

**STRATEGIC CORPORATE GOVERNANCE  
WORKSHOP**

**AUSTRALIAN DISABILITY ENTERPRISES**

**Wednesday, 25<sup>th</sup> May 2016**

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## Introduction

- CEO, Mission Australia
- CEO, Society of St Vincent de Paul
- Chair, Reference Group on Welfare Reform
- Non-Executive Director, Kincare Group
- Participant introductions



## Workshop Objectives

- Understand the context in which ADEs will operate:
  - NDIS, Welfare Reform, Competition Policy
- Identify key management and governance issues for your organisation
- Share your concerns, experience and insights
- Develop an action plan for your organisation

## Context: NDIS

- Customer choice: best services at the best price
- Market – based competition
  - Frontline: marketing and quality services
  - Back office: IT and finance
- Innovation: new technologies
- Consolidation of market and new entrants
- Opportunities

## NDIS: Disruptive Innovation

- Innovation that creates a new market and business model and disrupts the existing market and market leaders
- Uber and taxi industry.  
Mortgage brokers and housing loan industry
- NDIS: disruptive innovation: customer-centred, competition, marketing to customers



## Context: Welfare Reform

- Simpler income support system
- Employment first focus
- Australian Priority Investment Approach: PWC actuarial analysis
- Try, Test and Learn Fund: 2016 budget
- Youth Jobs Path Program: 2016 budget
- Building community capacity: Social Impact Investment



## Context: Welfare Reform

- Disability support pension: growth in numbers of people with extreme anxiety and depression on the DSP
- Individual Placement and Support programs
- Passport to work
- Supported employment and open employment
- Job active business model and NDIS business model
- Outcomes and ratings

## Context: Competition Policy

- Customer choice
- Separation of policy, regulation and service delivery
- Government stewardship role
- Diversity of service providers
- Innovation



**What are the critical issues facing ADEs  
in the NDIS,  
welfare reform  
and competition environment?**

**Group breakout  
Discussion and feedback**

## Governance

“A common misconception about corporate governance is that it is only about the board. In practice, however, it is about the **policies, processes, and procedures** throughout the organisation that guide how the company sets **strategy, manages risk, monitors its assets and resources, satisfies its legal and regulatory obligations**, and **communicates with internal and external stakeholders**. Most importantly, corporate governance is about the **right tone and culture** throughout the entire organisation.

*Sally Freeman, Partner, KMPG, Governance Risk Compliance Journal, Edition 1, 2014 Pg.34*

## Governance

### ASX Principles of Good Corporate Governance:

- Lay solid foundations for management and oversight
- Structure the board to add value
- Promote ethical and responsible decision-making
- Safeguard integrity in financial reporting
- Make timely and balanced disclosure
- Respect the rights of shareholders
- Recognise and manage risk
- Encourage enhanced performance
- Remunerate fairly and responsibly
- Recognise the legitimate interests of stakeholders



## Board Governance Issues

- Oversight of the strategic direction of the organisation
- Responsibility for the Mission, Vision and Values
- Boards govern. Executives manage
- Identify the risks in your organisation
- Structure the board to add value: diversity of skills, experience, gender and disability
- Committees: Audit and Risk; People, Remuneration and Nominations
- Remuneration of the CEO: industry benchmarks
- Annual review of board members and executives
- Directors have fixed term appointments

## Governance

- Australian Charities and Not-for-Profits Commission (ACNC)
- Legal structures: company limited by guarantee, incorporated association, social benefit corporation (under consideration)
- Should ADEs become social enterprises?
- Review the organisation's constitution: is it current and forward-looking?
- Is the organisation compliant with all regulatory and reporting requirements?

**What do you consider  
are critical governance issues  
facing your board?**

**Group breakout  
Discussion and feedback**



## Strategic Planning

- Platform for understanding where your organisation is, where it plans on being in the future and how it proposes to get there
- Need for well-constructed, action and outcome-based plan to meet the opportunities of the NDIS environment
- Board and senior executives are responsible for the strategic direction of organisation



## Strategic Planning Process

- Involvement of board, executive, staff and customers (workshops, surveys, focus groups)
- Identification and ranking of critical issues facing the organisation
- Environment scan
- Mission statement
- Statement of strategic intent
- Strategic themes with HLOs, strategies, action plans and measurement indices
- Board review
- Ownership of plan: presentations, progress reports to staff
- Review quarterly by executive team and board

# Strategic Planning Process

## Importance in NDIS context:

- Quality assurance programs and processes
- Contract negotiations incorporating the Planned Management Provider (PMP) role and primary service provider
- Financial management: cashflow, unit pricing of services, organisation accounting
- Human Resources: skilled staff, adequate remuneration (staff and customers)
- Marketing: value packaging of services to customers



## Risk Management

‘the culture, processes and structures that are directed towards taking advantage of potential opportunities while managing potential adverse effects’.  
(ASXCGP, 2007)



## Risk Management

- Board is responsible for oversight of risk.
- Management is responsible for managing risk
- Board establishes the level of risk for the organisation
- It is responsible for developing a culture of ethical decision-making
- It establishes the risk management framework: financial, operations, WHS and customer duty of care



## Risk Management

- Does the organisation have a Risk Management Framework?
- Is the framework used at both operational and strategic levels?
- Does it link directly into strategic planning ?
- Is there adequate resourcing of risk management?
- Is there risk management reporting at board meetings?



## Ethical Culture

- Promote ethical decision-making
- Importance of emotional intelligence
- Respect and encourage dissenting views, including whistleblowers
- Develop a culture of transparency and duty of care
- Royal Commission into Institutional Responses to Child Sexual Abuse

# Risk Management

**What are key risks  
in your organisation?**

**Break into groups  
Discussion and feedback**



# Financial Management

## NDIS challenges:

**Cashflow:** rather than funding in advance through block funding, providers invoice clients to received funds after services provided

**Unit Cost of Services:** need to understand actual costs of individual services to clients



# Financial Management

## Difference between cash accounting and accrual accounting:

Cash accounting: cash when received or paid

Accrual accounting: more complex because it involves the timing of revenue and expenses, not the receipts/payments of cash

# Financial Management

## Chart of Accounts:

- Assets
- Liabilities
- Equity
- Revenue
- Expenses

COA allocates individual transactions within these categories for the purpose of tracking and reporting



# Financial Management

## Organisations need to address:

- **Transparency of financial data and accounting systems**
  - The speed with which financial information can be extracted from your systems and the accuracy with which information is entered
- **Cash management**
  - The strength in design and application of your cash collection policies and procedures and understanding your cashflow as a fundamental component of business sustainability

# Financial Management

- **Unit costing**
  - The extent to which you can calculate the unit cost (fixed and variable) of providing services per hour by your support workers: trades, Certificate, 2, 3, 4 (CS)
  - Hourly cost to include wages, annual leave loading, sick leave, overtime and weekend loading, parental leave, long service leave, superannuation, travel allowance, tool allowance, clothing allowance, food allowance, other costs, margin



# Financial Management

## Checklist

- Does your organisation have cost accounting skills?
- Are you able to calculate the unit cost of services per hour in your organisation?
- Have you reviewed your accounting software?
- Have you reviewed the financial management policies and procedures?
- Does the Chart of Accounts reflect both management and external reporting requirements?



## Human Resources

- Do you have a set of HR policies that reflect your legal requirements and strategic plan objectives?
- What strategies do you use to ensure your staff can access and understand them?
- How do you recruit, train and supervise staff for the NDIS environment?
- Is your remuneration competitive to attract quality staff?



## Human Resources

- Over the next 2 years NDIA pricing for supported employment services will change
- Is your organisation prepared for pricing changes?
- Is your organisation prepared for a revised BSWAT for ADEs and a probable increase in wages for customers?



## Marketing

- Is a marketing plan and resourcing in your Strategic Plan?
- How does your organisation market its services to customers?
- What resources are committed to marketing and public relations?
- How can your organisation value package services for your customers?
- How do you train frontline staff to market services to customers?

**What are critical issues facing  
your organisation in financial management, human resources and  
marketing?**

**Group breakout  
Discussion and Feedback**

## **Develop an Action Plan for your organisation**

## Link to the DSS Online Training Modules:

<https://acudss.cls.janisoncloud.com/auth/login/?returnUrl=%2F>

You will need to register to get your username and password.

## Thank You

If you have any enquiries please email us

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