

18th December 2023

Ms Deborah Willcox,
Deputy Secretary, Health System Strategy & Planning,
NSW Ministry of Health

Via email: [REDACTED]

Dear Ms Willcox

Re: Karitane Funding and Service Level Agreement with SWSLHD

We request an urgent meeting be set up to discuss ongoing, unresolved funding matters for Karitane's health-funded services through the Service Level Agreement with SWSLHD. This amounts to \$1.7m for this financial year, is a recurrent issue and has reached a critical threshold for Karitane's operational sustainability.

Ms Simone Proft, Director Strategy & Partnerships, SWSLHD advised Karitane early last week that the district intended to escalate the protracted funding matter to yourself and Mr Alfa D'Amato particularly relating to state-wide funding activity. We have also requested a Chair-to-Chair meeting which has been scheduled by the district for the end of February 2024, but given our unsustainable financial situation, we are seeking an urgent discussion and resolution of the matter and wanted to outline the more immediate impacts.

Main issues for discussion

1. ***This is not a new issue.*** We have worked closely with SWSLHD, including the CE and Chair, over the last seven years to highlight and address the underlying, recurrent funding gap. This work has involved two comprehensive efficiency reviews, including recently in Sept-Dec 2022, previous meetings with NSW Ministry of Health and the NSW MoH Strategic Review of Karitane & Tresillian.

A full chronology and evidence of this work is available, and actions taken to date.

2. ***Current financial sustainability situation.*** For FY 23/24 Karitane has an unsustainable gap of \$1.7m, made up of \$1.2m of recurrently identified gap, plus a new (recurrent gap) of \$500K due to the new Campbelltown facility built without a commercial kitchen. The latter issue has necessitated an additional NSW HealthShare food supply contract and salary for Food Services Assistants to reheat and serve food.

At October 2023 YTD, our deficit was **-\$500k** attributable to the SWSLHD Health service contract and this financial year forecast is very grim. Karitane has received \$8.3m in the NSW Health budget SLA this FY but our balance sheet cannot absorb a loss of this magnitude. Finding the additional \$1.7m recurrently either in efficiency savings or alternate source of revenue is not feasible. This loss will have significant impact on our balance sheet, liquidity ratio, sustainability and importantly our ability to attract funding from other sources.

We are seeking your and SWSLHD's support to fund the recurrent \$1.7m gap.

3. **Impact on Services** – the state-wide residential unit service at Campbelltown consumes the largest proportion of our SWSLHD SLA budget. Unfortunately, due to building-related issues that are being managed by SWSLHD, (under-performing air-conditioning and substantial water leaks) we have been unable to run the unit at capacity as yet, but demand is there, and families are booked ahead for admission into middle of February 2024. To achieve a savings of \$1.7m we would be required to permanently close 7/19 beds and make significant staffing redundancies in the first quarter of 2024. This would create extensive waiting lists for vulnerable families in SWS and across the State and create further burden on local EDs.
The 19 bedroom unit (consolidated, existing beds from Camden & Carramar) was officially opened by the NSW Minister for Health, the Hon Ryan Park in mid-November where he spoke about his commitment to the First 2000 Days and the necessity of the beds, particularly in this location, given the surrounding communities have a higher SEIFA indexation for disadvantage, young parents and families with a range of psychosocial, child protection, drug & alcohol and perinatal infant and child mental health issues.
4. **Karitane's additional financial contribution towards SWSLHD SLA-agreed services.** Karitane has continued to contribute significant own source revenue (donations & grants) to the NSW Health SWSLHD services of over \$15m dollars in the last 10 years and will again contribute \$1m in donations and grants towards this year's SLA activity. We also derive contributions from privately insured patients (approx. \$0.5m), although this is a diminishing return due to the shift in demographic of families being admitted to our inpatient facilities over recent years from some of the most vulnerable communities in NSW.
A summary graph in the appendix highlights the trended changes and underlying recurrent SWSLHD gap in the Karitane revenue stream in recent years and shows Karitane's own source revenue contributions year on year towards the SWSLHD funding gap.
5. **Funding sources for services outside the SWSLHD Service Level Agreement:** Karitane receives recurrent philanthropic funding and Commonwealth funds to run services across NSW and nationally eg. ForWhen, Wollie Creek Hub, Shortland, Taree and Shellharbour services. Karitane has provided evidence to SWSLHD during efficiency reviews, external audits and acquittals to provide reassurance that NSW Health/SWSLHD funding is **not** being utilised to "prop up" these services.
Karitane has also attracted funding from NSW DCJ, DSS, PHN, & NGOs and Commonwealth contracts to deliver an additional \$2m of services this financial year, and prior, to the **SWS community**, easing the burden on the health budget by providing other funded programs and services for families in some of our most vulnerable, local communities.
6. **Response to SCOI & Strategic Review:** Karitane has responded to the Special Commission of Inquiry into NSW Health funding and been granted a Hearing with the Commissioner which we expect will be set in early 2024. A copy of our submission has been forwarded to the SWSLHD team and is also attached for your information. In our response, we refer to our experiences of inequitable funding which can be further outlined at the Hearing with examples.

Our Vision:

Leaders in early parenting services that empower families and children to be confident, safe and resilient.

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We are aware of additional funding allocations for districts for First 2000 Days initiatives this FY and would welcome discussion on how Karitane may also benefit from these opportunities.

We thank you for releasing the Strategic Review report, for seeking further consultation and steps in relation to the recommendations contained within the report and look forward to progressing these with you once you have met with other stakeholders.

Karitane has engaged with NSW Health and yourself on the strategic steps for secondary and tertiary child and family health services across NSW, including requesting a strategic approach to state-wide beds (location and volume) and to discuss funding inequity and growth across different service providers.

We appreciate your urgent attention and request to meet to resolve these issues as soon as possible in the New Year given the critical financial circumstances for Karitane. I can be contacted on [REDACTED]

Yours Sincerely,



Lee Carpenter
Chair



Grainne O'Loughlin
CEO

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