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# Chair Chat

with Prof. David Gilchrist



## The Financial Impact of the Implementation of the NDIS

The Western Australian disability sector in partnership with successive state governments, people living with disabilities, families and carers developed over 50 years a generally functional service system that understood the true cost of service delivery and minimised the risks for participants. This was especially apparent under the Delivering Community Services Partnership Policy Framework that operated in the 2010 to 2016 period and included the application of appropriate funding for disability services.

There is evidence that the current state government is seeking to drastically reduce its role in supporting all their citizens with disability. Service providers for the first time in history are underwriting the Federal and State governments' financial risk with the roll-out of the national scheme with a subsequent impact on all participants.

### Current Situation

- The State Budget handed down on 9 May 2019 stated that the McGowan Labor Government has turned the State's finances around through responsible financial management to deliver a budget surplus of \$553 Million.
- The highlights for the disability sector being an additional \$40M allocated over five years to provide support for students with disability in government schools (Education sector); and continuation of the second tranche of the Sector Transition Funds providing \$8.5M in 2019-2020 (Department of Communities - Disability Services).
- The other initiatives contained in the budget impact on the Training and Workforce Development and the Transport and

### Key Points

- **The disability sector urgently requires the State Minister for Disabilities to take an active stewardship role to ensure the state continues to have a functioning disability services sector.**
- **A four year well-funded State transition plan is essential to support an imposed major reform to minimise market failure in WA.**

Infrastructure sectors. While this will benefit many people with moderate disabilities; people with severe and complex disabilities, their families and carers continue to be critically disadvantaged.

- There was no additional funding to assist with the transition into the national scheme for service providers which was extremely disappointing.
- In summary, this state budget was the most unsatisfactory in the disability sector during the past 25 years.

Nulsen Group has made the following ongoing financial commitments in order to provide a high quality of clinically appropriate services:

- Nursing services:  
\$900,000 (unfunded)
- Positive Behaviour Support:  
\$400,000 (unfunded)
- Vacancy Management:  
\$1,000,000 (previously funded, though now unfunded).

NDIS Transition Costs (in addition to support the national process - unfunded).

- Participant Engagement Team:

Transfer and Transition = \$550,000

- Manager NDIS Information Technology:  
Cost = \$131,000
- Invoicing and Contract Management:  
Cost = \$222,000

The current additional financial commitment is in excess of \$3.2 Million.

### Long-Term Effect of the Implementation of NDIS on Disability Sector Organisations

The 30 largest disability sector organisations that account for over 75% of the services within this state were recently reviewed (Nulsen Group Board Report, April 2019). A quarter of these organisations demonstrate evidence of significant stress in the current environment:

- Some barely changed their total revenue while others reported a financial deficit. Some are iconic organisations with a long history of service with many concerned, involved and very influential stakeholders.
- Some organisations are exiting from the disability sector, while others have held merger talks in a desperate effort to survive.
- It is estimated that the disability sector would require up to \$24 million each year to support the current transition process imposed upon it by the decision of the State Labor Government in December 2017. This allocation over the next four years would have a negligible impact on the future budget surplus.
- The State Labor Government must not take credit for a budget surplus built upon the long-term damage or destruction of the disability services sector. As David Cameron, the former Prime Minister of the United Kingdom, stated in May 2011: “We will not balance the books on the backs of the poorest people...”
- The NDIS will only provide services to approximately 11-12% of all people living with disabilities in this state. The State Government will still retain the responsibility for the majority of its citizens living with disabilities through the health, education, transport, justice and mental health sectors. These mainstream services and costs continue to remain the responsibility of State Labor

Government.

- Under the current Bilateral Agreement signed in December 2017, the State Labor Government is committed to support the transition process up until June 2023, when the agreement will be renegotiated.
- A State Plan is currently in development, without adequate transition funding it will have little credibility with all key stakeholders.

### Impact on Salary and Wages

Over the past two financial years the Commonwealth Government has provided a total of four percent for indexation, whereas the State Labor Government has provided a total of 1.63% (0.80% plus 0.83%). Apart from the salary and wages increase being below the rate of the Consumer Price Index, this creates an anomaly between the commonwealth funded and the state funded services during an already challenging transfer and transition phase. This is a major anomaly and all staff are aware and understand that their wages and conditions are being eroded during this externally imposed transition phase.

### Summary

There are two key factors that will influence the Nulsen Board’s decision to reduce and de-commission disability services in the future.

- The current financial impact on the organisation which is no longer sustainable; and
- Our ability to manage the duty of care, clinical governance and operational risk issues and obligations under law.

The latter is a significant legal issue as no organisation can continue to operate when it is unable to manage those risks and legal obligations. This issue will be highlighted further in the coming Royal Commission into disability services; it is an issue poorly understood by the national agency and presents a silent risk to the NDIS in relation to future market failure.

WA is a mature sector with a proven track record when compared to the NDIA which is immature and inexperienced in the provision of services to people with complex disabilities. What we need to remember is that the NDIS is simply a funding instrument, it is not in fact the disability service system and that is where the State Government

retains responsibility despite its desire to exit disability services. This article highlights some of the inadequacies and incompetence of both our State and Commonwealth Governments in being able to implement a fit for purpose NDIS; the impact of these inadequacies will ultimately be borne by people with disabilities and their families.



**Professor David Gilchrist** BA BBus PhD FCA FAIC is a chartered accountant and a historian. He holds a PhD in economics from the University of Notre Dame Australia and is currently a Professor at the University of Western Australia as well as the Public Sector Accounting and Disclosure Research Cluster. Over his 25-year career, David has held many senior roles in the not-for-profit, commercial and public sectors. He has taught at several universities across the globe, sits as Chairman on multiple boards and has published several key national reports. Achievements include: working as the Assistant Auditor General WA, the Associate Dean of the School of Business, University of Notre Dame Australia, Chairman to Nulsen Disability Services, and the Kimberley Individual and Family Support Association. [See David's full profile here.](#)