

# 2015 – 2019 Corporate Plan

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# 1 Introduction

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## Statement of preparation

We, the Board of the National Disability Insurance Agency (NDIA, or the Agency), as accountable authority, present the 2015-2019 NDIA corporate plan (the plan), as required under section 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 177(1) of the *National Disability Insurance Scheme Act 2013* (NDIS Act). The plan is prepared in accordance with the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule).

## 2 Purposes

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The National Disability Insurance Scheme (Scheme) is a once in a generation economic and social reform which has been agreed to by all governments and will benefit all Australians.

### Governance

The Scheme was established under the NDIS Act and commenced on 1 July 2013. The NDIS Act (in conjunction with other laws) gives effect to Australia's obligations under the United Nations (UN) Convention on the Rights of Persons with Disabilities, and its objectives include:

- Supporting people with disability to pursue their goals and maximise their independence and social and economic participation
- Developing the capacity of people with disability to participate in the community and in employment
- Providing reasonable and necessary supports, including early intervention supports, for Scheme participants
- Supporting people with disability to exercise choice and control in the pursuit of their goals and the planning and delivery of their supports
- Facilitating the development of a nationally consistent approach to the access to, and the planning and funding of, supports for people with disability
- Building a sustainable Scheme that is based on insurance principles.

The NDIS Act establishes the Agency, which is responsible for delivering the Scheme. The functions and powers of the Agency are prescribed by the NDIS Act.

The Agency is overseen by a Board, and is subject to the PGPA Act. The Board is responsible for ensuring the proper, efficient and effective performance of the Agency's functions, and determining the objectives, strategies and policies for the Agency. The Agency's governance structure also includes an Independent Advisory Council (IAC), which provides advice to the Board on the way in which the Agency performs its functions.

## Vision, mission and key goals for the Agency

The Board has established a 2013-16 Strategic Plan which sets out the vision, mission and key goals for the Agency. These are:

### **Vision:**

Optimising social and economic independence and full participation for people with disability.

### **Mission:**

Building and managing a world leading National Disability Insurance Scheme for all Australians.

### **Key Goals:**

- People with disability are in control and have choices, based on the UN Convention on the Rights of Persons with Disabilities
  - Build the capacity of people with disability to exercise choice and control in the pursuit of their goals
  - Promote the independence and social and economic participation of all people with disability and especially those who are vulnerable or marginalised
  - Recognise, nurture and uphold informal support and care arrangements, especially for children and vulnerable adults
- The National Disability Insurance Scheme is financially sustainable and governed using insurance principles
  - Base governance and operations on strong insurance principles using comprehensive and reliable data
  - Invest, including early intervention in a lifetime approach
  - Drive support services and workforce to be high quality, effective, efficient and responsive to the diversity of Scheme participants, so as to create a new dynamic and non-inflationary market for disability supports
- The community has ownership, confidence and pride in the National Disability Insurance Scheme and the National Disability Insurance Agency
  - Respect and actively seek the views of people with disability, their families, carers and the community
  - Work constructively with governments
  - Raise community awareness and knowledge of how to support people with disability

The 2013-16 Strategic Plan is underpinned by a modern approach to technology, based on connection, innovation, knowledge and efficiency, and a deep commitment to building the right culture in the Agency, based on the values of assurance, empowerment, responsibility, learning and integrity.

## Ongoing priorities for 2015-16 and beyond

- Continuing to deliver the Scheme on time, on budget and with a high level of participant satisfaction
- Continuing the Agency's commitment to co-design principles, which ensure that key processes and operational design elements of the Scheme incorporate the expertise of people with disability, their families and carers
- Establishing a new site in the Nepean Blue Mountains region of Western Sydney to provide early access to the Scheme for 2,000 individuals aged 0-17 years
- Designing and building an Information and Communications Technology (ICT) platform, in collaboration with the Commonwealth Department of Human Services (DHS) and Department of Social Services (DSS), to support the Agency's operations during the transition to full Scheme and beyond
- Delivering, and continuing to learn from, the final year of the trial phase of the Scheme in accordance with bilateral agreements to ensure that all eligible people with disability in trial sites have access to reasonable and necessary supports
- Engaging with participants, their families and carers, the disability sector, the Australian Government and the states and territories to learn from the experience of the trial sites to improve the operations of the Scheme and lay the foundations for transition to full Scheme
- Collecting and analysing data on the experience of the trial sites to inform the design of full Scheme, and refining and implementing the reference packages, Outcomes Framework and simplified catalogue of supports
- Encouraging a participant-focused, responsive and efficient market that is based on contestability and innovation
- Establishing infrastructure and engaging staff to deliver full Scheme in accordance with the bilateral agreements
- Settling the Service Delivery Operating Model (SDOM) for full Scheme, including the model for Local Area Coordination (LAC) and Information, Linkages and Capacity Building (ILC)
- Growing the Agency's people capability and building a strong culture within the Agency as an organisation that values learning, collaboration and professionalism in accordance with the Agency's values in the Strategic Plan.

## 3 Environment

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The Scheme operates in a complex environment, which presents challenges on a number of fronts.

### Authorising environment – a popular and national reform

The Scheme was established by the Commonwealth with the agreement of all states and territories on the basis of widespread and popular support in the community. While the Scheme is established under a law of the Australian Parliament, it is designed in a way that reflects the stakeholder share each government has in the Scheme.

Key elements of the governance of the Scheme include:

- **The Council of Australian Governments (COAG) Disability Reform Council (DRC):** is a COAG ministerial council, made up of treasurers and ministers responsible for disability from the Commonwealth and each state and territory, and is the principal decision-maker on Scheme policy issues.
- **The Commonwealth Minister:** is responsible for administering the NDIS Act, and exercises statutory powers with the agreement of states and territories, including a power to make delegated legislation in the form of rules under the NDIS Act and give direction to the Agency.
- **The Board of the Agency:** membership of which is determined by the Commonwealth Minister in consultation with the states and territories. The Board is responsible for the proper, efficient and effective performance of the Agency's functions and determining the objectives, strategies and policies to be followed by the Agency.
- **The Agency:** administers the Scheme including holding and managing funds contributed by the Commonwealth, states and territories, managing access to and payments under the Scheme, and carrying out other functions (such as the collection and analysis of data) that are necessary for the Scheme's performance.

As a popular reform designed to benefit people with disability, their families and carers, the formal governance structure for the Scheme reflects only part of the authorising environment for the Agency. Consistent with the principle of “nothing about us without us”, people with disability are at the heart of designing how the Scheme is carried out.

The Agency utilises the experience and expertise of people with disability, their families and carers, in a range of ways including through extensive feedback mechanisms and engagement activities at both the local and national level. This knowledge and expertise is a central pillar of the work of the IAC.

The membership of the IAC must always include:

- a majority of people with disability
- at least two carers of people with disability
- at least one member with the skills, experience or knowledge in relation to disability in rural or remote areas, and
- at least one member with skills experience or knowledge in the supply of equipment, or the provision of services, to people with disability.

The IAC provides the Board with independent advice, and is available to the Agency for expert consultation and feedback. The IAC meets on a regular basis, and is embedded within the Agency's and the Board's co-design and consultation processes. The IAC makes regular visits to trial sites to ascertain the progress of the day-to-day implementation of the Scheme.

The Agency also respects and learns from external reviews of the Scheme such as the hearings and findings of the Parliamentary Joint Standing Committee (JSC) on the National Disability Insurance Scheme. The JSC was established by the Australian Parliament on 2 December 2013, and is tasked with reviewing the implementation, administration and expenditure of the Scheme.

Another way in which the Agency formally incorporates the expertise of people with disability is through the co-design of key processes and operational elements of the Scheme. Eight principles guide the Agency's approach to co-design:

- Create a shared understanding of the intent, objectives and goals of the co-design activity
- Take a holistic, user-centred approach, that is based on story-telling to help to illustrate the context
- Engage early and often
- Follow a structured yet flexible process
- Ensure there is representation of diverse stakeholder groups
- Make it inclusive, taking into account the physical and emotional environment and ensuring co-design methods are accessible to enable meaningful participation
- Manage expectations and clearly communicate constraints, allowing stakeholders to understand why some ideas are not possible
- Close the loop through clear and timely follow up engagement; share data, findings and next steps for the project.

### **A new way to look at disability support – the insurance approach**

The Scheme represents a radical shift in thinking about disability support. The Scheme departs sharply from the traditional welfare orientation to an individualised approach that focuses on a person within the context of their life.

The Scheme is based on four insurance principles:

- **Actuarial estimate of long-term costs:** This estimate will be a living reflection of emerging experience of utilisation and cost, and will assist the Board and Agency to ensure the Scheme is financially sustainable. The aggregate annual funding requirement will be estimated by the Scheme Actuary's analysis of reasonable and necessary support need, including a buffer for cash flow volatility and uncertainty. The aggregate funding requirement will comprise equitable resource allocation at an individual and subgroup level, and will be continually tested against emerging experience. This will require a comprehensive longitudinal database.
- **Long-term view of funding requirements:** Unlike historic welfare schemes, the Scheme will focus on lifetime value for scheme participants, and will seek to maximise opportunities for independence, and social and economic participation, with the most cost-effective allocation of resources. This will align the objectives of the Scheme with those of participants and their families.
- **Investment in research, innovation and outcome analysis:** The Agency will support insurance-based governance through a long term approach with the objective of social and economic participation, and independence and self-management, for participants. One example of work being undertaken in this space includes the enhancement of reference packages. These provide guidance on the types of supports that are commonly provided and increase the flexibility for participants. The development and implementation of an Outcomes Framework which measures the extent to which participants are achieving their goals, is another example.
- **Investment in community participation and building social capital:** To further support long term investment, the Agency will, over time, invest at a systemic level in addition to providing for individual supports. The Scheme will support the development of community capability and social capital so as to provide an efficient, outcomes-focused operational framework, local area coordination and a support sector which provides a high quality service and respects participant social and economic participation and independence. This includes (a) encouraging the use of mainstream services to increase social and economic participation of people with disability, and (b) building community capacity and social capital, which will be particularly important for people with disability who are not participants. The ongoing implementation of the National Disability Strategy by governments will support this work.

The supports available to individual participants in the Scheme are based on the goals and aspirations identified by the participants as part of their plan. Once reasonable and necessary supports are determined, the participant directs how funds are spent and who delivers their supports. A core tenet of the Agency's approach to funding supports is to enable participants to live an 'ordinary' life. This is also consistent with the approach recommended by the IAC.

Choice and control is a fundamental element of the Scheme. The Scheme empowers participants to own their goals and aspirations and to control how they attain greater social and economic participation.

### **The disability sector – enabling choice and control**

Choice and control for participants is dependent on the availability of genuine options for how supports are accessed. Providers of support are fundamental to the Scheme delivering on its outcomes.

Traditionally most governments' funding arrangements with the disability sector have been of a programmatic nature, usually in the form of bulk funding. The Scheme focuses on individualised funding. Choice and control is not only an innovation for participants, it represents a major shift for providers. For participants it means greater consumer power to pick and choose providers and supports. Consumer power will drive innovation and encourage a greater focus on the needs of the individual.

The provider sector will flourish under this new way of doing business as it reflects what many providers have been trying to achieve under the previous, underfunded and rationed system. However, it will take time for the market to mature. The Agency will need to support providers, as well as participants, to respond in an innovative way to the shift in consumer influence. The Agency will strive to develop and enhance the disability sector by facilitating innovation, research and best practice in the sector.



## 4 Performance

In 2015-16 the Scheme is in the third and final year of its trial phase and the Agency continues to harness lessons learnt during this phase. Learning and building from the trial is essential to ensure the Scheme is sustainable and can be delivered across Australia. The Agency recognises that, especially during the transition from trial to full Scheme, this learning and building will play an important role in improving the Agency's performance. The Agency's performance monitoring and measurement will continue to mature as the Agency develops but ultimately the success of the Agency and the Scheme will be measured by outcomes achieved against our three strategic goals. The Agency and the Scheme will be successful if:

- Goal One: the Scheme is financially sustainable, everyone who should be in the Scheme is a participant and participants are improving their social and economic participation in line with their aspirations.
- Goal Two: participants have choice and control over the supports they access, participants are linked with community and mainstream supports and economic opportunities and informal supports are accessible.
- Goal Three: the community is satisfied with the outcomes of the Scheme, co-design has been and remains a key element of designing the Scheme and the Agency is delivering the Scheme effectively and efficiently.

### Performance information 2015 – 2016

Intended results	Activity	Delivery strategy	Performance monitoring and measurement
<b>1. The National Disability Insurance Scheme is financially sustainable and governed using insurance principles</b>	Provide reasonable and necessary care and support for participants	<p>Base governance and operations on strong insurance principles using comprehensive and reliable data</p> <p>Invest, including early intervention in a lifetime approach</p> <p>Drive support services and workforce to be high quality, effective, efficient and responsive to the diversity of Scheme participants, so as to create a new dynamic and non-inflationary market for disability supports</p>	<p>Participants achieve outcomes in line with the goals and aspirations specified in their approved plans as measured by the Agency's Outcomes Framework, with the outcomes of 2015-2016 to inform the baseline for future years</p> <p>The Scheme effects positive change on the lives of families and carers of people with disability, as measured through the Outcomes Framework, with the outcomes of 2015-2016 to inform the baseline for future years</p> <p>Cost of reasonable and necessary supports measured against bilateral agreements and Scheme Actuary forecasts</p> <p>Number of participants who access the Scheme measured against bilateral agreements and Scheme Actuary forecasts</p> <p>Establishment of a framework for measuring market sustainability, diversity and efficiency</p>
<b>2. People with disability are in control and have choices, based on the UN Convention on the Rights of Persons with Disabilities</b>	Provide information, linkages and capacity building	<p>Build the capacity of people with disability to exercise choice and control in the pursuit of their goals</p> <p>Promote the independence and social and economic participation of all people with disability and especially those who are vulnerable or marginalised</p> <p>Recognise, nurture and uphold informal support and care arrangements, especially for children and vulnerable adults</p>	<p>Participants have choice and control over the supports they access, and how and when these supports are accessed, as measured by reference to the utilisation of reasonable and necessary supports in plans and the Agency's Outcomes Framework, with the outcomes of 2015-2016 to inform the baseline for future years</p> <p>Participants have access to a range of relevant service providers and social and economic opportunities, as measured by reference to the utilisation of reasonable and necessary supports in plans and the Agency's Outcomes Framework, with the outcomes of 2015-2016 to inform the baseline for future years</p> <p>Establishment of a framework for measuring people with disability's access to a range of informal and mainstream supports</p>
<b>3. The community has ownership, confidence and pride in the National Disability Insurance Scheme and the National Disability Insurance Agency</b>	Build the Agency's capability to enable the delivery of full Scheme	<p>Respect and actively seek the views of people with disability, their families, carers and the community</p> <p>Work constructively with governments</p> <p>Raise community awareness and knowledge of how to support people with disability</p>	<p>Participants are satisfied with the Agency as measured by satisfaction surveys</p> <p>Participants and the community are satisfied with their level of engagement in the design of the Scheme and the framework for delivery of the Scheme</p> <p>Responsive and effective engagement with the COAG Disability Reform Council and Joint Standing Committee, as measured through their satisfaction with the Agency</p> <p>The community is satisfied that the Agency has the capacity and capability to deliver the transition to full Scheme effectively and efficiently as measured by the successful implementation of new service delivery centres in line with bilateral agreements and the recruitment of staffing resources</p>

## Performance information 2016 – 2017

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## 5 Capability

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To date the Agency has made significant achievements in successfully implementing trial sites across all states and territories, with the exception of Queensland. The Agency has a Memorandum of Understanding with Queensland, which will join the Scheme in 2016. An exponential increase in the number of participants from about 18,900 in June 2015 to an expected 456,900 participants when full Scheme is rolled out will require an equivalent increase in the Agency's capability to service this increased number of Scheme participants.

The Agency understands and accepts that it faces significant challenges to ensure the successful rollout of full Scheme. Ongoing and significant investment in building key components of the Agency's capability is required to ensure these challenges are met. The Agency has strategies in place to address core capability in areas such as people, service delivery, infrastructure (including ICT) and communications.

### People

The Agency has developed a workforce planning strategy to map the number and capabilities of staff required for not only a successful transition to full Scheme but also for the ongoing operational requirements post transition. The Agency's ongoing staffing resources are expected to increase from approximately 700 in July 2015 to between 2,500 and 3,000 by 2019-20. During the 'surge' stage of the transition to full Scheme, the Agency anticipates engaging specific resources to address short term capability and capacity requirements.

The Agency's workforce planning strategy is not based upon the Agency's current operations. Instead it is focused on the Agency's projected capability requirements, while remaining agile and responsive to unforeseen circumstances in rolling out full Scheme. Thus the Agency is heavily focused on what our future role may be and building people capability to support those activities.

A key area of focus for the Agency is building our leadership capability. This will not only assist in the successful engagement of participants and staff for delivery of full Scheme but will ensure the Agency develops and nurtures strong working and professional relationships with all stakeholders, both internal and external. This is a key success factor, as the Agency has a variety of stakeholders, who, as part of their commitment to the success of the Scheme, have a strong desire to contribute to its refinement and growth.

The Agency is working collaboratively with key stakeholders to ensure appropriate people capability is developed and deployed. For example, the Agency has worked with the Australian Public Service Commission on the recruitment of additional Senior Executive Service level staff. Likewise, the Agency is working across jurisdictions to negotiate the recruitment of a suitable workforce into the Agency as it transitions to full Scheme. This will facilitate the early and upfront approval for recruitment and ensure the right person is in the right job, at the right place, at the right time.

## Service delivery

In response to the need to successfully roll out full Scheme, the Agency has developed the SDOM strategy. The SDOM maps the customer experience both within the transition period and after full Scheme rollout. The SDOM enunciates what services the Agency will deliver to participants, the channels participants will have to access the Agency's services, and the minimum expectation of the frequency of contact between participants and the Agency. The SDOM will be rolled out progressively to support the transition to full Scheme.

The Agency is committed to a people-centred approach to service delivery and has adopted co-design principles to ensure nothing is done for participants without participant input and engagement. The IAC is a key resource for the Agency in this regard. The Agency will continue to utilise the knowledge, expertise, networks, and lived experience of the IAC members for ideas and responses to operational and policy options.

The Agency will continue to utilise lessons learnt from the trial phase of the Scheme to enhance an already solid foundation of policies, processes and procedures to support participants to access and take full advantage of the Scheme. The Agency has established, and will continue to build, ways of working that support responsive and high quality service for participants, with a particular focus on the needs of people in regional and remote communities.

During the trial phase of the Scheme, the Commonwealth and state and territory governments have agreed that they will continue to be responsible for systems of quality assurance and safeguards, and will work to develop and transition to a nationally consistent approach to quality assurance and safeguards. In early 2015, DSS released a consultation paper on the proposed national quality and safeguarding framework. This consultation paper and the findings from the public consultations will form the consultation element of a COAG Regulatory Impact Statement for consideration in late 2015.

## Infrastructure

The ICT system currently used by the Agency is the best that was available at the time of launch but is not fit for full Scheme. In recognition of this, the Agency obtained Commonwealth approval to design and build a new ICT system. The new ICT system will be built by, and designed in collaboration with, DHS and DSS, with a focus on meeting the needs of participants, service providers and the Agency.

This work faces significant challenges. In particular, the specifications for the build will need to be developed before the Agency's full operating model has been completed. The specifications and the build-in-progress will then need to be refined as the final details of the design of the transition to full Scheme are settled. Given the compressed timeframe, the Agency saw significant advantages in using existing resources that are available and fit for purpose in DHS and DSS. Partnering with DHS will provide the capability, technical knowledge and deep understanding of the Scheme required for the Agency to successfully build and deploy a fit for purpose ICT system.

By 2019, the Agency expects to require approximately 100 direct service delivery sites throughout Australia, including within regional and remote communities, delivered across 14 regions. As part of the Agency's strategic property plan, the Agency has adopted whole-of-government policies in regard to co-locating our service delivery sites within existing Commonwealth property infrastructure, where feasible. This will, in most locations, provide the capability to quickly and effectively stand up new sites that are fit for purpose.

## **Communications**

The Agency has a clear responsibility to report to stakeholder governments on progress. It also has a responsibility to inform and engage with participants, potential participants and their families and carers, and the wider community about its performance and plans for the future. Under the insurance approach, every Australian is covered by the Scheme in the event of significant disability acquired before the age of 65. The Agency is being innovative in its online and digital communications and is achieving a high level of engagement and feedback. Many people in the disability community are regular users of information technology and social media, which provides a valuable opportunity for the Agency to interact directly with its community of interest.

To enhance communication between diverse stakeholders, the Agency has created a communication strategy. At the heart of this strategy is ensuring the Agency informs current and potential participants about the Scheme and the role of the Agency. The strategy will also define the Agency's approach to shared communications with both Commonwealth and state and territory governments.

The Agency sees a key role for strategic communication initiatives in building public trust and confidence in the Agency, which is crucial to a successful implementation of the Scheme. Further, the NDIS Act gives the Agency a responsibility to develop and enhance the disability sector, and to build community awareness about disabilities and the social contributors to disabilities. This will become a more important function as the Agency matures and builds an unprecedented repository of rich data about improving outcomes for people with disability.

The Agency's current website does not sufficiently support and underpin the Agency's strategic communication needs or its commitment to optimising the experience of users. Developing an exemplary website is a key priority for the Agency. A new, best practice website tailored to the needs of participants and the sector is currently under development in conjunction with the new fit-for-purpose ICT system, and is expected to be deployed for full Scheme.

## **Optimising delivery – exploring delivery models**

The Agency, conscious of the large investment being made into the Scheme by governments and taxpayers, is striving to identify the most efficient and effective methods of delivery for each element of the Scheme. During 2015-16, detailed analysis of delivery options, including outsourcing and collaborative partnerships, across all elements of the interface with the Scheme will be finalised.

In considering delivery options, the Agency will also have regard to alignment with the principles in the Competition Policy Review (Harper Review) including:

- divestment from direct service delivery by government
- allowing for community ownership, and
- recognising the value of co-design in leveraging community knowledge and generating greater consumer trust.

The Agency will continue to progress detailed design work to ensure that participants have multiple channels to access the Scheme; there are increased opportunities for self-direction through the planning process; and multiple partners are available to aid in the planning process which will assist in facilitating increased choice for participants.

A key focus of this work will be determining the Agency's approach to the delivery of LAC. This will need to take into account the very different models and opportunities that we have had during the trial across different jurisdictions.

In determining delivery options, the Agency will be looking to ensure strong connections with the community and to base its decisions on evidence. LAC can assist people with disability to build connections to the community, and to develop their capability to interact with community and mainstream supports, information and opportunities. LAC can therefore assist to reduce reliance on, and expectations of, funded support and work to create better outcomes for the person through capacity building. The Agency's strategic workforce requirements will be aligned with the agreed approach to LAC service delivery as reflected in the SDOM.

### **Scheme market and submarkets**

The Agency is working to build a vibrant and competitive Scheme marketplace (and submarkets) comprising informed and active consumers, and innovative competitive suppliers, by:

- facilitating the provision of reliable and accessible information
- empowering participants to be informed and active consumers
- undertaking activities to accelerate market supply responses
- identifying and managing short-term market risks
- creating an environment in which innovation in technology will thrive around the Agency
- engaging with existing and potential new providers, and understanding the barriers they face transitioning to the Scheme, and
- establishing Agency processes, capability and systems to enable its role in market stewardship.



The Agency is likely to have three core functions once markets have matured:

- **Analyse / monitor:** The Agency will gain a better understanding of best practice, market share, pricing, emerging supply risk and unacceptable conduct.
- **Facilitate, shape and inform:** The Agency will engage and provide information to stakeholders in accessible forms, shape and drive a new eMarket, support innovative forums, conduct training, provide market insights and feedback and signal demand.
- **Anticipate and respond to market failure:** The Agency will utilise agreed responses, where, for example, there is a risk of market failure, to address thin markets. Careful commissioning will be required. The Agency will need to ensure monitoring of access and quality standards and remain outcomes focused.

To enable and accelerate the development of Scheme market and submarkets, the Agency is undertaking a work plan to build both supply and demand. In the short-term, the Agency will have an active role in facilitating markets to ensure there is sufficient and innovative supply for participants. The first point of action in this regard is reducing or removing information gaps in the market, and providing clarity on marketplace risks and opportunities. In addition, the Agency is focussed on identifying gaps in submarkets where Scheme transition will likely trigger or reveal the lack of supply or significant risks to supply.

Participants must be the core focus of the Scheme marketplace, with their desired goals and outcomes shaping services offered in the market. In order to drive this market effectively, participants need to be informed and active (demanding) consumers. Experience to date in the trial site has demonstrated that the Agency has a role to play in building the capacity of participants so that they can 'vote with their feet'. This will require aspiration, information, role models and facilitation.

Through the Sector Development Fund (SDF), the Agency has funded 18 community organisations around the country to work with people with disability and their families and carers to support them to make the most of the opportunities presented by the Scheme and engage effectively with the Scheme. The SDF transferred to DSS in late 2014 and the Agency continues to work collaboratively with DSS to identify projects and parts of the sector best suited for SDF funding.

The Agency is also looking at options for the development of an e-Market to support the Scheme. Properly designed, an e-Market will have the capacity to change dramatically the environment in which both participants and providers engage with each other, by creating a virtual community and realising network-effect benefits. It would offer the potential to increase radically the capability of participants to be informed and active consumers, and enable providers (existing and new) to assess the market and compete with new support models. Information asymmetry is a key impediment the Agency needs to address. In addition to influencing supply and demand, an e-Market would be a mechanism for the Agency to monitor, facilitate and respond to the market as required, and would have the capacity to facilitate efficient and secure payments between market participants.

## 6 Risk Management

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The Scheme's focus on maximising participant choice and control in the provision of supports requires a careful approach to risk management.

In this context, the Agency's approach to risk management is not to be risk averse, but instead to acknowledge risks explicitly and seek to understand and manage them in a balanced way.

### **Risk management approach**

The Board's approach is to ensure that risk management is integral to the way the Agency conducts its business. In this way, the Board seeks to ensure that the benefits of a structured approach to risk management are realised.

The Board has defined these benefits as increasing the likelihood of the Agency achieving strategic and business objectives; encouraging a high standard of accountability at all levels of the organisation; supporting more effective decision making through better understanding of risk; creating an environment that enables the Agency to deliver timely services and meet performance objectives in an efficient and cost effective manner; safeguarding the Agency's people and its assets; and meeting compliance and governance requirements.

The Board has adopted *Prudential Standard CPS 220*, promulgated by the Australian Prudential Regulation Authority (APRA), as the best practice standard it seeks to emulate. This is in addition to meeting the requirements of the *National Disability Insurance Scheme—Risk Management Rules 2013* (NDIS Risk Management Rules). Generally accepted international risk standards, and in particular *ISO 31000:2009: Risk management – principles and guidelines*, and other legislative requirements are also factored in to the development of the Agency's Risk Management Strategy.

### **Risk Management Strategy**

Consistent with CPS 220, and the requirements of section 8 of the NDIS Risk Management Rules, the Board has formulated a Risk Management Strategy for the Agency, which is approved by the COAG Disability Reform Council.

The Board develops strategic goals and objectives, identifies key risks (strategic risks) to achieving the goals and objectives, and then articulates its attitude towards the management of them through a risk tolerance statement.

Of particular importance is ensuring that risks to the achievement of the Board's strategic objectives are adequately addressed through the Agency's business planning processes.

Identifying strategic risks during the business planning process allows the Board to set realistic delivery timelines for strategies and activities, or to choose to remove a strategy or activity if the associated risks are too high or unmanageable. The impact of changing strategic risk levels over a given time period can then be mapped to the relevant objective, enabling more timely expectation management with key stakeholders.

Additionally, the Board has identified a number of projects of strategic significance for which additional, time-limited effort is needed to ensure the achievement of objectives. Examples include designing and building the fit for purpose ICT solution, expansion of the Scheme to new locations, development of the SDOM, and market design and development. These projects are monitored by the Board separately from regular management performance reports.

Risks to the successful delivery of projects are assessed and treated as part of the project management process, with accountability vested at the General Manager level.

### **Risk governance**

Ultimately, the Board is responsible for ensuring efficient and effective risk management practices in the Agency. Under the NDIS Risk Management Rules, the general responsibilities of the Board include:

- preparing a written Risk Management Strategy
- ensuring the Agency has a sound risk management culture
- ensuring members of the Agency's Executive Management Group take the steps necessary to monitor and manage material risks likely to be faced by the Agency
- ensuring the Agency's operational structure facilitates effective risk management
- ensuring the Agency develops policies and processes for making decisions affected by risk that are consistent with the Risk Management Strategy, and
- ensuring the Agency dedicates sufficient resources to risk management.

Consistent with CPS 220, the Board's responsibilities also include ensuring that risk management functions have adequately experienced staff with relevant technical knowledge and experience to facilitate the development, ongoing review and validation of the risk management framework, and appropriate seniority and authority with independent reporting lines to the responsible Board committees.

The Board established the Audit and Risk Committee, which helps it to fulfil its responsibilities under the NDIS Act and the PGPA Act. The Committee's objective is to provide independent assurance and advice to the Board on the Agency's risk, control and compliance framework and its financial statement responsibilities.

The Committee oversees the development and implementation of the Risk Management Strategy and provides assurance to the Board, independent of management, on the effectiveness and efficiency of the Agency's Risk Management Strategy and framework. The Committee also notifies the Board of any significant breach of, or material deviation from, the Risk Management Strategy or framework.

The Committee comprises both Board members and members who are independent of the Board and the Agency. The Committee holds a broad range of skills and experience relevant to the insurance sector, government programmes and risk management.

Complementing the Audit and Risk Committee is the Agency's own internal Assurance, Audit and Risk Committee (AARC), which is responsible for the internal advice and assurance to the Executive Management Group and the CEO on relevant risk matters within the Agency. The AARC is chaired by the Chief Risk Officer (CRO) and comprises senior executives of the Agency. The AARC has primary responsibility for Agency-wide operational risk management processes, fraud control and internal audit.

The CRO assists the Board and senior management by providing objective review, oversight, monitoring and reporting in relation to risk to the Agency's business operations. The CRO works with Agency managers to establish effective risk management in their areas of responsibility. The CRO has independent access to the Audit and Risk Committee and the resources to help effect appropriate enterprise risk management across Divisions and Branches, functions and activities.

The Sustainability Committee of the Board pays particular attention to the management of risks around financial sustainability including the achievement of outcomes by participants. The full Board regularly considers reports on the management of risks to the achievement of its strategic objectives, and reviews progress with the management of projects of strategic significance.

In recognition of the importance of managing prudential risk, the Audit and Risk Committee and the Sustainability Committee work closely to ensure the integration of risks identified by the Scheme Actuary into broader Agency-wide risk management mechanisms. The Scheme Actuary also has a standing invitation to attend meetings of the Audit and Risk Committee as an observer.

The Scheme Actuary is continually assessing the financial sustainability of the Scheme and provides the Agency's Executive and the Board with information on Scheme performance, from which decisions can be made to ensure the Scheme remains financially sustainable. The Scheme Actuary is responsible for producing the annual financial sustainability report and quarterly reports, developing a detailed monitoring framework of continuous evaluation, and ensuring that Agency staff understand and apply the insurance principles of the Scheme.

Both the Reviewing Actuary and the Scheme Actuary are appointed by the Board under the NDIS Act. The role of the Reviewing Actuary is to review and report on the annual financial sustainability report, as well as the actuarial reports and advice that the Board receives. If the Reviewing Actuary has significant concerns about the financial sustainability of the Scheme or the risk management processes of the Agency, those concerns must be reported to the Board as soon as reasonably practicable.

## 7 Financial Sustainability

The Agency is a body corporate established under section 117 of the NDIS Act and is a corporate Commonwealth entity subject to the PGPA Act. The Agency will hold amounts for expenditure related to the performance of its functions, and is required to manage, and to advise and report on, the financial sustainability of the Scheme.

Estimates of expenditure, including participant support, community development and Agency costs are:

Programme	2015-16 \$M	2016-17 \$M	2017-18 \$M	2018-19 \$M
Reasonable and necessary care and support for participants	850.6	3,629.1	10,388.5	17,550.5
Community inclusion and capacity development grants	6.7	25.7	65.2	110.1
Agency Costs	221.6	676.5	1,331.3	1,541.0
<b>Total</b>	<b>1,078.9</b>	<b>4,331.2</b>	<b>11,785.0</b>	<b>19,201.6</b>

Note: Discrepancies in totals may exist due to rounding.

Expenditure on participant support will be jointly funded by the Commonwealth and state and territory governments. The income sources that will be drawn on by the Agency to meet these costs are:

Funding sources for reasonable and necessary care and support for participants	2015-16 \$M	2016-17 \$M	2017-18 \$M	2018-19 \$M
Rendering of Services Revenue <sup>1</sup>	291.1	2,385.8	6,729.3	10,838.1
In-kind Contributions <sup>2</sup>	300.5	180.9	599.5	1,168.6
Appropriation	259.0	1,062.3	3,059.7	5,543.8
<b>Total</b>	<b>850.6</b>	<b>3,629.1</b>	<b>10,388.5</b>	<b>17,550.5</b>

<sup>1</sup> Includes cash contributions from state and territory governments and repayment of Commonwealth Grants

<sup>2</sup> Service provided in-kind to participants on behalf of either the Commonwealth Government and/or state and territory governments.

The estimates include notional costs of transition to full Scheme over the forward estimates period. State and territory contributions to the trial phase of the Scheme have been agreed in the context of the Intergovernmental Agreement on the National Disability Insurance Scheme Launch. Negotiations on transition to full Scheme are ongoing.

The Board will manage any short-term differences in funding requirements within the overall long-term funding envelope agreed by stakeholders, utilising flexibilities available through the Commonwealth Budget process for management of cost variations between financial years.

The financial framework of the Agency is defined under the PGPA Act and the NDIS Act. Financial framework elements include:

- reporting and audit requirements
- compliance with general government policies
- banking and investment powers
- guidance on entering into contracts
- receipt of money from host jurisdictions for the purpose of funding supports
- recovery of compensation amounts and incorrect payments from participants and financial institutions, and
- exemption from income tax and state taxes and charges.

The Board and the Agency recognise the need to maintain vigilance and oversight of the Agency's operating costs and the Scheme's sustainability. The Board receives regular updates on the Agency's operating expenditure and the sustainability of the Scheme in the light of the emerging costs of participant supports, and taking into account the advice of the Scheme Actuary. A quarterly report on the sustainability of the Scheme is produced and delivered to the COAG Disability Reform Council.

### **Agency costs**

The Agency's resourcing in the early years of launch includes a significant investment in infrastructure, including the development of a national ICT system and the establishment of service delivery centres in line with bilateral agreements.

The Agency has made, and will continue to make, significant investment in project management capability and capacity to support the rollout of full Scheme and avoid cost overruns. This includes the establishment of an Enterprise Program Management Office to support project delivery across the Agency.

To deliver full Scheme, the Agency will be required to increase staffing and other resources progressively in line with a significant increase in participant numbers and geographical expansion of the Scheme. The Agency is committed to delivering these resources in line with bilateral agreements. A number of mechanisms are in place to manage this growth including:

- a prioritised resource allocation model in line with Agency strategy (including early investment in critical Agency functions)
- comprehensive and nationally consistent financial policies and processes
- regular internal reporting and analysis of financial results and non-financial indicators, and
- a formal approach to financial risk mitigation, with oversight from the CEO and the Board.

## Scheme sustainability

The Board is advised by the Sustainability Committee, established to assist the Board to fulfil the Agency's functions under section 118(1)(b) of the NDIS Act, in assessing, monitoring, reporting on and managing the financial sustainability of the Scheme. The Committee includes independent members who bring significant actuarial skills and experience in regard to insurance based schemes. The objective of the Committee is to provide advice to the Board on the sustainability of the Scheme. The Committee meets at a minimum on a quarterly basis, and analyses Scheme Actuary reports.

The Scheme Actuary reports provide information on participant access to the Scheme, any cost increases in the assessment of reasonable and necessary supports, any cost shifting occurring with mainstream services, and price inflation. The Committee meets with a view to assessing the sustainability of the Scheme and whether Scheme objectives are being met.

Reporting of expenses against estimates is provided to the Board and to external stakeholders in line with the Integrated NDIS Performance Reporting Framework agreed by governments. The framework provides for quarterly and annual reports to the COAG Disability Reform Council on outcomes and performance and monthly reports to host jurisdictions on Scheme and financial activity.

Management of cost drivers is a key component of the insurance approach. The insurance approach enforces strong monitoring of Scheme experience, including actuarial analysis which compares actual experience with expected experience. This detailed comparison allows cost pressures to be identified and addressed in a timely manner.

As transition to full Scheme progresses and participant numbers increase, the proportion of resourcing attributed to participant support costs will progressively increase from 72 per cent in 2014–15 to 93 per cent in 2019–20.

The Agency is committed to ensuring Scheme costs are managed within available funding envelopes. The Agency has developed reference packages as a key element in assisting to achieve this, while still ensuring all participants are funded for reasonable and necessary supports. Additionally, once fully implemented, the Agency's Outcomes Framework will assist to inform and refine decisions regarding the most effective and efficient support packages.

## Risks to Scheme financial sustainability

At a high level, there are five categories of cost drivers which affect the financial sustainability of the Scheme. These are:

- **Access:** How many people meet the access criteria to be a participant in the Scheme, and who is entitled to a plan with supports funded or provided by the Scheme.
- **Scope:** The scope of Scheme-funded supports that are available to be purchased by participants of the Scheme, as opposed to supports that are not within the scope of the Scheme, for example, because they are more appropriately funded or provided through other systems of service delivery like the health system.

- **Volume:** The resources available, for individual participants, to purchase supports within the scope of the Scheme.
- **Delivery:** The manner in which supports are funded or provided, and in particular how effectively, efficiently and economically this is done.
- **Price:** The price that it costs participants or the Agency to purchase the supports that are funded or provided by the Scheme.

The Insurance Principles and Financial Sustainability Manual articulates formally the concepts of insurance principles and financial sustainability within the Scheme. This document consolidates the process of Prudential Governance of the cost drivers set out above, and the levers open to the Board to monitor and manage financial sustainability. It should be noted that the financial sustainability of the Scheme is determined by the interrelationship of all cost drivers; it is inappropriate to consider the performance of any one cost driver in isolation.



## Contact Us

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### For more information:

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For people with hearing or speech loss  
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