



Review of NDIS Costs
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2600

28 March 2017

Dear Sir/Madam

Submission to the Productivity Commission Review of NDIS Costs

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to provide a brief submission to the Productivity Commission Review of NDIS Costs.

Co-operatives and mutuals have a role to play in delivering cost efficiencies in NDIS service delivery by aligning consumers and other stakeholders such as parents or workers. It is the democratic member-based organisational structure of co-operatives and mutuals that allows them to achieve cost efficiencies *and* consistency and quality of service.

The BCCM has made previous submissions in relation to the role of co-operatives and mutuals in the NDIS that provide further background and depth. We encourage the Productivity Commission to read this submission alongside our previous submissions that relate to the NDIS.¹

In this submission we provide two case studies to demonstrate how co-operatives are already aligning stakeholders to deliver disability services efficiently and effectively under market conditions. The case studies also demonstrates some of the barriers to co-operatives playing a greater role in the NDIS. Throughout the submission we footnote any specific questions in the Issues Paper that are being responded to.

The submission is set out as follows:

1. About the BCCM
2. About co-operatives and mutual enterprises
3. Case studies
4. Recommendations

The BCCM can provide further information or comment on any aspect of this submission.

Yours faithfully

Melina Morrison
CEO

1. About the BCCM

¹ On disability housing see: http://bccm.coop/wp/wp-content/uploads/2016/03/BCCMsub_JSC_NDIS_DisabilityAccommodation_Mar16.pdf
On NDIS generally see: http://bccm.coop/wp/wp-content/uploads/2014/05/BCCMsubmission_NDIS.pdf

The BCCM is the peak body for Australian co-operatives, mutuals and member-owned businesses. The BCCM represents a diverse range of businesses operating in sectors including agriculture, finance and banking, insurance, motoring services, health services, aged care, disability employment and housing, education, indigenous services, social housing and retail.

The BCCM advocates for recognition of the sector and for measures that create a level playing field between co-operatives and other businesses, including implementation of the recommendations of the Senate Economics References Committee report into Cooperative, mutual and member-owned firms.²

2. About Co-operatives and Mutual Enterprises

Co-operative and mutual enterprises (CMEs) are a significant contributor to the Australian economy: 8 in 10 Australians are a member of at least one CME and annual turnover of the top 100 CMEs (excluding member-owned superannuation funds) reached \$30.5 billion in FY2014/2015.³

Co-operatives must subscribe to the seven co-operative principles as set out by the International Co-operative Alliance, including open and voluntary membership and democratic control.⁴ In Australia, CMEs may operate under a state/territory based co-operative law (the Co-operatives National Law, except in Queensland) or under the Commonwealth Corporations Act. When operating under the Corporations Act, whether or not a CME is a co-operative will depend on whether its constitution includes the co-operative principles.

The distinguishing feature of all CMEs, compared with other corporate entities, is that they are owned by their members and operate for member benefit. Member benefit can mean a wider range of social or non-financial benefits compared with the financial returns enjoyed by a shareholder. Membership is tied to contributing to or making use of the CME; this ensures the CME is made up of people who share its common purpose. CMEs do not provide services to make money, rather they exist and make money to provide services to members and no other stakeholder.

3. Case Studies

Supporting Independent Living Co-operative (SILC)⁵

The efficiency and quality advantages of the co-operative model at the level of a single house has already been evidenced in earlier submissions in relation to the NDIS, particularly in a submission made independently by PaRA Co-operative.⁶ It was, in part, recognition of these advantages of the co-operative model of service delivery that led to a one-off grant from the Department of Social Services Sector Development Fund to support the formation of a secondary co-operative, SILC, for disability housing co-operatives.⁷

SILC does the following for its members:

- information services
- a hub for networking and parents forums

²http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives/Report

³ Business Council of Co-operatives and Mutuals, National Mutual Economy Report 2016, 17.

⁴ <http://bccm.coop/wp/wp-content/uploads/2016/11/BCCM-NME-Report-2016.pdf>

⁵ <http://ica.coop/en/whats-co-op/co-operative-identity-values-principles>

⁶ <http://silc.coop/>

⁷ <http://www.aph.gov.au/DocumentStore.ashx?id=21fa8597-76c3-4f25-9661-1293e2af9c17&subId=409334>

⁷ Issues Paper, 26: How will the changed market design affect the degree of collaboration or co-operation between providers?

- guidance in the formation of housing co-operatives
- recruitment and employment of care workers on behalf of housing co-operatives, payroll, rostering, management of NDIS plans, cleaning, legal and other fee-based services
- advocacy to government on NDIS, taxation, housing policy and other matters relevant to members

SILC membership is open to individuals (who are people with disabilities, family members, carers or guardians) and corporations (a housing co-operative or other entity supportive of co-operation that provides housing support to people with disability). It currently has three corporate members, but will be doing a call for membership where it expects approximately 30 member-houses to join. SILC has found there to be a high level of organic interest in what it is doing. It has so far relied primarily on word of mouth promotion and has focused only on Sydney and Melbourne.

Key advantages of SILC:

- Cost efficiencies through collective purchasing and access to pro bono and low cost suppliers.
- Facilitates knowledge-sharing and support between consumers and their families.

Issues for SILC:

- Registration as a service provider in some categories such as Support Coordination, Daily Living/Shared Living (residential) is onerous for new entrants like SILC and its corporate members. Registration has to be completed in each state under different rules.⁸ States require the service provider to have a history of experience, which is not consistent with establishing new providers.
- Inconsistencies between NDIS and State or Territory labels for the same service inhibit registration.
- Some services in the Price Guide such as capacity building e.g. training, improved relationships etc. are very narrowly defined to the detriment of SILC, its members and other participants.⁹
- Lack of quality audits mean there may be perverse incentives under current pricing for consumers and providers.¹⁰
- Technical problems using the portal and inability to see all details of participant Plans.
- Uncertainty regarding Specialist Disability Accommodation (SDA) eligibility.

The Co-operative Life (TCL)¹¹

TCL, originally Co-operative Home Care, began as a non-distributing worker co-operative. It recently converted to distributing status as this allows it to distribute bonuses to its worker-members.

TCL currently has 35 employees and delivers community aged care and NDIS care services. Being structured as a distributing co-operative has given TCL a number of competitive advantages. Firstly, it has a relatively flat structure, with members given more training and expected to work more autonomously than if another business structure was used. This allows it to operate profitably under the NDIS Price Guide where other operators would not

⁸ Issues Paper, 26: What are the barrier to entry for new providers, how significant are they, and what can be done about them?

⁹ Issues Paper, 26: Are prices set by the NDIA at an efficient level? How ready is the disability sector for market prices?

¹⁰ Issues Paper, 26: Are prices set by the NDIA at an efficient level? How ready is the disability sector for market prices?

¹¹ <http://www.lifecoop.com.au/>

be able to. The provision of training, the opportunity to earn a bonus and the autonomy of care workers has meant TCL has attracted new people to the care and disability sector. According to Robyn Kaczmarek, CEO of TCL, it is precisely the 'co-op model that brings them in.'¹²

TCL has also co-operated with SILC to allow SILC to operate under its registration to deliver services.

Key advantages of TCL:

- Flat structure means most services can be delivered profitably under the current NDIS Pricing Guide.
- Bonuses, training and autonomy attracts new workers to care work.

Issues for TCL:

- Changing to distributing status, with the Co-operative Registry in New South Wales, took 1 year.¹³
- Time and cost intensive registration processes to deliver various types of care; as a new entrant TCL was not funded by the Sector Development Fund to register.¹⁴
- The pricing of cleaning is very low. It is only viable, even in a lean co-operative structure, by combining cleaning with teaching life skills and encouraging participation.¹⁵

4. Recommendations

1. The NDIA support co-operatives, including secondary co-operatives, in line with the Senate Economics References Committee Inquiry into Cooperative, mutual and member-owned firms Recommendation 2¹⁶ as a strategy for delivering quality disability services cost efficiently and sustainably under market conditions.

2. Co-operative Registries in all States and Territories work in line with the Senate Economics References Committee Inquiry into Cooperative, mutual and member-owned firms Recommendation 6¹⁷ to ensure that registration and ongoing administration of a co-operative is not a barrier to the use of co-operatives in the NDIS.

¹² Issues Paper, 24: To what extent is the supply of disability care and support services lessened by the perception that caring jobs are poorly valued? If such a perception does exist, how might it best be overcome?

¹³ Issues Paper, 28: Do existing administrative and governance arrangements affect (or have the potential to affect) the provision of services or scheme costs? What changes, if any, would improve the arrangements?

¹⁴ Issues Paper, 26: What are the barrier to entry for new providers, how significant are they, and what can be done about them?

¹⁵ Issues Paper, 26: Are prices set by the NDIA at an efficient level? How ready is the disability sector for market prices?

¹⁶

http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives/~media/Committees/economics_cte/Cooperatives/report.pdf

Recommendation 2: The committee recommends that co-operative and mutuals sector be better represented in government policy discussions, and is actively promoted as a possible option for service delivery particularly where community based initiatives are being considered.

¹⁷

http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives/~media/Committees/economics_cte/Cooperatives/report.pdf

Recommendation 6: The committee recommends the Commonwealth Government work with states and territories to ensure the continual improvement to advice, guidance and information provided at all stages in the establishment, governance and regulation of co-operatives.

3. The NDIA should investigate means of making registration for new providers, including co-operatives, cheaper and quicker while safeguarding quality.