



# Not-for-profits and the NDIS: Questions for directors

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## About National Disability Services

National Disability Services ('NDS') is the peak body for non-government disability services. Its purpose is to promote quality service provision and life opportunities for people with disability. NDS's Australia-wide membership includes more than 1050 non-government organisations, which support people with all forms of disability. NDS provides information and networking opportunities to its members and policy advice to state, territory and federal governments.

# Not-for-profits and the NDIS: Questions for directors

Directors cannot be expected to know everything about everything that goes on in the companies on whose boards they sit. They do however need to feel assured that developments in each domain of a company's operations remain under scrutiny and control. These 'Questions for directors' are designed to prompt directors to ask the questions that will help them achieve the necessary level of assurance.

These 'Questions for directors' complement the 'Resources for directors'. Together they form the NDS 'Not-for-profits and the NDIS: Toolkit for directors'. The resources, sorted by the business domains used in this document, have been selected to suit the needs of directors and executives, and many are specific to the NDIS. You will find the whole Toolkit at: [www.nds.org.au/resources/ndis-toolkit-for-directors](http://www.nds.org.au/resources/ndis-toolkit-for-directors)

## STRATEGY



The NDIS presents challenges for disability service providers and their boards in determining their organisation's strategic direction. On the one hand, there can be opportunities for growth and expansion. On the other hand, there are challenges of:

- maximum prices set by NDIA for many supports
- the NDIA changing or suggesting changes in the NDIS rules such as, support coordination, Supported Independent Living, Specialist Disability Accommodation, and early childhood services, and
- the absence of detailed data, beyond the Market Position Statements and Quarterly Reports, on what scheme participants are seeking.

Growth is not a goal in itself: what is needed is sustainable growth. Setting the strategic direction of the organisation is an important responsibility of the Board. Boards need a good understanding of the key business models on which organisational strategy rests.

- Do we have a clearly articulated strategic direction that both serves our purpose and responds to our external environment?
- How does our strategic plan allow us to be both agile and resilient?
- How do we keep on track with implementation of our strategic plan?
- Have we discussed how the business models of our competitors will impact our strategy?
- How do we know if the organisation is doing ok or not?  
How do we know whether we are financially strong or not?  
Boards need to review and update or adopt performance indicators. There might be a need for indicators on: profitability/sustainability per service type or location, conversion rates of prospective clients, as well as exit rates.
- How do we measure and demonstrate outcomes and impacts?  
For some support types, this needs to be a priority in the short-term. For other support types, this will be needed in the medium-term.

## CORPORATE GOVERNANCE



For most boards of disability service providers, the NDIS throws up new demands on the skills and knowledge of boards. For some organisations, they must transform from block-funded organisations paid in advance, to organisations that must be largely or fully commercial in their orientation.

- Where are our roles, responsibilities and expectations of directors and managers defined? Have they been updated to reflect the new environment?
- What information do we need to allow us to make decisions about the key risks, challenges and opportunities facing our business?
- Does our Constitution need to be updated because of the new environment?
- How do we collaborate with and support our Executive Manager?
- How do we assess our own performance, individually as directors and collectively as a board?
- What process do we use to check our board has the range of skills and knowledge required? Does the board have a succession plan?

## CLIENTS AND MARKET FOCUS



Due to a lack of detailed data from the NDIA about what the market is currently demanding, organisations in part have to use observation and anecdotal information to understand what is happening in the external market place. However, organisations do have access to internal data on what NDIS participants are purchasing. They can also seek information directly from the people they currently support. While most organisations already have some sort of annual client satisfaction survey, boards might consider whether the organisation needs other means of understanding – and reporting – what existing and potential clients need and want from their organisations.

- Do all directors understand how the market works, that is, how NDIS funding is administered and distributed?
- How do we know what the people we support and their families need and want?
- How do we connect with the communities we operate within?
- What are our target market(s) within the sector?
- Do we have processes in place to make sure the people we currently support receive sufficient funding to maintain at least their previous level of support?
- What do we know about the activities of competitors in the communities where we are working as well as the market segments we are targeting?

## FINANCIAL SUSTAINABILITY



The NDS State of the Sector Report 2016 highlights the financial vulnerability of many disability service providers. Boards will need to be vigilant in monitoring their organisation's financial performance and sustainability. Boards may need to adopt or modify key financial ratios to reflect the new environment.

- Are we clear on our unit costs and the associated NDIS prices? Is there sufficient margin for our needs?
- How are we monitoring our cash position? Do we monitor and respond to key indicators?
- What contingency do we have in place if our cash flow is at risk?
- Based on modelling, how is our financial situation likely to change over the next two years?
- How are we tracking financially compared with other similar organisations?
- Is our budget aligned with our strategic plan? Will our target for profit/surplus adequately support our organisation's needs and goals in the longer term?
- Are we maximising the return on our assets? Is our appetite for risk appropriate?
- How are we investing in innovation to contain costs and boost productivity?
- How are we testing the viability of the funding packages of existing and new clients?
- Have we discussed diversification vs specialisation of income sources?
- Does our financial software minimise overheads in terms of transaction processing, budget monitoring and reporting?
- How do we know that the current organisational structure minimises overhead?
- Are the current financial reports adequate for directors to make the necessary timely decisions?

## PEOPLE AND CAPABILITY



NDIS pricing makes it difficult to prioritise workforce development, however, the quality of service provided by frontline staff can be the difference between a person staying with or leaving the service.

In many parts of the market for disability services, staff shortages are already evident. These shortages will impact on the ability to meet client needs, but might also impact on the organisation's ability to realise its preferred strategy, with consequences for financial performance.

Staff shortages are compounded by the maximum prices that NDIA has established for many support categories, in that the maximum prices limit the ability to increase wages and salaries to attract and retain preferred staff.

Some organisations are adopting or exploring new organisational models (known as High Performance models) adopted by overseas and Australian organisations, as a means of improving the experience of the people they support, increasing staff satisfaction, and reducing overhead costs.

- Does our current workforce match the needs of our strategy?
- How are we managing the need for changes in the size, organisation and skills requirements of the workforce in each business service area?
- Do we have succession plans in place for critical positions?
- What workforce metrics should we be monitoring, for example, employment type, demographics, turnover?
- Have we made sufficient investment in recruitment and skills development of our staff?
- How do we know our staff understands how their roles relate to the purpose and strategic direction? Is their work consistent with our agreed culture and values?
- What do we know about our employees' engagement with our organisation and their future intentions?
- How do we as a board support and review the performance of the executive?
- Have we considered whether the innovative organisational and workforce models adopted by overseas and Australian organisations might be appropriate for our organisation?

## SAFEGUARDING, QUALITY MANAGEMENT & IMPROVEMENT



The National Standards along with the Quality and Safeguarding Framework are the instruments that will be used to monitor service quality once the NDIS is fully implemented.

All stakeholders are increasingly concerned with the safeguarding of people with disability. Alleged and actual cases of provider failure to assure the safety of people being supported receive media and government attention. A recent Senate inquiry suggested that directors of disability service providers should have individual legal liability for failure to establish appropriate systems for the safeguarding of people their organisations support. Boards need to be concerned with clinical governance if their organisations are providing high risk services such as supporting people with complex behaviour or high medical needs.

- How do we make sure that the people we support have access to independent advocacy and training?
- How do we ensure that our practices support our compliance with legislation and standards?
- What is our review process to monitor the level of use of restrictive interventions?
- How are we, as a board, championing the use of an evidence-based positive behaviour support framework to eliminate and minimise the use of restrictive interventions?
- What mechanisms are in place for the organisation to learn from mistakes and incidents, including learning from small mistakes and incidents to prevent big ones in the future?
- How do we make sure that the people who use our services know how to make a complaint with us and where they can turn if not satisfied with the outcome?
- Do we, as the board, periodically review complaints and how they have been handled and what can be learnt from the complaints? How do we ensure that the organisation actually improves service delivery rather than just promising to improve service delivery?
- If we work with children, how are we, as the board, championing a culture of child safety throughout the organisation?
- How do we measure and record the outcomes for and the impacts on the lives of the people using our service? How are we using this information to improve our service quality and review our strategic direction?

## INFORMATION AND KNOWLEDGE MANAGEMENT (ICT)



ICT is increasingly a source of competitive advantage, or disadvantage, in the NDIS marketplace. Some organisations have found that ICT vendors have not delivered on their promises, or that software products considered best in the market just a few years ago no longer meet their needs. Others have experienced cost blow-outs in their ICT implementation.

Increasingly, providers seek ICT software that is user-friendly, functionally powerful and suitable for mobile workforces. It also needs to allow client access, facilitate client/staff matching, and facilitate integration across CRMs, staff rostering and finance systems. Boards should ensure good governance in relation to proposed ICT investments, and the bigger the proposed investment, the more rigorous their due diligence. For some organisations that have already made substantial investments, the challenge will be determining whether to persevere with existing systems because of sunk costs, or to make substantial new investments.

- Do the information systems we use enable effective communication, make record keeping easier, reduce overhead and assist us with demonstrating compliance?
- Are we maximising the potential of our information systems?
- Are staff sufficiently skilled in using our information systems?
- What is our business continuity strategy? Have we tested the strategy?
- Have we planned for an adequate surplus to upgrade and/or replace redundant technology as needed?
- Do we have processes in place, such as quality systems and succession planning, to make sure corporate knowledge is retained as staff leave the organisation?