treatment and harm reduction policies, programs and research at the national level. AADC's founding members comprise each state and territory peak body for the

AOD sector, other national peak bodies relating to the AOD sector, and professional bodies for those working in the AOD sector.

The current membership of AADC is:

Alcohol, Tobacco and Other Drug Association ACT (ATODA)	Alcohol, Tobacco and Other Drugs Council Tasmania (ATDC)	Association of Alcohol and Other Drug Agencies NT (AADANT)
Australasian Therapeutic Communities Association (ATCA)	Australian Injecting and Illicit Drug Users League (AIVL)	Drug and Alcohol Nurses of Australasia (DANA)
Family Drug Support (FDS)	National Indigenous Drug and Alcohol Committee (NIDAC)	Network of Alcohol and Other Drug Agencies (NADA)
Queensland Network of Alcohol and Other Drug Agencies (QNADA)	South Australian Network of Drug and Alcohol Services (SANDAS)	The Australasian Professional Society on Alcohol and other Drugs (APSAD)
Victorian Alcohol and Drug Association Inc (VAADA)	Western Australian Network of Alcohol and other Drug Agencies (WANADA)	Drug Policy Modelling Program* **AADC associate member*

Establishing an environment that supports improved funding, sector capacity and coordination

The funding environment for Australia's AOD treatment sector is characterised by complexity, insecurity and system capacity that is not commensurate with need/demand for services. AADC is also concerned that the continued use of grants, which are typically of shorter duration and narrower in focus - and often characterised by weaker relationships with the funding body when compared to other funding mechanisms - will not address the current complexities of the AOD sector funding environment.

AOD treatment and other services are funded through a complex mixture of Commonwealth, State and Territory funding. At the Commonwealth level, AOD services are funded directly through the Department of Health and Aged Care, commissioning through Primary Health Networks (PHNs) and through the National Indigenous Australians Agency (NIAA). A range of issues have emerged from this complex funding arrangement.

Lack of indexation

The AOD sector has been underfunded for many years, resulting in an estimated 500,000 Australians with an AOD issue being unable to access treatment each year.[1] This underfunding has been exacerbated by the lack of consistent indexation on Commonwealth contracts with AOD services since 2012. The impact of this lack of consistent indexation is exemplified by the situation facing AOD services in Queensland. Almost all AOD treatment and harm reduction services in Queensland are funded by both the Commonwealth and the Queensland State Government for service delivery. While the Queensland State Government indexed funding contracts between 2-3% annually over the 2012-21 period, indexation was not applied on Commonwealth funding contracts. When indexation was applied in 2021-22, the 0.9% provided was significantly lower than the 5.07% provided by the State. One service provider has reported to AADC's member organisation, the Queensland Network

[1] Ritter, A., Berends, L., Chalmers, J., Hull, P., Lancaster, K. & Gomez, M. (2014). *New Horizons: The review of alcohol and other drug treatment services in Australia.* Sydney, NSW: Drug Modelling Program, National Drug and Alcohol Research Centre, UNSW.

of Alcohol and other Drug Agencies (QNADA), that they estimate the real missed indexation value on their Commonwealth contracts at $2.6M across the period. As human resources costs form around 75% of service delivery budgets, organisations do not have many options to contain costs. In other jurisdictions, the indexation freezes or indexation below the rate of inflation has impacted on staffing ratios, with one NGO residential service based in the Northern Territory reporting a decrease in staff-client ratios from 1:1.5 to 1:6. It is also critical that the same rate of indexation is provided across all Commonwealth funding contracts to ensure that services which receive funding from multiple funders can, for example, apply a uniform rate of salary increase for all staff, regardless of the source of funding for their positions.

Multiple funding streams and complex administration

As noted above, the AOD treatment sector is funded through at least four different sources of funding, with three of these being administered by the Commonwealth government (directly through the Department of Health and Ageing, as well as through NIAA and PHNs). A single treatment service may be funded by more than one of these streams, including potentially multiple State/Territory government agencies. This system of funding is characterised at the Commonwealth level by complex administration, with delayed distribution of funds through the Grants Hub in particular and late notices of funding renewal, budget measures designed to offset rising service costs being applied to some streams of funding but not others, and performance monitoring processes that are duplicative and lacking consistency across funding types.

A case study in South Australia highlights the impact of delayed funding distribution and late funding renewal notices. For one service that had received two years of funding, it took over nine months to recruit a staff member. Three months out from the end of the contract that staff member moved on as there was no guarantee their role would continue to be funded. A funding extension was announced in the March 2022 Budget but was not contracted until October 2022, meaning that the program was effectively unfunded for 3 months. The organisation then had to commence recruitment for that position. PHN-funded AOD services are now facing similar issues with staff retention as current funding contracts are due to expire on 30 June 2024, however as no decision has been made by the Australian government on the future of the PHN program beyond this date, AOD services have no confirmation if funding currently provided through PHNs will be renewed. Hence the bulk of Commonwealth (PHN commissioned) funding will cease on the 30th of June 2024 and the sector will expect to close program enrolments and lose staff around April 2024.

Similarly, the nature of PHN funding and commissioning means that budget measures provided to Department of Health and Aged Care -funded AOD services do not automatically apply to PHN-funded AOD services. The 2023-24 Federal Budget saw announcements of $17.3M over two years for the Drug and Alcohol Treatment Services Maintenance program to provide financial assistance to AOD treatment services and $4B for Wage Case Indexation Supplementation within the community sector. However, funding from these measures is not assured to be applied to PHN AOD funding contracts, and as at October 2023, there is no clarity as to whether and how it will be applied to Commonwealth government contracts with AOD services provided by different agencies.

In contrast, contracting through State and Territory governments is often done with significantly longer timeframes, such as in South Australia, where funding operates on a 3+3+3 year funding cycle, where contracted services, as long as they are meeting Key Performance Indicators (KPIs), have funding stability for a nine year period.

In relation to performance monitoring, multiple funding streams within a single service elicits multiple funder expectations and increased time spent on reporting. Research on NGO AOD sector reporting requirements in New South Wales, for example, finds that there are 537 unique performance measures across the breadth of sector funding agreements and none met the criteria for best practice in performance management.[2] In practice, the absence of harmonised performance management measures across funding bodies creates duplication and complexity while simultaneously not collecting meaningful data. This is illustrated by one AOD service in New South Wales which has two different funders contributing to the overall service. One funder requires one set of outcome tools, the other a completely different tool. This means that the service user is being asked two sets of questions, based on the same outcome domains, to ensure compliance with two funders' requirements. Additionally, as one of the tools is not built into the service's client management system, the outcomes tool is paper-based and input into a spreadsheet separate to the overall client data. The outcome of this is that frontline workers spend more time on data than with clients, and the service is unable to get a good overall picture of client outcome data in a centralised system.

These issues have continuing impact on the ability of AOD services to maintain service capacity and retain staff.

Funding that is responsive to rural, regional and remote service provision and the future needs of services

To strengthen the AOD sector and community sector more broadly, it is critical that funding is sensitive to the higher costs of providing services in rural, regional and remote areas, and allows for services to evolve over time.

Service provision in rural, regional and remote areas is typically characterised by a large geographic service footprint, high demand and, similar to the AOD sector generally, increasing client complexity. Yet the real costs of service provision in these areas is not always reflected within funding agreements. Workforce costs are illustrative of this, as staff salaries cannot be as readily benchmarked against similar positions in East Coast and/or metropolitan areas, and even where higher salaries can be offered, this is often offset by higher costs of living, particularly in remote areas. Funding processes need to be sensitive to these challenges to ensure equity between organisations providing services in metropolitan areas and regional, rural and remote locations.

Alongside this, grant funding typically does not allow for funds to be re-invested into the service to ensure sustainability through means such as capital works. This highlights the restrictive nature of grant-based funding and the need for flexibility of funding, particularly where services may have grant funding renewed across multiple periods.

An operating environment that enables stability, security and sustainability is required to arrest long term declines in service capacity and meet the needs of people who require treatment for an AOD issue. **To achieve this, AADC recommends:**

- **Consistency, sustainability and viability in commissioning practices for the AOD sector, including indexation of ongoing contracts, be strengthened as well as equity in contract length and reporting requirements of funding agencies. As part of this:**

[2] Stirling, R., Ritter, A., Rawstorne, P., & Nathan, S. (2020). Contracting treatment services in Australia: Do measures adhere to best practice?. *International Journal of Drug Policy*, *86*, 102947.

- **the rate of indexation should be developed in a transparent way and applied equally across all Commonwealth funding contracts**
- **funding agreements be provided with, at minimum, five year time frames**
- **funding agreement renewal notices provided at least six months prior to the expiration of funding agreements**
- **performance measures should be harmonised via a national collaborative process to ensure measures are best practice and meaningful to funders, services and service users.**

- **Increase in the quantum of core funding to the AOD sector in Australia to deliver enhanced capacity to meet demand/need for specialist, quality services. This should include sensitivities to the costs of service delivery in regional, rural and remote areas to ensure equity across geographic locations**

Establishing a national governance framework and strengthening other partnerships to ensure coordination in the development, implementation and funding of National Strategy and AOD sector priorities

In addition to addressing funding and contracting-related issues, the operating environment of the AOD sector can be improved by ensuring coordination in the development, implementation and funding of National Strategy and AOD sector priorities through means such as a national governance framework and strengthening of broader sector partnerships.

National governance and integrated planning

As noted above, the AOD sector is funded through a mixture of Commonwealth funding sources across multiple agencies as well as funding from State and Territory governments. However, there is currently an absence of a national, sector inclusive coordinating structure under the National Drug Strategy 2017-2026 to ensure this funding is directed efficiently and where it is most needed.

A recent report produced by the Drug Policy Modelling Program, UNSW on the nature of collaboration and partnership on AOD sector funding across Commonwealth government departments highlights the challenges created by the lack of an overarching governance framework. Issues such as low trust, little transparency, lack of information sharing and inconsistent opportunities for collaboration on AOD issues were all identified, occasionally resulting in agencies submitting competing budget bids.[3]

The establishment of a national governance framework for the AOD sector would enable greater coordination of Commonwealth funding to AOD sector organisations across Department of Health and NIAA portfolios, the monitoring of funding currently administered by the PHNs, and integrated planning with funding administered by State and Territory governments. This would promote greater consistency in the application of indexation, contract length and commissioning practices for AOD sector organisations seeking to negotiate the current maze of parameters and requirements for funding from different sources, as well as enable coordinated priority setting to improve the efficiency of funding. The AOD sector is working with a population experiencing multiple and complex needs and coordinating mechanisms at the national level would also enable agencies with intersecting portfolios, such as disability, housing, justice and custodial settings, First Nations and

[3] Ritter, A., Barrett, L. & van de Ven, K. (2021). *Improving communication, coordination and collaboration amongst alcohol and other drug treatment funders.* Sydney: UNSW.

culturally and linguistically diverse communities, to be included in solutions, further strengthening the AOD sector and improving outcomes for people who use AOD.

Supporting community leadership and partnership

The leadership of community members and people with relevant lived/living experience of AOD use in AOD sector policy making and program delivery is central to strengthening the AOD sector.

Australia has a long and successful history of community involvement in AOD policy making, particularly in the context of the HIV epidemic in the 1980s and more recently, working towards elimination of Hepatitis C through the roll out of new Hepatitis C treatments. This is illustrated through the early organising of people who inject drugs and the resultant establishment of unsanctioned distribution of sterile injecting equipment through social networks.[4] These early informal networks subsequently led to the establishment of publicly-funded drug user organisations with a mandate to deliver education and programs and inform policy, alongside the establishment of formalised services such as needle and syringe programs, all of which have contributed significantly to the success of Australia's HIV policy.[5] These organisations continue in various formats in most states and territories across Australia, as well as nationally through the Australian Injecting and Illicit Drug Users League (AIVL).[6]

Yet this leadership role that community members can play in the AOD sector is limited by experiences of stigma and discrimination, driven by the ongoing criminalisation of drugs in Australia. As such, addressing the structural barriers that shape the environment that AOD services and people who use drugs illicitly live and work within is critical to strengthening the AOD sector and improving wellbeing outcomes for the community.

Exacerbating current issues by increasing the role of philanthropic funding

AADC notes proposals within the Issues Paper to increase the role of philanthropic funding within the community sector. AADC recommends that the focus of funding reform and sector improvement should be on addressing issues related to contract administration, partnership and sector governance, rather than expanding the role of philanthropic funding.

The expanded role for philanthropic funding – adding another funding stream into an already significantly fragmented system – risks exacerbating the issues identified in our submission, particularly as philanthropic funding is less secure and has a shorter time frame when compared to public funding. Stigma and discrimination driven by the criminalisation of drug use will also likely limit any positive impact of increased philanthropic funding availability for the AOD sector, particularly for harm reduction services and services lead by people with living experience of drug use.

In order to expand the pool of available funding for the AOD sector and community sector more broadly, AADC recommends other means of generating additional revenue, such as taxation reform, should be pursued rather than an increased reliance on an additional insecure funding stream,

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[4] Madden, A. (2014). *The History of Drug User Activism in Australia*. Available at https://www.hrvic.org.au/_files/ugd/ebb8bf_1c4d33fe899a49548456728296fb6d0c.pdf?index=true

[5] Crofts, N., & Herkt, D. (1995). "A history of peer-based drug-user groups in Australia",. *Journal of Drug Issues*, 25(3), 599-616.

[6] For further discussion on community leadership in health policy, please see AADC's submission to the National Consumer Engagement Strategy for Health and Wellbeing

whose allocation of funding is not necessarily evidence-based or aligned to agreed National Strategy priorities. Recent reporting highlights that up to $11B in taxation revenue is lost annually because of corporate tax avoidance.[7]

Improving the efficiency of funding through integrated planning and enhanced coordination and partnership is another means by which the AOD and community sectors can be strengthened. To do this, **AADC recommends that:**

- **A national, sector inclusive governance structure be established to ensure coordination in the development, implementation and funding of National Strategy and AOD sector priorities. It is crucial that this structure has the ability to respond to multiple, complex needs within the AOD system and be able to drive integrated planning and performance management within the Commonwealth government, as well as across all tiers of funding (including State/Territory funding sources).**
- **Systemic and structural barriers that limit the ability of people who use drugs to participate in governance and planning processes, such as the criminalisation of drug use, be considered and addressed through policy and program initiatives aligned with relevant National Strategy priorities**
- **Structural issues that reduce the pool of public funding for the AOD and community sectors, such as taxation loopholes, be addressed rather than effort expended on seeking to expand insecure and potentially arbitrary revenue streams which may exacerbate existing issues**

Conclusion and recommendations

Australia has a strong AOD treatment sector staffed by a workforce of dedicated professionals, however the sector is regularly hampered by a range of issues related to funding, contracting administration and the absence of structures which can drive a coordinated and efficient process of priority setting and funding allocation. To support the AOD sector to achieve the best health and wellbeing outcomes for people with use AOD, AADC recommends that:

- **Consistency, sustainability and viability in commissioning practices for the AOD sector, including indexation of ongoing contracts, be strengthened as well as equity in contract length and reporting requirements of funding agencies. As part of this:**
  - **the rate of indexation should be developed in a transparent way and applied equally across all Commonwealth funding contracts**
  - **funding agreements be provided with, at minimum, five year time frames**
  - **funding agreement renewal notices provided at least six months prior to the expiration of funding agreements**
  - **performance measures should be harmonised via a national collaborative process to ensure measures are best practice and meaningful to funders, services and service users.**
- **Increase in the quantum of core funding to the AOD sector in Australia to deliver enhanced capacity to meet demand/need for specialist, quality services. This should include sensitivities to the costs of service delivery in regional, rural and remote areas to ensure equity across geographic locations**

[7] Ziffer, D. (2023, October 23). "Hundreds of billions of dollars held by Australians in foreign tax havens, report estimates", *ABC News Online.* Accessed 28 October at https://www.abc.net.au/news/2023-10-23/billions-held-by-australians-in-foreign-tax-havens-report-allege/102997704

- **A national, sector inclusive governance structure be established** to ensure coordination in the development, implementation and funding of National Strategy and AOD sector priorities. It is crucial that this structure has **the ability to respond to multiple, complex needs within the AOD system and be able to drive integrated planning and performance management within the Commonwealth government, as well as across all tiers of funding (including State/Territory funding sources).**
- **Systemic and structural barriers that limit the ability of people who use drugs to participate in governance and planning processes, such as the criminalisation of drug use, be considered and addressed through policy and program initiatives aligned with relevant National Strategy priorities**
- **Structural issues that reduce the pool of public funding for the AOD and community sectors, such as taxation loopholes, be addressed rather than effort expended on seeking to expand insecure and potentially arbitrary revenue streams which may exacerbate existing issues**

In addition, as AOD organisations and services are funded through the Department of Health and Aged Care, NIAA and PHNs, in addition to State and Territory governments, it is crucial that findings from this consultation are disseminated widely and a cross-government, system-wide approach is taken to the implementation of recommendations developed.

Thank you for the opportunity to provide input to this consultation. If you have any queries or require any further information in relation to this submission, please do not hesitate to contact me directly on [redacted] or via email at [redacted]

Yours sincerely

[redacted]

Chief Executive Officer
Australian Alcohol and other Drugs Council (AADC)