



National Disability Services Submission NDIS Specialist Disability Accommodation Pricing Review 2022-23

About National Disability Services

National Disability Services (NDS) is Australia's peak body for non-government disability service organisations, representing over 1200 non-government service providers. Collectively, NDS members operate several thousand services for Australians with all types of disability. NDS provides information and networking opportunities to its members and policy advice to State, Territory and Commonwealth governments. We have a diverse and vibrant membership, comprised of small, medium and larger service providers, supporting thousands of people with disability. Our members collectively provide a full range of disability services, from supported independent living and specialist disability accommodation, respite and therapy, to community access and employment. NDS is committed to improving the disability service system to ensure it better supports people with disability, their families and carers, as well as supports building a more inclusive community.

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1.0 Overview

National Disability Services (NDS) is pleased to make a submission to inform the National Disability Insurance Scheme (NDIS) Specialist Disability Accommodation (SDA) Price Review 2022-23. NDS welcomes the National Disability Insurance Agency's (NDIA) focus on understanding whether existing assumptions that underpin SDA pricing will support a sustainable sector and anticipates recommendations will be considered in the interest of the continuous improvement of the NDIS.

2.0 Scope of this submission

The scope of the submission will give rise to the voice of NDS members as to whether the existing assumptions that underpin SDA prices will support a sustainable SDA market that fosters choice and control, encourages innovation, provides options for participants, continuity of supply and financial sustainability for governments, participants, investors and providers.

In this submission, NDS will comment specifically on the [NDIS Pricing Arrangements for Specialist Disability Accommodation 2023-23](#), as outlined in the [Consultation Paper](#), however, it is also necessary to make general comments about the implementation of the [SDA Design Standard](#) and [SDA Operational Guideline](#) and current frameworks for delivery. It is difficult to solely focus on the long-term pricing and payments framework without exploring Supported Independent Living due to its intersection with SDA.

3.0 Policy Environment

United Nations Convention on the Rights of Persons with Disabilities

The United Nations Convention on the Rights of Persons with Disabilities (UNCRPD) aims to “promote, protect and ensure the full and equal enjoyment of all human rights and fundamental freedoms by all persons with disabilities.”¹ Under the Convention, people with disability have the right to live independently and to be included in the community. Australia’s commitment to the Convention and in particular Article 19 of the UNCRPD recognises the equal right of all persons with disabilities to live in the community, with choices equal to others, and governments should take effective and appropriate measures to facilitate full enjoyment by

¹ <https://www.un.org/development/desa/disabilities/convention-on-the-rights-of-persons-with-disabilities/article-1-purpose.html>

persons with disabilities of this right and their full inclusion and participation in the community, including by ensuring that:

- a. 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.
- b. Persons with disabilities have access to a range of in-home, residential and other community support services, including personal assistance necessary to support living and inclusion in the community, and to prevent isolation or segregation from the community.
- c. Community services and facilities for the general population are available on an equal basis to persons with disabilities and are responsive to their needs.²

Australia's Disability Strategy

Australia's Disability Strategy 2021–2031 calls on all Australians to ensure people with disability can participate as equal members of society.³

The Strategy's vision is for an inclusive Australian society that ensures people with disability can fulfil their potential, as equal members of the community. In line with Australia's commitments under the UNCRPD, this Strategy will play a key role in protecting, promoting and realising the human rights of people with disability.

Of particular importance in relation to the SDA Price Review is the Australia's Disability Strategy Outcome Area: Inclusive Homes and Communities. This states that housing is accessible and people with disability have choice and control about where they live, who they live with, and who comes into their home. Accessible and well-designed housing supports independence and social and economic participation. Increasing the availability of accessible housing provides choices for people on where to live, who to live with, and enables people with disability to visit, socialise and connect with neighbours, family, and friends.

There continues to be concern within the sector that housing remains an area of significant unmet need for people with disability with high levels of uncertainty in the community about people's ability to gain affordable, accessible and secure housing, and the extent to which the NDIS will support people to find and maintain appropriate housing⁴. Similarly, Specialist Disability Accommodation (SDA) providers are also concerned about the uncertainty in the market, and their ability to fund appropriate

² <https://www.un.org/development/desa/disabilities/convention-on-the-rights-of-persons-with-disabilities/article-19-living-independently-and-being-included-in-the-community.html>

³ <https://www.disabilitygateway.gov.au/sites/default/files/documents/2021-11/1786-australias-disability.pdf>

⁴ https://vcoss.org.au/wp-content/uploads/2018/08/SUB_180626_VCOSS-submission-to-DSS-review-of-SDA-Framework_Final.pdf

housing for people with disability. They are unsure existing assumptions underpinning SDA prices will support a sustainable SDA market that fosters choice and control, encourages innovation, provides options for participants, continuity of supply and financial sustainability for governments, participants, investors and providers.⁵

As at 30 September 2022, 554,917 participants had approved NDIS plans. Data from the September 2022 NDIS Quarterly report⁶, states that there are currently 3,419 participants in an SDA dwelling seeking an alternative dwelling and an additional 1,559 participants who were not in an SDA dwelling seeking a vacancy. Of the combined 4,978 participants seeking SDA dwellings, 1,674 (34 per cent) were for the Improved Liveability design category and 1,347 (27 per cent) were for High Physical Support. The total number of enrolled SDA dwellings was 7,334.

4.0 Relevant Issues

4.1 Understanding the increasing cost for the provision of Specialist Disability Accommodation

NDS welcomes the review into SDA pricing, and it is essential that the market is able deliver an equitable spread of dwelling types in a wide range of geographical locations. Adjustments for Geographic Location, which are categorised according to the Statistical Local Area Level 4 (SA4) in which they are located, are currently not financially sustainable, particularly in locations with good access to services and facilities. In locations where the land prices are too high or the provider market is thin, SDA demand and supply should be monitored, and swift action taken by the NDIA to address incongruity.⁷

Acquisition costs continue to have a significant impact for providers and are not covered in the current pricing methodology. NDS members have raised a new emerging issue for SDA associated with the rapid increase in land prices. A 20 per cent increase in land prices and an increase in construction prices is stunting investment in the sector. Additionally, COVID-19 continues to have an impact on the construction industry as costs for materials has increased by 20 to 30 per cent over last 12 months. Supply of materials, inflation and increased labour costs continue to be concerns raised by NDS members, affecting service viability.

⁵ <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/specialist-disability-accommodation/sda-pricing-and-payments/sda-pricing-review>

⁶ NDIS Quarterly report (September 2022) Q1 Y10

⁷ <https://www.pwdwa.org/documents/submissions/Joint%20Submission-jun-2018-final.pdf>

Building type and design category continue to vary the ownership costs for providers, particularly the current pricing for 'robust' housing. In a recent submission,⁸ the Physical Disability Council of NSW suggested that the funding model proposed for 'robust' dwellings was not practical or financially sustainable, reducing market supply of this accommodation type. NDS members have agreed that pricing models that encourage participants with complex support needs to live together presents multiple issues. Current pricing also does not allow for adequate maintenance. Taken together this means that investing in robust housing options is not viable. The lack of interest in building at the robust design category means additional incentives may be required to ensure enough dwellings to accommodate smaller numbers of people with challenging behaviour are built.

Legacy/Basic stock continues to incur increasing costs of ownership, including maintenance, property management, vacancy management, accounting and tax costs, valuations, and regulatory compliance costs, and are less attractive to participants.

A sizeable portion of the market exists within the Basic Design Category and NDS members have strongly expressed that the pricing methodology for this existing stock is inadequate. It is increasingly becoming financially unsustainable to operate these properties. The current methodology by which the NDIA accounts for sprinklers in estimating the construction cost of a New Build and existing Legacy/Basic stock is highly inaccurate.

Members have raised that the current pricing arrangements do not provide an appropriate incentive for the installation of sprinklers in Basic properties as the sprinkler allowance is extremely low at 1.2 to 1.9 per cent while the average construction cost is approximately 7 per cent of project. NDS members call for costs to be accurately reviewed in line with the current market rate for all Building Types, Design Categories and Regions.

Location

The amount of SDA that is payable in respect of a participant in an SDA enrolled dwelling varies according to the Geographic Location of the dwelling. The current price adjustments due to locations factors continue to be inadequate across certain communities in Australia (e.g., Melbourne Bayside and Peninsular areas). This is relevant for existing and new builds. SDA needs to be in locations that support a participant's inclusion in their community, maintain connection with their informal supports and provide access to appropriate transport and other infrastructure. Consequently, it is necessary for the NDIA to develop a technical understanding of

⁸ PDCN, Specialist Disability Accommodation Pricing and Payments Framework Review (Submission for KPMG), June 2018

the costing implications for SDA providers as relates to acquisitions costs such as land and build costs, particularly in metropolitan areas.

Due to historical factors, a considerable proportion of existing stock particularly where this has been or is state or territory government owned is located in inner suburbs of capital or cities or large metropolitan centres. Noting that some of this stock is no longer fit for purpose, the sector has an appetite for redevelopment of these dwellings to better meet the needs of existing participants. Given that some of participants have lived in the same house and location for many years, providers are seeking to rebuild in similar locations. For this to take place, the price methodology must include appropriate pricing and financial incentives for restoration and development of existing properties.

Vacancy Management

NDS members have made it clear that the potential for costly vacancies in SDA dwellings is an accepted risk, however when vacancies are lengthy and widespread, it poses considerable financial risk.⁹

For simplicity, incorporating an estimated vacancy rate into the benchmark prices has merit, however the expected rate within the methodology does not account for associated costs of various Building Types and Size, Design Categories and geographical location. Some vacancies take considerable time to fill, in dwellings where participants with challenging behaviours live; where participants have strict criteria for prospective new residents; in some regional and rural areas and where a new resident requires a lengthy transition period.¹⁰

The NDIA's Pricing Arrangements assumes a vacancy rate of 3-7 per cent for SDA with 1-3 occupants, and 3-10 per cent for dwellings with four or more occupants,¹¹ and varies significantly by Design Category, Building Type and Size, and Region. A recent report from the Summer Foundation identified that SDA providers are reporting that their vacancies are between 10 and 15 per cent.¹² Providers tended to have higher rates of vacancies in legacy stock, and participant tenancy matching was mentioned as a key factor. Of note, the report found that approximately 48 per cent of providers said it takes at least six months to fill a single vacancy. This negatively affects market confidence and undermines the stability and financial sustainability of the SDA market.

⁹ <https://www.summerfoundation.org.au/resources/specialist-disability-accommodation-provider-experience-survey-june-2022/>

¹⁰ National Disability Services Comments on Specialist Disability Accommodation Draft Pricing and Payments, April 2016

¹¹ <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/specialist-disability-accommodation/sda-pricing-and-payments>

¹² <https://www.summerfoundation.org.au/resources/specialist-disability-accommodation-provider-experience-survey-june-2022/>

Additionally, NDS members believe that an exception to general arrangements for a vacancy resulting from the death of a participant is essential. In the review of the NDIS Act, NDS argued that, in line with existing arrangements in states and territories, payment for a participant who has died should continue for a designated period if the provider is required to manage the participant's affairs during this period. The SDA framework should similarly allow for continued payments for up to designated period.

4.2 Transparency in decision making

Of concern to NDS members is how pricing arrangements can account for dwellings that are designed to meet a mixture of design categories? The current pricing methodology has the risk of continuing the replication of a homogenous 'group homes' model, which does little to enable choice and control for participants.¹³ A recent survey in the sector found that approximately 20 per cent of respondents identified that the lack of appropriate and consistent SDA funding directly impacted supply and demand of appropriate dwellings and design categories.¹⁴ SDA approvals are often inconsistent with NDIS participants' goals, needs, and preferences with observed inconsistencies in SDA funding decisions across different NDIS participants.

Members have concerns about the unclear nature of how aspects of NDIS legislation will be applied to SDA funding decisions. In making funding decisions, NDIA planners are required to consider 'reasonable and necessary support,' participant choice and 'value for money;' but it is uncertain how these various and sometimes competing criteria are applied in assigning a participant an SDA payment. Due to the lack of information about eligibility and approval, participants, their families and service providers have not had guidance that would help them understand whether an individual is likely to be eligible for SDA and if they are eligible, at what funding category. This absence of information delays consideration of housing options and building decisions. Clearer guidance on how NDIA planners make this decision is warranted.

SDA decisions are lagging and when finally approved, participants are not achieving what they require or what has been recommended. The NDIA needs to be more transparent in its SDA assessments and approval decisions and more timely in its decision making. This includes providing clarification of decisions made and basing assessments on the evidence provided¹⁵. A lack of linkage and collaboration among

¹³ https://vcoss.org.au/wp-content/uploads/2018/08/SUB_180626_VCOSS-submission-to-DSS-review-of-SDA-Framework_Final.pdf

¹⁴ <https://www.summerfoundation.org.au/resources/specialist-disability-accommodation-provider-experience-survey-june-2022/>

¹⁵ <https://www.summerfoundation.org.au/resources/specialist-disability-accommodation-provider-experience-survey-june-2022/>

key stakeholders and a lack of clarity around bureaucratic processes intensify the sense of confusion for participants and providers alike. NDS members have reported considerable time delays in SDA approvals and decision making, some of which are exceeding six months without resolution. This is likely to be contributing to high vacancy rates.

If the NDIA can address these implementation issues, it will give rise to an accurate profile of participants likely to be eligible for SDA and increased confidence for investment¹⁶. Certainty around the timing of SDA decisions would improve market certainty about how to plan projects and connect these to approved participants. This could also have the positive impact of reducing vacancies if providers are aware of decision timeframes and participants better understand the assessment process.

4.3 Supply and Demand

A key problem with the SDA Framework and supplementary pricing is that it is too complex and confusing. The number of categories makes it hard for developers to know what building type and design category will be in demand by participants. Additionally, the lack of information about supply and demand is a major barrier to having more people with significant disability living in suitable and affordable SDA housing as developers do not have the demand information they need to inform development decisions. This has improved over time but continues to be an issue.

Based on anecdotal information, NDS is concerned that developers are not interested in building properties of 'robust' design because these properties may be hard to rent in the general market if the demand from participants is less than expected (or as noted above they may have high vacancy rates where the accommodation is to be shared). There are also concerns that the low 'robust' pricing results in lack of coverage of excessive damage costs. This is concerning as participants who require a robust build are often among the 'hard-to-house' group of people with disability.¹⁷

A recent report by the Summer Foundation demonstrates the stark difference between expected and real demand as a challenge to SDA providers and investors, increasing uncertainty over whether they will be able to tenant their properties.¹⁸ A lack of information about the housing needs and preferences for participants with identified needs for SDA is making it difficult for SDA developers and investors to

¹⁶ <https://www.pwdwa.org/documents/submissions/Joint%20Submission-jun-2018-final.pdf>

¹⁷ Submission: Review of the Specialist Disability Accommodation Pricing and Payments Framework, June 2018

¹⁸ <https://www.summerfoundation.org.au/resources/specialist-disability-accommodation-provider-experience-survey-june-2022/>

make informed decisions about the SDA they should supply. Providers have reported the following:

- 77.8 per cent said the time taken by the NDIA to make SDA decisions is extremely challenging.
- 81.5 per cent were receiving less than anticipated income for some of their SDA
- Nine providers reported they were owed over \$2.1 million in SDA payments from the NDIA for more than 90 days.¹⁹

If the SDA Price Review is to be successful in attracting investment to meet current demand and support investment to meet changing demand on a regional basis, it will need to develop and publish existing supply and demand and future projections for SDA for the sector to respond and prepare accordingly. Providers and investors in the SDA market have been strong in advocating that demand data is essential to help market investors and organisations plan within the long lead times for need-driven housing projects²⁰.

Of concern to NDS is that the structure of the Framework and associated pricing models will drive people of similar support needs to live together. SDA households will be based less on living with friends and more on matching participants with similar funding allocations. At the extreme end, we could see four or five participants with challenging behaviours co-habiting in a robust build (determined by their SDA funding). This arrangement is likely to exacerbate their challenging behaviours, drive increased use of restrictive practices and produce poorer results for those participants.

Approximately 93 per cent of participants receiving SDA in 2020 also required Supported Independent Living (SIL) funding in their plans²¹. This means that the SDA market and outcomes are inextricably linked to SIL policy and pricing approaches. Continued cuts to SIL packages or SIL funding that does not support the SDA options either available to, or chosen by, the participant has a significant impact on the SDA market. Uncertainty around future NDIA Homes and Living Policy approaches, including whether SDA providers will also be able to provide SIL in the future, delays in decisions relating to SIL funding and inadequate SIL funding allocations lead to supply issues and a lack of appropriate investment in SDA.

4.4 Other considerations

Communication and relationship between NDIS and providers

¹⁹ Ibid

²⁰ <https://www.pwdwa.org/documents/submissions/Joint%20Submission-jun-2018-final.pdf>

²¹ National Disability Insurance Scheme: Improving outcomes for participants who require Supported Independent Living (SIL): Provider and Sector consultation paper September 2020.

A strong message from NDS members is the need for increased communication of key information from the NDIS, including the need for a dedicated point of contact and improved collaboration for SDA to meet the reasonable and necessary support needs of participants.

NDS's State of the Disability Sector Report 2022 is based on responses from 364 disability service providers from all over the country who took part in our annual survey, including providers of Specialist Disability Accommodation services. The latest report reveals a difficult operating environment for most providers, but there are some glimmers of hope, with a cautious expectation of positive change. High levels of pessimism in 2021 have turned into greater optimism that NDIS policy reforms are heading in the right direction in 2022. Up from 25 per cent last year (the lowest level ever recorded), 43 per cent of respondents agreed or strongly agreed that NDIS policy reforms were heading in the right direction.²² While 23 per cent of respondents provided SDA in 2022 only 2 per cent planning to commence delivering SDA in the coming 12 months. This is concerning given the need for growth in SDA.²³

A recent survey of SDA providers conducted by the Summer Foundation's Housing Hub, asked respondents to propose one change they would like to make to the SDA market.²⁴ In this survey 12.5 per cent proposed changes to enhance communication between stakeholders.²⁵ Direct communication with the NDIA could be enhanced by giving SDA providers access to a staff member to resolve concerns as they occur. This dedicated staff member should be sufficiently trained in the rules and regulations relating to SDA.

5.0 Conclusion

The NDS State of the Disability Sector Report outlines the way forward for services for people with disability, these include: ²⁶

- *Listen to providers:* We encourage government to engage with providers and draw on their expertise to develop NDIS reforms including SDA.
- *Talk to providers:* As reforms and improvements are identified, the sector will need support to implement them. This will require clear communication to participants and providers, appropriate timeframes and resourcing, and mitigation of any unintended consequences.

²² https://www.nds.org.au/images/State_of_the_Disability_Sector_Reports/SoTDS_2022.pdf

²³ Ibid

²⁴ <https://www.summerfoundation.org.au/resources/specialist-disability-accommodation-provider-experience-survey-june-2022/>

²⁵ Ibid

²⁶ https://www.nds.org.au/images/State_of_the_Disability_Sector_Reports/SoTDS_2022.pdf

- *Keep reviewing the cost model:* While we welcome the SDA Price Review, economic conditions remain challenging. The cost model needs to be continually reviewed to reflect wage pressures and changes.
- *Keep it simple:* The sector wants reform but is fatigued by change. Policy makers should ensure that solutions simplify the processes for providers, who have limited resources to engage with the review and contribute their practical expertise. Reforms will need to be progressively implemented to maintain momentum.

To be successful, the NDIA will need to continue to reassess pricing arrangements, frameworks and the practical implications of policy decisions. The NDIS as market steward, needs to collaborate and co-design solutions with the sector and continue to evaluate the effectiveness of SDA including:

- the availability, diversity, and stability of SDA.
- ensuring that supply meets demand and supports the underpinning aims of the NDIS.
- ways to stimulate innovation within the SDA market.
- robust builds for that meet the needs of participants.
- transparency in decision making, vacancy management and adequate pricing methodology for Building Type and Size, Design Category and Location.

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December 2022