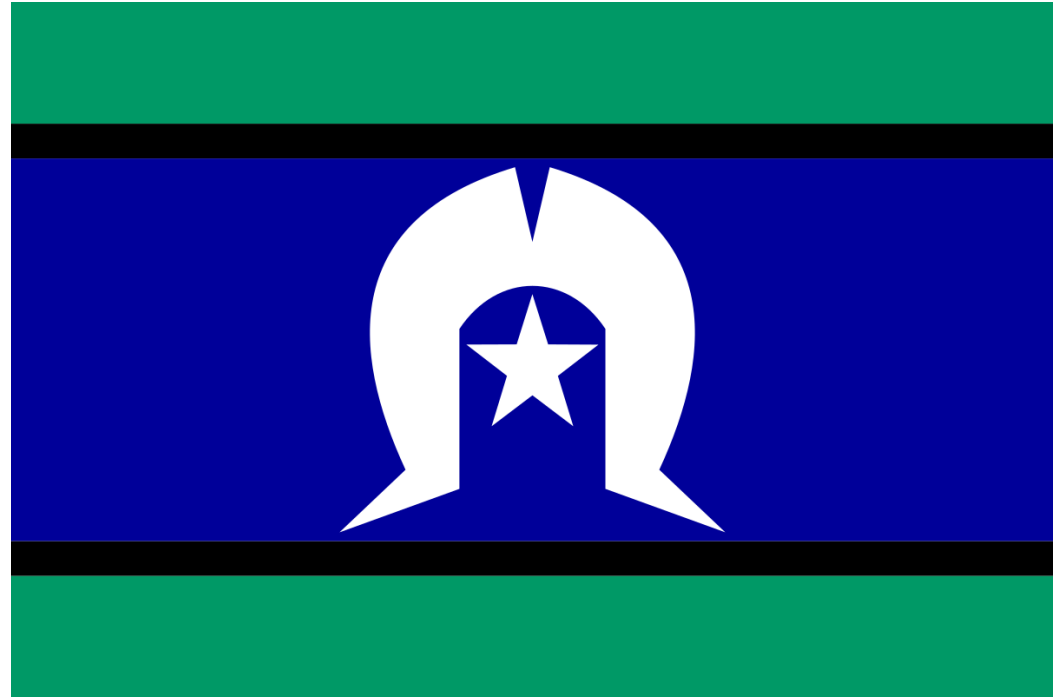


Sustainability in the NDIS

NDIS Success Roadmap – webinar six

Acknowledgement of Country



Welcome to Sustainability in the NDIS

The NDIS Success Roadmap



- ▶ Q&A on Tuesday 13 October
- ▶ Join the NDIS Success Facebook group
- ▶ Refer to the template Business Plan
- ▶ Fill in questions in the activity worksheet

Today's webinar

1. Revenue
2. Set-up costs
3. Costs in the NDIS environment
4. Operating costs
5. Covering costs
6. Cashflow
7. Targets
8. Recording and reporting
9. Business plan

1. Revenue

Revenue

Your NDIS Service(s)

- ▶ In webinar 3 we covered designing the NDIS Service(s) that you will provide
- ▶ This uncovers
 - Who your customers are
 - What services you will provide

Revenue limits - you can only charge so much...

NDIS Price Guide 2020-21

The NDIS Price Guide and Support Catalogue 2020–21 have been updated to reflect the [Annual Price Review](#) and indexed prices as a result of the Fair Work Commission Annual Wage Review 2019–20.

- [Price Guide 2020–21 \(DOCX 389KB\)](#)
- [Price Guide 2020–21 \(PDF 1.9MB\)](#)
- [Price Guide Schedule of Addenda \(DOCX 50KB\)](#)
- [Price Guide Schedule of Addenda \(PDF 296KB\)](#)
- [Price Guide Addendum \(DOCX 51KB\)](#)
- [Price Guide Addendum \(PDF 368KB\)](#)
- [Support Catalogue 2020–21 \(CSV 144KB\)](#)
- [Price Guide 2020–21 for Specialist Disability Accommodation \(SDA\)](#)
- [Assistive Technology, Home Modifications and Consumables Code Guide.](#)

Participant plan funds were automatically indexed from 1 July 2020 to take into account the decision of the Fair Work Commission and movement in the Consumer Price Index.

NDIS website: Price guides and pricing page

Revenue conditions - what you can't charge for...

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NDIS website: Price guides and pricing page

Drivers of revenue

Price

- ▶ As stated earlier, price and what you can charge will largely be driven by the NDIA

Quantity

- ▶ Market driven – participant's choice

2. Set-up costs

Before you can earn a dollar?

- ▶ Before you can earn a dollar **what do you need?**
 - Facility/venue?
 - Vehicles?
 - Equipment?
 - Insurance?
 - Office space?
 - Registration?
 - Staff?

These will form your set-up costs

- ▶ Everything you need to earn your first dollar **will form your set up costs**
- ▶ Some of these set-up costs will be one off costs and only required at the beginning of your operation such as
 - The bond for your office space
- ▶ Some of the set-up costs will be on going yearly fixed costs such as
 - Office rent
 - Insurance

Setup vs ongoing costs

	Description	Setup Cost	Ongoing Cost
1	Office space	Bond and rent in advance Fit-out	Rent
2	Staffing	Recruitment, training	Wages, superannuation, recruitment (staff turnover), training
3	Computer/phone	Computer and phone	Support, licensing and call costs
4	Vehicle	Purchase of vehicle (if applicable)	Finance/leasing costs (if applicable) Running costs and maintenance
5	NDIS Audits	Initial registration audit	Required every 18 months or every 3 years
6	IT Systems	Client Relationship Management (CRM), Accounting Software	Licensing

3. Costs in the NDIS environment

Multiple environments

- ▶ It is important to recognise the environment in which you operate or plan to operate in and the associated costs
- ▶ You will often operate in multiple environments, each with their own associated costs
- ▶ Broadly speaking, NDIS providers operate in four environments
 - Australian environment
 - NDIS environment
 - Competitive environment
 - Controlled environment

Australia

- ▶ It may sound obvious but the NDIS operates in Australia and as a provider operating a business in Australia, you will need to comply with Australian legislation
- ▶ As an Australian business you will need to comply with
 - Australian consumer law
 - The Competition & Consumer Act
 - Australia's employment laws including the Fair Work Act
- ▶ If you are an Australian not for profit you will also need to comply with ACNC requirements

Australian employment laws

- ▶ Minimum entitlements, including minimum wages, exist for employees in Australia
- ▶ Employers need to be aware of the conditions outlined in
 - The Fair Work Act namely the National Employment Standards (NES)
 - Relevant awards
 - Enterprise agreements
 - Employment contracts

The national minimum wage and the NES make up the minimum entitlements for employees in Australia.

An award, employment contract, enterprise agreement or other registered agreement can't provide for conditions that are less than the national minimum wage or the NES. They can't exclude the NES.

<https://www.fairwork.gov.au/employee-entitlements/national-employment-standards>

Australian employment laws

- ▶ Awards
 - The type of work conducted by an employee will determine the award that is applicable to them
- ▶ Employment contract
 - The type of employment in which an employee is employed will impact their minimum entitlements
 - For example casual employees are required to be paid a casual loading

NDIS environment

- ▶ As an NDIS provider there are a number of costs that are required to operate within the NDIS environment
- ▶ Registered and unregistered providers need to comply with the NDIS Code of Conduct
- ▶ Registered providers need to comply with the NDIS Practice Standards and Quality and Safeguarding Rules
- ▶ Ensure that you have
 - an in-house complaints management and resolution system
 - an in-house incident management system and notify the NDIS Commission of reportable incidents

NDIS environment

▶ Workers

- Need to be screened through the national worker screening process
- Meet behaviour support requirements (if applicable)
- Ensure workers receive the appropriate training

▶ NDIS Audits

- As a registered provider, you need to have audits with an approved quality auditor

Competitive environment

- ▶ Individuals get funding in their NDIS plan and they have **choice and control** on spending these funds. People with an NDIS plan can decide over their services, what should be delivered, how much, when and by whom
- ▶ Currently there are over 14,000 registered NDIS providers
- ▶ In a competitive environment you will need to bring on new clients and retain existing clients

Competitive environment

- ▶ As outlined in previous webinars, marketing will be crucial for some providers in bringing on new clients
- ▶ To retain existing clients in a competitive environment providers will have extra pressure to provide a good service
 - Efficient systems and processes that facilitate good customer service, such as CRM systems, will aid in providing a good customer experience

Controlled environment

- ▶ As outlined, NDIS providers operate in a controlled environment in relation to
 - The level of revenue that can be charged
 - The level of expenditure required
 - Minimum wages
 - Governance costs such as audits
- ▶ In a controlled environment that limits the revenue you can earn and requires certain levels of expenditure **there is an added importance on efficiency**

4. Operating costs

Operating costs

- ▶ Following your set-up costs, broadly speaking there are three types of on-going costs
 - Direct costs
 - In-direct costs
 - Future costs

Direct costs

- ▶ Direct costs are all the costs **directly** related to providing the specific product or service in question
- ▶ The most obvious direct cost is the hourly rate of an employee to provide an hour of service to a NDIS participant
- ▶ Please note that not all direct costs related to providing the specific service will be able to be claimed
 - For example your time spent scheduling staff to provide the service is not able to be invoiced for

Wages example

- ▶ When considering direct costs there may be direct costs that are not front of mind
- ▶ For example the hourly rate of an employee may also include:
 - Superannuation
 - Workcover levy
 - Transport costs
 - Supervisor wages costs
 - Training
 - Work hours unable to be invoiced for (unbillable hours)

Indirect costs

- ▶ Indirect costs are the costs required to assist in providing the specific product or service in question but are not directly related the specific product or service
- ▶ Examples of indirect costs include
 - Marketing
 - NDIS governance requirements such as audits
 - Head office rent

Indirect costs

- ▶ In-direct costs also include costs that are closely related to specific services but are not directly related to the service being provided
- ▶ Examples include:
 - Training for support workers
 - Unbilled time for direct workers such as breaks
 - Supervisor wages and on-costs

Cost efficiencies

- ▶ With prices and some aspects of costs are controlled, operating efficiently is critical to financial sustainability and profitability
- ▶ Worker utilisation: billable vs unbillable hours
- ▶ Process and system efficiencies
- ▶ Increase mobile working and reduce office costs
- ▶ Delegation of tasks to the appropriate level

Future costs

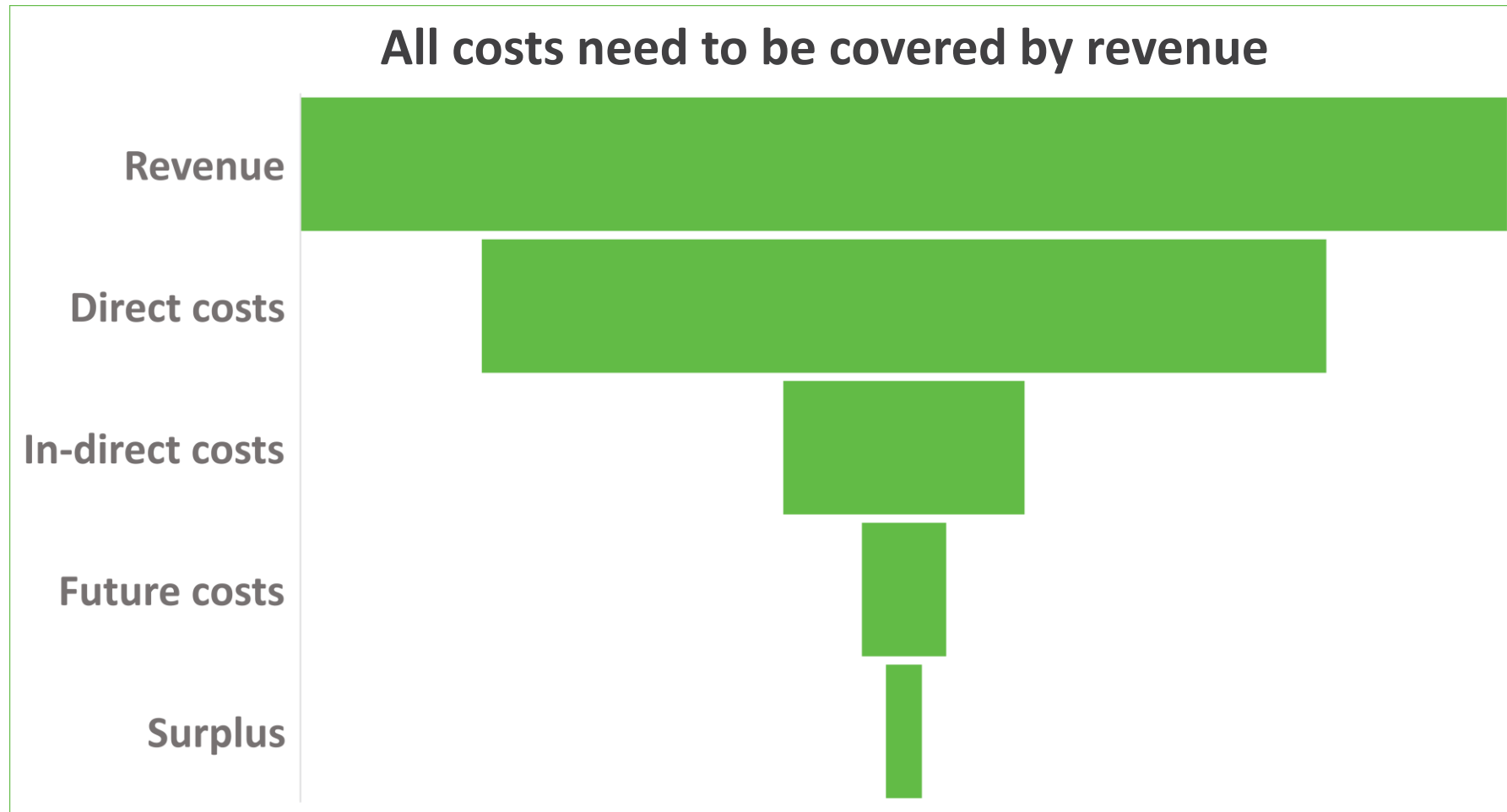
- ▶ Future costs are costs that may not be required today, but are likely to be required in future
- ▶ Examples of future costs could include
 - IT system upgrades
 - Internal process improvements
 - Equipment
- ▶ Plan ahead for ongoing service development, improvement and efficiencies
- ▶ Cost these plans into your medium to longer term budgeting and then build the financial requirements into your target profits

5. Covering costs

Covering costs

- ▶ All costs need to be covered by the revenue that you are able to charge
- ▶ This includes
 - Direct costs
 - Indirect costs and;
 - Future costs
- ▶ Although it may be relatively simple to determine and cover your direct costs, careful consideration must be given to your ability to
 - Determine an appropriate level of indirect and future costs and
 - Cover all indirect and future costs with the revenue that you generate

Covering costs



6. Cashflow

How the cashflow gap occurs

- ▶ In a perfect world you will be paid instantly upon providing a service
- ▶ For some this may occur, however you may not be paid for services provided for weeks or months after providing a service
- ▶ The cashflow gap occurs largely due to three reasons:
 1. Services are provided before you invoice
 2. Invoices are not created immediately after providing the service
 3. Once an invoice is issued, you are not paid immediately

NDIS Business Model

1. Service first, payment later

- The person pays for the service after the service is delivered
- The prepayment of services is not permitted

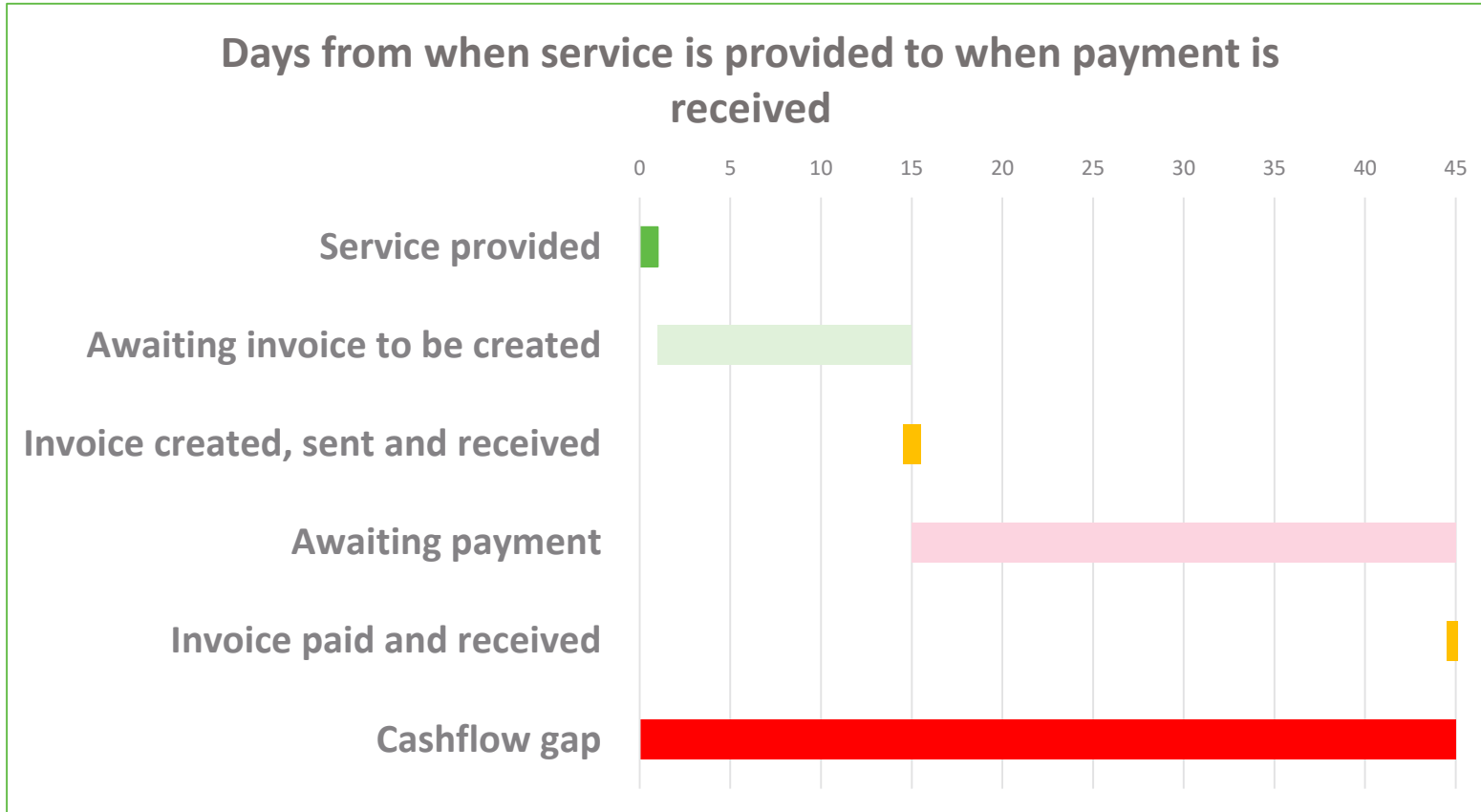
2. Invoice after service

- For agency managed participants, claim directly from the myplace portal
- For plan or self managed participants, the provider generates an invoice for the appropriate party
- Complicated invoicing procedures and requirements can delay the invoicing procedure

3. Awaiting payment

- Providers are reliant on third parties to pay their invoices in a timely manner
- Some parties will pay invoices in a more timely manner than others : can be anything from three days to a month or more

Cashflow gap example



- ▶ This chart shows payment being received 45 days after the service was provided
- ▶ Your ability to invoice quickly after a service allows you to get paid sooner
- ▶ How quickly you are paid after issuing an invoice, is likely the most significant factor in being paid for your services in a timely manner

Management of the NDIS plan

▶ **NDIA-managed / Agency-managed**

The provider claims the funding directly from the NDIA

▶ **Plan-management**

Plan Manager pays the provider on behalf of the participant

▶ **Self-management**

The participant pays the provider directly and claims the money from the NDIA

Plans can have a combination of these

Each way that an NDIS plan is managed will impact:

How you invoice

For example for an agency managed participant you may need to lodge an invoice through the myplace portal – either individually or as a bulk upload

How quickly you are paid

For example some plan managers may pay invoices sooner than others

Funding the cashflow gap

- ▶ You will need to fund this cashflow gap as you are very likely to continue incurring expenses while you are waiting to be paid
- ▶ How will you fund the cashflow gap
 - Savings?
 - Previous earnings?
- ▶ Additionally, how can you reduce your cashflow gap
 - Improved invoicing procedures?

7. Targets

Financial targets

- ▶ Targets allow us measure to our actual results against our expected or projected results
- ▶ Targets allow the tracking of goals and objectives to be quantified and measured
- ▶ Targets can be set for any time period
 - Weekly
 - Monthly
 - Annual

Targets in an NDIS context

▶ Revenue

- Revenue target
- Revenue growth target (if starting or expanding your organisation)

▶ Staff costs

- Wages as a percentage of revenue
- Direct worker utilisation (billable/unbillable hours)

▶ Profit/surplus

- Profit as a percentage of revenue
- Amount of profit to support future costs and/or build cash reserves

▶ Cashflow

- Debtor days (how quickly you get paid for services provided)
- Cash position

8. Record and review

Record and review

If you can't measure it, you can't improve it – Peter Drucker

- ▶ Recording and measuring the right data as early as possible will significantly improve your ability to review and analyse the sustainability of your operations

Record and review

- ▶ With the right system, in particular a modern accounting system, you will be able to:
 - Compare revenue from different services
 - Analyse how quickly you are being paid
 - Determine profitability
 - Review cashflow

Financial performance

▶ Actual results for each area should be compared to their respective targets on a regular basis for the following:

▶ **Revenue**

- Revenue target
- Revenue growth target (if starting or expanding your organisation)

▶ **Staff costs**

- Wages as a percentage of revenue
- Direct worker utilisation (billable/unbillable hours)

▶ **Profit/surplus**

- Profit as a percentage of revenue
- Amount of profit to support future costs and/or build cash reserves

▶ **Cashflow**

- Debtor days (how quickly you get paid for services provided)
- Cash position

Non-financial performance

- ▶ Results and efforts that are not directly recorded on financial statements should also be recorded and reviewed on a regular basis
- ▶ **Marketing**
 - Number of leads generated
 - Number of new clients
- ▶ **Staff**
 - Direct worker utilisation (if not included in financial reporting)
 - Staff turnover
- ▶ **Customer**
 - Customer turnover
 - Net promoter score
- ▶ **Compliance**
 - Adherence to requirements such as successful completion of internal and external audits
 - Complaints and incident registers

KPIs

- ▶ In providing an NDIS Service there are some key performance indicators (KPIs) to record and review regularly
 - Direct worker wages plus super as a percentage of revenue
 - All staff costs (including supervisor costs) as a percentage of revenue
 - Direct worker utilisation – hours invoiced as a percentage of all hours worked
 - Number of new clients each week/month/year (to measure marketing efforts)

9. Business Plan

Business plan template

- A. Organisation
- B. Market analysis
- C. Product/service
- D. Resourcing
- E. Compliance, quality and risk management
- F. Marketing strategy and plan
- G. Financials

Things to do next...

- ▶ Visit the Facebook group and post your questions
- ▶ Visit the website for resources
- ▶ Apply for free one to one support

One to one support

- ▶ Eight organisations
- ▶ From business plan to pilot
- ▶ Work with CBB Business Consultants from December to May
- ▶ Apply online by 30 October

Thank you



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