

2023-24 Budget Issues Brief no. 33

National Disability Insurance Scheme Funding**Key points**

- The Government is providing \$732.9 million over four years from 2023-24 to support the effective and sustainable operation of the National Disability Insurance Scheme (NDIS), and ensure every dollar goes to those who need it most.
 - This funding will improve the National Disability Insurance Agency's (NDIA's) capability and systems, strengthen processes and support more consistent decision making
 - These initiatives will better support participants manage their plans, improve lifetime planning and identify fraud in the NDIS
 - The initiatives supported by this funding are projected by the Scheme Actuary to moderate growth in NDIS participant support costs (in fiscal balance terms) from an estimated \$17.2 billion to \$1.9 billion over four years from 2023-24, a reduction of \$15.3 billion.
- As a next step, National Cabinet on 28 April 2023 committed to an *NDIS Financial Sustainability Framework* (the Framework) to further moderate growth in NDIS costs.
 - The Framework will provide an annual growth target for NDIS participant support costs of no more than 8 per cent by 1 July 2026, with further moderation of growth as the Scheme matures
 - This is projected to moderate growth in NDIS participant support costs (in fiscal balance terms) by \$632.3 million in 2026-27, and \$59.9 billion over the seven years from 2027-28 to 2033-34.
- The Government has increased the estimated expenses (in fiscal balance terms) for NDIS participant support costs by \$1.1 billion in 2022-23 and \$1.9 billion over four years from 2023-24.
 - These changes account for the impact of the actions the Government has taken to moderate cost growth.
- Total NDIS participant costs are now projected to be \$40.0 billion in 2023-24 and \$190.0 billion over the four years from 2023-24. Total participants as at 28 February 2023 were 585,518.¹
 - This compares with initial estimates by the Productivity Commission (2011) of a scheme with around 411,250 participants and annual gross costs of around \$13.6 billion. Updated Productivity Commission projections in 2017 were for estimated Scheme costs of \$26.8 billion in 2023-24 with 520,800 participants, growing to \$38.1 billion by 2029-30.

¹ Latest available published data.

Table 1: 2023-24 Budget Estimates of total NDIS participant support costs (fiscal balance terms)*

	2023-24	2024-25	2025-26	2026-27	Total (2023-24 to 2026-27)	Total (2023-24 to 2033-34, last year of medium term)
Total cost of supports (\$b)	-40.0	-45.3	-50.3	-54.4	-190.0	-711.2
C'wealth share of supports (\$b)	-27.9	-32.7	-37.3	-40.8	-138.6	-548.1
C'wealth contribution (%)	69.7%	72.2%	74.0%	75.0%	73.0%	77.1%
Variation 2022-23 October Budget to 2023-24 Budget (\$b)	-1.8	-1.2	0	1.1	-1.9	53.5**

*Costs are for reasonable and necessary supports for participants only, and do not include agency operating costs.

**This figure represents the net of the impact from 2023-24 to 2033-34 of the NDIS Sustainability Framework (\$60.5 billion positive impact), the estimates variation incorporating the moderating impact of the NDIS sustainability initiatives (\$1.9 billion negative impact), and migration decisions (\$5.1 billion negative impact).

Key facts and figures

Funding to support the effective and sustainable operation of the NDIS

- The funding of \$732.9 million over four years from 2023-24 includes:
 - \$429.5 million over four years from 2023-24 to invest in the National Disability Insurance Agency's (NDIA's) capability and systems, to improve processes and planning decisions
 - \$73.4 million over four years from 2023-24 to better support participants to manage their plans within budget, including assistance from NDIA during the year and holding plan managers, support coordinators and providers to account
 - \$63.8 million over two years from 2023-24 to take a lifetime approach to ensure plans are more transparent and flexible for life events
 - \$56.4 million over four years from 2023-24 to strengthen supported independent living decisions, including by introducing a home and living panel with highly trained staff to improve consistency across decisions, and updating guidelines for planners to improve participants' ability to live independently
 - \$48.3 million over two years from 2023-24 to invest in the NDIA's ability to detect, respond to, and reduce non-compliant payments and fraud, and to develop a business case for new IT platforms and systems to detect and prevent fraud and non-compliant payments

- \$29.3 million over two years from 2023-24 to support the quality and effectiveness of services provided to participants, through improving oversight of services and assisting participants to choose evidence-based supports
- \$24.6 million over four years from 2023-24 to work with participants and providers to trial blended payment models, to increase incentives for providers to innovate service delivery and improve outcomes
- \$7.6 million over two years from 2023-24 to partner with communities to pilot alternative commissioning approaches to improve access to supports in remote and First Nations communities.
- To provide participants with greater certainty around their plan funding, the NDIA will also move to allowing for longer plans for participants, where appropriate.
- To make it easier for participants to access evidence-based assistive technology and other supports, the Department of Social Services will work with stakeholders to establish an expert advisory panel to identify evidence-based supports, and the NDIA will implement preferred provider arrangements to leverage the buying power of the NDIS.
- The Scheme Actuary has projected that together, these initiatives will moderate participant support cost growth by \$15.3 billion in fiscal balance terms over four years from 2023-24.

NDIS Financial Sustainability Framework

- The Framework is projected to moderate growth in NDIS participant costs (in fiscal balance terms) by \$632.3 million in 2026-27, and \$59.9 billion over the seven years from 2027-28 to 2033-34.
 - These figures are different to those in the description for the measure *Ensuring the Effectiveness and Sustainability of the National Disability Insurance Scheme* in Budget Paper 2, which are presented in underlying cash terms (\$622.8 million in 2026-27 and \$59.0 billion over seven years from 2027-28 to 2033-34), consistent with the presentation of other measures in Budget Paper 2.
- NDIS participant costs are now projected to grow in fiscal balance terms by 13.9 per cent in 2023-24, 13.4 per cent in 2024-25, and 11.1 per cent in 2025-26, before moderating to the growth rate of 8 per cent in 2026-27.
 - The Commonwealth share of participant costs is projected to grow in fiscal balance terms by 18.3 per cent in 2023-24, 17.4 per cent in 2024-25, 13.8 per cent in 2025-26, and 9.4 per cent in 2026-27. Growth in state and territory contributions is capped at 4.0 per cent per annum.
- The Government will work with the states and territories, the NDIS Review, and the National Disability Insurance Agency, to implement the Framework.
- Even with the implementation of the Framework, the NDIS would still be the fastest-growing area of Government payments. Funding for disability supports will remain higher than before the NDIS was established and higher than funding today.

Changes to the NDIS estimates

- The Government has increased the NDIS participant cost estimates (in fiscal balance terms) by \$1.1 billion in 2022-23 and \$1.9 billion over four years from 2023-24, compared to the 2022-23 October Budget (refer Table 2 below). This incorporates:
 - an increase of \$1.1 billion in 2022-23 given actual expenditure in 2022-23 has been tracking above projections
 - an increase of \$17.2 billion over four years from 2023-24 as projected by the Scheme Actuary in the November 2022 interim AFSR
 - an increase of \$0.6 billion over four years from 2023-24 resulting from the Government’s decisions on citizenship for New Zealand citizens, permanent visas for Temporary Protection Visa and Safe Haven Enterprise Visa holders, and Migration program planning levels
 - a decrease of \$15.3 billion over four years from 2023-24 due to the moderation in cost growth from the Government’s initiatives to improve the effectiveness and sustainability of the NDIS
 - a decrease of \$0.6 billion in 2026-27 due to the impact of the Framework.

Table 2: Changes to the NDIS estimates since the 2022-23 October Budget

Expense (\$billion)	2022-23	2023-24	2024-25	2025-26	2026-27	Total over 4 Years from 2022-23
2023-24 Budget	-35.1	-40.0	-45.3	-50.3	-54.4	-190.0
NDIS Sustainability Initiatives	-	1.1	2.9	5.0	6.3	15.3
Sustainability Framework	-	-	-	-	0.6	0.6
November 2022 interim AFSR projection	-1.1	-2.9	-3.9	-4.8	-5.5	-17.2
Immigration policy changes	-	-0.0	-0.1	-0.2	-0.3	-0.6
October 2022-23 Budget (baseline)	-34.0	-38.1	-44.1	-50.3	-55.5	-188.1

Variation to payments

- Estimated payments for NDIS participant supports has increased by \$1.8 billion in underlying cash terms over the four years from 2023-24 since the October Budget. The difference between this and the fiscal balance variation is due to the timing of payments.

Medium term

- Medium term projections for NDIS participant support costs have been reduced to account for the Government’s decision to implement the Framework.
- In 2033-34, the cost of the NDIS is expected to rise to \$91.9 billion (in fiscal balance terms) and \$90.6 billion (in underlying cash terms). This is down from \$106.3 billion (in fiscal balance terms) and \$104.7 billion (in underlying cash terms) in the 2022-23 October Budget.

- The Commonwealth's contribution to funding the NDIS is estimated to grow from around 69.7 per cent of total Scheme costs in 2023-24 to 80.5 per cent in 2033-34. This is because under bilateral agreements, growth in state and territory contributions is fixed at 4.0 per cent.
- The medium term NDIS cost profile is provided at [Attachment A](#).

NDIA resourcing

- The Government will provide a total of \$744.9 million over four years from 2023-24 in additional operational funding for the NDIA, comprising \$724.4 million to implement the NDIS sustainability initiatives, and \$20.5 million in other funding (refer Table 3 below).

Table 3: NDIA – Additional resourcing in the 2023-24 Budget

\$m	22-23	23-24	24-25	25-26	26-27	Total over four years from 2023-24
NDIA funding as at 2022-23 October Budget*	1,445.4	1,751.5	1,432.9	1,469.2	1,488.5	6,142.2
Additional funding for the NDIA in the 2023-24 Budget	0.0	232.7	159.0	118.6	112.1	622.4
• NDIS – improve effectiveness and sustainability	0.0	278.2	180.6	133.4	132.3	724.4
• Other Government measures	0.0	2.0	4.2	6.2	8.1	20.5
• Other changes in funding**	0.0	-47.5	-25.8	-21.0	-28.2	-122.5
2023-24 Budget Funding	1,445.4	1,984.2	1,591.9	1,587.8	1,600.7	6,764.6
NDIA ASL as at 2022-23 October Budget***	4,754.3	4,976.0	3,858.0	3,858.0	3,858.0	
Additional funding for the NDIA in the 2023-24 Budget	221.7	722.5	1,136.2	933.0	919.0	
• NDIS – improve effectiveness and sustainability	0.0	709.5	1,123.2	920.0	906.0	
• Other Government measures	0.0	13.0	13.0	13.0	13.0	
• Other changes in ASL	221.7	0.0	0.0	0.0	0.0	
2023-24 Budget ASL	4,976.0	5,698.5	4,994.2	4,791.0	4,777.0	

Financial figures reflect government funding and do not include interest revenue.

*2026-27 figures were not published at the 2022-23 October Budget.

** Includes estimates variations for changes in agency resourcing over four years from 2023-24 for increases in indexation (\$100.1 million), offset by whole of government savings (-\$222.6 million)

*** ASL from 2023-24 onwards were not published at the 2022-23 October Budget.

Key sensitivities

NDIS Independent Review

- The Government has commissioned an Independent Review into the NDIS, which is due to report in October 2023. Some stakeholders have criticised the Government for announcing the Framework ahead of the Review report. The effectiveness and sustainability of the NDIS is part of the NDIS Review Terms of Reference, including the fiscal sustainability of the Scheme and the longer term fiscal trajectory.

- Given the urgent need to moderate NDIS cost growth, National Cabinet has elevated the issue of NDIS sustainability to First Ministers, who will consider the implementation of the Framework in the context of the Review findings.

Legislation

- N/A

Background

- Key drivers for NDIS participant support payments*

\$ billion	2022-23	2023-24	2024-25	2025-26	2026-27	Total over 5 years
2023-24 Budget	-33.1	-38.7	-44.3	-49.3	-53.3	-218.9
<i>Impact of 2023-24 Budget policy decisions</i>	0.0	..	-0.1	-0.2	0.3	0.0
<i>Impact of 2023-24 parameter and other variations</i> ▼	-1.1	-1.8	-1.0	0.3	0.8	-2.9
<i>Difference from October 2022-23 Budget</i> ▼	-1.1	-1.8	-1.1	..	1.1	-2.9

*The table represents the movement in payments for *Reasonable and necessary support for participants* within the Social Services portfolio.

Contact

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PROTECTED – CABINET
UNTIL 2023-24 BUDGET FORMALLY RELEASED, THEN CLASSIFIED OFFICIAL

Attachment A – NDIS participant costs – medium term estimates

Expense (\$billion) <i>Fiscal Balance</i>	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	Total over 4 Years	Total over 11 Years
Budget 2023-24	-35.1	-40.0	-45.3	-50.3	-54.4	-58.7	-63.4	-68.4	-73.8	-79.5	-85.5	-91.9	-190.0	-711.2
Growth%		13.9	13.4	11.1	8.0	8.0	8.0	7.9	7.8	7.7	7.6	7.5	54.9	161.8
Cmnwlth share%														
Commonwealth share	-23.6	-27.9	-32.7	-37.3	-40.8	-44.6	-48.7	-53.1	-57.9	-62.9	-68.3	-74.0	-138.6	-548.1
Growth%		18.3	17.4	13.8	9.4	9.3	9.3	9.1	8.9	8.7	8.5	8.4	73.1	214.2
Cmnwlth share%		69.7	72.2	74.0	75.0	75.9	76.8	77.6	78.4	79.2	79.9	80.5		
States and Territories share	-11.5	-12.1	-12.6	-13.1	-13.6	-14.2	-14.7	-15.3	-15.9	-16.5	-17.2	-17.9	-51.4	-163.1
Growth%														
October Budget baseline	-34.0	-38.1	-44.1	-50.3	-55.5	-61.2	-67.3	-74.1	-81.4	-89.4	-97.0	-106.3	-188.1	-764.7
Growth%		12.2	15.7	14.1	10.3	10.2	10.1	10.0	9.9	9.8	8.5	9.6		
Change in estimates between Budgets	-1.1	-1.8	-1.2	0.0	1.1	2.4	3.9	5.6	7.6	10.0	11.5	14.4	-1.9	53.5
Comprising:														
Policy decisions														
Sustainability Framework	0.0	0.0	0.0	0.0	0.6	2.8	4.4	6.2	8.3	10.7	12.3	15.3	0.6	60.5
Immigration policy changes	0.0	...	-0.1	-0.2	-0.3	-0.4	-0.5	-0.6	-0.6	-0.7	-0.8	-0.9	-0.6	-5.1
Estimates variations														
NDIS Sustainability Initiatives (net effect)	0.0	-1.8	-1.1	0.2	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.9	-1.9
November 2022 interim AFSR projection	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Payments (\$billion) <i>Underlying Cash Balance</i>	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	Total over 4 Years	Total over 11 Years
Budget 2023-24	-33.1	-38.7	-44.3	-49.3	-53.3	-57.9	-62.5	-67.4	-72.7	-78.3	-84.2	-90.6	-185.7	-699.3
Growth%		16.9	14.5	11.3	8.1	8.5	8.0	7.9	7.8	7.7	7.6	7.5	60.9	173.3
Cmnwlth share%														
Commonwealth share	-22.7	-26.9	-31.7	-36.2	-39.7	-43.7	-47.8	-52.1	-56.8	-61.7	-67.0	-72.7	-134.7	-536.5
Growth%		18.8	17.8	14.1	9.6	10.1	9.3	9.1	8.9	8.7	8.6	8.4		
Cmnwlth share%		69.6	71.6	73.5	74.5	75.5	76.5	77.3	78.1	78.9	79.6	80.2	-134.7	
Growth%														
October Budget baseline	-32.0	-36.9	-43.2	-49.4	-54.5	-60.3	-66.3	-73.0	-80.2	-88.1	-95.5	-104.7	-184.0	-752.1
Growth%		15.4	16.9	14.3	10.3	10.6	10.1	10.0	9.9	9.8	8.5	9.6	70.1	227.1
Change in estimates between Budgets	-1.1	-1.8	-1.1	0.0	1.1	2.4	3.8	5.5	7.5	9.8	11.3	14.2	-1.8	52.8
Comprising:														
Policy decisions														
Sustainability Framework	0.0	0.0	0.0	0.0	0.6	2.8	4.3	6.1	8.1	10.5	12.1	15.0	0.6	59.6
Immigration policy changes	0.0	...	-0.1	-0.2	-0.3	-0.4	-0.5	-0.6	-0.6	-0.7	-0.8	-0.9	-0.6	-5.1
Estimates variations														
NDIS Sustainability Initiatives (net effect)	0.0	-1.8	-1.1	0.2	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.8	-1.8
November 2022 interim AFSR projection	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0