



National Disability Insurance Agency

Supported Employment Pricing Transition Project

Project Report

FINAL

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1 Executive Summary

1.1 Overview of Project

The National Disability Insurance Scheme (NDIS) is governed by the NDIS Act, which provides the legal framework for the Scheme and the National Disability Insurance Agency (NDIA).

The NDIA and DSS contracted Keogh Bay to undertake a project to gain insight on Australian Disability Enterprises (ADEs) experience and outcomes in the practical application of the new supported employment pricing to be adopted by ADEs commencing 1 July 2020.

The results of the Project will enable the NDIA and DSS to inform actions to ensure all ADEs transition effectively to the new pricing model under the NDIS. The Project will also identify any policy issues, outside of the pricing transition, that may impact on maintaining participant employment outcomes.

1.2 Project Scope

The requirement is for the project to generate outcomes that will:

- clarify outstanding operational management issues for all ADEs implementing the new pricing model through developing a financial model and guidance to support the transition;
- review of available legal advice, identify issues in relation to workplace relations; and
- provide input to the NDIA Change Management Plan for all Stakeholders so all ADEs and supported employees can easily understand and appropriately utilise NDIS supports.

1.3 Key Findings

Financial Model

Keogh Bay has developed a Financial Model that enables ADEs to:

- quantify supports currently provided to Supported Employees as 'Typical Support Patterns';
- estimate the financial impact of the new supported employment pricing using Typical Support Patterns; and
- understand the impact of the new claiming arrangements.

This model has been trialled with four large ADEs who had previously agreed to provide detailed data on their supported employees and the range of supports currently provided to them. In addition, the model has been provided to a number of smaller ADEs for trialling and feedback.

A User Guide (Refer Section 8 and within the Financial Model) has been developed by Keogh Bay to guide ADEs through the use of the Financial Model along with the provision of additional guidance on how ADEs can approach the quantification of supports in employment. Further support has been provided through the development of a tool to calculate support ratios which can be then used in the Financial Model.

Feedback on the User Guide and the Financial Model itself has been received from this group and a wider group of ADEs.

The User Guide is included as part of this report and the Financial Model have been provided separately to the NDIA and DSS.

Timeliness, completeness and quality of data provided

As part of this project, Keogh Bay received data from ten ADEs. In five cases this covered the entire workforce, and in the remaining cases the data was provided for a sample of supported employees. Analysis of the sample data indicated that in some cases the data may not have been as reliable as the whole of organisation data since we were not able to reconcile support hours claimed against the actual hours worked by their support workers (i.e. the hours claimed may be higher than the hours actually worked by support staff). We have made the necessary disclaimers against this data where we have used it, and we have excluded it from some of the analysis included in the report.

The assumptions and approaches taken by each ADE in calculating support ratios and what to include as non-face-to-face time was based largely on the 'Supports in Employment Provider Handbook June 2020 Version 1.10'. However, there will inevitably be some inconsistencies in the approaches taken by participating ADEs.

The findings below therefore need to be viewed with the caveat that the analysis was undertaken using a dataset that was not complete in some cases and included a number of assumptions. Nevertheless, there are some key themes emerging from this analysis that we are confident would also be supported by a complete and more comprehensive dataset.

Projected overall increase in NDIS claiming levels

At an organisational level, our analysis found that ADEs would be able to significantly increase the amount able to be claimed for supports in employment from each supported employee's plan per the following table:

Table 1 – Overall projected increase in claims cost over current DMI/AOP levels

ADE #	Location	Sample or Whole of Organisation?	Projected Increase in Support Claims %
1	Metro and Regional	Whole of Organisation	+30%
2	Metro	2% Sample	+22%
3	Metro	25% Sample	+65%
4	Metro	Whole of Organisation	+39%
5	Metro	Whole of Organisation	+58%
6	Regional	Whole of Organisation	+105%
7	Regional	25% Sample	+77%
8	Metro	10% Sample	+70%
9	Regional	Whole of Organisation	+48%
10	Metro	8% Sample	+100%

Overall, this indicates that, on the basis of our analysis, the change in the NDIS pricing methodology is likely to result in a significant increase in the amount claimed from supported employee's plans for supports in employment. Whether this increase in claiming is perceived by supported employees as good value is a risk that will need to be carefully managed by ADEs. Based on discussions with ADEs, we would expect that in many cases the increase in claiming will be accompanied by changes in the way in which business lines are structured and NDIS supports are provided.

Drivers of increase in NDIS claiming revenues

Section 4.2 of the report considers the main drivers for this increase and reasons why some ADEs have reported significantly higher projected claiming revenues than other ADEs. The factors considered in this analysis are as follows:

- Ratios of support provided to Supported Employees
- Number of Hours Worked by Supported Employees
- Type of ADE business line
- Supported Employee DMI levels

Ratios of support provided to Supported Employees

The new NDIS pricing methodology has been updated from 1 July 2020 to change the pricing methodology in respect of Supports in Employment. The price guide states that:

‘These support items can be delivered to individual participants or to groups of participants subject to the rules set out in this Price Guide. Where a support item is delivered to a group of participants the provider should claim for the relevant fraction of the time of the support from each participant’s plan.’

Therefore, there is a clear link between the amount that can be claimed by an ADE and the ratio of support workers to supported employees that ADEs maintain at their workplace. For example, a 1:1 ratio attracts an hourly rate of \$54.30 whilst for a 1:15 support ratio an ADE can only claim \$3.62 per hour from a participant’s NDIS plan.

Section 4.2 of the report looks in detail at the impact that different support ratios are likely to have on the amount of NDIS revenues generated by different ADE business lines.

Number of Hours Worked by Supported Employees

The new supported employment pricing methodology is based on an hourly rate rather than a fixed amount per supported employee which is a significant change from the previous DMI-based pricing methodology. In a simplistic sense this means that the more hours that a supported employee works the higher the amount of funded supports that the employing ADE can claim. Conversely, if an employee only works 8 hours per week then the ADE is only able to claim NDIS supports for the actual hours worked by the employee and in many cases this is likely to be less than was previously claimable by the ADE through DMI-based pricing. However, as was detailed above, the ratio of supports provided to the supported employee in question across their working week will have a significant impact on the amounts claimable by ADEs.

Type of ADE business line

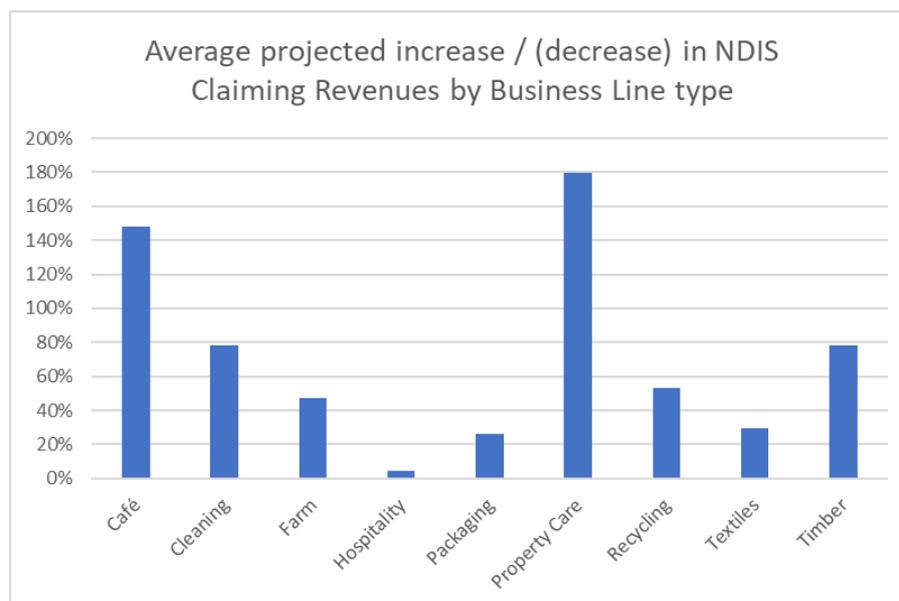
The most common business lines operated by ADE included in this project were Packaging & Assembly (Packaging), Property Care (garden maintenance), Woodwork (Timber) and Textiles. Across a number of metropolitan and regional locations the ADEs provided data for:

- 12 Packaging business lines (of varying sizes),
- 7 Timber manufacture business lines,
- 5 Property Care business lines,
- 4 Textiles business lines,
- 2 Cleaning business lines,
- 1 Farming business line,
- 1 Café, and
- 1 Hospitality business line

These business lines varied from employing 414 supported employees in one large Metro packaging business outlet down to 2 supported employees working at a regional café.

Whilst all types of business lines recorded an average increase in projected claiming revenues under the new pricing methodology (despite some individual packaging business lines recording a reduction in projected claiming revenues), the variations across the different business lines are very significant – from an increase of almost 180% on average for Property Care business lines, to a more modest average of 26% increase across all Packaging business lines, and an increase of only 5% for the one Hospitality business line that was included in the data-set.

Figure 1 – Average projected change in NDIS claiming revenues by type of ADE business line



This data indicates that the type of business line that an ADE operates could have a significant impact on the level of NDIS revenues that the organisation is able to claim in future¹.

Impact of Support Ratios on projected claiming revenues of different business lines

As was detailed above, the support ratio associated with the NDIS employment supports provided to a supported employee is a key driver in the level of NDIS revenues that an ADE is able to claim. Analysis of claiming data provided by 10 ADEs revealed that the average support ratios at business lines such as Hospitality and Packaging are far higher on average than other business lines such as Property Care, Cleaning or Timber.

Given that the data-set includes a number of single business lines (Café, Farm and Hospitality) it is our view that there isn't sufficient data available to support any robust analysis of the support ratios in place at these types of business lines. The figure below therefore compares the average support ratios in place across those business lines that we have multiple examples for. This figure shows that Packaging has by far the highest average support highest ratio at almost 1:11 (1 support worker to 11 supported employees) whilst Property Care had the lowest average support ratio of just under 1:3.

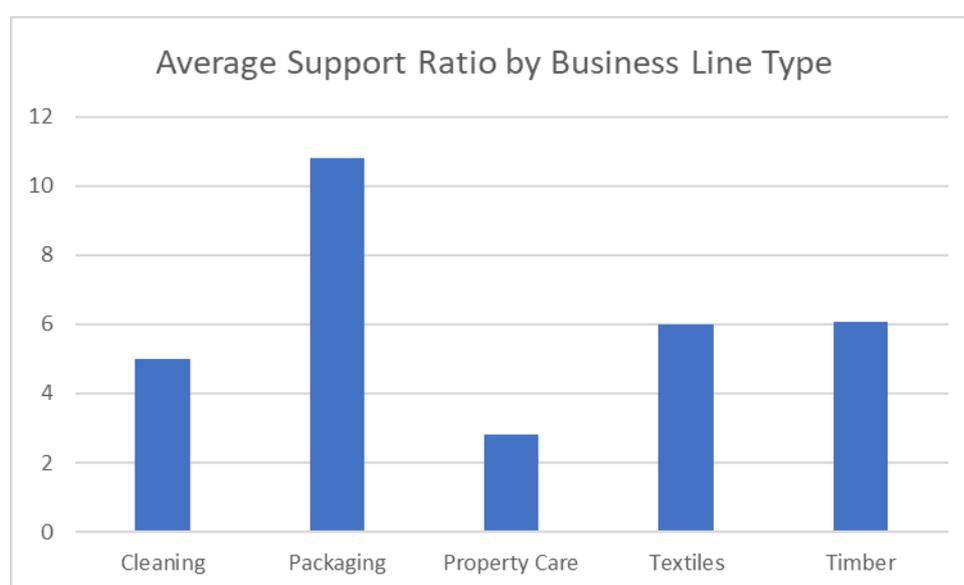
When these average support ratios are cross-checked against the projected increase in NDIS claiming revenues set out in the Figure above, this shows that Property Care business lines are projected to claim an increase in NDIS revenues of 179% whilst Packaging business lines are projected to claim an increase of only 26% in NDIS revenues. **This indicates a strong correlation between average support ratios and the projected increase in NDIS claiming revenues.**

¹ See analysis of ADE viability risk factors at Appendix 1

These observations also support the assertion that the type of employment provided to a Supported Employee is one of the drivers for the amount of increase in claiming given the relationship between support ratios and type of employment. For example, Packaging has an average support ratio of 1:11 implying that, overall, Supported Employees working in Packaging will receive less funding in their Plans than a Supported Worker in Property Care which has an average support ratio of 1:3.

Interestingly when the DMI levels of Supported Employees are analysed across business lines² Packaging has the highest number of higher support needs Supported Employees (as represented by their DMI level) though it has the highest support ratio (and therefore less funding for supports in employment in each Supported Employee's plan). This is also the case with Property Care in which more than half of the Supported Employees are DMI 4 though it has the lowest support ratio (and therefore a higher amount of funding for supports in employment). Further analysis of DMI levels is provided below.

Figure 2 – Average support ratio by ADE business line type (excludes single business lines)



Claiming rates vs hours worked by Supported Employees

Keogh Bay analysed the data provided by ADEs to compare for an average week the number of hours worked by supported employees with the number of hours of support that have been claimed by the ADEs. This analysis found that, based on the claiming data provided by ADEs as part of this project, ADEs intend to claim NDIS supports in employment for 100% of the time that supported employees are at work.

This is an important issue that will require further discussion between ADEs and the NDIA since there may be some circumstances where support workers are undertaking work themselves (e.g. cutting grass or undertaking timber work or packaging work) at the same time as providing overall supervision for supported employees, or being available to help when required. This is a grey area and whether this time is claimable as NDIS supports in employment should be clarified further by the NDIA.

Impact that average hours worked by supported employees has on different business lines

As detailed above, in addition to support ratios, the number of hours worked by a supported employee can also impact on the levels of NDIS revenues that an ADE can claim.

² See DMI profile per type of business line at Appendix 2

Analysis of data from a population of ten ADEs found that there were indeed some variations across different business lines in respect of the average hours worked by supported employees, with Property Care business lines having the highest average number of hours worked (just under 28 hours per week on average) and Packaging business lines having a lower average number of hours worked by supported employees.

This result is in line with the overall projected increase in NDIS claiming revenues and therefore indicates that there is some level of correlation between average hours worked at a business line and overall NDIS claiming revenues. However, the fact that Textiles business lines reported a lower average number of hours worked in comparison with Packaging, but also reported a higher projected increase in NDIS claiming revenues, indicates that the relationship between average hours worked and NDIS revenues claimed is not as strong as is the case for Support Ratios.

Section 4.4 of the report looks in detail at the drivers of different projected claiming rates across different business lines and confirms that there is a strong correlation between low support ratios and high average number of hours worked and projected high levels of NDIS claiming revenues.

Future ADE sector restructuring and possible changes in operating models

Discussions with a number of ADE managers, CEO's and board members as part of this project has revealed a deep curiosity about the way in which the new pricing methodology may impact on the viability of existing operational models (positive and negative impacts) and the opportunity this may present to ADEs to restructure how they deliver supports and undertake commercial activities to better enable their staff to deliver positive outcomes for supported employees and increase organisational productivity and profitability.

If this curiosity translates into action, then the projected increases in claiming revenues identified previously may be underestimated as ADEs increase support levels and offer more hours to supported employees through changes in the current operational models.

Commentary on ADE viability risks

Overall, what this data and analysis indicates is that ADEs that operate basic business lines (in particular, packaging / assembly business lines) on the basis of a high support ratio and where supported employees work a relatively low number of hours are likely to see a reduction (or modest increase) in NDIS claiming revenues under the new pricing methodology.

This reduction in claiming revenues for business lines that are likely to operate on the basis of very low margins could increase the overall viability risks for these ADEs. We note (at section 4.3) that 3 of the 4 packaging business lines that are projected to see a reduction in NDIS claiming revenues are located in regional towns. This could also indicate that smaller, regional packaging ADE operations could be particularly exposed to viability risks should they not change their operating models.

Conversely, as is detailed throughout this report, Keogh Bay projects that most business lines and ADEs are likely to see an increase in NDIS claiming revenues under the new NDIS pricing methodology on the basis of the existing service delivery models. This should better support the financial viability of these organisations into the future. Keogh Bay does however note that potential increases in wage costs for some ADEs as a consequence of the ongoing legal challenges to supported employee wage awards may also impact on ADE viability in a negative way going forward. This is not part of this project.

Keogh Bay has set out at **Appendix 1** a range of risk factors that are likely to impact on ADE viability. Some of these are relevant to the change in NDIS pricing methodology and others are more associated with the commercial management of the business.

Impact of DMI levels on projected levels of claiming

The previous ADE funding methodology was based on the identified support needs of the supported employee in question through the allocation of a DMI (DMI 1 being assessed as lower support needs and attracting annualised funding of \$4,692 through to DMI 4 being assessed as requiring greater supports and attracting annualised funding of \$15,780 per annum). The new pricing methodology no longer includes reference to DMIs and the levels of support provided by the ADE are individualised through a typical package of supports that are funded through the supported employee's NDIS plan.

Comparison of the average funding per supported employee per year at each ADE under the DMI-based pricing model with the same average for the new NDIS pricing model found that **there was no discernible correlation between DMI and projected levels of NDIS claiming revenues**. For example, overall, the projected average annual claiming revenues for supported employees is highest for those supported employees previously assessed as DMI 1 (\$21,772 per annum) and is actually lowest for those supported employees previously assessed as DMI 4 (\$19,115 per annum).

Appendix 2 of the report sets out the DMI profile of the different types of business lines.

This shows therefore that factors such as support ratios and hours worked have a far greater impact on future NDIS revenue streams at an ADE than the assessed DMI of a supported employee.

Claiming of non face-to-face time by ADEs

The amount of time that is charged against participant NDIS plans for non face-to-face employment related supports is the subject of much discussion and, it seems, confusion amongst senior ADE managers.

As part of this project, Keogh Bay undertook some analysis of the proportion of total time claimed against plans that was made up of non-face-to-face supports. The figure below sets out the findings and shows that whilst on average non-face-to-face supports represents 9% of total hours claimed, there are huge variations across ADEs with some organisations not claiming any non-face-to-face time, whilst others applied a general estimate of 10 per cent across all of their supported employees.

There remains a need for ADEs to be provided with clarity on what non-face-to-face supports they are able to include in their calculation of 'Typical Support Patterns'. There were also differing approaches to calculating and quantifying non face-to-face activities that are directly related to supporting a participant's employment across the ADEs we have been consulting with, from one ADE which conducted a detailed 'time and motion' approach to support their assumptions, to another which simply estimated such supports at 10 per cent over and above hours worked.

This is likely to be an issue of some contention and confusion going forward.

Workplace Relations

A summary of Workplace Relations issues and questions relevant to Supported Employment is set out at **Section 6** of this report. The key issues relate to:

- Whilst ADE's have always had a dual role as an employer and provider of supports the role has become substantially more complex under the Model, correspondingly, the scope for the ADE to be compensated for supports that either were not provided or were provided at lower levels now exists. The Workplace Relations legal issue arises where there is cross-over or conflict between the ADE's obligations as an employer compared with the obligations as a provider of NDIS supports.
- Legal Agreements are usually a Service Agreement for the NDIS supports and Employment Contracts for the employment function. The issue is whether the Service Agreements and Employment Contracts can be, or should be, combined or drafted to have terms that inter-connect and whether a third agreement reflecting the Program of Supports is required.

- Whether to align the terms for Employment Contracts with NDIS supports to overcome the potential financial risk should supported employees remain as employees without the associated required level of NDIS funding to support this employment.

Change Management

A summary of a number of Change Management issues and challenges related to the change in the Supported Employment pricing methodology is set out at **Section 7** of this report. The key issues relate to:

- The new NDIS employment model is a significant piece of change that will take time for the sector to integrate, understand and apply.
- The training of the LAC's is seen as critical in order to ensure that appropriate funding can be included in participants plans from the outset.
- The new NDIS employment model will impact existing IT systems and staff resources.
- The Workplace Relations issues and practices referred to above will lead to compliance costs for ADE's as the complexity of agreements and frequency of reviews increases compared to Case Base funding.
- The challenge to get existing employees, families and carers to understand and accept the changed model.
- The potential for variable interpretation across the sector as to what are valid claims for service types and levels.
- ADE's recognise that the model is expected to create new opportunities for ADE's and supported employment, however, ADE's are concerned that they have limited resourcing to invest in developing these opportunities.

1.4 Key Issues for NDIA/DSS attention

#	Issue	Stakeholders
1	<p>Timeliness and Completeness of data</p> <p>When ADEs are using the financial modelling tool to estimate the impact that the change in NDIS pricing methodology will have on their business lines and supported employees NDIS plans, it is important that they complete the tool for all supported employees rather than a sample to enable effective reconciliation of hours of supports claimed against support hours available.</p> <p>Any guidance issued to ADEs on completing the Financial Model should emphasise the pursuit of a whole of ADE approach.</p>	ADE sector
2	<p>Projected overall increase in NDIS claiming revenues</p> <p>Overall, on the basis of our analysis, it appears that the change in the NDIS pricing methodology is likely to result in a significant increase in the amount claimed by ADEs from supported employee's plans for supports in employment.</p> <p>Whether this increase in claiming is perceived by supported employees as good value is a risk that will need to be carefully managed by ADEs and NDIA planners.</p>	ADEs / NDIA

#	Issue	Stakeholders
	<p>Based on discussions with ADEs, we would expect that in many cases the increase in claiming will be accompanied by changes in the way in which business lines are structured and NDIS supports are provided. This should reduce these risks somewhat.</p>	
3	<p>Claiming rates vs hours worked by Supported Employees</p> <p>Based on the claiming data provided by ADEs as part of this project, ADEs intend to claim NDIS supports in employment for 100% of the time that supported employees are at work.</p> <p>This is an important issue that will require further discussion between ADEs and the NDIA since there may be some circumstances where support workers are undertaking work themselves (e.g. cutting grass or undertaking timber work or packaging work) at the same time as providing overall supervision for supported employees, or being available to help when required. This is a grey area and whether this time is claimable as NDIS supports in employment should be clarified further by discussions between the NDIA and the ADE sector.</p>	NDIA/ADEs
4	<p>Future ADE sector restructuring and possible changes in operating models</p> <p>It is likely that the change in NDIS pricing arrangements for Supports in Employment will lead to some ADEs reviewing, restructuring, expanding or even closing their operations. If this happens then the projected increases in claiming revenues identified previously may be underestimates as ADEs increase support levels and offer more hours to supported employees through changes in the current operational models.</p> <p>This could have significant positive outcomes for individual participants but could result in significant increases in the costs of Supports in Employment to the overall NDIS budget.</p>	NDIA / DSS
5	<p>ADE viability risks</p> <p>Where ADEs are projected to receive a future reduction in NDIS claiming revenues for some or all of their business lines (usually basic packaging/assembly business lines), this is likely to increase the overall viability risks for these ADEs.</p> <p>This could be particularly important for smaller, regional packaging ADE operations who could be particularly exposed to viability risks should they not change their operating models.</p>	DSS / ADE sector

#	Issue	Stakeholders
6	<p>Claiming of non face-to-face time by ADEs</p> <p>The amount of time that is charged against participant NDIS plans for non face-to-face employment related supports is the subject of much discussion and, it seems, confusion amongst senior ADE managers.</p> <p>There remains a need for ADEs to be provided with clarity on what non-face-to-face supports they are able to include in their calculation of 'Typical Support Patterns'.</p>	NDIA / ADE sector
7	<p>Overall commentary of readiness of ADE sector for NDIS pricing reform</p> <p>One thing that has been notable from this project is the difficulties in getting participating ADEs to undertake the work necessary to complete the financial model and enable future estimates of NDIS revenues under the new pricing methodology. Given that many of the participating ADEs were at the larger end of the sector and all had shown an interest in the reform arrangements, this group of ADEs are probably amongst the most capable and engaged in the sector.</p> <p>Keogh Bay therefore has some significant concerns about the readiness of the wider ADE sector, in particular the smaller regional (stand-alone) providers, to prepare itself for the transition to the new NDIS pricing methodology.</p>	DSS

2 Background

2.1 Project Scope

Keogh Bay's Project Scope is set out in our contract with National Disability Insurance Scheme Transition Launch Agency as *SCHEDULE 1 STATEMENT OF REQUIREMENT* and includes:

- The National Disability Insurance Scheme (NDIS) is governed by the NDIS Act, which provides the legal framework for the Scheme and the National Disability Insurance Agency (NDIA).
- The NDIA and DSS sought the services of a Consultancy to undertake a project to gain insight on Australian Disability Enterprises (ADEs) experience and outcomes in the practical application of the new supported employment pricing to be adopted by ADEs commencing 1 July 2020.
- The results of the Project will enable the NDIA and DSS to inform actions to ensure all ADEs transition effectively to the new pricing Financial Model under the NDIS. The Project will also identify any policy issues, outside of the pricing transition, that may impact on maintaining participant employment outcomes.
- The requirement is for the project to generate outcomes that will:
 - clarify outstanding operational management issues for all ADEs implementing the new pricing model through developing a Financial Model and guidance to support the transition;
 - review of available legal advice, identify issues in relation to Workplace Relations; and
 - provide input to the NDIA Change Management Plan for all Stakeholders so all ADEs and supported employees can easily understand and appropriately utilise NDIS supports.

This report should be read in conjunction with:

- The NDIS Price Guide 2020-21, Valid from 9 July 2020
- Supports in Employment Provider Handbook June 2020 Version 1.10
- The NDIS Pricing 2020-21 Supports in Employment PowerPoint presented by Mary Hawkins, Director Engagements and Implementation, Employment Outcomes Branch NDIA in June 2020

Each of these documents provide substantial relevant background to this report and are referred to at various stages.

2.2 Deliverables

SCHEDULE 1 STATEMENT OF REQUIREMENT sets out the deliverables required as:

Phase 1: Project Initiation

This Phase included confirmation from the Sector Project Participant group that they are willing to participate in the project.

Phase 2: Research, Information Gathering and Consultation

The aim of Phase 2 is to gather and summarise key items of information required for each of the three sub-projects. Keogh Bay will collect and review data and information relevant to the project and includes:

- Desktop research/documentation review

- Sector Project Participant Consultations – Keogh Bay engaged with four ADE’s to work through the approach to the gathering of financial data, along with seeking commentary on other aspects of the sub-projects. In relation to financial data we aimed to:
 - ensure ADEs are adopting a consistent approach to preparing the underlying data to be used in the Financial Model;
 - capture the data necessary to build the Financial Model;
 - discuss the costs unique to ADEs as a result of offering Supported Employment, compared to other employers and other NDIS service providers; and
 - conduct meetings with the four key Sector Project Participants as required.

Phase 3: Interim Report and Development of Deliverables

An Interim Report was provided which was intended to capture key issues, observations and areas for further discussion. The Interim Report also communicated any potential barriers to completing the project scope in the specified timeframe and highlighted areas of interest outside of the scope which may warrant further effort.

Phase 3 included three sub-programs as follows:

Sub-program 1: Financial Modelling

Provide a Draft Financial Model that estimates the net impact on each ADE’s NDIS funding, along with a user guide that can be used by all ADEs to:

- provide guidance on the development of efficient, accurate claiming approaches, including establishing ‘typical support patterns’, while maintaining the payment assurances standards of the NDIA;
- accurately estimate the financial revenue stream from participant plans as an NDIS provider of supported employment;
- quantify the change in potential funding in moving from ‘Case Based Funding’ to the new pricing framework; and
- include assessment of possible increases to superannuation and minimum wage, due to the decision by the Fair Work Commission regarding the view of the SES Award 2010.

Sub-program 2: Workplace Relations

Provision of a summary of Workplace Relations legal issues.

Sub-program 3: Managing the Change

Through consulting with the sector project participants, summarise key change management issues to inform the development of the NDIA’s change management plan so that supported employees can understand and utilise NDIS supports and ADEs can understand and apply the new pricing framework.

Phase 4: Interim briefing with Key Stakeholders

Facilitate an interim briefing with DSS and NDIA Stakeholders and provide advice on the application of the Financial Model in the participant ADEs, including any insights to financial impacts and other key issues requiring resolution.

Phase 5: Finalisation

The Contractor will incorporate feedback from briefing sessions and test data to further refine the Financial Model and User Guide.

3 SUB-PROGRAM 1 - Financial Modelling

3.1 Development of the Financial Model

In order to address our terms of reference we have structured the Financial Model and User Guide as follows:

- **Provide guidance on the development of efficient, accurate claiming approaches**

The User Guide is designed to assist ADE's establish a 'typical support pattern', while maintaining the payment assurance standards of the NDIA. As per the NDIS Price Guide 2020-21 these *"Supports may be provided one to one or within a group-based setting, complimenting (sic) existing or expected employer supports, and claimed according to the intensity and frequency of supports delivered to achieve employment goals."*

The Financial Model records supports in employment to build typical support patterns for each supported employee. The NDIS Price Guide 2020 -21 (p 60) states that: *"Supports can include:*

- *on the job assessments related to the impact of a person's disability on their ability to work;*
- *job customisation;*
- *on-the-job training and intermittent support with daily work tasks;*
- *direct supervision and/or group-based support to enable meaningful participation at work;*
- *physical assistance and personal care delivered in the workplace;*
- *supports to manage disability-related behaviour or complex needs at work; and*
- *non face-to-face activities that are directly related to supporting a participant's employment.*

The User Guide outlines a range of supports that could fall within each of the above categories. This has been informed, in part, through the work undertaken by the Project Team. The intent is that this provides guidance for ADE's as they complete the input sheets for each supported employee.

- **Estimated revenue stream from participant plans**

The Financial Model has two main components. That is:

- Supported employee component

There is an Input Sheet for each supported employee. In keeping with the intent of NDIS the Financial Model allows for hours to be claimed against each individual Supported Employee in accordance with their NDIS participant plans. The Financial Model then calculates the claiming amount that is attracted according to the hours, the intensity of the support and the appropriate rate, with regard to the time of day and time of the week supports are provided and TTP loadings.

- Combined reporting component

The Financial Model accumulates all of the individual data to provide a summary of estimated revenue stream for the entire organisation.

The Pivot Tables within the "Combined Reporting" Sheet have the ability to provide a range of reports and cut-throughs across the following data sets, including:

- NDIS Claiming revenue and DMI Funding by Outlet by Work Type - 12 Weeks and Yearly
- Supported Employees by Outlet / Business Line

- Funding by DMI Level
- DMI Levels by Outlet / Business Line

Key assumptions used in the calculation of the estimated revenue stream include:

- Pricing for Supports in Employment and Centre Capital Costs as per the standard rate in the NDIS Price Guide 2020-21, namely \$54.30 per hour for Supports in employment and \$2.15 per hour for Centre Capital Costs;
- DMI Rates are set at those used for the transitional arrangements, with provision to input Average Outlet Pricing where a Supported Employee does not have a DMI;
- Loadings for different time and day of the week, TTP, remote and very remote locations are as per the NDIS Price Guide 2020-21; and
- 46 weeks of support per year representing 52 weeks less public holidays and annual leave.

All of the key assumptions in the Financial Model can be updated through the Global Variables input worksheet.

- **Change in potential funding - ‘Case Based Funding’ compared to the new pricing framework**

At an individual level the Financial Model allows DMI rates or Average Outlet Pricing to be entered for each supported employee and calculates the difference between ADE funding under the Case Based Funding against the projected claiming revenues generated per supported employee under the new arrangements.

As noted above the change in potential organisational claiming revenues from Case Based Funding to the new pricing framework can be reported at an individual, DMI, Business Line and whole of organisation level.

- **Assessment of possible increases to superannuation and minimum wage**

The Financial Model allows for the input of existing wage and superannuation data at the individual level, including whether the Supported Employment Services Award 2010 applies. The impact of possible increases can be assessed at an individual and accumulated level, once new wage rates and superannuation are included for each supported employee.

3.2 Process undertaken in development of the Financial Model

The process undertaken to arrive at the Financial Model can be summarised as follows:

- Desktop research of information including discussions with the Project Team regarding their approach;
- Development of Financial Model V1 which we tested and circulated to the Sector Project Participants, DSS and NDIA for testing and feedback;
- Review of initial data sets provided by the ADE’s in the testing phase to identify issues with the Financial Model as well as initial observations;
- Incorporation of feedback into the design of Financial Model V2 which was distributed to the project leading team on 31 July 2020 for further feedback;
- Feedback was sought from the wider group of ADE’s on the technical aspects of the Financial Model by 10th August 2020;
- Feedback from the NDIA and DSS on the Model and User Guide following submission of the Interim Report; and

- Final data sets were received from ADE's by 21st August 2020 in order to inform the observations in this Report.

3.3 Limitations associated with use of the Financial Model

It should be noted that there are limitations on the Financial Model including:

- The intent was to build a generic Financial Model that is useful to a full cross-section of ADE's with varying degrees of Excel competency. It was clear in our testing with the smaller ADE's that Version1 was a little daunting. Accordingly, Version2 was simplified in appearance with inputs reduced and more functionality included in formulas. The final version is simplified further with more guidance provided and calculation cells protected to stop formulas being overwritten. This has reduced the opportunity for errors and makes the Financial Model easier to use;
- Whilst we encouraged consistency from the ADE Project Participants, we noted that the inputs and descriptions of inputs provided varied due to different approaches. For example, some ADEs undertook a detailed verification of the supports provided to supported employees, while others took a broader approach across a business line (so in effect reducing the detail of the description of the supports provided) with a view to a more detailed assessment at a later date;
- The Financial Model is not, and never was, intended to provide a statistically sound data set. The intent was for the Financial Model to be an indication of the impact of the new supported employment pricing methodology with a view to testing the Financial Model for application across the sector;
- In a number of instances, the conclusions drawn are "averages of averages" and therefore the numbers referred to should be treated accordingly and not taken as an absolute number; and
- The level of supports provided under the Case Based Funding model essentially meant that ADE's provided supports within these financial parameters. We requested the participating ADE to consider the 'current state' regarding supports provided so that the impact of change in the funding model could be isolated. That is; we were looking for a 'pricing' variance rather than a 'quantity' variance through additional hours of support. We understand that because of the paucity of historical information it is difficult for a detailed assessment to be made, particularly for Non-Face to Face time. It is expected that over time the understanding of the hours of support provided will become more accurate.

4 Analysis of Claiming Data – Impact on ADEs

4.1 Data Analysis – Impact of change in NDIS pricing on ADE income

As part of this project ten ADEs completed the Financial Model using actual data from their own supported employees to project the impact that the change in the supported employment pricing methodology would have on their own financial performance and also the NDIS plans of individual supported employees. Five of these ADEs provided a complete set of data covering all of their supported employees. In the remaining cases the ADEs provided data for a sample of their supported employees with a view to extrapolating out any trends or projections.

At an organisational level, our analysis found that ADEs would be able to significantly increase the amount able to be claimed for supports in employment from each supported employee's plan per the following table:

Table 2 – Overall projected increase in claims cost over current DMI/AOP levels

ADE #	Location	Business lines	Sample or Whole of Org?	Projected Increase in Support Claims %
1	Metro and Regional	Packaging/Assembly Timber Textiles Property Care	Whole of Organisation	+30%
2	Metro	Packaging/Assembly Property Care Hospitality Manufacturing	2% Sample	+22%
3	Metro	Packaging/Assembly	25% Sample	+65%
4	Metro	Packaging/Assembly Timber Property Care Café	Whole of Organisation	+39%
5	Metro	Timber Manufacturing Textiles	Whole of Organisation	+58%
6	Regional	Cleaning	Whole of Organisation	+105%
7	Regional	Timber Textiles	25% Sample	+77%
8	Metro	Packaging Café	10% Sample	+70%
9	Regional	Farm	Whole of Organisation	+48%
10	Metro	Farm Packaging/Assembly Manufacturing Property Care	8% Sample	+100%

Overall this indicates that, on the basis of our analysis, that the change in supported employment pricing is likely to result in a significant increase in the amount claimed from supported employee's plans for supports in employment provided to supported employees.

4.2 Data Analysis - Drivers for increased funding

This section of the report will seek to identify the main drivers for this increase and reasons why some ADEs have reported significantly higher projected claiming revenues than other ADEs. The factors considered in this analysis are as follows:

- Ratios of support provided to Supported Employees
- Number of Hours Worked by Supported Employees
- Type of ADE business line
- Supported Employee DMI levels

Ratios of support provided to Supported Employees

The new NDIS pricing methodology has been updated from 1 July 2020 to change the pricing methodology in respect of Supports in Employment. The price guide states that:

'These support items can be delivered to individual participants or to groups of participants subject to the rules set out in this Price Guide. Where a support item is delivered to a group of participants the provider should claim for the relevant fraction of the time of the support from each participant's plan.'

Therefore, there is a clear link between the amount that can be claimed by an ADE and the ratio of support workers to supported employees that ADEs maintain at their workplace. For example, as can be seen in the table below, a 1:1 ratio attracts an hourly rate of \$54.30 whilst for a 1:15 support ratio an ADE can only claim \$3.62 per hour from a participant's NDIS plan.

Table 3 – NDIS claiming prices per support ratio

Support ratio	Hourly rate that can be claimed by ADE
1:1	\$54.30
1:2	\$27.15
1:3	\$18.10
1:4	\$13.58
1:5	\$10.86
1:6	\$9.05
1:7	\$7.76
1:8	\$6.79
1:9	\$6.03
1:10	\$5.43
1:11	\$4.94
1:12	\$4.53
1:13	\$4.18
1:14	\$3.88
1:15	\$3.62

The following sections of this report will look in detail at the impact that different support ratios are likely to have on the amount of NDIS revenues generated by different ADE business lines.

Number of Hours Worked by Supported Employees

The new supported employment pricing methodology is based on an hourly rate rather than a fixed amount per supported employee which is a significant change from the previous DMI-based pricing methodology. In a simplistic sense this means that the more hours that a supported employee works the higher the amount of funded supports that the employing ADE can claim. Conversely, if an employee only works 8 hours per week then the ADE is only able to claim NDIS supports for the actual hours worked by the employee and in many cases this is likely to be less than was previously claimable by the ADE through DMI-based pricing. However, as was detailed above, the ratio of supports provided to the supported employee in question across their working week will have a significant impact on the amounts claimable by ADEs.

The impact that average hours worked (along with other variables) has on projected claiming revenues at a range of different ADE business lines is discussed in detail in the sections below.

Type of ADE business line

See next Section

Impact of DMI levels on projected levels of claiming

The previous ADE funding methodology was based on the identified support needs of the supported employee in question through the allocation of a DMI (DMI 1 being assessed as lower support needs and attracting annualised funding of \$4,692 through to DMI 4 being assessed as requiring greater supports and attracting annualised funding of \$15,780 per annum). The new pricing methodology no longer includes reference to DMIs and the levels of support provided by the ADE are individualised through a typical package of supports that are funded through the supported employee's NDIS plan.

Comparison of the average funding per supported employee per year at each ADE under the DMI-based pricing model with same average for the new NDIS pricing model found that **there was no discernible correlation between DMI and projected levels of NDIS claiming revenues**. For example, overall the projected average annual claiming revenues for supported employees is highest for those supported employees previously assessed as DMI 1 (\$21,772 per annum) and is actually lowest for those supported employees previously assessed as DMI 4 (\$19,115 per annum).

This shows therefore that factors such as support ratios and hours worked have a far greater impact on future NDIS revenue streams at an ADE than the assessed DMI of a supported employee.

Table 4 – Comparison of average funding levels per supported employee by DMI

Row Labels	DMI 1		DMI 2		DMI 3		DMI 4		Average of Yearly Funding \$
	Average of Yearly Equivalent DMI \$	Average of Yearly Funding \$	Average of Yearly Equivalent DMI \$	Average of Yearly Funding \$	Average of Yearly Equivalent DMI \$	Average of Yearly Funding \$	Average of Yearly Equivalent DMI \$	Average of Yearly Funding \$	
1	\$ 4,692.00	\$ 26,560.55	\$ 7,920.00	\$ 22,100.61	\$ 11,892.00	\$ 23,772.19	\$ 15,780.00	\$ 18,955.97	
2	\$ 4,692.00	\$ 13,924.33	\$ 7,920.00	\$ 14,996.30	\$ 11,892.00	\$ 14,813.13	\$ 15,780.00	\$ 18,092.79	
3	\$ 4,692.00	\$ 16,864.75	\$ 7,920.00	\$ 14,033.91	\$ 11,892.00	\$ 23,046.81	\$ 15,780.00	\$ 16,059.90	
4	\$ 4,692.00	\$ 18,922.77	\$ 7,920.00	\$ 17,291.29	\$ 11,892.00	\$ 14,738.83	\$ 15,780.00	\$ 24,759.12	
5	\$ 4,692.00	\$ 24,404.04	\$ 7,920.00	\$ 31,361.25	\$ 11,892.00	\$ 31,186.91	\$ 15,780.00	\$ 21,819.56	
6	\$ 4,692.00	\$ 31,578.07	\$ 7,920.00	\$ 21,880.93	\$ 11,892.00	\$ 16,310.14	\$ 15,780.00	\$ 17,601.70	
7			\$ 7,920.00	\$ 18,509.20	\$ 11,892.00	\$ 14,843.99	\$ 15,780.00	\$ 15,226.83	
8			\$ 7,231.30	\$ 19,127.74	\$ 10,014.32	\$ 17,789.04	\$ 14,315.88	\$ 20,709.80	
9	\$ 4,692.00	\$ 15,764.05	\$ 7,920.00	\$ 18,643.08	\$ 11,892.00	\$ 12,234.22	\$ 15,780.00	\$ 20,467.28	
Grand Total	\$ 4,692.00	\$ 21,722.94	\$ 7,784.62	\$ 19,449.19	\$ 11,595.93	\$ 19,762.63	\$ 15,641.85	\$ 19,115.35	

4.3 Impact of new claiming methodology on different ADE business lines

This section of the report focusses on the impact that the change in NDIS claiming methodology could have on different types of ADE business lines.

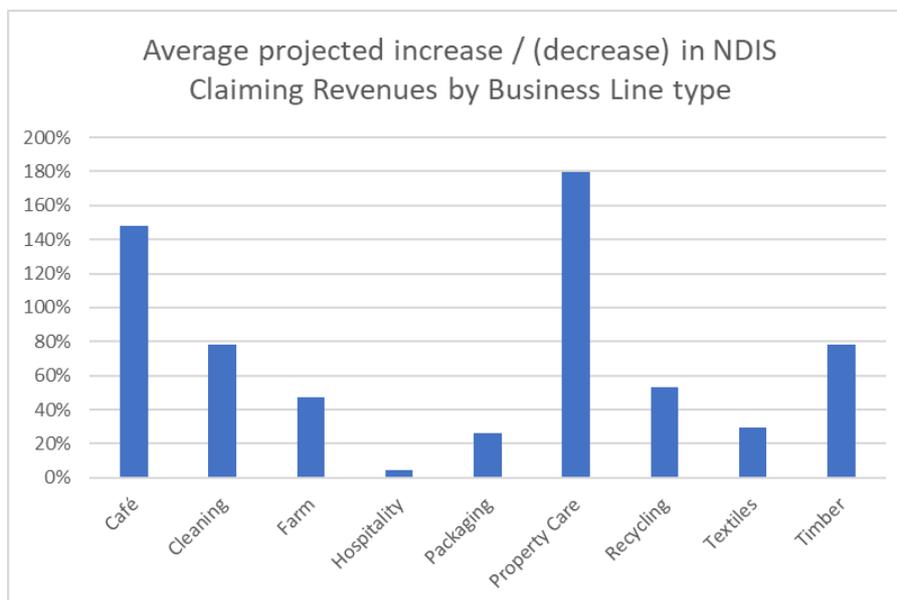
The most common business lines operated by ADE included in this project were Packaging & Assembly (Packaging), Property Care (garden maintenance), Woodwork (Timber) and Textiles. Across a number of metropolitan and regional locations the ADEs provided data for:

- 12 Packaging business lines (of varying sizes),
- 7 Timber manufacture business lines,
- 5 Property Care business lines,
- 4 Textiles business lines,
- 2 Cleaning business lines,
- 1 Farming business line,
- 1 Café, and
- 1 Hospitality business line

These business lines varied from employing 414 supported employees in one large Metro packaging business outlet down to 2 supported employees working at a regional café.

Whilst all types of business line recorded an average increase in projected claiming revenues under the new pricing methodology (despite some individual packaging business lines recording a reduction in projected claiming revenues), the variations across the different business lines are very significant – from an increase of almost 180% on average for Property Care business lines, to a more modest average of 26% increase across all Packaging business lines, and an increase of only 5% for the one Hospitality business line that was included in the data-set.

Figure 3 – Average projected change in NDIS claiming revenues by type of ADE business line



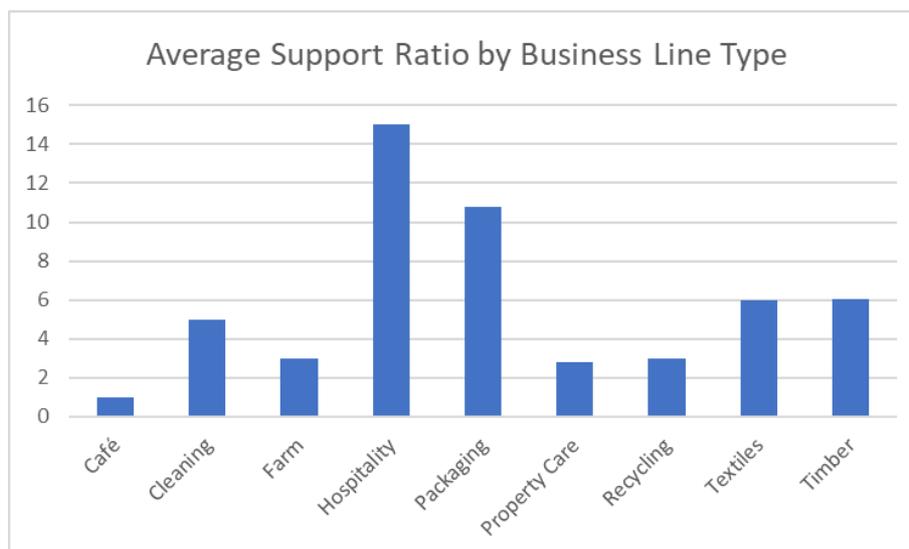
This data indicates that the type of business line that an ADE operates could have a significant impact on the level of NDIS revenues that the organisation is able to claim in future. The next section of this report will explore the drivers for these variations in more detail.

4.4 Drivers behind varying projected claiming revenue levels at different business lines

Support Ratios

As was detailed above, the support ratio associated with the NDIS employment supports provided to a supported employee is a key driver in the level of NDIS revenues that an ADE is able to claim. Analysis of claiming data provided by 10 ADEs revealed that the average support ratios at business lines such as Hospitality and Packaging are far higher on average than other business lines such as Property Care, Cleaning or Timber.

Figure 4 – Average support ratio by ADE business line type (all business lines)



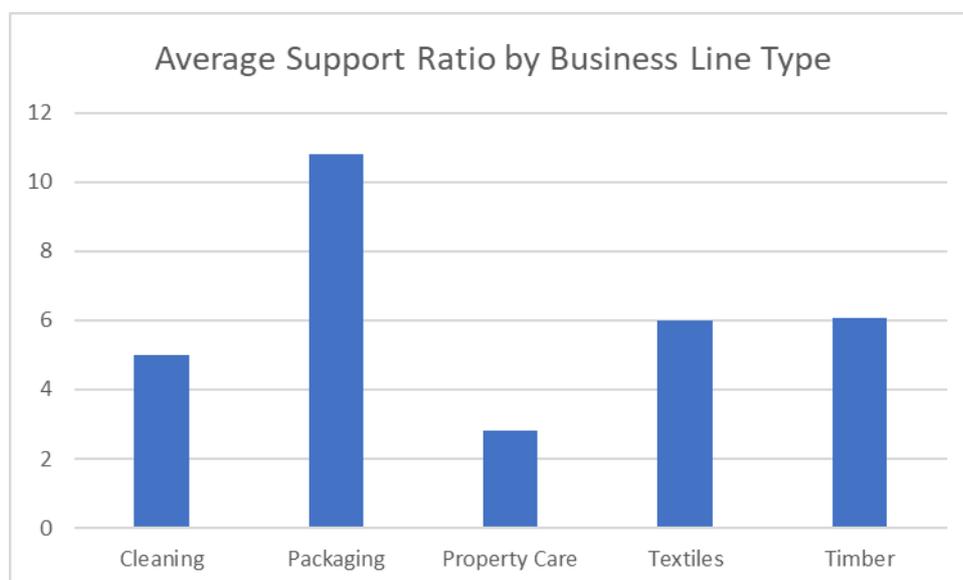
Given that the data-set includes a number of single business lines (Café, Farm and Hospitality) it is our view that there isn't sufficient data available to support any robust analysis of the support ratios in place at these types of business lines. The figure below therefore compares the average support ratios in place across those business lines that we have multiple examples for. This figure shows that Packaging has by far the highest average support highest ratio at almost 1:11 so 1 support worker to 11 supported employees whilst Property Care had the lowest average support ratio of just under 1:3.

When these average support ratios are cross-checked against the projected increase in NDIS claiming revenues set out in the Figure above, this shows that Property Care business lines are projected to claim an increase in NDIS revenues of 179% whilst Packaging business lines are projected to claim an increase of only 26% in NDIS revenues. **This indicates a strong correlation between average support ratios and the projected increase in NDIS claiming revenues.**

These observations also support the assertion that the type of employment provided to a Supported Employee is one of the drivers for the amount of increase in claiming given the relationship between support ratios and type of employment. For example, Packaging has an average support ratio of 1:11 implying that, overall, Supported Employees working in Packaging will receive less funding in their Plans than a Supported Worker in Property Care which has an average support ratio of 1:3.

Interestingly when the DMI levels of Supported Employees are analysed across business lines Packaging has the highest number of higher support needs Supported Employees (as represented by their DMI level) though it has the highest support ratio (and therefore less funding for supports in employment in each Supported Employee's plan). This is also the case with Property Care in which more than half of the Supported Employees are DMI 4 though it has the lowest support ratio (and therefore a higher amount of funding for supports in employment). Further analysis of DMI levels is provided below.

Figure 5 – Average support ratio by ADE business line type (excludes single business lines)



Claiming rates vs hours worked by Supported Employees

Keogh Bay analysed the data provided by ADEs to compare for an average week the number of hours worked by supported employees with the number of hours of support that have been claimed by the ADEs. This analysis found that, based on the claiming data provided by ADEs as part of this project, ADEs intend to claim NDIS supports in employment for 100% of the time that supported employees are at work.

This is an important issue that will require further discussion between ADEs and the NDIA since there may be some circumstances where support workers are undertaking work themselves (e.g. cutting grass or undertaking timber work or packaging work) at the same time as providing overall supervision for supported employees, or being available to help when required. This is a grey area and whether this time is claimable as NDIS supports in employment should be clarified further by the NDIA.

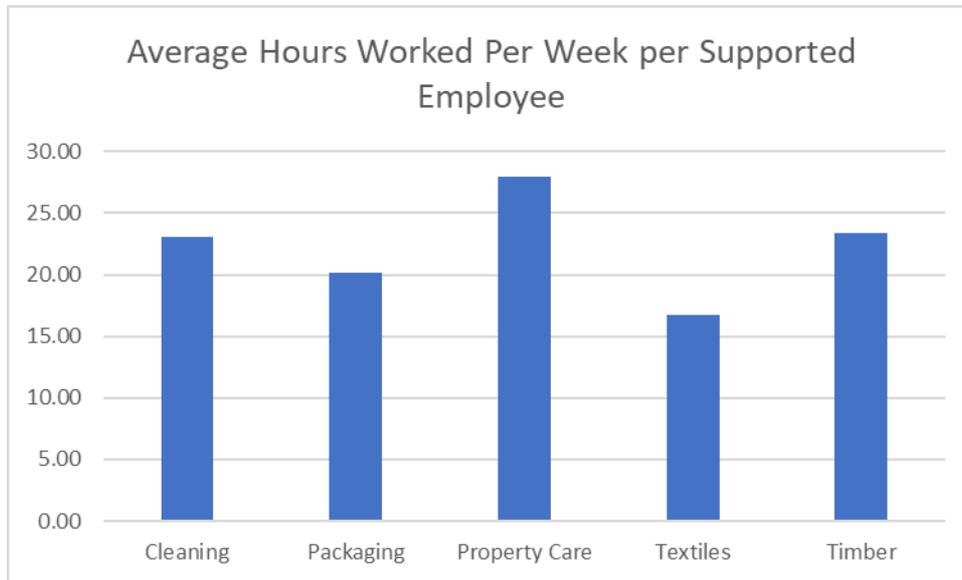
Average hours worked

As detailed above, in addition to support ratios, the number of hours worked by a supported employee can also impact on the levels of NDIS revenues that an ADE can claim.

Analysis of data from a population of ten ADEs found that there were indeed some variations across different business lines in respect of the average hours worked by supported employees, with Property Care business lines having the highest average number of hours worked (just under 28 hours per week on average) and Packaging business lines having a lower average number of hours worked by supported employees.

This result is in line with the overall projected increase in NDIS claiming revenues (set out in the Figure above) and therefore indicates that there is some level of correlation between average hours worked at a business line and overall NDIS claiming revenues. However, the fact that Textiles business lines reported a lower average number of hours worked in comparison with Packaging, but also reported a higher projected increase in NDIS claiming revenues, indicates that the relationship between average hours worked and NDIS revenues claimed is not as strong as is the case for Support Ratios.

Figure 6 – Average hours worked per week by Supported Employees by ADE business line

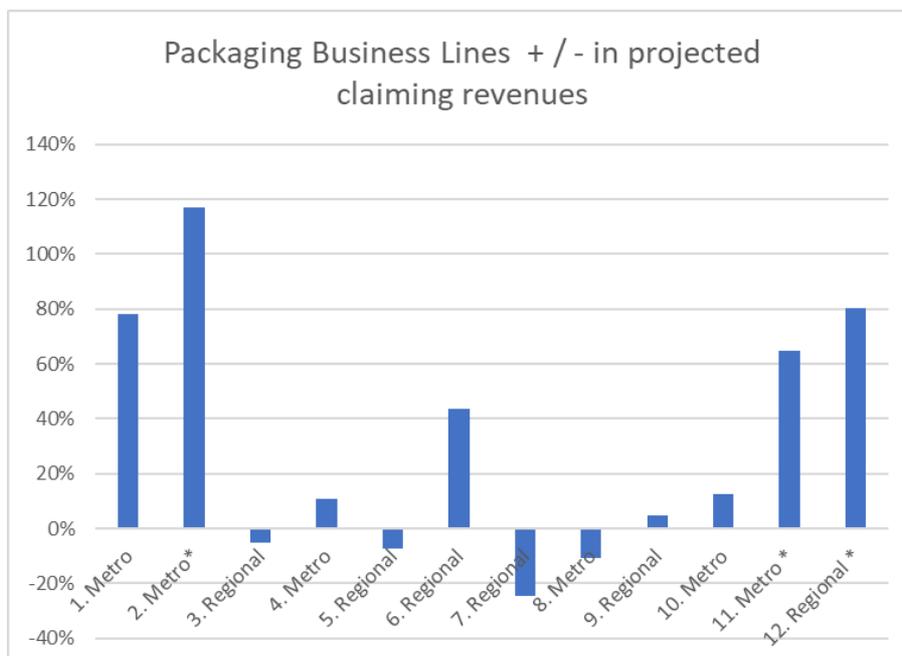


Analysis of impact of new NDIS funding methodology on Packaging business lines

The ADEs participating in this project operate 12 different Packaging (or assembly) business lines. This is the most common type of business line amongst the participating group.

The Figure below sets out the projected increase or decrease in NDIS claiming revenues for each business line under the new pricing methodology. This shows that, although the average increase in NDIS claiming revenues is 26%, there are four business lines that are projected to receive a reduction in NDIS claiming revenues and three other business lines are projected to receive increase in funding that are far lower than the average level.

Figure 7 – Projected increase / decrease in NDIS claiming revenues for all Packaging business lines

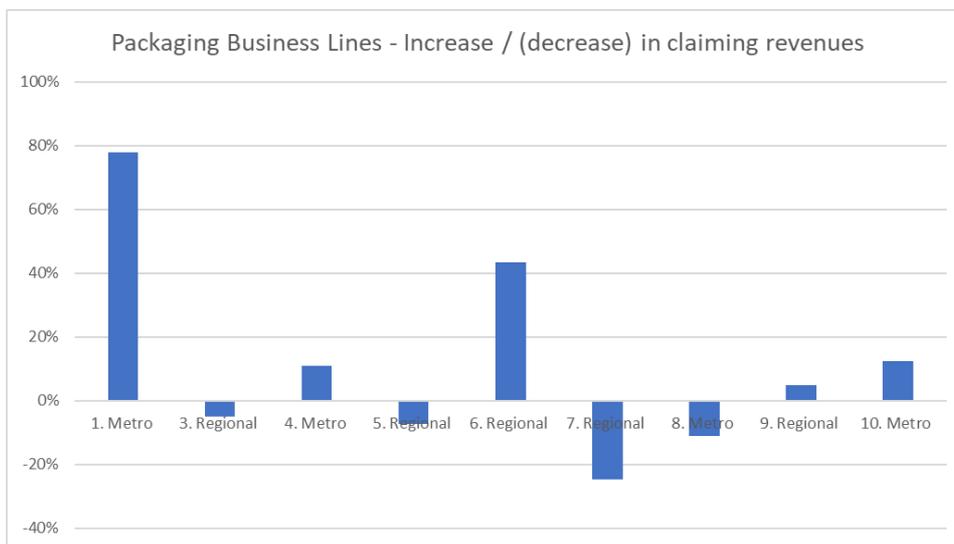


* These ADEs provided projected claiming data for only a sample of their supported employees.

It is also important to note that three of the business lines that are projected to receive the largest increase in NDIS claiming revenues have provided data based on only a sample of their supported employees. This means that they were not able to reconcile the support hours claimed with the actual hours worked by support workers. The relatively high levels of support hours claimed by these ADEs could be an indication that these ADEs have over claimed supports provided relative to the number of support hours delivered.

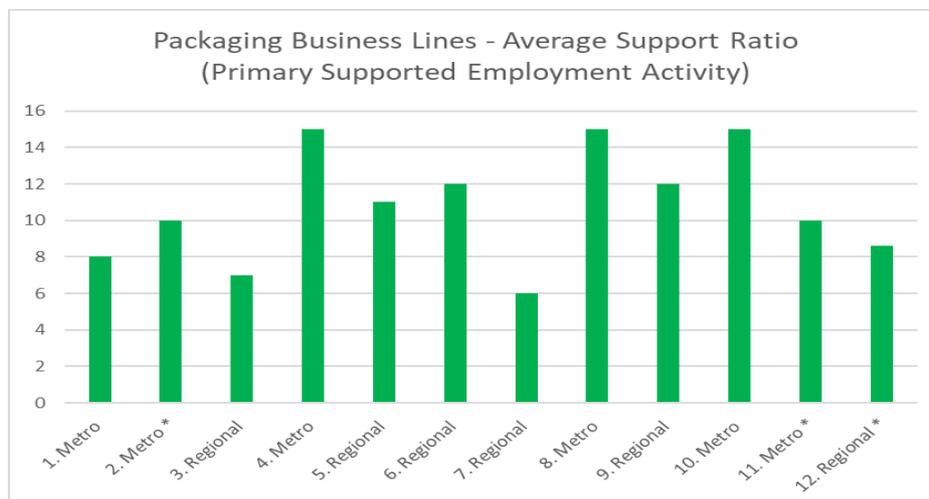
Once these three ADEs have been excluded from the data set, the projected increase in NDIS claiming revenues for Packaging business lines is only 11.3%. Keogh Bay believes that this figure is likely to be a more accurate projection than the 26% increase calculated for all Packaging business lines.

Figure 8 – Projected increase / decrease in NDIS claiming revenues for Packaging business lines (including only those business lines that had provided a complete data set)



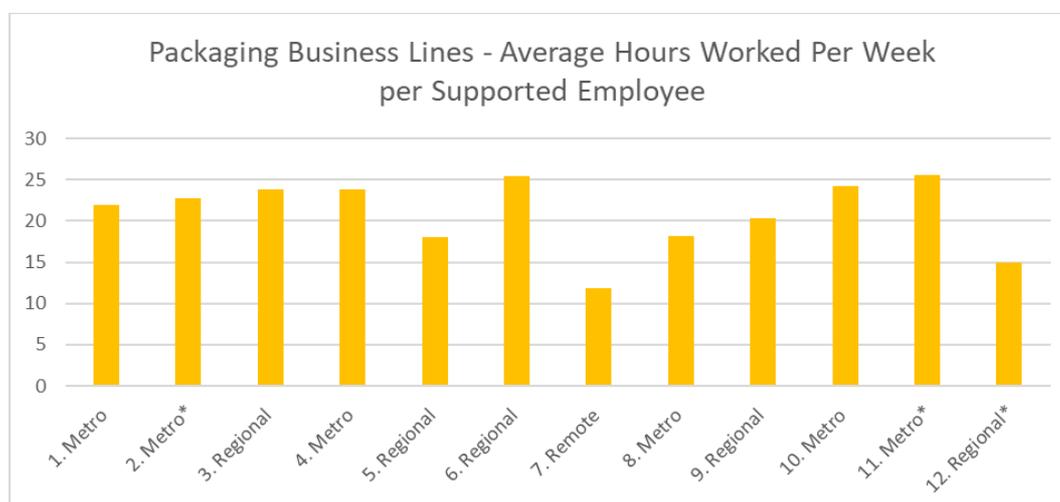
As was noted above, Packaging business lines have reported higher average support ratios than other business lines. Analysis of the support ratio data provided by Packaging ADEs is summarised in the Figure below. This shows that there are significant variations across different business lines with three large Metropolitan Packaging business lines reporting average support ratios of 1:15, whilst two smaller regional ADEs reported average support ratios of 1:6 and 1:7 respectively.

Figure 9 – Average Support Ratios for all Packaging business lines



In analysing the average hours worked by supported employees at Packaging business lines there was a far more consistent data-set with all but one business line reporting average hours worked by employees of between 15 and 25 hours. One small business line reported average hours worked of only 12 hours per week. This business line is actually only open for 3 days a week.

Figure 10 – Average hours worked per week for all Packaging business lines



Overall, when considering the reasons why some Packaging business lines are projected to see a reduction in NDIS claiming revenues the table below highlights that there are no clear trends in terms of average hours worked by supported employees or support ratios. This indicates that other factors such as non-face-to-face supports or previous DMI levels may also be a factor in the relatively low level of projected NDIS claiming revenues for these business lines.

ADE Location	Packaging Business Lines - Increase / (decrease) in claiming revenues	Average Support Ratio (Primary Supported Employment Activity ³)	Average Hours Worked Per Week per Supported Employee
1. Metro	+78%	8	21.9
2. Metro *	+117%	10	22.8
3. Regional	-5%	7	23.8
4. Metro	+11%	15	23.77
5. Regional	-7%	11	18.1
6. Regional	+43%	12	25.5
7. Regional	-25%	6	11.9
8. Metro	-11%	15	18.2
9. Regional	+5%	12	20.35
10. Metro	+12%	15	24.2
11. Metro*	+65%	10	25.6

³ Most ADEs noted a range of 1:1 supports for training, behavioural support and job set-up. To ensure consistency, this ratio only records the average support ratio for the Primary Supported Employment Activity. In each case this represented a majority of hours claimed.

ADE Location	Packaging Business Lines - Increase / (decrease) in claiming revenues	Average Support Ratio (Primary Supported Employment Activity ³)	Average Hours Worked Per Week per Supported Employee
12. Regional*	+80%	8.6	15

Summary

Overall, what this data and analysis indicates is that ADEs that operate basic packaging / assembly business lines on the basis of a high support ratio and where supported employees work a relatively low number of hours are likely to see a reduction in NDIS claiming revenues under the new pricing methodology. This reduction in funding for business lines that are likely to operate on the basis of very low margins could increase the overall viability risks for these ADEs.

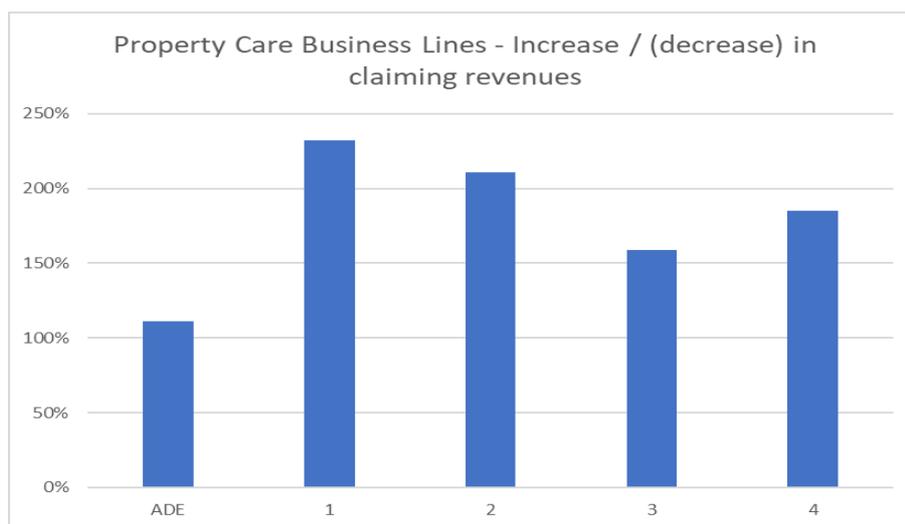
We also note that 3 of the 4 business lines that are projected to see a reduction in NDIS claiming revenues are located in regional towns. This could also indicate that smaller, regional packaging ADE operations could be particularly exposed to viability risks should they not change their operating models.

Keogh Bay has set out at **Appendix 1** a range of risk factors that are likely to impact on ADE viability. Some of these are relevant to the change in NDIS pricing methodology and others are more associated with the commercial management of the business.

Analysis of impact of new NDIS funding methodology on Property Care business lines

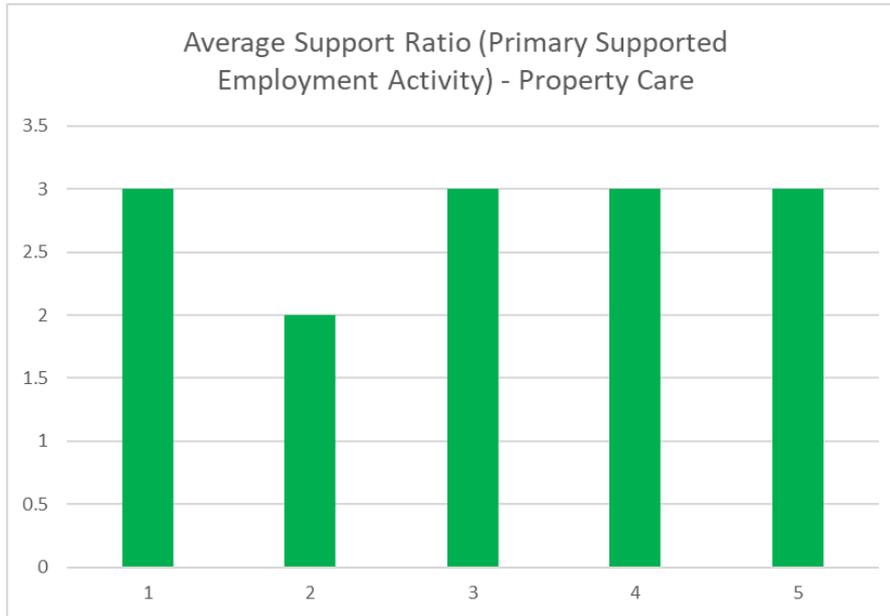
In contrast with Packaging business lines, our projections for Property Care business lines indicate that these business lines are likely to receive a significantly high level of NDIS claiming revenues following the transition to the new NDIS pricing methodology. As can be seen from the table below, Property Care business lines are projected to receive increases in claiming revenues averaging at 180% (ranging from a low of 111% to a high of 232%).

Figure 12 – Property Care business lines – Projected Increase / (decrease) in NDIS claiming revenues



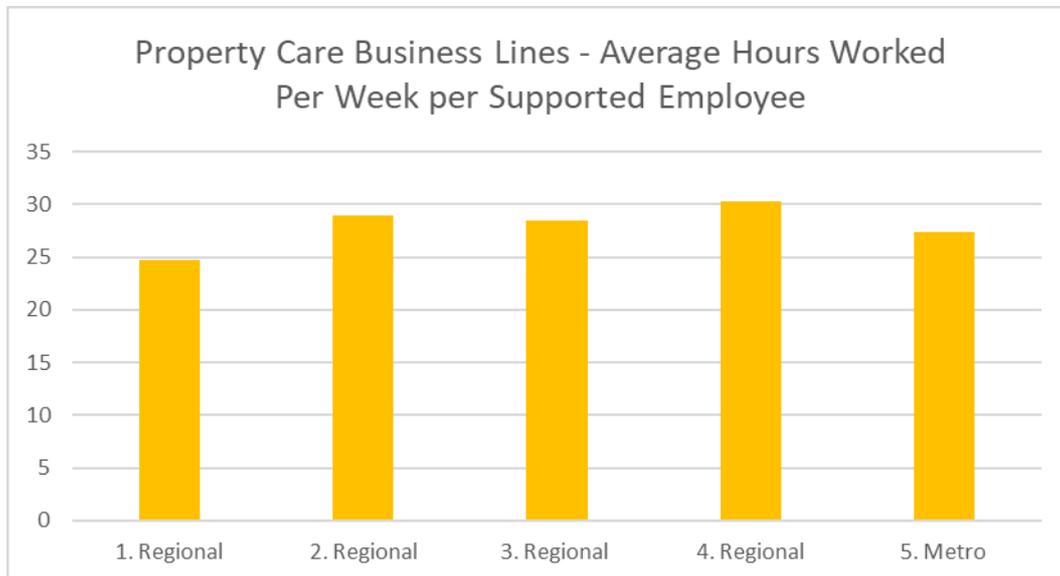
Analysis of the average support ratios at Property Care business lines found that all but one of the five Property Care business lines operated on the basis of a 1:3 staffing ratio, with the other business line operating on the basis of a 1:2 ratio. This is one of the main drivers of the projected increase in NDIS claiming revenues for these business lines in comparison with the existing DMI-based funding methodology.

Figure 13 – Property Care business lines – Average Support Ratio (Primary Supported Employment activity)



In comparison with other business lines, Property Care employees also work relatively long-hours on average (average of 28 hours per week per supported employee). As previously discussed, this is also likely to be a key contributing factor towards the higher levels of NDIS revenues that these business lines are expected to claim in future years.

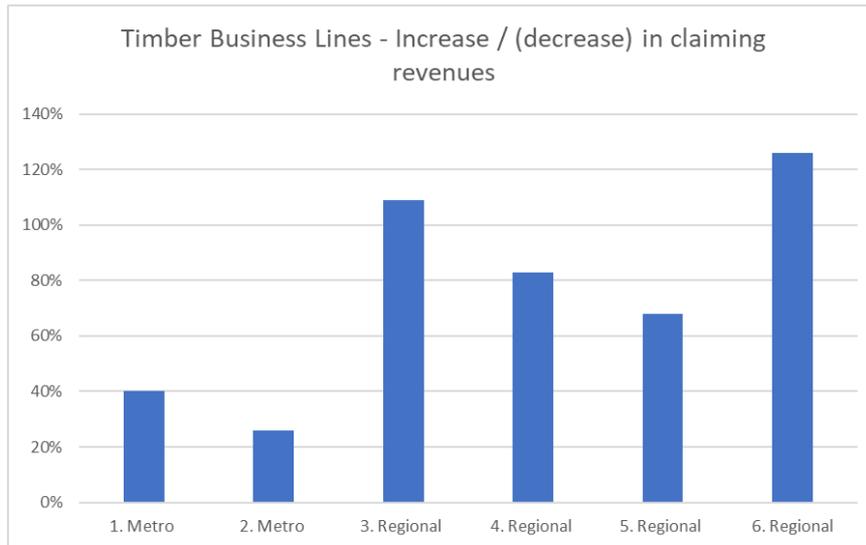
Figure 14 – Property Care business lines – Average hours worked per week



Analysis of impact of new NDIS funding methodology on Timber business lines

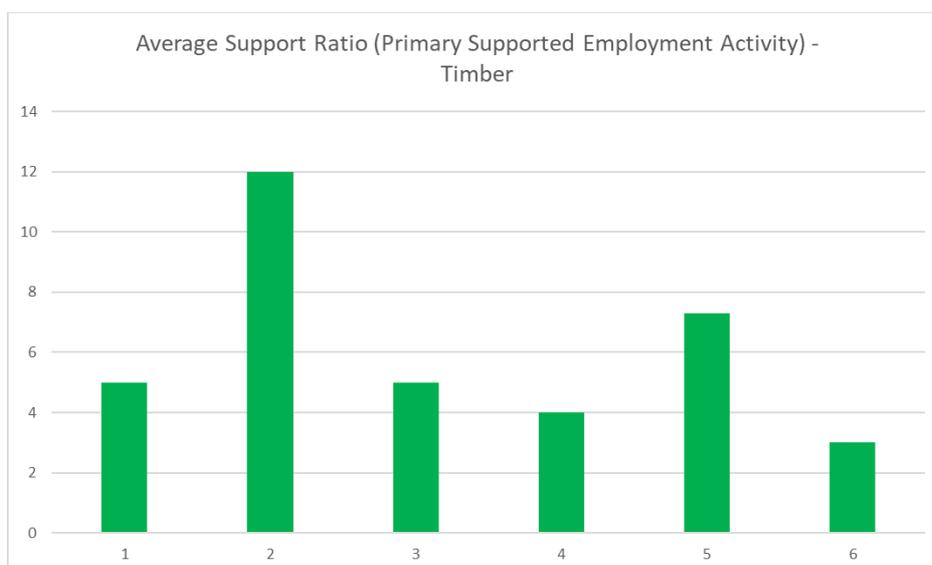
As was detailed earlier in this section, Timber business lines are projected to see claiming revenues increase by 78 per cent under the new NDIS pricing methodology (on the basis of the existing service delivery model). However, as can be seen from the Figure below. The projected increase in claiming revenues varies greatly across different business lines from a projected increase in funding of 125% at a regional Timber manufacturing business line to only 25% at a small timber business line in a Metropolitan region.

Figure 15 – Timber business lines – Projected Increase / (decrease) in NDIS claiming revenues



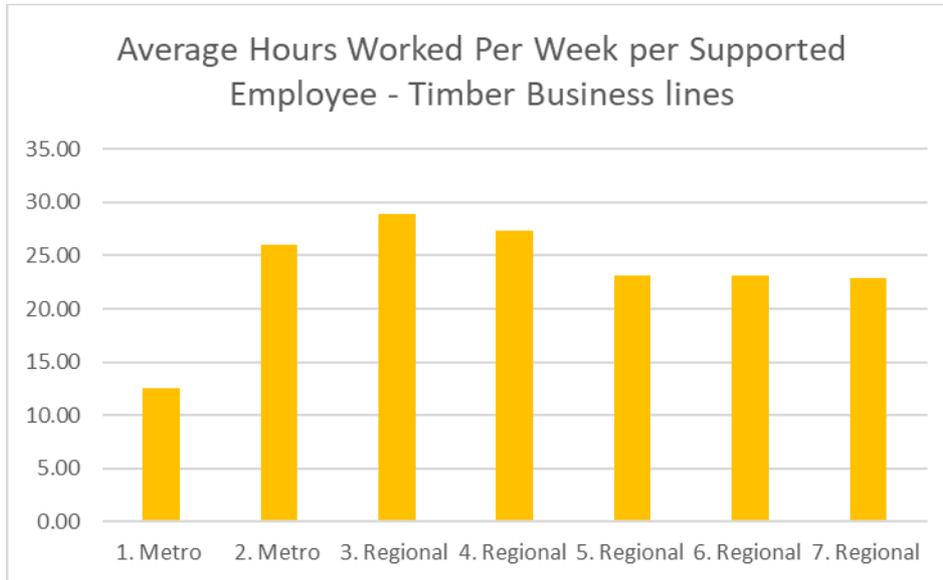
In common with other business lines, the primary driver for these variances in projected claiming revenues is the support ratios in place at each of the business lines. For example, (as can be seen below) the regional business line that is projected to attract the largest growth in claiming revenues also has the lowest support ratios (1:3) whilst the Metro timber business line that was projected to see the smallest growth in claiming revenues has the highest support ratio of 1:12.

Figure 16 – Timber business lines – Average Support Ratio (Primary Supported Employment activity)



In comparison with other business lines, Timber business line supported employees also work relatively long-hours on average (average of 23.4 hours per week per supported employee). As previously discussed, this is also likely to be a key contributing factor towards the higher levels of NDIS revenues that these business lines are expected to claim in future years.

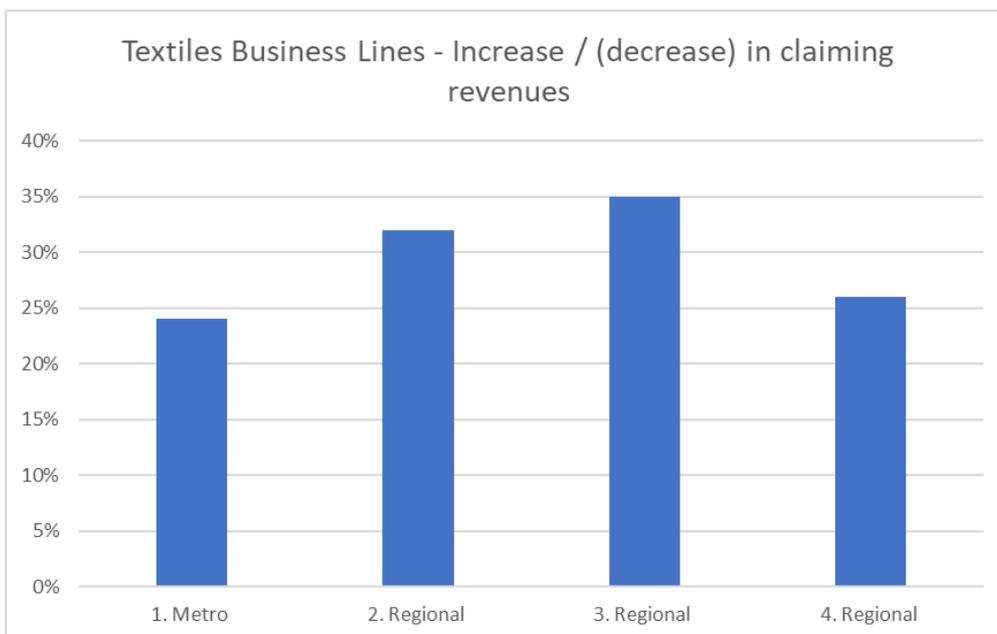
Figure 17 – Timber business lines – Average hours worked per week



Analysis of impact of new NDIS funding methodology on Textiles business lines

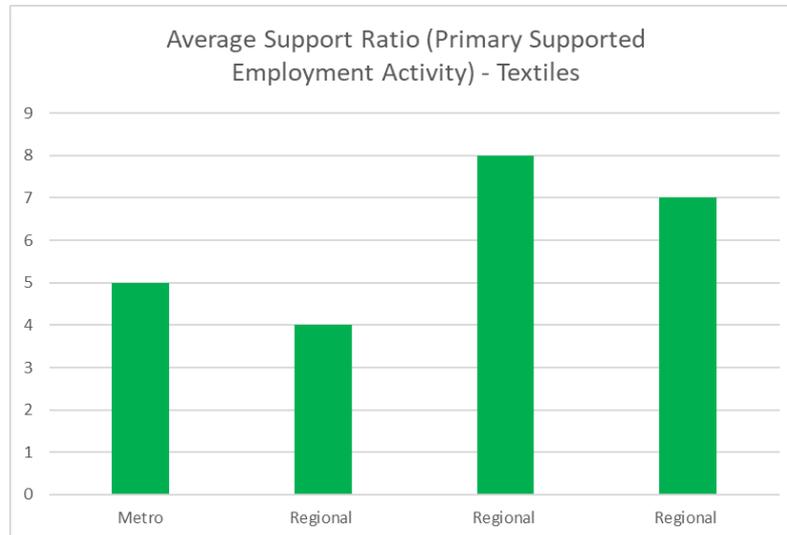
Analysis of model data provided by ADEs that operated Textiles business lines indicates that this business line is not expected to benefit as much from the change in NDIS pricing methodology as other business lines with our financial projections indicating an average increase in NDIS claiming revenues of only 29%.

Figure 18 – Textiles business lines – Projected Increase / (decrease) in NDIS claiming revenues



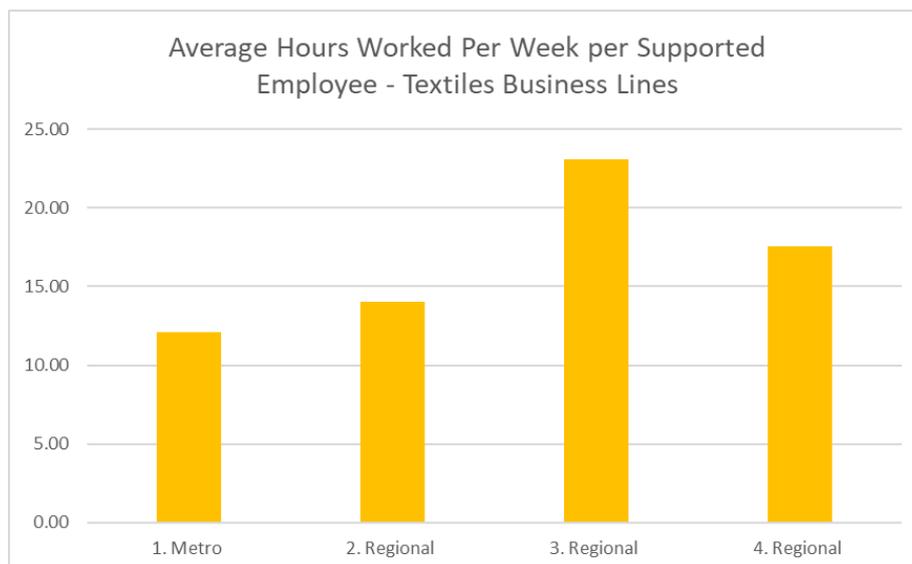
Interestingly, the relationship between support ratios and funding levels does not appear to be as strong where Textiles business line are concerned since the support ratios are relatively low in comparison with Packaging for example but the projected claiming revenues are showing only a relatively modest increase. There is likely to therefore be another driver for this relatively low projected increase in claiming revenues.

Figure 19 – Textiles business lines – Average Support Ratio (Primary Supported Employment activity)



Review of the available data for the average hours worked by supported employees at Textiles business lines indicates that this is likely to be the main reason as to why these business lines are (on average) expected to receive a relatively low increase in claiming revenues despite relatively high support ratios. The average hours worked at Textile business lines is 16.7 per week, which is significantly lower than Property Care (28 hours p/w) or Timber (23.4 hours per week).

Figure 20 – Textiles business lines – Average hours worked per week



5 Analysis of Claiming Data – Impact on Supported Employee NDIS Plans

One of the most significant elements of the new NDIS pricing methodology will be for ADEs to understand, break-down and document the actual supports provided to supported employees. For example, whilst a supported employee may work on a team with 9 other supported employees and one supervisor the NDIS plans will not necessarily be all claimed equally on the basis of a 1:10 ratio since a significant proportion of the supervisor’s time is likely to be spent on providing 1:1 support to individual team members that require higher support. Therefore, the NDIS plans for those supported employees that require the most support will necessarily be higher than those employees that don’t require as much support from the supervisor.

5.1 Individual Support Examples - Case Studies

In better understanding the extent to which these different support levels are likely to exist within different organisations and different business lines, Keogh Bay have presented two case studies (one a team in a large Metropolitan Packaging operation and another a smaller Property Care team).

Case Study 1 – Packaging/Assembly

This case study relates to a large Metropolitan ADE that operates a Packaging and Assembly business line that employs a large number of people with a disability. The business line is made up of a large number of teams that are made up of one Supervisor and up to 22 Supported Employees. On a normal day there will be 15 Supported Employees and one Supervisor – giving an overall ratio of Supported Employees to Supervisor of 1:15.

Keogh Bay met with the Supervisor of one of the Project Teams and attempted to understand how the organisation currently provided supports to the Supported Employees, as individuals, as small groups and as the overall group of 15 Supported Employees.

The discussion indicated that, rather than providing overall supervision to the 15 Supported Employees, the Supervisor spent a significant amount of her time on providing 1:1 supports to individual employees across the working week. In particular, the team includes two Supported Employees who are visually impaired. These employees require significant 1:1 support at the beginning of the day in particular.

The Supervisor is supported by two ‘Leading Hands’ who are in fact Supported Employees. These individuals provide some guidance to other employees during the day, but also require some 1:1 support at the beginning of the day to explain what jobs would be undertaken each day and how they could help.

Based on our discussions with the Supervisor, the Table below sets out the percentage of time that is spent 1:1 with each employee and how much is spent on general supervision and support.

Employee Identifier	Support Ratio	Percentage of Supervisor’s time	Comments
1	1:1	7%	Needs a lot of help in the quality of work. Is very sociable and doesn’t always pay attention to work.
2	1:1	3.75%	

3	1:1	5%	This individual doesn't really want to be there and needs a lot of supervision early in the day to get him started.
4	1:1	5%	
5	1:1	5.5%	This employee only wants to work in specific packaging jobs and if that isn't possible then there are often some behavioural issues that require Supervisor attention
6	1:1	4%	This supported employee has wandering issues and often requires Supervisor support to prevent or manage wandering events.
7	1:1	9%	This individual requires the most support out of the whole team. He requires a lot of Supervisor time to manage behaviours, explain what the job involves and to maintain quality.
8	1:1	1.3%	Highly capable Supported Employee that doesn't need much 1:1 support.
9	1:1	1.4%	Highly capable Supported Employee that doesn't need much 1:1 support.
10	1:1	2.1%	
11	1:1	7%	Employee requires a lot of emotional and behavioural support.
12	1:1	8%	This employee is vision impaired and requires a lot of support at the beginning of the day and when there is a change-over of jobs.
13	1:1	2.2%	
14	1:1	1.1%	
15	1:1	0.7%	Highly capable and reliable employee that doesn't require a lot of 1:1 support. More a case of keeping an eye on quality.
16	1:1	1.2%	
17	1:1	1.9%	
18	1:1	1.4%	

19	1:1	2.1%	
20	1:1	1%	Leading Hand that is a highly capable and experienced team member and who provides guidance to other team members on job specifications and quality issues.
21	1:1	1%	Leading Hand that is a highly capable and experienced team member and who provides guidance to other team members on job specifications and quality issues.
General Supervision	1:15	35.45%	This is where the Supervisor is overseeing the team as a whole, leading through demonstration, providing group training and guidance on Job Set up or Tool Box meetings tec.

Summary

This case study shows that under the existing support arrangements, the time of the Supervisor is most often spent delivering 1:1 supports to Supported Employees rather than overall supervision. Indeed, review of the findings of the Supervisor's estimates of time spent with individual supported employees on a normal working week found that an estimated 46.5% of the Supervisor's time was taken up with only 7 Supported Employees.

This means that on an individualised claiming basis, the size of supported employee plans would vary significantly depending on how much 1:1 support is required by each individual Supported Employee.

It is important to note that, at this stage, the ADE intend to claim via NDIS supports for employment for all of the hours worked by the Supervisor.

It also would be likely to result in a different operational and supervision model in future where those high support need Supported Employees may under the new NDIS funding arrangements be able to receive higher levels of supports than they currently receive, and conversely those Supported Employees that don't really want to be there can undertake different activities (e.g. Community Participation) instead.

Case Study 2 – Property Care Team

This case study relates to a large Property Care ADE business line that employs over 90 Supported Employees through a large number of teams of 4 or 5 Supported Employees and a Supervisor. On a day to day basis, the teams will usually be staffed on the basis of a Support Ratio of 1:3.

Keogh Bay met with the Supervisor of one of the Property Care Teams and attempted to understand how the organisation currently provided supports to the Supported Employees, as individuals, as small groups and as the overall group of 4 or 5 Supported Employees.

The discussion indicated that, rather than providing overall supervision to the 3 Supported Employees on each shift, the Supervisor spent a significant amount of her time on providing 1:1 supports to individual employees across the working week.

Based on our discussions with the Supervisor, the Table below sets out the percentage of time that is spent 1:1 with each employee and how much is spent on general supervision and support.

Employee Identifier	Support Ratio	Percentage of Supervisor's time	Comments
1	1:1	10%	This Supported Employee has high ability and therefore requires support primarily around emotional issues (e.g. if he has had a bad weekend then it needs to be talked out) rather than quality or work related issues.
2	1:1	24%	This individual requires a lot of support and reassurance during the day. Where there is a change in the working schedule (e.g. a new job, or a change in schedule) then he requires a lot of counselling and support to manage the change.
3	1:1	8%	Doesn't require a lot of support around work issues. Mainly its emotional or behavioural issues.
4	1:1	12%	
General Support and Supervision	1:3	46%	This will cover helping set up the vehicle for the day, preparing and wearing PPE, working out the roster for the day, Health and Safety Toolbox discussions and on-the-job demonstration and supervision.

Summary

This case study shows that under the existing support arrangements, the time of the Supervisor is most often spent delivering 1:1 supports to Supported Employees rather than overall supervision. Indeed, review of the findings of the Supervisor's estimates of time spent with individual supported employees on a normal working week found more than half of the Supervisor's time is taken up with 1:1 support with Supported Employees rather than overall 1:3 supports.

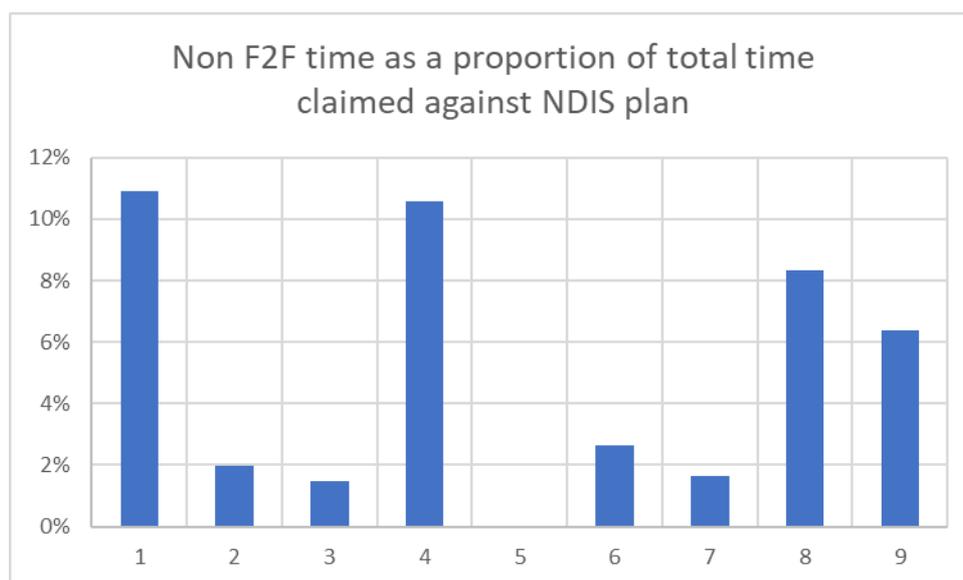
This means that on an individualised claiming basis, the size of supported employee plans would vary significantly depending on how much 1:1 support is required by each individual Supported Employee. For example, the Supported Employee that takes up 25% of the Supervisors time for 1:1 supports on any given day would see a significant increase in their plan dollars and claiming amounts under the new NDIS pricing methodology.

Non face-to-face Supports

The amount of time that is charged against participant NDIS plans for non face-to-face employment related supports is the subject of much discussion and, it seems, confusion amongst senior ADE managers.

As part of this project, Keogh Bay undertook some analysis of the proportion of total time claimed against plans that was made up of non-face-to-face supports. The figure below sets out the findings and shows that whilst on average non-face-to-face supports represents 9% of total hours claimed, there are huge variations across ADEs with some organisations not claiming any non-face-to-face time, whilst others applied a general estimate of 10 per cent across all of their supported employees.

Figure 21 – Non-face-to-face time as a percentage of total time claimed by ADE



There remains a need for ADEs to be provided with clarity on what non-face-to-face supports they are able to include in their calculation of 'Typical Support Patterns'. There were differing approaches to calculating and quantifying non face-to-face activities that are directly related to supporting a participant's employment across the ADEs we have been consulting with, from one ADE which conducted a detailed 'time and motion' approach to support their assumptions, to another which simply estimated such supports at 10 per cent over and above hours worked.

This is likely to be an issue of some contention and confusion going forward.

6 SUB-PROGRAM 2 - Workplace Relations

6.1 Summary of Workplace Relations Legal Issues

The Project Team sought general legal advice in regard to Workplace Relations, which we have reviewed, however we are not at liberty to distribute this. Nonetheless based on our review of this advice, in conjunction with our knowledge of the sector and discussions with ADE's, we offer the following summary of key Workplace Relations Legal issues in regard to the new claiming model.

Key Workplace Relations Legal Issue 1 – ADE's dual role as employer and provider of NDIS supports

Whilst ADE's have always had a dual role as an employer and provider of supports the role has become substantially more complex under the Model, correspondingly, the scope for the ADE to be compensated for supports that either were not provided or were provided at lower levels now exists.

The impact of the dual role is that, on the one hand, the ADE provides supported employees with the NDIS funded supports required to perform the role and in accordance with its NDIS Registration requirements. On the other hand, the ADE has a set of obligations as an employer to the same supported employee and all other employees. This creates a unique situation whereby a supported employee is both an 'employee' and a 'client' of the ADE and a source of funding.

The Workplace Relations legal issue arises where there is cross-over or conflict between the ADE's obligations as an employer compared with the obligations as a provider of NDIS supports.

That is, the ADE has industrial and employment law obligations as employers of supported employees. For example, Employment law requires ADE's to provide supported employees with information they require to exercise their employment rights, to comply with work health and safety legislation, anti-discrimination legislation (both State and Federally), and tax and superannuation legislation. In a practical sense, this means that, where an employee engages in behaviour/misconduct that creates a risk to the health and safety of other employees, an employer must take steps to mitigate or remove that risk.

Concurrently the ADE has an obligation to meet the NDIS requirements and rules as required by the NDIS Quality and Safeguards Commission for ongoing Registration as an NDIS Service Provider. The NDIS Act and Rules outlines key obligations on registered NDIS providers towards NDIS participants, including compliance with the NDIS Code of Conduct; implement and maintain a complaints management and resolution system as well as Incident Management and Reportable Incident Rules.

To date issues can arise through aspects such as adverse behaviour; complaints and grievance handling; the provision of supports in the performance of work; and supported employees bringing their own nominated support workers with them while they are working at an ADE. The new employment model adds another layer of complexity.

An example provided by an ADE to **illustrate** the above was to do with the additional compliance requirements of employing people with cognitive disabilities, whereby:

- A supported employee has behavioural issues that impact on the WH&S of themselves and other employees
- Satisfactory resolution (i.e. continued employment) involves a multi-layered communication framework to ensure true understanding (including liaising with family/carers) of situations.
- The ADE needs to spend 30 minutes on the phone with the legal guardian ahead of a face to face meeting with the participant and legal guardian to discuss behavioural issues arising from a participant's disability.

- The face to face meeting will be claimed however the ADE queried whether the phone call is considered one to one 'support' to a participant and can be claimed. If not, will the participant be receiving due process if the behaviour ends up having to be handled under the Employment Contract?

It is noted that the new model also de-couples the employer from the NDIS Service Provider, which on the face of it simplifies the activity, however it will bring in third parties that can add more complexity. In the example given above, where a behavioural incident needs to be addressed, it needs to be addressed under both Employment obligations (providing due process) and Service Provider obligations (Are the supports adequate? Has there been a change in support needs due to deteriorating disability?). Whilst this is complex where the service provider is also the employer, it may lead to a better outcome than if separated - an Employer may favour disciplinary action or termination where a Service Provider may look to increase support and training in order to maintain employment.

Comment

Our understanding is that the obligations that ADEs have as employers and the obligations that ADEs have as registered NDIS providers are **absolute** and that ADEs are required to comply both with their obligations as employers, and with the requirements under the NDIS Act. That is, neither set of obligations over-ride the other and there are penalty provisions under each.

Accordingly, ADEs need to be mindful of their legal obligations as employers/registered NDIS providers under multiple pieces of legislation at both a State and Federal level.

These absolute and unique obligations in an already complex environment require vigilance and management, and undoubtedly attract a cost impost over and above either the provision of NDIS Services, not related to supported employment, or open employment for people without disability.

The example provided by the ADE was not detracting from the new employment model, hourly billing or Program of Supports, rather it was provided to reflect the **complexity of delivering employment supports to employees** with cognitive disability and the importance for non-face to face time to be included and acknowledged by LACs/Planners in creating plans.

Key Workplace Relations Legal Issue 2 – Legal Agreements for this Dual Role

ADE's provide the NDIS supports per Service Agreements and there are Employment Contracts in place for the employment function. The issue is whether the Service Agreements and Employment Contracts can be, or should be, combined or drafted to have terms that inter-connect as they can create distinct and potentially conflicting legal obligations, particularly regarding job classification, pay increases and suspension/termination for 'misconduct' or failure to pay for services.

The ADE's also consider that the Program of Supports adds another complex layer to this, coupled with the fact that there is limited detailed information about how Programs of Support will work in practice. They anticipate that some providers will likely err on the side of caution and create a third piece of documentation to address the Program of Supports. With a current 12 week limit to Program of Supports, this will also require additional resourcing to establish and maintain.

Where the Supported Employee is in open employment, the same arrangements will likely exist (Employment Contract with the Employer and Service Agreement and Program of Supports Agreement with the support provider).

Comment

Each ADE will treat this differently however our expectations are that each role requires reference to clear written agreements, and it is this is best achieved through two, potentially three separate agreements, namely:

- An Employment Contract to govern the employment terms and conditions;
- A Service Agreement to set out the NDIS supports under the participant's NDIS plan; and
- Potentially an agreement for the Program of Supports to be agreed to 12 weekly.

The potential for a third Agreement covering the Program of Supports may ease over the next few years if the period of the Program of Supports is extended for employment supports.

Key Workplace Relations Legal Issue 3 –Term for Employment Contracts

The ADE's are at potential financial risk should supported employees remain as employees without the associated required level of NDIS funding to support this employment. By way of illustration, if a Supported Employee is assessed as requiring to work in a team of one Support Worker to three Supported Employees the ADE claims 1/3 of the appropriate hourly rate to pay for this support. However, if the Supported Employee was unable to fund these supports through their NDIS Plan for any number of reasons (e.g. overspent, plan review changes) the workplace supports would still be necessary but the ADE may not be able to claim for them should employment continue, hence the ADE is taking on a financial risk.

The key issue becomes whether the ADE's could/should align the length of Employment Contracts with NDIS funding or review periods (eg a two year Service Agreement may result in a two year employment contract) and whether this could expose the ADE to a Workplace Relations risk.

Note that is also the case for open employment. For example; if a participant gets a job and hires their own Disability Support Worker to provide supports in the workplace (e.g. a supermarket), if the employment supports are not available in the next plan, can/will the supermarket continue the employment contract if the participant will not have a support worker? Can they make employment subject to having a suitable Disability Support Worker – and suitable in who's opinion?

Comment

The overarching principle needs to be that there is genuine agreement that the employment relationship will not continue 'as is' should the supported employee's funding comes to an end or change significantly

This is a particularly complex area of Employment Legislation and difficult to consider that one solution would fit all ADE's and all supported employees. One option is for ADEs to use a maximum term employment contract, with the period of employment directly linked to the period during which funding for supports for employment will be provided under the employee's NDIS plan.

We understand that:

- There are some risks where an employer uses rolling/ongoing maximum term contracts that are simply renewed for a further maximum term as the employer is vulnerable to a successful unfair dismissal claim in the event it seeks to rely on the end of a maximum term to bring the employment to an end completely. The unfair dismissal claim will consider the circumstances of the entire employment relationship, not just the terms of the final employment contract.
- Where an employee has been on multiple rolling maximum term contracts throughout their employment, any claim for unfair dismissal will consider a number of matters, including whether:

- the maximum term contracts reflect a genuine agreement on the part of the employer and employee that the employment relationship will not continue after a specified date **or event**;
- the use of maximum term contracts represents the reality or totality of the terms of the employment relationship
- the use of maximum-term contracts was appropriate in the circumstances; and
- the employer's use of maximum-term contracts was done to prevent the employee accessing the unfair dismissal jurisdiction.

It seems that where maximum-term contracts reflect a genuine agreement on the part of an employer and employee that the employment relationship will not continue after a specified date or event (i.e. in this case, where the supported employee withdraws funding for supports, or the funding period end and is not renewed, or the support needs change and the ADE is unable to provide those supports), then the risk of a successful unfair dismissal claim at the end of a contract is greatly reduced.

7 SUB-PROGRAM 3 - Managing the Change

7.1 Summary of Key Change Management Issues

The “Supports in Employment Provider Handbook June 2020 Version 1.10” and the “NDIS Pricing 2020-21 Supports in Employment PowerPoint” addresses a number of the issues with regards to why the changes in the funding model were made and what has been implemented since 1st July 2020.

For example:

- The new pricing framework is now an hour based per participant model that reflects hours of support provided per week (including non-face- to-face work if appropriate); and
- Support funding being reallocated to Core Supports along with other core support funds providing participants greater choice and control.

Accordingly, based on our consultations with the Sector Project Participants, we set out below a summary of the key change management issues to inform the development of the NDIA’s change management plan so that supported employees can understand and utilise NDIS supports and ADEs can understand and apply the new pricing framework. The key feedback was mainly around the how to implement at the ADE level and a number of issues faced during transition period.

Change Management Issue	Comment
<p>The new NDIS employment model is a significant piece of change that will take time for the sector to integrate, understand and apply.</p>	<p>NDIA need to take the lead in delivering the message to participants, particularly if the change results in more money coming out of a participant's plan for employment and/or it replaces funding for other activities by virtue of being in core.</p> <p>Support is also needed for ADE’s and the wider sector in the delivery and development of tailored and consistent messaging, through proactive engagement and education, related to the application and resulting benefits of the new NDIS employment model.</p> <p>The messaging is to provide reassurance that the change will ultimately deliver greater benefits for both supported employees and the sector in terms of increased quantity and value of supports offered to participants.</p>

Change Management Issue	Comment
<p>The new NDIS employment model is a multi-faceted model and its application is yet to be fully understood to know the administrative impact and compliance requirements.</p> <p>Program of Supports, in particular, is a new concept that will require ongoing assistance to understand how to construct, detail needed, how intense is the review process etc. It could take 12 months to work out claiming patterns.</p> <p>For example:</p> <ul style="list-style-type: none"> Defining what are reasonable levels of support as the sector moves from current state to future state. Understanding what the payment assurances standards of NDIA are in relation to a program of support. 	<p>The program of supports is meant to be a way of reducing the level of administration and ADE's need to understand the level of evidence required so the administration doesn't become onerous. There is a need to clearly explain the changes and differences the new model presents from the perspective of the different audiences to positively counter any areas of concern or loss supported by facts and evidence.</p> <p>Provide help in assessing what is a typical package of supports and what evidence is required for NDIA assurance.</p> <p>Tailored communications need to be crafted according to audience group rather than a broad-brush approach.</p>
<p>The training of the LAC's is seen as critical in order to ensure that appropriate funding can be included in participants plans from the outset.</p> <p>There is concern from ADE's as to how to respond to current enquiries regarding what should be included in NDIS participant plans.</p>	<p>NDIA have advised that this is well underway, although some ADE's have queried whether LACs truly understand the breadth of employment supports, given some of the early requests for information.</p> <p>ADE's would appreciate and benefit from additional guidance on what this entails in the short-term and to have access to material that ADE's can use to explain the change simply and ensure they provide the participant with all the information they need to prevent plan reviews.</p> <p>The process will be enhanced if LAC's, employers and providers all understand each other's role, information required, and ensuring consistent communication from all parties to the participant to ensure they can make informed choices.</p>
<p>The new NDIS employment model will impact existing IT systems and staff resources. There will likely be an increase in the administrative workload on support workers and organisational administration as a result of more detailed record keeping requirements (e.g. tracking hours, recording non-Face to Face time etc) compared to Case Based Funding.</p>	<p>The sector will need education and support on the operational and financial changes related to the application of the new NDIS employment model to ensure a smooth and sustainable transition which informs and helps participants, families, carers and the wider community.</p> <p>This will lead to internal changes for ADE's to adapt to new requirements.</p>

Change Management Issue	Comment
<p>The Workplace Relations issues and practices referred to above will lead to compliance cost imposts on ADE's.</p>	<p>ADE's need to comply with both Employment Law and NDIS Commission requirements. As above, the new employment model adds additional complexity compared to Case Base funding and this complexity compounds the compliance costs as there is an 'over and above' component to make it accessible and understandable for people with cognitive disability.</p>
<p>ADE's are concerned that it may be challenging to get existing employees, families and carers to understand and accept the changed model. That is, there may be no obvious change in employment activities however there is increased visibility of claims being made against NDIS plans and these funds could potentially use the funding for other core supports, unlike under Case Based Funding.</p> <p>In addition, communication may be needed as to why employers may now be asking for an Employment Contract, a Service Agreement and Program of Support Agreement, as well as discussing upfront what supports are needed.</p> <p>The Project Team suggested that many supports previously were under-funded or not funded and were provided out of 'goodwill'. The new employment model will allow ADE's to now claim for some of these supports, often critical to ongoing employment.</p>	<p>The new pricing model will introduce a changed level of funding in the plan for participants with the claiming allocated to core supports. There will be a need to explain the reason and value of change, address differences in the past and future state and explain perceived losses and relieve anxieties associated with the change.</p> <p>Messaging should be formulated to support ADE's in clearly communicating the benefits of the new NDIS employment model.</p>
<p>One risk associated with the implementation of the new NDIS employment model is the potential for variable interpretation across the sector as to what are valid claims for service types and levels.</p>	<p>Create information, resources and guidelines that stipulate how to interpret the changes in a consistent and standardised approach that is accepted by the broader sector.</p>

Change Management Issue	Comment
<p>The new NDIS employment model is expected to create new opportunities for ADE's and the types of models of support offered.</p> <p>However, the Project Team recognised that ADEs, with all good intent, have limited resourcing to invest in both innovation of services, as well as transitioning 20,000 people, across the sector, onto new Service Agreements and Programs of Support in 18 months. There will be innovation and new opportunities, but if the role of the ADE is minimised too quickly it will lead to loss of employment without viable alternative options, or poorly planned other services that fail due to lack of robustness in set up (which may also create risk to the participant).</p>	<p>There is an underlying message that increased support leads to increased productivity that, in turn, leads to increased commercial income.</p> <p>The thought processes and planning on what these opportunities are and how to access the opportunities is not happening to any great extent at this stage.</p>
<p>Sustainability could be impacted in the transition, with ADE's likely to encounter significant increases for some participants offset by decreases in others.</p>	<p>The Temporary Viability Support Grants are part of the response to this issue.</p>
<p>Workforce and operational planning will be a significant change management issue with the new NDIS employment model impacting capacity and capability of operations.</p> <p>Workforce planning is already critical across the entire sector with a shortage of suitable, qualified workers and also considering the requirements for a person to provide employment supports, not just disability supports (i.e. they may need to have more than basic understanding of workplace matters to support them effectively).</p>	<p>There will be a number of aspects where the changed funding model will shift likely capacity and capability of operations.</p> <p>For example:</p> <p>Implementation of the NDIS model is expected to lead an increasing tendency in some jurisdictions / organisations / workplaces for supported employees to exercise the opportunity to test and try different activities available from their suite of NDIS funds, thus leading to increased casualisation of work, making operations planning more difficult.</p> <p>Potential to employ additional support workers, noting there could be unspent funds if insufficient Support Workers can be trained.</p>

Change Management Issue	Comment
<p>Ongoing exchange of ideas and feedback between ADE's, DSS and NDIA to work through the above issues over an extended period.</p>	<p>An ongoing forum during the initial 12 months would be useful for all parties.</p> <p>An example from the Project Team was to give consideration to change Australian Disability Enterprises to a new name and brand in the interest of improving the perception of all stakeholder groups with respect to the value of supported employment as once aspect of disability employment delivering value to society.</p>

8 User Guide

8.1 Approach to quantifying supports in employment

All ADE's are different however we offer the following Guidance as to how an ADE may approach identifying the Face to Face (F2F) and Non Face to Face (Non-F2F) across the organisation for input into the Financial Model:

Step 1 – Identify your Business Lines

Identify each separate business line or service line operated by your ADE.

The business or service lines can be entered into separate input sheets in the Financial Model or you can use the Location (e.g. Metro vs Country; North vs West) and Work Type (e.g. Packaging; Cleaning; Parks & Gardens etc) identifiers in each Supported Employee's data to specify their business or service line.

Step 2 – For each Business/Service Line – F2F

Note: To support the following calculations a tool has been developed and included in the Financial Model called RATIO CALC. Refer further Section 8.2

Normal Weekly Operations

- Identify the type of F2F supports provided – see the list of supports outlined under the Heading “Entering Supports” below. (e.g.: Group Supervision Packing Line 1, Group Supervision Packing Line 2, Higher intensity supervision)
- Identify the number of Support Workers (Full Time Equivalents) that provide these F2F supports, allocated across a normal week (e.g. 30 hours providing *Group Supervision Packing Line 1*)
- Identify the number of Supported Employees that receive these F2F supports and allocate their hours to each F2F Support

Use the hours worked and ratio calculated to enter into Input Sheet for each supported employee.

During 12 Week Program of Supports

- Identify the type of F2F support provided outside of the weekly and recurring during each 12 week period – see the list of supports outlined under the Heading “Entering Supports” below.
- For each Supported Employee assess the amount of F2F time involved in services related to employment and how many Support Workers and Supported Employees are present in order to calculate ratio. (e.g.: If a Monthly Toolbox meeting with 10 Supported Employees and 2 Support Workers the claim is for 1/5 of each hour)

Use these F2F hours and the ratio calculated to enter into Input Sheet for each Supported Employee.

Annual Supports

- Identify the type of F2F support provided outside of the weekly and the 12 week Program of Supports – see the list of supports outlined under the Heading “Entering Supports” below.
- For each Supported Employee assess the amount of F2F time involved in services related to employment and how many Support Workers and Supported Employees are present in order to calculate ratio.

- Use these F2F hours and the ratio calculated to enter into Input Sheet for each Supported Employee

Step 3 – Overall – Non-F2F

As above but for Non-F2F. That is; Identify the nature of nonF2F supports provided and allocate to each Supported Employee as appropriate.

8.2 RATIO CALC Workbook

To support the calculation of support ratios and ensure that the hours of supports available from Support Workers are not exceeded, the Financial Model includes a useful tool in the form of the workbook entitled 'RATIO CALC'.

The RATIO CALC provides an approach for ADE's to calculate support ratios for a typical pattern of supports (weekly) for a group of Supported Employees for Face to Face (F2F) and non F2F (Non F2F) for use in the model.

RATIO CALC caters for 6 Support Workers, 20 Supported Employees and 6 F2F and 3 Non F2F supports.

RATIO CALC can be used for the provision of weekly, 12 weekly or year supports in the model.

A new copy of the workbook should be made for each business line or service offering as this will help provide evidence of how the support ratios were calculated.

The spreadsheet will assist in ensuring that SW hours are not overallocated and SE supports do not exceed SE weekly hours.

Steps Required

Face to Face

- Step 1 Enter a description of each F2F support provided
- Step 2 Allocate SW hours against supports provided
- Step 3 Allocate SE hours against supports

Non Face to Face

- Step 4 Enter a description of each non F2F support provided
- Step 6 Assign how many hours of non F2F supports are provided to each SE
- Step 7 Enter support hours and ratios for each SE into the model (F2F and Non F2F)

Upper Limits

The following represent model variables upper limits that cannot be exceeded.

Supported Employee (SE) Weekly Hours

SE weekly hours is the maximum number of hours for which Face to Face supports can be provided to a SE in one week.

Support Worker (SW) Weekly Hours

SW weekly hours is the maximum number of Face to Face and Non Face to Face hours of support that can be provided to Supported Employees each week at the specified ratios.

Error Checking

Cells will automatically highlight in RED where either the supports allocated to a SE/SW are greater than the hours they work on a given day (F2F) or where a SW has insufficient hours for the non F2F supports they are providing.

Things to Remember

Where Support Workers work across different business lines / services remember to keep track of their total hours

Input cell - please do not enter data into any other cells.

8.3 Financial Model

What does the Financial Model (the model) do?

The model is primarily a support tool for ADEs to be able to move to an individualised approach and have informed conversations with their employees about the pattern of supports they intend to claim in the workplace.

The model records the Supports in Employment provided to Supported Employees and calculates the amount that could be claimed from Supported Employees NDIS Plan (Core Funding) using the Price Guide 2020-21 and Support Catalogue 2020-21 (as at 1 July 2020).

The model also compares this amount with an estimate of the amount that would have been received if that Supported Employee was previously funded under Case Based Funding.

The model then provides a comparison between the calculated amount for Supports in Employment against DMI funding (if relevant) across all Supported Employees. This will allow you to assess the possible impact of the change in basis for pricing supported employment in your ADE.

How many Supported Employees data do you need to model?

The model can cater for up to 1,000 Supported Employees (10 input sheets with 100 Supported Employees per sheet).

If you enter less than the total number of Supported Employees be sure to select a cross section of Supported Employees being in different roles, locations and with differing support needs to ensure that you have good cross section on which to assess the impact of moving to the new pricing model.

At what point in time should a Supported Employees supports be modelled?

The model requires you to assess and enter data for the supports provided to each Supported Employee that represent the supports that are currently being provided to the Supported Employee. That is, what Supports in Employment are being provided in the current state of operations for your ADE.

Over time the types, frequency and duration of the supports provided may change as ADEs develop their capacity and capability to deliver supports to meet the reasonable and necessary supports required by a Supported Employee in the workplace.

If the Supports in Employment provided to a Supported Employee change then the Supported Employees Program of Supports will need to be reassessed.

Model contents

The financial model has the following workbooks:

Workbook Name	Purpose
START HERE	Provides a copy of the information in this section of the user guide.
RATIO CALCS	Provides an approach to calculating the ratio of supports provided to a Supported Employee.
Global Variables	<p>Model variables that are used consistently throughout the model. These variables include:</p> <p>Capital: The per hour rate for Centre Capital Cost where Supports in Employment provided in a facility (Source: Support Catalogue 2020-21)</p> <p>DMI 1 to 4: The Supports in Employment Transitional Funding Arrangements rates for Supported Employees where a DMI rate or Average Outlet Price has been assessed/applied (Source: Support Catalogue 2020-21)</p> <p>Supports Pricing: The rates applicable to the provision of Supports in Employment (Source: Support Catalogue 2020-21)</p> <p>Weeks of Support per Year: The number of weeks, on average, that Supports in Employment will be provided to a Supported Employee. Usually this will be between 46 and 48 (52 weeks in a year LESS the average amount of annual leave taken each year LESS 2 weeks Public Holidays). This NDIS do not allow for claiming of supports where a SE has a scheduled absence such as Annual Leave.</p> <p>This number is used to calculate the estimated yearly amount that can be claimed for the provision of Supports in Employment.</p>
Input Sheet x	<p>Input sheets for Supports in Employment provided to Supported Employees.</p> <p>Each input sheet could represent either a location or a business line noting that within each sheet each Supported Employee can be assigned a Location and Work Type which provides additional identifiers for the work being performed. In this way a separate sheet is not required for every outlet or business line.</p> <p>DO NOT delete input sheets or any of the contents of the Input Sheets. Supported Employee records can be left blank in the Input Sheets - this does not affect any of the calculation. The number assigned to each Supported Employee record does not affect the calculations and if used for referencing only.</p>
Combined Reporting	The combined reporting workbook provides a series of reports that draw on all of the Supported Employee data in the model using Pivot Tables.

Workbook Name	Purpose
	<p>As each report is a Pivot Table you can modify the data that the table reports by modifying the PivotTable Fields (accessible by clicking on the header row of the Pivot Table ensuring that the Show Fields option is checked).</p> <p>Note: If data is changed in the model you may need to right click on the Pivot Table and select 'Refresh Data' in order for all the Pivot Tables to update.</p>
Wage / Super	<p>This workbook provides modelling which allows you to estimate changes in wages costs due to:</p> <ul style="list-style-type: none"> - Introducing a minimum wage - Changing the base salary at which superannuation is applied - Changing the employer superannuation percentage

Input sheet presentation

The SE input sheets are presented in a split screen format to allow you to always see the row containing the Supported Employee number and the column describing what data needs to be entered.

The splits can be moved by dragging the split line up or down or across so that more or less data can be seen. Within each split the view can be scrolled using the scroll bars.

The splits can be removed under the VIEW menu and pressing on the 'Split' button.

Input cells are highlighted in this **COLOUR**. ONLY ENTER DATA IN THESE CELLS

If a ##### displays in a cell the number is too wide to display. Widen the cell the fix this issue.

If the number format of the cell contains too many numbers after the decimal point simply reduce the number of trailing numbers by formatting the cell.

IMPORTANT

The input sheets are not designed to be altered in any way. Please do not add in new rows, columns, formulas, data inputs or change formulas.

Altering of the input sheets will lead to calculations being inconsistent or incorrect.

Formula cells are locked to protect them from being changed.

Additional Guidance

There are notes throughout the model to help explain what data is required and how the calculations and analysis work.

Hover your mouse pointer over the cells with the red triangles in the top right corners and this information will be displaced.

What Supported Employee data do you need to use the model?

For each Supported Employee you need to have the following data available:

Active Supported Employee Record: [Select Active or Inactive] Used by the model to include and exclude Supported Employee records in the consolidated reporting. Each record should be made Active where data has been entered for the Supported Employee.

Additional Identifier: A free text field for an additional identifier for each Supported Employee.

Location: A free text field describing where the Supported Employee works. This cell can be used as an identifier for the reporting purposes.

Work Type: A free text field to describe the type of work performed. This cell can be used as an identifier for the reporting purposes.

Ave Hours Worked per Week: [Enter Number] The average number of hours the Supported Employee works during a week in hours (Example: 2.5 equals 2 hours and 30 minutes).

Majority of F2F Supports Provided in a Facility? [Select Yes or No] For Face to Face (F2F) supports provided in a facility an ADE can claim a Capital Centre Cost. The model does not allow for each support to be categorised as being performed in a facility and this flag should be Yes where the majority of supports are provided in a facility. Refer further PB Price Guide 2020-21.

Wage Rate per Hour: [Enter Number] The amount paid to a Supported Employee for each hour worked excluding superannuation.

SE Paid Under the Supported Employment Service Award: [Select Yes/No] A flag used to identify Supported Employees paid under SESA. Used in the Wage Super modelling workbook to identify Supported Employees who may be subject to the ongoing Fair Work case.

DMI Level: [Select 1/2/3/4/Other/Not Assessed] Where a Supported Employee has been assessed for a DMI level, select this number here. If the Supported Employee has been allocated an Average Outlet Price select Other and enter the amount in the input cell next to 'Other DMI \$ Yearly'. Select Not Assessed if the employee does not have a DMI or Average Outlet Price funding.

Entering Supports

What supports in employment are provided to each Supported Employee

Supports in employment are for participants who are employed and who are less independent in performing their work tasks or need frequent prompting and coaching to stay on track, communicate with others, or manage their behaviours.

Supports may be provided one-to-one or within a group-based setting, complementing existing or expected employer supports, and claimed according to the intensity and frequency of supports delivered to achieve employment goals.

Supports can include:

- On-the-job assessments related to the impact of a person's disability on their ability to work
- Job customisation
- On-the-job training and intermittent support with daily work tasks
- Direct supervision and/or group-based support to enable meaningful participation at work
- Physical assistance and personal care delivered in the workplace
- Supports to manage disability-related behaviour or complex needs at work
- Non face-to-face activities that are directly related to supporting a participant's employment, taking into account a participant's disability.

(Source: PB Price Guide 2020-21)

How are supports in employment entered into each input sheet

The model allows you to enter a description of each support in employment provided.

The data entry for each Supported Employee are in the columns across the Input Sheet. The first Supported Employee record is highlighted in Orange.

Remember to only enter data into cell of this colour.

The supports in employment are either entered as:

Face to Face (F2F) Supports: Supports in employment provided with direct contact with the Supported Employee.

Non Face to Face Supports: Supports in employment provided while not in direct contact with the Supported Employee.

Face to Face and Non Face to Face supports can be delivered either as:

Weekly Supports in Employment: Supports that are provided to a Supported Employee on a weekly basis termed a Typical Pattern of Supports.

Supports in Employment Provided Less Frequently During 12 Week Program of Support: Supports that are provided over a twelve week period but not every week. This allows for less frequent supports to be modelled as part of a Supported Employee's Program of Support (12 weeks).

Supports in Employment – Provided Once or More Times During Each Year: Supports in employment which happen infrequently. This allows for less frequent supports to be modelled as part of a Supported Employees Program of Support (12 weeks).

Program of Support

The model calculates a Supported Employee's Program of Support as follows:

Weekly Supports in Employment MULTIPLIED BY 12 (Referred to as a Typical Pattern of Supports)

ADD

Supports in Employment Provided Less Frequently During 12 Week Program of Support

ADD

((Supports in Employment – Provided Once or More Times During Each Year) DIVIDED BY (Weeks of Support Per Year)) MULTIPLIED BY 12

What data is required for each support in employment provided by the ADE

Weekly Supports in Employment

Total Weekly Hrs: [Enter Number] Hours of support provided to a Supported Employee in a typical week.

Support Ratio: [Enter Number] The ratio that Supports in Employment are provided to a Supported Employee by a Support Worker. This represents the number of Supported Employees for each Support Worker. Be careful not to enter the ratio (e.g. 1:15) rather just enter the number (for example 15).

To assist in determining the Support Ratio please refer to the guidance on the RATIO CALCS worksheet.

Actual Hrs Support: [Calculation] Total Weekly Hours x Support Ratio = the number of hours of support provided by a Support Worker to a Supported Employee at the ratio specified. This amount x Support Rate = the amount that could be claimed from a Supported Employee's Plan.

Support Rate: [Selection] select the hourly rate (See Global Variables) applicable from the list.

Plan Claim Amount: [Calculation] Actual Hrs Support x Support Rate (See Global Variables). This is the amount that could be claimed from a Supported Employee's NDIS Plan.

Supports in Employment Provided Less Frequently During 12 Week Program of Support

Total Hrs 12 Weeks: [Enter Number] Hours of support provided to a Supported Employee over a 12 week period.

Supports in Employment – Provided Once or More Times During Each Year

Total Hrs Yearly: [Enter Number] Hours of support provided to a Supported Employee over working year based on the Weeks of Support Per Year.

Helpful checks and analysis in each Input Sheet

Weekly Available Hours Check

Face to Face

This check sums the Face to Face supports provided to each Supported Employee and compares these to their average hours worked per week.

The difference is highlighted where the Supported Employee hours of F2F support exceeds their average weekly hours.

The totals for the other face to face supports provided 12 weekly and yearly are also displayed so that these can be taken into account in determining whether the hours of support, in total, are reasonable.

Non Face to Face

The weekly hours of non face to face supports provided to each supported employee is calculated as a percentage of the face to face supports. This will help assess the reasonableness of the amount of non face to face supports provided.

The totals for the other non face to face supports provided 12 weekly and yearly are also displayed.

Support Worker (SW) Available Hours Quick Analysis

For this check the hours worked per week for up to 20 Support Workers can be entered and then split between face to face and non face to face support delivery.

These hours are then compared to the actual hours of support (hours x ratio) provided to all of the Supported Employees.

This can be used as a reasonableness check that there are enough Support Worker hours to provide the actual hours of support to Supported Employees.

Program of Support Funding Comparison

This check compares the estimated amount that could be claimed for a 12 week program of support against what would have been expected to be received under a DMI or Average Outlet Assessment for each Supported Employee.

Ratio of Support Analysis

This analysis requires you to enter a ratio of support (a whole number representing a ratio. Example: 5 = a ratio of 1:5).

When entered the table will display for each Supported Employee the number of hours of supports provided at the specified ratio.

If you want to see all of the supports provided enter '>0'

Appendix 1 – Risk Factors for ADE Viability under new NDIS pricing arrangements

As has been detailed throughout this report, there are a number of factors that could impact negatively on ADE viability. The table below, sets out a number of factors that could impact on ADE viability including pricing factors related to NDIS funding, but others are not NDIS-related and are based on Keogh Bay's 20 years' experience in working with ADEs across Australia.

Risk Factor	Explanation
Support Ratio	<p>The new NDIS pricing methodology has been updated from 1 July 2020 to change the pricing methodology in respect of Supports in Employment. The price guide states that: <i>'Where a support item is delivered to a group of participants the provider should claim for the relevant fraction of the time of the support from each participant's plan.'</i> Therefore, there is a clear link between the amount that can be claimed by an ADE and the ratio of support workers to supported employees that ADEs maintain at their workplace.</p> <p>For example, a 1:1 ratio attracts an hourly rate of \$54.30 whilst for a 1:15 support ratio an ADE can only claim \$3.62 per hour from a participant's NDIS plan.</p> <p>This means that ADEs that operate on the bases on a relatively high support ratio (e.g. 1:12 or 1:15 as are common in some ADEs with Packaging or Assembly business lines) the amount of hourly NDIS revenues that can be claimed per supported employee will be significantly lower than will be the case for ADEs that operate on the basis of much lower support ratios (1:2 or 1:3).</p>
Average number of hours worked by Supported Employees	<p>The new supported employment pricing methodology is based on an hourly rate rather than a fixed amount per supported employee which is a significant change from the previous DMI-based pricing methodology. In a simplistic sense this means that the more hours that a supported employee works the higher the amount of funded supports that the employing ADE can claim.</p> <p>Conversely, if an employee only works 8 hours per week then the ADE is only able to claim NDIS supports for the actual hours worked by the employee and in many cases this is likely to be less than was previously claimable by the ADE through DMI-based pricing.</p> <p>In our experience, many ADEs that rely heavily on grant income for their feasibility often offer on 8-10 hours per week to their supported employees. It is these ADEs that will likely see a reduction in NDIS claiming revenues under the new pricing methodology.</p>

Risk Factor	Explanation
<p>Type of business line / level of competition</p>	<p>As was noted above, there are different business lines that are characterised by higher or lower support ratios. However, support ratios and related levels of NDIS revenues are only one way in which the type of business line operated by an ADE can impact on its financial viability.</p> <p>For example, one of the most common business lines for ADEs (large ADEs in particular) is basic desk-top assembly and packaging. This is an activity that many people with a disability can participate in and can employ large numbers of people. However, there are very low barriers to entry for this market and, as a consequence, significant levels of competition. This usually results in low margins and low levels of profitability. In many cases, this translates into heavy reliance on government funding.</p> <p>In contrast, business lines that require significant investment in equipment or technology will usually have lower levels of competition and consequently attract higher margins. Unfortunately, the use of mechanisation or technology often reduces all employment opportunities, including for people with a disability.</p> <p>Some ADEs choose to invest in a range of business lines – some of which employ many people, but which are low margin, and other which are high margin but don't employ significant numbers of supported employees. The path followed by each ADE is a critical strategic decision for the board and management team, a decision which is likely to be impacted significantly by the change in NDIS pricing.</p>
<p>Level of reliance on NDIS revenues</p>	<p>In previous financial analysis projects undertaken on behalf of DSS and the NDIA, the average level of reliance on NDIS funding was 38% of total income (the remainder being sales revenues, donations etc.). However, there are significant variances in this across organisations and across business lines <u>within</u> organisations with some business lines reporting up to 80% reliance on NDIS revenues for their income whilst others as little as 18%. The drivers for this over-reliance on government funding over commercial revenues is often due to a combination of other factors highlighted here such as types of business lines, proximity to market, management capability and use of technology.</p> <p>As a rule of thumb, Keogh Bay considers that ADEs with over 50% reliance on NDIS revenues to be of a higher risk of experiencing financial viability challenges.</p>
<p>Profit margin generated by business line</p>	<p>As noted above, there are often significant variances in the profit margins generated by different business lines with highly competitive markets with low barriers to entry (such as basic packaging and assembly, car washing, cleaning or grass cutting) attracting lower margins, whilst markets that require investment in significant technology, equipment or skills (e.g. automated packaging of pharmaceutical or food products, logistics, environmental management) generally attracting higher margins.</p>

Risk Factor	Explanation
	The capacity and willingness of an ADEs board to invest in the equipment or technology necessary to start delivering commercial services that generate higher margins is a critical element in long-term sustainability of an ADE.
Size and scale	As in many mainstream commercial business operations, economies of scale can be an important element in achieving economic efficiency. In an ADE environment, this may be reflected in being large enough to deliver major contracts, having sufficiently large premises to house important business equipment and vehicles, reducing the overall costs of overheads (per unit cost) or having sufficient financial reserves and resources to fund investment in new equipment/technology. Small ADEs often struggle to meet the contract requirements of larger clients and don't have the capacity or space to host the equipment or vehicles necessary to undertake larger (often more profitable) contracts.
Remoteness from market	In our experience, many of the ADEs that are under financial stress are located in regional and remote locations. Part of the reason for their problems stems from their small size and related absence of economies of scale (as discussed above). However, the relatively small populations of the town they are based in and their distance from larger (often Metropolitan) markets is also a factor in limiting the economic opportunities that are available to regional and remote ADEs.
Use of technology and mechanisation	As was noted above (see Profit Margin and Type of Business Line), ADEs which are innovative in their use of technology or mechanisation, and/or invest heavily in production processes through a higher capability workforce are often able to undertake works that attract higher margin and experience lower levels of competition. Conversely, ADEs that rely solely on the labour of supported employees (e.g. hand packaging or assembly, cleaning or car washing) would usually attract lower margins due to the higher levels of competition.

Appendix 2 Analysis of DMI levels by business line type

