



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

19 July 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 feedback on the NDIS Costs Position Paper released by the Productivity Commission in June 2017.

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* 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 commentary and recommendations about the importance of having diversity of provider types in the NDIS and how supporting the development of more co-operatives can contribute to this diversity and the longer term sustainability of the NDIS.

The submission is set out as follows:

1. Introductory comments about the Position Paper
2. Recognition about how the primary motivation of providers contributes to NDIS sustainability
3. How co-operatives and mutuals contribute to NDIS sustainability
4. The barriers limiting the participation of co-operatives and mutuals in the NDIS
5. Recommendations

¹ Our first submission in this inquiry: <http://bccm.coop/wp/wp-content/uploads/2014/05/sub0091-ndis-costs.pdf>

On the National Disability Strategy: http://bccm.coop/wp/wp-content/uploads/2014/05/sub37_BCCM.pdf

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

Yours faithfully

Melina Morrison
CEO

1. Introductory comments

Coming at such an early stage in the NDIS roll-out, this inquiry provides an important opportunity to identify the pre-conditions required to transition to a mature disability services market. Getting these pre-conditions right, preferably at an early stage in the NDIS rollout, will inevitably contribute to the scheme being able to deliver services at an efficient price without compromising quality. Achieving this outcome will also ensure the NDIS is sustainable in the longer term.

We are particularly encouraged by the Commission's arguments about the importance of having depth in the market and observations about market readiness, especially in thin markets.

We were also pleased to see the focus the Commission has given to the workforce challenges associated with the NDIS.

Making sure that NDIS service users have access to good information and navigation support is very important, especially in the planning process. Markets like the NDIS are not perfect. In the early stages of the roll-out, service users will experience asymmetry of information. If this continues, it inevitably compromises informed user choice and control. This in turn, adversely impacts the scheme's sustainability and achievement of intended outcomes. It's even more concerning when those responsible for the planning process through Local Area Co-ordination, are not well informed about the characteristics and needs of people with disabilities. The BCCM considers it is very appropriate for the Commission to have commented on this in the position paper. We support the suggestions made to improve Local Area Co-ordination.²

However, the BCCM encourages the Commission to give greater consideration to how the primary motivations of providers, and the organisation forms that underpin this, contributes to the sustainability of the NDIS. We would like to see an acknowledgement in the Final Report about this and commentary on the alignment of the co-operative business model in adding diversity and choice in a future state NDIS market.

Our response to the Position Paper draws out these issues:

- Recognising how a provider's primary motivation contributes to the NDIS sustainability
- How co-operatives and mutuals can support market development and innovation contributing to NDIS sustainability, and
- The barriers that limit the participation of co-operatives in the NDIS and the impact of this on informed user choice and on achieving diversity and innovation in the NDIS market.

Our submission to the NDIS Costs Inquiry (March 2017) provided two case studies that demonstrated how co-operatives are operating efficiently without compromising quality in the NDIS.

We have also prepared various submissions on the role of co-operatives and mutuals in the NDIS, including two submissions to the Joint Standing Committee on the NDIS (September 2015) and on Accommodation for People with Disability in the NDIS (March 2016) and also to the Productivity Commission Inquiry on NDIS Costs (March 2017).³

These submissions provide further context to our response to the Position Paper.

² Productivity Commission (June 2017) NDIS Costs Position Paper page 29 Box 7.

³ See footnote 1 above. For a full list of BCCM submissions see <http://bccm.coop/media-centre/submissions>

2. Recognising how a provider's primary motivation contributes to NDIS sustainability

The Commission notes that to meet the needs of NDIS participants, there needs to be an increase in the quantity, quality, range and responsiveness of disability supports supplied.⁴

The motivations of providers affects outcomes around quality, efficiency, accountability, equity and responsiveness.⁵

For profit providers are motivated to maximise profits, which are distributed to owners. This can lead to cost reductions, usually at the expense of quality. In a consumer directed market such as the NDIS, where users are often vulnerable, commissioners need to ensure that services are delivered at an efficient price without compromising quality.

The BCCM considers this is more likely to occur when providers are not motivated by profit that is distributed to shareholders. The primary motivation of not for profit (NFP) providers is one of mission or achieving a community purpose. However, sometimes this mission can take priority over what is important to service users and funders, which can compromise efficiency.

The co-operative business model provides an alternative to this binary view of for profit and NFP providers. Co-operatives are formed by members to meet a community need. Members (who can be service users, workers or enterprises) are democratically and economically engaged in the enterprise. The application of these governance principles means co-operatives are able to operate services efficiently without compromising quality and also deliver external community benefits.

We support the Commission's view about immediately introducing an independent price monitor to overcome the conflict of interest the NDIA has in setting prices and also being responsible for the scheme's accountability. We would encourage the independent pricing authority to collect information about the efficiency of different providers and how this relates to their organisation form (or provider type) and quality of service delivery.

3. How co-operatives and mutuals contribute to NDIS sustainability

We included two case studies in our previous submission to this inquiry. They were Supported Independent Living Co-operative (SILC), which is an enterprise co-operative providing supported accommodation through a family governance model and The Co-operative Life, which is a worker co-operative providing support services. These case studies demonstrated how the two co-operatives are delivering quality services at an efficient price. They attribute their efficiency and quality to their flatter structure, the involvement of their members (service users, families and workers) in operating the enterprise, which keeps overheads low, and the commitment of their workers (as members) to quality.

There is a large body of evidence from a wide variety of countries on the benefits of worker co-operatives. Organisations with a substantial degree of employee-ownership and control deliver **higher user satisfaction, higher productivity** and **greater employee welfare** than

⁴ Productivity Commission (June 2017) Position Paper page 35

⁵ Productivity commission (June 2017) Introducing Competition and Informed User Choice in Human Services Page 86 Box 2.6

alternative forms of organisation.⁶⁷⁸⁹ Recognising this evidence, the UK Government established a Public Services Mutuals Task Force in the 1990s to examine alternatives to privatisation. The government initiated regulatory changes that enabled significant numbers of public service employees to “spin out” from government and form mutuals most of which involved a significant amount of employee ownership. During that time, over 100 new mutuals were formed mostly in human services and without a single failure.

Enterprise co-operatives like SILC, are also well-suited to thin markets, for example, rural and regional Australia. There are many smaller (usually NFP) providers that may struggle in the NDIS and forming an enterprise co-operative enables them to improve efficiency without compromising quality and retaining their brands in local communities.

The BCCM contends that innovation of this kind is important in the NDIS market. New organisation forms like co-operatives and mutuals need to be fostered and this takes community leadership and support from governments. In the early stages of the NDIS roll-out, the focus has been on meeting time frames. This has meant innovation has been difficult to achieve. The Commission acknowledges this by highlighting the importance of the ILC program,¹⁰ which we support.

4. The barriers limiting participation of co-operatives in the NDIS

There is much greater scope for co-operatives and mutuals to operate in human services markets such as the NDIS than occurs in Australia at present. This is because in Australia, compared with other jurisdictions, there are significant barriers limiting the development of co-operatives and mutuals. A recent Senate Inquiry into Co-operative and Mutual firms made 17 recommendations to remove these barriers that included¹¹:

- **Recognition** of the legal form and understanding the differences to other legal structures;
- **Regulatory change** needed to remove barriers that make it harder for co-operatives and mutuals to be regarded as a preferred organisational form and to raise capital to grow their businesses; and
- **Education and awareness** about co-operatives and mutuals and how they can be used to respond to current and emerging trends including in the context of how public services are delivered

The 17 recommendations are attached to this response at **Attachment A**. They received bi-partisan support from the Senate Economic References Committee which recommended that:

“(The) 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”.

⁶ BCCM Submissions to the Productivity Commission inquiry in Human Services submitted in July 2016 and 19 October 2016.

⁷ UK Mutuals Task Force Public Service Mutuals: The Next Steps.

⁸ Le Grand, Professor Julian “The Public Service Mutual: A revolution in the making?” published in Making It Mutual: The ownership revolution that Britain needs edited by Caroline Julian and published by ResPublica.

⁹ Business Council of Co-operatives and Mutuals (August 2014) Public Service mutuals: a third way for delivering public services in Australia. White Paper.

¹⁰ Productivity Commission (June 2017) NDIS Costs Position Paper page 31 Box 8.

¹¹ Commonwealth of Australia (2016) Economic References Committee Inquiry into Co-operative and Mutual firms.

Other related inquiries have made similar findings and observations. For example, the “*Competition Policy Review Final Report*” led by Professor Ian Harper found:

*“As user needs and preferences continue to evolve, public service mutuals could play a greater role in meeting individual and community needs, possibly in conjunction with other significant government initiatives. Indeed, the (BCCM’s) White Paper suggests that NDIS trial sites could prove ideal for piloting a disability staff co-operative”.*¹²

The Harper review also acknowledged the role of government in fostering this diversity among providers:

“In many human services, users benefit from direct choice and control. In these instances, a range of diverse providers and provider types can be an important factor in ensuring that users have access to meaningful choice. Where direct user choice is not possible, governments can play an important role in encouraging diversity through commissioning processes and decisions. Where they directly commission services, governments can: specify contracts with duration periods that do not exclude potential competitors for extended periods of time; and institute processes that avoid allowing monopoly providers to develop over time”.

The McClure Report¹³ on welfare reform also observed the opportunity for co-operatives and mutuals to have a larger role in service delivery where the business model is founded on member participation and democratic control which creates obligations and responsibilities on those members.

In human services markets like the NDIS which are predicated on informed user choice and control, the BCCM argues that encouraging a diversity of providers is in the scheme’s best interests and contributes to its longer term sustainability. Removing these barriers that limit the growth of co-operatives in human services markets should be recognised in the Final Report.

5. Recommendations

The BCCM recommends the Commission gives consideration to the following recommendations for inclusion in the Final Report:

- 5.1 Include a reference on how the primary motivations of providers impacts on quality, efficiency, equity, accountability and responsiveness.
- 5.2 Give consideration to having the independent pricing monitoring agency to also collect information about the efficiency of different provider types including for profit, NFP and co-operatives and mutuals.
- 5.3 Acknowledge how co-operatives and mutuals can add diversity in the NDIS and the contribution this makes to its longer term sustainability.
- 5.4 Highlight the barriers faced by co-operatives and mutuals in Australia and support the immediate implementation of the 17 recommendations from the Senate Economic References Committee.

¹² Commonwealth of Australia (2015) Competition Policy Review Final Report (2015) pages 247-248 [Harper Review](#)

¹³ Commonwealth of Australia (2015) Social Welfare Reform Final Report Executive Summary P32

Attachment A: Senate Recommendations

Recommendation 1

2.32 The committee recommends that the Commonwealth Government ensures that a national collection of statistics and data is undertaken to provide an accurate picture of the scale and extent of the co-operative and mutual sector.

Recommendation 2

3.28 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.

Recommendation 3

3.29 The committee recommends the Commonwealth Government work with states and territories to develop a program of supports to encourage the establishment of new co-operatives and mutual enterprises.

Recommendation 4

3.49 The committee recommends that a mutual enterprise is explicitly defined in the Corporations Act 2001, and its associated regulations.

Recommendation 5

3.51 The committee recommends that the role of directors in mutual enterprises is defined in the Corporations Regulations to align with the proposed definition of a mutual enterprise in the Corporations Act.

Recommendation 6

3.75 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.

Recommendation 7

3.80 The committee recommends that the Commonwealth Government to work with all relevant stakeholders to undertake a program of education and training to inform them about the role of co-operatives and mutuals.

Recommendation 8

3.81 The committee recommends that the Commonwealth Government examine ways in which it can improve the recognition and understanding of the co-operative and mutual sector in the national secondary school curriculum and that tertiary institutions consider the inclusion of co-operative and mutuals in accounting, business, commerce, economics and law degrees.

Recommendation 9

3.82 The Committee recommends that professional accreditation bodies, such as the Law Society and Institute of Chartered Accountants, require a demonstrated knowledge of the co-operatives and mutual structure before it will licence its members to practice accounting or law.

Recommendation 10

3.92 The committee recommends that the Commonwealth Government amend the Indigenous Advancement Strategy to allow registered co-operatives the same access to allow levels of grant funding as other entities.

Recommendation 11

3.93 The committee recommends that the Commonwealth Government review, and where necessary amend the eligibility criteria for grants and funds across all of government grants and program guidelines to ensure that co-operatives and mutual enterprises are not excluded on the basis of their business structure.

Recommendation 12

4.17 The committee recommends that the co-operative and mutual sector be considered when the government is preparing a Regulatory Impact Statement that accompanies new regulatory policies.

Recommendation 13

4.18 The committee recommends that the Commonwealth Government liaise with its state and territory counterparts to ensure that the regulatory burden for small and medium sized co-operative and mutual enterprise aligns with the needs of these organisations and ensures they are not disadvantaged relative to companies of a similar size.

Recommendation 14

4.26 The committee recommends that the Commonwealth Government closely monitor the progress of the International Accounting Standards Board in developing solutions to bring co-operative shares under the definition of capital under AASB 132, and, where possible, facilitate equivalent amendments as expeditiously as possible.

Recommendation 15

4.42 The committee recommends that Commonwealth and State Governments support the formalisation of some of innovative market-based approaches to raising capital for small and medium sized co-operative and mutual enterprises, in the form of advice and information, as they become available.

Recommendation 16

4.45 The committee recommends that APRA set a target date for the outcome of discussions with the co-operative and mutuals sector on issues of capital raising and bring those discussions to a timely conclusion.

Recommendation 17

4.49 The committee recommends that the Commonwealth Government examine proposals to amend the Corporations Act 2001 to provide co-operative and mutual enterprises with a mechanism to enable them access to a broader range of capital raising and investment opportunities.