Planning for a sustainable disability sector

FaHCSIA

Planning for a sustainable disability sector

November 2012
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Disclaimer

This work is being completed under the Official Order – Statement of Work, placed on 11 May 2012, and in accordance with the Deed for the Provision of Social Policy Research, Evaluation, Data Investment and Professional Development Services (46074622) between PwC and FaHCSIA dated 13 April 2012, which fully sets out the scope of our work and nothing within this report is intended to imply that we have carried out any work beyond that scope.

The information, statements, statistics, material and commentary (together the “Information”) used in this Report have been prepared by PwC on behalf of FaHCSIA from publicly available material, from information provided by a range of stakeholders and from discussions and surveys held with a range of industry stakeholders. PwC has relied upon the accuracy, currency and completeness of the Information provided to it by FaHCSIA and the industry stakeholders and takes no responsibility for the accuracy, currency, reliability or correctness of the Information and acknowledges that changes in circumstances after the time of publication may impact on the accuracy of the Information. PwC accept no responsibility in any way whatsoever for the use of this report by any other persons than our client.

Furthermore PwC has not independently validated or verified the Information provided to it for the purpose of the Report and the content of this Report does not in any way constitute an audit or assurance of any of the Information contained herein.
## Glossary

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>ADE</td>
<td>Australian Disability Enterprise</td>
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<tr>
<td>CALD</td>
<td>Culturally and Linguistically Diverse</td>
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<td>DSS</td>
<td>Disability Services Standards</td>
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<td>DSO</td>
<td>Disability Support Organisations</td>
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<td>ESL</td>
<td>English Second Language</td>
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<td>ICT</td>
<td>Information and Communications Technology</td>
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<td>IF</td>
<td>Individualised Funding</td>
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<td>ISP</td>
<td>Individual Support Package</td>
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<td>LAC</td>
<td>Local Area Co-ordinator</td>
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<td>NDA</td>
<td>National Disability Agreement</td>
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<td>NDIS</td>
<td>National Disability Insurance Scheme</td>
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<td>NGO</td>
<td>Non Government Organisation</td>
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<td>PC</td>
<td>Productivity Commission</td>
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1  Executive summary

A holistic approach that puts people with a disability at the centre

Government’s commitment to the Productivity Commission (PC)’s vision for a National Disability Insurance Scheme (NDIS) signals the beginning of major reform within the disability sector and a new world which places the power of decision-making into the hands of people with a disability and the creation of a new market for service provision. This will have substantial implications for people with a disability, with all members of the sector experiencing significant change, including service providers who will confront many risks, challenges and opportunities during this transition period and beyond.

One of the key enablers to a successful introduction and ongoing support of an effective NDIS is a sustainable disability sector and specifically, sector capacity. A key aspect of sector capacity and capability relates to its ability to adapt to a market driven environment which places the individual at the centre of decision making, with portable individualised funding packages to support choice of tailored supports and services aligned to individual need. Service providers need to be able to objectively demonstrate value for money so clients can make informed choices about cost, quality and outcomes.

In understanding and planning for a sustainable disability sector, it is important to recognise the elements that together form the sector. Each of these elements will experience varying challenges and play a different role in fulfilling the Productivity Commission’s vision. While much of the burden in transitioning the sector will rest on government and service providers, it is important to acknowledge that only by supporting and empowering people with a disability to understand and manage these changes, will the full potential of the PC’s recommendations be achieved. The strategy in transitioning to an NDIS must start with the individual and how they can be educated and supported to achieve a system of empowered choice.

The National Disability Strategy and specifically an NDIS will require considerable cultural change. This major cultural change will not only be necessary within service provider organisations and their workforce, but in the broader community. Managing this cultural change successfully underpins the successful pathway to an NDIS.

Current gaps in sector capacity

It is evident from the consultations conducted for this project, that the sector and specifically the service provider organisations, want clarity in the design of the scheme. In simple terms, they stated that it is hard to plan if you do not know what you are planning for. Many are unsure and unable or reluctant to make significant investments or changes until a greater understanding of how the NDIS will operate. This is particularly pertinent in the area of eligibility and assessment and how these will impact their organisation specifically in their preparation. Although further clarity and design will assist the sector to develop their capacity, it is important that service providers feel empowered to make proactive changes starting now that will align their organisations to the core value of an NDIS marketplace; including person-centredness, facilitation of good outcomes for individuals, and increased choice and inclusion.

We identified a number of gaps based on our consultations, which largely fit into the following categories; consumer and community capacity and awareness, market changes, organisational capacity of service providers and integration and inter-relationships. It is vital that both the service provider organisations (supply side), and people with a disability (demand side), and other important groups that will contribute to a successful NDIS (the Australia community) are all considered as part of the gap analysis and strategic direction and transition of an NDIS. We provide in the next paragraphs some of the key themes that arose from the consultations.

Consumer and community capacity - There is significant work to be done to ensure that people with a disability and the Australia community is ready to take full advantage of the potential benefits and opportunities presented by an NDIS, including the ability for people with a disability to exercise real choice and control, and to create and foster individual plans that truly assist people to dream and achieve their life goals and aspirations. The work to be done in this regard should not be under-estimated.
Executive summary

**Market changes** – A number of market changes will need to occur before the current market is prepared to operate successfully under an NDIS, including building the experience of the whole sector to operate in a competitive market, dealing with the market transition issues including market failure, exit of service providers and service interruptions, and the changing role of the various stakeholders including governments, service providers advocacy organisation, and of course potential market entrants. The emergence of Disability Support Organisations (DSOs) as envisaged by the PC is likely to occur to assist individuals with the decision-making and individual planning processes. Also, the potentially changing nature of advocacy organisations will highlight the need to ensure that the role of these emerging and changing organisations are clear and well understood and also well-equipped to adapt to and grow in the new market. This will create challenges and potentially gaps in the market if adequate support and capacity building doesn’t take place for these organisations.

**Service provider capacity** - A significant number of service providers within the sector are working on their strategic plans and person centred approaches so that they align with the principles of an NDIS as envisaged by the PC. Although there was a vast range of preparedness in relation to actions taken by organisations to imbed those person-centred principles and approaches within everyday business practices and processes; many organisations have conducted very limited work in this regard. As individuals and service providers transition at different rates and as the market acts as the catalyst for change, many service providers will experience substantial challenges. We collected and analysed information relating to staffing and skills at the organisation level and also workforce at the sector level during our consultations. Refer to PwC report “Preparing for a sustainable disability workforce” for our gap analysis and strategies in relation to staff, skills and workforce.

The NGO sector currently has a strong base for the further building of social capital and community networks which may be an important point of differentiation for many providers. This base may be used to leverage opportunities and value added supports in the market and will be especially important as a point of distinction compared to other market entrants such as for profits.

**Integration and inter-relationships** – The integration of disability service with other portfolios and mainstream services is not currently strong enough to support a successful NDIS. There are number of areas where integration will be especially important, including integrating various services and supports so that access is fluid and simple for people with a disability, integration with other building blocks such as early interventions, and integration between portfolios such as education and allied health, so that people needn’t tell their story multiple times to different agencies. This links in with the importance of an integrated IT system with the in-built functionality that will streamline the process of receiving and paying for services.

**Strategies and implementing an effective transition plan**

To achieve the NDIS as envisioned by the PC, the sector requires substantial investment and change to imbed attitudes, systems and processes. We identified and collated the views of sector stakeholders about what strategies should be implemented across the sector (by government and also service providers) to ensure an effective transition. The strategies fall into the following main categories; Education and awareness, capacity of service providers, regulation and national frameworks, market transition assistance, and any specific strategies for rural and remote areas. In addition, there needs to be a framework for implementing the strategy, to ensure that there is a consistent national approach, integrated with the strategies of the other NDIS building blocks and other related portfolios such as health and transport, with communication and ongoing review and continuous improvement being a key component of the framework.

**Education and awareness** – It will be extremely important to provide education and information to people with a disability (their families, friends and carers) on what person-centred planning approaches involves, so that they embrace the changing landscape, feel empowered to exercise choice and control and drive the creation of a market that provides opportunities for increased flexibility and services that meet people’s needs and wants.

**Capacity of service providers** - Organisational strategies, structures and planning processes need to reform to move away from a service delivery mentality and to align with person centred approaches. Significant investment in technology will be required particularly with client management systems, human resource and rostering systems, and financial billing and reporting systems. It is important the government develop and communicate its industry ICT strategy so service providers clearly understand what data will be maintained as a central source of truth, and what localised systems will be required and how these will need to interface with any source of secure national data.
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**Regulation and national frameworks** - It is essential that all jurisdictions work towards a national system of outcome measurement, quality framework, regulation and accreditation, which achieve simplification and where possible reduced burden. The disability workforce will need significant growth and development. Industrial reform may also be necessary to provide greater flexibility to the sector in structuring working arrangements to service individual needs. The need to link regulation around complaints to the safeguards building block will also be particularly important, to ensure that the market forces don’t create uncompetitive practices that lead to poorer outcomes for individuals.

**Market transition assistance** – The government needs to consider and determine what role they will play in assisting the sector to transition effectively, including their role in assisting with market failures, transition funding, and service interruptions. There are a number of considerations here, the main one being the impact of these changes on people with a disability and their ability to access supports during the transition period.

**Strategies for rural and remote communities** – The government should also consider their role in providing special assistance to rural or remote communities that experience specific need or issues, including market failures or gaps.

**Framework for implementing strategy** - Commonwealth, state and territory governments need to work with industry peak bodies to support and increase consumer, service provider, workforce and community capacity. This may be through investing in awareness and educational campaigns and establishing new frameworks and vehicles for people with a disability to access and receive the appropriate support in navigating the new system and in achieving their desired individual outcomes. It will be necessary to link individuals to other systems and support services such as educational, health, transport, housing, social and specialist mainstream services. Strategies will be required for government and the sector to work in unison with these areas traditionally not considered as part of the disability sector.

While there are similarities in how disability services are provided and administered within and between the various jurisdictions, there are also a number of differences and projects ongoing at state and territory level. It is important to recognise the need for the Commonwealth, state and territory government agencies to continue to collaborate with each other and the sector, through their peak bodies, to align activities and priorities towards a common goal and share and build on existing initiatives that are delivering outcomes. This will assist in ensuring that the final transition to the new Scheme represents a more manageable change.
2 Background

A series of milestones within the disability sector have led to where we are now – on the verge of a National Disability Insurance Scheme in Australia. These milestones include:

- In 2005, a report to insurance ministers considering tort law reform introduced the viability of and options for long-term care arrangements for the catastrophically injured
- In 2006 and 2007, the NSW Lifetime Care and Support (LTCS) scheme came into effect, first for children and then for all persons
- The UN CRPD was signed in March 2007 and ratified for Australia in July 2008
- In 2007, the Senate report into the funding and operation of the CSTDA was released and recommended the development of a National Disability Strategy
- In 2008, the idea for an NDIS was raised at the 2020 Summit. This was shortly followed by the establishment of the Disability Investment Group (DIG)
- In 2009, the National People with Disabilities and Carer Council released the Shut Out report, describing the experience of people with disabilities and their families
- In 2009, the Senate referred the matter of access to planning options and services for people with a disability to the Community Affairs References Committee for inquiry
- In 2009, the Productivity Commission (PC) was asked to investigate the feasibility of an NDIS, considering design, administration, financing and implementation and in 2011 released the final report for the Disability Care and Support Inquiry which presents the blueprint for an NDIS in Australia – this is discussed in more detail below.

An NDIS will have a huge impact on the way disability services are provided in Australia, introducing a number of significant changes which will impact the entire sector, including service providers, people with a disability, governments (Commonwealth, state and territory), and peak bodies. In addition, the entire Australian community will be an important part of the journey, with local communities and networks being an important part of imbedding an NDIS and person centred support into communities. Individuals and organisations providing inter-related services such as mental health services, allied health services, housing, education and transport will also be a key part of the change also.

Implementation of an NDIS

The NDIS is based on the insurance model. Some of the key principles of an insurance model are:

- An assessment of need based on ‘reasonable and necessary’ support
- A focus on outcomes and assisting people with a disability to live a valued life – this includes providing people with choice and control in their lives
- A focus on early intervention and prevention and the ongoing evaluation of interventions
- A strong monitoring and governance framework which allows monitoring at the scheme level, monitoring of ‘cohorts’ of people within the scheme and monitoring at the individual level.

The NDIS and sector capacity

There are a number of foundation reforms currently occurring in relation to the building blocks of an NDIS. One of the building blocks is sector capacity. The NDIS will change the way disability services are provided to people with a disability and with that brings a huge change in the way the market will operate. Individuals will receive individual funding packages and then purchase services directly from the open market. As a result, disability service providers will need to change the way they operate to meet the needs of this new market environment. Also, governments and people with a disability will need to change the way they operate in the new market. Building the capacity of the sector and all its participants is a critical part of the success of the Scheme, and is the focus of this project and report.
3 Scope and methodology

3.1 Scope and objectives

The key objective of this project was to inform governments about the disability sector’s capacity to support the introduction of an NDIS and options available to assist in sector capacity development.

The project involves three parts:

**Part 1: Scoping the disability sector**
- Understanding who the key participants are in the disability sector and also documenting the range of service providers
- Where possible, an analysis of the range of different services provided by the sector, and also understanding any jurisdictional differences across Australia
- A broad analysis of the current state of the sector, including sources of revenue, reliance on government funding, current issues facing the sector and issues specific to rural or remote communities.

**Part 2: Gap analysis of the current and future disability sector**
- An evidence based analysis of the gaps between the current disability sector and a disability sector incorporating an NDIS as envisaged by the PC report (taking into account jurisdictional variation and also the ability for mainstream services to cope with additional demand)
- Consultation with organisations that may be positioned to enter the market
- Consideration of a limited scheme launch in certain regions.

**Part 3: Strategies to assist the transition**
- Provide a theory of change
- Provide actions and strategies required by governments and the sector to support the introduction of an NDIS in Australia.

3.2 Approach and methodology

At a high level, our approach was as follows:

**Plan** our consultation and research methodology in detail and confirm this methodology with FaHCSIA.

**Research** the literature to understand the following:
- The current issues facing the disability sector
- The issues experienced in transition
- The issues faced by international jurisdictions that have made the transition to self-directed funding.

We also requested data from the states and territories in relation to the numbers of service providers and also the total funding amount provided to service providers (government and non-government). We note that we received data from all states/territories (except Northern Territory and Western Australia)
Scope and methodology

**Consult** with a number of sector stakeholders to:

- Identify the issues and challenges facing the sector in relation to the transition to an NDIS
- Obtain their views on potential strategies that the government can undertake to assist with transition.

Our consultation took three forms:

- *Online survey* of service providers nationwide, please see Appendix B for the survey respondent demographics.
- *A workshop with service providers* in NSW, Victoria and South Australia, please see Appendix A for workshop attendee statistics.
- *A workshop with consumer groups* and people with a disability in NSW, Victoria and South Australia, please see Appendix A for workshop attendee statistics.
- *Telephone consultations* with people with a disability, service providers, state government agencies, peak bodies (including advocacy groups), unions and other workforce bodies, and for profits (potential market entrants). The telephone consultations followed a semi-structured interview style, whereby we used prepared questions to guide the discussions. The duration of the telephone discussions was set to one hour per discussion. Please see Appendix A for telephone consultation statistics.

We took detailed notes in each of the workshops and telephone consultations, so that the results could be analysed and consolidated.

**Analyse** the results and information obtained from the range of research and consultation methodologies.

**Report** on our findings. This document represents our results and observations from the research and consultations conducted for this project and is our written deliverable for this project in relation to Parts 1, 2 and 3.

**Summary of delivery timeline**

We outline below the timeline for the consultations and project delivery:

<table>
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<tr>
<th>Activities</th>
<th>Timing</th>
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<tr>
<td>Plan and develop detailed methodology and workplan including consultation and research methodology</td>
<td>Week 1: 14 May 2012- 18 May 2012</td>
</tr>
<tr>
<td>Identify consultation contacts and details, commence and conduct research of literature, request data in relation to current disability sector from states and territories</td>
<td>Week 2: 21 May 2012 – 25 May 2012</td>
</tr>
<tr>
<td>Continue with literature review, prepare consultation material, prepare online survey</td>
<td>Week 3: 28 May 2012 – 1 June 2012</td>
</tr>
<tr>
<td>Commence telephone consultations, continue literature review, liaise with states regarding extraction of data, finalise online survey questions.</td>
<td>Week 4: 4 June 2012 – 8 June 2012</td>
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<tr>
<td>Continue conducting telephone consultations, complete literature review, conduct workshops in South Australia and NSW, launch online survey on Monday 11 June 2012</td>
<td>Week 5: 11 June 2012 – 15 June 2012</td>
</tr>
<tr>
<td>Conduct workshops in Victoria, complete all telephone consultations, online survey open all week and closed on Friday 22 June 2012,</td>
<td>Week 6: 18 June 2012 – 22 June 2012</td>
</tr>
<tr>
<td>Conduct analysis (gaps analysis, survey results, literature review, strategies, data from states), and write draft report (sent to FaHCSIA on Friday 29 June 2012)</td>
<td>Week 7: 25 June 2012 – 29 June 2012</td>
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3.3 Limitations

Consultation methodology: Our consultation methodology involved a sampling approach (with the assistance of NDS), which covered a range of different categories of stakeholder (including small and large organisations, organisations in each state/territory in Australia, state government agencies in each state/territory, and a range of people with a disability and other consumer groups). There were a number of individuals that we contacted that we were unable to be involved in the consultation process within the time period for this project. In addition, we spoke with a number of potential market entrants; however we cannot be certain that we spoke to the range of market entrants that may enter the market at some stage. The evidence we have relied on for our analysis has been feedback and responses from individuals, and we have not conducted any independent validation of their feedback or comments.

Literature review: The literature review we conducted was a targeted review, using key words and therefore does not cover the field of available literature on sector capacity (from Australia or internationally).
4 Part 1: Scoping the disability sector
4.1 *Defining the key players in the disability sector*

There are a number of current key players and stakeholders in the Australian disability sector. Each of the various groups play an important part in the way the disability sector currently operates. We outline below a summary of each of the key groups in the sector:

- **People with a disability**: People with a disability are at the centre of the disability sector. All other sector participants link in with people with a disability at some stage and they justifiably are the focus of all the components of the system, including initiatives relating to changing attitudes and approaches to service delivery, reforms and workforce strategies.

- **Families, friends and carers**: In many cases, families, friends and carers of people with a disability provide a huge amount of support and care. This can include a range of things, including direct financial support, time care in the family home, co-ordination of different supports, assistance with navigating the system to understand what supports are available, providing assistance with decision-making and in some cases, guardianship or substituted decision-making for individuals who are not able to communicate or express their point of view.

- **Disability service providers (non-government)**: The sector comprises mainly not for profit providers, who provide a variety of general and specialist services; residential care services, accommodation support services, day programs, respite services and transition to work programs to name a few (please see Appendix C for the full list of funded services per the Minimum Dataset). Assisted decision making and support for individuals with a disability and their families is also provided through individual advocacy organisations. Disability care brokerage is provided by a few providers (such as Commonwealth Carer Respite Centres and Carelink Centres, and organisations funded under Community Options programs) and is often the main intersection with private for profit providers. Other specialist support include services for specific disability types including for instance vision impaired and Multiple Sclerosis, or informational organisations for some conditions such as epilepsy. Although these not for profit organisations are non-government, the majority will receive funding from government sources. There are also a number of for profit providers in the market.

- **Peak bodies (including advocacy organisations)**: There are a number of peak bodies, many of which are national bodies, providing information, representation and policy support to their members. The national peak body for disability service providers is the National Disability Services (NDS). Other peak bodies, such as Blind Citizens Australia, Council of Intellectual Disabilities, Children with Disability Australia, and Women with Disability Australia, represent the interests of the specific groups for which they are advocating, whilst the two main national advocacy groups (Australian Federation of Disability Organisations (AFDO) and Disability Advocacy Network of Australia (DANA)) broadly represent the views of people with a disability. Many of these peak bodies are funded by FaHCSIA.

- **Government agencies**: The Commonwealth, state and territory governments play a role in the disability sector. Under the National Disability Agreement (NDA), both governments provide funding to the sector with the federal government providing block funding to providers of employment services, advocacy bodies and states, and the state governments providing mainly block funding to service providers (with Individual Support Packages (ISPs) for some services in some Australian states and territories). In each state (except Tasmania), there are also state owned funded service providers, which varies as a proportion of total funding for that state. Each of the state/territory government agencies also play a role in legislating, and regulating the sector, such as the implementation of quality frameworks and accreditations and the requirement to adhere to the Disability Services Standards. There is currently the development of a set of National Disability Standards, which will apply nationally.

- **The Australian community**: The Australian community and its values and attitudes towards the disability sector and people with a disability are important parts of the success of the person centred and social inclusion values that underpin a successful NDIS. When people with a disability access mainstream services and contribute to community life, they are relying on the Australian community to embrace the principles of social inclusion and community participation.

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1 The following section describes characteristics of the key players in the disability sector. These players may offer a range of services, not isolated to those funded by the National Disability Agreement and may include HACC and other respite programs.
Inter-related portfolios: Other portfolios that often intersect with the disability sector include Employment, Education, Housing, Health, Transport and Aged Care. The integration of services between disability services and these portfolios impacts the experience of people with a disability, especially where the integration is not a smooth process.

Allied health services: Allied health services including social workers, community care workers, physiotherapists, speech therapists, primary health providers (such as family doctors) and occupational therapists are some of the services commonly provided to people with a disability. A number of these allied health professionals provide specialist disability supports, and in other cases, people with a disability access these services from mainstream providers.

Mainstream and community services: There are varying degrees to which people with disability access mainstream services (such as housing and transport) and community activities such as sporting clubs, recreation clubs (such as fishing) and other community events.

Workforce: If broadly defined, the disability sector workforce comprises a number of workers including people working in government and non-government service provision (contractors, employees, volunteers, Board members), allied health professionals (as referred to above) and individuals working in other portfolios that are responsible for referrals and providing supports to people with a disability (providing either specialised supports or mainstream services). The workforce also includes case managers and local area coordinators (LACs), who in some states (mainly WA) are an important enabler for people with a disability to access the supports they need (including access to local and community activities).

4.2 Current sector characteristics

We outline below some of the current key characteristics of the disability sector. This section provides the background and context of how the market is currently operating, and assists to understand the comparison between the current sector, and what the market will look like under an NDIS (as envisaged by the PC). It will inform the gap analysis section of this report, which looks at the gaps identified between where the sector currently is, and where the sector will be under an NDIS marketplace.

For profit service providers: The majority of service providers in the disability sector are not for profit organisations, and the bulk of this report relates to the challenges for this group of organisations, as do most of the comments for the remainder of this section. However, there are a relatively small number of for-profit service providers which provide mainly health and nursing care, and personal care type services. Of particular interest are those for-profit agencies which have developed specifically using funding from insurance type agencies such as the Victorian Transport Accident Commission and the NSW Lifetime Care and Support Authority. These organisations are already accustomed to operating under the business models which will be more widely required within NDIS - and may provide some indication of the way in which the for-profit market will develop.

Not for profits: As stated above, the majority of disability service providers are not for profit organisations, which are acknowledged by the PC as under-funded. Most of the organisations have mission statements which involve improving the lives of people with a disability and their organisational assets and profits are usually used to achieve this mission. Board Directors and members of governance and risk committees are not always paid for their contribution. Some service providers (such as those providing supported employment services) may operate branches of their organisation on a commercial basis, even though their sponsoring organisation is a not-for-profit provider. Many NGOs have objectives that are predominantly non-commercial in nature. The sector characteristics described directly below relate mainly to the not for profit organisations described in this paragraph.

Block funding: The majority of service providers are block funded by state and territory governments and most service providers rely on this income as their major source of income to continue their day to day operations. In some jurisdictions, funds are received in advance (for example NSW), and in jurisdictions where funds are received in arrears, service providers have experienced bad debt issues. This block funding model involves the government as the main purchaser who determines the products, quantity and price of services that will be provided. Service providers are required to report to government on what portion of the funds they have spent (acquiring funds). This model has traditionally resulted in most NGOs having limited access to capital, unless they have access to other sources of funding, such as investments. This usually involves providing services for the price set by the government, as per the amount of the block funding provided (instead of needing to determine the actual
price of services, as per administration, staffing, finance, risk and other costs). There is therefore limited experience in the sector in price setting.

- **Service centric mindset**: Due to the fact that service providers receive set funding amounts for set services, and they are required to acquit funds to government, there is a focus on ‘outputs’ and financial acquittal processes. For example, there is a requirement to report the total number of service users receiving each of the funded service for the funding period. This has led to the sector reporting on services and outputs, with a limited focus (until more recently) on people with a disability experiencing positive outcomes and better quality of life (including better health outcomes, quality and person centred approaches, employment supports and inclusion and participation in the community and community activities). Individualised funding and a focus on reporting outcomes have been introduced in a number of jurisdictions and a number of organisations in the sector have made progress working towards person-centred service delivery.

- **Reliance on charitable contributions**: To supplement their funding the sector has relied on a number of ‘charitable’ structures and contributions from the Australian public. This includes fundraising and donations through direct fundraising campaigns and charity events. In addition, many organisations rely on a network of volunteers who contribute their time, either at charity events, or in providing their assistance for administrative and finance functions (and sometimes in service delivery). Many NGOs that receive donations have deductible gift recipient status for taxation purposes and there are community perceptions that people are giving to ‘charity’ to support people with a disability.

- **Workforce**: The disability workforce is characterised by a high proportion of casual and part-time staff. There also tends to be a high turnover of staff in the industry. More information on the disability workforce is provided in “Planning for a sustainable disability workforce” document by PwC, currently in draft form dated 29 June 2012.

### 4.2.1 Sources of revenue for service providers in the sector

Historically, non-government service providers in the disability sector have relied heavily on government funding as the major, and in some cases, sole source of revenue. We collated information from the telephone consultations and online survey to identify the extent of the reliance on government funding.

The results include at least one representative from every state/territory in Australia. For many of the organisations the ‘government funding’ component of revenue relates to disability services funding only, however we note that a number of organisations receive other government funding (including Federal, HACC, Department of Veteran Affairs, and Mental Health to name a few). The non-disability funding amounts are included in the ‘government funding’ component of the revenue represented below.

**Results**

We collated sources of revenue for a total of 109 service providers (whereby 25 participants were from the telephone consultations and 84 participants were from the online survey).

We made the following observations:

- 86 of 109 respondents (79%) rely on government funding for 60% or more of their income. Of these 86 respondents, 43 respondents (39% of the total) rely on government funding for 90–100% of their total income.
- For 100 of 109 respondents (92%), income from fees charged for services amounts to 19% or less of their total income.
- For 91 of 109 respondents (83%), income from commercial revenue amounts to 19% or less of their total income.
- For 101 of 109 respondents (93%), income sourced from fundraising and donations amounts to 19% or less of their total income.
- For 107 of 109 respondents (98%), investment income amounts to 19% or less of their total income.
- For 107 of 109 respondents (98%), ‘other’ forms of income contribute to 19% or less of their total income. Respondents were provided space to specify what ‘other’ included. Some examples of ‘other’ sources of income were rent, interest and arrangements for specific projects.
Part 1: Scoping the disability sector

Table 1: Source of revenue for service providers in the sector

<table>
<thead>
<tr>
<th>%</th>
<th>Government funding</th>
<th>Fee for service</th>
<th>Commercial revenue</th>
<th>Donations/bequests</th>
<th>Investment income</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>90% – 100%</td>
<td>43</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>80% – 89%</td>
<td>15</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>60% – 79%</td>
<td>28</td>
<td>0</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>40% – 59%</td>
<td>8</td>
<td>1</td>
<td>5</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>20% – 39%</td>
<td>7</td>
<td>7</td>
<td>8</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>0% – 19%</td>
<td>8</td>
<td>100</td>
<td>91</td>
<td>101</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Total</td>
<td>109</td>
<td>109</td>
<td>109</td>
<td>109</td>
<td>109</td>
<td>109</td>
</tr>
</tbody>
</table>

Overall it is clear that within the sector there is a significantly reliance on government funding, with 94% (103) of service providers receiving some amount of government funding.

4.3 Current issues facing the sector

There are a number of issues currently facing the disability sector in Australia. Where relevant, we have referenced literature that describes or refers to these issues. Each of these issues were noted or raised by sector stakeholders in the telephone consultations and/or workshops conducted for this project.

- **Unmet need**: The current system has significant variation in the level of funding and supports available in different states and territories. People with the same type and level of disability receive different supports depending on the legislation and portfolio arrangements in their geographical region. In addition, those receiving supports often require more support (or different types of supports that are not available). The varying levels of support have led to unmet need in the disability sector which many services users and providers raised as a significant area of concern.

- **Shortfalls in funding**: It is recognised that additional funding to address unmet need would need to be made available. In the majority of consultations with service providers, shortages or difficulties accessing funding was highlighted as a current issue.

- **Shortage of skilled workers**: The disability sector employs a wide variety of people in different roles ranging from management and directors to direct support workers and allied health professionals. Shortage of skilled workers is cited as a current issue in many states and territories; however the extent of the shortages is unclear. The reasons for the shortages may include low wages, emotional and physical demand, and the transient nature of employees. In a study by the National Institute of Labour Studies, disability service providers stated that they found it easier to fill non-professional vacancies than professional or managerial/administrative roles due to the lack of appropriately skilled applicants.

- **Systematic obstacles to social inclusion**: People with a disability often experience social exclusion whereby they are systematically blocked from the rights, opportunities and resources that are normally available to members of society. Obstacles to social inclusion include access to: mainstream facilities, health services, housing, employment and other community services. Although the Disability Discrimination Act was introduced in 1992, discrimination or community ‘fear’ of the disability community was also raised in consultations and literature as a current issue for the sector. The challenges in the disability sector are to not only provide better help to those socially excluded (or at risk of exclusion) but also address the systematic barriers to social inclusion in order to reduce it.

- **System inefficiencies**: One of the issues raised by multiple stakeholders in the sector, and within literature is the level of inefficiency experienced in the sector. The majority of inefficiencies are believed to stem from the difficulties of having isolated disability systems which are not coordinated between states and territories. The lack of coordination has resulted in a range of inefficiencies including an inability to transfer funding levels and support between jurisdictions and difficulty understanding the administration required in each jurisdiction.

- **Straightforward organisational practices**: The current service providers in the disability sector were often founded as charitable groups of parents, families and friends of people with disability. As these organisations have developed many have become reliant on the support of government funding and community philanthropy. These organisations have continued to operate using very straightforward and
simplistic models as they are not operating with a business focus or reporting to shareholders and investors. This has resulted in many service providers having poorly developed business process skills, limited access to working capital and a high reliance on volunteers.

- **Limited ICT capacity:** A survey of NDS Victoria members conducted in late 2011 showed a number of findings in relation to community service organisations’ current ICT systems. Some of the key findings are as follows:
  - Current ICT systems are designed to support block funding
  - Approximately 30% of organisations surveyed rely on paper based processes to support most activities
  - The confidence of direct care staff in using computers is ‘low’ or ‘very low’ in 50% of organisations
  - Most organisations recognised that an increase in ICT capability was necessary to successfully implement an NDIS, and further that many organisations are concerned that they can not develop the required ICT capability without external support

Although this survey was conducted in the state of Victoria only, we noted that similar issues were raised in the consultations conducted for this project, with many organisations stating that their current ICT systems would not be sufficient to support an NDIS and upgrades would be needed.

- **Inconsistent data:** Across the disability sector stakeholders often experience difficulty accessing consistent data such as funding information, client information or quality outcome information. This is a product of both jurisdictional framework differences and the use of disparate technological systems in organisations.

### 4.3.1 Rural and remote areas

A significant proportion of Australia is classified as rural or remote. The current issues facing the disability sector generally intensify in these areas. As remoteness increases, people with disability have reduced range of services available and a rapid increase in the service costs.

Services are less accessible and infrastructure is less developed in remote areas. This generally applies to all services and is not isolated to disability services. Rural and remote communities have difficulty accessing services such as doctors, employment services, telecommunication services, banks and other financial institutions and family assistance officers. Disability support services are almost non-existent in many remote communities, with health and aged care services forming a substitute service.

A number of current rural and remote issues were raised in the consultation and literature review conducted for this project:

- Difficulty recruiting skilled staff and often staff need to take on diverse and multi-skilled roles to fill the service gaps.
- People from other human services (police, health, aged care, religious) often become the first point of contact for people with a disability.
- Lack of infrastructure (such as housing and transport) contributes to the staff attraction and retention problems but also increases the associated costs for delivering services.
- As many specialist services are not available in rural and remote communities, the treatment/recovery pathways for those with a disability can span both metro and regional services. There are often gaps in the linkages between the services and people “get lost” in the transfer from metro services back to their community.

### 4.3.2 Indigenous communities

We spoke with a number of service providers that currently provide services in Indigenous communities, and a summary is provided below of the issues that were raised in these discussions and in wider literature reviews.

The exact rates of disability in Indigenous communities are unknown; however they are estimated to be 2-2.4 times higher than in the general population (from the 2006 Census and AIHW results). In comparison to these
estimated high levels of disability rates, the level of Indigenous access to disability services is low. There are a number of possible reasons for these low disability support and service access levels. One of the main barriers for access is the lack of awareness of disability as a concept in indigenous communities. The First Peoples Disability Network cites that ‘in traditional language there was no comparable word to disability which suggests that disability may have been accepted as part of the human experience’. There is a cultural responsibility for families and communities to care for individuals, regardless of disability. For those in Indigenous communities who are aware of the concept of disability, many are reluctant to identify with another ‘label’ or ‘stigma’, particularly as there is a perceived (and in some cases actual) discrimination associated with being Indigenous.

For Indigenous people who want access to disability services, the access gap is often exacerbated by their remote location in NT and WA. Whilst services are improving for these remote communities, the levels of basic infrastructure (including disability services) are still limited.

The NDIS aims to offer support to people with a disability, however there are widespread issues (particularly infrastructure levels) within Indigenous communities that will need to be addressed before they will receive the full advantages of individualised systems.

4.4 Current experience with individualised funding

Individualised funding is funding allocation method whereby governments allocate funding on a person by person basis. It is important to distinguish between individualised funding controlled by the recipient person and that allocated to a service provider on the individual’s behalf. When individualised funding is allocated to a service provider, the service user is often unaware of the amount of funding allocated and may have little control over its use. Individualised funding controlled by the person allows the individual to be involved in decisions about the types of services they need and the service providers from which they receive these services. There is often misunderstanding about what is meant by individualised, or person centred funding. This therefore increases the risk that some organisations may think they are closer to what is required in an NDIS than they actually are.

There has been an increase in interest in individualised funding in Australia, with a number of states introducing pilots and programs. However there is no consistency in design or implementation of these programs across states and in many cases the programs are not widely accessible. The majority of individualised funding programs allow service users to choose a disability service provider rather than allowing them to budget and allocate the funds among different disability and community services. The Australian experience with individualised funding has been varied, with every state and territory having different policies, regulations and practices.

Victoria and Western Australia have had the longest and most significant experience with individualised funding. While reports show that people with disabilities welcome having greater choice and control and they achieve better outcomes the practical impacts have been more limited than may be expected. Anecdotally, from our consultations, some people in Victoria have a registered ISP without knowing they have one. Examples given included people with flexible respite funding not knowing they had control to choose a service, and consequently there was no difference to giving service providers block funding.

Other states have had some individualised funding trials (such as SA and ACT), which have received positive results in relation to individuals exercising more choice and control where they were provided with sufficient information to self-direct their funds to supports of their choice.

We outline below in Table 2 a summary of the reported individualised funding experience in each state/territory in Australia:

- Policy regarding individualised funding – this outlines the policy design of individualised funding (as researched by Fisher, Gleeson et al in 2008 and as presented in Appendix D of the Productivity Commission)
- Individualised funding in practices – this outlines individualised funding s in practice, as anecdotally shared with us throughout the project, during telephone consultations with service providers and state/territory governments, and workshops with service providers and consumer groups (including people with a disability).
## Table 2: Summary of experience with individualised funding in Australia

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Policy regarding individualised funding</th>
<th>Individualised funding in practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACT</td>
<td>Individualised funding is mainly through Individual Support Packages (ISP) held by service providers. Any person with a disability can apply for an ISP and the funds are portable between service providers. Funds can be spent on a limited range of supports and services (and are not able to be spent on services available from other funded schemes) The scope of the program is limited, and is dependent on how the ACT government allocate funding.</td>
<td>Approximately 15% of the disability government funding to NGOs relates to ISPs. This has increased over the last couple of years; however block funding remains the primary funding method for service providers. There are plans to commence direct funding trials in some small pilot groups which will allow individuals to control and manage allocated funds.</td>
</tr>
<tr>
<td>NSW</td>
<td>Currently clients in NSW for some service types and regions (such as Attendant Care and flexible respite) have choice of service provider and ability to move between providers, a few select programs also offer self-managed options. In addition, there have been a number of targeted individualised funding pilots, however with limited numbers of people involved. There is no large scale introduction of individualised funding.</td>
<td>Some NSW pilots have provided direct payments which allowed users to manage their funds and employ their support workers. Overall, there has been limited individual funding opportunities and few people with a disability have been able to direct the use of their funds or exercising choice in decision-making.</td>
</tr>
<tr>
<td>Queensland</td>
<td>Widespread individualised funding is only beginning in Queensland after many years when ten individuals and a few incorporated bodies gave a small number of people control over their funding. Under the new arrangements, funds will be held by service providers and incorporated NGOs because of legislative requirements. QLD has piloted a hybrid model which involves block funding for accommodation services and individual funding for individual care needs and community access.</td>
<td>There has been limited uptake of individualised funding in Queensland and legislation prohibits direct payments to individuals. Although a discretionary component of spending has been introduced into the disability Family Support Programs, block funding remains the central funding mechanism.</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>Individual Support Package (ISP) funding was introduced in 2000 for people to purchase mainstream support. While the government prefers service providers to hold the funds so that they can monitor service quality, this was not always possible in rural and remote areas where there were limited service providers.</td>
<td>Approximately 10% of the total disability government funding is delivered through ISPs. The main role of ISPs in the NT is to fill the gaps where service provision is not available rather than as a pathway to introduce individualised funding across the territory. Funds have mainly been used to purchase respite and accommodation support from neighbours. ISPs are not encouraged by the NT agency as they have little oversight of the funding spent.</td>
</tr>
<tr>
<td>South Australia</td>
<td>In South Australia, individualised funding is held by a service provider chosen by the person. However these arrangements are not currently available across all service types such as accommodation support. Individualised funding is being introduced in a phased roll out for South Australian clients, with these structures expected to be in place in 2014. The SA agency has been considering new options and self-directed funding is being trialled.</td>
<td>Over a third of the total government funding to NGOs has been individualised. The government sees this as a growth area and is working to individualise more of the funding. There has been a Phase 1 self-directed funding trials, with positive results in relation to exercising choice and control. Further phases of this trial with larger groups are currently being implemented.</td>
</tr>
<tr>
<td>Tasmania</td>
<td>Individual Support Program (ISP) funds are held by a service provider chosen by the person. These ISPs are portable and individuals are</td>
<td>Approximately 10% of the total disability government funding in Tasmania has been individualised, however this is still directly</td>
</tr>
</tbody>
</table>
Part 1: Scoping the disability sector

Victoria

Victoria has been implementing individual funding through the Individual Support Package (ISP) program. Under these programs people are given more control and funds can be used for mainstream services in accordance with their plan. Funds can be held and managed by a registered service provider or a financial intermediary funded by government. (Bennet & Bijoux, 2009).

A small number of people are using direct payments and they manage the funds and select their support workers who have to be employed by a registered service provider.

The Victoria government has been progressively implementing self-directed approaches for a number of years. The Victorian Auditor-General stated that “DHS is empowering people with disabilities by giving them greater control over their funds, services and providers…….Accessing ISPs is unnecessarily complex and people are not treated consistently when applying for and planning their ISP. This is leading to inequitable outcomes, which is exacerbated by the fact that demand for ISPs exceeds supply.”

Some of our consultations with people with a disability in Victoria indicated that people with a disability are not always aware that they have an ISP and therefore do not always obtain the benefits of extra choice and control.

WA

All funding in WA is individualised (except some respite and therapy), and is referred to as ‘notional allocation of funding’, not an individual package.

A shared management model is the primary delivery method in place whereby there is shared responsibility between the person and the service provider. Individuals can choose varying degrees of shared involvement, with people receiving small amounts being by LACs and those with large amounts and complex support arrangements being supported by a service provider.

Self-directed funding options are also available through the LAC program.

Individualised funding has been progressively implemented across all of WA, with a focus on the individual’s ability to make decisions about how funding is directed. However, as with Victoria, the person may not know they have individual funding held by a service provider and therefore do not use it more flexibly then that used through block funding.

Direct consumer payments make up a low proportion of the LAC funding. The focus is more on the ability for people to direct how the funds are being spent, and less so on individuals actually receiving the funds directly.

4.5 Statistics of the current disability sector in Australia

Each jurisdiction was asked to provide data on the current service provider market in their own state or territory. Information requested included:

- The number of clients each service provider services by service type
- The funding provided to each service provider by service type.

The level of detail provided in this data request varied by jurisdiction. What follows is a presentation of the data in aggregate that gives a picture of the current service provider market in as much detail as possible. It should be noted that this information is based on jurisdictional data as shown in Table 3.
Table 3: Summary of available market data

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Client data</th>
<th>Funding data</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACT</td>
<td>Included (some estimation required)</td>
<td>Included</td>
</tr>
<tr>
<td>NSW</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Victoria</td>
<td>Included</td>
<td>Provided with some estimates of size of providers and split of funding necessary.</td>
</tr>
<tr>
<td>Queensland</td>
<td>Included</td>
<td>Estimated from aggregate funding data</td>
</tr>
<tr>
<td>South Australia</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Tasmania</td>
<td>Included</td>
<td>Estimated from aggregate funding data</td>
</tr>
<tr>
<td>WA</td>
<td>Not provided</td>
<td>Included</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>Not provided</td>
<td>Not provided</td>
</tr>
</tbody>
</table>

The data included is as up to date as possible and for most jurisdictions reflects the 2010/11 service year. Funding is included for external service providers only and does not include funding for services delivered directly by each jurisdiction’s disability department. For some states, assumptions were required about the split of providers between funding bands, service types and provider types. The information below is the best estimate of the picture of the market.

Figure 1 and Figure 2 show the distribution of service providers by both number of clients and amount of disability funding received. The graph excludes service providers with more than 5,000 clients, as they would skew the scale of the graph. These are shown separately in Table 4.

Overall, a large number of providers provide support to a small number of clients – approximately 260 providers provide support to around 2,000 clients in total. In contrast, the eight largest providers (shown in Table 4) provide services to around 110,000 clients. In addition, the next 29 largest providers provide support to around 61,000 clients.

Figure 1: Australian service provider market (excl. WA, NT) by number of disability clients
Figure 2: Australian service provider market (excl. WA, NT) by number of disability clients – accommodation and other services

Table 4: Providers with greater than 5,000 clients

<table>
<thead>
<tr>
<th>Number of providers</th>
<th>Total accommodation clients</th>
<th>Total other clients</th>
<th>Total clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>2,153</td>
<td>108,213</td>
<td>110,366</td>
</tr>
</tbody>
</table>

Range

0 – 1,117 5,509 – 45,526 5,509 – 45,599

Figure 3, Figure 4 and Figure 5 below show the distribution of service providers by funding received. The graph excludes providers receiving more than $20 million in disability funding. These are shown separately in Table 5.

Overall, a large number of providers receive a small amount of funding, but the majority of funding is taken up by a few of the largest service providers. Approximately 295 (or 29%) service providers receive less than $200,000 in disability funding. This accounts for only $25 million (or 1%) of total disability funding. In contrast, the largest 18 providers, shown in Table 5, receive over $1 billion (or 37%) of total disability funding. The 34 next largest providers receive approximately $470 million (or 17%) of total disability funding.
Figure 3: Australian service provider market (excl. NT) by disability funding and provider type

Figure 4: Australian service provider market (excl. NT) total disability funding by size and provider type
Figure 5: Australian service provider market (excl. NT) total disability funding by size – accommodation and other funding

Table 5: Providers receiving more than $20million in disability funding

<table>
<thead>
<tr>
<th>Number of providers</th>
<th>Accommodation funding ($ millions)</th>
<th>Other funding ($ millions)</th>
<th>Total funding ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>$643.9</td>
<td>$385.1</td>
<td>$1,029.0</td>
</tr>
<tr>
<td>Range</td>
<td>$14.6 to $98.4</td>
<td>$4.1 to $109.5</td>
<td>$27.5 to $165.3</td>
</tr>
</tbody>
</table>
Part 2: Gap analysis of the current and future disability sector
5.1 An NDIS as envisaged by the Productivity Commission

The PC report presented a vision for the NDIS. We believe that there are four key principles that underpin the development of the Australian disability sector under an NDIS.

<table>
<thead>
<tr>
<th>Fairness</th>
<th>People with a disability have equal rights to all other Australians including other people with a disability.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilitation</td>
<td>Supports are needed to allow people with a disability to exercise their rights. This will require commitment to funding, support and governance mechanisms that will empower individuals.</td>
</tr>
<tr>
<td>Choice</td>
<td>Individuals with a disability should have choice in prescribing their needs.</td>
</tr>
<tr>
<td>Inclusion</td>
<td>Cultural, systemic and environmental obstacles to access and participation for people with a disability should be removed. This will require actual pursuit of system and cultural change.</td>
</tr>
</tbody>
</table>

With the core principles in mind, a number of changes will organically occur in the disability sector over the next 2-10 years. The PC envisages a disability sector under an NDIS that has the following characteristics and outcomes:

- The embedding of person-centred approaches to service delivery, as individuals exercise choice as to how to direct their funds to the services and support that they want and need using their individualised funding packages.
- The tracking of individual funding and individual planning approaches by service providers which are supported by robust business processes and ICT systems.
- The potential for changes in the demand for services, whereby the demand for some services may increase and the demand for others may decrease, and the resulting impact of this recalibration on the workforce.
- The opportunity for service providers to differentiate themselves through innovative service packaging, added value in areas such as enhanced social capital, a greater range of potential for community participation and employment type outcomes.
- The skills and attributes of the disability sector including direct carers, Boards and Committees, senior and middle management, and case managers/facilitators that will align to this new person-centred system.
- New players may enter the market including large health and personal care providers, and may cross over with other portfolios such as aged care and mental health. The introduction of DSOs into the market is another major change that will occur, with the PC’s vision that these organisations will be a critical enabler of individuals exercising of ‘choice’.
- The Australian community, other portfolios and mainstream services will be up to speed with the changes, and support people with disability to achieve their goals, and the sector to achieve its vision.

The following graphic represents how the PC envisaged these changes will result in a different structure for the Australian disability sector:
In this vision, people with a disability are clearly at the centre of the system, with control over their support package and the freedom to choose their service provider from a wide range of actors in the sector, and with strong support from other government services, local community and, if required, a new infrastructure of assisted decision-making, management services and brokerage.

This compares with the current system where funds and control are predominantly in the hands of non-government and government service providers within a highly regulated system. The person with a disability has little choice and control, even in some of the emerging models of individual funding.

The gap analysis in this report assumes that an NDIS marketplace will occur as envisaged by the PC’s vision and that the above principles and characteristics will apply in that marketplace.

5.2 Gap analysis

The next four parts of this section provide our evidence based gap analysis in relation to issues that were identified by sector stakeholders during the consultations for this project (workshops, telephone consultations, and online survey) or in the literature review. The feedback that we received forms the base of our evidence for our analysis.

The section is divided into the following main sections:

- **Gap analysis – consultations**: The gaps or issues are evidence based, in that they were identified by consultation participants, including people with a disability and their families, service providers, peak bodies and advocacy organisations. This section includes the issues identified in the workshops, telephone consultations and also the free text responses in the online survey conducted for this review. (See Appendix A and Appendix B for consultation and online survey demographics.)

- **Gap analysis – online survey of service providers**: This section provides a summary of the key findings from the multiple choice responses in the online survey conducted for this review. (See Appendix B for the online survey demographics.)
Part 2: Gap analysis of the current and future disability sector

- **Gap analysis – NDS ‘Progress for providers poll’**: This outlines the results of the NDS poll conducted between August 2011 – June 2012 – a self-assessment of the NGOs sector’s readiness for an NDIS.

- **Market entrants**: Outlining a summary of information and observations from the consultations with potential market entrants.

- **Learnings from the literature**: This section identifies issues that have been experienced in relation to individualised funding schemes in Australia or international jurisdictions (where relevant for the Australian context).

### 5.2.1 Gap analysis – consultations

We make the following summary observations:

- There was an overwhelming response that there was a lack of clarity around market design and communication of information around what an NDIS will look like, which was resulting in many organisations stating that they were not currently in a position to make major (or any in some cases) organisational changes, as they were waiting for further information and communication about the design of the NDIS. Many organisations stated that they had embarked on a process of updating their vision and mission, to incorporating person centred approaches into that vision, to ensure that they were aligned with an NDIS as they could be strategically at this point in time. Many organisations stated that the operational issues, such as the updating of ICT systems, business processes, organisational structure and changes in skills of their management team were not changes they had begun to make as they were waiting for more clarity. However, there were a few organisations who indicated that they had begun work making these changes.

- Many participants noted that there was a huge amount of work to be done within their organisation and across the sector, including the wider Australian community in relation to changing the culture and attitudes towards people with a disability – from viewing people as ‘charitable causes’ to citizens of Australia, with valuable contributions to make, both socially and economically. The move from service centric model to person centred approaches was one of the key challenges noted.

- There was variability in the size of the gaps for different service providers. Most said that they had ‘a long way to go’ while a small number reported that ‘we’ve done some work, but there is more work to do’.

- Although the PC report estimates that the total funds in the disability sector will increase nearly twofold under an NDIS there was a level of uncertainty in the market about what this increase in demand would mean for individual service providers. That is, if service providers were not competitive in the market, or the demand for their services no longer existed (based on changing demands or the quality of the services), they may exit the market, or need to provide different services. In addition, service providers were not certain that the increase in demand would result in an increase demand for their current services (in line with the projected increase in funds).

- Many of the issues that were raised were consistent across the states and territories with limited issues which appeared to be more prominent in specific areas. One exception to this was from VIC and WA where some concerns have been given greater consideration due to their current experiences with ISPs. Issues included unit costing and the importance of creating choice and control with ISPs, instead of measuring success by the number of ISPs actually adopted or recorded. Where we identified other jurisdictional differences, we have noted these where relevant.

- We have grouped the gaps under four main headings:
  - Consumer and community capacity and awareness
  - Market change
  - Organisation capacity
  - Integration and inter-relationships.

- Specific issues were raised in relation to services and service providers and in rural and remote areas; therefore we provide a separate section describing these issues
Consumer and community capacity and awareness

The gap – People with a disability (and their families and carers) and the Australian community are not currently ready to take full advantage of the potential benefits and opportunities presented by the NDIS

- **Consumer capacity to exercise choice and control:** Many participants raised the concern that ‘sector’ capacity too often focuses on the capacity of service provider, and not enough on people with a disability and building their capacity to operate in the NDIS marketplace. There was a strong sentiment that there is a lot of work to be done to assist and support people with a disability to build their capabilities so that they can exercise the level of choice and control that suits them (taking into account that there may be varying abilities to exercise controls). This would also include providing useful evidence based information about the types of providers in the market and the service they offer, and also the range of information services and supports available (and their roles), including DSOs and LACs.

- **Vulnerable clients:** There were also concerns raised about the limited structures and processes currently in place to identify and assist vulnerable or marginalised clients with decision making and access to services and supports that meet their needs (including people without family/friends/advocates, mental health, CALD, Aboriginal and Torres Strait Islander peoples, intellectual capacity, degenerative diseases, private institutionalised clients, other marginalised groups in society). Further, there will be challenges in assisting these clients to ‘dream about what is possible’, in circumstances where there are episodic or more immediate health and safety concerns. People raised the concern that service providers may ‘cherry-pick’ more profitable clients and not provide services to vulnerable or high needs individuals.

- **Cultural change for the Australian community:** A huge shift will be required by the Australian community, from seeing a person with a disability as a “charity case” to a vision of Australia where people with a disability participate in society as a citizen that contributes to the society, workforce and economy, not needing to always rely on specialised supports, and access mainstream services regularly. There is also a gap in knowledge and awareness in the general community about what the NDIS actually involves and therefore what it will deliver for people with a disability.

- **The need to increase expectations of ‘what is possible’:** The disability system has been a certain way for many years, and the NDIS model will promote and encourage people with a disability to ‘dream about what is possible’. There is currently a gap as the ‘consumers’ are not yet equipped with the know-how to be informed consumers who will drive market change, for example knowing what services they can access, how to access services, how to influence the services provided, and how to exercise real choice and control. Importantly, while individuals want more control and choice not everyone will want to self-manage their funds. Education needs to include the range of options and service providers that can facilitate self-directed decisions (including where to access information, self-management strategies, assistance from a financial intermediary, and engaging with DSOs).

- **Expectation gap for consumers:** Participants expressed concern that there is a growing expectation gap for people with a disability who have high expectations about what services the NDIS will deliver. Participants reported that there were a number of people whose expectation was that funds provided under the scheme would be able to be used to purchase any goods. Those that did understand that the scheme was for ‘reasonable and necessary’ funds stated that it was not yet clear how this phrase would be applied in practice.

- **Information gap:** Consultation respondents indicated that there is currently a lack of information available in a number of key areas, more specifically in relation to the market design elements of assessment and eligibility. They stated that without this information, the sector was not able to commence making in-roads in the huge capacity building task that is require of the sector.

- **Limited peer support:** There are limited mentoring and peer support programs and opportunities for people with a disability and their families to share experiences and stories and tips, including tips on how to best manage their funds.
### Market change

**The gap – The market is not currently in a position to fully understand and hence implement the changes that will be required for the NDIS to operate successfully.**

There will be a significant change in the way the market operates. The main changes include the shift towards a more market based demand and supply model, which will increase competition and choice for consumers. This market shift brings with it a number of market change transition issues:

- **Inexperience of service providers in competitive market:** Current service providers have not experienced real competition for their services nor have they had to challenge themselves to ask how they will differentiate themselves in the market. The sector has had experience in value add services such as social capital, but not other value adds such as innovation with products and business models, and identifying business opportunities to increase their profile, or leveraging assets for business opportunities (including investments, and capital assets).

- **Current service providers may exit the market:** Most participants stated that there was likely to be a number of service providers exiting the market. There were different views as to which providers were more likely to exit, ranging from smaller providers (due to the fact that they had limited access to working capital, and may struggle to compete for staff) to large organisations (who may struggle to adopt person centred approaches), and more broadly any organisation of any size that are not providing quality, person centred supports. This may result in service disruption and interruption, and the requirement to transition people from one provider to another.

- **Market failure for certain services may occur:** Many people expressed the concern that if left to market forces, a number of market failures will occur, such as services to certain groups (marginalised people, or vulnerable clients) not being provided. It was raised that they may need to be a government strategy to have a provider of last resort. There was also a concern that other services that are not direct disability supports, but still currently receive block funding (such as educational and specialised support agencies), may not survive. Similarly, a number of people raised comments about Australian Disability Enterprises (ADEs) which are currently subsidised by the government, and asked whether they would still exist under an NDIS. The concern that was raised was that individuals might not use their funding package to purchase supported employment, and that supported employment would therefore no longer be demanded in the market. Service providers who currently offer supported employment, believe that it would be an adverse outcome if supported employment was no longer demanded and therefore offered in the market (due to the benefits and opportunities that supported employment provides people with a disability to contribute to the economy, and also the positive impact on health and wellbeing). Another potential market failure area raised was emergency services for those with suddenly fluctuating conditions, and there may be insufficient sustained funding to maintain these services.

- **People with a disability may not receive the services they want and need** – Consultation participants expressed the concern that it was possible that the total funding provided to an individual (based on the assessment process) would not be sufficient to cover the cost of services that are provided by the market (and that their package would only cover a part of the services they want and need). This would lead to people receiving some services but not the full services that meet their needs. Service providers would then need to respond to this mismatch in package amounts and pricing, and potentially negotiate price with individuals on a case by case basis. The need for safeguards in these circumstances would play a part.

- **The role of some organisations and groups may change:** The role of some organisations in the market may change, including advocacy groups, peak bodies, and providers of specialist supports (including free educational material). These groups may still require block funding, and may play a more important role in assisting people with a disability to access independent information. Further, the role of families/friends and individual advocate may change, as the decision-making capacity of individuals increase, and families will need to adjust to this, which in some cases will mean less input from family members. In particular, there will be a changing role for providers of independent advocacy support separate from service provision and DSOs. Under an NDIS the role of independent advocacy will

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2 Within in our report social capital refers to institutes, relationships and norms that shape the quantity and quality of society’s interactions.
shift as new kinds of issues may need to be addressed and people with disability adapt to an increased focus on control and choice.

- **Changing role of government:** The role of government will change when an NDIS is implemented; currently the state government is a funder, service provider and regulator. As this role changes there will be the requirement to build knowledge and relationships between Commonwealth, service providers and service users. Furthermore, there may be some competitive neutrality issues if the government remains as a service provider.

- **Entrance of new players in the market:** In an NDIS envisioned by the PC report there are new market players such as DSOs that are likely to enter the disability sector. Currently there are limited organisations that fill these roles or have the skills and knowledge required for these roles. The sector has expressed that it currently does not know what extent the uptake will be of different financial management models, so hasn’t prepared for this or really considered moving into this type of service provision. A few service providers noted that these services might by an area they would consider in the future, however only after the introduction of an NDIS. Concerns were raised about whether there will be requirements for independence of DSOs or financial brokerages, particularly for those service providers thinking of expanding into this area.

- **Ability to collaborate and innovative:** Many participants voiced that the sector is not currently certain about how to best collaborate to share best practice. This lack of collaboration often inhibits the rapid adoption and implementation of innovative practices and can lead to duplication of effort (time and resources). The wide spread sharing and application of evidence-based practice (outside a treatment, rehabilitation and therapy context) is limited and was described as “emerging” A number of service providers currently identify others as competitors rather than colleagues, which was a big concern to the sector. Further, the current limited focus in the sector on innovation may be a barrier to a successful NDIS.

- **Issues relating to the direct employment of staff and carers:** The issue of whether a carer is a contractor or an employee was stated as a cause for concern. A number of industrial relations issues will arise in relation including safeguards (and the requirement for a registered of accredited individuals), workers compensation, legal contracting, income tax, superannuation, GST, work health and safety (WHS), and income protection insurances. The sector (including people with a disability who may be directly employing carers) do not currently have the skills to deal these complex issues. Further, there is lack of clarity over how the role of unpaid carers will change under an NDIS.

- **Ability for the market (NGOs, governments and clients) to understand unit costing:** The sector has been block funded for so long that there is limited understanding of the unit cost of providing specialised disability services. There will be administrative complexities in trying to either build up the costs (from first principles), or unpack the current block funding to understand what a unit cost should be. The sector historically has a strong reliance on social capital and the ability to use block funding to provide a range of supports and “value adds” to clients. There is current a gap in the understanding of both governments and NGOs of what constitutes the true cost of services. If costing is determining based on looking at current funding arrangements, packages may not reflect the true cost of doing business.

- **Uncertainty of tenure for staff in the transition:** Staff may undergo a period of movement and current service providers may find it difficult to keep the same staff onboard. Service providers may not be ready for this fluctuation in staffing levels and period of retraining. There is a level of uncertainty as to whether staffing requirements will increase or decrease, and therefore service providers expressed concern about their ability to promise their staff continuity of employment through the transition.

**Organisational capacity**

The gap – Organisations are not currently prepared for the significant changes that will be required in transitioning to an NDIS.

The overall sentiment in relation to organisational capacity was that the NGOS felt that they were generally not prepared for an NDIS and that a lot of work (time and costs) was required to make a successful transition. Our consultation focused around some of the key elements of organisational capacity; strategy, systems, structure, process and people. We have provided further detail about the gaps identified in relation to each of these areas below (except for the issues relating to ‘people’, which are included in the “Planning for a sustainable disability workforce” document by PwC, currently in draft form dated 29 June 2012.)
Strategy

The gap – Many organisations have given some consideration to updating their strategies so that they align to person-centred approaches, however have given limited consideration to other strategic areas such as marketing, new or different products, stakeholder management and their ability to implement and bring to life those person centred approaches across the whole of business.

- **Values**: There are varying degrees of alignment of values and goals to an NDIS in the organisations we consulted. In most cases, people reported that they understood the key principles that underpin a person centred approach, but most respondents stated that there was more work required to imbed (into their strategy, processes and systems) the practical aspects of a person centred approach. For many NGOs, the work required in this regard is substantial. We note that there may still be gaps in an understanding of what person centred truly means.

- **Strategic business planning**: Many organisations stated that they will need to review their mission and strategy and determine what services they will provide under and NDIS and to what clients. Many also expressed the concern that clients that are vulnerable or marginalised may not be provided with the services they want and need if organisations ‘cherry pick’ the profitable or less challenging clients or services. This would result in a potential gap in the market for some services or clients.

- **New/different/less services**: A number of organisations had considered that they may need to provide different or more services under an NDIS (based on the demand of the market), while others indicated that unless the product/service they were offering was competitive and of a high quality, then those services might cease to be demanded in the market (or cease to be provided as service providers rationalise and streamline), and would therefore no longer be provided by them.

- **Stakeholder management and strategy**: The relationship between clients and service providers will change under an NDIS, and people reported that they have limited consideration to date for the need to update their stakeholder strategy. A small number of participants noted that service providers as a whole in the sector will need to ask and learn over time what clients (existing and future) want, before organisations decide and commit to the services they will provide to meet the demand of the market. Aspiration and innovation then becomes an important part of providing services, supports or innovative programs that meet the need that is not currently being provided in the sector.

- **Marketing**: Marketing was highlighted as a skill or knowledge area that many service providers have limited experience with. Many respondents noted that they were not certain yet how they would market or position themselves in the market but would generally start by assessing what they do well and what they don’t do well. There is also a lack of experience in the sector in understanding where clients and client referrals may come from and where service providers should spend their time in identifying their successful channels to market (e.g. whether it be referrals from DSOs, or other marketing strategies such as television or radio campaigns).

- **Outcomes focused measurement of performance**: Respondents commented that there was limited focus on outcomes based assessment of performance, and the ability to demonstrate quality services using this as an assessment tool. Many organisations do not currently have the processes and tools in place to capture outcomes, as the focus has previously been on reporting outputs to government (to meet block funding contractual requirements).

- **Social capital**: Social capital was recognised by most participants as being hugely valuable and many participants indicated that the sector does not necessarily understand what it means and what the opportunities are. Work needs to be done to broaden awareness and educate people in relation to social capital strategies. People are not clear how it will fit in and whether to market it as a value add or as a service. Other intangibles such as community access and recreation facilitation were raised as part of this issue of social capital.

- **Fundraising and volunteers**: Many organisations have fundraising and charity drives as a key part of their strategy to raise funds. In the changing market, the role of fundraising and volunteers is not clear to most service providers. Further, the organisations that we consulted with, had in most cases not analysed or assessed to what extent they will need to continue, cease or change (increase or decrease) their investment in fundraising and volunteer strategies. There was concern that the community would see the sector as being ‘fully funded’ by the scheme, and therefore be less willing to contribute their time and money.
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- **Ability to track and assess continuous improvement and client satisfaction**: Some organisations are currently looking at preparing continuous improvement programs, which involve the ability to assess client satisfaction and quality outcomes.

**Technology/Systems**

*The gap – Organisations do not currently have the technology and systems in place that will support them to operate successfully under an NDIS.*

- **Systems to support frontline staff**: In the new environment it will be important for frontline staff to have access to record client information in customer relationship management (CRM) systems. There is currently a gap in the ability to access real time information for the frontline workforce, and to track and monitor information in relation individuals (including information on outcomes for individuals).

- **Ability to interface internal systems (internally and with external systems)**: Under individualised funding models, organisations will need to have IT interface between their various systems (including rostering, invoicing, financial, client management system, and systems recording outcomes) and also between their internal system and any external systems (central client record management system, data sources, and reporting modules). Organisations will need to consider the suitability of off-the-shelf systems for the project or the costs associated for building necessary systems. In addition, internal payment capabilities (such as ability to purchase services using direct debit or credit card) are not set up in most organisations. At the moment, there are multiple disparate places where client and other information is held.

- **Ability to track personalised information**: Having robust CRM systems will be critical in delivering person centred approaches. Many organisations do not have adequate systems that can track individual funds. Many people are not progressing in this regard because they are waiting on market design. Most organisations do not have client management systems which record the range of relevant information (such as personal plans, outcomes, and client contracts) and there is a lack of portability for this information across multiple providers. There is currently an expectation amongst service providers there will be a central ICT system (as stated in the PC report).

- **Ability to track staffing and rostering**: There is a requirement to increase the skills required of HR administrators to be able to deal with the additional complexities in IR issues (such as superannuation) that may arise.

- **Ability to provide tiered access**: There is a gap in consent based systems whereby different people or providers have access delegations for the different modules of the system (which restricts access only to the information they need). This has led to individuals needing to “tell their story” multiple times.

**Process**

*The gap – Organisations do not currently have the business processes in place that will support them to operate successfully under an NDIS.*

- **Limited awareness of the need to change business processes**: There is concern among a number of providers, including government that many NGOs believe that there will be a technology solution for everything, and that therefore there is limited work required in updating business processes to prepare for an NDIS.

- **Person centred approaches are not imbedded in processes**: There were many examples how a person centred approach is not currently imbedded in organisational processes. These include, lack of processes for individual planning, dealing with shift work, using terminology that is service-centric, providing services as and when needed to meet needs/wants, sending different people to provide supports at different times. In addition, there is concern among providers that their current feedback processes are not person centred focused.

- **Accounts payable and bad debtor management**: In most jurisdictions (except for Victoria where funding is received in arrears and SA where $80m of ISPs payments are paid in arrears) there is limited to nil experience in managing bad debts, as most organisations receive block funding in advance from governments. Therefore processes and business rules relating to collecting bad debts is virtually a foreign concept to many service providers. This leads to a range of gaps in established processes:
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- Limited ability to bill for individual services in a timely and accurate manner
- Having a contractual relationship with clients which involves the legal obligation to pay invoices, and the resulting challenges around managing payment of invoices including late payments and the option of ceasing service delivery for delinquencies
- Ability to deal with bad debts when they do occur – Victorian organisations have experienced these financial burdens, since they have been receiving their ISP funding in arrears (including delays in payment from government).

- **Budgeting processes**: NGOs are experienced in preparing budgets based on determining costs that are affordable within the block funding provided. There is concern that the sector will need to adjust to different budgeting activities and will require a different level of skill and knowledge about their costs and revenues, which are fixed and variable costs, and the levers for dealing with fluctuating demand (including profit margin or variable costs such as casual staff). Further, organisations do not currently have the processes in place to understand and be able to set prices (which include the cost of finance, the cost of risk and cost of other value adds, such as social capital).

- **The cost of transition – administration, processes and innovation**: NGOs are likely to need to introduce a number of additional processes and also process controls in order to implement the changes to their business model under an NDIS world. The processes in place in managing “the packages” and the associated training required for the staff will be a significant cost. Based on the fact that NGOs have limited access to working capital, the increased administrative costs of implementing processes is likely to be a significant burden and potential gap for NGOs. Further the additional costs of investing in updated strategies and creating innovative business models or practices will be required, which will put further strain on working capital.

**Structure**

*The gap – Organisations have not fully considered the need to make structural and organisational changes (including changes to business and pricing models) that will increase and maximise their ability to operate successfully under an NDIS.*

- **Requirement to update pricing models**: NGOs will need to review and update their business and pricing models to an activity based or unit costing structure. There is currently a gap in understanding about how to identify the true cost of business, and being able to factor fixed and variable components of costs into those structures. Further, there will be the requirement to factor service fluctuations into pricing structures. Additional challenges may arise in regional communities, for example where the costs of transportation are higher and the ability to charge clients these higher prices is not currently understood by the sector.

- **Limited access to working capital**: NGOs have in large part relied on block funding in advance. The current ability of the NGOs to invest and raise capital is limited for many service providers. The large majority of service providers expressed that they would have significant working capital issues if they were funded in arrears.

- **Capacity of NGOs to fund the transition**: There are significant costs involved in the transition. The fact that a large portion of the sector do not have strong balance sheets, or access to cash reserves, means that these transition costs will place further strain on NGOs in relation to their working capital. The other area that may be severely limited is NGOs’ ability to fund capital acquisitions (which in many cases are currently provided as capital grants from government). This will also restrict the ability to think creatively and innovatively (which is further restricted if the unit cost does not reflect the costs of innovation).

- **Organisation structure requires reassessment**: Many of the current structures are linked to the block funded and service-centric model. NGOs will be required to review and assess whether new roles, new skills, and new business structures will be required to support this. Most of the respondents we spoke to indicated that they have not yet begun to think about whether any changes to their organisational structure would be required, and what any potential changes would actually look like. CEOs may become reliant on Boards for strategic direction in relation to these potential changes.

- **Understanding demand for services**: Service providers consistently shared that they do not currently know what services will be demanded by individuals under an NDIS. In addition, service
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Providers reported a potential disconnect between the terminology that is currently used to describe block funded services and the terminology used by people with a disability. One service provider had actually conducted workshops with people with a disability to understand these differences. Assessing and perhaps redefining product offerings (including lengths of contract, type of contract and billing/payment terms) may be required.

People

Refer to the document “Planning for a sustainable disability workforce” by PwC, currently in draft form dated 29 June 2012.

Integration and inter-relationships

The gap – The integration of disability services with other portfolios and mainstream services is not currently strong enough to realise the full benefits of an NDIS

It was commonly reported that there is currently a lack of cross portfolio consultation and engagement which leads to inefficiencies, the need to repeat information multiple times for different purposes, and delays and ‘red tape’ which is required to be surmounted before basic services can be provided across a number of portfolios.

- **Integration of services to supports** – Participants reported that they believe under an NDIS there will be a gap in linking people to a range of ‘supports’ that are personal to that person (such as mainstream sporting and recreation activities and finding the supports to make those activities happen). Improving the networking and connectivity capability of the LACs, whose role will include linking people to these types of supports, will be an important part of closing this gap.

- **Integration with education** – Participants stated that there were current gaps at the school leaving age bracket whereby disability support funding would drop off in some circumstances if the funding was linked to an education budget, resulting in a disruption of support and no continuity of support. For example situations where children leaving school experience disruption to their support as their funding is linked to the education portfolio.

- **Integration with housing** – A number of people with a disability access community or public housing. Many participants stated that there are constant hurdles that people need to face in relation to accessing and maintaining their housing arrangements.

- **Integration with health and allied health** – There is currently a disconnect in many circumstances between medical care provided and specialised disability support provided. In the absence of good integration between these two, individuals report needing to tell their story multiple times to different individuals, just so they can receive (in some cases) basic medical care.

- **Integration with transport** – One of the common issues currently facing the sector, and also a gap in relation to what the NDIS envisages will be possible for community integration is the ability for people with a disability to access public transport.

- **Early intervention** – Many people emphasised the importance of early interventions especially in rehabilitations in providing better overall care and support to people with a disability. Further discussion of the importance of early intervention is provided in “Early interventions for an NDIS” document by PwC, currently in draft form dated 29 June 2012

- **Other disparity between the portfolios** – Some participants noted that other disparities between the portfolios meant that the integration might be more difficult in the future, including the direction of some of the employment programs that appear to be at a tangent to the NDIS and also more practical areas such as salary disparity, and industrial relations regulations with other portfolios that are growing at the same time (such as aged care).
Rural/remote

The gap – Market forces may not deliver the range of supports and services in rural and remote areas, requiring careful consideration of the potential for market regulation or government action

- **Recruitment and retention**: Service providers from rural and remote areas report a long history of difficulties recruiting staff in rural and remote areas. Under an NDIS where the range and diversity of supports is expected to increase and expand, there may be a shortage of skilled and suitable staff in these areas, and the ability to recruit and retain these staff may be limited. The lack of infrastructure in remote areas also adds to the difficulty to attracting and retaining staff.

- **Competing with other industries (for example mining)**: Service providers in rural and remote areas are likely to find it difficult to compete with other industries (e.g. mining). In many cases staff are expected to be multi-skilled, and take on a generalist role (as the smaller organisations will not have multiple roles available). In addition, the workforce in some of these regional towns, are transient in nature with the workforce moving in and out of the towns (in line with mining contracts for family members). The challenges that relate to the ‘fly in, fly out’ system were also noted.

- **Access to a range of services and supports**: There is more likely to be a gap in specialised supports in rural and remote areas. The free market may not provide the range of supports that metropolitan areas might provide and therefore individuals may not experience true choice of supports.

- **Higher wages costs**: There are generally higher wage costs associated with hiring staff in rural and remote areas, due to the additional transport, housing and living costs in these areas. There will be a gap between the funding packages provided and the services that can be purchased by people in rural and remote areas if any pricing structures of an NDIS do not take this difference into account.

- **Requirement to link to with mainstream services**: The ability for people and service providers in rural and remote areas to link in with mainstream services where possible will be crucial. It will increase the range of choices available and also create opportunities for supports and activities that might not otherwise be thought of.

- **Access to training**: Training in rural and remote areas is reportedly less available, and therefore both the specialist training (regarding care needs), and also the person-centred approaches training may become a larger gap in these communities.

- **Lack of ICT infrastructure**: There is generally less ICT infrastructure in rural and remote areas, which may create a bigger gap in the ability for these communities to fully benefit from some of the opportunities of the NDIS. If people with a disability and service providers are not able to access records and educational material due to not having the required ICT infrastructure, they may fall behind in the transition.

5.2.2 Gap analysis – Online survey of service providers

As part of this project we conducted a survey of disability service providers to gain an understanding of what change they believe is required to prepare for an NDIS. Questions covered a range of topics including – company values, service provision, organisational strategy, technology, structure, staff and transition strategies. There were a number of multiple choice questions that formed part of this survey and the key findings from these questions have been summarised in the table below. (See Appendix B for the online survey demographics.)

Some of the results in Table 6 present slightly different gaps from those determined during workshop and telephone consultations. This may indicate that as survey respondents were not prompted or asked to expand on the basis from which they made their judgements they may under-estimate the impact of an NDIS or over-estimate their readiness.
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Table 6: Analysis of online survey results (multiple choice questions)

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<tr>
<th>Topic Area</th>
<th>Comment</th>
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| Organisational strategy  | • Service quality was cited by the highest number (45%) of service providers as their expected main point of differentiation under an NDIS.  
• No service providers selected that they would expect price to be their point of differentiation. This highlights that the sector perceives service quality to be the most important component of a service provider offering. This may indicate a lack of understanding of the market environment expected under an NDIS or an inability to price their services in a manner in which they would become price competitive.  
• Most (44%) service providers expected that they would need to make moderate changes to the services currently provided to meet the needs of an NDIS. This indicates that currently there is a gap in service offerings that service providers believe they will need to change to meet. |
| Technology/Systems       | Service users were asked to rate their organisation’s current systems’ suitability for an NDIS from 1 to 5, with 5 being the best score.  
• IT systems for customer contracts and details – most (34%) of service providers rated themselves as a 2 for this area. IT systems also received the highest level of respondents ranking their systems as not suitable (19%). This indicates that customer management systems are a technological gap for many organisations.  
• Financial and accounting systems – most (29%) service providers rated themselves as a 4, indicating that organisations believe that in the most part, their financial systems are suitable.  
• Personalised planning and tracking systems – the majority (89%) of service providers rated themselves as between 2 and 4 for this area. This indicates that many organisations believe they have experience offering personalised planning approaches; this was also highlighted during consultations.  
• Safeguarding and quality assurance – most (43%) service providers rated themselves as a 4 for this area. Safeguarding and quality assurance had the highest level of respondents ranking their systems as very suitable.  
• Systems to measure outcomes or KPIs – most (35%) service providers rated themselves as a 2 for this area. This area had the lowest level of respondents ranking their system as very suitable. This parallels comments made in consultations that organisations have previously measured output, however have limited tools or experience with measuring outcomes. |
| Structure                | • The majority (55%) of organisations said that they believe only minor changes were necessary to their organisation’s formal structure in transitioning to an NDIS. Organisations indicated they had structure capacity but some elements might need to change.  
• When asked if their organisation would experience difficulty accessing working capital if payments were made in arrears the majority (72%) stated that they would have between moderate and major difficulty. This indicates that this is an area of concern for many service providers; with 23% of service providers stating they would have significant difficulty and would not be able to continue operating.  
• Most organisations (40%) indicated they had moderate experience in providing individualised packages. However from consultations it was determined that usually this experience is in relation to individualised or proportionate funding rather than self-directed packages where the service user is involved in the management and direction of funds. |
### Part 2: Gap analysis of the current and future disability sector

#### Topic Area:
#### Transition and government assistance

- Respondents were asked what assistance they believed the government should provide to help the disability sector in transitioning to an NDIS:
  - 59% said regulatory interpretation
  - 86% said information provision about the design of an NDIS
  - 39% said underwriting of service providers
  - 55% said transition grants to service providers
  - 87% said training to service providers
  - 77% said training to service users

This indicates that service users believe information and training are the most important roles that government can play during the transition.

- Overall most service users were confident that the NDIS will bring better outcomes for people with a disability (49%) and their organisation (43%).

- It is noted that more respondents were confident or very confident that NDIS will bring better outcomes for people with a disability (64%) versus their organisation (49%). This may indicate that respondents have more concern about the challenges that service providers may face in transitioning.

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### 5.2.3 Gap analysis – NDS “Progress for providers” poll

#### Background

National Disability Services, the national peak body for disability service providers, commenced a national poll to assist providers to assess their state of readiness for more personalised service delivery. The poll utilised a diagnostic tool (Progress for Providers) which is designed to assist with a self assessment of progress relating to ‘person centred approaches’ and back office functions such as finance and human resources functions. Descriptors of progress reflect different stages of development towards arrangements that are thought to be relevant to supporting more personalised approaches. Respondents received individual benchmarking reports to assess overall progress within a ‘maturity model’: “Getting started”, “Some progress”, “Good progress”, “Excellent progress”. The poll occurred between August 2011 (commencing in ACT and Victoria) and was completed in all jurisdictions by June 2012. Over this time NDS received 521 responses from the sector.

#### Survey results

Performance across the areas of the NDS Progress for Providers tool varies with respondents expressing greatest confidence in their progress in the areas of customer focused marketing, maintaining a community focus and person centred planning. Figure 7 shows the distribution of responses provided by service providers and Figure 8 shows the most common response for each question area.
Figure 7: Progress for Providers distribution of responses

1. Leadership and strategy
   2a. Changing the culture
   2b. Person centred approach to risk
3. Community focus
4a. Person centred planning
4b. Outcome focused reviews
5a. Finance - costing services
   5b. Finance - contract
   5c. Finance - invoicing
   5d. Finance - accounting
6a. HR Selecting & recruiting
6b. Staff Support, supervision & appraisal
6c. Workforce development
6d. HR policies & procedure
7a. Marketing - customer focus
7b. Marketing - communication & promotion
8a. Improving mission and standards
8b. Improving lives & outcomes
8c. Learning from individuals

- Getting Started (Response 1)
- Good Progress (Response 4)
- Some Progress (Response 3)
- Excellent Progress (Response 5)
The area of customer focused marketing received the highest readiness rating, with 35% of respondents describing that their organisations ‘put people at the centre of what they do... recognise that have a variety of customers and partners and work with each of them in an individual, person centred way... don’t always get it right but learn from mistakes and make sure reflect and learn from this’.

Making Some Progress or Response 3 was the most common score for the majority of sections in the NDS Progress for Providers tool nationally with 14 of the 20 questions receiving this as the most common response. For these 14 questions, on average, the majority equated to more than a third of respondents (39%). Areas where all questions in the section had Some Progress (Response 3) as the most common response included leadership and strategy, creating a person centred culture and finance.

Areas where all questions in the section had Some Progress and/or a higher response (Response 3 and above) as the most common included community focus, support planning and review, marketing and reviewing and improving services.

The area where respondents nationally reported Getting Started (Responses 1 and 2) was Human Resources - selecting and recruiting. In the area of Human Resources, 36% of respondents rated their organisation as meeting the criteria for Response 1 which described the scenario that ‘managers and paid staff select and recruit staff for organisation based on formal job descriptions that the organisation has developed’.

**Limitations**

- This poll is a snapshot at a point in time, and may not reflect the state of organisations at a later point in time.
- The poll is a self-assessment by the respondent providers, which has not been tested against any objective measures (such as review of back-off functions or person centred approaches being lived in practice).
- The poll required participants to assess their progress towards an operating environment that is consistent with an NDIS which inherently requires judgment on behalf of the respondent about where they believe they will need to be under an NDIS type environment.
- The responses have not been validated by NDS or PwC, therefore it’s possible that participants over-stated, or even under-stated their readiness.
5.2.4 Market entrants

A number of new players may enter the market in the coming years. This may include a range of providers including:

- For-profit providers of specialist community care and disability supports
- Health insurance companies offering systems or infrastructure support
- Disability support organisations, including brokerage firms, host organisations and financial intermediaries, individual planners, community facilitators
- Potentially organisations providing integration support between other portfolios including Housing, Transport, Aged Care and Education.

As part of this project we consulted with a number of for-profit providers, some of whom may be positioned to enter the disability sector upon the implementation of the NDIS. There is a significant variation firstly, in the extent of for-profit awareness of the NDIS and its impacts on the disability sector and secondly, in the thought put into the potential opportunities for for-profits under an NDIS.

Most for-profits believed that their current systems and business process would support the NDIS requirements and there would be minimal requirement to update these (apart from those required to adapt specifically to the disability sector). Based on the for-profits current operation within market economies, there is little expectation that business processes would need significant works, as currently there is a requirement for a customer approach and individualised pricing in mainstream or non-disability services. In consultations, some for-profits indicated that they had put significant thought into the types of products and services they could contribute to the NDIS market including infrastructure provision, facilitation, case management and, in a few cases, direct service provision.

Although we did not speak to other market entrants, as part of our consultations with disability stakeholder we sought to understand the perceived impact that other market entrants (including for-profits) would have on the sector. The majority of respondents expressed a view that they believed that new market entrants would be a positive influence on the sector, bringing new innovative models of services and different products for users. It was identified that the influence of for-profits would require NGOs to become better at business practices, as many for-profits would have an edge in a competitive market, particularly during the initial transition period.

It is unclear the extent of new market entrants who will enter the disability sector upon the introduction of the NDIS. However, those that choose to enter the sector will likely have existing or developed operating models which are suitable for a market economy. There will be a need to consider how national quality frameworks will apply to these new entrants, particularly in safeguarding both quality and the competitive neutrality of the disability sector.

It is also unclear the level of understanding of new market entrants of the disability sector. Consultations conducted by PwC were largely with organisations whose experience lay in the areas of health management, chronic disease management, and return to work initiatives in the framework of accident compensation insurance. Some of the issues for the disability sector are likely to be very different from this experience. However there are a number of providers who already provide individual support packages in the lifetime care and support area, particularly in NSW and Victoria; these organisations will be able to directly transfer their expertise to some client groups in the NDIS.
5.2.5 Learnings from the literature

In Australia, individualised support packages have been trialled and implemented for a range of disability services and supported in a number of states. There is variation in how individualised funding is defined or implemented, ranging from money being given to individuals for them to self-direct (for some trials), to amounts provided to service providers that are ‘allocated’ to an individual whereby the individual has limited choice or control in how those funds are spent. When funds are held by a service provider, theoretically they are portable and the person with a disability can move to another provider.

Further, there have been a number of jurisdictions globally that have trialled or introduced individualised funding schemes which again range in their definition and application. We outline below issues and learnings from trials and ISPs implemented in Australian and international jurisdictions. We note that each of the learnings from Australian and international jurisdictions are in the context of different policy or trial settings which may not be directly comparable to an NDIS world as envisaged by the Productivity Commission. We have therefore concentrated our identification of issues and learnings to those which we believe are relevant in an Australian context. We have provided in the following table:

- an explanation of the issue or learning
- the relevance of point for Australia in informing the strategic approach to an NDIS transition
- jurisdiction to which it relates, and the source of the issue or learning.

Table 7 outlines 8 issues or challenges that were experienced in the various jurisdictions (points 1-7) and 7 key learnings from the various jurisdictions (points 8-15). This material is not necessarily an exhaustive list of all issues and learnings from Australia and other jurisdictions and we have only included the learnings and issues most relevant to Australia.
### Table 7: Issues and learnings from Australian and international jurisdictions

<table>
<thead>
<tr>
<th>Issue/Learning</th>
<th>Relevance for Australia</th>
<th>Jurisdictions and sources</th>
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</table>
| 1 **Access to information** | A theme that was experienced across many jurisdictions was the variability of service users’ access to information. Generally service users found it was not easy to:  
- Understand what different management options were available  
- Understand what they could spend their money on  
- Access information and advice about what services were available  
- Judge quality until actually using a service provider. | This meant that users found choosing and purchasing care and support difficult.  
Specifically in the United Kingdom there was evidence that users relied on their informal networks for information, recommendations and advice about how to operate in a individualised system and to decide which service provider they should use. Those who did not have access to informal advice felt like they were selecting providers based on very little information.  
**United Kingdom**  
**New Zealand**  
**Canada**  
## Provision of Information

In the implementation of individualised funding in the United States, service users cited a lack of easy to understand material available in different languages and different media for those who are visually impaired or have limited comprehension of written materials. Trials of individualised funding in South Australia found that large volumes of information provided to people with a disability was daunting. Users would prefer to be provided with small booklets with day to day information.

Information and support materials should be available in a range of different languages for CALD people and produced in different media to allow a range of user access.

Information should be provided in easily managed portions covering useful topics for service users.

Information should be available on an ‘as needs’ basis and provided in a straightforward manner.

Information should be available through different means to meet differing needs e.g. online, telephone call centre.

### South Australia


### United States


## Attitudes towards Vulnerable Clients

One of the barriers noted in individualised funding implementation in the United Kingdom was the attitudinal and cultural obstacles to people with mental or intellectual disabilities. People with disability were often judged by frontline workers or carers as too vulnerable to make decisions and to manage their funding.

Corporate risk approaches can result in frontline practitioners becoming overly concerned with protecting organisations from fraud and liability risks. This reduces their capacity to identify safeguarding issues and enable positive risk taking with people who use services.

Professionals took an overprotective approach to these individuals, with concerns about risk and support often reducing individual’s ability to make personal choice.

Education should be provided to the workforce about the attitudes and values of a person centred approach under NDIS.

Risk enablement approaches should be built into the person centred perspectives.

Mechanisms to provide appropriate planning, oversight and review for people who are vulnerable should be put in place.

Then people with a disability and service providers should be educated to use these mechanisms.

### United Kingdom


### Part 2: Gap analysis of the current and future disability sector

<table>
<thead>
<tr>
<th>Issue/Learning</th>
<th>Relevance for Australia</th>
<th>Jurisdictions and sources</th>
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<tbody>
<tr>
<td>5 Support functions including facilitators, personal assistants, LACs and brokerage services</td>
<td>There is a need to attract and recruit workers who can fulfil the support functions required under an NDIS. Mechanisms should be designed to promote independence of planning and service delivery. Strategies should be put into place to ensure that information and support services are available to all users, especially through the period of transition. Clear position descriptions and designs need to be developed to ensure new market positions are clearly understood by the sector.</td>
<td>Canada&lt;br&gt; Lord, J. and Hutchison, P. (2008) Individualised Funding in Ontario: Report of Provincial Study, Journal of Developmental Disabilities, Volume 14, Number 2.&lt;br&gt; South Australia&lt;br&gt; Pearson, J. (2012) Evaluation of Phase 1: Self-managed funding initiative Final report, Jenny Pearson and Associates for Human Services Sector. &lt;br&gt; ACT&lt;br&gt; Maher, R. (2003) Evaluation of the Individual Support</td>
</tr>
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</table>
Part 2: Gap analysis of the current and future disability sector

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<tbody>
<tr>
<td>the structure and role of various organisations (intermediaries, host organisations, service providers)</td>
<td>Momentum for the transition should be maintained to ensure that service providers and users continue to drive the change.</td>
<td>Package Program, Disability ACT.</td>
</tr>
<tr>
<td>• In Scotland LACs felt their role was not well defined or clear to others. Often the LAC role was confused with social work or case management.</td>
<td></td>
<td>Scotland</td>
</tr>
<tr>
<td>6 Challenges relating to implementation delays</td>
<td></td>
<td>United Kingdom</td>
</tr>
<tr>
<td>In some jurisdictions the implementation of individualised funding was slow due to the amount of time and work (including cultural change) involved in the transition.</td>
<td></td>
<td>ECDP (2011) Briefing paper 3: Developing the service provider market to best meet the needs of holders of personal budgets, London: Office for Public Management.</td>
</tr>
<tr>
<td>A trial of personal budgets in the United Kingdom before full implementation led to uncertainty for service providers and users about the sustainability of future plans for full scale introduction.</td>
<td></td>
<td>New Zealand</td>
</tr>
<tr>
<td>In New Zealand the national implementation of the individualised funding scheme was anticipated, however two years after the expected completion date the geographic coverage was still incomplete and the number of clients accessing the scheme was less than expected. This left participants unclear about how to access services and resulted in gaps in the service delivery.</td>
<td></td>
<td>Bennett and Bijoux limited (2009) Investigation of Individualised Funding and Local Area Coordination-Type processes: A literature review.</td>
</tr>
<tr>
<td>7 Transition issues</td>
<td></td>
<td>United Kingdom</td>
</tr>
<tr>
<td>A number of transition issues have been experienced by service providers in jurisdictions implementing individualised funding:</td>
<td>Traditional services need help to establish systems to transition to an NDIS environment. These changes will have associated increased costs.</td>
<td></td>
</tr>
<tr>
<td>• Costs for transition – there have been costs associated with a greater administration requirement and an increased role of 'back office' functions</td>
<td></td>
<td>United Kingdom</td>
</tr>
<tr>
<td>• Market economy – providers are required to operate like a business by marketing their services, invoicing clients directly and chasing payments</td>
<td></td>
<td>Mind (June 2011) Personalised services, A Travel Guide, 1st Edition, Mind, UK.</td>
</tr>
<tr>
<td>• Costs for sustainability – providers need to develop and market their services including trialling new ways of doing things. These come with associated costs.</td>
<td></td>
<td>Australia</td>
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<td></td>
<td></td>
<td>Mental Health Coordinating Council (2011) Self Directed Funding and the Community Managed Mental Health Sector: Opportunities and Challenges.</td>
</tr>
<tr>
<td>8 Different services in demand under individualised funding models</td>
<td></td>
<td>United Kingdom</td>
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### Part 2: Gap analysis of the current and future disability sector

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<tr>
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<tbody>
<tr>
<td>Kingdom changed under an individualised funding scheme in some jurisdictions. There was less demand for residential care and day services and more for recreational, gardening and facilitating social inclusion such as support to access mainstream services.</td>
<td>envisaged by an NDIS.</td>
<td></td>
</tr>
<tr>
<td>Transition support</td>
<td>Consideration should be given to the types of transition support that can be provided to service providers. A high proportion of Australian people with a disability live in rural and remote areas. It is important that providers in these areas are supported to ensure choice and service access for the rural and remote service users.</td>
<td></td>
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<tr>
<td>In the United Kingdom it was identified that there was a need for transition support for some service providers. In particular, support for rural service providers was required to maintain service provision such as reassurances of future payments, business support services and easy access to start-up finance.</td>
<td></td>
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<tr>
<td>Involvement of advocacy groups</td>
<td>Advocacy and peer support groups are important in generating service user interest and providing education and support.</td>
<td></td>
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<tr>
<td>Providing information to advocacy groups was a successful approach to generating interest in the individualised funding programs in the United States.</td>
<td></td>
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<tr>
<td>Independence of information</td>
<td>People need access to information about the NDIS from independence sources who understand the principles and practice of individual funding.</td>
<td></td>
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<tr>
<td>Service users needed face to face access to information to learn about their rights and how to use the individualised funding in Canada and United States. This was better received without the presence of representatives from service providers, highlighting the importance of independent information.</td>
<td></td>
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<tr>
<td>Mergers and alliances</td>
<td>Mergers and alliances are likely to occur under an NDIS and support for these arrangements should be considered.</td>
<td></td>
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<tr>
<td>The withdrawal of block funding has lead to widespread mergers of community mental health organisations in the United Kingdom. It is usually the back office functions of finance, HR and marketing that merge, while the front line staff and services remain the same.</td>
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</tbody>
</table>

**United Kingdom**

ECDP (2011) Briefing paper 3: Developing the service provider market to best meet the needs of holders of personal budgets, London: Office for Public Management.

**United Kingdom**


**United Kingdom**


**Canada**


**United Kingdom**

Mental Health Coordinating Council (2011) Self Directed Funding and the Community Managed Mental health Sector: Opportunities and Challenges.
### Part 2: Gap analysis of the current and future disability sector

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<tr>
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<tbody>
<tr>
<td></td>
<td>- Ability to appoint a family member as a representative if required</td>
<td></td>
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<td></td>
<td>- Focus on local infrastructure and leadership</td>
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<td></td>
<td>- Access to book-keeping services to assist those with managing their own finances.</td>
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<td></td>
<td>Effective information and support schemes are necessary to facilitate the implementation of individualised funding models.</td>
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<tr>
<td><strong>14 Employment of family members as carers</strong></td>
<td>The ability to 'employ' carers from families and friends in some European jurisdictions increased the income of care-givers and provided them with a sense of self esteem. Carers described feeling 'promoted' and felt they were now seen to be employed and contributing to society.</td>
<td>Austria and Italy: Ungerson, C. (2004) Whose empowerment and independence? A cross-national perspective on 'cash for care' schemes, Ageing and Society, Mar 2004; 24</td>
</tr>
<tr>
<td></td>
<td>The PC report recommendations that trial be undertaken allowing service users to employ families and friends as carers. It is important to ensure there is a balance between encouraging flexibility and maintaining employment and dependency safeguards, and in differentiating formal from natural supports.</td>
<td></td>
</tr>
<tr>
<td><strong>15 Local Area Coordinators (LACs)</strong></td>
<td>Experiences in Western Australia with LACs found that this program works well when:</td>
<td>Western Australia: Submission from pwd experience with LACs in Western Australia.</td>
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<td></td>
<td>- The LAC is accessible and based in local communities with connections to the supports and services in that particular local area</td>
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<td></td>
<td>- The LAC role is clearly defined, communicated and understood by participants</td>
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<td></td>
<td>- There is a focus on relationship building between LACs and individuals and families to assist navigating through the system and achieving individual goals.</td>
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<td></td>
<td>- Consistency is encouraged for the style and approach of LACs across different communities.</td>
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<tr>
<td></td>
<td>The introduction of LACs is an important part of the realisation of the PC recommendations. Support, training and monitoring will be required of LAC roles to ensure participant have positive experience.</td>
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<tr>
<td></td>
<td>Some issues were experienced in Western Australia where</td>
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<tr>
<td>Issue/Learning</td>
<td>Relevance for Australia</td>
<td>Jurisdictions and sources</td>
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<tr>
<td>participants found:</td>
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<tr>
<td>• There was a high turnover in staff and a poor hand over between</td>
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<td>changing staff, reducing the ability to develop relationships</td>
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<tr>
<td>• The ratio of LAC to number of individuals and families was too</td>
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<tr>
<td>high</td>
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<td></td>
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<tr>
<td>• Information provided by LACs is inconsistent or irrelevant to an</td>
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<td></td>
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<td>individual and or family</td>
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5.3 Consideration of a limited scheme launch in certain regions of Australia

The PC report outlines a proposed approach to introducing an NDIS, which involves a limited introduction in specific launch sites. The government has advanced the launch date 12 months, and has also reduced the sizes of the launch sites. A number of issues have been raised in relation to challenges that may be experienced in introducing the scheme at a greater number of smaller launch sites:

- The launch sites should involve a broad cross-section of the sector to ensure the diversity of service providers, locations and state based issues are experienced. If the launch sites do not represent the diversity of the sector, some important issues may not be experienced and therefore the learnings from the launch sites may be limited. Further, some of the state based issues in relation to inter-dependencies between other portfolios differ, therefore some of these issues relating to inter-dependencies may not be experienced.

- There is a risk that in rural (or regional) areas there may be limited interaction between those rural services and metropolitan services and learnings and issues in relation to these interactions will not be experienced.

- Due to the fact that the regions chosen for the launch will be the first to experience the new scheme, the gaps identified in this report are likely to be larger than they would be if those regions had more time to prepare. In addition, there may be no established players in the market and no motivation to enter smaller or trial markets (for profits and DSOs, for example).

- The market driven approach to service provision envisaged by the NDIS, whereby people with a disability drive changes in the sector, based on the services they demand may not occur at the preliminary stages of the market development, when the market has not evolved into the demand/supply market that it may be years down the track. The trial may result in receiving structural feedback regarding the change required by service providers, but may not result in feedback regarding market wide change.

- There will be challenges managing the operation of a dual system, whereby individuals with an ISP within a certain region may be accessing services from service providers that are still block funded and not part of the launch region (depending on how the launch sites are defined). This dual system creates its challenges, and therefore the mechanisms of the launch and the parameters of the launch sites should be determined and conveyed to the individuals participating in the launch.
Part 3: Strategies to assist the transition
This section of our report outlines three main areas relevant to the development of a transition plan for building the capacity of the disability sector and includes:

- **A theory of change**, which outlines a theoretical view as to how the sector will be able to effect the huge change that will be required (section 6.1)
- **Potential strategies to assist the transition**, which outlines a number of strategies that we believe the government should consider to assist the disability sector to build capacity so that the transition to an NDIS is as smooth as possible. We note that the strategies outlined in this section are evidence based in that they are a compilation of the potential strategies suggested by the individuals we consulted as part of this project and compiled into recommendations after analysis of the data. These strategies are not a full blueprint or strategy design and implementation framework and further work is needed for these strategies to be implemented. A framework for this further work is provided in the section “Next steps required for effective implementation”. (section 6.2)
- **Next steps required for effective implementation**, which outlines a framework for how to proceed with the implementation of a transition plan for assisting to build sector capacity. This section does not attempt to provide a comprehensive road map of how the implementation plan should be carried out, instead it provides a starting point for creating a roadmap, which can then be used as an action plan to make the transition. (section 6.3)

## 6.1 A theory of change

The process for change has two components – a theory of change and a theory of action. A theory of change covers the central processes or enablers by which changes come about for individuals, groups or communities such as social processes, physical processes and economic processes. A theory of action explains how programs bring the theories of change to life. We have outlined in this section some key theoretical underpinnings and concepts for the change that will be required in the disability sector to build sector sustainability and in section some practical strategies that will inform the development of a theory of action.

Given the inherent complexity of a major social reform like NDIS, the process of change will occur not in isolated segments, but across the whole sector including structure, market design and operation, flow of finances, decision-making and services and products offered. Further, the change process will not consist of one action plan that is drafted and immediately implemented, it requires a framework for communication, ongoing review, and continuous assessment and review of measures of success to ensure that the strategy and actions continue to be relevant for the sector.

The foundation of any change process should be clarity of which core values will drive the success of an NDIS. The values envisaged in the future state of an NDIS are the reason why change is necessary and provide stakeholders with a check point to why change is necessary. The values or guiding principles that underpin the changes recommended by the PC through an NDIS must be consistently identified, clearly articulated and communicated across the sector. Stakeholder holders will need opportunity and encouragement to “buy into” these values to initiate the change movement.

In our opinion, the following core values or guiding principles will underpin the disability sector under the future of an NDIS. As part of the development of strategies for change, further values may be identified as necessary. Importantly, all values should be agreed upon and communicated consistently across the disability sector.

- **Fairness** – people with disability have equal rights
- **Facilitation** – supports are needed to allow people with a disability to exercise their rights
- **Choice** – individuals with a disability should have choice in prescribing their access needs
- **Inclusion** – cultural, systemic and environmental obstacles to access and participation for people with a disability should be removed

Once identified, these values must be imbedded in the culture of the sector throughout leadership, processes, staff and culture, and operations at every level of the sector, including government, service providers and people with a disability. Culture plays a significant role in changing the perceived social norms or values and influencing individual and group behaviours.
Part 3: Strategies to assist the transition

There are levers or enablers of cultural change that can be used to imbed change within the sector. As change needs to occur across a range of stakeholder groups there may be specific levers for each group. We outline below proposed levers that are common across the sector and some specific levers for organisational change.

Change levers for the sector include:

- **Education and communication** – this is one of the key levers for the sector and will drive cultural change. Communication is required to express the vision of an NDIS, convince the sector of the attractiveness of the vision and consult regarding the messages currently within the sector. Education must be provided to the sector regarding the values, ethics and behavioural expectations of an NDIS. Government have an opportunity and responsibility to play a leading and crucial role in this regard.

- **Leadership** – behaviours demonstrated in practice by those in leadership roles (such as government and peak bodies) should reflect the core values of the NDIS. The active and visible demonstration of support and commitment to these values will set the direction for the sector and result in the incorporation of these values in practice.

- **Strategy** – a clearly defined strategy which is communicated to the sector is important to imbed the change required for an NDIS. Stakeholders need to understand how their roles and values link to the overall plans for the sector. For change to maintain momentum and “stick”, the sector must feel part of a strategic framework for achieving change.

These levers of change will begin the process of changing social norms, attitudes and behaviours and drive market change for the sector. In addition to these macro level levers, organisations must be empowered to both prepare for and adapt to the changing market. Change levers for organisations include:

- **Tone from the top and accountability** – similar to leadership in the sector, organisations must ensure that tone is set from the top demonstrating the core values of an NDIS. Management must be positioned to understand and reflect appropriate behaviour to embed person-centred valued. As part of setting tone from the top, roles and responsibilities must be clearly defined and communicated to all staff to ensure consistent decision making in a changing environment.

- **Attributes and behaviours** – organisations should focus on employing and encouraging people who believe in the principles of an NDIS and can bring the person centred approach to life. The attributes and demonstrated behaviours of these employees will drive a cultural shift across the organisation and lead to embedded person centred behaviours.

- **Knowledge, skills and abilities of board, management and staff** – for cultural change to be imbedded within an organisation employee need to be appropriately qualified, skilled and experienced in the requirements of an NDIS. There must be a focus on training and the continuous improvement of organisational skills and abilities aligned to the core values of the disability sector.

- **Supporting infrastructure** – change for organisations will be driven by supporting infrastructure such as outcome focused business process and IT systems which support the person centred approaches. Having clear processes and system frameworks in place provides management and employees with a structured environment which promotes the values of an NDIS.

- **Communication** – constant and consistent messages are important in organisations during times of change. Communication should be used to reinforce the organisation’s values, ethics and behavioural expectations.

In summary, our experience has shown there are number of success factors that are important in implementing successful and enduring change. These must be considered when developing the implementation framework for the NDIS:

- Design a ‘best-fit’ change approach that is adaptable and addresses the diverse requirements of sector stakeholders
- Keep the core values and benefits of the NDIS at the heart of the change
- Through the involvement of the sector, build a vision and hunger for success
- Engage the sector before, during and after the change process
- Communicate with a purpose
Part 3: Strategies to assist the transition

- Agree on measures of success and how to monitor them
- Give leaders the skills to lead
- Make sure systems, processes and culture reinforce the change

6.2 Potential strategies to assist the transition

Consultation participants provided a range of strategies that they believe would effectively transition the sector to an NDIS environment (including strategies for governments, service providers and people with a disability). We have noted this range of potential strategies including competing suggestions where provided, analysed the data and made recommendations. These strategic recommendations are designed to guide governments as they work collaboratively with the sector to transition to an NDIS environment.

In the course of our consultations, we also collected from participants a number of suggested strategies relating to workforce development. A summary of those strategies can be found in the ‘Planning for a sustainable disability workforce’ document, also by PwC, currently in draft form dated 29 June 2012.

We provide key strategy statements for sector capacity, which fall under five main areas:

- Education awareness and support
- NGO capacity
- Regulation and national frameworks
- Market transition assistance
- Strategies for rural and remote areas.

For each of these areas, we provide a strategy statement(s), and ‘enablers’ to achieve the strategy statements.

A consistent national approach which the states and territories, Commonwealth and local governments commit to, and which links in with other building blocks of an NDIS, is at the centrepiece of the strategy. The NDIA will be the national body administering the NDIS and therefore should facilitate this national approach. It will also be critical to maintain transparency and continued communication and involvement during transition with both people with a disability and the sector of disability support organisations. It has become clear during our consultations that there is a lack of clarity and transparency around what the NDIS will involve, and how all players will get there. Moreover, the magnitude of change required can be overwhelming if considered as a “big bang” - there is more likely to be sustainable change if all stakeholders are heavily involved in the transition.

---

3 The acronym NDIA will be used to represent the NDIS Launch Transition Agency
Figure 9: Main elements of sector capacity strategy

Education and awareness

**Strategy statement 1:** To educate and inform people with a disability (and their families and friends) on what person centred approaches involve, so that they embrace the changing landscape, feel empowered to exercise choice and control, and drive the creation of a market that provides opportunities for increased flexibility and services that meet their needs and wants.

This may include the following enablers:

- In keeping with the overall communication strategy required for an NDIS transition, education and awareness for people with a disability (and their families and friends) should be conducted using a multi-medium approach. It is important that people with a disability have access to a range of education tools even when they are unable to receive them in a face to face method. Multi-medium approaches may include face-to-face, telephone, written, social media and other online forums and mainstream media.

- Education should not be wholly facilitated by government; it is valuable to encourage facilitation of education and awareness by other members of the sector. This allows the messages to be conveyed multiple times, building in shared experience, examples and personalisation of the information from different members of the sector. The facilitation of the same message from multiple sources and facilitators is also essential for users to trust the independence of information provision.

- People with disability, their families and carers should be given ownership to facilitate components of education and awareness, both during the transition and as an ongoing support system. Peer support initiatives should be supported to provide people with a disability with information through forums, programs and social media.
Part 3: Strategies to assist the transition

- Education awareness and support programs should be designed to provide services users with an understanding of what will change under an NDIS and how this will affect them on a day-to-day basis. There will be an ongoing need for these services as peoples’ needs change and new people enter the sector. Areas seen as most important by consultation participants were:
  - How service users access and operate within the system, including developing personal plans, engaging service users or workers directly and different financial management options such as self management, broker or host organisations.
  - The rights and obligations of service users, including ability to switch providers, quality and complaints procedures.
  - The new roles of stakeholders and organisations in the sector and how service users interact or obtain support and services from these organisations. This includes existing stakeholders who will have their roles redefined, such as advocacy groups case managers and DSOs, and new roles in the sector such as LACs and financial intermediary services. In education, awareness and support programs the language used to describe these new roles should be consistent across states and territories.

- A progressive approach should be taken to providing the information that drives education and awareness campaigns. While current uncertainty appears to be causing ‘stress’ in the sector, and it’s preferable for governments to provide information where possible, it is critical that governments do not wait until everything is known before starting the education process. Receiving information as soon as it is available will allow the sector to gradually adjust.

- Hotlines should be set-up during the transition period for both services users and service providers to clarify information and assist in the transition process.

**Strategy statement 2:** To educate and inform disability service providers about the impacts of an NDIS. This should include information about market design, organisational cultural change, education about what people with disability ‘want’, and how they can approach the delivery of these preferences.

This may include the following enablers:

- There should be a focus on building relationships between the DSOs and all others involved. This means that relationships should be built with people with disabilities, the workforce, the disability community, and the wider community so that service providers can assist people with a disability achieve the lives they ‘want’.

- Education awareness and support programs should not isolate or construct divisions between service providers service users and the community. There should be opportunities to facilitate joint focus sessions or forums so that people can come together and discuss creative ideas for meeting peoples’ needs and preferences.

- Some service providers do not appreciate that service users will have more control in an NDIS environment and they will be required to provide a more person-centred and individually tailored service. For service providers to fully understand the impacts of an NDIS it will be important for them to interact with services users (as described above) and understand what cultural change and new business structures and skills will be required. Government will need to communicate key information to service providers to allow them to progressively understand and enact the changes necessary. The types of information required will include how to promote and develop:
  - Cultural change to a more person-centred approach
  - Individual responses to needs and preferences
  - Business process requirements especially managing individual accounts
  - System requirements, including specifications, training in new systems and ability to customise information
  - Reporting requirements
Part 3: Strategies to assist the transition

– The rights and obligations of service providers, including requirements to provide services, contracting with users, dealing with complaints.

**Strategy statement 3:** To create awareness and lead the changes to attitudes of the Australian community to promote social inclusion and community integration for people with a disability.

This may include the following enablers:

- In keeping with the National Disability Strategy, Australian governments should be a leader for setting the cultural change agenda for the Australian community’s perspectives of people with disabilities. Under an NDIS as envisioned by the Productivity Commission, the community plays a significant role in driving services users’ ability to exercise choice and control. Community capacity building will be necessary to promote community integration for people with a disability.

- Community awareness campaigns will be necessary to educate the wider Australian community about:
  - The NDIS and its impacts on families, workers and mainstream services
  - Integration for people with a disability and other social inclusion messages – this may be through targeted messages from various portfolios such as Health, Housing, Education, Transport and Employment.
  - Welcoming people with disability into community activities

**Regulation and national frameworks (including IT systems)**

**Strategy statement 4:** To develop a single national quality and outcomes focused framework to assist people with a disability and also service providers to assess quality and outcomes.

One of the key roles of government in a transition to an NDIS is the development of national regulation and framework standards. These national regulations and frameworks should be streamlined with current regulation and framework to enable clear guidelines and simplified compliance regimes. The strategy enablers include:

- Establishing a set of national quality and outcomes focused frameworks which apply consistently across the disability sector based on the service being provided rather than the organisational type (such as government, for-profit or not-for-profit). For example in most states and territories the Disability Support Standards (DSS) legislation or equivalent, only applies to not-for-profits and is linked to funding agreements. The national quality framework should be outcome focused and requires consistent data nationally from all service providers.

- The NDIA should determine whether to introduce a national register of service providers, and as part of this consideration define:
  - How the informal or directly employed worker interacts with this national register (for example, whether there will be an equivalent register for sole traders or self employed workers)
  - What requirements, such as accreditations, are necessary for service providers and individual workers to register on the national list.

- Establishing a national person centred quality and outcomes focused framework for people purchasing support to meet their needs outside DSOs. Nationally and internationally this is an embryonic area in need of further research.

- Establishing a monitoring system to ensure the basic needs of people with disabilities are being met and also to assess to what extent their aspirations and preferences are being achieved.

- As recommended by the PC, the NDIA should consider the introduction of a website or forum which allows service users to access information and quality assessments of all disability service providers in the sector. This could be based on similar style services such as the “My schools” website. It will be necessary
Part 3: Strategies to assist the transition

to provide standardised quality ratings based on agreed metrics and parameters which focus on outcomes and do not encourage gaming behaviour or inappropriate outcomes.

- To align to national quality and outcome focused frameworks, national complaints and dispute resolution guidelines should be established which outline – who complaints can be made to, reporting requirements, resolution procedures and how to take complaints to a higher authority. There may need to be specific complaints hotlines set up during the transition period as many service users need guidance on what rights they have and what circumstances may warrant a complaint.

- The NDIS should ensure that any market regulation or actions taken by government are considered in the context of the safeguards building block, to ensure that the necessary consumer protections are in place for individuals. In particular, the most vulnerable people with a disability need to be supported in a way that achieves a balance between personal choice and freedom, and risk of harm. Similarly, some safeguards will be required to protect disability support workers from unsafe situations.

**Strategy statement 5:** To consider the development of a national ICT system to record and report data and information.

As part of the introduction of an NDIS, the NDIA will require the ability to collect consistent data across the states and territories and across different services offered in the disability system. The data will be necessary for a variety of reasons including: to inform financial requirements, detect anomalies or fraud, monitor outcomes for users and monitor and feedback performance of service providers. The NDIA should consider how to facilitate the production of consistent data, strategies need to include:

- **The development of a national ICT system to record and report data:**
  - The NDIA will need to define the scope of any national ICT system developed such as whether the system will be limited to a customer relationship management (CRM) and reporting system or whether additional billing and payment models will be provided.
  - The advantage of a national system is that this will ensure compatibility and consistently of data. There will be a need to build in the ability for service provider customisation; however this should not impact data quality.
  - There are other important features of a national ICT system which will need to feed into an overall technology strategy for NDIS. These will include having outputs and outcomes data built in (to link with national quality systems), accessibility options for different users, clear rules about data access including ownership of user information.
  - The system will need to fit with the insurance type governance framework of the NDIS, and in particular the ability to monitor the longitudinal experience of participants and service providers. This will involve participants assessment and review of need, their utilisation of support services, their consumption of individual budgets and their social and health outcomes.
  - There would also be work required in assisting the sector to interface their own systems with the national system, to ensure that data is able to be shared and transferred between systems where required.

- **Recommendation of products or specifications** – if a national ICT system is not introduced in a reasonable time, it will be necessary for the NDIA to provide information and guidance to service users about appropriate ICT and administrative systems. Consistent data standards (similar to the National Minimum Data set) will be required to reduce data compatibility issues.

- **Recommendation that urgent work commence on the data architecture that is required to meet the needs of NDIS,** and that this occur before decisions are made about a specific ICT system. There is significant risk in making a procurement decision about an ICT system that may be not fit for purpose to meet data collection, analysis and reporting requirements.
**Market transition strategies**

**Strategy statement 6:** To consider and determine what role the NDIA will play in assisting the sector to transition, including the role of NDIA to provide regulatory and funding support where market failures occur.

During the transition to an NDIS the NDIA will need to assist the sector by providing additional supports and strategies. These will include the following enablers:

- Defining the NDIS transition period, location of launch sites and any cut offs for transfer to the NDIS ISP model. This should include defining how organisations will move from block funding to arrears, such as timelines and any staged approach.

- The NDIA will need to balance the differing views of the sector about providing transition grants. Some parts of the sector believe there should be transition grants to assist with the costs of IT, installation, training and other parts of the sector do not believe any transition funding should be provided as it penalises service providers who have already invested in change.

- Consideration should be given about how best to facilitate collaboration and or partnerships between service providers. This should be encouraged to reduce duplication and increase the use of evidence based best practices, and to support the pace of change that is required. The consultations found a disparity among service providers in the preparedness for an NDIS environment and best practice examples from those most advanced are likely to be helpful to others. However, there is a tension between how to facilitate collaboration in a competitive environment.

- Facilitation of consumer forums will help to educate and identify what people with a disability want to buy in the sector, allowing the NDIA and service providers to understand the potential demand in the market. This will also assist in identifying what consistent language service users prefer when describing the supports and services they want.

- The NDIA should determine how to identify vulnerable or marginalised clients or groups, and provide more targeted assistance (such as oversight mechanisms, specialised training, and education programs) in the transition. These groups may include CALD and Aboriginal and Torres Strait Islander peoples.

- Consultations should be held with the sector regularly throughout the transition period to “touch base” with how things are going. The people with disability stakeholders within the sector (including representatives from CALD and Aboriginal and Torres Strait Islander peoples) should be included in these consultations as well as workers and service providers. Feedback from these consultations should link into the overall strategic evaluation.

- The NDIA should consider how to provide assistance to the sector with any partnerships or merger and acquisition activity during the transition. This may range from developing guidance on how to implement shared back office functions to assisting with the transfer of clients into merged service providers.

- Government service providers should determine how they want to position themselves in the NDIS. This may include considerations about outsourcing service provision to encourage competitive neutrality or other legal structuring to foster independence.

- The NDIA need to understand and identify the real cost of services through industry studies. Consideration should be given to not only what current funding packages cover, but other business costs such as infrastructure, investment, financing and profit margins.

- The NDIA should monitor the impact of funding levels on people with disabilities. Monitoring should first assess if peoples’ basic needs are being met and also assess if their aspirations and preferences are being achieved.

- The NDIA should research and develop innovative funding models to build community and sector capacity. This may range from research grants (for service providers or researchers in conjunction with services users) to incentive-based funding approaches.

- The NDIA should give consideration to using a combination of block and individualised funding to encourage the establishment of service providers in rural and remote regions where critical mass or economies of scales cannot be achieved. This should be considered in areas whether there is a high risk of market failure, not as a blanket approach to all rural and remote regions. There should be an appropriate
balance to encourage innovative approaches to allow the successful transfer to completely individualised funding in these areas.

- The NDIA should determine whether there is a need for additional market regulation for the provision of services in an individualised market. This may range from regulation about the length of time that clients are required to stay with a service provider (e.g. minimum 3 month service) to “no refusal service policies” similar to taxi and health insurance providers to ensure that complex needs clients receive services.

- The NDIA should determine how to support the development of existing service provider’s capacity to take on the role of DSOs or to encourage new market entrants to become DSOs.

**Organisational capacity**

**Strategy statement 7:** To develop the organisational capacity of the NGOs and other providers of supports in the new market. These strategies would in large part need to be implemented by the NGOs themselves at the organisational level.

The NDIA has a central role to play in assisting the disability sector as a whole in developing its capacity; however there is still a vital role for NGOs and other service providers to develop their internal organisational capacity. The consultations found wide variety in service providers understanding and preparedness for the NDIS with some not expecting that it will change their service model and provision. NGOs should be encouraged to take time to internally reflect on their organisational capacity for change and the cultural change required of workers. This strategy statement is in relation to existing NGOs and other providers currently in the market and the strategies they will need to understand in order to transition to an NDIS.

To develop their organisational capacity, providers should consider the following enablers:

- Focus on reviewing, updating and or changing their strategy based on the progressive information that becomes available about an NDIS. This should not be performed at one isolated point in time, but be an ongoing consideration of management in the lead up to and implementation of an NDIS. Strategic changes may include changes to products, services, values, delivery model and clients.

- Review attitudes to sharing control and decisions with service users and the current skills sets available in the organisation to determine whether the new market environment will create cultural and knowledge gaps. It is essential to support staff transition and engage with staff that have values in line with the organisation’s move to person-centred approaches. This is particularly important regarding the ability of management to implement and use business costing models to determine unit costs of services. There may also be a need for new approaches to marketing or an ability to develop new funding and revenue sources.

- Develop new or update existing business process for a competitive market which will allow organisations to remain sustainable in a market economy. This may include: establishing consumer feedback models and benchmarking of outcomes to provide users with evidence based support of quality as a marketable quality, developing individualised planning guidelines and process and initiating mechanisms to identify vulnerable clients requiring decision making support.

- Consider the current organisational ICT system capacities and consider upgrading systems to link in with national system or proposed system requirements. It will also be necessary for organisations to consider the interface opportunities with current systems.

- Consider innovative practices to build economies of resources in the sector. This may be through partnerships with other service providers to share back office functions or pool workforce.

- Review current workforce retention and attraction strategies to ensure that during and after the implementation of the NDIS there is access to a skilled workforce. Strategies may include supported training, a focus on rewards and recognition, support for parents and supervision experiences and opportunities such as traineeships.

- Further strategic work should be conducted across social service, disability and health sectors where there is increasing demand on the same labour market pool.
Rural and remote areas

**Strategy statement 8:** To provide additional assistance to rural or remote communities, where specific need is identified or market failures or gaps are expected or occur.

There are some specific challenges in the implementation of NDIS in rural and remote communities. In particular there are concerns about the level of choice and access to services in areas. Enablers for rural and remote communities will include:

- Ensuring that there is sufficient accessibility to LACs and other local supports in rural and remote communities. The geographical placement of these LACs should be aligned to the current local planning areas used in allied health and other rural and remote service provision.

- The selection of LACs for rural and remote areas based on their networks with and understanding of the local community. LACs should be able to facilitate connections with metro LACs to maintain recovery pathways where required for rural and remote service users who temporarily attended metro services such as hospitals.

- The NDIA should determine whether there is a need to support local service providers to maintain these pillars of local community who have established cultural history. This support may be through transition grants for infrastructure (IT and business), training and investment.

- The NDIA should give consideration to using a combination of block and individualised funding to encourage the establishment of service providers in rural and remote regions where critical mass or economies of scales cannot be achieved. If block funding models are still used, there should be community involvement in the selection process to ensure there is still some level of “choice” for users. There should be an appropriate balance to encourage innovative approaches to allow the successful transfer to completely individualised funding in these areas.

- Close monitoring by the NDIA should be undertaken of rural and remote areas to ensure that access to basic services is maintained. Where service gaps develop, relevant action should be taken. (We note this strategy may be necessary in areas outside of rural and remote communities where thin markets arise.)

6.3 **Next steps required for effective implementation**

We outline in this section a summary of the next steps required to commence the transition journey. This section does not outline a roadmap of all the steps required to implement the transition plan and strategies. Further work is required to understand the full range of projects currently underway or completed at the nationla and state/territory level and across the other NDIS building blocks (and where relevant other portfolios) in order to ensure that there is a consistent national approach to the transition. This will ensure consistent messaging, streamlined and effective communication and open and transparent consultation and co-design processes are imbedded through the various elements of the NDIS transition plan, over the next few years.

We therefore provide below the high level steps to be undertaken to prepare for the implementation of the transition to an NDIS. We note that some key elements of the first four steps (in the orange boxes) have been undertaken or are in progress. There may be further work necessary in these areas to gain a complete picture; however significant progress has been made. It is also important to continue to revisit these first four steps to continue to reaffirm the vision, and to assess the gaps (to ensure that the analysis is up to date) and relevant for the sector.

We have focused this section of the report on the five later steps (in the red boxes) which present the “next steps” for government to undertake.
Part 3: Strategies to assist the transition

Figure 10: High level steps required for effective implementation

More detail on what these steps might include is provided below:

- **Linking the current strategies with the overall NDIS strategy** – any strategy identified in this document should be considered as part of, and be linked to the overall NDIS strategy, including the strategies relating to the other building blocks of an NDIS. The strategy should be a coordinated approach between Commonwealth (the NDIA), state/territory and local governments, and other sector players. In addition, any current work or initiatives (including sector plans or strategies, and transition preparation projects) being undertaken by the states and the sector (including the NDS and other relevant peak bodies) on an NDIS and related areas should be reviewed and understood to avoid duplication or inconsistent messaging for the sector. It is equally important in this process to ensure that currently recognised good practices are maintained (eg the importance of social capital, volunteers and donations). The integration of these strategies with actions and strategies of other portfolios, including Health, Transport, Education, Housing, Aged Care, Employment (DES and DEEWR), should be undertaken from both a strategic and service level perspective. This should aim to minimise the risk of duplication and inconsistencies whilst also promoting the inter-dependencies between these other portfolios. This will also involve working through components of the market design of the NDIS, including the following areas which were raised by numerous stakeholders as important, eligibility, assessment, individualised plans (including who helps you develop them and how often they are revised), treatment of unexpended funds, and the plan for the launch sites.

- **Identify measures of success** – the strategy should involve an assessment and definition of ‘what success will look like’ for both the overall strategies and, if required, for certain elements of the strategy. This will enable the government and other players to measure the success of strategies as they are implemented, and later to evaluate and review the implementation. The measure of success, where possible, should also include an indication of whether the outcomes will result in streamlined processes to reduce adding another layer of administrative “red tape”.

- **Identify strategy governance, including communication** – an overall communication strategy should be developed for building sector capacity which then links in with the Commonwealth strategy for other building blocks. The NDIA should consider developing a “one NDIS strategy”. Important areas for consideration when developing a communication strategy for sector capacity include:
  - **Who will the strategy be communicated to?** The strategy should be accessible for all stakeholders of the disability sector. It important to identify the differing groups which exist in this stakeholder groups, for example Aboriginal and Torres Strait Islander peoples, CALD, visually impaired or groups with low written word comprehension. The strategy will need to be tailored to reach all the target audiences in the sector.
  - **How will the strategy be communicated?** The way in which the strategy will be delivered should be complemented to each of the target audiences in the sector. The approach should be multi-faceted and may include face-to-face forums, workshops, telephone contact, road shows, online forums, websites, media, radio and written communication.
  - **How often should the strategy be communicated?** The strategy for NDIS should be communicated more than once. This is particularly important for the transition as many people feel constrained
by a lack of information. Communicating with the sector regularly, with updates as and when
available, empowers stakeholders and encourages sector buy in. This regular communication
allows the sector to maintain momentum in its transition. A hotline for service users and a hotline
for service providers would make information available on an as needs basis.

– **Who will communicate the strategy?** There should be clear accountabilities for who will be
responsible for communication information. This will ensure that there is a consistent
message provided.

- **Implementation of strategies** – the strategies for sector capacity should be implemented in
accordance with the overall NDIS plan, and integration with other strategies. The process of
implementation should be applied consistently nationally to avoid geographical or state differences.
While the current uncertainty is causing stress in the sector and information should be provided when
available, implementation should be gradual (perhaps a phased approach in line with the launch sites),
so that the sector can adjust and cope with the changes as they arrive, not all in one big change. However,
flexibility is also required to accommodate the different levels of preparedness among service providers.
A range of strategies has been identified in this report. The NDIA should also consider having ‘one NDIS
strategy’, which is simple and easy to understand and communicate. This one strategy could then have
sub-components whereby the strategy for each of the building block links directly back to the NDIS
strategy, and also provide further detail at the micro level about the practical steps required for the
transition including timings, accountabilities ongoing review, success measures and continuous
improvement objectives. This would also ensure that there is inter-connectedness that will assist a
successful transition.

- **Ongoing review and continuous improvement** – the strategy should be monitored and reviewed
regularly against identified outcomes of success (as developed above) to ensure continuous improvement
and self-correction occurs. This review and assessment should involve the key sector stakeholders,
including people with a disability and their families, governments, and disability service providers and
new market entrants. It is also important to note that the strategy does not need to be implemented in
full before a review can occur. There should be regular reviews to make sure that the opportunities for
self-correction are identified.
# Appendices

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Appendix A  Consultation methodology and demographics

Our consultation methodology involved a sampling approach (with the assistance of NDS), which covered a range of different categories of stakeholder (including small and large organisations, organisations in each state/territory in Australia, state government agencies in each state/territory, and a range of people with a disability and other consumer groups). There were a number of individuals that we contacted that we were unable to be involved in the consultation process within the time period for this project.

1  Workshop consultations

The following table outlines the number of people attending the workshops in Adelaide, Melbourne and Sydney.

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<td>Peak body and people with disabilities forum</td>
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2  Telephone consultations

The following table outlines the number of organisations consulted as part of the telephone consultations.

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<th>Northern Territory (NT)</th>
<th>Queensland (QLD)</th>
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<td>Other (including unions and for-profits)</td>
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Appendix B  Survey demographics

1 Number of respondents for each question

Overall there were 88 respondents to the online survey; of these 62 answered all of the survey questions and 26 partially answered the survey questions. We have provided below a break down of the number of complete and incomplete responses for each question. We note that incomplete responses includes both respondents that did not answer the question and respondents providing incomplete answers such as “xx” in the free text fields.

| Question number | # of complete responses | # of incomplete responses | Total | |
|-----------------|-------------------------|---------------------------|-------|
| Overall         | 62                      | 26                        | 88    | Demographics |
| A               | 88                      | 0                         | 88    | Demographics |
| B               | 82                      | 6                         | 88    | Demographics |
| C               | 85                      | 3                         | 88    | Demographics |
| D               | 85                      | 3                         | 88    | Demographics |
| E               | 83                      | 5                         | 88    | Free text    |
| F               | 84                      | 4                         | 88    | Free text    |
| 1               | 80                      | 8                         | 88    | Multiple choice |
| 2               | 80                      | 8                         | 88    | Multiple choice |
| 3               | 80                      | 8                         | 88    | Multiple choice |
| 4               | 78                      | 10                        | 88    | Multiple choice |
| 5               | 78                      | 10                        | 88    | Multiple choice |
| 6               | 78                      | 10                        | 88    | Multiple choice |
| 7               | 69                      | 19                        | 88    | Free text    |
| 8               | 68                      | 20                        | 88    | Free text    |
| 9               | 68                      | 20                        | 88    | Free text    |
| 10              | 66                      | 22                        | 88    | Free text    |
| 11              | 69                      | 19                        | 88    | Multiple choice |
| 12a             | 69                      | 19                        | 88    | Multiple choice |
| 12b             | 68                      | 20                        | 88    | Multiple choice |
| 13              | 64                      | 24                        | 88    | Free text    |
| 14              | 63                      | 25                        | 88    | Free text    |
| 15              | 30                      | 58                        | 88    | Free text (we note this question was only |
Survey demographics

2 Profile of respondents

Table 8: Question B – State or territory of respondent head office

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</tr>
<tr>
<td>New South Wales (NSW)</td>
<td>20</td>
</tr>
<tr>
<td>Northern Territory (NT)</td>
<td>4</td>
</tr>
<tr>
<td>Queensland (QLD)</td>
<td>10</td>
</tr>
<tr>
<td>South Australia (SA)</td>
<td>7</td>
</tr>
<tr>
<td>Tasmania (Tas)</td>
<td>4</td>
</tr>
<tr>
<td>Victoria (VIC)</td>
<td>26</td>
</tr>
<tr>
<td>Western Australia (WA)</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
</tr>
</tbody>
</table>

Question C – Geographical location and coverage of organisation

Respondents were asked to select which service area(s) applied to them. This question allowed multiple responses and the results are expressed as a percentage of total respondents for this question (85 respondents) as follows:

- 72% of respondents provide to metropolitan service areas
- 22% of respondents provide to rural and remote service areas
- 36% of respondents provide to regional service areas.

Table 9: Question D – Organisation type

<table>
<thead>
<tr>
<th>Organisation type</th>
<th>Number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>For profit</td>
<td>1</td>
</tr>
<tr>
<td>Government owned entity</td>
<td>1</td>
</tr>
<tr>
<td>Not for profit</td>
<td>83</td>
</tr>
<tr>
<td>Total</td>
<td>85</td>
</tr>
</tbody>
</table>
3 Results of sector capacity multiple choice questions

The following graphs have been collated using the completed results of multiple choice questions. Incomplete survey answers have been excluded from these results.

**Question 1:** Strategically, what do you think will be your organisation’s main point of differentiation that will help you to stand out under an NDIS?

![Graph showing the proportion of respondents for various points of differentiation.]

**Question 2:** How do you believe that the services currently provided by your organisation will change under an NDIS? (Changes may include new product offerings)

![Graph showing the proportion of respondents for the extent of service changes.]

FaHCSIA
PwC
**Question 3:** On a scale of 1 to 5, with 5 being the best score, how would you rate your organisation’s current systems suitability for an NDIS?

![Diagram showing survey responses to Question 3](image)

**Question 4:** How much change do you expect in your organisation’s formal structure in transitioning to an NDIS?

![Diagram showing survey responses to Question 4](image)
**Question 5:** Hypothetically, if payments under an NDIS were made to organisations in arrears, would your organisation experience difficulty accessing working capital in transitioning to an NDIS (assuming no funding assistance is provided)?

**Question 6:** Does your organisation have any experience in providing individualised packages?
Question 11: What assistance do you think the government should provide to help the disability sector to transition to an NDIS? Please select multiple options if relevant.

Other included a range of things including: Business planning, funding of brokerage and advocacy agencies and assistance with costing frameworks.

Question 12a: How confident are you that an NDIS will bring better outcomes for: a) People with a disability, their carers and their families?
**Question 12b:** How confident are you that an NDIS will bring better outcomes for: b) Your organisation

- 0%
- 5%
- 10%
- 15%
- 20%
- 25%
- 30%
- 35%
- 40%
- 45%

**Proportion of respondents**
Appendix C  Funded service types

The following tables provide a summary of the supported service types as outlined by the AIHW National Minimum Data set.

Accommodation support

- Large residential/institution (>20 people) – 24 hour care
- Small residential/institution (7-20 people) – 24 hour care
- Hostels – generally not 24 hour care
- Group homes (<7 people)
- Attendant care/personal care
- In-home accommodation support
- Alternative family placement
- Other accommodation support

Community support

- Therapy support for individuals
- Early childhood intervention
- Behaviour/specialist intervention
- Counselling (individual/family/group)
- Regional resource and support teams
- Case management, local coordination and development
- Other community support

Community access

- Learning and life skills development
- Recreation/holiday programs
- Other community access

Respite

- Own home respite
- Centre-based respite/respite homes
- Host family respite/peer support respite
- Flexible/combination respite
- Other respite

Employment

- Open employment
- Supported employment
- Open and supported employment
Advocacy, information and print disability

- Advocacy
- Information/referral
- Combined information/advocacy
- Mutual support/self-help groups
- Print disability/alternative formats of communication

Other support

- Research and evaluation
- Training and development
- Peak bodies
- Other support services
Appendix D  References


Bennett and Bijoux limited (2009) Investigation of Individualised Funding and Local Area Coordination-Type processes: A literature review.


Commonwealth of Australia (2010) Social Inclusion in Australia: How Australia is faring, Canberra: Department of the Prime Minister and Cabinet.


ECDP (2011) Briefing paper 3: Developing the service provider market to best meet the needs of holders of personal budgets, London: Office for Public Management.


Mental Health Coordinating Council (2011) Self Directed Funding and the Community Managed Mental health Sector: Opportunities and Challenges.


Productivity Commission, 2011 Disability Care and Support.

PricewaterhouseCoopers, November 2011: Disability Expectations: investing in a better life, a stronger Australia.


Strategies to build disability sector ICT capacity and enable the National Disability Insurance Scheme, 21 December 2011, National Disability Service Victoria and Nous Group.

References


Victoria Auditor-General, Individualised Funding for Disability Services, September 2011
Appendix E: End notes


vii Commonwealth of Australia (2010) Social Inclusion in Australia: How Australia is faring, Canberra: Department of the Prime Minister and Cabinet


ix Strategies to build disability sector ICT capacity and enable the National Disability Insurance Scheme, 21 December 2011, National Disability Service Victoria and Nous Group.


xiv Bennet & Bijoux (2009) Investigation of individualised funding and local area co-ordination-type processes: A literature review, 16 November 2009

xv Bennet & Bijoux, Investigation of individualised funding and local area co-ordination-type processes: A literature review, 16 November 2009

xvi Victoria Auditor-General, Individualised Funding for Disability Services, September 2011

xvii PricewaterhouseCoopers, November 2011: “Disability Expectations: investing in a better life, a stronger Australia”

xviii Productivity Commission, 2011 Disability Care and Support.

xix PricewaterhouseCoopers, November 2011: “Disability Expectations: investing in a better life, a stronger Australia”
