

**McMILLAN SHAKESPEARE LIMITED**  
**SUBMISSION TO THE NATIONAL COMMISSION OF AUDIT (NCA)**

**1. Summary**

1.1 This submission focuses on the National Disability Insurance Agency (NDIA).

1.2 In relation to the NCA's third contextual Term of Reference, McMillan Shakespeare has a concern that the proposed administrative structure of the NDIA following the staggered roll-out of the National Disability Insurance Scheme (NDIS):

- a) may not "ensure taxpayers receive value-for-money from each dollar spent or avoid wasteful spending"; and
- b) may involve the insertion of unnecessary bureaucracy impeding "the overall efficiency and effectiveness" of NDIA's operations.

1.3 In relation to Phase 1 of the NCA's Terms of Reference, McMillan Shakespeare submits that an opportunity exists for the NDIA "to improve the effectiveness of, and value-for-money from", its expenditure on "rationalising its service delivery footprint". This we believe will "ensure better, more productive and efficient services for stakeholders", especially the Participants in the NDIS.

1.4 That opportunity is underscored by the apparent budget pressures being felt by the NDIA at its launch locations where, as recently discussed by Assistant Minister Fifield at the National Press Club, the average package cost of initial Plans is some 30% more than had been expected by the Productivity Commission when it recommended the NDIS. A continuation of this trend will cause significant funding challenges for the Scheme, elevating the importance of minimising the administration cost footprint of the NDIA, needless to say without a compromise in quality.

**The object and principles of the NDIS – are they being adhered to?**

2.1 The objects and principles of the NDIS are legislatively-based, being provided by Part 2 of Chapter 1 of the *National Disability Insurance Scheme Act 2013* (the Act). One of the principles guiding actions under the Act is stipulated as follows:

*Innovation, quality, continuous improvement, contemporary best practice and effectiveness in the provision of supports to people with disability are to be promoted. (Section 4(15))*

2.2 McMillan Shakespeare believes that the principles enunciated by s 4 of the Act will be adhered to if the NDIA adopts the approach of limiting its bureaucracy to the vital functions of Plan creation (including assessing eligibility, Participant evaluations and counselling) and Plan approval and allowing the private sector to add value to the processes falling outside those core functions.

2.3 That approach would involve outsourcing to the private sector the responsibility for the day-to-day administration of Plans under the NDIS, in particular the totality of the payments processing framework, which will involve in part:

- a) processing claims lodged by NDIS Participants and/or their Nominees or Plan Managers;
- b) processing claims lodged by goods and services Providers;
- c) making approved purchases on behalf of Participants; and
- d) making payments equating to current Benefits and Allowances paid to Participants by Centrelink. (Participants in the NDIS cease being paid those amounts by Centrelink.)

2.4 The NDIA has already determined substantive elements of the principles of its operational framework. This was necessary in order to deliver services at launch locations during the initial roll-out period that commenced on 1 July 2013. However, it is a concern of McMillan Shakespeare that the Agency's pre-determination of the principles of its operational framework will prevent it from being open to the potential efficiencies that Business Processing Outsourcing (BPO) could bring to it and the stakeholders in the NDIS.

### **3. Outsourcing the 'back office' processes of the NDIS**

3.1 The most important function of the NDIA has to be the creation of personalised Plans for every disabled man, woman and child in Australia eligible to participate in the NDIS. It almost does not require stating that the responsible execution of this function goes beyond the normal concepts of governmental administrative processes. The highly motivated and professional staff of the Agency are delivering and will continue to deliver on that responsibility.

3.2 McMillan Shakespeare believes that the private sector may be better equipped than the fledgling NDIA to administer Participants' Plans once created and approved. This includes the administrative interactions directly with Participants, with Plan Managers and with Participant Nominees. We believe that the pressure of maintaining a substantial 'back office' operation may see compromises being made by the NDIA to the potential detriment of its primary function. The NDIA should instead be placed in the position of being able to focus its operations on the creation and approval of each Participant's Plan.

3.3 According to a recent study by the International Data Corporation, the BPO sector in Australia is growing at a 5-year compound rate of 6.1% and will reach \$10.7 billion in annual service value in 2017. BPO specialists in Australia have a long history of executing outsourced large scale payment-based processing and reporting functions. Examples include the share registry sector, the accounts payable/receivable function, and the salary packaging administration sector.

3.4 McMillan Shakespeare Limited is one example of that long history and experience in large scale Australian-based BPO operations. It is a public listed company on the Australian Stock Exchange (ASX Code MMS), and holds both an Australian Financial Services Licence and an Australian Credit Licence. Through a number of brands, the McMillan Shakespeare Group (MSG) is the country's largest salary package and novated lease provider, looking after in excess of 250,000 individual remuneration arrangements on behalf of over 1,200 employer organisations.

3.5 Employing over 830 staff, with offices in every state of Australia and in New Zealand and the United Kingdom, MSG currently has approximately \$4 billion in remuneration benefits under management for the employees of many of Australia's largest public companies and a large range of Federal and State government departments and agencies, statutory authorities, local governments, public benevolent institutions, and public and private hospitals and aged-care operators. MSG also controls and remits over \$1 billion per annum in superannuation contributions on behalf of its clients. MSG's Melbourne-based Contact Centres service over 110,000 telephone enquiries per month, and it conducts over 500,000 financial transactions per month.

3.6 The administration of employee salary packages on behalf of their employers is a multi-process and multi-party function, with a number of almost identical features and parameters to the administration of Plans under the NDIS. This includes the features of annual caps, approved suppliers, third-party invoicing, reporting, payment summaries, problem resolution, contact centres, and customer interfaces for the disabled. In particular, the similarities extend to the need for the correct identification of taxable supplies for GST purposes.

#### **4. Recommendations**

4.1 McMillan Shakespeare submits there is a real opportunity for the NDIA to leverage some of the existing BPO infrastructures and expertise within the Australian private sector to achieve greater efficiencies in delivering on its primary functions as discussed at 2.2.

4.2 McMillan Shakespeare recommends that the NDIA develop a plan to devolve itself of Plan administration as a means of achieving those efficiencies, and thereby ensuring better, more productive outcomes for its stakeholders – in particular each and every Participant in the NDIS.

4.3 McMillan Shakespeare submits that were the NDIA to confine its bureaucracy to the creation and approval of Plans under the NDIS:

- a) Participants will benefit from dealing with a much more focused NDIA;
- b) Providers and suppliers will benefit from dealing with more experienced and specialist processing and administrative staff and functions; and
- c) Taxpayers will benefit from a more efficiently run NDIA and a better return on the substantial investment required to fund the NDIS.

4.4 McMillan Shakespeare would welcome discussions to further explore how the private sector could meaningfully assist the NDIA in minimising its administration cost footprint whilst maximising the quality of service to recipients by undertaking back office administration functions for and on behalf of the NDIA.

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