Joint Submission

Review of the NDIS SDA Pricing and Payments Framework

June 2018
This is a joint submission from the following organisations and represents a shared position on issues of concern with the Specialist Disability Accommodation (SDA) Pricing and Payments Framework.
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Executive Summary

The Specialist Disability Accommodation Pricing and Payments Framework is a new and innovative approach to encouraging high quality accessible housing in the market via incentive payments linked to individual participants. The Framework has been welcomed as an important form of support under the NDIS for people with high and complex support needs, as it has the potential to create a contemporary disability housing market as part of the NDIS.

This submission is made jointly by 20 organisations that are advocates for people with disability or providers of SDA housing and experienced with the way the SDA Framework is operating. The submission outlines key concerns about the SDA Framework that are hampering the potential to build a diverse, innovative and responsive SDA market meeting the housing needs and preferences of participants.

**Does the SDA Framework support the process of appropriately setting prices?**

SDA base prices should result in the market being able to deliver a reasonable spread of SDA dwelling types in a wide range of locations, particularly locations with good access to services and facilities.

This review is an important opportunity to check key elements and assumptions in the SDA pricing methodology, if it is to be robust and relevant to market conditions. A technical review of SDA pricing methodology and assumptions is recommended, which would also be an opportunity to design the approach for the future SDA price reviews.

Some concerns about the pricing approach are highlighted. The land appreciation assumption is distorting the price setting for SDA and should be removed from the pricing formula. Location factors are not working to enable development in many high value areas.

The terminology of “group homes” in the SDA Price Guide is outmoded and it is recommended the term is replaced by using the term “house” across all relevant building types.

**Does the SDA Framework stimulate the required volume of supply?**

5-year price reviews create uncertainty for providers and investors. There should be better information made available on the timing and methodology for the price reviews to reduce uncertainty about base price changes over a 20-year investment in a SDA property. Pricing for the various SDA dwelling types should be fixed between reviews for all new SDA in that time period.
Data is especially important in the early stages of market growth, but SDA data is not yet being published by the NDIA. The agency should start publishing quarterly data by the end of 2018 and establish a mechanism that enables notification of forthcoming SDA development (before enrolment stage).

**Does the SDA Framework support investor decision-making and provide sufficient market certainty?**

There is great uncertainty about how participants are being assessed for SDA, how funding levels are determined and how long the whole process takes. Participants are experiencing delays in NDIA decision-making that are exceeding six months without resolution.

Inconsistency and lack of transparency in the NDIA’s processes is a huge problem in the operation of the SDA Framework. The NDIA needs to give urgent attention to establishing consistent and transparent processes for determining eligibility and funding.

NDIA determinations of “appropriate” living arrangements as part of a SDA funding decision give the agency excessive control over participant choices and market outcomes for SDA.

Decisions about building type should be based on expressed participant preference in their Housing Plan. The NDIA’s role should focus on determining SDA eligibility and design type, both of which are based on objective evidence.

A “catch 22” situation exists under the SDA Rules where SDA properties are not yet built and enrolled. Participants are being told their SDA funding can’t be confirmed without reference to an existing SDA dwelling. But at this early stage, many SDA dwellings are yet to be built. This issue can be fixed through changes to the SDA Rules.

Unfortunately the recent SDA Provider and Investor Brief, released by the NDIA in April, created widespread uncertainty and confusion through the SDA market. Progress on many SDA projects has been disrupted and participants are very concerned about their right to live independently. Urgent measures need to be taken to restore market confidence following the publication of this Brief.
Is the SDA Framework facilitating high quality and innovative SDA models and design?

The broad design of the SDA Framework is innovative and providers are able to look at a variety of approaches to developing housing types and in a range of locations.

However the SDA Framework has an underlying assumption that shared dwellings will be the main housing option in the SDA market and this is restricting the potential for diverse and innovative SDA housing solutions.

Key assumptions in the Framework about living arrangements for SDA participants need to change if the Framework is to facilitate development of an innovative and future focused SDA housing market and enable participants to live an ordinary life.

Flexible living arrangements that reflect choice and control are likely to reduce support costs in the long term.

Does the SDA Framework enable choice, control, independence and inclusion?

The SDA pricing assumes all residents have SDA funding, and therefore reduces funding to a lower rate if other residents in the dwelling are not SDA-funded participants. This element of the Framework design makes it financially unviable for SDA providers to offer participants a dwelling that is shared with family members. The Framework must not prevent participants being able to live with family members – currently participants are expected to live in shared housing with other SDA-funded participants.

Larger shared housing types do not reflect contemporary approaches to disability housing or the housing preferences of participants. It is recommended that 5-bedroom shared houses are phased out of new build pricing under the Framework in recognition that sharing beyond two to three people is unlikely to be preferred by participants or reduce costs. While properties built under the current pricing should receive funding in line with the current SDA price guide, no new 5-bedroom properties should be funded after the next price review.

In-kind arrangements for SDA are also recommended to be phased out of the SDA Framework, as these arrangements limit participant choice and control and distort the SDA supply market.
Does the SDA Framework incentivise value for money in use of NDIS individualised funding and support the ongoing sustainability of the Scheme?

The NDIA needs to exercise caution with cost containment measures for SDA funding (such as those reflected in the SDA Brief) that limit choice and control.

Perpetuating out-dated views about “SDA models” and “support models” in the operation of the SDA Framework, with the aim of cost-effectiveness, will minimise options and opportunities for participants, stifle opportunities to achieve flexible solutions and long-term benefits and distort the profile of the new SDA supply. Given the evidence suggests lifetime costs of group homes are higher, short-term cost savings will create higher long time liabilities for NDIA.

Transitional and urgent housing needs of SDA participants

In some situations, moving immediately into SDA as a long-term housing solution is not appropriate for many people with disability. Urgent housing needs and transitional solutions need to sit alongside the permanent SDA options.

Transitional housing may need to be funded under the SDA Framework as an interim option. It is also very important that the SDA Framework can deal with urgent housing changes if a living arrangement breaks down and measures need to be taken to prevent homelessness.

Coherent and consistent SDA Framework documentation

This submission recommends a number of changes to the various documents that are part of the SDA Framework. The overall suite of SDA documentation should then be organised in a more cohesive way.

Evaluation and monitoring mechanisms for SDA should be developed and incorporated in the Framework – this would guide data collection and enable evaluation of the outcomes of SDA funding.
Conclusion

The first two years of operation for the SDA Pricing and Payments Framework has shown the challenges of getting the Framework to work well for participants and the market. The NDIA is clearly having many difficulties in implementing the Framework.

A fundamental problem with the Framework implementation is the lack of choice and control in the type of SDA dwelling participants are funded to access. These are serious issues that obstruct the right of SDA-funded participants to live an ordinary life in a form of housing they choose and to live with whom they choose. These rights must be promoted, not hindered, by the intent and operation of the Framework.
Introduction

Policy intent of the SDA framework

The Productivity Commission Inquiry Disability Care and Support Report 2011 established the key features of the SDA Pricing and Payments Framework (the Framework) when it recommended that specialist disability supports provided under the NDIS would include specialist accommodation support (p. 228) “which would enable people to move out of home in line with community norms” (p. 229).

When the SDA Framework was released in late 2015 it presented a vision of “a sustainable specialist disability accommodation market that fosters choice and control, encourages innovation, provides options for participants, continuity of supply and financial sustainability for governments, participants and providers”.

The Framework is a new and innovative approach to encouraging particular types of housing in the market via incentive payments linked to individual participants. Participants, their families and advocates and everyone else who saw the tremendous need for new housing solutions for people with high and complex support needs, welcomed the Framework and its potential to create a contemporary disability housing market as part of the NDIS.

The organisations presenting this submission strongly support the Productivity Commission and COAG vision for the SDA Framework. We believe the Framework has tremendous potential to deliver high quality housing options, which are central to realising an ordinary life for NDIS participants with high and complex needs, and a basis for building social and economic participation.

But the Framework is complicated to understand, lacks transparency in the detail and has presented significant implementation challenges for the NDIA. The Framework provides scope for the agency to make decisions about SDA funding which we consider are in conflict with article 19 of the UN Convention of the Rights of Persons with Disabilities 2006 and the objects of the National Disability Insurance Scheme Act 2013.

In this early phase of the SDA market’s growth, it is important that the right levers are in place to guide the provider and investor market to make the estimated $5 billion in new capital investment¹ needed to meet the demand for 12,000 new places in SDA.

This submission will outline our key concerns about the SDA Framework that are hampering the potential to build an SDA market envisaged by Disability Reform Council of COAG and suggest recommendations to ensure that the Framework meets the needs of NDIS participants.

¹. PwC and Summer Foundation NDIS Specialist Disability Accommodation: Pathway to a mature market 2017, p. 4
State Of The Market

The existing SDA supply market is dominated by group homes and is a reflection of past policy and funding settings. Most of the supply is state government owned. State governments are still working through their present and future role in asset ownership, new asset development and provision of SDA.

In March 2018 the Summer Foundation published a study of potential SDA demand nationally and at a detailed geographic level. This study was based on administrative data from the Disability Services National Minimum Data Set compiled by the Australian Institute of Health and Welfare and examined the current SDA market as well as modelling potential demand for SDA housing, based on the profile of people with very high support needs currently in state disability systems.

Key themes from the SDA Market Insights study are:

Ageing group homes dominate the market, with government still a substantial player:

- 87% of the places in the current SDA market are in group homes
- Prior to the NDIS being rolled out, more than 2,300 people with disability were residing in large and small institutions that require redevelopment
- In one large jurisdiction, where most of the stock is owned by government, over 50% is 20 or more years old

Potential demand from people with extreme functional impairments may be greater than forecast:

- More than 30,000 people with disability with a proxy measure of “extreme functional impairment” needs do not live in this existing SDA market but with family, in nursing homes, hostels, public housing and the private rental market. This compares to an estimated 12,000 new SDA places
- Of known demand, a key priority is the 6,200 young people across Australia living in nursing homes. However, early SDA data released recently indicates that, while over 2,082 younger people living in nursing homes have become NDIS participants, only 23 (around 1%) have funding for SDA support so far; this is the cohort highlighted by the Productivity Commission’s report as a priority for SDA support

2. SGS Planning and Economics and Summer Foundation Specialist Disability Accommodation Market Insights report 2018
Many current SDA residents would be unlikely to meet the SDA eligibility criteria:

- Less than half of current SDA residents have levels of support needs that would indicate eligibility for SDA funding support. Only 47% of current SDA residents always require support with self-care, and just 32% always require support for mobility.
- Intellectual disability is the primary disability for 75% of current SDA residents, compared with just 45% of the identified potential demand for SDA.

Government initiatives are driving around half of new SDA builds:

- The Summer Foundation’s survey of known SDA providers in September 2017 identified around 1,000 new SDA places under contract or construction.
- New development activity is presently dominated by government initiatives in NSW and South Australia which are contributing around 600 new SDA places.
- A range of other providers are committing to new projects – including not-for-profit and private providers not previously associated with disability services.

This early SDA supply and demand analysis has helped to inform potential SDA market players about the growth in supply needed, parts of Australia that are likely to need new supply and some insights into the future demand profile.

The study provided some insights into the current housing circumstances and likely housing preferences of people who are in the target cohort for SDA funding. The study provided a clear indication that there is a need to build a very different profile of SDA supply in the future and the SDA Framework has the potential to facilitate this diverse new supply.
Responses to the Review Themes

Pricing and Payments:
Does the SDA Framework support the process of appropriately setting prices?

Structure of Prices and Methodology

SDA base prices should result in the market being able to deliver a reasonable spread of SDA dwelling types in a wide range of locations, particularly locations with good access to services and facilities. In locations where the land prices are too high (such as much of Sydney) or the provider market is thin (in most rural locations), SDA demand and market development should be monitored and measures developed by the NDIA to address undersupply.

Under the SDA Framework the current pricing methodology and price guide sets broad parameters and price ranges. However the actual figures are not published for many parameters and are not independently verifiable. This means they cannot be assessed by the market in terms of risk of future changes in these parameters. Some examples of problems in the current approach to SDA prices follow:

The assumption for base land price is $552 per m2. This is half the estimated value of land in middle suburbs of Melbourne, such as Vermont and Watsonia ($1000 per m2). The relevant location factors at those locations for a 2-bedroom duplex are 0.94 and 0.98 respectively.

It is unclear if the pricing methodology takes account of requirements for shared disability accommodation dwellings to meet Class 3 requirements of National Construction Code (referred to as “care type facilities”). Additional requirements include internal acoustic protection and increased fire safety requirements (internal fire ratings, escape provisions, accessibility features).

The pricing assumptions indicate a 2-bedroom townhouse with OOA would have a floor area of 98 m2. However a more realistic figure is 200 m2, when adopting LHA (Livable Housing Australia) and Class 3 building requirements.

This review is an important opportunity to check key elements and assumptions in the SDA pricing methodology, if it is to be robust and relevant to market conditions. Therefore a technical review of SDA pricing methodology and assumptions should be part of this broader review of the SDA Framework. This would also be an opportunity to design the approach for the future price reviews, identifying key elements that will be subject to change (e.g. assumptions about costs of finance and construction).
Once reviewed, the SDA pricing methodology should be republished to provide the market with clear and accessible information about how prices are derived. Details about the process and method for future price reviews should also be made available and include sufficient detail to enable providers and investors to assess the risk of change which may arise from a price review process.

A component of the SDA pricing methodology affecting the viability of SDA development in many locations is the treatment of land price appreciation in the SDA pricing formula.  

The formula deducts land price appreciation from the consumption costs for a new build dwelling. That is, the formula assumes additional return is realised over the life of a property due to the underlying land value increasing over time. Land price appreciation benefits can only be realised at the point of sale.

Land price increases should not be factored into the pricing formula as a cost offset because this assumes SDA providers sell their SDA assets within the 20-year investment period to realise capital gains.

Long-term investors are looking for long-term cash flow returns, not capital gains. This is particularly important because SDA properties are overcapitalised by 20–60 per cent. Providers and investors require a long-term stream of income to recover these additional upfront costs over time.

The effect of the land price appreciation assumption is greater in higher value areas and results in SDA prices being set too low in locations with high land values. The land appreciation assumption is distorting the price setting for SDA and should be removed from the pricing formula.

Recommendation 1: The Framework should set pricing parameters pegged to specific, clear, and independently verifiable data sources.

Recommendation 2: A technical review of the new build pricing methodology should be part of this SDA Framework review, and include a review of the pricing formula, parameters and assumptions.

Recommendation 3: Land price appreciation should be removed as a factor in the SDA pricing formula.

3. The details of the SDA pricing formula are found in the Specialist Disability Accommodation Position Paper on Draft Pricing and Payments, NDIA 2016
**Location Factors**

Location factors should be in scope for the proposed review of the pricing methodology.

The current location factors are based on SA4 level and this is not working as a way of grouping similar markets for SDA projects. The SA4 geography results in large variations in land values within the SA4 boundaries and is not an appropriate basis for defining common market conditions for housing development. In particular, it incentivises an over-concentration of housing in the lowest cost location within the relevant SA4.

*Outer Eastern Melbourne SA4 spreads from middle suburbs to communities in rural areas. The distance from the Melbourne CBD ranges from 17 km to 95 km. Median house prices range from $654,000 in an outer community to $1,376,000 closer to the CBD – a variation of 210%. In Melbourne South East SA4 the median house price variation from middle to outer areas is 214%.*

An alternative boundary structure should be developed to provide more useful location factor geography. One approach could be to group the areas into bands with less variation in market conditions, for example:

*A regional band could comprise 44 regional SA4s plus all SA4s in Tasmania – the variation in current SDA prices across all locations in this band would be less than 20%.*

**Recommendation 4:** New regions for Location Factors should be created to replace the SA4 regions currently used in the SDA Framework; new regional boundaries would aim to minimise variations in house and land values within the region.
Removal of Group Home Terminology

The SDA base price table for new builds is complex, with nearly 8,000 possible combinations of prices. However its complexity reflects the diversity of housing options it aims to support, which is very positive for the SDA target cohort whose options are currently extremely limited.

However the terminology of “group homes” is outmoded in the context of the NDIS where participants have choice and control. Retaining old terminology suggests the old and obsolete models of disability accommodation will be supported with new build SDA funding. Acknowledging that most SDA places are in existing group homes, the Group Home design category should only be used in existing SDA prices.

The new build table should use the term house across all bedroom numbers – as there should be no difference in built form between a “house” and a “group home”.

Recommendation 5: Terminology in the building type should refer to house only; “group home” classification should be removed for new build prices.
Supply:
Does the SDA Framework stimulate the required volume of supply?

The SDA Market is in an Early Phase
The SDA market is in an establishment phase and a significant scale-up is required to meet the gap between existing SDA supply and new demand, as well as the gradual redevelopment/replacement of legacy stock and poorer quality existing supply.

The Framework enables different types of SDA to be provided through the range of dwelling types set out in the base prices. Using the base price table and the description of the policy intent of SDA, investors and developers are already working closely with NDIS participants and/or planning projects to respond to expected demand.

Building SDA properties prior to a participant with SDA funding being identified is important in the early phase of SDA market development, to achieve efficiency and scale (which will attract larger investors).

Price Review Uncertainty
The 5-year price reviews are a key element of the Framework creating uncertainty for providers and investors. Virtually no detail is available about the parameters and timing of the reviews. This creates uncertainty about when, how and to what extent the SDA base prices will be reset at the 5-year reviews.

The following examples illustrate the impact of price review uncertainty on SDA projects:

A project for six 2- and 3-bedroom SDA with OOA was planned in a Victorian regional town, to be developed by a NFP community organisation. Site investigation commenced, but the uncertainty in future cashflow arising from the risk of prices changing at the first review in 2021 meant the project was abandoned.

An investor plans to purchase six 4-bedroom Improved Livability group homes at a total cost of $7.2m and the project will be completed in mid-2018. The bank values the SDA cash flow for the first three years and provides a loan at 65% Loan to Value Ratio (LVR). After the Price Review date the bank significantly discounts SDA income and reduces the LVR to 35% (which is consistent with a social housing investment). This means the
provider will need to hold 65% equity in the SDA property after three years; the pricing formula assumes a gearing ratio of 60%, i.e. the provider holds 40% equity.

A community housing provider plans a $40 million investment in new SDA properties. The funding is sourced from debt and SDA payments. However the financier considers the cash flow presents a credit risk as it is uncertain and unstable, due to the uncertainty of SDA prices after the first review and the valuation of the new properties at 20% below cost.

Better information on the timing and methodology for the price reviews should be made available to assist in reducing uncertainty about base price changes over a 20-year investment in a SDA property. This should include details of the methodology for the review, specific dates for completion of reviews and who has the authority for accepting the review results and making changes to prices. This information should be made available to the market in the short term (e.g. by end of 2018).

Additionally, pricing should be fixed between reviews for all new SDA dwellings enrolled or otherwise contractually committed to be delivered in that time period (i.e. a purchase contract, agreement for lease or building contract signed by the relevant provider). This means that SDA places enrolled or contractually committed by the review date would have their SDA price fixed – this could be for the 20 years that the property is considered a new build, or a lesser period of at least 10 years.

This would introduce greater certainty about how prices will be treated in the review process; SDA prices would be locked down for tranches of new SDA properties delivered in each period between reviews.

**Recommendation 6:** All new SDA properties enrolled between each review should have base prices fixed for at least 10 years.

**Recommendation 7:** Following any changes to the Framework resulting from this Review process, an initial review of the new price methodology should occur in line with Recommendation 2, with changes applying to SDA builds completed after 1 July 2020.

**Recommendation 8:** The next review of prices to take place in 2023/24 and be completed by 30 June 2024.

**Recommendation 9:** Pricing reviews should be conducted by a party external to NDIA; include a reference group of relevant stakeholders with expert knowledge of SDA projects; and allow sufficient time for stakeholders to participate.

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4. A contractual commitment should be recognised in this context as enrolment occurs when a new SDA dwelling is completed; this may be 1 to 3 years after the investment commitment is made by the provider to procure the dwelling.
Lack of SDA Demand Data

Providers and investors in the SDA market have been constantly asking for data to inform investment decisions. This is particularly important for new market entrants but also valuable for established disability accommodation providers seeking to navigate the new market environment. Demand data is essential to help market players plan within the long lead times for housing projects.

For at least 6 months the NDIA has been promising to release market data. The only SDA data made available to date is a small set of high-level statistics released recently in response to questions to the Senate Estimates hearing held in late 2017.

The failure of the NDIA to release meaningful demand and supply data, illustrating how the SDA Framework is operating, is a barrier to providers and investors progressing projects and does not provide confidence to financial institutions considering investment in new supply.

NDIA officials have acknowledged the market’s need for SDA data but have suggested there are problems with data quality. Notwithstanding such difficulties, demand data is essential to SDA market development.

Data is especially important in the early stages of market growth. There is significant uncertainty about how participants are being assessed for SDA, who is getting approved and for what level of SDA funding and how long this process takes. Without visibility of the real profile of SDA demand as SDA funding is approved in participant plans, the market is “flying blind”.

In this environment, providers and investors lose confidence in the returns from new SDA developments.

If participant demand figures are difficult to compile at this stage, useful market information can also take the form of (de-identified) participant profiles assessed as eligible for SDA and case studies of participant journeys to a new home, via the SDA process.

Dwelling enrolment data is also not yet available (although this would appear to be simpler to compile). It is noted that the NDIS Quality and Safeguarding Commission will take on the role of provider registration and dwelling enrolment for SDA, therefore they will have a future role in capturing data about SDA supply.

Many providers planning to build new SDA are also keen for “pre-enrolment” data to be collected on new dwellings committed for and under construction. Currently an SDA dwelling is only enrolled when completed. Providing the option to providers to flag a future dwelling enrolment and making this data available assists market development by making the pipeline of new SDA development more visible to both participants and all providers. This information can highlight gaps in market development as well as areas of potential concentration.
Recommendation 10: NDIA should commence publishing quarterly data by the end of 2018 about the profile of SDA activity. Reported items should include:

- profile of participant SDA funding, including dwelling type, design category and location (initially at the NDIS region level, but more detailed in future)
- dwelling enrolments and forthcoming SDA developments (LGA, design category and building type) and
- examples of (de-identified) cases illustrating how SDA-funded participants have made choices about different types of SDA properties.

Recommendation 11: NDIA should establish a mechanism that enables SDA providers to notify the NDIA of forthcoming SDA development (where projects are under contract and a confirmed delivery timeframe is available). This data should be made available in summary, at SA3 level.
**Investment:**
Does the SDA Framework support investor decision-making and provide sufficient market certainty?

**Uncertain SDA Processes and Funding Outcomes for Participants**

While the administration of the SDA Framework is understood to be out of scope for this review, the current operational problems are so pervasive for participants and providers it is essential that this review consider how improved implementation can be achieved.

Two years after the SDA Framework commenced, there is great uncertainty about how participants are being assessed for SDA, how funding levels are determined and how long the whole process takes.

Providers and participants report widespread inconsistency in the information being provided by NDIA staff and in the process and outcomes of SDA decisions by the NDIA, suggesting internal uncertainty about how to apply the Framework.

A participant living in his parent’s home wants to build his own High Physical Support house and register as the SDA provider. He has tried many times over months to engage with the NDIA about how he can do this and has many unreturned phone calls. At one point “a NDIA representative called me and suggested I contact the Summer Foundation”. He says there have been “numerous contradictions in the views of NDIA staff regarding SDA”.

A participant is seeking SDA funding to secure a home in a new family-funded SDA project with other families. SDA funding is initially included in the participant’s plan but then removed. Inconsistent information has been provided by NDIA about eligibility for SDA. The project won’t progress until SDA funding is confirmed for the participants and the process is causing significant stress and anxiety for the family.

A participant is living in an unsuitable private rental property. Her wheelchair is damaging narrow hallways and the carpet obstructs the wheels. Her health is compromised because she is unable to mobilise at home with a walker. The landlord will not make changes to this property. The participant worked with a specialist support coordinator in late 2017 to explore her housing options. A Housing Plan was submitted in February 2018 to support an application for SDA funding. In June 2018 the participant and her family found out her Housing Plan was mislaid by the NDIA and had not been reviewed. No timeframe has been given for consideration of her Housing Plan, now it has been found 5 months later.
A participant has a housing goal to “move into a home of my own”. They require a robust design due to behaviours of concern. The participant has funding in their plan to explore their housing options. The support coordinator doesn’t know anything about mainstream housing or SDA and cannot find any information about what to do on the NDIS website. No progress has been made towards the housing goal with this funding.

Elderly parents of a participant organise construction of a High Physical Support house that their daughter and two friends (who are all likely to be SDA-funded, and have previously lived in group homes) can live in. A NDIA planner assures the provider that the women who have moved into the house, all requiring full time care, would get SDA funding in their plans. The participants have been funded for $10,200 in “home modifications” instead of SDA funding of at least $38,000. The family has no idea what this funding is for. The amount funded seems unrelated to the SDA price guide.

Inconsistency and lack of transparency in the NDIA's processes is a huge problem in the operation of the SDA Framework. The range of stakeholders involved in working with participants about their support needs – NDIA planners, Local Area Coordinators, support coordinators, allied health professionals, support and SDA providers – all continue to have a very incomplete understanding of how the SDA Framework operates.

The NDIA needs to give urgent attention to establishing consistent processes for determining eligibility and funding (including evidentiary requirements for assessment and expected timeframes) and make this information publicly available. This information would improve the understanding of participants and providers (and NDIA staff and LACs and support coordinators) of the SDA assessment criteria and decision process and should result in more consistent information provision and decisions.

**Recommendation 12:** NDIA should publish more detailed information about the SDA decision process and the information and evidence taken into account in making decisions. This should include practice guidance tools including checklists and examples.
SDA Funding Decisions Take Too Long

Timeframes for SDA decisions by the NDIA cannot be determined – participants are experiencing delays in NDIA decision-making that are exceeding 6 months without resolution.

The following examples illustrate these delays as well as the risks for a new project potentially subject to an extended vacancy period due to delays in NDIA decision-making:

A new SDA development of 10 apartments in a large new apartment complex will be ready for tenanting in mid 2018. The provider commences a process in September 2017 to identify potential tenants and conditional offers for tenancies are made in December 2017, subject to SDA funding confirmed in plans. By June 2018 only one prospective tenant has SDA approval. One prospective tenant is determined ineligible and 8 prospective tenants have no decisions. Provider faces extended vacancy periods on apartments due to delays in identifying suitable tenants with SDA funding.

8 participants and their families attend a sod-turning for a new SDA project in a regional town. The event is covered in the local newspaper and it’s a happy occasion for the participants and their families. All participants have been waiting for decisions about their SDA funding since 2017. Project construction is now on hold because of uncertainty about whether all, a few or any of the identified tenants will have approved SDA funding to live in this new SDA development.

An innovative family development is being planned for two 2-bedroom robust villas located in an outer suburb. The project has stalled due to delays in SDA eligibility assessment for two prospective residents.

“It has been a frustrating experience and the communication from the NDIA has been poor. Not knowing the outcome is creating anxiety for me and I feel I am in limbo and unable to move forward and build on my life skills. I feel like I have put a lot of time and decision making in regards to what I want to do but it is a very one-sided process and my goal has been blocked and slowed due to indecision. I feel let down and time is very precious to me.”

These delays and uncertainties are frustrating and stressful for participants and their families and create significant investment risk for investors because of the uncertain time period after a dwelling completes before SDA income starts to flow. This effectively increases the cost of funding SDA through the requirement to make provision for lengthy SDA income downtimes (both up front and on reletting any vacancy). This will impact on the diversity and quality of SDA housing as the cost base for investors is increased, limiting investors to pursuing high return locations, unnecessarily undermining choice and innovation.
Measures to address the slow and inconsistent decisions by the NDIA across the architecture of the Framework will result in less confusion for NDIA assessors and improve decision timeframes.

If these implementation issues can be addressed by the NDIA, resulting in a clear picture emerging of the profile of participants likely to be eligible for SDA and increased confidence in the individual funding process, confidence will improve overall, opening up significant investment potential.

Performance benchmarks for the timing of SDA decisions would also greatly improve market certainty about how to plan projects and connect these to prospective tenants. Vacancy period risks would reduce if providers have known decision timeframes for participants being assessed for SDA funding and participants better understand the assessment process.

**Recommendation 13:** Performance timeframes should be set for SDA funding determinations in plans to provide greater certainty for participants. The decision process should be finalised within 3 months.
Dealing with SDA Dwellings that Do Not Yet Exist

Some aspects of the SDA Rules may be contributing to confusion in the SDA funding process, particularly in relation to determining SDA funding for participants where the SDA property is not yet completed; for example:

NDIA advises a participant who has an offer of a new SDA property (which is not yet completed) that a SDA ‘quote required’. NDIA will not confirm SDA funding level until the dwelling under offer is completed and enrolled.

“When participating in my NDIA planning meeting in January I was advised I could not include my (tenancy offer) in SDA High Physical Support accommodation as it was not a registered property.”

These examples illustrate how the NDIA’s processes are not working where SDA properties are not yet built and enrolled. NDIA staff appear unclear about how to allocate SDA funding in a plan where there is not an enrolled SDA property or property address. This has created the following “catch 22” situation:

• NDIA doesn’t approve SDA funding for a participant in the absence of an enrolled property; but

• A provider cannot proceed with a project unless they are confident there will be demand from participants with approved SDA funding; and

• The SDA Provider and Investor Brief advises the market that “providers should wait for … eligibility and plan decisions before making (tenancy) offers or investment decisions”.

This “catch 22” in the Rules could be fixed through changes to Part 4.1 – this section of the Rules assumes that SDA properties exist when the NDIA is determining SDA funding. The process set out in the Rules does not acknowledge that an individual’s SDA funding might need to be earmarked for a future property.

The SDA Rules must better reflect the full range of situations where SDA funding could be approved for a participant, including:

• Transition into the NDIS as an existing SDA resident

• Existing SDA resident moving to another existing SDA property

• Existing SDA resident moving to a SDA property not yet built
• Participant seeking new SDA funding to move into existing SDA property
• Participant seeking SDA funding to move into new SDA property – with unknown completion date (which could be a speculative project in the pipeline, or a project to be custom built for a participant or group of participants)

Recommendation 14: Review and amend SDA Rules to ensure that SDA approvals enable a funding decision for a future SDA property.
Housing Goals Must Given Priority

The current degree of control by the NDIA over what type of dwelling and living arrangement will be funded, without giving priority to the participant’s stated housing goals, is in clear conflict with Article 19 of the UNCPRD and the objects and general principles of the NDIS Act.

Article 19 (extract)

“Persons with disabilities have the opportunity to choose their place of residence and where and with whom they live on an equal basis with others and are not obliged to live in a particular living arrangement”

While part of the “reasonable and necessary” assessment for SDA funding, NDIA determinations of “appropriate” living arrangements give the agency excessive control over participant choices and market outcomes for SDA.

At Part 4.6 of the SDA Rules, the NDIA determines the building type and location for the participant. This decision will influence every aspect of a property the participant might choose:

- Type
- Size
- Number of other SDA-funded participants in the living arrangement
- Support arrangement, and
- Location (Part 4.9)

Decisions about building type should be based on expressed participant preference in their Housing Plan, having regard to participant’s support needs and whether the building type would facilitate economic and social participation. A similar approach should be taken to location (Part 4.8).

Here are some examples of housing goals from NDIS participants seeking SDA funding:

“I am 34 years old and it is my dream to finally live on my own.”

“As a 24-year-old, it is time I got to do what everyone else does, and move away from my family.”
“To leave hospital and live with my long-term partner.”

“To live more independently in my own home so I can feel safe, and have the space to do my art, and have friends to visit.”

“To move out of home and live by myself.”

Many SDA funding decisions are resulting in funding only sufficient for shared accommodation, regardless of the participant’s housing goal (a position recently outlined in the SDA Provider and investor Brief). For all of the participants quoted above, a shared accommodation SDA outcome would not allow these housing goals to be realised.

A SDA provider made an offer of a refurbished independent living dwelling with on-site support to a resident of a shared living complex. The person had clearly expressed their desire to live in an independent living environment. The SDA funding was approved for shared accommodation and the offer of the independent living dwelling was withdrawn. This was extremely distressing for the participant and resulted in increased support needs.

“It’s not suitable for (my son) to live in a group home. If he can’t have his own place, he’ll have to go back into a nursing home or come home with me… In his own apartment, he is safe. He has dedicated staff who look after him. He has a wristwatch that he can get access to staff as required. … He gets to choose what he wants to watch on TV and what he wants to eat. He helps to plan and prepare meals 1:1. In a group home, (the) shared responsibility and crowding would overwhelm him.”

Determinations of the SDA building type (living in a 1-bedroom apartment, a two person house or a five person house) are inherently about participant choice, that only the participant can make. These determinations cannot be made in an objective or evidence based manner, and should therefore not be made by NDIA.

The NDIA’s role in making the final decision about building type and location should be removed from the SDA funding approval process. The participant’s Housing Plan, including their Housing goal, must be the prime determinant of the SDA building type and location. The NDIA’s role should focus on determining SDA eligibility and design type, both of which are based on objective evidence.

The funding approved for SDA should be sufficient to enable the participant to obtain SDA of their preferred type and location for the design category the NDIA has approved.
“Surely a participant can be approved as eligible for SDA then be free to choose where (they want to live) based on the price guide and their own circumstances… the general population go out looking for a home and make a choice along the way about where to live and what kind of home and may change their minds along the way.”

In practice this would mean a participant’s plan would be funded on the basis of SDA funding which reflected the base price range for the approved design category. The exact SDA funding amount would be finalised when the participant enters the tenancy at the selected property (or starts living in their own property where they are their own SDA provider). This gives the participant an appropriate level of control over their housing choice.

Demand articulated by consumers, not the NDIA, will send clearer signals to providers about preferred types of dwellings and locations. The market will determine the viability of supplying different building forms of SDA and in different locations according to the price table and data about participant housing preferences.

**Recommendation 15:** Amend the SDA Rules to ensure participant housing goals are the primary consideration in determining SDA funding, once the eligibility and design category have been determined by the NDIA.
SDA Provider and Investor Brief

NDIA’s SDA Provider and Investor Brief (SDA Brief) created significant uncertainty about the application of SDA prices to NDIS plans and has had a very negative effect on the participants and providers. The Brief introduced new language around the operation of the Price Guide, referring to price “limits” and “ceilings”. The language of “maximums” and “controls” are also being used, as well as the concept of “negotiated prices”.

Of greatest concern were statements in the Brief indicating that the NDIA will favour SDA funding for shared accommodation and support arrangements, specifically:

“In most cases a participant will receive an SDA budget that is sufficient for a shared arrangement (for example with 1-4 others)” (page 9).

“...an SDA budget to support a single resident dwelling is only likely to be provided to a very small number of SDA eligible participants” (page 9)

These statements created widespread uncertainty and confusion through the SDA market and have put the brakes on many of projects and investment proposals.

At the time the Brief was issued, Summer Housing had an identified pipeline of 110 SDA dwellings to be funded by an institutional investor with a forecast value of over $70 m; properties were located in high quality locations in Victoria, ACT, NSW and Queensland. The institutional investor has now paused all investment activity citing uncertainty created by the information in the Brief. It is still unclear when and how the investment program will recommence. An opportunity in Melbourne has already been withdrawn as a result of this pause.

A community housing provider is holding off on progressing a number of new SDA projects pending development approval until there is more certainty about NDIA approving SDA for independent living.

The language of price limits and “negotiated” prices were signals to providers that they cannot rely on the published base prices to reliably estimate revenue on SDA properties.

The suggestion that SDA-funded participants could “negotiate” access to their preferred living arrangement with lower SDA funding approved than the published base price is unrealistic (in an undersupplied market) and created further uncertainty for providers.
The NDIA is treating a participant’s SDA funding as something distinct and different to the published SDA base prices – and the former can be expected to be less than the latter.

This was not the intention of the SDA Framework. This is illustrated by the inconsistency in language between the 2018 Brief, the 2015 SDA Framework and the 2017 Price Guide; the earlier two documents use the terms benchmark prices and base prices.

Similarly the concept of “negotiated prices” is inconsistent with the SDA Rules and SDA Framework:

- SDA Rules: “The amounts funded by the NDIS … are the relevant amounts set out in the NDIS Price Guide” (Part 5.4)
- SDA Pricing and Payments Framework: Funding provided by the Agency for SDA “will be on the basis of an efficient cost structure for a representative provider…funding should be sufficient to cover the efficient cost of providing accommodation over its full life-cycle” (Para 14 p. 3)

The SDA Brief has been very damaging to the early development of the SDA market, particularly for the many participants seeking to live more independently. The Brief sent a signal to providers to limit the supply of housing for participants who want to live alone. The Brief also suggested that SDA participant funding approval could be less than base SDA prices. In these messages, the Brief has had a detrimental impact on participants and their families who were well progressed in their planning for housing projects that would transform their lives.

Participant and market confidence will be restored with the adoption of our recommendations to give priority to the housing goals of participants in the SDA funding decision as well as ensuring that SDA funding in participant plans is consistent with the published SDA prices.

Of course a participant with SDA funding at one level can seek to access a higher level SDA property (e.g. funded for Fully Accessible but apply for a tenancy in a High Physical Support property). However it may not be viable for a provider to accept the applicant as a tenant, and this situation is inconsistent with the way prices are expected to be applied under the SDA Framework.

Both participants and providers will make their decisions in the context of SDA market conditions; participants have the flexibility to choose the property they wish to apply for (based on known SDA funding in their plan) and providers have the discretion to accept or decline applications for tenancies.
Recommendation 16: The NDIA should retract messaging contained in the SDA Brief that indicates the NDIA will exercise control over participant choice about their living arrangements. This messaging should be replaced with a clear commitment to participant choice and control, in line with recommended changes recommended to the Rules.

Recommendation 17: The NDIA must ensure its funding decisions for SDA reflect the published base prices from the Price Guide; i.e. not treating the published base prices as “limits, “ceilings”, “maximums” or any other description which would suggest funding for participants would be less than the published base prices.
Innovation and quality:
Is the SDA Framework facilitating high quality and innovative SDA models and design?

Innovation in the SDA Framework

The broad design of the SDA Framework is innovative, by funding the capital cost of housing on an individual basis, rather than linking the funding to a specific property. This signals to the market that SDA housing should be developed which is responsive to participant demand. In addition, the design and structure of the pricing signals a wide range of housing options that can be developed to respond to this new market.

Other important and innovative features of the Framework are its long term funding outlook, specification of housing standards and recognition of locational variations in costs of provision.

This means that providers are able to look at a variety of approaches to developing housing types and in a range of locations. The Framework has the potential to support innovative forms of accommodation and a growing group of expert SDA providers is working to produce high quality housing responsive to consumer needs and preferences. This will result in exciting housing options for SDA funded participants.

*Summer Housing projects feature acquisition of 11 apartments in larger market developments, with 10 dwellings modified to meet High Physical Support enrolment requirements with the 11th apartment utilised for on-site overnight assistance. This approach is delivering independent living opportunities in well-serviced locations. The accessibility features in the apartment and on-site on-call support are enabling a level of independence that the tenants and their families had not thought possible. Smart home technology is a key feature of these projects, enabling tenants with significant physical disabilities to use a smart phone or tablet to open doors, open and close blinds, control the temperature and light switches. Communications technology enables tenants to contact staff when they need help, or in the event of an emergency.*

But a major concern, as highlighted previously, is the role of the NDIA in determining funding for building type and location for the participant.

The SDA Framework has an underlying assumption that shared dwellings will be the main housing choice in the SDA market and generally only SDA-funded participants will share this housing. This assumption reflects narrow attitudes to housing and support for people with disability.
The following statements from the 2015 SDA Framework document illustrate the rationale for this assumption – i.e. “cost-effectiveness”.

“Enabling every NDIS participant to live independently with their required levels of support would be prohibitively expensive” (para 71).

“Supporting all NDIS participants to live independently would not be sustainable for the NDIS” (para 78).

“Economies of scale of having very high need participants supported in shared living arrangements …mean that SDA is often the most cost effective option for supporting these participants” (para 78).

These statements lack evidence, reflect obsolete policy and practice, constrain participant choice and control about where and how people live and is resulting in SDA funding decisions for individuals based on unsubstantiated assumptions about “cost effectiveness”. This stifles innovation in provision of SDA and supports.

If the Framework is to facilitate development of an innovative and future focused SDA housing market, living arrangements must not be determined by the NDIA for participants, but be a genuine choice by participants.

**Recommendation 18:** The SDA Pricing and Payments Framework should be amended to remove statements/language which constrain innovative SDA and support options, particularly at paragraphs 71 and 78.
**Majority of Bedroom Rule**

A good example of how the SDA Framework currently stifles innovation is in the minimum design requirements for multi-bedroom dwellings. The SDA Rules require that in all new build SDA: “all its shared areas and the majority of its bedrooms and similar sized private rooms comply with the Minimum Requirements in the NDIS Price Guide for a design category mentioned in paragraph 4.3 other than Basic design” (Part 6.10 (3) (c)).

This means that, for a multi-bedroom new dwelling to be enrolled (e.g. as either Fully Accessible or High Physical Support), at least two or more of the bedrooms must comply with additional requirements for bedrooms outlined in the Price Guide.

This is notwithstanding that other residents who not have a disability may occupy the dwelling.

This requires the provider to invest in redundant floor space and design enhancements for bedrooms not intended to used by people with disabilities. This Rule reflects the underlying assumption that all people occupying a SDA dwelling will be a NDIS participant. This requirement incurs an additional capital cost premium required on developing SDA properties. For a provider building SDA to rent or a participant wishing to provide their own SDA to live with friends or family, this Rule imposes unnecessary capital costs.

*In an apartment context, the additional floor space to go from a 2-bedroom (1 Platinum Apartment) to a 2-bedroom (2 Platinum Apartment) is 5-10 square metres which in a Melbourne context is anticipated to add a further $27,500-$100,000 to the cost of the build.*

By imposing a high build standard on multi-bedroom SDA properties, the market is discouraged from building more diverse forms of SDA that can be suitable for diverse occupancy arrangements. Rather, to offset the cost premium from this requirement, providers will need all residents to be SDA participants, undermining innovation and choice and control.
**Recommendation 19:** The requirement for a majority of bedrooms to meet the minimum requirements for a design category for new builds should be replaced with a requirement that the number of bedrooms which meet the minimum requirements for a design category for new builds must match the number of SDA funded residents who reside in the dwelling.

Those bedrooms that do not meet the minimum requirements in the NDIS Price Guide for a design category for new builds should meet the requirements for Liveable Housing Silver Certification to avoiding the risk that dwellings are created with unduly small rooms for non-SDA residents.

There must be a bedroom for each resident of the dwelling, to prevent risk of over occupation.
Phasing Out Larger Dwellings From New Build SDA Funding

The contemporary evidence demonstrates that housing and support arrangements that facilitate independent living achieve better lifetime outcomes at a lower cost in the long term. An Australian evaluation of outcomes for around 400 people with disability in group homes compared with independent living in the community showed that group homes require much higher funding\(^5\). Other Australian and international studies have made similar findings of higher support costs and poorer outcomes for those in group homes\(^6, 7\).

The higher costs and poorer outcomes for people with disability in group settings is largely due to those environments leading to learned dependence, whereas other settings enable more independence. Research finds that when staff are not present in the dwelling, the participant has greater independent choice making, as well as less reliance on staff for domestic tasks such as washing up and meal preparation\(^8\). European research has found that independent living is the most cost-effective way to support disabled people because assistance is precisely matched to individual needs and can be reduced over time as independence increases\(^9\).

We consider the upper size limit of 5 bedrooms for SDA participants is too high to achieve successful living arrangements for participants and will not result in lower costs to the NDIS. While large group homes dominate the existing supply, new supply of these housing types should not be facilitated with funding under the SDA Framework.

5-bedroom houses (designed to house five people with SDA funding) should be phased out of the new build pricing by the first price review. Newly built SDA enrolled, or otherwise contractually committed to be built by that time, should continue to be eligible for 5-bedroom SDA payments for 20 years but new SDA dwellings built from then on should limit capacity to 3 to 4 residents. Existing 5-bedroom group homes would continue to be eligible for existing SDA pricing.

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Regardless of the maximum dwelling size able to attract SDA funding, the fundamental principle of participant choice and control still must apply, and the SDA Framework should not result in forced shared housing arrangements through inadequate funding of a participant’s Housing Plan.

“Group homes have had their day and are now at least a generation out of date… from an actuarial point of view, any proponent of group homes will be locking its resources into what will undoubtedly become a wasted 50-year investment into buildings that will ultimately prove to be a ‘white elephant’.”

Recommendation 20: New build SDA funding for 5-bedroom houses should be phased out by the first price review signalling this building form will not be supported under the SDA Framework in the future.

Support Funding Should Also Facilitate Innovation

While noting support arrangements are out of scope for this review, innovation should drive flexible and diverse support arrangements that enable a participant to be supported to live the way they want in a cost-effective way, e.g. arrangements to share housing in exchange for informal support or facilitating informal support through family and friends in the same home. Such arrangements are constrained under the current SDA Framework and structure of support arrangements.

*Shared Living is the collective term used for a range of approaches that support people in one of the most natural and beneficial ways possible – real people connecting, supporting and sharing their lives and their homes. Across Western Australia Shared Living has been an approach that people have been using for over 10 years with considerable success, offering so much more than assistance or support, but real connections and relationships.*

**Recommendation 21:** Rules and processes that determine funding for support for SDA-funding participants should be reviewed to remove any barriers to innovation in housing form and approaches to support.

Choice and control:
Does the SDA Framework enable choice, control, independence and inclusion?

Key Features of SDA Framework Support Choice and Control
Through an individualised funding approach, the SDA Framework should enable participants to make choices about where they live – providing real solutions for participants who experienced the most limited housing options under the old systems.

An important feature of the SDA Framework is the principle of separation of housing provision and support - essential for choice and control about who provides services without impacting on a participant’s right to live where they choose.

The capacity for people with disability to be their own SDA provider is also a very important feature of the Framework enabling choice and control, providing the potential for SDA participants to have realistic aspirations for home ownership.

Operation of the SDA Framework Undermines Choice and Control
The SDA pricing assumes all residents have SDA funding, and therefore reduces funding to a lower rate if other residents are in the dwelling and are not SDA-funded participants.

As discussed previously, this limits housing options for SDA-funded participants who want to live an ordinary life with family or friends. Providers dependant on returns reflecting SDA base prices will not be in a position to accept tenants who cannot pay the applicable base price to live in the property due to reduced SDA funding in their plan.

The NDIA suggests the participant can address the resulting funding shortfall by negotiating price with the provider (e.g. SDA Provider and Investor Brief, p. 9). In a SDA market that is seriously under-supplied, the consumer’s negotiating power will be extremely limited.

The following example illustrates this problem:

A participant currently living in hospital has a conditional offer of a High Physical Support apartment and wants to live with his long-term partner (who is not in the NDIS). This housing opportunity means a lot to this couple. But his SDA funding has been approved at a level that assumes another SDA funded resident is also living in the apartment. This rate is $50,000 lower than for a sole tenant with SDA. The provider is unable to finalise the tenancy
offer if the participant does not have sufficient SDA funding for the tenancy. The provider is not able to accept a significantly reduced price for the tenancy due to costs of delivery – the property is financed based on revenue reflecting SDA prices. The participant has investigated all other housing options. The only alternative is a group home where his partner cannot live.

The SDA Rules and Price Guide are not clear about what happens to base prices when non-SDA funded residents are present in the dwelling. The Rules refer to both a “participant” and “resident” living in SDA – the terms are used inconsistently and a “resident” is not defined.

The cost of formal support, where a family member or friend is living with a participant, can reduce as a result of informal support provided. This is effectively discouraged due to the lower SDA funding that would result from the shared living arrangement.

The housing types specified in the Price Guide also limit living arrangements for people needing SDA funded housing. For example the Price Guide does not allow for 3 people or more living in an apartment. There should be provision for a more diverse range of building configurations able to be enrolled to cater for where a participant wishes to reside with their partner and children.

The SDA Framework should not prevent a participant realising a goal to live with family or to co-habit with a loved one. The Framework should not restrict building forms that facilitate the diversity of ordinary living arrangements for participants with SDA funding. Flexible living arrangements that reflect choice and control are likely to reduce support costs in the long term.

The reality of ordinary life includes the reality of ordinary households; participants with SDA funding want to live with partners and spouses, children, friends and co-tenants who are not SDA funded nor NDIS participants. The SDA Framework must ensure funding decisions for participants do not prevent diverse living arrangements.

The SDA Framework needs to underpin development of a future focused SDA market, which supports the objects of the NDIS Act. It should not result in pushing people with SDA funding towards living arrangements not of their choice and property types that will be increasingly obsolete.

**Recommendation 22:** The SDA Framework, Rules and Price Guide should:

- Explicitly promote living with family members and people without disability as both an acceptable and desirable goal for SDA-funded participants
- Be updated to exclude family members from the definition of “residents” for the purpose of SDA pricing.
End In-kind Arrangements Under the SDA Framework

The SDA Framework, through the Rules, requires the NDIA to specify in-kind SDA in a participant’s plan where the appropriate type and location and is available. In-kind arrangements are where state and territory governments are still providing SDA dwellings and this is treated as pre-paid support in a participant’s plan. The housing types under in-kind arrangements are mainly group homes and institutional settings, which don’t reflect contemporary living options for people with disability.

If in-kind arrangements must be considered prior to other housing options, this prevents participants being able to choose directly the housing they prefer. Use of in-kind SDA also increases vacancy risk for other SDA providers if participants are directed towards in-kind housing options. The market is not an even playing field while in-kind SDA arrangements still operate and should be removed from the Framework.

While it is understood the in-kind provisions of the Rules are not being strictly enforced in practice, these provisions must be removed from the Rules and in-kind arrangements overall need to be phased out to enable the SDA supply market to function properly.

Recommendation 23: The SDA Framework should be amended to preclude SDA properties from being listed as in-kind.
Value and sustainability:
Does the SDA Framework incentivise value for money in use of NDIS individualised funding and support the ongoing sustainability of the Scheme?

The SDA Framework is an important NDIS support that will help develop the potential of individuals who have high and complex needs. SDA is a long-term support, and can only work effectively as part of the NDIS when SDA supply significantly increases.

Careful design and calculation of the SDA base prices (and verification as suggested earlier) will provide the right signals to the provider market (which takes significant upfront and ongoing financial risk in responding to demand from participants). Close market monitoring of SDA availability and the pipeline of new SDA projects will indicate the market response to the SDA Framework.

Housing outcomes and long-term outcomes for participants will enable the long-term benefits of the SDA Framework to be better assessed.

It’s important that price signals do not drive providers to low cost options, which will not provide long-term benefits to participants.

Public statements about the overall scale of the SDA market (with estimated 6% of participants to be funded) and the structure of pricing means the NDIA is able to limit the number of participants funded for SDA and monitor the impact of SDA individualised funding on the sustainability of the NDIS.

The NDIA needs to exercise caution with cost containment measures (such as those reflected in the SDA Brief) that limit choice and control. These types of measures reflect short-term thinking to limit costs that will not realise long-term benefits and future cost savings. Having the right type of supply in the market, responsive to participant needs and preferences will resulting in improved capacity building and put downward pressure on future costs.

As highlighted earlier in the discussion of group homes, evidence is becoming clearer that individualised housing solutions are less costly over time than shared accommodation and support arrangements; the latter currently considered by the NDIA to be more “cost effective”.

Perpetuating out-dated views about “SDA models” and “support models” in the design and operation of the SDA Framework will distort the profile of the new SDA supply, minimise options and opportunities for participants and stifle opportunity to achieve flexible solutions and long-term benefits.
Two Further Points

Transitional and Urgent Housing Needs of SDA-Funded Participants

Part 4 of the SDA Rules currently recognise that interim SDA options can utilise SDA funding, presumably while the participant is still seeking SDA, or waiting for the availability of a preferred SDA option.

The diversity of circumstances of SDA-funded participants who, by definition have high and complex needs, means that at times they will have other types of housing needs.

For participants currently in hospital, transitional housing may be important for their transition to living in the community or waiting for SDA housing to be built; for example, learning to live with an acquired disability or change in disability. This form of housing should be considered under the SDA Framework and may need to be funded as an interim option.

It is also very important that the SDA Framework can deal with urgent housing changes if a living arrangement breaks down. NDIA processes should be flexible and responsive to an SDA-funded participant needing to urgently find new housing and to have their funding approved for a new home. Provider of last resort arrangements might be a part of a response to urgent housing needs – these may not be part of the SDA Framework, but need to be part of the overall responsive of the NDIS to deal with urgent or critical changes in circumstances and minimise the risk of homelessness.

Recommendation 24: The Review give consideration to how the SDA Framework and the NDIS more broadly should be responsive to transitional and crisis housing needs of SDA-funded participants.
Coherent and Consistent SDA Framework Documentation

This submission has highlighted how, in a number of ways, the various documents that form the SDA Framework require review and amendment to improve consistency, address significant problems in the operation of the Framework and improve consistency of terms and processes. Through these improvements the supporting documents will better support the operation of SDA funding processes and enable the market to be innovative, flexible and responsive to participant needs and preferences.

The overall suite of documentation should then be integrated and organised in a more cohesive way, so it is much easier for everyone working with the SDA Framework – participants and families, NDIA staff and LACs, providers and professionals working with participants – to locate and understand key information about the Framework.

Evaluation and monitoring mechanisms for SDA developed and incorporated in the Framework – this would guide data collection and enable evaluation of outcomes of SDA funding, providing an important feedback loop for how the policy intent of SDA funding is being progressed.

**Recommendation 25:** All SDA documentation should be reviewed to improve clarity and consistency of intent and terminology, and to reflect the outcomes of this Review.

**Recommendation 26:** A SDA reporting and evaluation framework should be developed and included in the revised SDA Framework documentation.
Conclusion

The SDA Pricing and Payment Framework is a new and innovative approach to encouraging the development of a new disability housing market which reflects the demand profile and housing preferences of eligible participants. Its key features are important to encourage the market to invest in new supply and to uphold participant choice and control:

- Funding attached to individuals rather than properties
- Diverse pricing to reflect a wide range of possible housing types
- Recognition of a long-term investment approach; and
- Separation of housing and support

But its first two years of operation has shown the challenges of getting the Framework to work well for participants and the market. The NDIA is clearly having many difficulties in implementing the Framework, reflected in poor staff knowledge, inconsistent information provision, inconsistent decisions and slow and uncertain processes. The NDIA has yet to provide useful data to the market about the profile of demand and supply to date. The NDIA’s recent advice to participants and providers via the SDA Provider and Investor Brief served to create greater uncertainty about the funding decisions being made.

A fundamental problem with the Framework is the lack of participant choice and control in the type of SDA dwelling they are funded to access. The NDIA controls key decisions about the funding level for dwelling type and location. This is resulting in funding outcomes that conflict with participant goals and therefore are inconsistent with the objects of the NDIS Act. These are serious issues that obstruct the right of SDA-funded participants to live an ordinary life in a form of housing they choose and to live with whom they choose.

This submission has made a range of recommendations to help pinpoint actions and changes to the Framework necessary for it to support development of a diverse and innovative market providing SDA dwellings to participants that reflect individual choice and control.
List of recommendations

**Pricing and Payments:** Does the SDA Framework support the process of appropriately setting prices?

**Recommendation 1:** The Framework should set pricing parameters pegged to specific, clear, and independently verifiable data sources.

**Recommendation 2:** A technical review of the new build pricing methodology should part of this SDA Framework review, and include a review of the pricing formula, parameters and assumptions.

**Recommendation 3:** Land price appreciation should be removed as a factor in the SDA pricing formula.

**Recommendation 4:** New regions for Location Factors should be created to replace the SA4 regions currently used in the SDA Framework; new regional boundaries would aim to minimise variations in house and land values within the region.

**Recommendation 5:** Terminology in the building type should refer to house only; “group home” classification should be removed for new build prices.

**Supply:** Does the SDA Framework stimulate the required volume of supply?

**Recommendation 6:** All new SDA properties enrolled between each review should have base prices fixed for at least 10 years.

**Recommendation 7:** Following any changes to the Framework resulting from this Review process, an initial review of the new price methodology should occur in line with Recommendation 2, with changes applying to SDA builds completed after 1 July 2020.

**Recommendation 8:** The next review of prices to take place in 2023/24 and be completed by 30 June 2024.

**Recommendation 9:** Pricing reviews should be conducted by a party external to NDIA; include a reference group of relevant stakeholders with expert knowledge of SDA projects; and allow sufficient time for stakeholders to participate.
**Recommendation 10:** NDIA should commence publishing quarterly data by the end of 2018 about the profile of SDA activity. Reported items should include:

- profile of participant SDA funding, including dwelling type, design category and location (initially at the NDIS region level, but more detailed in future)
- dwelling enrolments and forthcoming SDA developments (LGA, design category and building type) and
- examples of (de-identified) cases illustrating how SDA-funded participants have made choices about different types of SDA properties.

**Recommendation 11:** NDIA should establish a mechanism that enables SDA providers to notify the NDIA of forthcoming SDA development (where projects are under contract and a confirmed delivery timeframe is available).

**Investment:** Does the SDA Framework support investor decision-making and provide sufficient market certainty?

**Recommendation 12:** NDIA should publish more detailed information about the SDA decision process and the information and evidence taken into account in making decisions. This should include practice guidance tools including checklists and examples.

**Recommendation 13:** Performance timeframes should be set for SDA funding determinations in plans to provide greater certainty for participants. The decision process should be finalised within 3 months.

**Recommendation 14:** Review and amend SDA Rules to ensure that SDA approvals enable a funding decision for a future SDA property.

**Recommendation 15:** Amend the SDA Rules to ensure participant housing goals are the primary consideration in determining SDA funding, once the eligibility and design category have been determined by the NDIA.

**Recommendation 16:** The NDIA should retract messaging contained in the SDA Brief that indicates the NDIA will exercise control over participant choice about their living arrangements. This messaging should be replaced with a clear commitment to participant choice and control, in line with recommended changes recommended to the Rules.

**Recommendation 17:** The NDIA must ensure its funding decisions for SDA reflect the published base prices from the Price Guide; i.e. not treating the published base prices as “limits, “ceilings”, “maximums” or any other description which would suggest funding for participants would be less than the published base prices.
**Innovation and quality:** Is the SDA Framework facilitating high quality and innovative SDA models and design?

**Recommendation 18:** The SDA Pricing and Payments Framework should be amended to remove statements/language which constrain innovative SDA and support options, particularly at paragraphs 71 and 78.

**Recommendation 19:** The requirement for a majority of bedrooms to meet the minimum requirements for a design category for new builds should be replaced with a requirement that the number of bedrooms which meet the minimum requirements for a design category for new builds must match the number of SDA-funded residents who reside in the dwelling.

**Recommendation 20:** New build SDA funding for 5-bedroom houses should be phased out by the first price review signalling this building form will not be supported under the SDA Framework in the future.

**Recommendation 21:** Rules and processes that determine funding for support for SDA-funded participants should be reviewed to remove any barriers to innovation in housing form and approaches to support.

**Choice and control:** Does the SDA Framework enable choice, control, independence and inclusion?

**Recommendation 22:** The SDA Framework, Rules and Price Guide should:

- Explicitly promote living with family members and people without disability as both an acceptable and desirable goal for SDA-funded participants
- Be updated to exclude family members from the definition of “residents” for the purpose of SDA pricing.

**Recommendation 23:** The SDA Framework should be amended to preclude SDA properties from being listed as in-kind.
**Value and sustainability:** Does the SDA Framework incentivise value for money in use of NDIS individualised funding and support the ongoing sustainability of the Scheme?

**Recommendation 24:** The Review give consideration to how the SDA Framework and the NDIS more broadly should be responsive to transitional and crisis housing needs of SDA-funded participants.

**Recommendation 25:** All SDA documentation should be reviewed to improve clarity and consistency of intent and terminology, and to reflect the outcomes of this Review.

**Recommendation 26:** A SDA reporting and evaluation framework should be developed and included in the revised SDA Framework documentation.