



Response to

**Pricing Principles for Community Services in the ACT:
A Discussion Paper (An initiative of the
Joint Community Government Reference Group)**

March 2008

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Carers ACT acknowledges that modern day Canberra has been built on the traditional lands of the Ngunnawal people. We pay our respects to their elders and recognise the displacement and disadvantage they have suffered since European settlement. Carers ACT celebrates the Ngunnawal's living culture and valuable contribution to the ACT community.

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1. Executive Summary

Carers ACT is a non-profit, community based, incorporated association and registered charity dedicated to improving the lives of the estimated 43,000 family Carers living the Australian Capital Territory (ACT). Carers ACT represents unpaid family Carers who are providing care for people with disabilities, mental illness, chronic conditions, palliative care, or who are aged and frail.

Carers ACT is pleased to take this opportunity to respond to the Discussion Paper on the draft Pricing Principles for Community Services in the ACT.

In taking a strategic view of procurement process in the community sector, Carers ACT questions the need for a separate procurement policy for Community Sector multi-year Service Funding Agreements. The current procurement processes in the sector seem to be divorced from the *ACT Procurement Act 2001* and lack the transparency and rigor of other ACT procurement processes. This is illustrated by the lack of alignment between the draft Pricing Principles and the Principles of the *ACT Procurement Act 2001*, as amended in the 2006 Review.

Other strategic issues include:

- The importance, following in principle agreement at the Council of Australian Government's Meeting on 26th March 2008, of the ACT Government selecting a compatible Commonwealth-ACT Government data set to use for identifying evidence based need assurance for recurrent expenditure.
- Carers ACT supports consumers having choice in the providers of services. However, there needs to be a balance achieved so that quality of service is not sacrificed to provide a surface illusion of consumer choice. We recommend the ACT Government make decisions about the level of choice users may be able to access, given the Territory's small population base and limited budget.
- In a small jurisdiction, the current procurement model risks duplication of services, whether provided by a range of large and small organizations, with variable quality of service delivery.
- The critical issue relating to the sustainability of the sector and the quality of service delivery arising from failure to achieve whole of service cost recovery, which places a substantial burden on the entire sector. This can include the undercutting of contract pricing as organizations compete for limited government funds.

- These suggestions require a strategic overview of community sector services provided under multi-year Funding Agreements and decisions made by the Department, perhaps with advice from a procurement Board.
- Each multi-year Funding Agreement partnership is an opportunity taken or missed to develop the community sector to the benefit of ACT residents.
- Compliance with quality service delivery and funding agreement management should be consistent and reflected in the Governance, Management and Accountability requirements of each service partnership agreement request, and then incorporated into the Quality in Services and Programs reporting requirements of each service funding agreement.

Carers ACT agrees with each of the draft Pricing Principles and makes recommendations based on a strategic view of procurement in the community sector following the consideration of the four questions posed in the Discussion Paper. These recommendations are listed in Chapter 5, page 18.

2. Introduction

Carers ACT is a non-profit, community based, incorporated association and registered charity dedicated to improving the lives of the estimated 43,000 family Carers living the Australian Capital Territory (ACT). Carers ACT represent unpaid family Carers who are providing care for people with disabilities, mental illness, chronic conditions, palliative care, or who are aged and frail.

It takes a flexible and responsive organisation to effectively support such a diverse population. Carers ACT provided a service focused specifically on the needs of the family Carer, from the crisis of diagnosis though to the adjustment in coping if the caring role has ceased. The organisation is much more than just a safety net, as it has an active role in service provision, future planning and representation across the community services sector within the ACT. Carers ACT holds a vital role as the conduit between government and community. It ensures the continued sustainability of community-based care, and manages substantial levels of Government funding in the ACT.

Carers ACT believes that all Carers are entitled to the same rights, choices and opportunities as other Australians in order to enjoy optimum health, social and economic wellbeing and to participate in family, social and community life, employment and education. This aspiration falls far short of the reality for many Carers who have the lowest wellbeing scores for any group in Australia, being far more likely to suffer chronic health conditions and depression (Cummins, 2007) and who are at higher than average risk of poverty (ABS, 2003)

As the only ACT organisation solely dedicated to supporting Carers, Carers ACT offers the Government a unique perspective and significant expertise on issues of relevance to Carers. Our representation is grounded firmly in the views and needs of our membership, backed up by systemic analysis of data from operational services and information from external research bodies. Carers ACT is a member of the national network of Carers Associations, and works to assist the governments recognise and address the growing needs of Carers throughout Australia. Carers ACT and the national network are now engaged in international Carer alliances with countries such as the USA, Canada and the UK to share research and information about supporting the diverse needs of Carers.

Carers ACT is pleased to have this opportunity to input to the Discussion Paper on Draft Pricing Principles for Community Services in the ACT, January 2008. Dee McGrath, Chief Executive Officer, represented Carers ACT and contributed to the Pricing Principles Community Consultation Workshop 2 on 6 March 2008.

3. Taking a Strategic View of Community Sector Funding

Carers ACT understands that the Draft Pricing Principles Discussion Paper is the implementation of Strategy 3 of the Strategies to Support the Policy Objectives of the Community Sector Funding Policy (February 2004). Strategy 3 stated that the ACT Government would develop and publish a framework to outline core pricing-principles and revise/update service agreements to reflect:

- the specific nature and value of funded services; and
- clear and balanced accountability in the funding relationship. ¹

It relates directly to the Social Compact Undertakings:

- Planning and policy development;
- Governance, management and accountability; and
- Quality in services and community work.

Carers ACT is aware that the Pricing Principles *were developed to provide guidance for services that receive multiyear funding under a Service Funding Agreement, and excludes activities funded through grant processes.* ²

Carers ACT notes that it is now over three years since the publication of the Social Compact and the Community Sector Funding Policy. During that period considerable work has been completed by community sector organisations working in partnership with the ACT Government and, particularly, by the Department of Disability, Housing and Community Services (DHCS).

For example, Carers ACT has developed nationally benchmarked Good Practice Guide across our service delivery areas in conjunction with the network of Carers Associations. The Guide details the principles and features of good practice that underpin quality and effectiveness in the delivery of Carer services, care representation, and governance and management. It establishes a common platform for the network of Carers Associations throughout Australia, and provides a resource that can help member organisations to:

- continuously assess and take steps to improve quality;
- achieve greater national consistency
- train and develop the skills of boards, staff and volunteers
- model and promote what good practice looks like to other services, funding bodies and potential corporate sponsors.

¹ p6 Community Sector Funding Policy

² P7 Pricing Principles for Community Services in the ACT A Discussion Paper

In addition, the network has developed a program logic framework to show how the Network's programs, services and processes contribute to two important long term outcomes:

1. Carers enjoy improved health, wellbeing, resilience and financial security;
2. Caring is recognised as a shared responsibility of family, community and governments.

An example of working in partnership between the community sector and the ACT Government may be found in the sub-sector funding plans. Carers ACT applauds the ACT Government's ongoing commitment to achieving the aspirations in the Caring for Carers Policy and the Action Plan 2004-07 which will expand further through consecutive Action Plans, to achieve the long term vision provided by the Caring for Carers Policy and the ACT *Carers Recognition Legislation Amendment Act 2006*. We are delighted to offer additional input regarding implementation to date and guidance on future directions including revision of the policy to incorporate the non-legislative policy reforms identified in the Carer legislation process

The consolidation of procurement activities through Procurement Solutions and the establishment of the Contracts and Grants Unit in February 2007 were two key initiatives from the Department of Health and Community Services in response to the need to ensure the \$61M³ in contracts for service provision to clients through non government organisations complied with key legislation including the *ACT Procurement Act 2001*.

Additionally, in November 2006, the *Review of the operation of the ACT Procurement Act 2001* was completed. The Review included *Chapter 4: The Relevance of the Procurement Principles* which made recommendations to amend the principles as below:

- *In undertaking procurement activities, the primary obligation of Territory entities should be pursuit of value for money outcomes*
- *In pursuing value for money outcomes, Territory entities should be required to have regard for the following matters (principles):*
 - *Probity and ethical behaviour (by entities and suppliers)*
 - *Open and effective competition*
 - *Management of risk*
 - *Optimising whole of life costs, and*
 - *Any other matter specified by regulation.⁴*

Carers ACT questions the need for a separate procurement policy for Community Sector multi-year Service Funding Agreements. The current procurement

³ p218 DHCS Annual Report 2006-07

⁴ P 31 Review of the operation of the ACT Procurement Act 2001

processes in the sector seem to be divorced from the *ACT Procurement Act 2001* and lack the transparency and rigor of other ACT procurement processes. This is illustrated by the lack of alignment between the draft Pricing Principles and the Principles of the *ACT Procurement Act 2001* as amended in the Review. A table illustrating possible alignment follows. It appears that the Act and its Review is not informing the development of the draft Pricing Principles. See our Recommendation One.

ACT Procurement Act 2001 Principles	ACT Community Sector Funding Policy Pricing Principles
Value for Money	10. Effective and Efficient Use of Resources – Value for Money 11. Indexation 3. Cost Recovery 5. Simplicity and Proportionality 6. Probity and Fairness 8. Development of Local Services
Probity and ethical behaviour (by entities and suppliers)	6. Probity and Fairness 1. Collaboration and Dialogue 2. Respect and Independence 4 Diversity and Choice
Open and effective competition	
Management of risk	7. Risk Management 9. Quality and Innovation
Optimising whole of life costs	3. Cost Recovery 10. Effective and Efficient use of Resources – Value for Money
Any other matter specified by regulation	

Another factor lacking in the Community Sector procurement policy is the absence of a dedicated Board, working consistently to ensure a strategic approach. This approach is critical to support the sustainability of the community sector and its ability to deliver quality services to ACT residents. Carers ACT is concerned that a lack of consistent strategic procurement guidance may lead to the risk of sub-optimal use of taxpayers' funds in providing services for the ACT community.

A simple generic approach to procurement highlights some issues with the current model.

- **The usual first step in procurement is the identification of evidence based need.**

The current criteria for determining need in the ACT community seem only tangentially related to evidence and data. This is complicated by the use of different data sets for the same service provision at different levels of government (e.g. HACCC Minimum Data Set, other Commonwealth data sets and ACT Government data sets). **It is important for the ACT Government**

to select a compatible Commonwealth-ACT Government data set to use for identifying need for recurrent expenditure.

The proposed Commonwealth model for the reform of service provision and funding, as agreed to in principle at the Council of Australian Government's Meeting on 26th March 2008, through the provision of broad-band funding to State and Territory governments to meet agreed national benchmarks may have benefits on this matter. It is anticipated that these reforms may also provide research opportunities enabled by the development and implementation of common data sets.

The ACT faces unique challenges in meeting its population needs; needs that will change as a result of the ageing Australian population. In a community of 339,000⁵ with a budget of \$61M the ACT Government needs to make clear its priorities for spending, implemented by transparent and accountable procurement processes, and to reflect these priorities in the multi-year Service Funding Agreements.⁶

- **The second step in procurement is the identification of the number, type and quality of services required, based on the evidence of need.**

While there will always be changes over time in the **number** of services required in the community these can usually be accommodated in budget and Service Funding Agreement provisions. The **types** of services change more slowly and are driven by analysis of the evidence based need. **The quality of services and their improvement** is a central requirement for Community Sector and ACT Government and needs to be stated in the procurement documentation. It is anticipated that aligning quality standards of service provision in the ACT to national standards required by the Commonwealth will provide essential savings for ACT Government and Community Sector organisations by reducing duplication and improving quality consistency.

Consumers are usually most interested in guarantees relating to the number, type and quality of service. Yet in a small jurisdiction, the current procurement model risks duplication of services, whether provided by a range of large and small organizations, with variable quality of service delivery. Carers ACT can provide specific examples of such duplication on request. Consumers and Community Sector organizations are frequently confused and/or unaware of where to access the services they need. The sector does not have sufficient resources to ensure tracking of vacancies across individual programs, which can lead to consumers being turned away in one area when other services

⁵ p 15 Table One ACT Population Projections 2002 – 2032 and beyond ACT Chief Minister's Dept 2002

⁶ While not within the scope of this response to the Pricing Principles, Carers ACT is pleased to see the procurement policy separation of multi year Service Funding Agreements from grants in the Pricing Principles.

may have excess funds due to lack of cross-referral. Different interpretations of eligibility criteria may also lead to inequity of service delivery.

Carers ACT supports consumers having choice in the providers of services. However, there needs to be a balance achieved so that quality of service is not sacrificed to provide a surface illusion of consumer choice. We recommend the ACT Government make decisions about the level of choice users may be able to access, given the Territory's small population base and limited budget of \$61M. The ACT Government needs to communicate the limitations on choice in a small jurisdiction to consumers and also to reflect this limitation in procurement requirements.

Another issue to be considered is the quality of service provision. Currently there are many small community organisations, some without organisational infrastructure, endeavouring to provide services which larger organisations are already funded to provide, either by the Commonwealth or ACT Governments. There is genuine value in having organisations of differential size within the ACT. Larger organisations may be better placed to continuously improve quality service delivery and smaller organizations may be better placed to support their particular clients to access those services, rather than duplicating them. However the critical issue relates to the sustainability of failing to achieve whole of service cost recovery, which places a substantial burden on the entire sector; this can include the undercutting of contract pricing to compete for limited funds by organisations using volunteers rather than employees. Reliance on the fast-diminishing voluntary workforce for quality service delivery is problematic and unsustainable. The long term sustainability of the sector would be greatly enhanced by a strategic approach that builds capacity and strengthens links between community sector organisations on a cooperative rather than competitive basis.

Some suggestions to assist with building sustainable quality service provision which might be considered are listed below:

- Buddying smaller with larger organisations to capitalise on Commonwealth and ACT Government funding already provided for infrastructure and quality service delivery improvement.
- Establishing a 'community sector organisation incubator' which would provide infrastructure, training and organisation development to support smaller and newer organisations in providing quality services to their client groups.
- Identify 'lead' organisations through their core business and enhance their capacity to support and work with smaller organisations on delivering services which meet quality standards and the specific evidence based needs of a range of clients, including those of smaller groups with diversity of need.

These suggestions require a strategic overview of the community sector services provided to the ACT Community and decisions made by the Department, perhaps with advice from a procurement Board.

- **The third step in procurement is to request the services from the community sector.**

The request for services needs to have clearly articulated evidence based criteria on number, type and quality of services required and the evaluation criteria on which the successful provider will be chosen. The process needs to be transparent before and after the award of the service to the provider. The partnership provider needs to have best met the evaluation criteria and provided evidence of the need and their ability to provide the services to the quality required in their submission.

Carers ACT supports the Local Industry Development initiatives in the *ACT Procurement Act 2001* and notes the recommendation for their maintenance in the *2006 Review of the Operation of the ACT Procurement Act 2001*. Currently the ACT Community Sector is fragmented. There are many small organizations representing particular client needs duplicating services provided by larger organizations with Commonwealth and ACT Government funding. This is a cost to the ACT taxpayer and reduces the impact of ACT Government funding. It is recognized in Draft Pricing Principle 3. Multi year Service Funding Agreements need to take *Principles Four (Risk Management) and Five (Whole of Life Costs)* in the *Review of ACT Procurement Act 2001* into account. While there is an emphasis in the Draft Pricing Principles on *4 Diversity and Choice* and *8 Development of Local Services*, the need to ensure the development of a sustainable, quality Community Sector must also be reflected in the request for services. Each multi-year Funding Agreement partnership is an opportunity taken or missed to develop the sector to the benefit of ACT residents.

These are strategic decisions which arise from the Planning and Policy Development processes of the Social Compact. These decisions should then be reflected in the Governance, Management and Accountability requirements of each service request, and incorporated into the Quality in Services and Programs reporting requirements of each service request.

- **Once funding is awarded to a service provider, the accountability, monitoring and reporting requirements, including quality, must be complied with.**

ACT residents, as consumers and taxpayers, depend on the provision of services by the service providers to the specifications of the requests for service. Currently it appears that different levels of compliance, reporting and quality service standards may apply to different organisations providing the

same services. Reporting criteria seem undeveloped for some service provision, and over developed for some costing areas, for example indirect costs. There is also a genuine case for increased transparency in communicating outcomes of funding back to the sector and to the taxpayer.

The ACT Government could gain significantly from matching its reporting requirements to those anticipated from the adoption of the Commonwealth Government reforms currently driven by COAG negotiations, including measurement of outcomes for the consumers using the services. We recommend this.

4. Considerations

How clear are the draft pricing principles?

The draft pricing principles are a “*set of high-level principles for funding community organizations that may be incorporated into funding agreements.*”⁷ Carers ACT supports this approach rather than a formula-driven input or output pricing approach.

The interpretation of these high-level principles in their implementation will be the test of their clarity. The pricing principles need to be judged against their ability **to enhance the partnership** between the Community Sector and the ACT Government in providing *well-targeted and sustainable services that maximise outcomes for service users, within the resources available.*⁸ The ACT Government, the Department of Disability, Housing and Community Services and Community Sector organisations need to recognise the continuing work that will be required in coming years to build mutual understanding, respect for each other’s positions and cooperation on the interpretation and implementation of the Pricing Principles.

Specifically:

1. **Collaboration and Dialogue:** We support this Pricing Principle and note its importance given our comments in *Taking a Strategic View of Community Sector Funding* above.
2. **Respect and Independence:** We agree with this Pricing Principle
3. **Cost Recovery:** We support this Pricing Principle and in particular the need for organisations ‘*to demonstrate that they are working to minimise their overheads and maximize efficiencies*’.
4. **Diversity and Choice:** We support users’ choice of service to best meet their needs. However, as previously discussed, the ACT Government needs to balance decisions about the extent of choice/diversity in a community the size of ACT with the limited budget available to increase long term sector sustainability and improve consistency of quality service delivery. The ratio of recurrent funding to grants funding, and the Government’s decisions on that ratio, impact on the development and sustainability of the ACT Community Sector with each budget. More recurrent funding assists sector development and sustainability as it enhances ability to retain experienced and skilled staff

⁷ p6 Pricing Principles for Community Services in the ACT: A Discussion Paper January 2008

⁸ p8 *ibid*

members, provides a wealth of ongoing operational data, and creates a more visible and reliable pathway to service for consumers.

5. **Simplicity and Proportionality:** We agree with this Pricing Principle. We agree that these Principles relate to multi-year recurrent funding.
6. **Probity and Fairness:** We strongly support this Pricing Principle. We have outlined above our recommended approaches to ensure increased transparency and probity in the award of funding to Community Sector partners.
7. **Risk Management:** We support this Pricing Principle. Above we have noted that the identification of *'agencies or organisations that are most able to manage (identified risks)'* are crucial opportunities for Community Sector development which can be taken or missed each budget cycle.
8. **Development of Local Services:** We consider this Pricing Principle to be unclear.
 - a. Is this Principle related to the Development of Local Industry in the ACT Procurement Act and Commonwealth Procurement legislation and associated regulation? Carers ACT is aware of the international obligations of Australian Governments under the AUSFTA and the ANZFTA and the need to reflect these in procurement provisions. We have already commented on the Development of Local Industry in *Taking a Strategic View of Community Sector Funding* above.
 - b. There is tension between the two statements: *prices will reflect local conditions and requirements* and *prices will consider national average benchmarks, where available and appropriate*. We would question the placement of the last statement in this Pricing Principle rather than in Principles 10 or 11.

The need for ACT Government budget funding to better accommodate the local ACT wages situation could be an interpretation of the former statement. Mr. Stanhope's press release of 9th March 2007 states:

The ACT has again topped the wage and salary rankings, with the Australian Bureau of Statistics today releasing data showing average wages in the ACT outstripping the national average by almost \$5000 a year. Chief Minister Jon Stanhope said the average income of wage and salary earners in the ACT in 2003-04 — the period reported on by the ABS — was \$44,664. This was more than \$3000 higher than the next-ranked jurisdiction, NSW. The national average was \$38,820.

Community Sector funding needs to reflect the professional staffing profiles of organisations. The use of inappropriate national

benchmarks will only continue to disadvantage providers in recruiting and retaining well qualified staff to provide quality service delivery. 'Local conditions' need to be reflected in Government budgets to ensure the sustainability of the local Community Sector.

9. **Quality and Innovation:** We support this Pricing Principle. We note that quality needs to be guaranteed for every consumer from every organisation. Quality standards need to be specified in the request for services. They need to relate to national quality standards at least. We note that quality service delivery has costs associated with achieving, maintaining and continuously improving the delivery of quality services. We recommend that the ACT Government provide funding for research, quality education, the implementation of quality systems, and the evaluation of the quality of service delivery be included in requirements and budgets used to request services from the Community Sector.
10. **Effective and Efficient Use of Resources – Value for Money:** We strongly support this Pricing Principle and sees it as the fundamental principle. In particular we support the final two sentences.
- *ACT Government will work with organisations to maximise resources for service delivery* requires the implementation of strong evidence based need quality assurance, transparent awarding of funding, and consistent application of compliance and reporting of quality service delivery.
 - *Organisations will also be supported to provide effective, high-quality services that contribute to a strong and sustainable community sector* has been discussed above. The importance of sector sustainability and service quality improvement driven by professionally qualified staff and assessment and compliance is central to this Pricing Principle. It requires a strategic view of procurement in the Community Sector.
11. **Indexation:** We support indexation. We include a recommendation that for a defined period ACT Government consider using MTAW (Male Total Average Weekly Earnings) as the basis of the wage cost segment of the 80:20 model until Community Sector organisations' ability to match ACT salary levels is reached. This will have a strong impact on the ability of organisations to recruit and retain professionally qualified staff to deliver quality services and continue development of the Community Sector as a core ACT industry. The future needs generated by the ageing ACT population will only be met through the a strong and cohesive Community Sector underpinned by long-term, sustainable programs of guaranteed quality, and driven by a skilled and experienced professional workforce.

Are there other principles you think should be included?

Yes. We recommend another Pricing Principle be included. It should relate to the education of the Community Sector on working in partnership with ACT

Government in the provision, through multi-year Service Funding Agreements, of quality services to ACT consumers and taxpayers.

Are there any principles you disagree with?

No. We agree with the Pricing Principles.

In what other ways might the pricing principles achieve their purpose?

Carers ACT has no comment on this question.

5. Recommendations

Our recommendations are:

Recommendation One: Carers ACT believes that before the Pricing Principles for Community Services in the ACT are finalized, the ACT Government needs to:

1. Review the implementation and operation of the Social Compact and within it the Community Sector Funding Policy since 2004, including its relationship to the *ACT Procurement Act 2001*. This may include the draft Pricing Principles for Community Services in the ACT.
2. Following that Review or as part of it, the ACT Government should consider the need for a separate Community Sector Funding Policy and its relationship to ACT Government Procurement Act 2001, particularly for recurrent funding.

Recommendation Two: Carers ACT recommends that the Draft Pricing Principles and the Community Sector Funding Policy be more closely related to the principles in the *ACT Procurement Act 2001* and their amendment following the *2006 Review of the operation of the ACT Procurement Act 2001*. This alignment should be evident in request for service provision documentation and reporting requirements.

Recommendation Three: Carers ACT recommends that, before services are requested from the Community Sector by ACT Government, the need for service provision be evidence based and, to that end, an independent base of evidence be designated to provide quality assurance of need. This may require research funding or partnership with Commonwealth government agencies (e.g. ABS) to ensure that funding is being provided to meet evidence based need.

Recommendation Four: Carers ACT encourages the ACT Government to make and communicate decisions about the level of choice users may be able to access, given the Territory's small population base and budget.

Recommendation Five: Carers ACT recommends that funding for research, quality education, the implementation of quality systems, and the evaluation of the quality of service delivery be included in requirements and pricing used to request services from the Community Sector.

Recommendation Six: Carers ACT recommends that the DHCS align, as far as possible, its compliance and reporting requirements in multi-year Service Funding Agreements with those of the Commonwealth.

Recommendation Seven: Carers ACT recommends that for a defined period of years ACT Government consider using MTAW (Male Total Average Weekly Earnings) or an incremental process to achieve MTAW as the basis of the wage cost segment of the 80:20 model until Community Sector organizations' ability to match average ACT salary levels is reached.

Recommendation Eight: Carers ACT recommends that another Pricing Principle be added. It relates to the education of the Community Sector in working in partnership with ACT Government in the provision, through multi-year Service Funding Agreements, of quality services to ACT consumers and taxpayers.