

Specialist Disability Accommodation (SDA) Framework Review Submission to the Department of Social Services

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Joint Peaks Specialist Disability Accommodation (SDA) Framework Review Submission

Introduction

This submission is from the Community Housing Council of SA, Community Housing Industry Association (CHIA), CHIA Vic, CHIA NSW, CHIA QLD, Q Shelter and Shelter TAS (**the Joint Peaks**) in response to Department of Social Services (DSS) commissioned KPMG review of NDIS Specialist Disability Accommodation (SDA) Framework. This submission describes the Joint Peaks members' existing capacity and their potential central role in developing and managing SDA to meet the intent of the NDIS and deliver the preferred housing for people living with a disability. It identifies that a range of issues have emerged or are likely to emerge and nominates specific directions to address these (including some that may extend beyond the brief for this Review but are central to the successful rollout and scale-up of SDA).

Background

National Disability Insurance Scheme (NDIS)

The NDIS will fund services to an estimated 460,000 people¹ with a permanent disability that significantly affects their communication, mobility, self-care or self-management. This will include an increase of national expenditure from \$12 billion to \$22 billion². Each NDIS participant will have a tailored, consumer influenced plan developed. The NDIS is intended to replace the administration functions undertaken by the state and territory governments, transferring these roles to the National Disability Insurance Association (NDIA), a company owned by the Commonwealth government in conjunction with the State and Territory Governments.

At its core, the NDIS is a 'social insurance scheme'³. That is, it quantifies and seeks to reduce the total cost of the required services over the life of the NDIS participant.

The NDIS will move the current system:

- From a rationed funding model to an 'as of right' model, albeit only if the costs are 'necessary and reasonable' and 'disability-related'
- From a short-term rationing of funding to whole-of-life costing, using actuarial assessment of whole-of-lifetime costs

Specialist Disability Accommodation (SDA)

Specialist Disability Accommodation (SDA) is the NDIS funding for allocated housing (not support) to eligible NDIS participants with extreme functional impairment or very high support needs – typically those who require overnight support. SDA is funded by the NDIS through payments to an approved provider of SDA when the Participant has SDA in their NDIS Plan. SDA will be available to about six percent of NDIS participants. The support associated with SDA is Supported Independent Living [SIL]). In some cases, people may receive SIL without being eligible for SDA.

SDA will:

- Be funded:
 - commercially and recurrently
 - on occupancy by a participant with SDA in their plan
 - adjusted for building type, location and accessibility level

¹ Page 17, National Disability Insurance Agency Annual Report 16/17 (2017). Geelong. National Disability Insurance Agency (NDIA).

² Page 19, National Disability Insurance Agency Annual Report 16/17 (2017). Geelong. National Disability Insurance Agency (NDIA).

³ Page 13, National Disability Insurance Agency Annual Report 16/17 (2017). Geelong. National Disability Insurance Agency (NDIA).

- Include new stock and existing stock (some of which may be of poor standard)
- Be open to private developers and investors as well as not-for-profit providers and people with disability and their families
- Be governed by new standards, policies, and procedures
- Have four building types, five design levels and limits on aggregation
- Be accessed in new ways
- Require new SDA recipients to undertake a formal planning process (Investigating Housing Options [IHS]) before securing SDA eligibility and funding
- Require separation of housing and support provision (though with allowance for single organisations to provide both in the transition period)
- See SDA stock numbers rise from an estimated 14,000 to 28,000 people housed across Australia
- Is intended to deliver a more diverse range of stock moving away from group houses
- Cause some of the largest owners of the existing stock, State and Territory Governments, to clarify their future directions in SDA ownership and management

Broadly it can be said that the NDIS approach to SDA is informed by the current practice, but is focused on different, more commercial, directions matched with consumer choice in ways that are not yet fully evolved or transparent.

SDA Pricing and Payment Framework

The SDA Framework⁴ was endorsed by the COAG Disability Reform Council (DRC) in November 2015 and sets out initial guidance on SDA pricing and payments. It covers the period to 30 June 2021 with a review scheduled in year three (this review). As such it predates many key documents such as NDIS Act, SDA Rules, and SDA Price Guide.

- The Joint Peaks members have identified that:
 - Guidance about the how the SDA is to be scaled up and rolled out is valued
 - It is unclear how the Framework is articulated into the other key documents such as the Price Guide, the Rules and the Investor Briefing
 - The timeframe remaining (two and half years) is too short to cover the required SDA development program to meet the projected growth targets
- The Joint Peaks recommend:
 - That the SDA Framework be refreshed to:
 - Clarify its role, reflect the current environment and extend to cover a five years period from its re-issue
 - Bring increased certainty to SDA incentives payment arrangements to support SDA investment activity
 - Include a requirement that an NDIS Housing Supply Development Plan be created to respond to the housing needs of all NDIS participants including but extending beyond SDA Recipients

The Joint Peaks and Members

The Joint Peaks members:

- Support NDIS and the principles embedded in SDA
- Represent a broad-based and proven capacity to develop and manage housing for people who will live in SDA
- Have extensive experience in working with recurrently funded housing schemes
- Have extensive experience in and are committed to the separation of housing and support
- Have extensive experience working with support partners to house people with complex support needs and diverse funding arrangements

⁴ Disability Reform Council COAG. (2015). Specialist Disability Accommodation Pricing and Payments Framework. Canberra.

- Have a proven track record in working with Government to successfully roll out new housing initiatives as a trusted partner
- Operate within a regulated environment, typically the National Regulatory System for Community Housing (NRSCH)

Response to Review of SDA Framework

The Joint Peaks and their members have identified a range of issues and proposes a number of responses in relation to the Framework across the six nominated areas. This response is provided in the context of the recently released Specialist Disability Accommodation Provider and Investor Brief⁵ which introduced significant uncertainty and heightened perceptions of risk for investors and developers.

1. Pricing and Payments – Does the SDA Framework support the process of appropriately setting prices?

- The Joint Peaks’ members have identified that:
 - There are very few SDA places yet delivered or in development in the context of the planned additional 14,000 places making a comprehensive assessment of the development process difficult
 - Without clarity about SDA payments, little new SDA will be developed
 - The SDA price:
 - is set and reviewed on the basis of a model that is not fully transparent
 - seems to deliver reasonable returns in regional and lower cost metropolitan areas
 - Uses the SDA geographic weighting factors which in many cases are appropriate but, in some circumstances, are set across catchments that are too large/diverse and/or are unconnected to the market. For example, the weightings are reported to be unrealistic in remote NT
 - Is based on a pricing model that lacks the transparency and robustness in regulation seen in other regulated infrastructure areas
 - The SDA Investor Briefing introduced significant additional concern and uncertainty with the introduction of negotiated SDA prices implying that SDA funding could be less than the published price (and what it costs providers to supply SDA housing)
- The Joint Peaks recommend:
 - That the SDA price review model be made fully transparent
 - The SDA geographic weighting factors be reviewed and readjusted to reflect for higher land value areas and cost structures where appropriate
 - That the concept of negotiated SDA payment be abandoned
 - That SDA payment levels be grandfathered to provider certainty

2. Supply – Does the SDA Framework stimulate required volume of supply?

- The Joint Peaks’ members have identified that:
 - The NDIS policy intent is to create more diverse stock moving away from a reliance on group houses to create a variety of supply that can meet SDA recipients’ preferences. However, the SDA Investor Briefing identified that a very small number of SDA eligible participants would occupy single person dwellings causing confusion. This is in the context of clearly articulated demand and viable associated support models for single person SDA dwellings. It should be noted that the requirement that SDA recipients share adds to the complexity and risk, potentially adding cost
 - SDA supply is a product of the number of beds filled in the combination of existing, redeveloped and new SDA stock and as such all aspects will need to be addressed for the SDA demand to be met

⁵ National Disability Insurance Agency (NDIA). (2018). Specialist Disability Accommodation Provider and Investor Brief. Geelong: National Disability Insurance Agency (NDIA).

- Currently, access to SDA payment can be long, slow, uncertain, complex and conditional acting as a disincentive to investment and development of SDA
- Large numbers of SDA properties are owned by State/Territory Governments much of which is leased to support providers (in bundled housing and support arrangements) or to housing managers (typically Joint Peak members). Some of the existing SDA stock could be redeveloped (subject to the rehousing of residents) into more appropriate stock and additional housing
- NDIA could engage more effectively with the community sector, a key potential provider and manager of SDA, in the development and deployment of SDA
- The NDIS Technical Advice Team (TAT) which assess specific SDA issues does not publish comprehensive information about the criteria or processes used

- The Joint Peaks recommend:

- Stronger engagement with the community housing sector to promote more efficient and effective SDA development, management and administration
- That the NDIA promote access mechanisms that introduce pre-qualified SDA recipients to SDA developers and providers
- That the entitlement to single person SDA dwellings be clarified in the context of the NDIS choice driven, whole of life cost, market approach
- That the criteria and processes used by the NDIS Technical Advice Team (TAT) be documented and disseminated

3. Investment – Does the SDA Framework support investor decision making and provide sufficient market certainty?

- The Joint Peaks’ members have identified that:
 - Investment in SDA:
 - May come from a range of cohorts with different focus and requirements. These cohorts include infrastructure investors, State Government/Territory redeveloping existing stock, investment by support providers, community housing sector, as well as people living with a disability and their families
 - Is provided by investors in different segments who have different information requirements and acquisition mechanisms
 - Relies on investors who currently broadly lack market information about supply, demand and development activity
 - The process of developing new infrastructure and associated funding mechanisms is slow and there is too much uncertainty about payment. This is creating a perception of significant financial risk for developers
 - SDA stock specialisation means that its market value is typically less than its cost making its redeployment or disposal difficult adding to funding complexity
 - At this stage of NDIS market development, SDA requires large amounts of equity with a lesser role for debt (which banks are cautious in providing)

- The Joint Peaks recommend:

- That a comprehensive, segmented and continuing SDA market information strategy covering supply, demand and development be commenced
- That ‘brokers’ liaising between SDA recipients (and/or their guardians) and the proposed SDA developer and managers be promoted
- That access to freehold (as opposed to Native Title) land in the more remote and regional areas of the NT, QLD, and WA be addressed

4. Innovation and quality – Is the SDA Framework facilitating high quality and innovative SDA models and design?

- The Joint Peaks’ members have identified that:
 - Innovation and quality are different things
 - The commitment to set quality design standards is welcomed

- In some States, such as Victoria, other design requirements are overlaid adding complexity
- The detail of the SDA quality standards and their implications are, in some circumstances, unclear and/or not understood within the marketplace
- Unless SDA quality standards are extensive and robust, NDIA could suffer criticism for poor administration of public funds
- No guidance has been provided by the NDIA around criteria to identify innovation or potential funding levels
- An early focus on innovation could distract from the development of a functional system with embedded quality controls

- The Joint Peaks recommend:

- That a comprehensive and definitive guide to SDA design requirement covering every State and Territory be published
- That NDIS quality standards be articulated with National Regulatory System for Community Housing (NRSCH) or their State/Territory equivalent
- That Guidelines for assessment and funding of Innovation in SDA be developed and disseminated

5. Choice and control – Does the SDA Framework enable choice, control, independence and inclusion?

- The Joint Peaks' members have identified that:
 - Choice without adequate or appropriately located supply is not choice
 - Choice of provider is complex in shared accommodation settings
 - Separation of housing and support
 - Is supported by policy and practice reasons, although it is resisted by some support providers
 - Noting that SIL and SDA can be combined in a single entity in the transition period and there is pressure to continue this due to the large number of organisations that provide both
 - NDIS participant choice is being displaced in SDA processes through the NDIS planning and review processes that nominate property type and shared SIL arrangements
 - Many NDIS planners, SDA providers and SDA recipients are unaware of SDA processes and options

- The Joint Peaks recommend:

- That a comprehensive education program be undertaken to inform NDIS planners, SDA providers and SDA recipients of SDA entitlements and options
- That a date be identified by which all SDA and SIL be provided through separate entities

6. 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 Joint Peaks' members have identified that:
 - There is clear evidence and NDIA acceptance that spending on housing can reduce support and, as a consequence, the whole of life costs
 - Joint Peaks' members' experience is that vacancy risk can be reduced by good management and robust relationships between support and housing providers
 - Aggregating SDA recipients can generate efficiency in support provision (through Supported Independent Living [SIL] funding)
 - There are significant complexity and compliance costs associated with SDA
 - The uncertainty in the system development (rules and funding levels) and operations (lack of certainty about tenant's SDA status until occupied) is adding to cost and reducing the supply of potential investors and indeed SDA stock. Some SDA developments have already been cancelled

- Current decision making by NDIA is more consistent with a rationed funding model (pursuing short-term savings by limiting options) rather than a whole life insurance model (which seeks to reduce total costs of support and housing over a lifetime)
- Large SDA providers such as State Governments:
 - Have the potential to distort the market and NDIS policy intent (such as a focus on improved standard of property)
 - May also challenge the underlying viability of contracted managers of SDA properties due to their control of large proportions of SDA stock in a given geographic areas
- The Joint Peaks recommend:
 - That a streamlined, pre-approved payment system be developed with prices set in the medium term to stimulate the initial response to the existing SDA shortfall
 - That a more informed and balanced approach to SDA be adopted in decision-making processes embedded in the NDIS planning system

Conclusion

In summary, there are three key risks which are closely connected which need to be addressed:

- Vacancy risk (Will SDA providers find tenants?)
- Funding/Financing risk (Will the income cover the cost of development funding?)
- Management risk (Can the tenure be managed efficiently and sustainably?)

None of these risks are able to be managed with any clarity in the current environment.

The Joint Peaks and their members support the NDIS rollout, in particular, the successful growth of SDA. The review of the SDA Framework provides the opportunity to reposition the SDA rollout and scale strategy. The Joint Peaks' members have the commitment and capacity to contribute in a material way to the SDA success. This submission, therefore, both identifies key issues and proposes a way forward in each case.

For Further Information

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