

NDIS Simply – Things to remember

Corporate Overheads

How do overheads affect my finances? Why does this matter to me? How does my size affect my overheads? What are my options?

What is “corporate overhead”?

Despite the noise and the complaints, corporate overheads are essential for running any business. They are the indirect costs associated with running your organisation and can include items such as:

- ▶ Marketing costs
- ▶ Finance costs
- ▶ Information technology costs
- ▶ Human resource costs
- ▶ Office rent and cleaning costs

What should we be getting for our overhead spending?

If you are spending well on corporate overheads you should have:

- ▶ Clear goals which are shared and owned by everyone
- ▶ A clear unique value proposition and articulated business development strategies
- ▶ Timely and understandable financial reporting which changes organisational behaviour
- ▶ Systems that make your life easier
- ▶ Responsive and wise human resource support
- ▶ Fit for purpose infrastructure

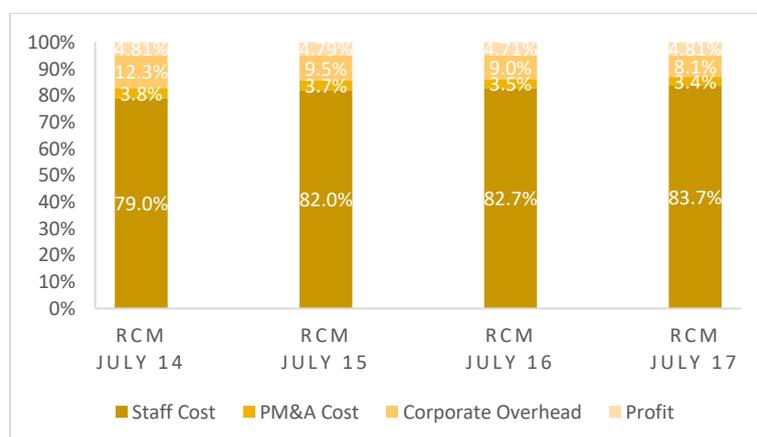
Why does this matter?

The finance staff and the board members obviously need to understand corporate overheads, but why should I care about this when I can't actually do anything to affect corporate overheads either way?

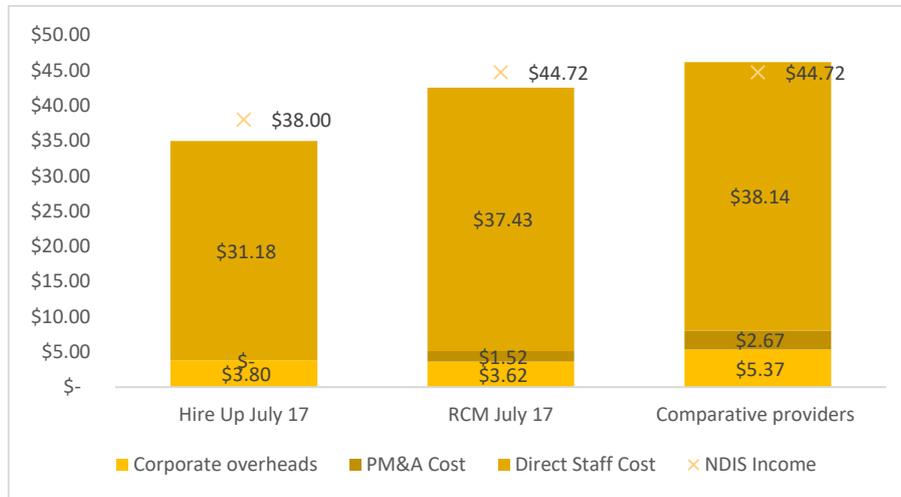
The truth is that without support workers and the provision of services, there would not be the ability to pay any corporate overheads. The finance department or the IT department aren't actually generating money for the company, their services are a support for business which delivers disability supports!

How's everyone else doing?

Everyone else is under the same pressures that you are! The NDIS was always insistent that the scheme valued highly efficient providers, they price services in a way which are encouraging everyone to reduce corporate costs.



But it is true that there are some other providers which can charge less than the NDIS price. They are doing this by eliminating buildings, traditional supervision, and rostering costs to provide support directly to the customers. This also means that there could be a lack of traditional quality control, less access to formalized training and procedures.

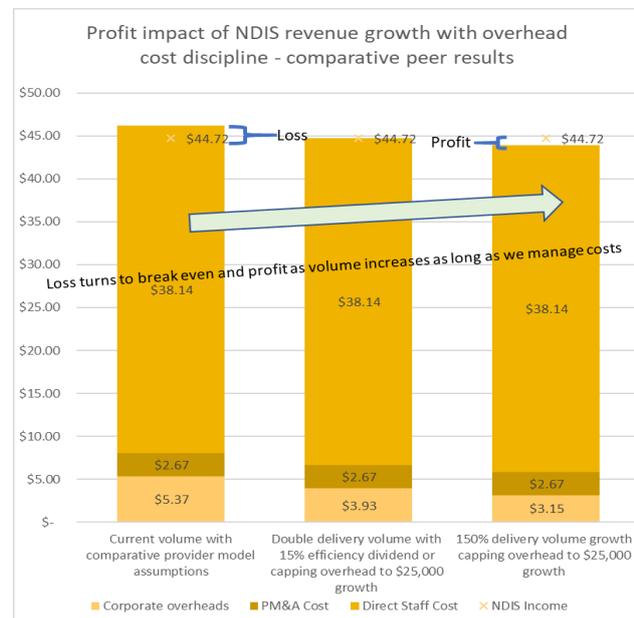


The simple truth is, that most suppliers are struggling to achieve the “good corporate overhead” of 10%

How does size affect my overheads?

If you work through our example for Size Matter Ltd. You should learn a few key lessons:

- Some overheads are “fixed” and won’t change regardless of the volume of supports you deliver;
- Growing your organisation or your service delivery volume, can actually increase profit margins. This is because increasing your delivery hours doesn’t mean that you need to increase all your overhead costs. (i.e. if you increase by 20% you will not need to hire an extra 20% of a CEO);
- Growing is not always the solution! If basic discipline is lacking, working extremely hard to increase delivery volume will not magically turn the financial situation around.



What are our next steps?

- Do your homework!
- Think, plan and act wisely
- Lead with clear thinking and discipline

Effective and disciplined frontline team members are integral to achieving the NDIS “efficient price”. Make sure you play your part!