



Specialist Disability Accommodation Pricing and Payments Framework Review

Final Report

3 December 2018





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Glossary

Term	Definition
ACT	Australian Capital Territory
Basic	Housing without specialist design features but with a location or other features that cater for the needs of people with disability and assist with the delivery of support services.
Demand	Market demand for specialist disability accommodation.
DRC	Disability Reform Council
DSS	Department of Social Services
Existing Stock	Refers to dwellings that have obtained an occupancy certificate prior to 1 April 2016; and house five or fewer permanent residents (excluding support staff); and have primarily been used as accommodation for people with disability with a significant functional impairment and/or very high support needs since 1 July 2016; and housed at least one resident that received disability related supported accommodation (or equivalent) payments from a state, territory or commonwealth government in the 12 months to 1 July 2016.
Fully Accessible	Housing that has been designed to incorporate a high level of physical access provision for people with significant physical impairment.
Group Home	Group homes can be any facility (though typically free standing house) where a number of people with disability live together in a home-like setting. Group homes generally have three to five residents, though this can vary across homes. There are a number of group homes that are considered 'existing stock' and 'legacy stock' under SDA Rules. Existing and new group homes with five or fewer residents can also be funded under SDA Rules.
High Physical Support	Housing that has been designed to incorporate a high level of physical access provision for people with significant physical impairment and requiring very high levels of support.
Improved Liveability	Housing that has been designed to improve 'Liveability' by incorporating a reasonable level of physical access and enhanced provision for people with sensory, intellectual or cognitive impairment.
KPI	Key Performance Indicator
Legacy stock	Legacy Stock are existing properties that accommodate six or more residents.
LACs	Local Area Coordinators
LHA	Liveable Housing Australia
MOWG	Market Oversight Working Group
NDIA	National Disability Insurance Agency
NDIS (the Scheme)	National Disability Insurance Scheme



Term	Definition
Nest	Website providing people with disability access to finding suitable housing that meets their support and funding requirements. https://gonest.com.au/content/sda
Non-physical markets	A market where no physical interaction between consumers and suppliers occurs.
NSW	New South Wales
NT	Northern Territory
Physical markets	A market where there is physical interaction between consumers and suppliers during the transaction.
QLD	Queensland
Quality and Safeguards Commission	The independent agency established to improve the quality and safety of NDIS supports and services.
Quality and Safeguarding Framework	The Framework that sets out the national system to support NDIS participants, carers and providers access high quality supports and safe environments.
Participant	Person with disability eligible for SDA support.
Productivity Commission	The Australian Government's principal review and advisory body on microeconomic policy, regulation and a range of other social and environmental issues.
Robust	Housing that has been designed to incorporate a high level of physical access provision and be very resilient, reducing the likelihood of reactive maintenance and reducing the risk to the participant and the community.
SA	South Australia
SA1 – SA4	Statistical Area, ranging from Statistical Area Level 1 (smallest unit for the release of census data) to Statistical Area Level 4 (the largest sub-state regions in the Main Structure of the Australian Statistical Geography Standard).
SDA	Specialist Disability Accommodation
SDA Decision Paper	Paper clarifying when and how accommodation will be included in a person's reasonable and necessary supports under the NDIS, released by the NDIA.
SDA dwelling	Residence that is classified as Specialist Disability Accommodation.
SDA eligibility	Qualification for SDA supports
SDA Price Guide	Document setting out the prices and payments that apply for SDA under the NDIS from 1 July 2016.
SDA Pricing and Payments Framework (SDA Framework)	2015 Framework providing guidance and instruction on how SDA pricing was to be developed, and for whom, and in what circumstances, SDA funding will be provided.
SDA Rules	Formal, legislative standing for SDA eligibility, planning decision making, and registration of SDA providers and dwellings.
SIL	Supported Independent Living



Term	Definition
Supply	Market supply of specialist disability accommodation.
TAS	Tasmania
TOR	Terms of Reference
The Review	The review of the SDA Pricing and Payments Framework.
The Review Framework	A framework developed with DSS to support consultation and investigation of the Terms of Reference for the SDA Framework Review.
The SDA Framework	Specialist Disability Accommodation Pricing and Payments Framework.
VIC	Victoria
WA	Western Australia



Executive Summary

Specialist Disability Accommodation and the NDIS

Specialist Disability Accommodation (SDA) refers to specialist housing solutions for people with a disability with significant functional impairment and/or very high support needs and who require integrated housing and supports to meet their needs. SDA is funded by the National Disability Insurance Scheme (NDIS) for eligible participants, with funding covering the capital and management costs of providing specialist housing solutions. SDA funding is provided directly to eligible participants, who can make their own decisions about which SDA dwelling they want to live in. SDA funding is only for land and built forms, and does not cover the cost of providing supports for a person in their home – this is funded separately by the NDIS.

Based on the Productivity Commission Report released in 2011, SDA is intended to support only a small number of participants, and it is estimated that approximately 28,000 NDIS participants (six per cent) nationally are expected to require SDA. In 2019-20 terms, it is expected that \$700 million will be spent on SDA annually¹. A large number of SDA dwellings are existing dwellings and legacy stock which were funded or provided under state/territory based arrangements. However, in order to meet the SDA requirements of eligible participants, it is expected that specialist housing solutions will be required for an additional 12,300 participants. For this reason, there is a need to stimulate investment in the development of new, high quality, fit-for-purpose and innovative housing for eligible participants.

SDA is part of a broad suite of supports funded by the NDIS, and represents one of a number of housing options available to people with disability. All participants accessing SDA will also utilise a number of other supports including Supported Independent Living (SIL) (which is the day-to-day support provided in their home). The provision of SDA must contribute to the efficient and effective delivery of other NDIS supports, as well as contribute to achieving participant goals and outcomes. Importantly, the provision of other supports and assistive technology can reduce the need for SDA for some participants. Equally, innovative and high quality SDA design can reduce the need for other NDIS supports – for example, by integrating a range of technology into an SDA dwelling.

The majority of NDIS participants will not require a specialist housing solution, and are able to access other housing options in the same way as people without disability. This includes living in a home they own, in a private rental, or in social or affordable housing – independently or with others. Again, the provision of NDIS supports, assistive technology and home modification can allow a participant to live in one of these (non-SDA) housing options. Some NDIS participants may not be in a position to afford their own home or even private rental accommodation, and as such will require support from state/territory and Federal Governments with respect to rental assistance and access to social housing.

SDA Pricing and Payments Framework

The SDA Pricing and Payments Framework (the SDA Framework) was unanimously agreed to by the Commonwealth and state and territory Ministers (the Disability Reform Council (DRC)) in November 2015 and sets out the framework for funding SDA in the NDIS.

¹ It should be noted that these estimates are the most recent available of the likely number of SDA participants and annual spend on SDA by the NDIA. KPMG have not independently verified these numbers.

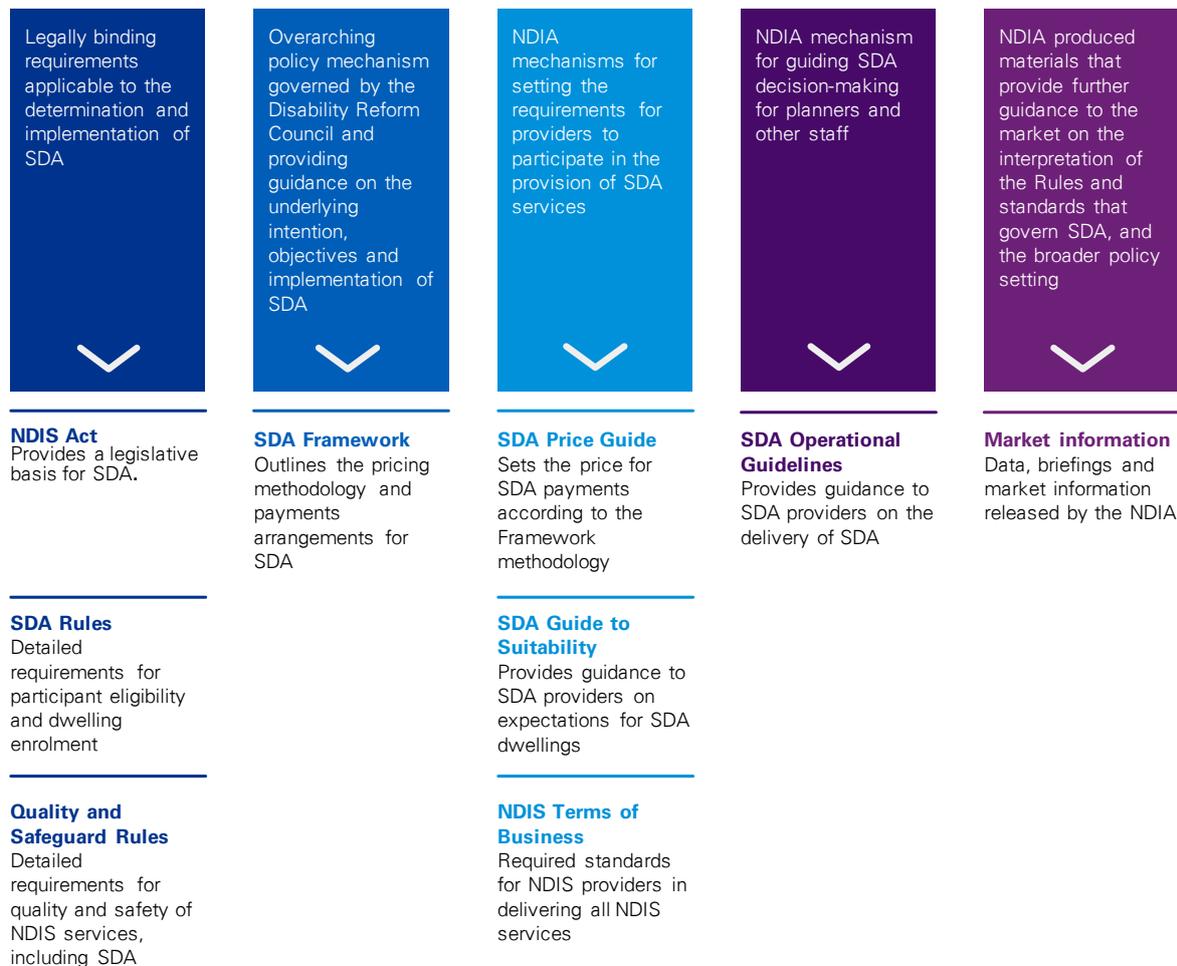


The original intention of the SDA Framework was to set out the policy position and objectives for the pricing and payments arrangements for SDA and provide initial guidance to drive market investment – and in particular achieve the growth in SDA supply required to meet expected demand. In particular, the SDA Framework sought to facilitate growth, change and innovation in the supply of SDA over time, while supporting choice and control, innovation and quality.

The current SDA Framework was developed at a time when the SDA Rules had not been determined, and as such, the current Framework goes beyond “pricing and payments” and provides guidance on a range of aspects relating to SDA, including eligibility, dwelling registration, quality and safeguards and transitional arrangements for people in legacy stock and other circumstances.

The SDA Framework now sits within a broader structure of documents and mechanisms that together support the implementation of SDA. Since the SDA Framework was developed, the SDA Rules were passed in March 2017 and provide formal, legislative standing for SDA eligibility, planning decision making, registration of SDA providers, and dwelling registration. The Rules are made by unanimous agreement of the DRC, and legally bind the NDIA. The NDIA implements the SDA Rules as agreed to by DRC. It develops the SDA Price Guide within the bounds of the Framework and the Rules which specifies the range of prices to be paid to NDIS participants living in various SDA design and dwelling types across Australia. The NDIA also issues policy statements, like the Investor Brief, that set out its interpretation and application of the Framework and Rules agreed to by DRC. These governing documents and mechanisms are outlined in Figure 1 overleaf.

Figure 1: SDA governing documents and mechanisms



Source: KPMG review of SDA documentation and mechanisms



SDA implementation and the market

It was always recognised that it would take some time for the SDA market to develop and mature, for participants to be able to exercise full choice and control and for the required supply growth to be achieved – and that achieving full market maturity is likely to only occur over the long-term. Figure 2 on page 7 outlines the expected SDA market characteristics at different stages of SDA market development.

Evidence indicates that the SDA market is a new market and still developing (in the “short-term” stage of market development in Figure 2). Participants and providers are still gaining familiarity with the SDA settings. Supply is still in the process of developing, and there are long lead times for construction of SDA properties. Finally, the NDIS is still rolling out across Australia, and full Scheme will not be reached in most jurisdictions until 2019-20.²

Awareness and understanding of SDA is increasing, though supply and participants’ choice remains limited. Implementation of SDA is also increasing as the NDIS rolls out and as more participants transition into the Scheme.

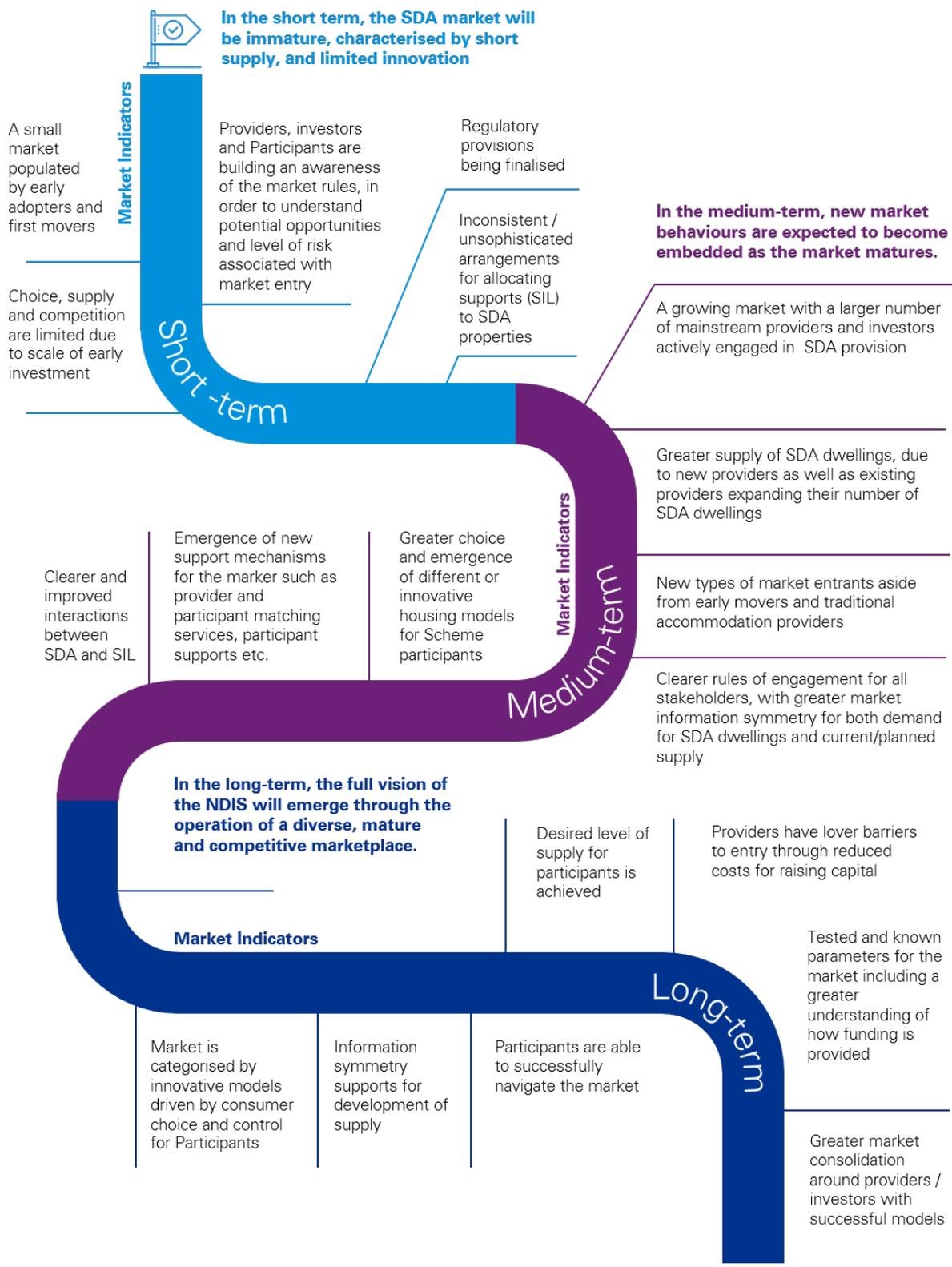
As at September 2018 there were almost 9,600 participants with SDA approved in their NDIS plans (or 4.8% of active participants). This is less than the Productivity Commission’s estimate. However, as at end September 2018, 14,000 active participants had SIL funding included in their plans (including the almost 9,600 participants with SIL and SDA in their plans, and more than 4,400 participants with SIL but not SDA funding in their plans). This represents 7.1 per cent of active participants³ – higher than the 6.1 per cent of participants that the Productivity Commission estimated as requiring SDA supports. Participants with SIL/SDA funding in their plans has been increasing over time as participants have transitioned into the Scheme.

² The NDIA assumed responsibility for the delivery of the NDIS in WA in July 2018. The NDIS will continue to roll out on a geographic basis and will be fully rolled out across Western Australia by 2020.

³ This does not include participants who have yet to transition into the Scheme. It is noted that the participants who have already transitioned into the Scheme may not be representative of participants at full Scheme.



Figure 2: SDA market characteristics over time



Source: KPMG



Review of the SDA Framework

In endorsing the SDA Framework, DRC required that the SDA Framework be reviewed in its third year of operation (or earlier if deemed necessary), to consider the early impact of the SDA Framework on the level of investment in SDA and to address emerging concerns of investors, providers, and NDIS participants seeking SDA as part of their NDIS plan.



Terms of Reference for the Review

The Terms of Reference (TORs) set by DRC for the Review were:

1. The Review will examine whether the current Framework:
 - 1.1. allows the National Disability Insurance Agency to set appropriate levels of funding for individual participants
 - 1.2. supports the delivery of SDA in sufficient volume and form to meet demand from NDIS participants, noting that efficient investment is dependent on developers' access to capital markets
 - 1.3. enables innovation by SDA providers and the development of quality accommodation
 - 1.4. enables participants to exercise choice and control, and maximise independent lifestyles and inclusion in the community
 - 1.5. provides opportunities and incentives for participants to consider value-for-money in the use of their NDIS funds, including SDA as a substitute for other supports
 - 1.6. provides flexibility to meet changes in quality and safeguards requirements.
2. The Review will examine factors that influence investor decisions to participate in SDA, including ensuring that there is sufficient information for providers to invest and by considering the operation of the SDA Framework and lessons learned to date.
3. The Review will also consider the impact of price controls and scheduled framework and pricing reviews on achieving efficient outcomes.
4. The Review will identify options for the development of participant funding arrangements, and ongoing funding certainty, and other market settings to improve or replace the current SDA Framework. Consideration should be given to the impact of any changes on participant welfare, SDA industry development, including existing provider stock, and the financial sustainability of the NDIS.



Focus and approach to the Review

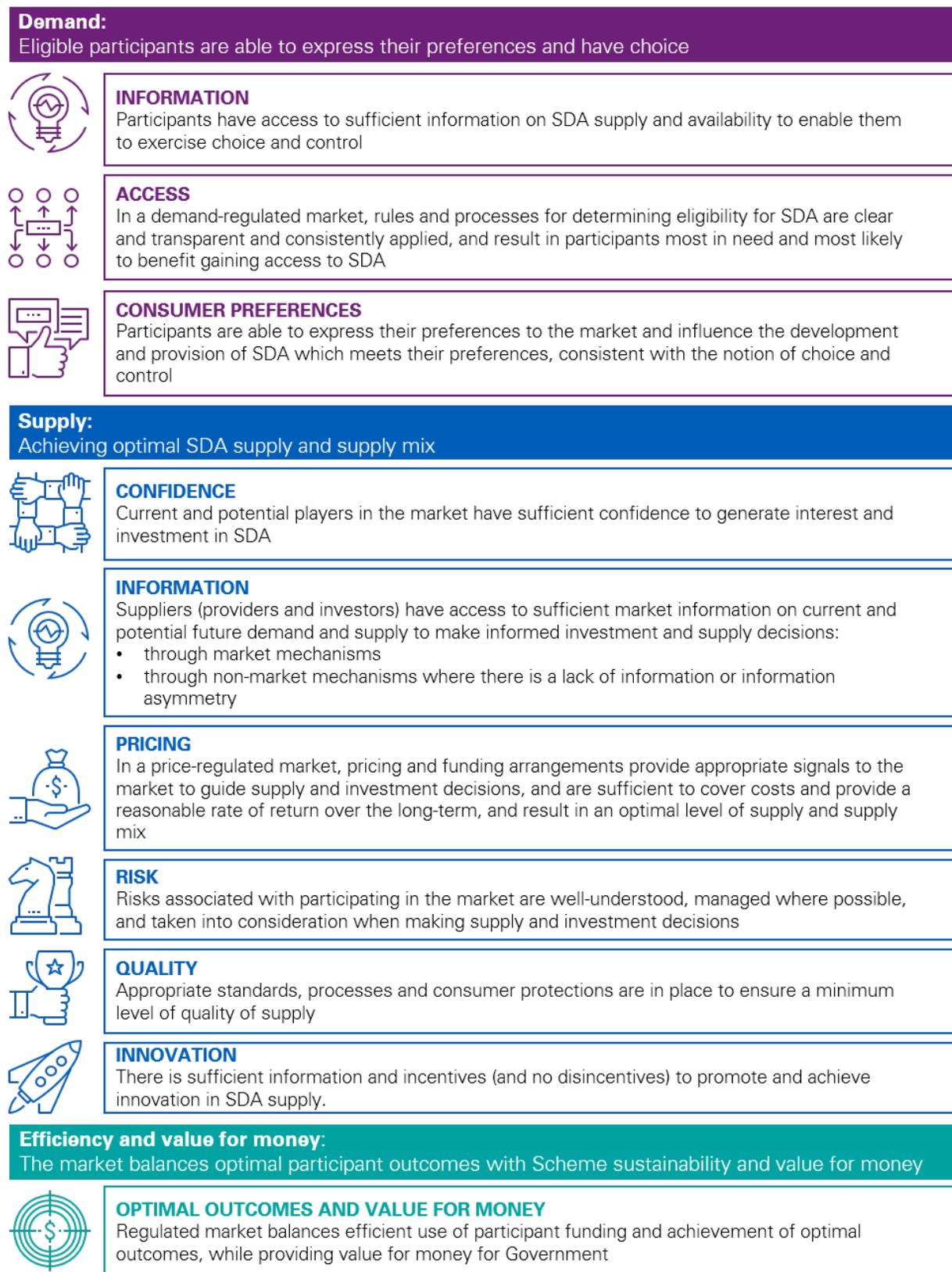
The Review was commissioned in early 2018 at an early stage of SDA market development. SDA pricing arrangements and allocation of SDA funding in participant plans are still developing, along with the NDIS itself still transitioning in a number of jurisdictions.

As such, the focus of this Review has been on considering the adequacy of the SDA Framework in establishing the “building blocks” necessary to achieve desired SDA outcomes (for example, in terms of market growth, access, choice and control), and whether there is evidence of progress towards achieving SDA outcomes. The Review examined whether the parameters included in the SDA Framework are the most effective mechanism for supporting a strong market response to specialist housing for eligible NDIS participants over time.

The Review has been guided by a Review framework developed in consultation with the Department of Social Services (DSS). Further, evidence and findings considered the unique features of the SDA market (and how it differs from other markets, and other infrastructure markets) and in terms of how a well-functioning SDA market should ideally operate. The elements of a well-functioning SDA market are outlined in the following Figure 3. It is these elements that have formed the basis for the Review Framework that has been employed to undertake the review in response to the TOR issued by DRC.



Figure 3: Elements of a functioning SDA market



Source: KPMG



Evidence informing the Review

A range of activities were undertaken to collect and analyse information and data to inform the Review findings, including:

Extensive consultation across multiple stakeholder groups

Extensive consultation across multiple stakeholder groups was conducted throughout the course of the Review to ensure a diversity of perspectives were captured. Consultation activities included:

- development of a Discussion Paper to provide background and context for the Review and guide the consultations being conducted
- 18 Roundtable discussions with people with disability, their families and carers, SDA providers, investors, and investor-focussed organisations (attended by 196 people)
- 25 confidential discussions with thought leaders, key providers and investors who may have been unable to attend one of the roundtables or unwilling to share commercial information and perspectives in an open forum, other interest groups, as well as with DSS and the NDIA
- review of 51 written submissions.

Analysis of available data

Analysis of available SDA supply and participant data provided by the NDIA was also undertaken to understand how the SDA market has developed since the SDA Framework was endorsed, and characteristics of participants accessing SDA. Specifically, this included analysis of:

- SDA dwelling registrations over time, by dwelling type, design category and location
- participant SDA funding allocations and amounts expended to date.

The data available for analysis was provided by the NDIA. Participant data was taken at a point in time in September 2018, and is only representative of participants who were already deemed eligible for SDA and allocated funding in their NDIS plans. Provider data represented data available to September 2018, and only represents SDA dwellings enrolled with the NDIA, and does not include dwellings that are still under development or in planning.

Technical analysis

Additional technical analysis and research was also conducted to inform the Review, including:

- high-level analysis of current SDA pricing and payment arrangements (it should be noted that the scope of this Review did not include a detailed review of prices set by the NDIA or assumptions used to determine those prices)
- specific research regarding specialist accommodation and other disability support models, and other housing options and models available for people with disability and other vulnerable groups.



Summary of findings

The Review provided a number of key findings in relation to how the SDA Framework is supporting the development of the SDA market. Broadly, the SDA Framework is well placed to support SDA market development. However, this Review also identified implementation and operational matters which are impacting adversely on SDA market development.

Outlined below is a summary of the key findings of the Review. Findings have been presented in terms of the elements of a well-functioning SDA market, that is, elements relating to:

1. *Demand*, where eligible participants are able to express their preferences and have choice
2. *Supply*, in particular achieving optimal SDA supply and supply mix
3. *Efficiency and value for money*, where the market balances optimal participant outcomes with Scheme sustainability and value for money.

Demand

Consumer choice: In a well-functioning SDA market, participants should be able to express their preferences to the market and influence the development and provision of SDA which meets their preferences, consistent with the notions of choice and control and reasonable and necessary supports.

Review findings in relation to consumer choice are:

Finding 1: The concept of choice is articulated at a theoretical level in the SDA Framework, and the SDA Framework provides guidance to balance choice with reasonable and necessary requirements and cost effectiveness.

However, in practice participants eligible for SDA, and in particular those who are not already living in an existing SDA property, have limited choice due to a lack of SDA dwellings and vacancies. Further, the Rules mean that the SDA participant planning process is relatively complex, and does not facilitate a discussion about options and possible funding trade-offs in decisions around SDA and other supports.

Finding 2: The SDA Framework and Rules do not fully consider the range of preferences being expressed by participants in relation to their living arrangements, and the market has not yet responded to the range of participant preferences.

At this stage of market development, there is still a predominance of the group home model, reflecting the fact that most existing and legacy stock are group homes. It is expected that the market will respond over time to meet a broader range of participant preferences, and there is some early evidence that there have been a number of new, smaller SDA dwellings (1-3 residents) enrolled.

Further, some participants would like to live alone or with people without disability (such as partners, family, friends), though at this point in time these options are not widely available. Despite early market interest and activity in developing single-person SDA dwellings the NDIA has signalled through the Investor Brief that only a limited number of SDA-eligible participants will be able to live alone. In addition, pricing arrangements mean that the market has shown little interest to date in developing SDA dwellings that can accommodate both SDA-eligible participants and others without disability given the lower returns this will generate.

Access: In a well-functioning, demand-regulated SDA market, rules and processes for determining eligibility for SDA should be clear and transparent and consistently applied, and result in participants most in need and most likely to benefit gaining access to SDA

Review findings in relation to access are:

Finding 3: The Rules and processes for confirming eligibility for SDA and having SDA funding included in a participant's plan is complex and delaying access to SDA.

Eligibility criteria are clearly established within the SDA Framework, with additional clarity provided in the SDA Rules. However, the Review found that the Rules and subsequent processes for confirming eligibility for SDA and having SDA funding included in a participant’s plan is complex, and this was creating delays in accessing SDA.

In particular, there is requirement in the Rules which states that, even if a participant is eligible for SDA, funding will not be allocated to that participant unless an SDA dwelling is, or will very soon be, available. In reality this means that participants are unable to secure SDA funding without finding an SDA place, but an SDA provider is unwilling to make an offer without a guarantee of SDA funding.

Information: In a well-functioning SDA market, participants should have access to sufficient information on SDA supply and availability to enable them to exercise choice and control

Review findings in relation to participant information are:

Finding 4: Information about SDA properties and vacancies is starting to emerge, but currently participants and families are finding it difficult to find and connect with SDA providers that have vacancies

The Review found that there is a lack of information available on existing and planned SDA dwellings and SDA vacancies, though it is noted that there are a number of web-based platforms that are emerging that will provide this information (for example the ‘Nest’ and ‘Housing Hub’ platforms). These platforms would benefit from the inclusion of information held by Government and providers in relation to SDA provider registrations, and enrolled and planned dwellings.⁴

The Review also found that, to date, only a small number of participants have had the opportunity to engage with providers and investors to express their preferences with respect to SDA design.

Supply

Confidence: In a well-functioning SDA market, current and potential SDA market players have confidence in the market and policy settings to generate sufficient interest and investment to ensure optimal supply

Review findings in relation to market confidence are:

Finding 5: There is substantial amount of interest in SDA from providers and investors, though this has not yet translated into significant levels of new investment or supply.

The Review found there is substantial amount of interest in SDA from providers and investors (including both existing disability service providers as well as community housing providers, newly formed service providers and private and institutional investors), though this has not yet translated into significant levels of new investment or supply. Further, despite considerable interest in SDA overall, there is limited evidence of substantial investments being made in SDA or of significant increase in SDA supply to date.

While limited growth at this point in time is not unsurprising, the Review found that there is some hesitancy in making large scale investments in SDA – particularly among private and institutional investors – due to perceived risks and uncertainties with respect to SDA policy settings and pricing, and a lack of information available to the market to inform investment decisions.

Information: In a well-functioning SDA market, suppliers (providers and investors) should have access to sufficient market information on current and potential future demand and supply to make informed investment and supply decisions – through market mechanisms and through non-market mechanisms where there is a lack of information or information asymmetry

Review findings in relation to market information are:

Finding 6: Lack of market information is having a detrimental impact on providers and investors’ willingness to invest in SDA.

The Review found that there is a lack of robust, quantitative information for the market on SDA demand, as well as a lack of data on supply or market gaps. In the absence of this data, providers and investors are basing decisions on local knowledge and needs of specific cohorts, pricing factors and

⁴ It is noted that subsequent to the Review being completed, the NDIA released some SDA data to the market.

potential returns for different SDA property types in specific locations, and belief in the “potential” of the SDA market. Lack of market information, especially in an immature, price-regulated market, further contributes to provider/investor risk and hesitance in investing in SDA and is a barrier to greater investment in SDA.⁵

It is also recognised that, as with any market, investors and providers need to undertake their own market research and engagement with potential consumers to complement more quantitative information from government, and to date this type of consumer engagement and market research appears to have been limited.

Pricing: In a price-regulated SDA market, pricing and funding arrangements should provide appropriate signals to the market to guide supply and investment decisions, and are sufficient to cover costs and provide a reasonable rate of return over the long-term, and result in an optimal level of supply and supply mix

Review findings in relation to SDA pricing are:

Finding 7: The form of benchmark prices, and components considered in the price setting process, are appropriate, though some of the underpinning assumptions relating to some components may not reflect actual values or costs

The SDA Framework sets out the form for benchmark prices, including the components that will be considered in setting an efficient price. These factors include consumption costs, opportunity costs of capital, costs of ownership, land price inflation and resident rent contributions. Providers and investors consulted as part of the Review largely indicated that these components were appropriate for setting prices, though stated that some of the underpinning assumptions for each of these components do not reflect actual values or costs.

Finding 8: Current prices are contributing to a risk that future growth in supply may not result in an optimal supply mix.

During the Review, providers and investors indicated that some SDA prices are sufficient to make a return on investment in SDA (and in some cases a relatively generous return), while others are not. In particular, they indicated that there were issues with some prices skewing investment interest towards particular design categories and dwelling types and away from other types. For example, providers and investors indicated that one- or two-bedroom “high physical support” dwellings provide a reasonable return (though potential returns are less for “Robust” dwellings and “Fully accessible” dwellings), and that dwellings in some locations delivered a greater return than others.

Finding 9: Investors have a strong preference for certainty regarding return on investment over the life of their investment

The SDA Framework currently states that the Agency will review benchmark pricing every five years, and that prices will have effect for five years from their publication. Providers and investors noted that the five yearly review cycle does not match the 20+ year time horizon for SDA investment, and that providers and investors must bear the risk of any price reductions.

It is noted, however, that infrastructure investment of any kind has risks, including those associated with market downturn and reductions in rental income, and SDA investment is no different. Five year price certainty is a longer guarantee than other investments may provide.

Risk: In a well-functioning SDA market, provider and investor risks associated with participating in the market are well-understood, managed where possible, and taken into consideration when making supply and investment decisions

Review findings in relation to provider and investor risk are:

Finding 10: There are a range of risks and uncertainties that contribute to providers and investors’ reluctance to invest in SDA, and achieve short-term SDA supply growth.

The Review found that there appears to be some hesitance among providers and investors in making large scale investment in SDA at this point in time due to real or perceived risks and uncertainties that are present in the market, over and above risks which are inherent in infrastructure investment generally.

⁵ It is noted that subsequent to the Review being completed, the NDIA released some SDA data to the market.

To some extent these risks and uncertainties are associated with the “newness” of the NDIS and SDA as a “product”, and a largely untested market – factors that are likely to reduce as the NDIS and SDA market matures. However, there were a number of factors identified by providers and investors which were impacting negatively on provider and investor willingness to invest in SDA:

1. *Uncertainty around pricing:* Uncertainty of longer term pricing relative to investment time horizon, and risks associated with changing (reducing) prices at each five-year price review cycle.
2. *Policy uncertainty:* Perceptions that SDA policy is still developing, and risks and uncertainties associated with stability of SDA policy settings and future directions (and expectations that SDA policy will continue to change – particularly at an operational level).
3. *Implementation issues and associated risks:* Issues and risks associated with processes, timing and consistency of NDIA decisions relating to SDA eligibility and funding and interplay with SIL funding decisions.

Quality: In a well-functioning SDA market, appropriate standards, processes and consumer protections are in place to ensure a minimum level of quality of supply

Review findings in relation to quality are:

Finding 11: While the design guidelines used for SDA promote quality building and design, it is too early to determine whether this is being achieved.

The new quality arrangements provide an opportunity to establish a transparent and effective provisional enrolment process which enables dwellings to be approved earlier in the build process, while also providing a final approval of the implementation of required standards.

While the design standards used for SDA aim to promote quality building and design, it is too early to determine whether this is being achieved. It was noted that the majority of current stock is existing or legacy stock, which in most cases only meets the Basic design category.

Finding 12: Some providers, particularly in jurisdictions where the NDIS Commission is yet to come online, remain uncertain about the new quality and safeguarding requirements for SDA under the NDIS Commission, and there are concerns about the cost implications of new quality requirements.

The Rules and SDA Guidelines set out the role and requirement of the NDIS Commission with respect to SDA, however providers remain uncertain about the quality assurance processes for SDA dwellings, and the cost implications relating to the implementation of new requirements. Although there may be costs associated with quality and safety uplift (i.e. audit costs), the benefits in terms of reducing harm to participants and improving service quality through better practice is expected to offset many of these costs.

Innovation: In a well-functioning SDA market, there should be sufficient information and incentives (and no disincentives) for promote and achieve innovation in SDA supply

Review findings in relation to innovation are:

Finding 13: The immaturity of the SDA market means that the notions of innovation are still being determined.

The existing commentary in the SDA Framework supports innovation in SDA design and delivery, and this is critical to the development of a market which provides contemporary housing options that contribute to positive outcomes for participants. However, what is meant by ‘innovation’ in this new market context is still being determined, and at this early stage, innovation and quality is largely being defined by providers in terms of new or alternative housing design and built forms, innovative use of technology, and co-location with other housing options (such as SDA dwellings located in larger apartment buildings).

Finding 14: Participants are limited in their ability to drive or influence innovative SDA designs.

Participants and their families have a much broader view of innovation, encompassing considerations such as ownership models and shared equity models, innovative arrangements which allow for people with disability to live with family, and innovative support delivery and implications for housing, such as home-share arrangements. The Framework does not allow for many of these potential innovations, and instead assumes a “rental model” for SDA (much like social housing or defence

housing), whereby providers and investors develop and own properties which are made available for 'rent' to eligible SDA participants (who utilise their SDA funding as well as pay a co-contribution).

Finding 15: There are some aspects of the SDA Framework and Rules that are creating some barriers to achieving innovation

Achieving innovative and high quality SDA designs, and potentially other innovations relating to pathways to home ownership, are only likely to emerge over time. However, at this stage, uncertainty relating to SDA policy settings and pricing, and the lack of market information relating to demand and supply, means that many providers and investors are unwilling to invest in more complex, innovative SDA solutions. Further, the Rules and Framework in some instances are quite specific, for example in relation to dwelling configurations and building categories, which can have the unintended consequence of limiting innovative market responses.

Efficiency and value for money

Optimal outcomes and value for money: A well-functioning, regulated SDA market balances efficient use of participant funding and achievement of optimal outcomes, while providing value for money for Government

Review findings in relation to efficiency and value for money are:

Finding 16: Broadly, the SDA Framework supports ongoing sustainability of the Scheme, though is not clear on how choice for participants and Scheme sustainability and value for money can be balanced.

Scheme sustainability is a central focus of the SDA Framework, with particular emphasis placed on efficient price setting, eligibility determination, dwelling requirements. The SDA Framework also includes operational guidance to ensure immediate costs are managed and emphasises economies of scale.

The SDA Framework is not clear on how choice for participants and Scheme sustainability and value for money can be balanced, and whether choice needs to be limited to achieve Scheme sustainability or whether these two objectives can be achieved together.

The SDA Framework does not currently consider how SDA and other support funding can be used flexibly to better achieve participant goals, or how participants can be engaged in making decisions about using their entire package of supports achieve their long term goals.

Recommendations

Enhancing participant choice and control

Recommendation 1: Clearly articulate how participant preferences will be taken into account in determining their SIL and SDA arrangements.

This includes clarity on:

- How participant preferences relating to *where* they want to live, *who* they want to live with, and the *type of dwelling* they want to live in, will be taken into consideration in the determination of 'reasonable and necessary'.
- Communicating more clearly to participants and families, and the market more broadly, the circumstances in which a participant may be able to live alone (as per the Rules).
- How participants can use their SDA funding more flexibly than present, including how participants can be engaged in decision making about different combinations of SDA and other support funding to them meet their long-term goals.

The publication of precedents or case studies could be used to improve clarity, and these can be used to provide guidance and training to those responsible for determining eligibility and the provision of SDA funding.

Recommendation 2: Make changes to the Framework, Rules and Price Guide to remove restrictions for participants to live in SDA dwellings with people who are not eligible for SDA (such as their partner, children, other family and friends).

This should include:

- Changing the Rules (and subsequently the Framework and other supporting documentation) to:
 - remove the rule for dwelling enrolment that requires the majority of bedrooms in a house to be SDA-compliant
 - revise the rule that requires a bedroom for every resident in the house to remove this requirement for couples, participants with children and participants in other limited circumstances where a separate bedroom-like room is not required, while also ensuring sufficient safeguards are in place.
- Examining disincentives for providers that limit a participant's ability to live with others without disability (noting that the NDIS does not fund or subsidise living arrangements for people without disability).

Simplifying the process for participants to access SDA

Recommendation 3: Improve and streamline the SDA planning process and participant journey to ensure that the process is efficient, easy to navigate, and does not unduly burden participants and their families or SDA providers.

This should include:

- Examining the Rules and NDIS processes to identify barriers or constraints that make the participant planning process overly complex – such as:
 - The steps in the SDA process to allow clear decisions on SDA eligibility and funding to be made *prior to* the participant being required to identify a potential SDA dwelling. This will require amendment to the SDA Rule that requires a property to be available or very soon available before an SDA eligibility decision can be made.
 - Removing requirements to demonstrate other housing options are not suitable before a decision is made on eligibility, particularly where participants are already residing in unsuitable



accommodation, as by definition, a person who is eligible for SDA has their needs best met by SDA.

- Developing a SDA planning framework or guidelines that articulates how interdependent factors should be considered in determining SDA eligibility and the participant planning process (such as building design, ownership status, decision-making authority on any co-tenants, other disability supports and the day-to-day management of supports that are required to be in place for a person to live in SDA).
- Considering ways to escalate or prioritise plan review meetings where a vacancy is available or where existing accommodation is unsuitable (in accordance with the commitment in the Framework to prioritising Young People in Nursing Homes and other participants in unsuitable accommodation).
- Communicating the reasons for eligibility determinations to participants in a way they can easily understand, especially where participants have been deemed ineligible, to assist participants to understand the reasons and considerations underpinning the eligibility decision.
- Publishing indicative timeframes for eligibility decision-making, based on the type of application and participant characteristics, and examples of circumstances that would impact on the length of time take to make an eligibility determination (including guidance to participants around supporting documentation and evidence that could be improve timeliness of decision making in these circumstances).
- Tracking timeliness of SDA eligibility decisions by capturing when participants first apply for SDA compared to when eligibility is determined and reporting on the average time taken to progress through each stage.
- Reporting regularly on the number of SDA decisions, the number of people with SDA in plans, and the number of days SDA places remain vacant, to indicate progress in SDA access.

Once the above mechanisms are in place, specific timeframes should be established within the Agency for decision-making, including Key Performance Indicators (KPIs). For example, a percentage of eligibility decisions made within committed timeframes or the number of participants with SDA in their plans at particular timing intervals.

The ultimate objective of refining the process is to achieve an outcome where a participant can confidently participate in the market, and the vendor can have confidence of the certainty around the participants funding stream and options to seriously negotiate with the participant.

Recommendation 4: Based on the clarification of the process in Recommendation 3, provide greater clarity to participants on the SDA process through guidance for participants and families.

This guidance should clearly set out the:

- pathway to SDA, from decision-making through to identifying appropriate accommodation options
- supporting documentation necessary to meet evidentiary requirements.

Ultimately, guidance should prepare the participant, family and/or carer to participate in SDA eligibility and planning discussions.

Improving information for participants

Recommendation 5: Enable the provisional approval of SDA dwellings earlier in the build process to assist in enabling participants to link up with providers and potential new accommodation options earlier in the process and give greater visibility of upcoming SDA builds.

This could be achieved via one of two mechanisms:

1. A change to the Rules to allow for a provisional certification of a dwelling based on a number of key criteria to be demonstrated in building plans, with a final certificate of occupancy required prior to a participant moving into the dwelling. In the absence of changes to decouple SDA funding decisions from the availability of an SDA dwelling, a participant could be allocated SDA funding for a dwelling based on the provisional certification.



2. An independent certification process undertaken by a certification or building assessment body according to criteria agreed with the body responsible for enrolment. This would include working with the independent body to develop the training curriculum for independent certifiers and empower the certification body to certify dwellings based on dwelling plans. The certification body would be required to keep a register of certified dwellings. (It is understood that this process is being developed currently).

It is important that any process in this regard aligns with the quality and safeguarding arrangements implemented by the Commission.

Recommendation 6: Support the further development of an SDA e-market by publishing real time dwelling enrolment information, in addition to the existing requirements for the NDIS Commission to publish dwelling registration information

This includes information on:

- existing SDA dwellings (this should be supplemented by information provided by accommodation providers/managers on vacancies)
- registered SDA providers
- planned and provisionally approved dwellings (made available through the recommended provisional enrolment process).

This information will inform existing e-market mechanisms that are already available and developing in the market (such as Nest and The Housing Hub) which allow participants to access information on existing SDA dwellings and SDA vacancies that meet their needs and preferences, and that link participants to SDA providers. This will provide opportunities for participants and their representatives and providers/investors to meet to influence the design and development of new SDA dwellings.

Recommendation 7: Develop and publish clear, accessible information for participants and investors about the SDA Rules, Framework, and Price Guide.

It is recommended that multiple channels be considered, including the release of plain English documents for distribution by planners, Local Area Coordinators (LACs) and providers; participant and investor information sessions; and web-based information. This would promote understanding amongst all stakeholders about the operation of SDA, and the roles, responsibilities, options and requirements for all stakeholders.

Increasing market confidence in SDA

Recommendations relating to increasing market confidence in SDA are addressed elsewhere, and include recommendations on:

- Providing detailed information to the market to inform investment and supply decisions (recommendation 8).
- Establishing greater policy certainty around SDA (recommendation 13).
- Increasing confidence in pricing and the price setting process (recommendation 9 and 10).
- Addressing implementation issues with respect to confirming eligibility and allocating SDA funding to participants (recommendation 3).

Improving and enhancing market information

Recommendation 8: Provide detailed, up-to-date demand and supply information to the market to inform investment decisions and contribute to achieving an optimal mix of SDA dwellings

Given the level and nature of information asymmetry in the market currently, releasing detailed demand and supply information (including expressed demand and supply, as well as projections) will assist the market to make more informed investment decisions. This information should be released as soon as possible, and should be updated and released to the market in real time, or at least quarterly. This should include information relating to:



- *Demand*: Number of participants deemed eligible for SDA, and likely to be eligible for SDA over the next three to five years (projections to be reviewed every five years), by:
 - disability type and support need
 - type of SDA or other accommodation required (including SDA design category, where available)
 - location of participants (at SA4 or sub-regional level)
 - where participants live currently (that is, in existing SDA dwellings, legacy stock, new SDA dwellings; residential aged care; with family; other settings)
- *Supply*: Number of SDA dwellings and places currently registered by:
 - SDA design category
 - SDA dwelling type
 - SDA dwelling size
 - location (SA4 or sub-regional level).
- Qualitative information around the types of SDA dwellings that are emerging – either in the proposal or development stage, particularly case studies of innovative designs that have been approved as SDA, and accounts of outcomes for participants within these dwelling-types.

Greater price certainty and clarity

Recommendation 9: Develop, in consultation with the market (including providers/investors and participant representatives), a detailed approach for conducting price reviews to provide greater clarity around, and confidence in, SDA funding arrangements.

This should set out:

- How key cost inputs and pricing assumptions, which should be based on reliable public indicators, determine SDA funding.
- How key cost inputs and pricing assumptions will be determined and set (where applicable).
- How the market and sector (including participants) will be engaged in each price review (this should be specified in the rules).
- How independence will be maintained and who will conduct each review. This requirement should be specified in the Rules, and the price review should involve independent experts.
- Any changes to the Framework and/or Rules that may be required to implement this revised price review approach.

A draft approach should be released in the first half of 2019 for stakeholder consultation.

The revised approach for the price review process should be articulated in the revised Framework and/or Rules to ensure the market has a consistent understanding, and there is transparency to assist the market to anticipate changes that may result from underlying market-based assumptions.

This process may be refined and improved over time based on recommendations from each review and feedback from each consultation process.

Price reviews would continue to occur at five-year intervals.

Recommendation 10: Identify in the SDA Framework the specific events that would trigger benchmark price changes as provided in Paragraph 20 in the SDA Framework.

High level guidance on the events that would trigger benchmark price changes, or a review of specific pricing assumptions, should be detailed in the SDA Framework and/or articulated in the SDA Rules. Guidance should be issued to clarify when the provision should be applied, and how pricing parameters would be monitored in order to identify trigger events.



The identification of trigger events should be included as part of the next Price Review.

Recommendation 11: Bring forward the scheduled 2021 Price Review to early 2019 to make changes to the Price Guide to address immediate concerns as outlined below.

These immediate changes are likely to include fixing assumptions about loadings for different regions. In order to support the development and testing of the revised pricing review approach (see recommendation 9); address areas of pricing that are creating disincentives to building some dwelling types or living arrangements; and create neutrality for investment decisions, the 2021 price review should be brought forward to 2019 (once a detailed approach has been developed with sector involvement). This will assist in correcting the existing supply mix to better align with demand from participants.

The particular areas of pricing that should be specifically reviewed (in addition to the price review approach developed in recommendation 9) should include:

- The relativity of cost inputs (including build and maintenance costs), and hence prices between design categories, especially between high physical support dwellings and robust and fully accessible dwellings, to ensure that prices do not create incentives that do not match demand from participants.
- The variability of location factor adequacy across SA4 geographies, to ensure they promote location preferences and do not create incentives that do not match the location of participants. This should also consider the use of SA3 areas to reduce variability in adequacy of location factors across broad SA4 geographies.
- Exploring possible arrangements that facilitate living arrangements with a mixture of SDA and non-SDA residents, to remove disincentives that exist for providers to meet participant preferences to live with people who are not eligible for SDA if they choose to (see recommendation 2 in Demand).
- The current accuracy of key cost inputs and pricing assumptions that underpin SDA funding, including land price inflation rates and building costs across design categories and building types.
- Confirming the nature of benchmark prices for SDA and the consistent use of terminology, including price “benchmarks”, “caps” and “ceilings”
- Considering the impact of the new quality and safeguarding requirements enacted through the NDIS Act 2013 and being implemented by the NDIS Commission, and whether this should be addressed in the pricing arrangements.

The Price Review should be conducted in a transparent way with independent input, in line with the newly designed approach for price reviews (refer to recommendation 9).

Following conclusion of the Price Review and agreement to recommendations, methods for determining key pricing assumptions (such as accepted public indicators) should be captured in the SDA rules and/or Framework. Existing prices should continue to apply until 2021, and any price changes recommended by the price review should apply from July 2021. This will ensure that no providers or investors who have already made investment decisions based on existing prices will be disadvantaged by the review being brought forward.

Recommendation 12: The SDA Framework should embed a requirement for consultation on any significant SDA pricing or policy changes.

This should include release of a draft policy position by DSS and the NDIA, a consultation process, publication of submissions, and release of the final statement.

DSS and the NDIA should establish an industry reference group for consultation on pricing changes.



Better managing risks associated with SDA investment

Recommendation 13: Establish greater certainty in SDA policy settings through the SDA Framework, which should be the primary mechanism for providing policy guidance on SDA.

At this early stage of market development, the main purpose of the Framework should be to provide overarching guidance for the market that focuses on the core objectives of SDA, and indicate how the complement of SDA documentation and rules are achieving these objectives, this should include:

- bringing together the array of SDA documentation and guidance
- describing the objective and aims of SDA and the intended recipients
- explaining the methodology and underlying assumptions for SDA funding in a detailed and clear format
- laying out the core components of SDA to provide a holistic picture of SDA requirements and processes.

The SDA Framework should be the primary mechanism for providing policy guidance on SDA. While the market remains immature and market participants seek clear guidance on requirements to participate it should also be the mechanism for presenting future policy changes, details or interpretation that relates to the operationalisation of SDA.

Given the Price Guide now clearly establish the pricing and payments arrangements, and are the most appropriate mechanism to provide further detail, including methodology and assumptions, the Framework should set the high level principles and objectives for the development for SDA over time.

To the greatest extent possible, the Rules should be the avenue for providing clarity on pricing, payments, eligibility and dwelling registration. Any overlapping or inconsistent elements in the SDA Framework should be removed. The Framework should provide overarching guidance to continue to support and direct the development of the SDA market. The Framework should become a tool for policy setting and market development.

Where policy changes are required, the SDA Framework should be amended to set out a clear and transparent mechanism for policy change, which involves engaging with participants, providers and investors on the nature of the proposed policy changes – either to provide sufficient notice of changes in policy, or to provide opportunities for participant/provider/ investor input into the policy process. The SDA Framework should remain as the mechanism for this, with clear amendment processes through DRC. An industry consultation group mechanism could be established for consulting on policy and Rule changes.

Greater clarity around quality requirements

Recommendation 14: When revising the process for provisional dwelling certification, as per recommendation 5 above, establish clear dwelling eligibility and quality requirements to underpin the provisional dwelling certification process and maintain quality and safeguards.

This could include:

- issuing standards which are required to be met for particular categories of dwelling
- a post-build inspection to confirm standards have been met before confirming final enrolment
- setting out responsibility for maintenance requirements, particularly for robust and high physical support categories where these are more frequent and high cost.

It is important that this is integrated with, and aligned to, the processes established by the NDIS Commission in relation to SDA.

Recommendation 15: DRC should clarify the roles and responsibilities of the NDIS Commission and NDIA with respect to SDA.

In particular, transitional arrangements for jurisdictions that are yet to be governed by the NDIS Commission with respect to SDA should be made clear to provide sufficient certainty for providers on the quality and safeguards requirements they must meet for registration and ongoing SDA provision.



The NDIS Commission should continue to engage with industry regarding the implications of any changes to the quality and safeguarding requirements.

Information and incentives for innovation in SDA supply`

Recommendation 16: Remove further unnecessary prescription from the SDA Framework that is inhibiting a varied or innovative response in the market.

This includes:

- assumptions around the 'rental model' and rental contributions preventing responses that integrate broader ownership and non-tenancy arrangements.
- removing specific restrictions that limit a participant's ability to live with others without disability (such as their partner, children, friends or others) (as per recommendation 2)
- examining provider disincentives which limit a participant's ability to live with others without disability (noting that the NDIS does not fund or subsidise living arrangements for people without disability) (as per recommendation 2).

In the longer term, consideration should be given to removing prescription relating to dwelling types from NDIS plans to provide for more innovative solutions in response to demand from participants.

Recommendation 17: Provide research and information to the market on innovative housing design – to provide a catalyst for greater investment in more innovative SDA housing models.

While leadership in innovation needs to come from providers, participants, governments and the broader community, at this stage of market development the NDIA is uniquely placed to play a leadership role.

Key to this should be leading the development of a research and evidence base which illustrates how participant outcomes are being achieved through innovative SDA models and designs and disseminating this evidence to the market and participants. This could be in the form of 'innovation briefs', publishing case studies on innovative SDA design, and holding an Innovation Summit (similar to the Housing Innovation Showcases hosted by the NDIA in 2016).

Achieving optimal outcomes and value for money

Recommendation 18: Improve the level and scope of information provided to participants, families, Planners, Support Coordinators and other intermediaries on the options available to use SDA, SIL and other support funding to achieve positive outcomes, while also delivering value for money for the Scheme.

There are a number of actions that should be taken to address this:

- Provide information to participants and families on options available for using SDA, SIL and other support funding together or flexibly to help participants achieve their goals. This should be supplemented with real participant examples.
- Consider the training and specialist understanding needs of Planners to successfully facilitate this process for participants and families and provide guidance in assessing available options and the steps involved in making a long term value for money decision.
- Actively engage participants in decision making about different combinations of SDA and other support funding that will best help them meet their long-term goals
- Undertake and collate research on long term benefits and outcomes of particular SDA options and plan combinations to support value for money decision making. This should be communicated to Planners and participants to be drawn upon in the decision-making process, and how this can be implemented in a way that is consistent with participant choice and control.
- Showcase how innovative SDA design can contribute to reducing SIL and other support costs.



Next steps

DRC commissioned the Review in May 2018 in order to consider the early impact of the SDA Framework on the level of investment in SDA. The Review was intended to be presented at the next meeting of DRC following the conclusion of the Review in August 2018. The outcome of the Review will inform DRC's development of arrangements for SDA into the future.

The key for DRC will be to determine the ongoing focus of the SDA Framework into the future. The recommendations are aimed at guiding this task, as well as providing DRC with further options to improve the operationalisation of SDA beyond the SDA Framework. Ongoing engagement with people with disability, their families, and carers, as well as providers, investors and representative organisations will be critical to understanding the impacts of the recommendations and planning successful implementation.





Introduction



1 Introduction

1.1 Specialist Disability Accommodation

What is Specialist Disability Accommodation?

Specialist Disability Accommodation (SDA) refers to accommodation for people with a disability who require specialist housing solutions, which may assist with delivering supports for participants with a significant functional impairment, and/or very high support needs. SDA was included in the National Disability Insurance Scheme (NDIS) to provide a new form of capital funding for eligible NDIS participants. SDA is only for land and built forms, not the supports a participant may receive in their home.

Providing funding for SDA under the NDIS is also intended to stimulate investment in the development of new, high quality, fit-for-purpose and innovative housing for eligible NDIS participants. SDA changes the way that disability accommodation programs have been traditionally funded, by providing agreed funding amounts (based on reasonable and necessary supports and the SDA Rules) directly to the participant, who can make their own decision about which SDA provider to enter into an agreement with.

SDA is part of a broad suite of supports funded by the NDIS. All participants accessing SDA will also utilise a number of other supports which can include Supported Independent Living (SIL) (which is the day-to-day support provided in their home). The provision of SDA must contribute to the efficient and effective delivery of other NDIS supports and to achieving the goals and outcomes the participant is seeking to achieve. Importantly, the provision of other supports and assistive technology can reduce the need for SDA for some participants. Equally, innovative and high quality SDA design can reduce the need for other NDIS supports – for example, an SDA dwelling that integrates a range of technology can reduce the need for SIL supports.

The vast majority of NDIS participants will not require a specialist housing solution, and they will be able to access other housing options in the same way as people without disability. This includes living in a home they own, in private rental, or in social or affordable housing – independently or with others. Again, the provision of NDIS supports and assistive technology can support a participant to live in one of these housing options. Some NDIS participants may not be in a position to afford their own home or even private rental accommodation and, as such, will require support from state/territory and Federal Governments with respect to rental assistance and access to social housing (see the COAG Principles to Determine the Responsibilities of the NDIS and Other Service Systems).⁶

Eligibility for SDA

The SDA Framework provides that SDA will be available for participants who cannot live in mainstream housing because of an extreme functional impairment or very high support needs, whose needs are most appropriately met by an SDA response and who meet SDA eligibility.

In its 2011 report, the Productivity Commission estimated that approximately 28,000 NDIS participants (or 6.1 per cent) nationally were expected to require support to access to suitable accommodation through SDA funding. Of these 28,000, around 15,700 were estimated to already live in specialist accommodation, meaning there was a need for enough housing to support an additional 12,300

⁶ <https://www.coag.gov.au/sites/default/files/communique/NDIS-Principles-to-Determine-Responsibilities-NDIS-and-Other-Service.pdf>

participants. In 2019-20 terms, it is expected that \$700 million will be spent on SDA in the NDIS annually at full Scheme.⁷

1.2 SDA Pricing and Payments Framework

The SDA Pricing and Payments Framework (the SDA Framework) was endorsed by the Disability Reform Council (DRC) in November 2015 and sets out the pricing and payments policy framework for the funding of SDA in the NDIS.

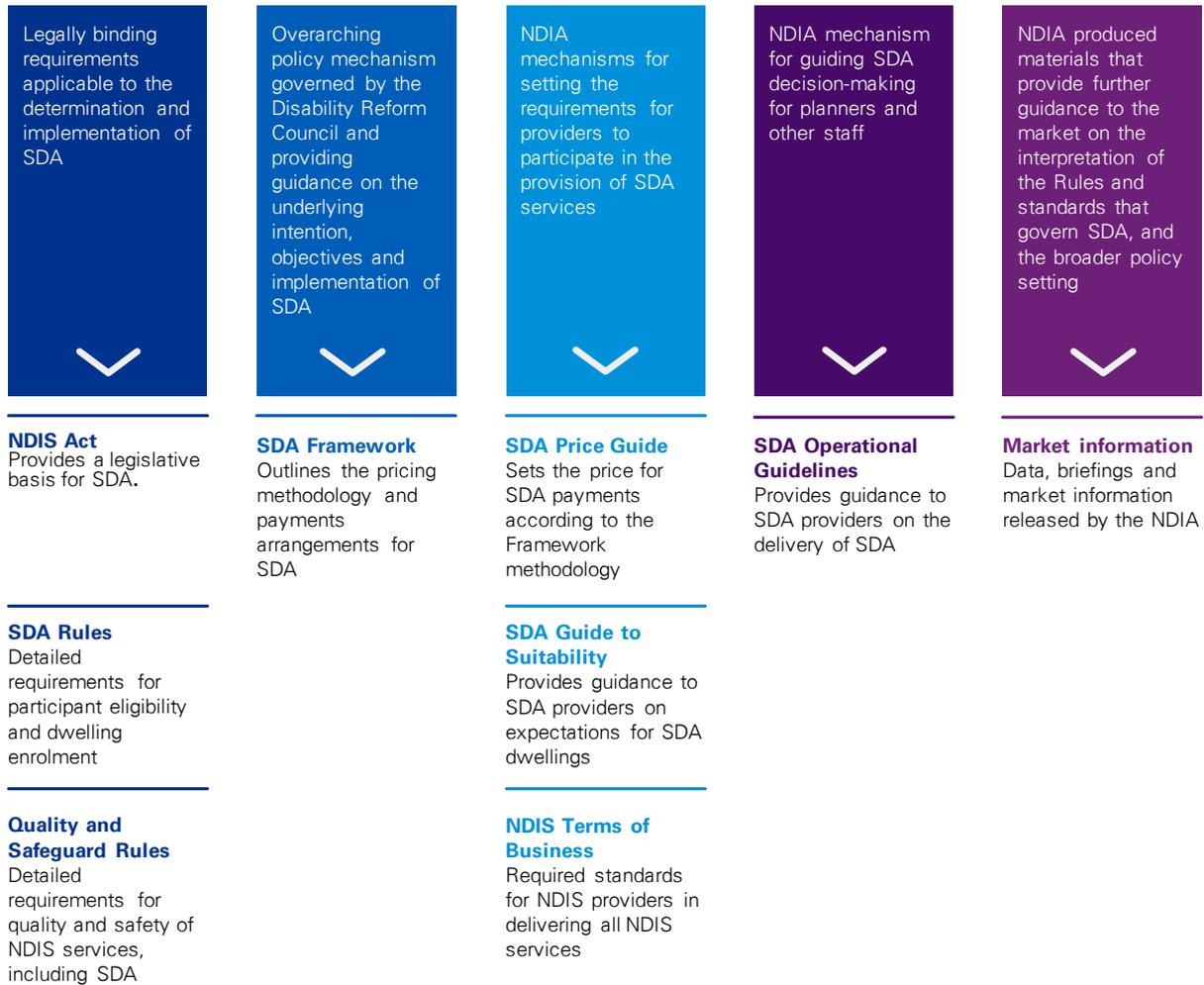
The original intention of the SDA Framework was to establish the pricing and payments arrangements for SDA and provide initial guidance to drive market investment – and in particular achieve the growth in SDA supply required to meet expected demand. The SDA Framework sought to facilitate growth, change and innovation in the supply of SDA over time, while supporting choice and control, innovation and quality.

The current SDA Framework was developed at a time when the SDA Rules and SDA pricing had not been determined, and as such, the current SDA Framework goes beyond “pricing and payments” and provides guidance on a range of aspects relating to SDA, including eligibility, dwelling registration, quality and safeguards and transitional arrangements for people in legacy stock and other circumstances.

Following the development of the SDA Framework, the SDA Rules that provide the formal, legally binding rules for SDA eligibility, and dwelling registration have been agreed by all state and territory Ministers. The SDA Price Guide is developed by the NDIA under the Rules and Framework and specifies the range of prices (or price ceilings) to be paid to NDIS participants living in various SDA design and dwelling types across Australia. The NDIA also issues policy documents such as the Investor Brief setting out how it will apply and interpret the SDA Rules. The SDA Framework sits within a broader structure of documents and mechanisms that together support the implementation of SDA. These governing documents and mechanisms are outlined in Figure 4 overleaf.

⁷ It should be noted that these are still the most recent estimations of the likely number of SDA participants and annual spend on SDA by the NDIA. KPMG have not independently verified these numbers.

Figure 4: SDA governing documents and mechanisms



Source: KPMG

1.3 The SDA Framework Review

The SDA Framework was endorsed by the Disability Reform Council (DRC) in November 2015 and sets out an initial pricing and payments framework for the funding of SDA (SDA) in the NDIS.

The SDA Framework includes a review mechanism (the Review), which required the SDA Framework to be reviewed in its third year of operation, or earlier if deemed necessary. The DRC agreed to this earlier Review in order to consider the early impact of the SDA Framework on the level of investment in SDA, and to address emerging concerns from investors, providers and people with disability, their families and carers seeking SDA as part of their NDIS plan. These concerns related to pricing certainty, implementation of the SDA Framework and supporting documents, and the impact of the SDA Framework on choice and control for participants.

Terms of Reference for the Review



The Terms of Reference (TORs) set by DRC for the Review were:

1. The Review will examine whether the current SDA Framework:
 - 1.1. allows the National Disability Insurance Agency to set appropriate levels of funding for individual participants
 - 1.2. supports the delivery of SDA in sufficient volume and form to meet demand from NDIS participants, noting that efficient investment is dependent on developers' access to capital markets
 - 1.3. enables innovation by SDA providers and the development of quality accommodation
 - 1.4. enables participants to exercise choice and control, and maximise independent lifestyles and inclusion in the community
 - 1.5. provides opportunities and incentives for participants to consider value-for-money in the use of their NDIS funds, including SDA as a substitute for other supports
 - 1.6. provides flexibility to meet changes in quality and safeguards requirements.
2. The Review will examine factors that influence investor decisions to participate in SDA, including ensuring that there is sufficient information for providers to invest and by considering the operation of the SDA Framework and lessons learned to date.
3. The Review will also consider the impact of price controls and scheduled framework and pricing reviews on achieving efficient outcomes.
4. The Review will identify options for the development of participant funding arrangements, and ongoing funding certainty, and other market settings to improve or replace the current SDA Framework. Consideration should be given to the impact of any changes on participant welfare, SDA industry development, including existing provider stock, and the financial sustainability of the NDIS.

Given the timing of this Review, the focus was on assessing the adequacy of the SDA Framework in establishing the "building blocks" necessary to achieve desired SDA outcomes, and whether there is evidence of progress towards achieving SDA outcomes already. The Review examined whether the parameters included in the SDA Framework are the most effective mechanism for supporting a strong market response to specialist housing for eligible NDIS participants over time. The outcome of this Review will be used to inform DRC's development of arrangements for SDA funding and market settings into the future.

It is important to note that in conducting this Review there were a number of issues raised by stakeholders that were not directly within the scope of the SDA Framework, although they were difficult to separate from issues relating to the SDA Framework itself. For completeness these issues have been included in the Review report. Examples include:

- Issues relating to SDA prices and price assumptions (noting that setting specific prices (conducting a pricing review) was outside the scope of this Review).
- Issues relating to the NDIA's Investor Brief and information provided to the market.
- Issues relating to eligibility of participants for SDA and consistency of eligibility decisions.

1.4 Purpose of this document

The purpose of this document is to summarise the findings from the Review and present recommendations for future the SDA Framework and supporting structures and mechanisms. In particular, this document:

1. describes the approach to conducting the Review
2. describes the features of a successful SDA market, and how the SDA market is likely to develop over time
3. provides a comprehensive description of review findings
4. suggests potential solutions and options for addressing issues raised by the Review for DRC's further consideration.

The Structure of this Report is as follows:

- *Section 1* (this Section) outlines the purpose and scope of the Review.
- *Section 2* provides an overview of the approach to the Review.
- *Section 3* establishes the vision and components for a successful SDA market.
- *Section 4* outlines the findings in relation to each of components of a successful SDA market.
- *Section 5* provides recommendations for the next iteration of the SDA Framework and supporting elements to facilitate SDA market settings into the future.



Approach to the Review



2 Approach to the Review

2.1 Focus of the Review

The Review was initiated in early 2018 at an early stage of SDA market development, at a point in time when SDA pricing arrangements and allocation of SDA funding in participant plans was still relatively new, and the NDIS itself was considerably new (and still in transition phase in a number of jurisdictions)⁸ with full Scheme expected to be reached by 2019-20.

As such, the focus of this Review has been on assessing the adequacy of the SDA Framework in establishing the “building blocks” necessary to achieve desired SDA outcomes (for example, in terms of market growth, access and choice and control), and whether there is evidence of progress towards achieving SDA outcomes. The Review examined whether the parameters included in the SDA Framework are the most effective mechanism for supporting a strong market response to specialist housing for eligible NDIS participants over time.

2.2 Review Framework

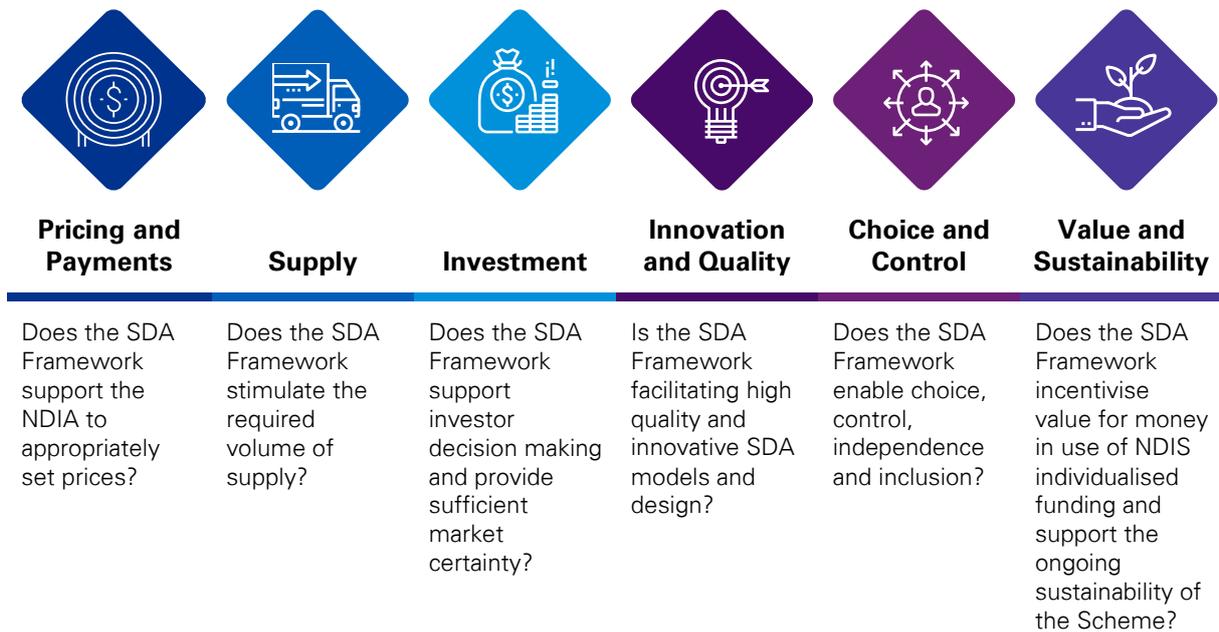
To underpin the Review, a Review Framework was developed and agreed with the Department of Social Services (DSS) to support consultation and investigation of the TORs. The Review Framework also accounted for the context in which this Review is occurring, including:

- the timing for the review, having been brought forward due to market concerns
- the current early stage of market development for SDA
- the current stage of the transition to the fully rolled-out NDIS (full Scheme) across Australia and the ongoing changes to policy with the introduction of the Quality and Safeguards Commission and other supporting functions for the NDIS.

The DRC TORs provided a clear scope for the conduct for the Review (as outlined in Section 1). From the TORs, six domains were identified to guide the consultation stage of the Review. The domains were supported by six high-level Review questions which were used to guide consultation questions and the development of a discussion paper for consultation. The six domains and Review questions are outlined in Figure 5 overleaf.

⁸ The NDIS commenced rolling out in trial sites in 2013, with jurisdictions transitioning to full Scheme from July 2016. Full scheme transition will be complete in all states and territories except WA by July 2019.

Figure 5: Review Framework high-level review questions



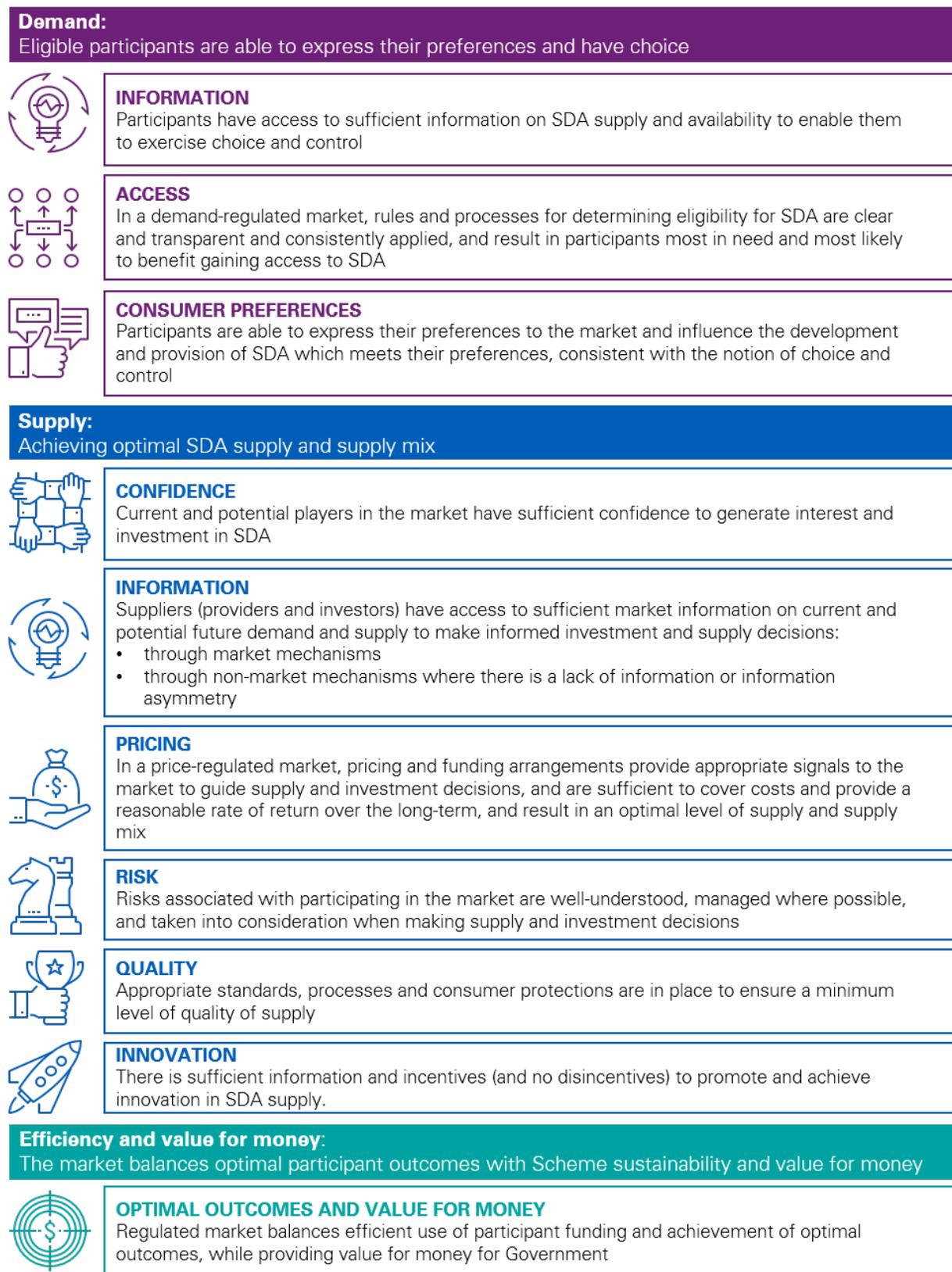
Source: KPMG

The full Review Framework is contained in Appendix B.

Moving into the technical analysis and findings stage of the review, a market lens was applied to the domains. Evidence and findings considered the unique features of the SDA market (and how it differs from other markets, and other infrastructure markets) and how a well-functioning SDA market should ideally operate.

The elements of a well-functioning SDA market are outlined in the following Figure 6 overleaf, which have been used as the basis of the Review Framework that has been employed to undertake the technical analysis and develop findings in response to the TOR issued by DRC.

Figure 6: Elements of functioning SDA market

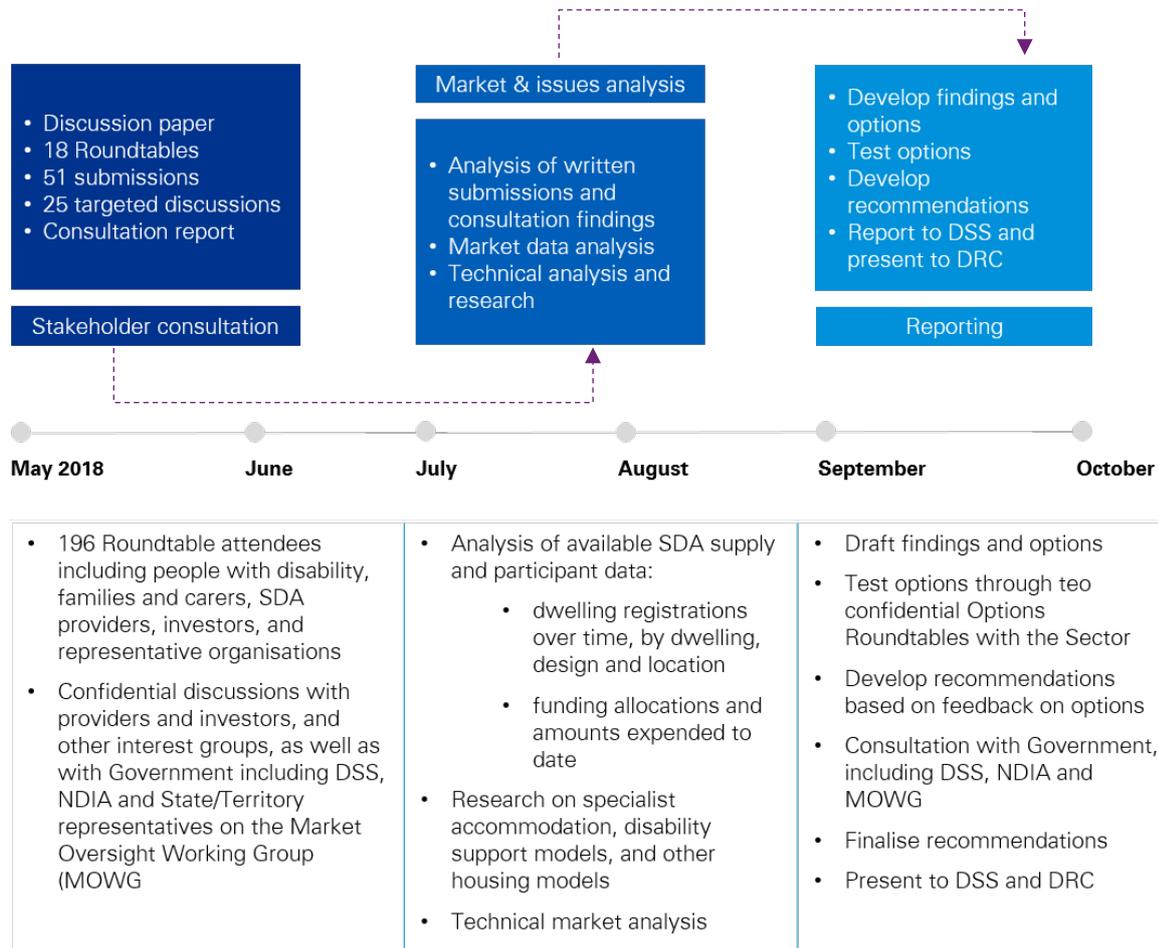


Source: KPMG

2.3 Review approach

The Review was conducted in three key stages, illustrated in Figure 7 below.

Figure 7: Approach to the SDA Framework Review



Source: KPMG

Each stage of the review provided critical feedback and evidence to inform the final findings and recommendations. This is discussed further below.

Consultations

The Review included consultation with stakeholder groups, in order to understand the range of points of view in relation to SDA. Consultation activities focused on specific Review questions considered most relevant for each stakeholder group. Consultation activities included:

- Development of a Discussion Paper to guide discussion based on the high-level Review questions identified above in Figure 5. The Discussion Paper was published on the Department’s website on 8 June 2018, and stakeholders had the opportunity to provide written submissions in response to this Discussion Paper. Written submissions were open for approximately three weeks.
- Engagement with key government stakeholders through the Market Oversight Working Group (MOWG) and the Senior Officers Working Group (SOWG), and direct engagement with DSS and the NDIA.
- 18 Roundtable discussions with people with disability, their families and carers, SDA providers, investors, and investor-focussed organisations (attended by 196 people).

- 25 confidential discussions with SDA providers and investors to elicit greater detail and information that may not have been made available in an open forum, and other interest groups.
- Review of 51 written submissions received.

Roundtable discussions were held in each State and Territory (Sydney, Melbourne, Canberra, Brisbane, Hobart, Adelaide, Darwin and Perth). In each location, KPMG held two roundtables⁹: one for people with disability, their families, carers and representatives; and a second for current and potential SDA providers and investors and provider/investor-focussed organisations. Stakeholder views were collected through table group discussions, whole-of-forum discussions. All notes collected in these sessions were thematically analysed.

Confidential discussions with key SDA and housing providers, investors and interest groups were held to gather more detailed information regarding the SDA Framework. Two stakeholder groups were targeted for these discussions:

1. Providers, representative groups, investors and organisations with experience in SDA and those with detailed data or information about the implementation of the SDA Framework to date.
2. Stakeholders who were able to elicit greater detail and information that may not have been made available in an open forum.

Table 1 provides an overview of the number of stakeholders involved in each consultation activity.

Table 1: Structure and number of attendees by consultation type

Type	Group	Number of sessions	Number of attendees / responses
Roundtables	Current and potential SDA providers and investors and the organisations that represent them	8	131
	People with disabilities, their families, carers and the organisations that represent them	10	65
Confidential discussions	Current and potential SDA providers and investors, representative organisations and governments	25	n/a
Written submissions	People with disabilities, their families, carers and the organisations that represent them	n/a	51
	Current and potential SDA providers and investors and the organisations that represent them National Disability Insurance Agency		

Source: KPMG

Technical analysis

Some analysis of available SDA supply and participant data was also undertaken to understand how the SDA market has developed since the SDA Framework was endorsed and the characteristics of participants accessing SDA. Specifically, this included analysis of:

- SDA dwelling registrations over time, by dwelling type, design category and location
- participant SDA funding allocations and amounts expended to date.

There are a number of limitations to the technical analysis undertaken which should be noted:

- The scope of this Review, as provided for by its TORs, did not include a review of prices set by the NDIA or assumptions used to determine those prices. As such, findings in relation to prices

⁹ An additional roundtable was held in both Sydney (1) and Melbourne (1)

are based on the evidence provided through consultation activity as well as some limited analysis undertaken (and identified in the report) by KPMG.

- The data provided by the NDIA does not necessarily represent current supply and demand. Participant data was taken at a point in time in September 2018, and is only representative of participants who were already deemed eligible for SDA and allocated funding in their NDIS plans. Provider data was taken at a point in time in September 2018, and only represents enrolled dwellings with the NDIA, which will not include dwellings that are still under development or planning.



Delivering a new specialist
disability housing market



3 Delivering a new specialist disability housing market

3.1 Features of a successful market

Markets are physical or virtual places that facilitate the voluntary exchange of goods and services based on supply and demand. Markets can take a range of different forms and can facilitate the exchange of a wide range of goods and services. They include, but are not limited to:

- physical consumer or business markets
- non-physical markets.
- financial markets.

The central premise underpinning the operation of markets is the notion of supply and demand. The theory of supply and demand is that, in a competitive market, the price for a particular good or service will vary until it settles at a point where the quantity demanded (at the current price) will equal the quantity supplied (at the current price).¹⁰

While in practice there are no examples of a truly 'free market', in its idealised form, it is a market where:

- informed consumers have access to transparent information from suppliers to support well-informed purchasing decisions
- there is a competitive supply landscape, where consumer choice and competition among providers drives efficient allocation of resources, price competition, and improvements in quality for consumers
- low barriers to entry, whereby new and existing providers can enter the market or expand operations to be able to deliver more and different types of services.

The above market forces are delivered by the market with minimal or no regulatory intervention by government or other bodies.

there may be instances where the outcomes delivered by markets are sub-optimal and desired market forces are not observed. There is a range of potential circumstances and drivers for this, for example:

- markets may become thin where there are supply shortages and disincentives for suppliers to enter the market
- market outcomes may be impacted where consumer choice is heavily constrained.
- competition may be impacted through concentration of market share into one or a small number of providers.

In the most severe cases, these issues (either in part or combination) may drive market failure, where the market temporarily or permanently cannot deliver individual and collective outcomes without significant regulatory intervention by government.

¹⁰ Financial Times. (2018). *Market Equilibrium*. Sourced from: (http://www.economicsonline.co.uk/Competitive_markets/Market_equilibrium.html)

The following table outlines some of the characteristics that indicate a mature or successful market, including potential drivers of adverse outcomes for each characteristic.

Table 2 Characteristics of a successful market

Characteristics of a successful market	Adverse outcomes and drivers
Information symmetry where providers and consumers have access to accurate and complete information that enables informed choice	<p>Information is not readily available or accessible to consumers or providers, there is a lack of trust in information, and decision making is limited. This may be caused by:</p> <ul style="list-style-type: none"> ● lack of competition ● barriers to information sharing ● underdevelopment of the market ● lack of consumer capacity to access information.
There are low barriers to entry where new or expanding providers are not unduly prevented from entering the market and don't stifle competition	<p>High barriers to entry prevent new firms into a market, stifling competition and leading to market concentration. This may be caused by:</p> <ul style="list-style-type: none"> ● high start-up/capital costs ● distributor agreements or established infrastructure ● natural monopolies ● concentrated intellectual property and trademarks ● tariffs and regulatory burdens.
There is price equilibrium where supply and demand are balanced, creating prices that are reflective of both the demand for the commodity and the supply of the commodity.	<p>Supply and demand are not balanced, leading to volatility in pricing, price collapse or price inflation, depending on the nature of the imbalance (disequilibrium). This may be caused by:</p> <ul style="list-style-type: none"> ● oversupply or undersupply of a commodity ● rapid change in consumer demand ● lack of competition and market-making by suppliers.
There is perfect competition where a large number of firms operate in the market, increasing competition, driving efficient pricing of goods and services and creating incentives for providers to maintain and improve quality.	<p>The market is characterised by one (monopoly) or only a few large (oligopoly), non-competing firms, which can disadvantage consumers through increased prices and/or low quality goods and services. This may be caused by:</p> <ul style="list-style-type: none"> ● barriers to entry ● market concentration (i.e. market share concentrated with a small number of suppliers, such as supermarkets) ● brand recognition and loyalty from consumers ● control of natural resources ● technological superiority of established firms.
There is adequate consumer product choice where a large number of firms operate in the market, increasing the number of products available and increasing consumer choice.	<p>A small number of firms operate in the market or the products in the market lack significant differentiation, decreasing consumer choice. This may occur because a market monopoly or barriers to entry restrict the number of firms in a market, an established product with established demand which makes competition or further development untenable or low demand for a particular product which makes production not cost-effective.</p>

Characteristics of a successful market	Adverse outcomes and drivers
<p>Consumers have awareness of product or service quality before purchasing and consumers have access to a wide range of goods and service to allow the choice of the desired quality level.</p>	<p>Consumers lack sufficient oversight of the quality of a good or service before purchase or consumers do not have an adequate range of products from which to select the desired level of quality. This may be caused by:</p> <ul style="list-style-type: none"> • information asymmetry between producers and consumers drives constrained consumer choice • lack of consumer capacity to discern and differentiate quality • lack of consumer dispute resolution channels • lack of competition means there is not incentives for suppliers to improve quality.
<p>Where possible, externalities, such as costs and benefits of a transaction or production are built into the system or addressed through social norms and law.</p>	<p>Costs and benefits of a transaction are not built into the system, leading to a greater share of negative economic, social, or environmental consequences by parties unrelated to the transaction or production. This may be caused by:</p> <ul style="list-style-type: none"> • lack of regulation • natural externalities of production (e.g. pollution) • negative social, environmental, or economic costs of consumption (e.g. public health issues related to tobacco).

3.2 Developing the SDA market

What does a well-functioning SDA market look like?

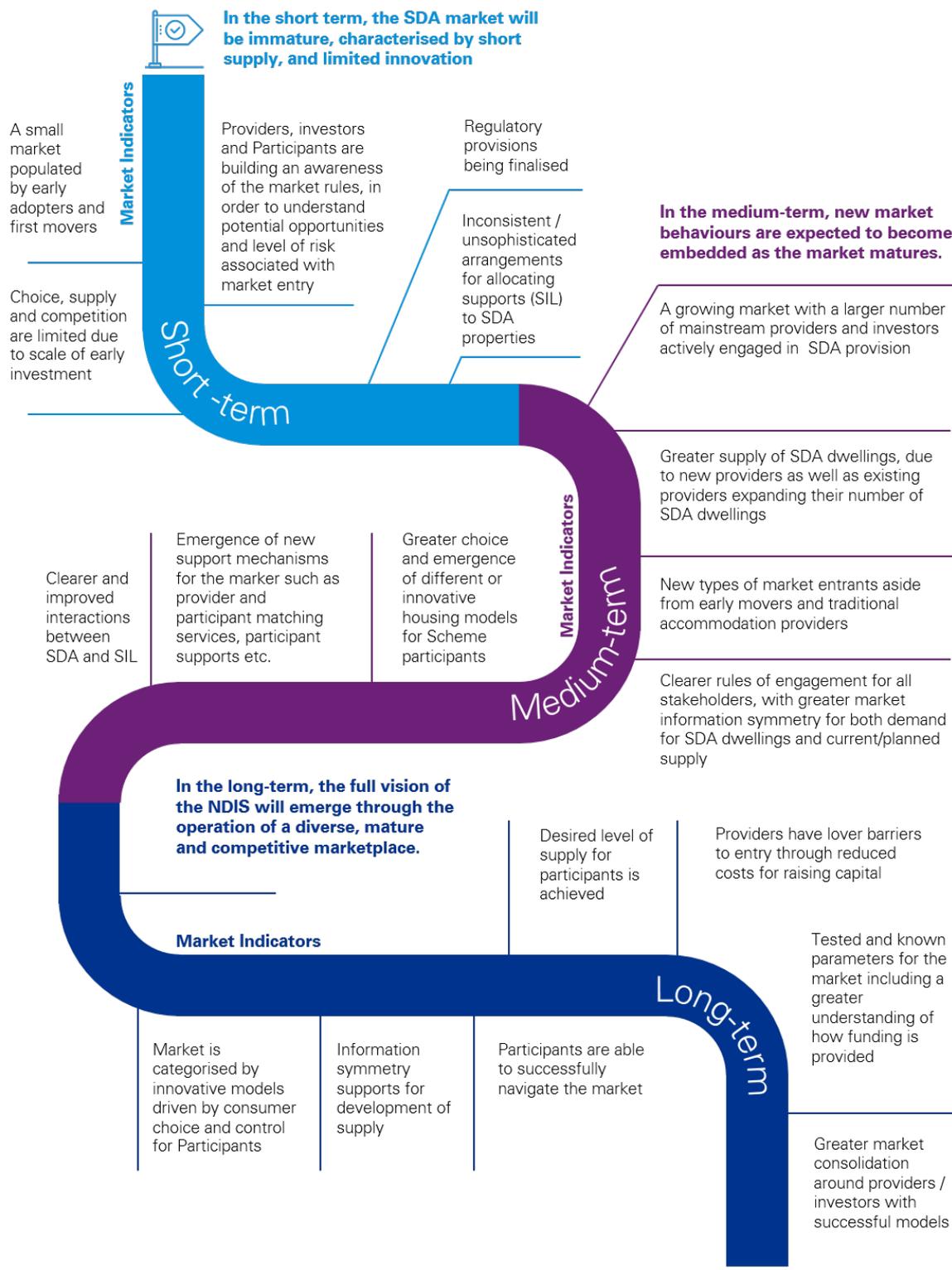
The SDA market differs significantly to a typical market context described above:

- Information availability in the SDA market is not free flowing, with demand and supply information held centrally by the NDIA, and information on level and nature of demand and need emerging as the NDIS matures.
- The SDA market is a regulated market: the NDIA (through the SDA rules) controls the number of people eligible for SDA and hence the overall level of demand prices, and the NDIA determines maximum SDA subsidy levels which are largely reflected in the prices that the market charges for SDA places. Further, there are controls on who can supply SDA (through NDIS registration processes that are transitioning to the NDIS Commission) and what can be supplied in terms of design and quality standards.
- The SDA market can be seen as an infrastructure market, which involves considerable upfront investment from providers and investors and a long-term horizon for investment returns to be realised.

There are a number of elements of a well-functioning SDA market. These are reflected in detail in Figure 6 on page 34 and include elements of demand, supply and efficiency and value for money.

It will take some time for the SDA market to develop and mature, and Figure 8 below outlines SDA market characteristics at different stages of SDA market development.

Figure 8: SDA market characteristics over time



Source: KPMG

3.3 Current state of the SDA market

Overview of the market

SDA is a relatively new aspect of the NDIS, with the SDA Framework only endorsed by DRC in November 2015. Supporting documents and legislation have been developed over time and the SDA Framework now forms part of the structure of documents guiding the SDA market. This now includes the [SDA Rules 2017 \(SDA legislation\)](#), [NDIA Decision Paper on Pricing and Payments](#), and [NDIS Price Guide](#), updated annually¹¹.

Given the SDA Framework is relatively new, it has not had the opportunity to be fully applied as the NDIS is still transitioning and full Scheme has not yet been reached in most jurisdictions. This is reflected in the fact that most SDA allocations have been made 'in kind', and the SDA market is largely comprised of pre-NDIS supported accommodation providers.

There is also still a high degree of uncertainty around the current SDA market and its potential future development, with many factors continuing to impact on market capacity, capability, and forward certainty. These include policy changes, high cost of entry combined with high risk perceptions, a lack of market information, governments seeking to transfer services to the non-government sector, growth in demand and provider entry, exit and consolidation.

The Review found the current market is in the early stages of development. Of the 198 registered providers of SDA, 54 have newly built dwellings enrolled (including new build - refurbished). Of these providers, 26 have enrolled three dwellings or less with 50 percent of the new dwellings enrolled by the same eight providers. More detail regarding current SDA participants and enrolled dwellings is outlined below.

Current demand

At this stage of NDIS implementation, a number of participants who are expected to require SDA have not yet transitioned to the Scheme or have not had SDA funding included in their plans. As such, the number of participants accessing SDA at this point in time is not reflective of demand for SDA.

Participants with SDA funding

As at end September 2018 there were 9,536 participants with SDA approved in their NDIS plans. Of these, the majority of participants are located in NSW. This is reflective of the stage of transition to the NDIS for each state/territory, state and territory population size and the individual arrangements made between the NDIA and each state/territory within bilateral agreements.

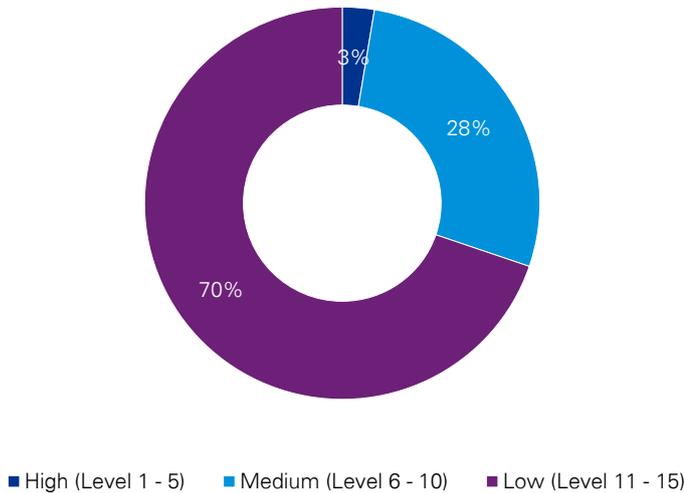
Plan utilisation is relatively high for participants who have SIL and SDA funding in their plan, with 85 per cent of funding utilised, on average, compared with 68 per cent of funding utilised for NDIS participants in general.¹² However, NDIA data illustrates that participant utilisation of SDA funding alone is around 50 per cent.

¹¹ These documents were accessed on 28 August 2018

¹² NDIA data as at end September 2018.

Of the participants with SDA in their plan, 34 percent were receiving in-kind SDA payments, through state/territory bilateral agreements with the NDIA. The remaining 66 percent were being funded directly by the agency. The majority of participants were also deemed to have a low level of function – 70 percent (see Figure 9 below). The level of function of participants is also influenced by the large number of participants who were already residents of supported accommodation upon entering the NDIS.

Figure 9: Level of function of participants with SDA funding in their NDIS plans, September 2018¹³



Source: NDIA Participant and payment data, September 2018

Participants with SIL funding

The number of participants with SIL funding in their plan may be a better indicator of demand for SDA at this point in time given the majority of participants who have SIL funding will require an SDA place. This is still an underestimate of total demand given a number of participants have yet to transition to the Scheme, and some participants accessing SIL are living in a dwelling not yet registered for SDA.

Data provided by the NDIA illustrates that as at end September 2018, 14,000 active participants had SIL funding included in their plans (including the 9,536 participants with SDA in their plans, and more than 4,400 participants with SIL but not SDA funding in their plans). This represents 7.1 per cent of active participants¹⁴ – higher than the 6.1 per cent of participants that the Productivity Commission estimated as requiring SDA supports.

Participants with SIL/SDA funding in their plans has increased over time as participants have transitioned into the Scheme – as illustrated in Figure 10 below.

¹³ Level of function is based on the NDIA's classification.

¹⁴ This does not include participants who have yet to transition into the Scheme. It is noted that the participants who have already transitioned into the Scheme may not be representative of participants at full Scheme.

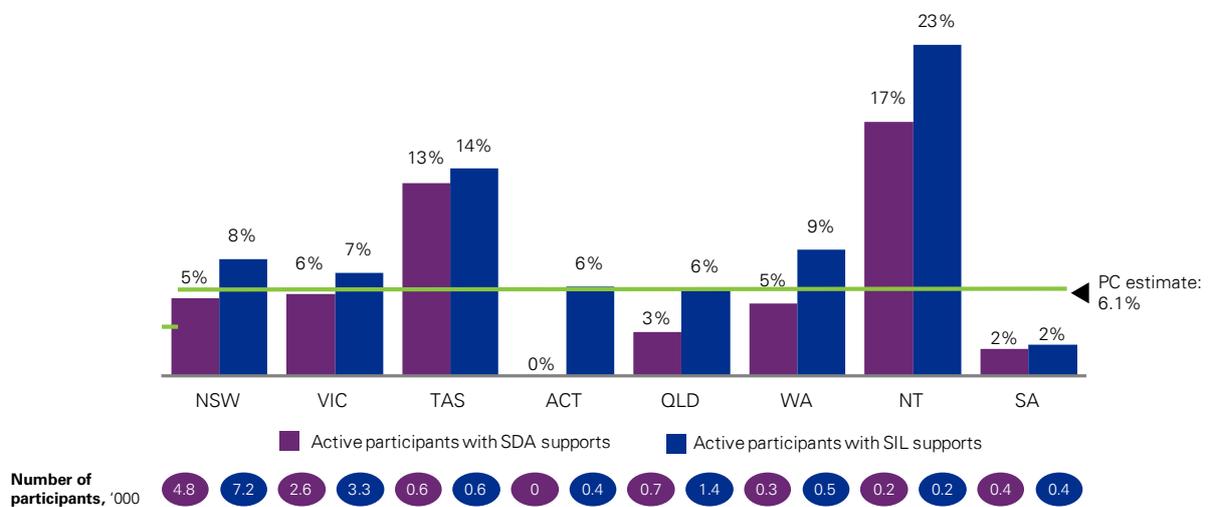
Figure 10: Number and proportion of participants with SIL/SDA supports ('000s of participants, % of total active participants), September 2018



Source: NDIA, September 2018

In all states and territories other than SA, the proportion of participants with SIL/SDA supports is at or above the overall PC estimate – as indicated in Figure 11 below.

Figure 11: Participants with SIL/SDA supports, by state and territory (% of total active participants in each state/territory), September 2018



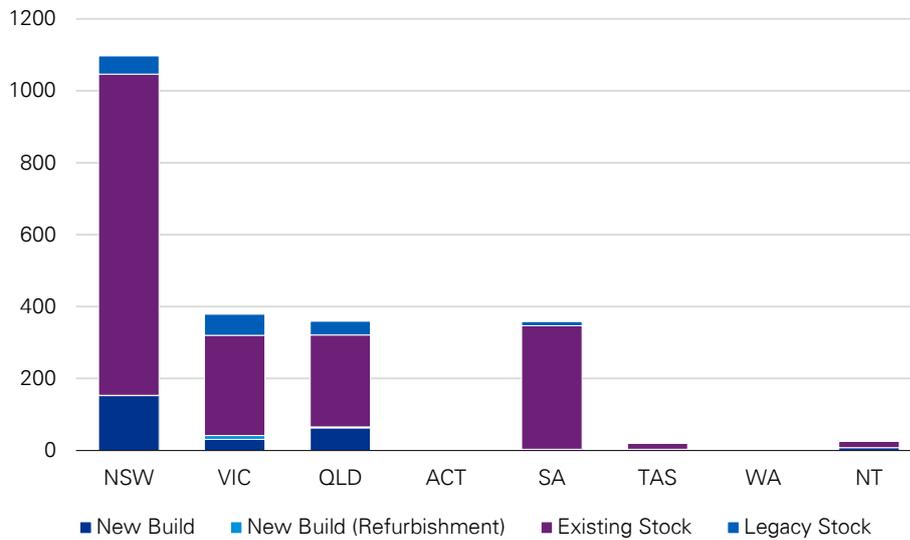
Source: NDIA, September 2018

Current supply

Current data also suggests that supply of SDA is limited. As at 30 September 2018, there were 2,243 enrolled SDA properties (excluding in-kind), with a total of 7,996 places. It should be noted that this number of places is significantly lower than the number of people with disability that the Productivity Commission estimated to be already living in specialist accommodation in 2011 (12,300). This is likely to be because a number of existing properties are yet to be enrolled in the Scheme, and this figure does not include in-kind.

The vast majority of these dwellings were existing or legacy stock (1,970), with 273 new builds or refurbished dwellings eligible for new build status enrolled (see Figure 12).

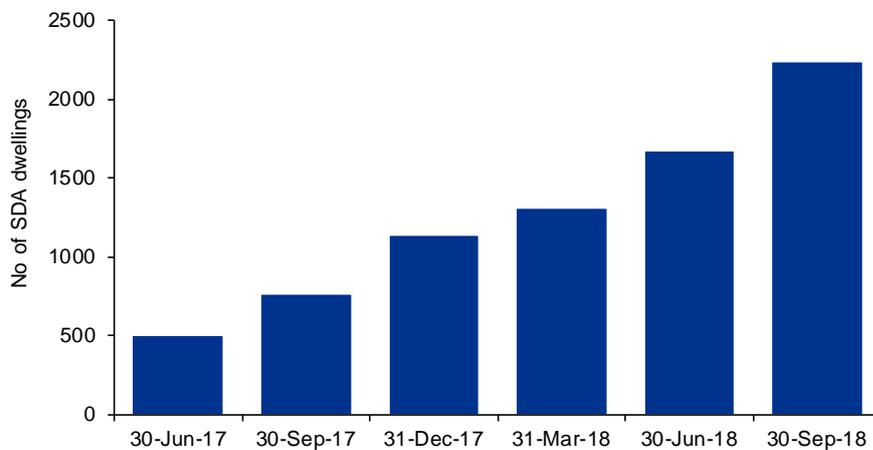
Figure 12: Number of enrolled dwellings - state, by type of SDA, September 2018



Source: NDIA enrolled dwelling data, September 2018

The number of SDA dwellings enrolled has been increasing over time, from 497 dwellings as at end June 2017 to 2,243 dwelling as at end September 2018. This is illustrated in Figure 13 below.

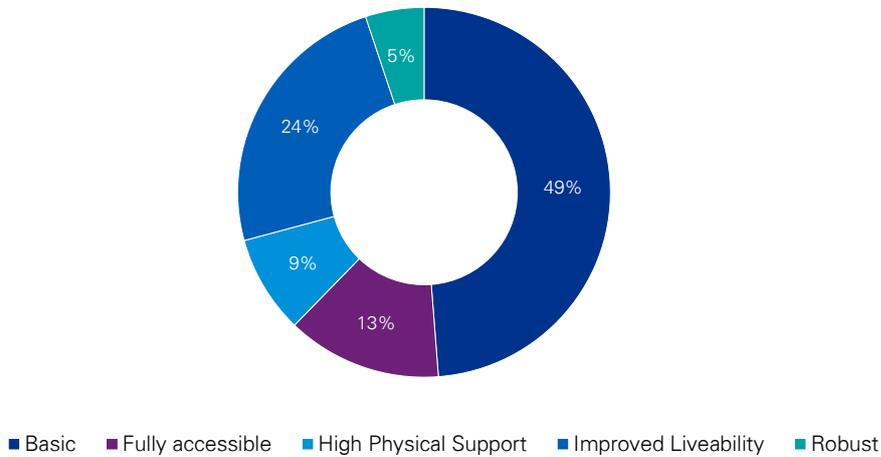
Figure 13: Number of enrolled dwellings, June 2017 to September 2018



Source: NDIA enrolled dwelling data, September 2018

The number of dwellings enrolled in particular design categories and building types is shown in Figure 14 and Figure 15. Around 49 percent of enrolled dwellings are of a Basic standard, while only five percent are Robust, and nine percent High Physical Support.

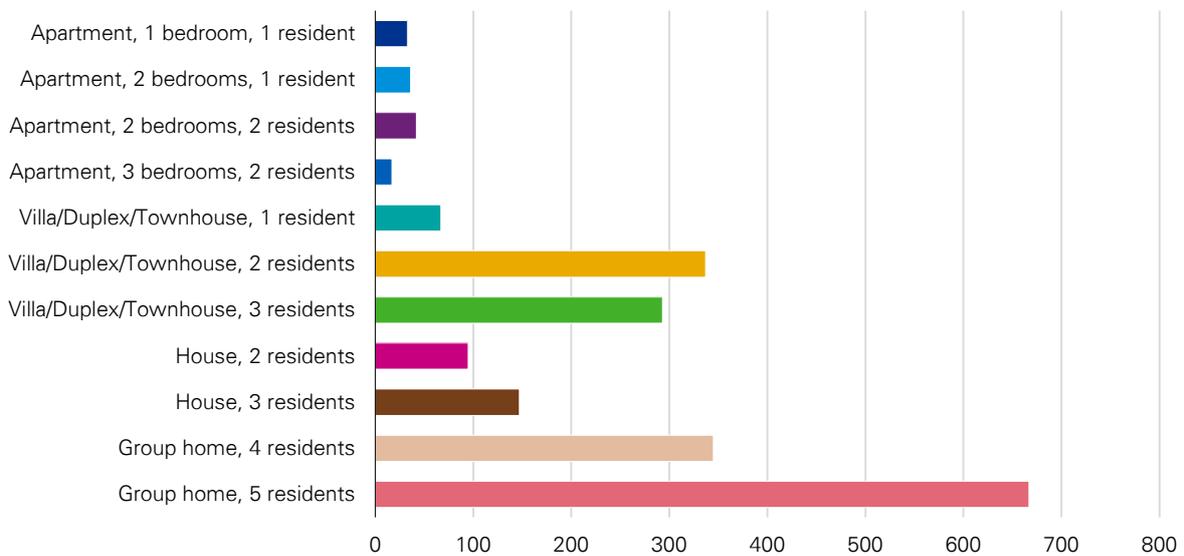
Figure 14: Enrolled dwellings - by design category, September 2018



Source: NDIA enrolled dwelling data, September 2018

Almost 50 percent of all enrolled dwellings are four to five bedroom group homes, while apartments make up only seven percent of dwellings. Villa/duplex/townhouse numbers, which house between one and three residents, are relatively high, making up 33 percent.

Figure 15: Number of enrolled dwellings – by building type, September 2018



Source: NDIA enrolled dwelling data, September 2018

This demonstrates that current supply still remains dominated by existing and legacy stock, with very few new dwellings/places for participants who are eligible for SDA. Further, the majority of places available are in more traditional 4-5 resident homes, though it is noted that there are increasing numbers of 2-3 resident dwellings.



Review findings



4 Review findings

4.1 Introduction

The Review provided a number of key findings in relation to how the SDA Framework is supporting the development of the SDA market, including participants. Broadly, the SDA Framework is well placed to support SDA market development, however, this Review has identified some design features of the Framework and Rules which are impacting market development. This section provides detailed analysis of findings and issues identified during the Review, as well as suggested recommendations to address these issues. Findings and recommendations have been presented in terms of the elements of a well-functioning SDA market, that is, elements relating to:

- *Demand*, where eligible participants are able to express their preferences and have choice.
- *Supply*, and in particular achieving optimal SDA supply and supply mix.
- *Efficiency and value for money*, where the market balances optimal participant outcomes with Scheme sustainability and value for money.

It needs to be noted that much of the information and evidence gathered in conducting the Review related to SDA generally rather than the SDA Pricing and Payments Framework specifically. A number of issues and challenges identified in the Review did not relate to the SDA Framework per se, but to the SDA Rules, pricing arrangements, and other aspects of SDA implementation and operationalization. Findings in relation to both the SDA Framework and broader findings relating to SDA generally have been included in the sections below for completeness.

4.2 Demand



Summary of key findings

Consumer choice

- 1) The concept of choice is articulated at a theoretical level in the SDA Framework, and the SDA Framework provides guidance to balance choice with reasonable and necessary requirements and cost effectiveness. However, the Rules, together with limited supply of SDA places, may be constraining choice.
- 2) The SDA Framework and Rules do not fully consider the range of preferences being expressed by participants in relation to their living arrangements, and the market has not yet responded to the range of participant preferences. For this reason, at this point in time, participants eligible for SDA have limited choice and are not always able to secure suitable SDA accommodation.

Access

- 3) The process for confirming eligibility for SDA and having SDA funding including in a participant's plan is complex and delaying access to SDA.
- 4) Requiring participants to have identified a suitable SDA dwelling before granting them SDA funding limits the ability of SDA to be a demand-driven market.



Information

- 5) Information about properties/vacancies is starting to emerge (website is new and not comprehensive), but at the moment participants/families find it difficult to find and connect with SDA providers with vacancies
- 6) Providers find it difficult to anticipate where SDA demand will be located, whereas participants find it difficult to connect with providers before the SDA has been constructed.

Context

In 2011, the Productivity Commission estimated that 28,000 participants would receive SDA funding at full Scheme.

Given the NDIS is still rolling out across Australia, not all participants who will be eligible for SDA at full Scheme are currently NDIS participants. As at end September 2018 there were 9,536 participants with SDA approved in their NDIS plans (or 4.8% of active participants), with \$93.5 million in SDA funding allocated to participants. In the current SDA participant cohort:

- The majority of participants are located in NSW.
- The number of participants receiving SDA in-kind is relatively high.
- The majority of participants have been deemed to have a low level of function (70%).

This is influenced by the large number of participants who were already residents of supported accommodation upon entering the NDIS. This also reflects the stage of NDIS transition for each jurisdiction, as well as the bilateral agreements made between the NDIA and each jurisdiction. Further detail on these figures is discussed in Section 3.3).

For participants living in existing supported accommodation, the current planning model supports a continuation of these arrangements and it is important to view the current demand profile in this light. It is expected, that with the emergence of more options in the market and improved information and support for participants, demand will shift to more contemporary models of specialist accommodation. This means a move away from more traditional group home models to smaller homes, homes that provide a greater degree of independence and homes that maximise connections to communities in which people live. To do this, three key factors have been identified in relation to demand, and it is against these three factors that the findings and recommendations in this section are presented:

1. *Consumer choice* – Participants are able to express their preferences to the market and influence the development and provision of SDA which reflect their preferences, consistent with the notion of choice and control.
2. *Access* – In a demand-regulated market, rules and processes for determining eligibility for SDA are clear, transparent and consistently applied and result in participants most in need and most likely to benefit gaining access to SDA.
3. *Information* – Participants have access to sufficient information on SDA supply and availability to enable them to exercise choice and control.

1. Consumer choice

In a well-functioning market, participants should be able to express their preferences to the market and influence the development and provision of SDA which meets their preferences, consistent with the notion of choice and control and reasonable and necessary supports.

SDA has the potential to provide more choice and people with disability and their families consistently reported that SDA was an essential element creating real choices for eligible participants who were previously excluded from the broader housing market. People seek to control the circumstances in which they live and SDA is seen as the avenue to this for many people eligible for specialist housing who are currently residing in institutional settings, nursing homes or living with parents who are ageing.

Participant preferences are not just about the type of housing they would like to occupy, but also about who they would like to live with – whether living alone, or with family, partners or children or with other people with SDA funding. Location of housing within the community, the size and standard of the home and how it is designed and tenancy and ownership arrangements are also important.

The concept of choice and control is articulated at a theoretical level in the SDA Framework, and the SDA Framework provides guidance to balance choice and control with reasonable and necessary requirements and cost effectiveness. However, the Rules, together with limited supply of SDA places, is limiting choice and creating barriers for participants to exercise choice and control. This is discussed further in relation to “Access” below.

At this point in time, participants eligible for SDA have limited choice and are not always able to secure suitable SDA accommodation

The SDA Rules state that, even if a participant is eligible for SDA, funding will not be allocated to that participant unless an SDA dwelling is, or will very soon be, available. If a dwelling is not available, then consideration is given to support coordination and other non-SDA supports for the participant. This is creating a “catch 22” scenario where participants are unable to secure SDA funding without finding an SDA place, but an SDA provider is unwilling to make an offer without a guarantee of SDA funding. As a result, individuals are finding it difficult to secure SDA funding and developers are unable to commence projects until they secure demand from individuals with approved SDA budgets. This requirement is a particular barrier in areas with no existing supply and where a participant’s preferred or most suitable living arrangement is in housing which is yet to be constructed.

At this point in time, there has not been a significant increase in supply of SDA (i.e. new builds), with only 273 new SDA dwellings registered to end September 2018. Available supply data indicates that 210 of these new SDA dwellings were for 1-3 residents (providing 321 new places), with only 63 larger 4-5 resident dwellings (providing 298 new places).¹⁵ As a result, many participants who have been deemed eligible for SDA and who are not already living in an existing SDA property have limited opportunity to access SDA or are potentially experiencing delay in securing, suitable accommodation.

Further, information provided as part of this Review indicates that where there are vacancies in SDA registered dwellings, these tend to be in larger group homes, and participants are not necessarily able to secure SDA in smaller settings or in settings consistent with their preferences. It should be noted that data on vacancies and placements was not available for consideration as part of this Review, and therefore conclusions in relation to placements have been made based on stakeholder feedback and anecdotal evidence.

As discussed further in section 3.3, this is not unexpected at this point in Scheme implementation and supply increases will take some time to achieve. However, this relatively slow increase in supply will continue to have a negative impact on participant choice at least in the short term.

Participants have a range of preferences with respect to SDA arrangements, though the SDA Framework has not fully considered these preferences

Choice and control where possible with increased independence and inclusion of participants, are critical intentions of the NDIS. Participants want to be able to determine where they live, who they live with, and whether they live alone or with others.

People with disability and their families who engaged in the Review lived in a range of settings, including with family, in existing SDA dwellings and in residential aged care. Many of the people

¹⁵ NDIA data as at end September 2018.

engaged indicated they were seeking arrangements where they can live with family, their children and/or partner.

The location of housing within the community, the size and standard of the home and how it is designed, and tenancy and ownership arrangements were seen as part of the choice and control equation. People noted that this choice reflected community standards and broader considerations relating to housing affordability.



The option of private and independent living was a key feature of the SDA framework policy intent which represented a significant and much applauded step away from institutional housing practices of the past and towards full freedom of choice and independent living opportunities

– Written Submission

Some participants and their families, and some existing SIL providers, appear to be more familiar and have a preference for traditional group home models (often without full knowledge of or experience with alternative housing options) and this could be influencing investment and development decisions.

Participants and families engaged in the Review stated that they have had few opportunities to engage with providers and investors to express their preferences with respect to SDA design, and providers and investors have largely not sought this input to date. This is likely to be, at least in part, due to participants' inability to secure SDA funding without being able to locate a dwelling.

Participants and other stakeholders engaged as part of the Review also stated that being able to influence the design of new accommodation is critical to ensuring it meets their needs (and also contribute to longer term housing and support outcomes. It is noted that there are no limitations for providers and investors to directly engage with participants and that it would be sensible and beneficial to do so to ensure their SDA offerings meet the needs and preferences of SDA-eligible participants. Providers and investors support the involvement of participants in the early SDA design and concept development phase. There were, however, a number of issues identified relating to how the SDA Framework, SDA pricing and immaturity of the market was limiting participants' ability to express their preferences and exercise choice and control. These are discussed in the following sections.

Predominance of the group home model

Existing SDA supply largely reflects the traditional group home model utilised under state/territory based arrangements. While available data shows some new, smaller (one-bedroom) SDA dwellings being developed there are also a number of new large five-bedroom group homes.

The group home model assumes participants with similar or complementary needs will live together. This gives rise to issues around "matching" and concerns about choice (or lack of choice) of housemates and the sometimes rigid support routines. The group home model does not reflect the preferences of many participants – something explicitly recognised by the SDA Framework and the NDIA.



To be eligible for a house I must be eligible for SDA – I have to live with a bunch of other people eligible for SDA – SDA is the only thing we have in common – what if I want to live with someone like me or a different person"

– People with disability, families and carers Roundtable



The pricing arrangements in the SDA framework will see a perpetuation of the 'group homes' models where individuals have little or no choice over who they live with"

– Written submission

Limitations on living alone

A number of participants engaged as part of the Review stated that they have preference for independent living – options that are supported by the SDA Framework and the Rules. “Independent living” meant a number of things to participants: living alone, living with other people with disability who were not eligible for SDA and living with other people who did not have a disability (friends and family).

The option for participants to live alone is being constrained at this point in time by a lack of supply, but there was also a perception among Review participants that living alone is not an option supported by the NDIA other than in very limited circumstances.

“

In the eyes of the investor market, the statement has raised such significant doubt over the viability of single resident dwellings that the vast majority of investment proposals which rely on individual occupancy outcomes have now either been terminated or redesigned towards shared living concepts

– Written Submission

“

The investor statement put many other factors ahead of choice and control – that will lead to a funnelling of people into far fewer options.”

– People with disability, families and carers Roundtable

However, it is noted that the Rules state that the type of SDA dwelling is determined by a participant’s support need, and the nature of person’s support needs will limit their ability to live alone (4.4, 4.6(d), 4.7 refer).

Limited options to live with family or others without disability

The SDA Framework does not adequately consider circumstances where participants choose to live with others who do not attract SDA funding – including family members, partner or children, friends and others without disability – and the pricing and payment arrangements largely mean that living with others without disability are cost-prohibitive. Where a person without disability occupies a “place” in an SDA dwelling, the provider does not attract SDA funding for that place and will likely seek to recoup some or all of the SDA revenue foregone by charging rent to the resident without disability. This “rent” could be higher than the market rent for an equivalent non-SDA property, and potentially unaffordable for the resident without disability.

“

I believe that we would be prime candidates for SDA, but in order to qualify, I would need to leave my family and move into shared accommodation, as payment to the SDA-accredited developer is cut by more than 60 percent if my family joins me. I have it in writing from a local developer that this disincentive is enough to reject my application out of hand. This is obviously not acceptable, fair or, arguably, value for money.”

– People with disability, families and carers Roundtable

“

A mother and her daughter could not live together under SDA, as funding for investors would be lower. This is not inclusive, makes it harder to get out of group home settings”

– People with disability, families and carers Roundtable

The Framework conceptualises SDA in terms of a “rental model”

The SDA Framework largely conceptualises SDA in terms of a rental model and assumes that SDA will be provided “for rent” by a range of providers – that is, in a rental market. The language in the SDA Framework focuses on tenancy and rental contributions and does not necessarily consider, or promote, other types of tenure outside of the traditional rental model, including models that support participants to achieve home ownership or shared equity models. There are a number of alternative ownership models that could be considered. Section 94 of the SDA Framework supports the NDIA considering or including funding arrangements that may be needed, including where innovative financing arrangements are needed.

An alternative is using SDA to support home ownership, including:

- shared equity arrangements allowing for multiple parties to hold equity in an SDA property
- rent-to-buy models where some of the rental contribution contributes towards longer-term ownership arrangements
- contributing towards securing finance (e.g. a private mortgage).

Currently it is possible for participants to access SDA funding for a home they own, but this requires them to register to become their own SDA provider. In practice, this option has only been successfully pursued by a handful of people. The current SDA arrangements have been designed to attract investment for the construction of new stock. Consideration could be given to whether the current requirement to become a registered SDA provider, and the design of payments as an ongoing subsidy is the most effective way to support the additional cost of capital for participants who chose to build or buy their own home.

2. Access

In a demand-regulated market, rules and processes for determining eligibility for SDA are clear and transparent and consistently applied, and result in participants most in need and most likely to benefit gaining access to SDA.

Having clear and timely access to SDA through transparent and consistent processes is critical to ensuring participants who are eligible for SDA can access it. Providing participants with greater certainty around access processes and likely decisions will also contribute to ensuring expected demand is flowing into the market.

The process for confirming eligibility for SDA and having SDA funding including in a participant’s plan is complex and delaying access to SDA

Eligibility criteria are reasonably clearly established within the SDA Framework, with additional clarity provided in the SDA Rules. Part 3 of the SDA Framework establishes “for whom” SDA will be funded and “in what circumstances”. Sections 60 to 62 describe the circumstances of “participants for whom specialist disability accommodation is reasonable and necessary”. Section 3 prioritises young people in residential aged care and people already deemed eligible and on existing waiting lists. The SDA Framework provides further clarity around how each criteria can be established in sections 65 to 80. This includes physical requirements, diagnoses, economies of scale in shared arrangements, safety risks, informal supports and cost effectiveness. This is further expanded on in the Rules.

The Review found that the process for confirming eligibility for SDA and having SDA funding including in a participant’s plan is complex, and this was creating delays in accessing SDA. There were a number of operational issues identified:

- Under the Rules participants who are likely to be eligible for SDA are required to seek alternative housing options first, before SDA will be considered. The requirements to exhaust all other options in the immediate lead-up to an SDA request is time-consuming, and may ignore the fact that non-SDA options may not be a suitable or appropriate option for the participant or not take into consideration the participant’s and their family’s previous history of attempts to secure housing. This is particularly an issue at this early stage of the Scheme where there are limited SDA options available.

- Where participants are likely to be SDA-eligible, the process specified in the Rules for confirming eligibility and securing SDA funding can be lengthy and unclear for participants. When a participant has found a suitable SDA placement appropriate for their needs, they must ask for an urgent review of their plan which will only then involve the assessment of the person's suitability for SDA. Stakeholders engaged as part of this review stated that this can mean participants and their families are spending significant amounts of time on finding an SDA place for which they may not be found eligible for. Further, the NDIA's review processes may take a number of months to reach a decision.
- Evidentiary requirements for participants to confirm eligibility are considered by some participants and providers to be confusing and unclear, and in some cases participants are required to submit multiple revised applications as instructions or requirements change. The Review heard that support coordinators, LACs and planners are not necessarily equipped with the necessary guidance or expertise to guide participants in successfully navigating these requirements.

Delays in eligibility decisions and securing plan review meetings means that participants who are or are very likely to be eligible for SDA are not necessarily visible to the market and is impacting on how demand is being expressed in the market. Further, these delays are also having an adverse effect on market confidence as providers have little visibility over expected demand (discussed in section 4.3). This is seen to be contributing to provider and investor hesitance around SDA investment decisions.

One of the consequences of these issues and delays is that some participants continue to live in unsuitable circumstances - for example, young people remaining in nursing homes despite their transition being a priority.

“

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”

– Written submission

“

Currently a lot of hurdles and we have to provide a lot of evidence that they are eligible for SDA. I have mountains of paperwork prepared but I don't know if it's what they want.”

– People with disability, families and carers Roundtable

“

Currently housing needs to be built before SDA approval in the plan – however SDA planning should occur first to allow the developer to develop tailored properties. The risk is too large for them to invest without the guarantee of residents and rents. This is especially true where they may make the higher investment of building high physical support homes that have additional build costs.”

– People with disability, families and carers Roundtable

3. Information

In a well-functioning market, participants have access to sufficient information on SDA supply and availability to enable them to exercise choice and control.

Access to information about potential vacancies and/or new SDA options, together with clear access processes and decisions, will ultimately provide participants with true purchasing power in the market. Armed with a clear decision about their eligibility and funding envelope, participants will be able to: approach the market through identified channels linking them to potential providers; explore their options; and enter into discussions and negotiations with potential providers. They will be able to make decisions about the area in which they want to live and the people they want to live with.

There is little information for participants on SDA dwellings and SDA vacancies, and participants and their families find it difficult to find and connect with SDA providers

The Review found that there is little information for participants on SDA dwellings and SDA vacancies, and as such participants and their families as well as support coordinators, find it difficult to find and connect with SDA providers that have vacancies. The Review found that there are some emerging initiatives that are providing online information about existing SDA dwellings – for example the ‘Nest’ gonest.com.au, Housing Hub thehousinghub.org.au and Disability Housing websites disabilityhousing.com.au – where people with disability can find suitable housing that meets their support and funding requirements.

Participants and families also have access to the NDIA Provider Registration spreadsheet, which can be filtered by provider type to locate providers delivering a particular service type, including SDA. This does not assist in identifying which providers are actively delivering or planning SDA, nor does it provide vacancy information. While this Review did not consider the planning and support coordination process at an operational level, information gathered from consultations conducted as part of this Review indicated that some information was available through the coordination of supports, but that intermediaries required access to more accurate, up-to-date data as part of this process.

The release of information from the NDIA on newly approved and planned dwellings, combined with vacancy information from providers, would greatly improve the utility of emerging web-applications and provide participants and families with the information they need to consider options and make decisions about providers and placements.

SDA market maturity: Demand

The table below provides an overview of the current state of the SDA market in relation to key demand market elements discussed above

Table 3 Assessment of current level of maturity of the SDA market in relation to demand elements

Consumer choice:

In a well-functioning SDA market, participants should be able to express their preferences to the market and influence the development and provision of SDA which meets their preferences, consistent with the notions of choice and control and reasonable and necessary supports

The concept of choice is articulated at a theoretical level in the SDA Framework. The SDA Framework provides guidance to balance choice with reasonable and necessary requirements and cost effectiveness. However, in practice participants eligible for SDA, and in particular those who are not already living in an existing SDA property, have limited choice due to a lack of SDA dwellings and vacancies. Further, the Rules mean that the SDA participant planning process is relatively complex, and does not facilitate a discussion about options and possible funding trade-offs in decisions around SDA and other supports.

The SDA Framework and Rules do not fully consider the range of preferences being expressed by participants in relation to their living arrangements, and the market has not yet responded to the range of participant preferences. At this stage of market development, there is still a predominance of the group home model, reflecting the fact that most existing and legacy stock are group homes. It is expected that the market will respond over time to meet a broader range of participant preferences, and there is some early evidence that there have been a number of new, smaller SDA dwellings (1-3 residents) enrolled.

Further, some participants would like to live alone or with people without disability (such as partners, family or friends). Despite early market interest and activity in developing single-person SDA dwellings, that the Rules state that the ability for a participant to live



alone is determined by their support need (4.4, 4.6(d), 4.7 refer), and there have been subsequent signals from the NDIA that only a limited number of SDA-eligible participants will be able to live alone. Pricing arrangements mean that the market has shown little interest to date in developing SDA dwellings which can accommodate both SDA-eligible participants and others without disability given the lower returns this will generate.

Access:

In a well-functioning, demand-regulated SDA market, rules and processes for determining eligibility for SDA should be clear and transparent and consistently applied, and result in participants most in need and most likely to benefit gaining access to SDA

The process for confirming eligibility for SDA and having SDA funding including in a participant's plan is complex and delaying access to SDA.

Eligibility criteria are clearly established within the SDA Framework, with additional clarity provided in the SDA Rules. The Review found that the process for confirming eligibility for SDA and having SDA funding including in a participant's plan is complex, and this was creating delays in accessing SDA.

In particular, there is a requirement in the Rules which states that, even if a participant is eligible for SDA, funding will not be allocated to that participant unless an SDA dwelling is, or will very soon be, available. In reality this means that participants are unable to secure SDA funding without finding an SDA place, but an SDA provider is unwilling to make an offer without a guarantee of SDA funding.

Information:

In a well-functioning SDA market, participants should have access to sufficient information on SDA supply and availability to enable them to exercise choice and control

Information about SDA properties and vacancies is starting to emerge, but currently participants and families are finding it difficult to find and connect with SDA providers with vacancies. However, there is a lack of information available on existing and planned SDA dwellings and SDA vacancies, though the Review noted that there are a number of web-based platforms that are emerging that will provide this information (for example the 'Nest' and 'Housing Hub' platforms). These platforms would benefit from the inclusion of information held by Government and providers in relation to SDA provider registrations, and enrolled and planned dwellings.

The Review also found that, to date, only a small number of participants have had the opportunity to engage with providers and investors to express their preferences with respect to SDA design.



Recommendations – demand

Enhancing participant choice and control

Recommendation 1: Clearly articulate how participant preferences will be taken into account in determining their SIL and SDA arrangements.

This includes clarity on:

- How participant preferences relating to *where* they want to live, *who* they want to live with, and the *type of dwelling* they want to live in, will be taken into consideration in the determination of 'reasonable and necessary'.
- Communicating more clearly to participants and families, and the market more broadly, the circumstances in which a participant may be able to live alone (as per the Rules).
- How participants can use their SDA funding more flexibly than present, including how participants can be engaged in decision making about different combinations of SDA and other support funding to them meet their long-term goals.

The publication of precedents or case studies could be used to improve clarity, and these can be used to provide guidance and training to those responsible for determining eligibility and the provision of SDA funding.

Recommendation 2: Make changes to the Framework, Rules and Price Guide to remove restrictions for participants to live in SDA dwellings with people who are not eligible for SDA (such as their partner, children, other family and friends).

This should include:

- Changing the Rules (and subsequently the Framework and other supporting documentation) to:
 - remove the rule for dwelling enrolment that requires the majority of bedrooms in a house to be SDA-compliant
 - revise the rule that requires a bedroom for every resident in the house to remove this requirement for couples, participants with children and participants in other limited circumstances where a separate bedroom-like room is not required, while also ensuring sufficient safeguards are in place.
- Examining disincentives for providers that limit a participant's ability to live with others without disability (noting that the NDIS does not fund or subsidise living arrangements for people without disability).

Simplifying the process for participants to access SDA

Recommendation 3: Improve and streamline the SDA planning process and participant journey to ensure that the process is efficient, easy to navigate, and does not unduly burden participants and their families or SDA providers.

This should include:

- Examining the Rules and NDIS processes to identify barriers or constraints that make the participant planning process overly complex – such as:
 - The steps in the SDA process to allow clear decisions on SDA eligibility and funding to be made *prior to* the participant being required to identify a potential SDA dwelling. This will require amendment to the SDA Rule that requires a property to be available or very soon available before an SDA eligibility decision can be made.
 - Removing requirements to demonstrate other housing options are not suitable before a decision is made on eligibility, particularly where participants are already residing in unsuitable

accommodation, as by definition, a person who is eligible for SDA has their needs best met by SDA.

- Developing a SDA planning framework or guidelines that articulates how interdependent factors should be considered in determining SDA eligibility and the participant planning process (such as building design, ownership status, decision-making authority on any co-tenants, other disability supports and the day-to-day management of supports that are required to be in place for a person to live in SDA).
- Considering ways to escalate or prioritise plan review meetings where a vacancy is available or where existing accommodation is unsuitable (in accordance with the commitment in the Framework to prioritising Young People in Nursing Homes and other participants in unsuitable accommodation).
- Communicating the reasons for eligibility determinations to participants in a way they can easily understand, especially where participants have been deemed ineligible, to assist participants to understand the reasons and considerations underpinning the eligibility decision.
- Publishing indicative timeframes for eligibility decision-making, based on the type of application and participant characteristics, and examples of circumstances that would impact on the length of time take to make an eligibility determination (including guidance to participants around supporting documentation and evidence that could be improve timeliness of decision making in these circumstances).
- Tracking timeliness of SDA eligibility decisions by capturing when participants first apply for SDA compared to when eligibility is determined and reporting on the average time taken to progress through each stage.
- Reporting regularly on the number of SDA decisions, the number of people with SDA in plans, and the number of days SDA places remain vacant, to indicate progress in SDA access.

Once the above mechanisms are in place, specific timeframes should be established within the Agency for decision-making, including Key Performance Indicators (KPIs). For example, a percentage of eligibility decisions made within committed timeframes or the number of participants with SDA in their plans at particular timing intervals.

The ultimate objective of refining the process is to achieve an outcome where a participant can confidently participate in the market, and the vendor can have confidence of the certainty around the participants funding stream and options to seriously negotiate with the participant.

Recommendation 4: Based on the clarification of the process in Recommendation 3, provide greater clarity to participants on the SDA process through guidance for participants and families.

This guidance should clearly set out the:

- pathway to SDA, from decision-making through to identifying appropriate accommodation options
- supporting documentation necessary to meet evidentiary requirements.

Ultimately, guidance should prepare the participant, family and/or carer to participate in SDA eligibility and planning discussions.

Improving information for participants

Recommendation 5: Enable the provisional approval of SDA dwellings earlier in the build process to assist in enabling participants to link up with providers and potential new accommodation options earlier in the process and give greater visibility of upcoming SDA builds.

This could be achieved via one of two mechanisms:

- A change to the Rules to allow for a provisional certification of a dwelling based on a number of key criteria to be demonstrated in building plans, with a final certificate of occupancy required prior to a participant moving into the dwelling. In the absence of changes to decouple SDA funding decisions from the availability of an SDA dwelling, a participant could be allocated SDA funding for a dwelling based on the provisional certification.

- An independent certification process undertaken by a certification or building assessment body according to criteria agreed with the body responsible for enrolment. This would include working with the independent body to develop the training curriculum for independent certifiers and empower the certification body to certify dwellings based on dwelling plans. The certification body would be required to keep a register of certified dwellings. (It is understood that this process is being developed currently).

It is important that any process in this regard aligns with the quality and safeguarding arrangements implemented by the Commission.

Recommendation 6: Support the further development of an SDA e-market by publishing real time dwelling enrolment information, in addition to the existing requirements for the NDIS Commission to publish dwelling registration information

This includes information on:

- existing SDA dwellings (this should be supplemented by information provided by accommodation providers/managers on vacancies)
- registered SDA providers
- planned and provisionally approved dwellings (made available through the recommended provisional enrolment process).

This information will inform existing e-market mechanisms that are already available and developing in the market (such as Nest and The Housing Hub) which allow participants to access information on existing SDA dwellings and SDA vacancies that meet their needs and preferences, and that link participants to SDA providers. This will provide opportunities for participants and their representatives and providers/investors to meet to influence the design and development of new SDA dwellings.

Recommendation 7: Develop and publish clear, accessible information for participants and investors about the SDA Rules, Framework, and Price Guide.

It is recommended that multiple channels be considered, including the release of plain English documents for distribution by planners, Local Area Coordinators (LACs) and providers; participant and investor information sessions; and web-based information. This would promote understanding amongst all stakeholders about the operation of SDA, and the roles, responsibilities, options and requirements for all stakeholders.

4.3 Supply



Summary of key findings

Market confidence

- 1) There is substantial amount of interest in SDA from providers and investors, and while there has been some new investment, this has not yet translated into significant levels of new investment or supply.

Information

- 2) Lack of market information is having a detrimental impact on organisations' willingness to invest in SDA.

Pricing

- 3) The form and components for establishing benchmark prices were found to be appropriate for setting prices, though stakeholders consulted during the Review stated that some of the underpinning assumptions for each of these components may not reflect actual values or costs.
- 4) Current prices are contributing to a risk that future growth in supply may not result in an optimal supply mix.
- 5) Investors have a strong preference for certainty regarding return on their investment over the life of the investment

Risks

- 6) There are a range of risks and uncertainties that contribute to a reluctance to invest and could slow future supply growth.

Quality

- 7) While the design guidelines used for SDA promote quality building and design, it is too early to determine whether this is being achieved.
- 8) There is a lack of clarity relating to the role and requirements of the NDIS Commission with respect to SDA, and uncertainty around any cost implications of new quality requirements.

Innovation

- 9) The immaturity of the SDA market means that the notions of innovation are still being determined.
- 10) Participants are limited in their ability to drive the development of innovative SDA designs.
- 11) There are some aspects of the SDA Framework and Rules that are creating some barriers to achieving innovation

Context

The Productivity Commission estimated that approximately six percent of Scheme participants will require SDA – approximately 28,000 at full Scheme – a significant increase on the 15,700 people estimated to be accessing various types of supported accommodation funded or provided through state/territory disability service systems. New SDA dwellings for 12,300 participants will be required.

More contemporary models of providing specialist accommodation support to people with disability are required to facilitate better outcomes for participants and to better meet the needs and preferences of people with disability who require SDA. This means a move away from more traditional group home models towards smaller homes, homes that provide a greater degree of independence, and homes that maximise connections to communities in which people live.

Increase in supply, and greater diversity in supply, can only be achieved through significant additional investment in SDA – both through developing new SDA properties, and redeveloping or refurbishing existing SDA properties to meet new SDA standards.

One of the key aims of the SDA Framework is to generate investor and provider interest in SDA, and specifically to encourage and facilitate investment in quality SDA. Evidence presented to this Review suggests that while there has been considerable interest in SDA to date, investment has been more limited, and changes to the SDA Framework, Rules, policies and implementation to increase investor confidence need to be considered. The Review identifies key findings with respect to achieving optimal supply and supply mix, along with suggested solutions, are discussed below. These findings are presented against each of the key elements of a well-functioning market described in Section 2 and 3, that is:

1. Market confidence
2. Information
3. Pricing
4. Risk
5. Quality
6. Innovation.

1. Market confidence

In a well-developed market, current and potential market players should have sufficient confidence in the market and policy settings to generate interest and investment to ensure optimal supply.

While it does not set out any specific points relating to confidence in the market, the parameters set within the SDA Framework and the way it is implemented must support confidence within the market in order to boost the level of supply of SDA and meet the needs of SDA participants.

There is substantial amount of interest in SDA from providers and investors, though this has not yet translated into significant levels of new investment or supply

There is substantial qualitative evidence that the SDA Framework, SDA Rules and other associated policy and pricing documentation (i.e. Decision Paper, SDA Price Guide), have stimulated interest from a range of providers and investors in SDA. This includes interest from existing disability service providers, newly-formed disability support organisations, community housing providers, as well as private and institutional investors. Notably, there is evidence of interest from outside the “traditional” disability and community housing sectors from investors and lenders attracted by the potential returns SDA could provide and the broader benefits for their organisations of investing in important social infrastructure.

Further, there is evidence that organisations are forming partnerships which bring together the range of knowledge and capability required to provide SDA (i.e. experience and understanding of the specific needs of people with significant disability requiring an SDA response, experience in designing and developing properties for people with disability, and experience in managing large property portfolios) with access to the significant amounts of capital and ability to secure debt finance required to achieve large scale growth in supply. Various partnership models are emerging:

- Existing or newly formed disability support providers partnering with a community housing provider to design, develop and manage specific SDA developments – typically smaller scale and targeted towards specific cohort groups.

- An investor partnering with a disability housing provider and/or community housing provider to design, develop and manage a number of SDA developments over time (i.e. larger scale).
- Disability support providers forming long-term partnerships with investors/lenders to access finance.

Despite considerable interest in SDA overall, there is limited evidence of substantial investments being made in SDA to date or of significant increase in SDA supply. Available data provided by the NDIA indicates that there have been 273 new SDA dwellings registered as at September 2018, representing approximately 591 additional SDA places. It would be unreasonable to expect that at this stage of the Scheme's implementation there would have been significant increases in supply – particularly given there are long lead times for developing new properties (up to two years). In addition, the Scheme is relatively new and the SDA market still largely untested. There remains a degree of hesitance in making large scale investment in SDA at this point in time (discussed in detail in a previous section).



Since its inception, the potential SDA market has generated a significant amount of energy, interest, activity and goodwill. However, the willingness of investors and financiers to invest...has been significantly thwarted by the lack of certainty and clarity associated with the framework...and administration of SDA"

– Written submission

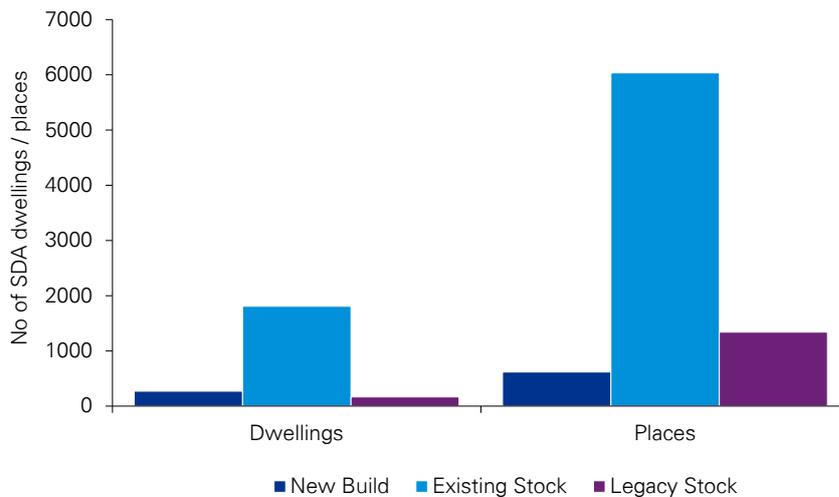
Increases in SDA supply – evidence

The NDIA has a range of data available relating to SDA providers and dwellings registered and enrolled by the NDIA. While there are some limitations with this data set¹⁶, it is the best source of data relating to SDA supply and increases in SDA supply. An overview of the SDA supply, based on detailed data provided by the NDIA in July 2018, is described in section 3.3, and the data below relates only to new SDA dwellings (or "new builds").

There have been 273 new SDA dwellings registered with the NDIA in the period to September 2018, representing approximately 619 additional SDA places. This represents a small proportion of the 2,243 SDA dwellings registered in total. The majority of registered SDA dwellings are classified as 'existing' or 'legacy' stock – as illustrated in Figure 16.

¹⁶ This data set does not necessarily reflect total SDA supply or emerging supply: there are a range of existing properties that are not yet registered with the NDIA, and the data set does not contain any SDA dwellings in development.

Figure 16: Number of registered SDA dwellings and places, September 2018¹⁷



Source: NDIA enrolled dwelling data, September 2018

More than 50 percent of these new SDA dwellings are located in NSW (153 dwellings). WA, SA, NT, Tasmania and the ACT have few (less than 9) or no new SDA dwellings registered¹⁸. The majority are located in non-metropolitan areas.

Available data on the number of new SDA dwellings registered to date by location (as outlined in Table 4 below) illustrates that there is a noticeable focus on regional rather than metropolitan locations – particularly in Queensland and Victoria. This may: be due to specific investment decisions being driven by location factor adjustments relative to land and development costs; reflect areas where there is greater need/larger supply gaps; and/or be influenced by the fact that a few large developments are located in non-metropolitan areas.

Table 4: Number of new SDA dwellings registered, by state/territory, September 2018¹⁹

State/Territory	Metro (capital city)	Non-metro	Total new dwellings	New places
NSW	99	54	153	398
QLD	4	61	65	91
VIC	12	29	41	96
NT	8	0	8	16
SA	3	0	3	10
TAS	0	3	3	8
ACT	0	0	0	0
WA	0	0	0	0
Total	126	147	273	619

Source: NDIA enrolled dwelling data, September 2018

There are 57 organisations that have at least one new SDA property registered, with eight organisations accounting for almost 50 percent of new builds (Table 5 below refers).

¹⁷ New build includes existing stock that has been refurbished to meet New Build standards (new build – refurbishment). Number of places is based on the maximum number of residents for each dwelling.

¹⁸ It should be noted that the larger number of new dwellings in NSW is likely due to the fact that NSW was one of the first jurisdictions to fully transition to the NDIS.

¹⁹ New build includes existing stock that has been refurbished to meet New Build standards (new build – refurbishment).

Table 5: Number of organisations with at least one new SDA dwelling registered, September 2018²⁰

	No. of organisations	No. of new SDA dwellings	% of new dwellings
Number of organisations with at least one new SDA dwelling registered	57	273	100%
Number of organisations with 1-2 new dwellings	27	34	12%
Number of organisations with 3-4 new dwellings	11	37	14%
Number of organisations with 5-9 new dwellings	11	76	28%
Number of organisations with 10+ new dwellings	8	126	46%

Source: NDIA enrolled dwelling data, September 2018

2. Information

In a well-developed SDA market, providers and investors will have ready access to sufficient market information on current and potential future demand and supply to make informed investment and supply decisions, both through market mechanisms as well as non-market mechanisms where there may be information asymmetry.

Lack of market information is having a detrimental impact on organisations’ willingness to invest in SDA

The Review found that at this stage of market development, there is a lack of robust, quantitative information for the market on SDA need/demand and supply or market gaps on investment decisions can be based. This lack of market information, especially in an immature, price-regulated market contributes to provider/investor risk and lack of confidence in investing in SDA and again, only exacerbates barriers to larger scale investment in SDA. In the absence of this quantitative data, providers and investors are basing decisions on local knowledge and the needs of specific groups of participants, pricing factors and potential returns, and belief in the “potential” gaps in the SDA market.²¹

Some e-market mechanisms – such as Nest and Housing Hub are emerging, though these mechanisms are focused on matching participants with SDA providers and vacancies rather than providing a comprehensive picture of total supply. Providers have also undertaken their own analysis to consolidate publicly available market information that is publically available.



The sector desperately needs the demand and supply data to enable a more effective supply response”

– Provider/investor Roundtable



The biggest shortfalls in how the SDA has been rolled out is the lack of data”

– Provider/Investor Roundtable

²⁰ New build includes existing stock that has been refurbished to meet New Build standards (new build – refurbishment).

²¹ It is noted that subsequent to the Review being completed, the NDIA released some SDA data to the market.

Lack of information on demand and need

The level of demand for SDA is determined by NDIA decisions relating to SDA eligibility and participant planning and funding decisions, in accordance with SDA Rules. In addition, while participants can express some demand preferences to the market in terms of the types and nature of SDA they want to live in (and where they want to live), the nature of demand is also influenced by the NDIA through decisions relating to the dwelling size and design category for which participant SDA funding is approved.

In any market, and in particular in a developing market, it is important that demand information (particularly data on expected future demand by region) be made available to the market – both in terms of level of demand and nature of demand – and the organisation or entity most in control of demand is in the best position to compile and release this information. Without this information the market is unable to respond appropriately – it will not be able to make informed supply decisions and this can limit the market’s willingness to invest in SDA (given the risk may be too high). It can also lead to the market making sub-optimal decisions relating to SDA supply and investment.

Current and potential SDA providers and investors engaged through the Review all stressed the importance of being able to access SDA demand information. This included robust and up-to-date data on the number and characteristics of participants eligible, and likely to be eligible for SDA at full Scheme, and projections (to be reviewed every five years) of how this is likely to change over time, by:

- disability type and support need
- type of SDA or other accommodation required (including SDA design category, where available)
- where participants live (at SA4 or sub-regional level)

This information is required separately for participants who accessed some form of supported accommodation through state/territory arrangements and currently living in in existing SDA dwellings or legacy stock, and for participants who will be accessing SDA for the first time.²²

It is recognised that, as with any market, investors and providers also need to undertake their own market research and engagement with potential consumers to complement more quantitative information from government. This would include specifically engaging with participants who are likely to be eligible for SDA (and their families and carers) on their housing preferences, engaging with organisations with deep experience in supporting people with disability (or forming longer-term partnership arrangements), as well as accessing research relating to contemporary housing supports, approaches and designs.

Providers and investors engaged as part of this Review indicated that this demand information would not only assist the market to make sound investment decisions that were not speculative and better manage vacancy risks, but also support the market to meet the individual needs of participants by ensuring appropriate, tailored housing was built.

Lack of information on current and emerging supply and supply gaps

There is also no comprehensive publically available market information on existing supply of SDA or how SDA supply is developing over time. The market currently does not have visibility of existing SDA stock, newly enrolled dwellings and other planned developments, which is required to inform investment decisions, including size, type and location information. Existing websites that provide some information are targeted at participants seeking vacancies, rather than investors. Robust supply information, together with greater quantification of likely need and demand for SDA, will contribute to achieving both required level of supply and optimal supply mix over the long-term.

Ideally, the market requires data at a granular level on the number of SDA dwellings and places – for both existing (and legacy) stock and new dwellings/places – by:

- SDA dwelling type
- SDA dwelling size

²² It is noted that subsequent to the Review being completed, the NDIA released some SDA data to the market.

- location (SA4 or sub-regional level).

It is noted that subsequent to the Review being completed, the NDIA released some SDA data to the market

3. Pricing

In a price-regulated market: pricing and funding arrangements should provide appropriate signals to the market to guide supply and investment decisions; be sufficient to cover costs and provide a reasonable rate of return over the long term; and result in an optimal level of supply and supply mix.

The SDA Framework sets out the considerations that the NDIA will take into account in setting benchmark prices, how these prices will be reviewed and a number of other specific considerations relating to adjustment of prices in particular circumstances (such as location factors and public land). Pricing guidance is intended to facilitate a sufficient return on investment for SDA that provides sufficient purchasing power for eligible participants to find suitable accommodation, either by securing investors or providers to deliver new housing, or by sourcing existing SDA accommodation. The SDA Framework also indicates that an efficient price will also cover the full lifecycle costs of appropriate accommodation.

The Review has identified a number of key issues related to pricing and payments, which are impacting on investor interest and confidence in the SDA market and the ability of participants to find SDA that matches their preferences.

Key assumptions underpinning SDA prices may not reflect 'efficient' prices

The SDA Framework sets out the form for benchmark prices, including the components that will be considered in setting an efficient price. These factors include consumption costs, opportunity costs of capital, costs of ownership, land price inflation and resident rent contributions. Providers and investors consulted as part of the review largely indicated that these components were appropriate for setting benchmark prices, in conjunction with other multiplicative factors allowed for in the SDA Framework such as location, number of bedrooms, necessary features of each dwelling type that may require additional build costs and price inflation.

Providers and investors stated that some of the price *assumptions* underpinning each of these components were not reflective of actual values or costs. In some cases this meant that prices for some SDA dwelling types and design categories were generous and for others, prices were seen to be inadequate. A full review of prices (or price assumptions) was not within the scope of this Review, though examples of specific issues raised by providers and investors are listed below and may provide a focus for any forthcoming price review:

- The variability of location factors across geographies, and the extent to which location factors reflect land costs
- The cost of debt and the required rate of return for equity may be higher in parts of the market, given the SDA market is new and lenders/investors are uncertain regarding potential returns and the overcapitalisation required for SDA dwellings.
- The variability of building costs between building types/design categories may not be adequately reflected in construction cost assumptions.
- Land price inflation may be more appropriately based on expected land price inflation, rather than the historical long term average and that this rate may be more conservative than historical rates.

In relation to benchmark prices, providers and investors who engaged in the Review indicated that some prices are broadly sufficient to make a return on investment in SDA (and in some cases a relatively generous return), while others are not. They indicated that there were issues with variations in specific prices skewing investment interest towards particular design categories, and dwelling types which have the potential to provide the greatest return, and away from other types of SDA dwellings, which may not be consistent with the preferences of participants.

For example, a number of providers indicated that current prices provide a reasonable return for High Physical Support dwellings, in particular one or two-bedroom apartments, though many also stated that potential returns for Robust and Fully Accessible dwellings were lower:

- Providers indicated that for a one-bedroom, High Physical Support apartment, the additional construction costs required to meet this standard over and above a Fully Accessible apartment are approximately five percent. Both dwelling types must comply with Liveable Housing Australia Platinum standards, with the only additional build costs related to the inclusion of strengthened ceilings and floors to support hoists and remote control blinds and lights for High Physical Support dwellings. However, the additional revenue associated with a one bedroom High Physical Support apartment, compared with a Fully Accessible apartment, is \$29,147 per annum (or 51 percent higher). Providers consider the construction cost estimates made by the NDIA for High Physical Support dwellings to be accurate, but that assumptions for Fully Accessible dwellings understated their cost of construction. Providers stated that this applied across all building types (from apartments to five bedroom houses).
- While no specific modelling was provided by the market with respect to other design categories, providers indicated they have found similar variances in prices and construction costs when considering the development of Robust dwellings compared to High Physical Support dwellings, based on increased construction costs related to reinforcements and increased maintenance costs over the useful life of the dwelling.

A contributing factor to concerns relating to benchmark prices and underpinning assumptions is the lack of clarity regarding the approach used to determine prices and key price assumptions, including whether they reflect actual provider costs. In order to support greater certainty in the market, greater transparency regarding benchmark pricing approach and key price assumptions is required.

Adequacy of location factors contained in the SDA Price Guide varies significantly across geographies

The SDA Framework allows for adjustments to be made to benchmark prices based on location and other approved allowances (paragraph 23). At a policy level, location weighting is critical to account for the significant variation in costs across geographies around Australia, including land prices, construction costs and degrees of remoteness.

Providers and investors engaged through the Review indicated that current location factors contained in the SDA Price Guide varies significantly across geographies - for a number of reasons:

- The ABS Statistical Area 4 (SA4) regions that appear to be used for each location factor were too broad, and did not recognise local market contexts (such as in metropolitan areas and in remote NT), or the variability even within smaller geographic areas.
- The factors do not reflect the actual variability of land prices within each SA4, or the high cost of land in others. For example, a number of investors and providers operating within the local area indicated the inner Sydney area was not a feasible location for SDA accommodation based on the current location factor.
- The variation in building costs, especially in rural and remote areas, were not reflected in some factors.

To examine the variability in land values across SA4 regions, a sample of locations were selected across NSW and Victoria, based on availability of land value information. These included the following SA4s:

- Melbourne – South East.
- Sydney – North Sydney and Hornsby.
- Riverina (NSW).

Table 6 considers the difference in median price for land across each SA4 region, based on the particular sub-regions it comprises of. The sample demonstrates that there is a considerable

difference in the value of land within particular SA4 regions, within both metropolitan and regional areas.

Table 6: Comparison of median land values (developed or undeveloped) across selected SA4 regions

SA4	Sub-region	Median price for land (developed or undeveloped)
Sydney – North Sydney and Hornsby	Hornsby	\$837,000
	Ku-ring-gai	\$1,390,000
	Willoughby	\$1,650,000
	Lane Cove	\$1,530,000
	North Sydney	\$1,570,000
	Mosman	\$2,150,000
	Difference between Mosman and Hornsby	157%
Melbourne – South East	Cardinia	\$495,000
	Casey – North & South	\$574,900
	Dandenong	\$690,000
	Monash	\$1,260,000
	Difference between Monash and Cardinia	155%
Riverina (NSW)	Cootamundra	\$65,300
	Gundagai	\$47,700
	Junee	\$111,000
	Leeton	\$74,400
	Murrumbidgee	\$70,050
	Narrandera	\$72,400
	Tumbarumba	No data available
	Tumut	No data available
	Griffith	\$116,000
	Temora	\$67,200
	Wagga Wagga	\$130,000
Difference between Wagga Wagga and Gundagai	173%	

Source: KPMG, adapted from the NDIS SDA Price Guide 2017-18, NSW Monthly land value data as at 1 June 2018²³, and Victorian Property Price year summary 2017²⁴.

²³ Riverina and Sydney (North Sydney and Hornsby) median prices are based on the median land value for residential-zoned properties for each listed NSW District, as provided in the Register of Land Values held by the Valuer General of NSW. To break each SA4 down into its smaller components, we have used Local Government Areas, which the Australian Bureau of Statistics has indicated broadly map to SA3 areas (the next statistical area below SA4). Data was extracted from http://www.valuergeneral.nsw.gov.au/land_value_summaries/lv.php, '01 Jun 2018' Accessed on 10 July 2018.

²⁴ Melbourne – South East median prices are based on the median house price for 2017 for particular Local Government Areas. To break the SA4 region down into smaller parts for comparison, we have used the Local Government Areas that correspond to the SA3 areas that make up Melbourne – South East (SA3 is the next statistical area below SA3). The Australia Bureau of Statistics has indicated that SA3 areas broadly map to Local Government Areas. Data was extracted from <https://www.propertyandlandtitles.vic.gov.au/property-information/property-prices>, 'Statistics', Accessed on 10 July 2018

Investors are attracted to locations that deliver the greatest return relative to land value and development costs and the lower cost areas/suburbs within SA4 with relatively generous location factor adjustments. While location factors are greatest in metropolitan areas, data on new SDA dwellings registered to date illustrate the majority are located in non-metropolitan areas. Based on current demand information, it is unclear where the majority of new supply is required, however the relativity between current location factors does not provide a neutral view for investors.

The level of variability in costs across smaller areas within SA4 regions is likely to encourage investment in particular areas that will provide viable investments, or larger returns for investors. In some locations, such as metro capital cities, the implications of this may be of less concern, as access to infrastructure and services is likely to still be adequate across SA4 regions. However, in regional, rural or remote SA4 areas, if some areas provide a greater rate of return, it is possible that access to infrastructure and services will be less proximate for participants, including other NDIS supports such as community participation. SDA dwellings built around locations with greater returns is also likely to impact on the ability for participants to exercise choice over where they want to live, including in proximity to family or friends. Location factors should provide neutral investment incentive for providers and investors, to ensure that SDA investment decisions are made in reference to demand, rather than the greatest return.



The location factors are insufficient to allow anyone to build in an actual location that suits a person with disability; close to services, transport and family”

– Investor/Provider Roundtable



A review of location factors with an alternative boundary structure [is] recommended to remove incentives which undermine diversity of supply and do not recognise underlying market costs for housing in the location”

– Written submission

Current prices are contributing to a risk that future growth in supply may not result in an optimal supply mix

The current pricing structure and prices, together with lack of market information on potential demand and existing and emerging supply, is skewing investment interest towards specific SDA property types, sizes and locations, and has the potential to lead to a sub-optimal supply mix in the long-term.

In particular, stakeholders consistently raised concerns about the mix of dwellings currently being developed or planned, with a tendency to focus on traditional group homes and single-bedroom apartments and towards specific locations within metropolitan areas. There were a number of reasons highlighted above as drivers of this supply response. This appears to be reflected in the data.

Evidence – emerging supply mix

Available data on the number of new SDA dwelling registered supports stakeholder views that there is sizeable interest in single-participant SDA dwellings, with more new one-resident SDA dwellings (with 111 new places).

Further, a larger number of smaller (1-3 resident) SDA dwellings have been enrolled compared with larger (4-5 resident) SDA dwellings. As at end September 2018, there were 210 new 1-3 resident SDA dwellings enrolled delivering 321 new places, compared with 63 new 4-5 resident group homes delivering 298 new places. This is illustrated in Table 7.

Table 7: Number of new SDA dwellings registered, by dwelling type and resident capacity, September 2018²⁵

Capacity	Building Type	New dwellings	New places		
One resident	Apartment, 1 bedroom, 1 resident	21	111	21	111
	Apartment, 2 bedrooms, 1 resident	14		14	
	Villa/Duplex/Townhouse, 1 resident	76		76	
Two residents	Apartment, 2 bedrooms, 2 residents	29	85	58	169
	Apartment, 3 bedrooms, 2 residents	17		34	
	House, 2 residents	5		9	
	Villa/Duplex/Townhouse, 2 residents	34		68	
Three residents	House, 3 residents	7	14	21	41
	Villa/Duplex/Townhouse, 3 residents	7		20	
Four residents	Group home, 4 residents	15	15	60	60
Five residents	Group home, 5 residents	48	48	238	238
		273		619	

Source: NDIA dwelling enrolment data, September 2018

In terms of design category, the majority of new SDA dwellings registered as “Fully Accessible” (39%), followed by “Improved Liveability” and “High Physical Support”. There are relatively few new “Robust” SDA properties. It is difficult to determine whether this mix of new SDA dwellings reflects relative need among participants eligible for SDA, however.

Table 8: Number of new SDA dwellings registered, by design category, September 2018²⁶

Design category	No. of new dwellings	% of new dwellings	No. Of Places	% of places
Basic	0	0%	0	0%
Improved Liveability	91	33%	241	39%
Fully Accessible	106	39%	226	37%
Robust	19	7%	64	10%
High Physical Support	57	21%	88	14%
	273	100%	619	100%

Source: NDIA dwelling enrolment data, September 2018

²⁵ New build includes existing stock that has been refurbished to meet New Build standards (new build – refurbishment).

²⁶ New build includes existing stock that has been refurbished to meet New Build standards (new build – refurbishment).

Five-yearly price review cycle does not match the 20+ year time horizon for SDA investment

The SDA Framework currently states that the Agency will review benchmark pricing every five years, and that prices will have effect for five years from their publication. This is intended to provide investors with a balance between certainty in investment return with flexibility to adapt to changing market conditions.

Providers and investors noted that the five-yearly price review cycle does not match the 20+ year time horizon for SDA investment.



In general the current Framework and pricing level is sufficient to attract investment in SDA. However, the current level of uncertainty in regard to price, demand and policy undermines confidence of potential investors in making large-scale investment”.

– Written submission



The Framework does not support long term investment making as investment is required for a 20 year or longer period whilst the support revenue line is subject to a discretionary regulatory review at both a systemic and individual basis annually”

– Written submission



If you’re investing in property, you need a 20 year life cycle to get your money back on the investment. Especially when you are developing properties that require a higher level of investment from the outset. A 5 year review timeframe does not give certainty in pricing”

– Provider/Investor Roundtable

Pricing certainty is considered more critical in a new market environment such as the SDA market and in a market where properties being developed require a higher level of investment than other property types. Further, greater pricing certainty can counter any other uncertainties or risks that providers and investors may face. Where there is price uncertainty and risk of price reductions, in combination with other risks and in an untested market, where there is a lack of market information, providers and investors are more hesitant to invest in SDA.

Providers and investors indicated that at this stage of SDA implementation the risk of SDA price reductions was impacting on their investment decisions, and in particular:

- Providers and investors reported that the level of risk in the SDA market, including risk of pricing changes, means institutional lenders are typically willing to lend a lower proportion of the overall investment required for SDA developments. Lenders indicated they are typically only willing to consider the “alternate use value” of the dwellings when determining the amount to be lent, which is a more conservative approach for lending. In these instances, a much larger proportion of equity financing is required from the developer or investor to mitigate against the lender’s risk. In some cases, this level of equity is not available.
- This level of risk also has implications for the cost of debt financing. Lenders indicated they require a higher rate of interest on loans for SDA properties than previously contemplated in order to account for the level of risk from both pricing uncertainty and other current SDA market risks.²⁷
- The market indicated that without greater clarity around the scope and approach for each five-year review, there may be downturns in the level of investment in the final 12-24 months of each cycle. Providers and investors would need to consider the risk of potential price changes at the

²⁷ Arguably the risks associated with SDA investment have been reflected in current prices providing higher rates of return.

same point in time dwellings come online after they have been through a lengthy development process.

It is noted that infrastructure investment of any kind has risks, including those associated with market downturn and reductions in rental income and SDA investment is no different. Five year price certainty is a longer guarantee than other investments may provide. The five year review cycle also provides balance between giving providers and investors enough surety regarding prices going forward and the need to ensure that pricing arrangements are flexible enough that changes in assumptions and new market data can be responded to appropriately.

Further, it is likely that some concern expressed by investors about the outcomes of future price reviews comes from uncertainty over the process that will lead to a change in prices, as well as unfamiliarity (since the Scheme is so new). The uncertainty related to price review outcomes for providers and investors could be addressed through a more open and transparent approach to price reviews, including the approach and scope for each review, rather than more lengthy price guarantees or less frequent price reviews. The Framework should be amended to require the NDIA to run a consultation process for each price review, and the NDIA should publish guidance on how it proposes to conduct this process, as well as clarify the assumptions that would lead to changes in prices. Greater transparency would help build investor confidence and help stimulate investment.

There are specific aspects of the SDA Framework relating to pricing which are unclear

“Benchmark prices”

The SDA Framework currently refers to prices for SDA as “Benchmark Prices”, similar to other NDIS supports participants may be eligible for. Providers and investors engaged as part of the Review expressed concern over changing terminology and references to SDA prices as “price ceilings”. There is some concern that the value of SDA allocated in individual plans will be lower than these rates and participants will be able to negotiate a lower payment with providers, impacting on projected rates of return.



Pg. 11 of the SDA Decision Paper on Pricing and Payments 1 June 2016 states that ‘Providers will be paid for dwellings when occupied by SDA participants according to the highest design category with which the dwelling complies’. The SDA Provider & Investor briefing speaks of negotiation. This change and the material outlining their new resistance to fund single person dwellings is spooking the market”.

– Written submission

“Trigger events”

In addition to the five-year price review, the SDA Framework currently contains an additional provision that allows the NDIA to specify “trigger events” that account for substantial changes in cost input or pricing assumption parameters and which automatically change benchmark prices. These trigger events are not defined in the Price Guide or other supporting documents, however. There was some concern among providers and investors engaged as part of the Review that without further definition of these trigger events in the SDA Framework, this provision would be underutilised or not utilised at all.

4. Risk

In a well-developed market, risks associated with participating in the market should be well understood, able to be managed where possible and be taken into consideration when making supply and investment decisions. Too many unknown or unclear risks in a new market such as the SDA market are likely to result in barriers to investment and reduce the level of confidence within the market.

There are a range of risks and uncertainties that present barriers to investment

There appears to be some hesitation among providers and investors to make large scale, long-term investments in SDA at this point in time. This is due to real or perceived risks and uncertainties that are present in the market that are over and above risks that are generally inherent in long-term infrastructure investment (such as price volatility, management cost variability, managing vacancies etc).

To some extent these risks and uncertainties are associated with the “newness” of the NDIS and the fact that SDA is a new “product” and the market still developing and is largely untested. These risks are likely to reduce as the NDIS and SDA market matures. The NDIS is still being implemented in most jurisdictions, with the full Scheme operating only in NSW, ACT and the Northern Territory. The transition of NDIS participants to SDA arrangements is also still occurring.

There are risks inherent in infrastructure and other long-term investments, especially when investing in infrastructure for vulnerable populations. These risks can be mitigated by providers and investors and taken into consideration when making investment decisions. For example, infrastructure market risks that can be managed through sufficient scale and diversification of a portfolio, including price volatility, management cost variability and managing vacancies. Some private and institutional investors also indicated that there may be some reputational risk, particularly where they make business and investment decisions which may be contrary to achieving positive social outcomes (such as selling SDA dwellings or converting SDA dwellings to general use or the potential eviction of tenants).

At this point in time there are three main areas of risk and uncertainty specific to SDA investment that are posing barriers to investment:

1. *Uncertainty around pricing:* Uncertainty of longer term pricing relative to investment time horizon, and risks associated with changing (reducing) prices at each five-year price review cycle (discussed above).
2. *Policy uncertainty:* Perceptions that SDA policy is still developing, and risks and uncertainties associated with stability of SDA policy settings and future directions.
3. *Implementation issues and associated risks:* Issues and risks associated with processes, timing and consistency of NDIA decisions relating to SDA eligibility and funding and interplay with SIL funding decisions, as well as vacancy risk.



A level of demand (or vacancy) risk is inherent in this market-based approach, as they are in real estate investments more generally, despite the infrastructure-like characteristics of SDA. However, providers and investors have noted that this risk may increase in a specialised market, such as this, with longer lead times for finding tenants.”

– Written submission



Investors are interested but they are very uncertain... we're not seeing the level of investment expected due to uncertainty around the location, tenants, pricing terms of only 5 years and the viability of equity"

– Provider/investor Roundtable

Policy uncertainty

It is recognised that SDA policy and rules are clear and reflected across a number of policy documents and mechanisms including:

- SDA Pricing and Payments framework
- SDA Rules
- SDA Decision Paper
- SDA Price Guide.

In conducting this review, stakeholders expressed a number of concerns and issues with different aspects of this broad policy framework and rules. However, one of their most significant concerns was the perceived changing nature of SDA policy – particularly at an operational level – and the risk that policy (and application of policy) may continue to change. Stakeholder perceptions of changing policy is impacting on their willingness to invest at this point in time and examples of recent NDIA announcements (such as the Investor Brief) have had a negative impact on provider and investor interest in SDA. The aspects of the Investor Brief identified as having the greatest negative impact were those relating to single-bedroom SDA dwellings, and those relating to price ceilings that could commonly be negotiated down by participants, rather than a benchmark price that was indicative of the actual return received.

For example, a number of providers and investors highlighted the Investor Brief as having a negative impact on their willingness to invest in SDA at this point in time. It has changed the market's general interpretation of SDA policy and its application. Stakeholders identified examples of reversing some investment decisions and putting some developments on hold, in response to the Investor Brief. One provider indicated that of the 47 apartments it had planned to construct, it has indefinitely suspended 12, and believes the remaining 35 will not be viable once finished (see quote below). Another investor had earmarked more than \$70 million in funds to develop one-bedroom SDA properties, which has now been withdrawn.



[Since the release of the Investor Brief in April 2018]...we have indefinitely suspended our DA approved [project] (12 SDA apartments) and no longer believe [our other projects] are viable, yet we have signed binding contracts with the developer."

– Written submission

Where there is uncertainty relating to specific messaging or policy positions related to SDA, the correct position and interpretation should be clarified with the market to ensure that information released is not misunderstood.

Implementation issues and associated risks

Providers and investors stated that the SDA Rules and implementation of SDA, and the NDIS more broadly, was generating additional risk and uncertainty. These implementation issues included:

- Lack of clarity around SDA eligibility for participants who are not currently in SDA, consistency of eligibility decisions, process and timeframe for review of eligibility.
- Timing and outcomes of NDIA decisions for confirming funding for SDA and other supports in participant plans (see section 4.2 – Consumer choice for more detailed information).

- Mechanics of SDA payments, including the timeframes for payment of SDA funding.
- Operational issues with the NDIS itself, such as challenges with the consistency and quality of planning processes, timeliness of access to the NDIS and delays in payments for providers. It was however recognised that the NDIS is still largely in transition and that the NDIA is working to resolve implementation concerns.



Participants don't know if they will be eligible for SDA, and so Providers are not able to engage with potential Participants until after the dwelling has been completed (up to 18 months after the investment decision has been made)... A simple solution would be to assess SDA eligibility, and include an SDA capacity in a participant's plan, at the time the participant exercises choice by expressing their need/interest to move to accessible housing. This would also provide the NDIA and (with publication of de-identified aggregate site-specific data) providers and investors, with greater demand certainty based on assessed demand."

– Written submission

Working to resolve lack of clarity and improve issues related to timing and processes associated with SDA will help to solve the level of risk associated with SDA implementation for the market.

5. Quality

In a well-developed market, appropriate standards, processes and consumer protections are in place to ensure a minimum level of quality of supply.

The concept of "quality" SDA is still being defined in the market. In these initial stages of SDA development, the focus is largely on regulations and standards that relate to the built form and how they can be applied to give effect to high quality SDA design. Quality also relates to the way in which SDA provision can improve a Participant's quality of life. A central element to this is the way that SDA interacted with other supports provided to Participants.

While the design guidelines used for SDA promote quality building and design, it is too early to determine whether this is being achieved

Many providers and investors who participated in the Review emphasised that while higher quality dwellings were more expensive to build, they would typically have a longer useful life consistent with the 20-year asset life envisaged by the NDIA. They also stated that they are motivated to deliver high quality SDA to remain competitive into the future as the SDA market evolves and supply starts to catch up with demand.

There is already a range of building codes and regulations that ensure a baseline level of quality in the wider housing construction market. For SDA, additional requirements in the form of the Liveable Housing Design Guidelines provide a solid basis for ensuring quality in SDA housing. Given the relative immaturity of the market, however, it is too early to say whether high quality building and design is being achieved.

The majority of SDA registered dwellings are existing dwellings and legacy stock, which vary in quality and appropriateness. Many of these properties will not meet the Liveable Housing requirements. While this will place further pressure on supply in the short-term, in the longer-term it will ensure the quality of dwellings overall will improve as these dated properties are phased out. The timeframe for phasing out legacy stock and differential pricing for existing dwellings will continue to assist with this transition.

There were a number of issues identified by stakeholders participating in the Review relating to quality and quality requirements. In particular:

- In some jurisdictions there are additional requirements and codes that need to be adhered to and these can represent additional costs that are not covered by location factor adjustments (such as the requirement for cyclone-proof housing in Darwin or extra garden space for detached and semi-detached dwellings in Victoria). The jurisdictional differences will continue as the NDIS Commission's quality and safeguards role is phased in.
- While there are clear quality standards, the quality assurance processes for SDA dwellings remains unclear. It is expected that the NDIS Commission will fill this gap eventually, but as this process is occurring over time and by jurisdiction, it will not address immediate concerns regarding quality in the short term.
- The ability of participants to influence the design and quality of dwellings is hindered by the need to find an available SDA place before being approved for SDA funding.
- There is a lack of clarity relating to the role and requirements of the NDIS Commission with respect to SDA, and uncertainty around any cost implications of new quality requirements.

There is a lack of clarity relating to the role and requirements of the NDIS Commission with respect to SDA and uncertainty around any cost implications of new quality requirements

Role and requirements of the NDIS Commission

Paragraph 2 of the SDA Framework acknowledges that it is not intended to cover broader aspects of policy in respect of SDA, including the quality standards relating to the building or asset management by housing providers. While the specific quality standards are contained in a separate document, the SDA Framework does not provide any indication of who is responsible for oversight and administration of quality standards in relation to SDA or specify the role and requirements of the NDIS Commission with respect to SDA.

With the Commission now established, and allocated funding being utilised by registered SDA providers, the SDA Framework should provide greater clarity regarding roles and responsibilities for quality and safeguarding in the context of SDA.

In SA and NSW, where the Commission is now in operation, SDA providers have additional requirements for registration. This includes completion of a SDA module for certification in addition to the core module required by other providers. This is part of the Commission's NDIS Practice Standards, which establish benchmarks for providers to assess their performance and serves to demonstrate how providers deliver high quality and safe supports and services to NDIS participants. This applies in addition to the NDIS Code of Conduct. Each module has a series of high-level, participant-focused outcomes, and for each outcome, quality indicators that auditors will use to assess a provider's compliance with the Practice Standards. At the time of the consultation undertaken for this report (one month after the Commission's commencement), information was not available from providers registered through the Commission as to the impacts, or implementation, of these requirements for specific providers.

Consideration of costs associated with quality and safeguarding arrangements

Paragraph 51 of the SDA Framework sets out other price setting considerations that should be made, namely consideration of the costs associated with meeting requirements of the quality and safeguarding arrangements for the NDIS once implemented. Since the development of the SDA Framework, the Quality and Safeguarding Framework has been finalised and the Quality and Safeguarding Commission has been established and is operational in two states/territories, with remaining states and territories to follow as they reach full Scheme.

With this work completed, the Price Guide should provide greater clarity regarding the aspects of the national Quality and Safeguarding arrangements that are likely to impact on the costs associated with development of or ongoing maintenance of SDA dwellings, and how these will be factored into pricing arrangements.

6. Innovation

The introduction of SDA funding has created a new specialist housing market that did not exist before the NDIS. This new environment provides an opportunity for a new approach to how people with disability are supported to live in the community. The SDA Framework sets the parameters for change and innovation in the supply of SDA over time and seeks to *“promote the provision of high quality and innovative supports that enable people with disability to maximise independent lifestyles and full inclusion in the community”* (clause 10).

Innovation is a very broad concept and is described in terms of both what is done (for example a new type of housing built form) and what is achieved (such as greater independence). In the context of SDA, innovation can be defined as supporting the preferences and needs of the individual to be met more effectively through new and diverse approaches to housing design. Innovation in SDA has the potential to drive improvements in participant outcomes, or reductions in the need for other disability supports.

The immaturity of the SDA market means that the notions of innovation are still emerging

The Review found that innovation is being relatively narrowly defined by the market at this point in time, but what is meant by “innovation” in the SDA market context is still being determined. At this early stage, innovation in SDA is being defined by the market mainly in terms of new or alternative housing design and built forms, innovative use of technology and co-location with other housing options (such as SDA dwellings located in larger apartment buildings). However, a number of participants and their families had a much broader view of innovation, encompassing considerations such as ownership models and shared equity models – innovative arrangements that allow for people with disability to live with family (in the same dwelling, in dwellings on the same site as the family home (e.g. granny flat style arrangements) and innovative support delivery that has implications for housing (such as home-share arrangements with people without disability).

The Review found that the SDA Framework in some ways is contributing to the market’s relatively narrow definition of innovation. In particular:

- the SDA Framework is silent on options and alternatives to rental models (such as pathways to home ownership)
- the Framework does not adequately consider the needs and preferences of participants to live with family or with people without disability, and does not consider the implications of these options on the need for and cost of ongoing SIL supports.

There was a general view that greater guidance was needed around what constitutes an innovative housing solution, especially in response to the “innovation” category of housing within the SDA Price Guide, which they suggested is not currently defined. Stakeholders indicated that technology and other features that may have previously been considered innovative were becoming standard practice.

At this stage there does appear to be willingness and commitment to providers and investors who are developing high quality, well designed SDA dwellings to ensure they are competitive in a mature SDA market. There were numerous examples provided by Review stakeholders of innovations with respect to building design, co-location of villas/townhouses with other housing options, co-location of SDA apartments in new, large apartment developments and innovative use of technology to enhance liveability and reduce support requirements.



Innovation should encourage a large diversity of dwelling types and occupancy arrangements which mirror the general population and which are in line with the goals and aspirations of individual participants. An ideal outcome of the framework would be to achieve an equilibrium where supply matches demand for the full spectrum of particular housing needs expressed by the market”

– Written Submission



As a general principle, a competitive and market-based system should be an effective way to encourage quality and innovation. Once a market is well established, the best way for providers to minimise vacancy [sic] (and thus maintain the income generated by their investment) would be through the construction of high quality, well located, fit-for-purpose SDA.”

There are some aspects of the SDA Framework and Rules that are creating some barriers to achieving innovation

The Review found that there are some barriers to providers and investors to invest in innovative and high quality SDA dwellings and to consider innovation beyond housing design:

- There is an emphasis in the SDA Framework and other key SDA documentation such as the Investor Brief on shared SDA arrangements (rather than participants living alone), and providers are concerned that this will be the main housing option available to participants. This is restricting the potential for diverse and innovative SDA housing solutions and willingness to invest in these solutions.
- While providers and investors are committing to developing high quality SDA dwellings, the uncertainty in the market and hesitance around making significant investment commitments means that providers and investors are unwilling to take on additional risks of providing new, untested, innovative options until the market environment is more certain.
- SDA design and location can be key to determining the volume and frequency of other supports, as well as improving social and economic participation outcomes for people with disability. Participants are not given the opportunity to consider their supports as a whole package, and participants should be actively engaged in decisions about which combination of supports and SDA could best help them meet their goals.
- There can be disincentives to supporting participants to live in their preferred living arrangements, particularly with non-SDA participants, including friends, partners, children and family members that do not receive SDA or receive a different level of funding, specifically:
 - the rule for dwelling enrolment that requires the majority of bedrooms in a house to be SDA-compliant.
 - the rule that requires a bedroom for every resident in the house
 - price differentials associated with placing a non-SDA resident in a bedroom that is SDA compliant and could attract SDA funding.
- The rules around minimum bedroom requirements was established to prevent dormitory style arrangements, and ensure new dwellings were moving away from institutional-style settings. However, this has created unintended consequences, for example, SDA recipients being prevented from living in a one-bedroom apartment with a Partner. These rules need further consideration to ensure that there are not unintended consequences for participant choice and control.
- Price differentials for multi-bed dwellings where an SDA resident lives with a non-SDA resident are creating difficulties for people to live with non-SDA residents. Ultimately, providers are able to achieve greater returns where rooms are filled with SDA-recipients and market rent available from non-SDA residents does not always cover the costs of some dwelling-types. These pricing arrangements need to be further considered to ensure that there are not unintended consequences for participants having choice and control over who they live with.



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 needs to change if the Framework is to facilitate development of an innovative and future focused SDA housing market... 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.”

– Written Submission

While leadership in innovation needs to come from providers, participants, governments and the broader community, at this stage of market development the NDIA is uniquely placed to play a leadership role.

In the past the NDIA has hosted Housing Innovation Showcases, bringing together providers to demonstrate innovation in design and living arrangements and allowing participants and families to explore options and discuss these with providers.

At this early stage of market development, there are opportunities to provide more information to the market that showcases innovative design both in Australia and overseas and to signal to the market the range and types of innovative models that the NDIS wants to promote, and to provide a catalyst for greater investment in more innovative SDA housing models. Key to this should be developing and releasing an evidence base for participant outcomes based on these innovative models and designs.

As discussed in Section 4.4 below, participants should be actively engaged in making decisions about which combination of SDA and supports would best help them meet their goals.

SDA market maturity: Supply

The table below provides an overview of the current state of the SDA market in relation to key market supply elements, based on the findings from this Review.

Table 9 Assessment of current level of maturity of the SDA market in relation to supply elements

Confidence:

In a well-functioning SDA market, current and potential SDA market players have confidence in the market and policy settings to generate sufficient interest and investment to ensure optimal supply



The Review found there is substantial amount of interest in SDA from providers and investors (including both existing disability service providers as well as community housing providers, newly formed service providers and private and institutional investors), though this has not yet translated into significant levels of new investment or supply.

While limited growth at this point in time is not unsurprising, the Review found that there is some hesitance in making large scale investments in SDA – particularly among private and institutional investors – due to perceived risks and uncertainties with respect to SDA policy settings and pricing and a lack of information available to the market to inform investment decisions.

Information:

In a well-functioning SDA market, suppliers (providers and investors) should have access to sufficient market information on current and potential future demand and supply to make informed investment and supply decisions – through market mechanisms and through non-market mechanisms where there is a lack of information or information asymmetry



The Review found that there is a lack of robust, quantitative information for the market on SDA demand, as well as a lack of data on supply or market gaps.²⁸ In the absence of this data, providers and investors are basing decisions on local knowledge and needs of specific cohorts, pricing factors and potential returns for different SDA property types in specific locations and belief in the “potential” of the SDA market. Lack of market information, especially in an immature, price-regulated market, further contributes to provider/investor risk and hesitance in investing in SDA and is a barrier to greater investment in SDA.

It is also recognised that, as with any market, investors and providers need to undertake their own market research and engagement with potential consumers to complement more quantitative information from government, and to date this type of consumer engagement and market research appears to have been limited.

Pricing:

In a price-regulated SDA market, pricing and funding arrangements should provide appropriate signals to the market to guide supply and investment decisions and are sufficient to cover costs and provide a reasonable rate of return over the long-term and result in an optimal level of supply and supply mix



The SDA Framework sets out the form for benchmark prices, including the components that will be considered in setting an efficient price. Providers and investors consulted as part of the Review largely indicated that these components were appropriate for setting prices, though stated that some of the underpinning assumptions for each of these components do not reflect actual values or costs.

Current prices are contributing to a risk that future growth in supply may not result in an optimal supply mix. Providers and investors indicated that some SDA prices are sufficient to make a return on investment in SDA (and in some cases a relatively generous return), while others are not. In particular, they indicated that there were issues with some prices skewing investment interest towards particular design categories and dwelling types and away from other types.

Investors have a strong preference for certainty regarding return on investment over the life of their investment. The SDA Framework currently states that the Agency will review benchmark pricing every five years, and that prices will have effect for five years from their publication. Providers and investors noted that the five yearly review cycle does not match the 20+ year time horizon for SDA investment, and that providers and investors must bear the risk of any price reductions.

²⁸ It is noted that subsequent to the Review being completed, the NDIA released some SDA data to the market.

Risk:

In a well-functioning SDA market, provider and investor risks associated with participating in the market are well-understood, managed where possible and taken into consideration when making supply and investment decisions



There are a range of risks and uncertainties that contribute to providers and investors' reluctance to invest in SDA and achieve short-term SDA supply growth. To some extent these risks and uncertainties are associated with the "newness" of the NDIS and SDA as a "product", and the market largely untested, which are likely to reduce as the NDIS and SDA market matures. There were a number of factors identified by providers and investors which were impacting negatively on provider and investor willingness to invest in SDA including uncertainty around pricing, policy uncertainty, and implementation issues and associated risks.

Quality:

In a well-functioning SDA market, appropriate standards, processes and consumer protections are in place to ensure a minimum level of quality of supply



The new quality arrangements provide an opportunity to establish a transparent and effective provisional enrolment process which enables dwellings to be approved earlier in the build process, while also providing a final approval of the implementation of required standards. While the design standards used for SDA aim to promote quality building and design, it is too early to determine whether this is being achieved. It was noted that the majority of current stock is existing or legacy stock, which in most cases only meets the Basic design category.

Some providers, particularly in jurisdictions where the NDIS Commission is yet to come online, remain uncertain about the new quality and safeguarding requirements for SDA under the NDIS Commission, and there are concerns about the cost implications of new quality requirements.

Innovation:

In a well-functioning SDA market, there should be sufficient information and incentives for promote and achieve innovation in SDA supply



The SDA Framework supports innovation in design and delivery, and this is critical to the development of a market which provides contemporary housing options. However, the immaturity of the SDA market means that the notions of innovation are still being determined, and participants are limited in their ability to drive or influence innovative SDA designs. Further, there are some aspects of the SDA Framework and implementation of SDA that are creating barriers to achieving innovation.



Recommendations – supply

Increasing market confidence in SDA

Recommendations relating to increasing market confidence in SDA are addressed elsewhere and include recommendations on:

- Providing detailed information to the market to inform investment and supply decisions (recommendation 8).
- Establishing greater policy certainty around SDA (recommendation 13).
- Increasing confidence in pricing and the price setting process (recommendation 9 and 10).

- Addressing implementation issues with respect to confirming eligibility and allocating SDA funding to participants (recommendation 3).

Improving and enhancing market information

Recommendation 8: Provide detailed, up-to-date demand and supply information to the market to inform investment decisions and contribute to achieving an optimal mix of SDA dwellings

Given the level and nature of information asymmetry in the market currently, releasing detailed demand and supply information (including expressed demand and supply, as well as projections) will assist the market to make more informed investment decisions. This information should be released as soon as possible, and should be updated and released to the market in real time, or at least quarterly. This should include information relating to:

- *Demand*: Number of participants deemed eligible for SDA, and likely to be eligible for SDA over the next three to five years (projections to be reviewed every five years), by:
 - disability type and support need
 - type of SDA or other accommodation required (including SDA design category, where available)
 - location of participants (at SA4 or sub-regional level)
 - where participants live currently (that is, in existing SDA dwellings, legacy stock, new SDA dwellings; residential aged care; with family; other settings)
- *Supply*: Number of SDA dwellings and places currently registered by:
 - SDA design category
 - SDA dwelling type
 - SDA dwelling size
 - location (SA4 or sub-regional level).
- Qualitative information around the types of SDA dwellings that are emerging – either in the proposal or development stage, particularly case studies of innovative designs that have been approved as SDA, and accounts of outcomes for participants within these dwelling-types.

Greater price certainty and clarity

Recommendation 9: Develop, in consultation with the market (including providers/investors and participant representatives), a detailed approach for conducting price reviews to provide greater clarity around, and confidence in, SDA funding arrangements.

This should set out:

- How key cost inputs and pricing assumptions, which should be based on reliable public indicators, determine SDA funding.
- How key cost inputs and pricing assumptions will be determined and set (where applicable).
- How the market and sector (including participants) will be engaged in each price review (this should be specified in the rules).
- How independence will be maintained and who will conduct each review. This requirement should be specified in the Rules, and the price review should involve independent experts.
- Any changes to the Framework and/or Rules that may be required to implement this revised approach.

A draft approach should be released in the first half of 2019 for stakeholder consultation.

The revised approach for the price review process should be articulated in the revised Framework and/or Rules to ensure the market has a consistent understanding, and there is transparency to assist the market to anticipate changes that may result from underlying market-based assumptions.

This process may be refined and improved over time based on recommendations from each review and feedback from each consultation process.

Price reviews would continue to occur at five-year intervals.

Recommendation 10: Identify in the SDA Framework the specific events that would trigger benchmark price changes as provided in Paragraph 20 in the SDA Framework.

High level guidance on the events that would trigger benchmark price changes, or a review of specific pricing assumptions, should be detailed in the SDA Framework and/or articulated in the SDA Rules. Guidance should be issued to clarify when the provision should be applied, and how pricing parameters would be monitored in order to identify trigger events.

The identification of trigger events should be included as part of the next Price Review.

Recommendation 11: Bring forward the scheduled 2021 Price Review to early 2019 to make changes to the Price Guide to address immediate concerns as outlined below.

These immediate changes are likely to include fixing assumptions about loadings for different regions.

In order to support the development and testing of the revised pricing review approach (see recommendation 9); address areas of pricing that are creating disincentives to building some dwelling types or living arrangements; and create neutrality for investment decisions, the 2021 price review should be brought forward to 2019 (once a detailed approach has been developed with sector involvement). This will assist in correcting the existing supply mix to better align with demand from participants.

The particular areas of pricing that should be specifically reviewed (in addition to the price review approach developed in recommendation 9) should include:

- The relativity of cost inputs (including build and maintenance costs), and hence prices between design categories, especially between high physical support dwellings and robust and fully accessible dwellings, to ensure that prices do not create incentives that do not match demand from participants.
- The variability of location factor adequacy across SA4 geographies, to ensure they promote location preferences and do not create incentives that do not match the location of participants. This should also consider the use of SA3 areas to reduce variability in adequacy of location factors across broad SA4 geographies.
- Exploring possible arrangements that facilitate living arrangements with a mixture of SDA and non-SDA residents, to remove disincentives that exist for providers to meet participant preferences to live with people who are not eligible for SDA if they choose to (see recommendation 2 in Demand).
- The current accuracy of key cost inputs and pricing assumptions that underpin SDA funding, including land price inflation rates and building costs across design categories and building types.
- Confirming the nature of benchmark prices for SDA and the consistent use of terminology, including price “benchmarks”, “caps” and “ceilings”
- Considering the impact of new quality and safeguarding requirements imposed by the NDIS Commission and whether this should be addressed in the pricing arrangements.

The Price Review should be conducted in a transparent way with independent input, in line with the newly designed approach for price reviews (refer to recommendation 9).

Following conclusion of the Price Review and agreement to recommendations, methods for determining key pricing assumptions (such as accepted public indicators) should be captured in the SDA rules and/or Framework. Existing prices should continue to apply until 2021, and any price changes recommended by the price review should apply from July 2021. This will ensure that no providers or investors who have already made investment decisions based on existing prices will be disadvantaged by the review being brought forward.

Recommendation 12: The SDA Framework should embed a requirement for consultation on any significant SDA pricing or policy changes.

This should include release of a draft policy position by DSS and the NDIA, a consultation process, publication of submissions, and release of the final statement.

DSS and the NDIA should establish an industry reference group for consultation on pricing changes.

Better managing risks associated with SDA investment

Recommendation 13: Establish greater certainty in SDA policy settings through the SDA Framework, which should be the primary mechanism for providing policy guidance on SDA.

At this early stage of market development, the main purpose of the Framework should be to provide overarching guidance for the market that focuses on the core objectives of SDA, and indicate how the complement of SDA documentation and rules are achieving these objectives, this should include:

- bringing together the array of SDA documentation and guidance
- describing the objective and aims of SDA and the intended recipients
- explaining the methodology and underlying assumptions for SDA funding in a detailed and clear format
- laying out the core components of SDA to provide a holistic picture of SDA requirements and processes.

The SDA Framework should be the primary mechanism for providing policy guidance on SDA. While the market remains immature and market participants seek clear guidance on requirements to participate it should also be the mechanism for presenting future policy changes, details or interpretation that relates to the operationalisation of SDA.

Given the Price Guide now clearly establish the pricing and payments arrangements, and are the most appropriate mechanism to provide further detail, including methodology and assumptions, the Framework should set the high level principles and objectives for the development for SDA over time.

To the greatest extent possible, the Rules should be the avenue for providing clarity on pricing, payments, eligibility and dwelling registration. Any overlapping or inconsistent elements in the SDA Framework should be removed. The Framework should provide overarching guidance to continue to support and direct the development of the SDA market. The Framework should become a tool for policy setting and market development.

Where policy changes are required, the SDA Framework should be amended to set out a clear and transparent mechanism for policy change, which involves engaging with participants, providers and investors on the nature of the proposed policy changes – either to provide sufficient notice of changes in policy, or to provide opportunities for participant/provider/ investor input into the policy process. The SDA Framework should remain as the mechanism for this, with clear amendment processes through DRC. An industry consultation group mechanism could be established for consulting on policy and Rule changes.

Greater clarity around quality requirements

Recommendation 14: When revising the process for provisional dwelling certification, as per recommendation 5 above, establish clear dwelling eligibility and quality requirements to underpin the provisional dwelling certification process and maintain quality and safeguards.

This could include:

- issuing standards which are required to be met for particular categories of dwelling
- a post-build inspection to confirm standards have been met before confirming final enrolment
- setting out responsibility for maintenance requirements, particularly for robust and high physical support categories where these are more frequent and high cost.

- It is important that this is integrated with, and aligned to, the quality and safeguarding requirements enacted through the NDIS Act 2013 and being implemented by the NDIS Commission in relation to SDA.

[Recommendation 15: DRC should clarify the roles and responsibilities of the NDIS Commission and NDIA with respect to SDA.](#)

In particular, transitional arrangements for jurisdictions that are yet to be governed by the NDIS Commission with respect to SDA should be made clear to provide sufficient certainty for providers on the quality and safeguards requirements they must meet for registration and ongoing SDA provision.

The NDIS Commission should continue to engage with industry regarding the implications of any changes to the quality and safeguarding requirements.

Information and incentives for innovation in SDA supply`

[Recommendation 16: Remove further unnecessary prescription from the SDA Framework that is inhibiting a varied or innovative response in the market.](#)

This includes:

- assumptions around the 'rental model' and rental contributions preventing responses that integrate broader ownership and non-tenancy arrangements.
- removing specific restrictions that limit a participant's ability to live with others without disability (such as their partner, children, friends or others) (as per recommendation 2)
- examining provider disincentives which limit a participant's ability to live with others without disability (noting that the NDIS does not fund or subsidise living arrangements for people without disability) (as per recommendation 2).

In the longer term, consideration should be given to removing prescription relating to dwelling types from NDIS plans to provide for more innovative solutions in response to demand from participants.

[Recommendation 17: Provide research and information to the market on innovative housing design – to provide a catalyst for greater investment in more innovative SDA housing models.](#)

While leadership in innovation needs to come from providers, participants, governments and the broader community, at this stage of market development the NDIA is uniquely placed to play a leadership role.

Key to this should be leading the development of a research and evidence base which illustrates how participant outcomes are being achieved through innovative SDA models and designs and disseminating this evidence to the market and participants. This could be in the form of 'innovation briefs', publishing case studies on innovative SDA design, and holding an Innovation Summit (similar to the Housing Innovation Showcases hosted by the NDIA in 2016).

4.4 Efficiency and value for money



Summary of key findings

- 1) The SDA Framework supports ongoing sustainability of the Scheme.
- 2) The SDA Framework does not consider how the participant can be actively involved in making decisions about different combinations of SDA and other support funding that would best help them meet their goals

Context

The SDA Framework intends to support a sustainable SDA market that provides continuity of supply and financial sustainability for governments, participants and providers alike. Part of this involves finding the right balance between allocating individual funding for support services and individual funding for accommodation to promote value for individual participants.

Value for money from a transactional basis can lead to short term decisions that may impact on longer term sustainability, both in terms of social and economic sustainability. Much of the impetus behind the NDIS was aligned to the social insurance model, which sought to bias investment for supports for people with disability early in their life to enable them greater opportunities to actively engage in the community and workforce. The benefits of this early intervention would be a reduction in scheme (and broader society) costs for that individual in the longer term.



Value as with anything is based on the individual's experience of the system for the participant value is not based on the income stream generated for an investor but rather they are able to access the accommodation type in the location and configuration of their choice. For the reasons noted above it is unlikely for this to currently occur."

– Provider Submission

The NDIS Act and Rules require the NDIA to balance a range of objectives when making decisions, including social and economic participation, and how best to meet the participant's support needs. However, it should be recognised that under the NDIS, funding is allocated against a participant's goals, not just funding of supports untied to goals.

1. Optimal outcomes and value for money

A well-functioning regulated market balances efficient use of participant funding and achievement of optimal outcomes (supports that help participants meet their goals) with providing value for money for Government. The SDA Framework should support sustainability of the NDIS, including the SDA component of the Scheme, while delivering better outcomes for participants.

The SDA Framework supports ongoing sustainability of the Scheme

Scheme sustainability is a central focus of the SDA Framework, with particular emphasis placed on efficient price setting, eligibility determination and dwelling requirements. The SDA Framework also includes operational guidance to ensure immediate costs are managed and explicitly recognises it would not be possible to support all participants to live alone.

What is not clear in the SDA Framework is how facilitating choice will either support or diminish sustainability. In many cases a focus on short term costs (sustainability) could distract from discussions about the lifetime costs of support. There may be situations where allowing choice may

have better outcomes for participants and reduce the lifetime costs of support. For instance, it is possible that allowing participants to live in one-bedroom apartments could have long-term benefits to both the individual and the Scheme, as they may make greater use of informal supports (through living with a partner, friend or sibling) and this may be a more stable tenancy arrangement (which is more preferable to a provider).

This is not fully reflected in the SDA Framework or Rules. At a high level, the SDA Framework suggests that factors such as independence and choice are central elements of an emerging SDA market. As it states in Clauses 10-11:

10. The framework is designed to give effect to the objects of the NDIS Act 2013, in particular, to promote the provision of high quality and innovative supports that enable people with disability to maximise independent lifestyles and full inclusion in the community.

11. This Framework will play a key role in moving, over time, towards a market that achieves this vision.

This objective is qualified in later sections, stating that Scheme sustainability would be compromised if independence is valued as a primary objective:

70. Any participant could live independently if unlimited funds are available to support them in their home. Enabling every NDIS participant to live independently with their required levels of supports would be prohibitively expensive for the NDIS.

Sustainability considerations are embedded within the “reasonable and necessary” test. However, there is a perception in the market that short-term cost management concerns were driving SDA decision-making at the expense of greater choice and control. There is nothing in the SDA Framework to suggest that this should be driving decision-making, with choice and control and sustainability both being called out as important considerations. With limited data available it is difficult to find evidence for this at the current point in time, but it is clearly a market concern.



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.”

– Written Submission

While the SDA Framework does have a focus on sustainability, further guidance is required to assist decision-makers in balancing sustainability with participant preferences and other considerations in determining SDA.

The SDA Framework does not consider how SDA and other support funding can be used flexibly to achieve better value and improved participant outcomes

At a macro level, SDA has the potential to contribute to greater scheme sustainability by facilitating specialised housing and support models that will ultimately create long term savings and improved participant outcomes. In order for this to be achievable, decisions around SDA need to consider both capital and support funding streams to balance efficient use of funds with effective long term Participant outcomes.

Under the SDA Framework, SDA is applied as a capital subsidy stream, with savings being contemplated in terms of pooling support funding through shared housing arrangements. Viewing SDA purely as a capital subsidy is likely to prevent greater opportunities for value for money and improved sustainability of the scheme by segmenting it away from other support arrangements. Many stakeholders asserted that as a result, value was not being realised as decisions around eligibility, funding and pricing were too disjointed in an environment where participants needed to be

more engaged in decisions about how their entire support package can best meet their long-term goals.



The separation of the analysis of the cost of SDA from the evaluation of a person's total cost of care...can lead to less than optimal results from a value for money perspective"

– Written submission

Participants require greater flexibility and opportunity to make more decisions about how to tailor their allocated funding to meet their goals and objectives. As the SDA Framework is currently drafted, there is no incentive to consider SDA payments in the context of the broader funding budget and no guidance or advice on how to achieve the best outcomes from a combination of SDA and other supports such as SIL and transport assistance.



We agree that people should be able to spend more money on housing in order to lower the cost of care, however SDA payments can't be removed, because it is a payment for long term capital investment"

– Participants and Families Roundtable

SDA market maturity: Efficiency and Value for Money

The table below provides an overview of the current state of the SDA market in relation to efficiency and value for money, based on the findings from this Review.

Table 10 Assessment of current level of maturity of the SDA market in relation to efficiency and value for money elements

Optimal outcomes and value for money:

A well-functioning, regulated SDA market balances efficient use of participant funding and achievement of optimal outcomes, while providing value for money for Government



Scheme sustainability is a central focus of the SDA Framework, with particular emphasis placed on efficient price setting, eligibility determination, dwelling requirements. The SDA Framework also includes operational guidance to ensure immediate costs are managed and emphasises economies of scale.

The SDA Framework is not clear on how choice for participants and Scheme sustainability and value for money can be balanced, and whether choice needs to be limited to achieve Scheme sustainability or whether these two objectives can be achieved together. The SDA Framework also does not consider how SDA and other support funding can be used flexibly to better achieve participant goals or how participants can be engaged in making decisions about using their entire package of supports achieve their long term goals



Recommendations

Recommendation 18: Improve the level and scope of information provided to participants, families, Planners, Support Coordinators and other intermediaries on the options available to use SDA, SIL and

other support funding to achieve positive outcomes, while also delivering value for money for the Scheme.

There are a number of actions that should be taken to address this:

- Provide information to participants and families on options available for using SDA, SIL and other support funding together or flexibly to help participants achieve their goals. This should be supplemented with real participant examples.
- Consider the training and specialist understanding needs of Planners to successfully facilitate this process for participants and families and provide guidance in assessing available options and the steps involved in making a long term value for money decision.
- Actively engage participants in decision making about different combinations of SDA and other support funding that will best help them meet their long-term goals
- Undertake and collate research on long term benefits and outcomes of particular SDA options and plan combinations to support value for money decision making. This should be communicated to Planners and participants to be drawn upon in the decision-making process, and how this can be implemented in a way that is consistent with participant choice and control.
- Showcase how innovative SDA design can contribute to reducing SIL and other support costs.

4.5 Summary of findings

Section 4 provides a detailed description of the findings of the Review and recommendations for improving and revising the SDA Framework, improving aspects of SDA operation, and further facilitating SDA market development and supply growth. The main findings are:

Demand

Consumer choice: In a well-functioning SDA market, participants should be able to express their preferences to the market and influence the development and provision of SDA which meets their preferences, consistent with the notions of choice and control and reasonable and necessary supports.

Review findings in relation to consumer choice are:

Finding 1: The concept of choice is articulated at a theoretical level in the SDA Framework, and the SDA Framework provides guidance to balance choice with reasonable and necessary requirements and cost effectiveness.

However, in practice participants eligible for SDA, and in particular those who are not already living in an existing SDA property, have limited choice due to a lack of SDA dwellings and vacancies. Further, the Rules mean that the SDA participant planning process is relatively complex, and does not facilitate a discussion about options and possible funding trade-offs in decisions around SDA and other supports.

Finding 2: The SDA Framework and Rules do not fully consider the range of preferences being expressed by participants in relation to their living arrangements, and the market has not yet responded to the range of participant preferences.

At this stage of market development, there is still a predominance of the group home model, reflecting the fact that most existing and legacy stock are group homes. It is expected that the market will respond over time to meet a broader range of participant preferences, and there is some early evidence that there have been a number of new, smaller SDA dwellings (1-3 residents) enrolled.

Further, some participants would like to live alone or with people without disability (such as partners, family, friends), though at this point in time these options are not widely available. Despite early market interest and activity in developing single-person SDA dwellings the NDIA has signalled through the Investor Brief that only a limited number of SDA-eligible participants will be able to live alone. In addition, pricing arrangements mean that the market has shown little interest to date in developing SDA dwellings that can accommodate both SDA-eligible participants and others without disability given the lower returns this will generate.

Access: In a well-functioning, demand-regulated SDA market, rules and processes for determining eligibility for SDA should be clear and transparent and consistently applied, and result in participants most in need and most likely to benefit gaining access to SDA

Review findings in relation to access are:

Finding 3: The Rules and processes for confirming eligibility for SDA and having SDA funding included in a participant's plan is complex and delaying access to SDA.

Eligibility criteria are clearly established within the SDA Framework, with additional clarity provided in the SDA Rules. However, the Review found that the Rules and subsequent processes for confirming eligibility for SDA and having SDA funding included in a participant's plan is complex, and this was creating delays in accessing SDA.

In particular, there is requirement in the Rules which states that, even if a participant is eligible for SDA, funding will not be allocated to that participant unless an SDA dwelling is, or will very soon be,

available. In reality this means that participants are unable to secure SDA funding without finding an SDA place, but an SDA provider is unwilling to make an offer without a guarantee of SDA funding.

In particular, there is requirement in the Rules which states that, even if a participant is eligible for SDA, funding will not be allocated to that participant unless an SDA dwelling is, or will very soon be, available. In reality this means that participants are unable to secure SDA funding without finding an SDA place, but an SDA provider is unwilling to make an offer without a guarantee of SDA funding.

Information: In a well-functioning SDA market, participants should have access to sufficient information on SDA supply and availability to enable them to exercise choice and control

Review findings in relation to participant information are:

Finding 4: Information about SDA properties and vacancies is starting to emerge, but currently participants and families are finding it difficult to find and connect with SDA providers that have vacancies

The Review found that there is a lack of information available on existing and planned SDA dwellings and SDA vacancies, though it is noted that there are a number of web-based platforms that are emerging that will provide this information (for example the 'Nest' and 'Housing Hub' platforms). These platforms would benefit from the inclusion of information held by Government and providers in relation to SDA provider registrations, and enrolled and planned dwellings.

The Review also found that, to date, only a small number of participants have had the opportunity to engage with providers and investors to express their preferences with respect to SDA design.

Supply

Confidence: In a well-functioning SDA market, current and potential SDA market players have confidence in the market and policy settings to generate sufficient interest and investment to ensure optimal supply

Review findings in relation to market confidence are:

Finding 5: There is substantial amount of interest in SDA from providers and investors, though this has not yet translated into significant levels of new investment or supply.

The Review found there is substantial amount of interest in SDA from providers and investors (including both existing disability service providers as well as community housing providers, newly formed service providers and private and institutional investors), though this has not yet translated into significant levels of new investment or supply. Further, despite considerable interest in SDA overall, there is limited evidence of substantial investments being made in SDA to date or of significant increase in SDA supply.

While limited growth at this point in time is not unsurprising, the Review found that there is some hesitancy in making large scale investments in SDA – particularly among private and institutional investors – due to perceived risks and uncertainties with respect to SDA policy settings and pricing, and a lack of information available to the market to inform investment decisions.

Information: In a well-functioning SDA market, suppliers (providers and investors) should have access to sufficient market information on current and potential future demand and supply to make informed investment and supply decisions – through market mechanisms and through non-market mechanisms where there is a lack of information or information asymmetry

Review findings in relation to market information are:

Finding 6: Lack of market information is having a detrimental impact on providers and investors' willingness to invest in SDA.

The Review found that there is a lack of robust, quantitative information for the market on SDA demand, as well as a lack of data on supply or market gaps. In the absence of this data, providers and investors are basing decisions on local knowledge and needs of specific cohorts, pricing factors and potential returns for different SDA property types in specific locations, and belief in the "potential" of the SDA market. Lack of market information, especially in an immature, price-regulated market, further contributes to provider/investor risk and hesitance in investing in SDA and is a barrier to greater investment in SDA.

It is also recognised that, as with any market, investors and providers need to undertake their own market research and engagement with potential consumers to complement more quantitative information from government, and to date this type of consumer engagement and market research appears to have been limited.

Pricing: In a price-regulated SDA market, pricing and funding arrangements should provide appropriate signals to the market to guide supply and investment decisions, and are sufficient to cover costs and provide a reasonable rate of return over the long-term, and result in an optimal level of supply and supply mix

Review findings in relation to SDA pricing are:

Finding 7: The form of benchmark prices, and components considered in the price setting process, are appropriate, though some of the underpinning assumptions relating to some components may not reflect actual values or costs

The SDA Framework sets out the form for benchmark prices, including the components that will be considered in setting an efficient price. These factors include consumption costs, opportunity costs of capital, costs of ownership, land price inflation and resident rent contributions. Providers and investors consulted as part of the Review largely indicated that these components were appropriate for setting prices, though stated that some of the underpinning assumptions for each of these components do not reflect actual values or costs.

Finding 8: Current prices are contributing to a risk that future growth in supply may not result in an optimal supply mix.

During the Review, providers and investors indicated that some SDA prices are sufficient to make a return on investment in SDA (and in some cases a relatively generous return), while others are not. In particular, they indicated that there were issues with some prices skewing investment interest towards particular design categories and dwelling types and away from other types. For example, providers and investors indicated that one- or two-bedroom “high physical support” dwellings provide a reasonable return (though potential returns are less for “Robust” dwellings and “Fully accessible” dwellings), and that dwellings in some locations delivered a greater return than others.

Finding 9: Investors have a strong preference for certainty regarding return on investment over the life of their investment

The SDA Framework currently states that the Agency will review benchmark pricing every five years, and that prices will have effect for five years from their publication. Providers and investors noted that the five yearly review cycle does not match the 20+ year time horizon for SDA investment, and that providers and investors must bear the risk of any price reductions.

It is noted, however, that infrastructure investment of any kind has risks, including those associated with market downturn and reductions in rental income, and SDA investment is no different. Five year price certainty is a longer guarantee than other investments may provide.

Risk: In a well-functioning SDA market, provider and investor risks associated with participating in the market are well-understood, managed where possible, and taken into consideration when making supply and investment decisions

Review findings in relation to provider and investor risk are:

Finding 10: There are a range of risks and uncertainties that contribute to providers and investors’ reluctance to invest in SDA, and achieve short-term SDA supply growth.

The Review found that there appears to be some hesitation among providers and investors in making large scale investment in SDA at this point in time due to real or perceived risks and uncertainties that are present in the market, over and above risks which are inherent in infrastructure investment generally.

To some extent these risks and uncertainties are associated with the “newness” of the NDIS and SDA as a “product”, and a largely untested market – factors that are likely to reduce as the NDIS and SDA market matures. However, there were a number of factors identified by providers and investors which were impacting negatively on provider and investor willingness to invest in SDA:

1. *Uncertainty around pricing:* Uncertainty of longer term pricing relative to investment time horizon, and risks associated with changing (reducing) prices at each five-year price review.

2. *Policy uncertainty*: Perceptions that SDA policy is still developing, and risks and uncertainties associated with stability of SDA policy settings and future directions (and expectations that SDA policy will continue to change – particularly at an operational level).
3. *Implementation issues and associated risks*: Issues and risks associated with processes, timing and consistency of NDIA decisions relating to SDA eligibility and funding and interplay with SIL funding decisions.

Quality: In a well-functioning SDA market, appropriate standards, processes and consumer protections are in place to ensure a minimum level of quality of supply

Review findings in relation to quality are:

Finding 11: While the design guidelines used for SDA promote quality building and design, it is too early to determine whether this is being achieved.

The new quality arrangements provide an opportunity to establish a transparent and effective provisional enrolment process which enables dwellings to be approved earlier in the build process, while also providing a final approval of the implementation of required standards.

While the design standards used for SDA aim to promote quality building and design, it is too early to determine whether this is being achieved. It was noted that the majority of current stock is existing or legacy stock, which in most cases only meets the Basic design category.

Finding 12: Some providers, particularly in jurisdictions where the NDIS Commission is yet to come online, remain uncertain about the new quality and safeguarding requirements for SDA under the NDIS Commission, and there are concerns about the cost implications of new quality requirements.

The Rules and SDA Guidelines set out the role and requirement of the NDIS Commission with respect to SDA, however providers remain uncertain about the quality assurance processes for SDA dwellings, and the cost implications relating to the implementation of new requirements. Although there may be costs associated with quality and safety uplift (i.e. audit costs), the benefits in terms of reducing harm to participants and improving service quality through better practice is expected to offset many of these costs.

Innovation: In a well-functioning SDA market, there should be sufficient information and incentives (and no disincentives) for promote and achieve innovation in SDA supply

Review findings in relation to innovation are:

Finding 13: The immaturity of the SDA market means that the notions of innovation are still being determined.

The existing commentary in the SDA Framework supports innovation in SDA design and delivery, and this is critical to the development of a market which provides contemporary housing options that contribute to positive outcomes for participants. However, what is meant by 'innovation' in this new market context is still being determined, and at this early stage, innovation and quality is largely being defined by providers in terms of new or alternative housing design and built forms, innovative use of technology, and co-location with other housing options (such as SDA dwellings located in larger apartment buildings).

Finding 14: Participants are limited in their ability to drive or influence innovative SDA designs.

Participants and their families have a much broader view of innovation, encompassing considerations such as ownership models and shared equity models, innovative arrangements which allow for people with disability to live with family, and innovative support delivery and implications for housing, such as home-share arrangements. The Framework does not allow for many of these potential innovations, and instead assumes a "rental model" for SDA (much like social housing or defence housing), whereby providers and investors develop and own properties which are made available for 'rent' to eligible SDA participants (who utilise their SDA funding as well as pay a co-contribution).

Finding 15: There are some aspects of the SDA Framework and implementation of SDA that are creating barriers to achieving innovation.

Achieving innovative and high quality SDA designs, and potentially other innovations relating to pathways to home ownership, are only likely to emerge over time. However, at this stage, uncertainty relating to SDA policy settings and pricing, and the lack of market information relating to demand and

supply, means that many providers and investors are unwilling to invest in more complex, innovative SDA solutions. Further, the Rules and Framework in some instances are quite specific, for example in relation to dwelling configurations and building categories, which can have the unintended consequence of limiting innovative market responses.

Efficiency and value for money

Optimal outcomes and value for money: A well-functioning, regulated SDA market balances efficient use of participant funding and achievement of optimal outcomes, while providing value for money for Government

Review findings in relation to efficiency and value for money are:

Finding 16: Broadly, the SDA Framework supports ongoing sustainability of the Scheme, though is not clear on how choice for participants and Scheme sustainability and value for money can be balanced.

Scheme sustainability is a central focus of the SDA Framework, with particular emphasis placed on efficient price setting, eligibility determination, dwelling requirements. The SDA Framework also includes operational guidance to ensure immediate costs are managed and emphasises economies of scale.

The SDA Framework is not clear on how choice for participants and Scheme sustainability and value for money can be balanced, and whether choice needs to be limited to achieve Scheme sustainability or whether these two objectives can be achieved together.

The SDA Framework does not currently consider how SDA and other support funding can be used flexibly to better achieve participant goals, or how participants can be engaged in making decisions about using their entire package of supports achieve their long term goals.

Recommendations

Enhancing participant choice and control

Recommendation 1: Clearly articulate how participant preferences will be taken into account in determining their SIL and SDA arrangements.

This includes clarity on:

- How participant preferences relating to *where* they want to live, *who* they want to live with, and the *type of dwelling* they want to live in, will be taken into consideration in the determination of 'reasonable and necessary'.
- Communicating more clearly to participants and families, and the market more broadly, the circumstances in which a participant may be able to live alone (as per the Rules).
- How participants can use their SDA funding more flexibly than present, including how participants can be engaged in decision making about different combinations of SDA and other support funding to them meet their long-term goals.

The publication of precedents or case studies could be used to improve clarity, and these can be used to provide guidance and training to those responsible for determining eligibility and the provision of SDA funding.

Recommendation 2: Make changes to the Framework, Rules and Price Guide to remove restrictions for participants to live in SDA dwellings with people who are not eligible for SDA (such as their partner, children, other family and friends).

This should include:

- Changing the Rules (and subsequently the Framework and other supporting documentation) to:
 - remove the rule for dwelling enrolment that requires the majority of bedrooms in a house to be SDA-compliant
 - revise the rule that requires a bedroom for every resident in the house to remove this requirement for couples, participants with children and participants in other limited circumstances where a separate bedroom-like room is not required, while also ensuring sufficient safeguards are in place.
- Examining disincentives for providers that limit a participant's ability to live with others without disability (noting that the NDIS does not fund or subsidise living arrangements for people without disability).

Simplifying the process for participants to access SDA

Recommendation 3: Improve and streamline the SDA planning process and participant journey to ensure that the process is efficient, easy to navigate, and does not unduly burden participants and their families or SDA providers.

This should include:

- Examining the Rules and NDIS processes to identify barriers or constraints that make the participant planning process overly complex – such as:
 - The steps in the SDA process to allow clear decisions on SDA eligibility and funding to be made *prior* to the participant being required to identify a potential SDA dwelling. This will require amendment to the SDA Rule that requires a property to be available or very soon available before an SDA eligibility decision can be made.
 - Removing requirements to demonstrate other housing options are not suitable before a decision is made on eligibility, particularly where participants are already residing in unsuitable

accommodation, as by definition, a person who is eligible for SDA has their needs best met by SDA.

- Developing a SDA planning framework or guidelines that articulates how interdependent factors should be considered in determining SDA eligibility and the participant planning process (such as building design, ownership status, decision-making authority on any co-tenants, other disability supports and the day-to-day management of supports that are required to be in place for a person to live in SDA).
- Considering ways to escalate or prioritise plan review meetings where a vacancy is available or where existing accommodation is unsuitable (in accordance with the commitment in the Framework to prioritising Young People in Nursing Homes and other participants in unsuitable accommodation).
- Communicating the reasons for eligibility determinations to participants in a way they can easily understand, especially where participants have been deemed ineligible, to assist participants to understand the reasons and considerations underpinning the eligibility decision.
- Publishing indicative timeframes for eligibility decision-making, based on the type of application and participant characteristics, and examples of circumstances that would impact on the length of time take to make an eligibility determination (including guidance to participants around supporting documentation and evidence that could be improve timeliness of decision making in these circumstances).
- Tracking timeliness of SDA eligibility decisions by capturing when participants first apply for SDA compared to when eligibility is determined and reporting on the average time taken to progress through each stage.
- Reporting regularly on the number of SDA decisions, the number of people with SDA in plans, and the number of days SDA places remain vacant, to indicate progress in SDA access.

Once the above mechanisms are in place, specific timeframes should be established within the Agency for decision-making, including Key Performance Indicators (KPIs). For example, a percentage of eligibility decisions made within committed timeframes or the number of participants with SDA in their plans at particular timing intervals.

The ultimate objective of refining the process is to achieve an outcome where a participant can confidently participate in the market, and the vendor can have confidence of the certainty around the participants funding stream and options to seriously negotiate with the participant.

Recommendation 4: Based on the clarification of the process in Recommendation 3, provide greater clarity to participants on the SDA process through guidance for participants and families.

This guidance should clearly set out the:

- pathway to SDA, from decision-making through to identifying appropriate accommodation options
- supporting documentation necessary to meet evidentiary requirements.

Ultimately, guidance should prepare the participant, family and/or carer to participate in SDA eligibility and planning discussions.

Improving information for participants

Recommendation 5: Enable the provisional approval of SDA dwellings earlier in the build process to assist in enabling participants to link up with providers and potential new accommodation options earlier in the process and give greater visibility of upcoming SDA builds.

This could be achieved via one of two mechanisms:

- A change to the Rules to allow for a provisional certification of a dwelling based on a number of key criteria to be demonstrated in building plans, with a final certificate of occupancy required prior to a participant moving into the dwelling. In the absence of changes to decouple SDA funding decisions from the availability of an SDA dwelling, a participant could be allocated SDA funding for a dwelling based on the provisional certification.

- An independent certification process undertaken by a certification or building assessment body according to criteria agreed with the body responsible for enrolment. This would include working with the independent body to develop the training curriculum for independent certifiers and empower the certification body to certify dwellings based on dwelling plans. The certification body would be required to keep a register of certified dwellings. (It is understood that this process is being developed currently).

It is important that any process in this regard aligns with the quality and safeguarding arrangements implemented by the Commission.

[Recommendation 6: Support the further development of an SDA e-market by publishing real time dwelling enrolment information, in addition to the existing requirements for the NDIS Commission to publish dwelling registration information](#)

This includes information on:

- existing SDA dwellings (this should be supplemented by information provided by accommodation providers/managers on vacancies)
- registered SDA providers
- planned and provisionally approved dwellings (made available through the recommended provisional enrolment process).

This information will inform existing e-market mechanisms that are already available and developing in the market (such as Nest and The Housing Hub) which allow participants to access information on existing SDA dwellings and SDA vacancies that meet their needs and preferences, and that link participants to SDA providers. This will provide opportunities for participants and their representatives and providers/investors to meet to influence the design and development of new SDA dwellings.

[Recommendation 7: Develop and publish clear, accessible information for participants and investors about the SDA Rules, Framework, and Price Guide.](#)

It is recommended that multiple channels be considered, including the release of plain English documents for distribution by planners, Local Area Coordinators (LACs) and providers; participant and investor information sessions; and web-based information. This would promote understanding amongst all stakeholders about the operation of SDA, and the roles, responsibilities, options and requirements for all stakeholders.

Increasing market confidence in SDA

Recommendations relating to increasing market confidence in SDA are addressed elsewhere, and include recommendations on:

- Providing detailed information to the market to inform investment and supply decisions (recommendation 8).
- Establishing greater policy certainty around SDA (recommendation 11).
- Increasing confidence in pricing and the price setting process (recommendation 12 and 13).
- Addressing implementation issues with respect to confirming eligibility and allocating SDA funding to participants (recommendation 4).

Improving and enhancing market information

[Recommendation 8: Provide detailed, up-to-date demand and supply information to the market to inform investment decisions and contribute to achieving an optimal mix of SDA dwellings](#)

Given the level and nature of information asymmetry in the market currently, releasing detailed demand and supply information (including expressed demand and supply, as well as projections) will assist the market to make more informed investment decisions. This information should be released as soon as possible, and should be updated and released to the market in real time, or at least quarterly. This should include information relating to:

- *Demand*: Number of participants deemed eligible for SDA, and likely to be eligible for SDA over the next three to five years (projections to be reviewed every five years), by:
 - disability type and support need
 - type of SDA or other accommodation required (including SDA design category, where available)
 - location of participants (at SA4 or sub-regional level)
 - where participants live currently (that is, in existing SDA dwellings, legacy stock, new SDA dwellings; residential aged care; with family; other settings)
- *Supply*: Number of SDA dwellings and places currently registered by:
 - SDA design category
 - SDA dwelling type
 - SDA dwelling size
 - location (SA4 or sub-regional level).
- Qualitative information around the types of SDA dwellings that are emerging – either in the proposal or development stage, particularly case studies of innovative designs that have been approved as SDA, and accounts of outcomes for participants within these dwelling-types.

Greater price certainty and clarity

Recommendation 9: Develop, in consultation with the market (including providers/investors and participant representatives), a detailed approach for conducting price reviews to provide greater clarity around, and confidence in, SDA funding arrangements.

This should set out:

- How key cost inputs and pricing assumptions, which should be based on reliable public indicators, determine SDA funding.
- How key cost inputs and pricing assumptions will be determined and set (where applicable).
- How the market and sector (including participants) will be engaged in each price review (this should be specified in the rules).
- How independence will be maintained and who will conduct each review. This requirement should be specified in the Rules, and the price review should involve independent experts.
- Any changes to the Framework and/or Rules that may be required to implement this revised price review approach.

A draft approach should be released in the first half of 2019 for stakeholder consultation.

The revised approach for the price review process should be articulated in the revised Framework and/or Rules to ensure the market has a consistent understanding, and there is transparency to assist the market to anticipate changes that may result from underlying market-based assumptions.

This process may be refined and improved over time based on recommendations from each review and feedback from each consultation process.

Price reviews would continue to occur at five-year intervals.

Recommendation 10: Identify in the SDA Framework the specific events that would trigger benchmark price changes as provided in Paragraph 20 in the SDA Framework.

High level guidance on the events that would trigger benchmark price changes, or a review of specific pricing assumptions, should be detailed in the SDA Framework and/or articulated in the SDA Rules. Guidance should be issued to clarify when the provision should be applied, and how pricing parameters would be monitored in order to identify trigger events.

The identification of trigger events should be included as part of the next Price Review.

[Recommendation 11: Bring forward the scheduled 2021 Price Review to early 2019 to make changes to the Price Guide to address immediate concerns as outlined below.](#)

These immediate changes are likely to include fixing assumptions about loadings for different regions.

In order to support the development and testing of the revised pricing review approach (see recommendation 9); address areas of pricing that are creating disincentives to building some dwelling types or living arrangements; and create neutrality for investment decisions, the 2021 price review should be brought forward to 2019 (once a detailed approach has been developed with sector involvement). This will assist in correcting the existing supply mix to better align with demand from participants.

The particular areas of pricing that should be specifically reviewed (in addition to the price review approach developed in recommendation 9) should include:

- The relativity of cost inputs (including build and maintenance costs), and hence prices between design categories, especially between high physical support dwellings and robust and fully accessible dwellings, to ensure that prices do not create incentives that do not match demand from participants.
- The variability of location factor adequacy across SA4 geographies, to ensure they promote location preferences and do not create incentives that do not match the location of participants. This should also consider the use of SA3 areas to reduce variability in adequacy of location factors across broad SA4 geographies.
- Exploring possible arrangements that facilitate living arrangements with a mixture of SDA and non-SDA residents, to remove disincentives that exist for providers to meet participant preferences to live with people who are not eligible for SDA if they choose to (see recommendation 2 in Demand).
- The current accuracy of key cost inputs and pricing assumptions that underpin SDA funding, including land price inflation rates and building costs across design categories and building types.
- Confirming the nature of benchmark prices for SDA and the consistent use of terminology, including price “benchmarks”, “caps” and “ceilings”
- Considering the impact of the new quality and safeguarding requirements enacted through the NDIS Act 2013 and being implemented by the NDIS Commission, and whether this should be addressed in the pricing arrangements.

The Price Review should be conducted in a transparent way with independent input, in line with the newly designed approach for price reviews (refer to recommendation 9).

Following conclusion of the Price Review and agreement to recommendations, methods for determining key pricing assumptions (such as accepted public indicators) should be captured in the SDA rules and/or Framework. Existing prices should continue to apply until 2021, and any price changes recommended by the price review should apply from July 2021. This will ensure that no providers or investors who have already made investment decisions based on existing prices will be disadvantaged by the review being brought forward.

[Recommendation 12: The SDA Framework should embed a requirement for consultation on any significant SDA pricing or policy changes.](#)

This should include release of a draft policy position by DSS and the NDIA, a consultation process, publication of submissions, and release of the final statement.

DSS and the NDIA should establish an industry reference group for consultation on pricing changes.

Better managing risks associated with SDA investment

Recommendation 13: Establish greater certainty in SDA policy settings through the SDA Framework, which should be the primary mechanism for providing policy guidance on SDA.

At this early stage of market development, the main purpose of the Framework should be to provide overarching guidance for the market that focuses on the core objectives of SDA, and indicate how the complement of SDA documentation and rules are achieving these objectives, this should include:

- bringing together the array of SDA documentation and guidance
- describing the objective and aims of SDA and the intended recipients
- explaining the methodology and underlying assumptions for SDA funding in a detailed and clear format
- laying out the core components of SDA to provide a holistic picture of SDA requirements and processes.

The SDA Framework should be the primary mechanism for providing policy guidance on SDA. While the market remains immature and market participants seek clear guidance on requirements to participate it should also be the mechanism for presenting future policy changes, details or interpretation that relates to the operationalisation of SDA.

Given Price Guide now clearly establish the pricing and payments arrangements, and are the most appropriate mechanism to provide further detail, including methodology and assumptions, the Framework should set the high level principles and objectives for the development for SDA over time.

To the greatest extent possible, the Rules should be the avenue for providing clarity on pricing, payments, eligibility and dwelling registration. Any overlapping or inconsistent elements in the SDA Framework should be removed. The Framework should provide overarching guidance to continue to support and direct the development of the SDA market. The Framework should become a tool for policy setting and market development.

Where policy changes are required, the SDA Framework should be amended to set out a clear and transparent mechanism for policy change, which involves engaging with participants, providers and investors on the nature of the proposed policy changes – either to provide sufficient notice of changes in policy, or to provide opportunities for participant/provider/ investor input into the policy process. The SDA Framework should remain as the mechanism for this, with clear amendment processes through DRC. An industry consultation group mechanism could be established for consulting on policy and Rule changes.

Greater clarity around quality requirements

Recommendation 14: When revising the process for provisional dwelling certification, as per recommendation 5 above, establish clear dwelling eligibility and quality requirements to underpin the provisional dwelling certification process and maintain quality and safeguards.

This could include:

- issuing standards which are required to be met for particular categories of dwelling
- a post-build inspection to confirm standards have been met before confirming final enrolment
- setting out responsibility for maintenance requirements, particularly for robust and high physical support categories where these are more frequent and high cost.

It is important that this is integrated with, and aligned to, the processes established by the NDIS Commission in relation to SDA.

Recommendation 15: DRC should clarify the roles and responsibilities of the NDIS Commission and NDIA with respect to SDA.

In particular, transitional arrangements for jurisdictions that are yet to be governed by the NDIS Commission with respect to SDA should be made clear to provide sufficient certainty for providers on the quality and safeguards requirements they must meet for registration and ongoing SDA provision.

The NDIS Commission should continue to engage with industry regarding the implications of any changes to its quality and safeguarding requirements.

Information and incentives for innovation in SDA supply`

Recommendation 16: Remove further unnecessary prescription from the SDA Framework that is inhibiting a varied or innovative response in the market.

This includes:

- assumptions around the 'rental model' and rental contributions preventing responses that integrate broader ownership and non-tenancy arrangements.
- removing specific restrictions that limit a participant's ability to live with others without disability (such as their partner, children, friends or others) (as per recommendation 2)
- examining provider disincentives which limit a participant's ability to live with others without disability (noting that the NDIS does not fund or subsidise living arrangements for people without disability) (as per recommendation 2).

In the longer term, consideration should be given to removing prescription relating to dwelling types from NDIS plans to provide for more innovative solutions in response to demand from participants.

Recommendation 17: Provide research and information to the market on innovative housing design – to provide a catalyst for greater investment in more innovative SDA housing models.

While leadership in innovation needs to come from providers, participants, governments and the broader community, at this stage of market development the NDIA is uniquely placed to play a leadership role.

Key to this should be leading the development of a research and evidence base which illustrates how participant outcomes are being achieved through innovative SDA models and designs and disseminating this evidence to the market and participants. This could be in the form of 'innovation briefs', publishing case studies on innovative SDA design, and holding an Innovation Summit (similar to the Housing Innovation Showcases hosted by the NDIA in 2016).

Achieving optimal outcomes and value for money

Recommendation 18: Improve the level and scope of information provided to participants, families, Planners, Support Coordinators and other intermediaries on the options available to use SDA, SIL and other support funding to achieve positive outcomes, while also delivering value for money for the Scheme.

There are a number of actions that should be taken to address this:

- Provide information to participants and families on options available for using SDA, SIL and other support funding together or flexibly to help participants achieve their goals. This should be supplemented with real participant examples.
- Consider the training and specialist understanding needs of Planners to successfully facilitate this process for participants and families and provide guidance in assessing available options and the steps involved in making a long term value for money decision.
- Actively engage participants in decision making about different combinations of SDA and other support funding that will best help them meet their long-term goals
- Undertake and collate research on long term benefits and outcomes of particular SDA options and plan combinations to support value for money decision making. This should be communicated to Planners and participants to be drawn upon in the decision-making process, and how this can be implemented in a way that is consistent with participant choice and control.
- Showcase how innovative SDA design can contribute to reducing SIL and other support costs.



The Future Framework



5 The future Framework

5.1 The future Framework

The SDA Framework was agreed to by DRC to establish the policy for pricing and payments arrangements for SDA. The SDA Framework was designed to facilitate growth, change and innovation in the supply of SDA over time, while supporting choice and control, innovation and quality.

Since the SDA Framework was developed, the SDA Rules have been developed and implemented and provide formal, legislative standing for SDA eligibility, and dwelling registration. Unlike the SDA Framework, which is a published policy statement by DRC, the SDA Rules legally bind the NDIA in its implementation of SDA. The NDIA has developed the SDA Price Guide in accordance with the Rules and the Framework, and this specifies the range of prices (or price ceilings) to be paid to NDIS participants living in various SDA design and dwelling types across Australia. The NDIA also issues policy statements such as the Investor Brief, which clarify how it will apply the SDA Framework and Rules. The range of SDA governing documents and mechanisms are outlined in the figure below.

Figure 17: SDA governing documents and mechanisms



Source: KPMG

While the SDA Rules and Price Guide are now in place, there remains a need for a framework or policy document which establishes the guiding principles and objectives that are important for facilitating SDA market development and to facilitate the ongoing development in the SDA market. This framework will be particularly important in the short-term, given the increase in supply and investment in SDA originally envisaged has not eventuated and there remains a significant degree of market uncertainty and hesitance in making significant investment in SDA currently. Further, there is value in describing the complement of SDA rules, prices and documentation and the relationship between each, and how they collectively contribute to achieving SDA objectives.

While there is value in having a SDA strategic framework in place to provide policy certainty to the market and to participants, there appears to be some overlap between the contents of the Framework, the Rules, and policy documents such as the Investor Brief. There is a need to rationalise some of this documentation, and to ensure terminology is used consistently.

It is suggested that in removing duplication in relation to issues addressed by the Rules and consolidating other SDA documentation, this revised framework encompass elements relating to the policy objectives of SDA:

Table 11 Potential elements of a revised SDA Framework

Vision and purpose of SDA, and outcomes sought for participants and the Scheme	<ul style="list-style-type: none"> • Establishes the vision for SDA. • Describes the purpose of SDA and outcomes sought. • Outlines the core principles underpinning the SDA pricing, funding and access, and how funding SDA contributes to Scheme sustainability. • Describes the relationship between the SDA Framework, SDA Rules and other SDA documentation.
Participant eligibility, planning and decision-making	<ul style="list-style-type: none"> • Outlines very clearly who is intended to benefit from SDA and the principles for considering eligibility. • Is clear on what SDA aims to achieve for eligible participants. • Describes the intersections between SDA, SIL and other types of support and the extent to which decisions relating to SDA and other support funding (and participant choice relating to application of SDA and other support funding) can be balanced or traded-off. • Establishes the central tenet of choice and control, and provides guidance on how this is balanced against value and sustainability. • References the detailed eligibility, planning and decision-making criteria contained in the SDA Rules.
SDA market and market development	<ul style="list-style-type: none"> • Describes the features of a robust, well-functioning SDA market. • Provides an envisaged timeline to market maturity and indicators of success. • Outlines the nature of supply and demand information which will be required to facilitate market decisions relating to supply and investment.
SDA pricing and funding arrangements	<ul style="list-style-type: none"> • Describes the objectives of pricing and model of SDA the pricing elements are trying to achieve (not just a rental market). • Provides high level guidance on the economic assumptions underpinning price setting. • Describes minimum requirements for price review. • Describes expectations with respect to participant contributions to SDA costs, whether this be a “rental contribution” or other contribution to meeting the cost of housing (including equity contributions). • References the detailed pricing assumptions, values and criteria contained in the NDIA’s Price Guide and SDA Position and Decision Papers.

Innovation and quality

- Defines innovation broadly to include design, technology, living arrangements, financing models and ownership arrangements.
- Describes, at a high level, the quality requirements relating to SDA, including quality standards, quality assurance and monitoring, and roles and responsibilities.
- References the detailed quality requirements and criteria contained in the SDA Price Guide and SDA Decision Paper.

Source: KPMG

It will also be important that the SDA Framework articulates the role of and relationship between the SDA Framework, SDA Rules, SDA Price Guide and other SDA documentation.

The SDA Rules, which have a legislative mandate and status, are the primary decision-making document for SDA. Accordingly, the Rules should be the avenue for providing binding clarity on pricing, payments, eligibility and dwelling registration. Accordingly, any matters of process which are considered necessary to legally bind the decision making process should be contained in the Rules to provide consistency and certainty to investors and participants. However, while it is important to ensure that the Rules are sufficiently detailed to provide certainty and consistency in process, it is important to ensure that they are not unnecessarily prescriptive in a way that could cause unintended consequences. Indeed, this Review has made a number of recommendations designed to allow more flexibility in the Rules to allow them to achieve their intended purpose.

The NDIA will continue to issue documents such as the Investor Brief, but the Review has recommended a consultation process occur to ensure investors are fully aware of any shifts in policy made by the NDIA. Additionally, SDA is a developing market and this Review found significant investor uncertainty about the policy and legal settings governing the market. The Review thus considers there is a case for educating participants and investors about the SDA Rules, Framework, the Price Guide and the general operational settings of the NDIS, perhaps via some plain English documents and/or investor workshops. This would promote greater certainty and understanding amongst investors.

5.2 Next steps

DRC commissioned the Review in May 2018 in order to consider the early impact of the SDA Framework on the level of investment in SDA. The Review will be considered by DRC in late 2019. The outcome of the Review will inform DRC's development of arrangements for SDA into the future.

The first priority for DRC will be to determine the purpose and ongoing focus of the SDA Framework into the future, Secondly, there are a number of additional suggestions and recommendations for DRC to improve the operationalisation of SDA beyond the SDA Framework. Where these recommendations require policy changes, engagement with participants, providers and investors on the nature of the proposed policy changes is critical in order to: understand the effects of the recommendations; to plan successful implementation; provide sufficient notice of changes in policy; provide opportunities for participant/provider/investor input into the policy process; and to create transparency, which is critical to build public trust and understanding of the SDA Framework and its operation.



Appendix A

Stakeholder consultation



Appendix A: Stakeholder consultation

Roundtables

Table 12: Number of attendees at roundtables in each location

City	Date	Total number of Provider and Investor attendees	Total number of Participant, family and carer attendees
Melbourne	12 June 2018	20	11
	12 July 2018		
Sydney	12 June 2018	32	9
	12 July 2018		
Hobart	15 June 2018	9	0
Canberra	18 June 2018	10	4
Brisbane	19 June 2018	19	21
Darwin	21 June 2018	3	1
Adelaide	25 June 2018	15	6
Perth	27 June 2018	23	13
Total		131	65

Confidential discussions

Table 13: Number of confidential discussions held

Location	Number of organisations
Phone discussions	4
Face-to-face discussions	21
Total	25

Written submissions

Table 14: Number of written submissions received

Name	Number of submissions
People with disability, their families and their carers	10
Organisations that represent people with disability and carers	7
Provider/investor focussed organisations	33
Government agencies	1
Total	51



Appendix B Review Framework



Appendix B: Review framework

The table below sets out the detailed questions to be considered in exploring each of the Review domains (outlined in section 3) and identifies inputs from consultation with stakeholders and other data and information analysis. It summarises the specific questions and topics for exploration regarding each of the six high-level review questions and maps these to the specific TORs that they address, as well as the key stakeholders likely to have perspectives on each question.

It was expected that specific issues that have been listed as out of scope in Section 1 would be raised during consultations and written submissions from stakeholders. In these circumstances, KPMG has identified these issues, however such input has not contributed to broader analysis or recommendations for the Review.

Table 15: Review Framework

Review questions	TORs	Consultation input				Data analysis
		Participants	Providers/ investors	Government		
Supply – Does the Framework stimulate the required volume of supply?						
What is the nature and level of interest in the SDA market? Is this interest increasing over time?	1,2		✓	✓	1.	Numbers of SDA dwellings and places exist currently
Does the Framework create the right environment and conditions for ensuring the right supply mix (e.g. different geographies, type/size) of SDA dwellings?	1,4	✓	✓		2.	Number of SDA dwellings over time
Does the Framework allow investors and providers to be flexible in the development of SDA (for example, how houses are built on a single site, etc.)?	1,4		✓		3.	Numbers of providers registered in relation to existing dwellings and registered but not associated with an existing dwelling
Has the Framework resulted in any unintended impacts or consequences with respect to supply?	3	✓	✓	✓	4.	Mix of provider type and dwelling type

Pricing and payments – Does the Framework support the NDIA to appropriately set prices?					
Are SDA prices sufficient to cover costs of investment, development and operation?	1,2		✓		1. Analysis of funds included in NDIS plans for SDA – average, differences across dwelling types
Are SDA prices sufficient to provide a reasonable return on investment?	1,2		✓		2. Analysis of SDA pricing compared to dwelling build costs
Does this differ depending on the type, location, size of a property etc.)?	1,2		✓		3. Analysis of Participant characteristics and plan contents and values for SDA recipients
How do the adjustments to SDA pricing (e.g. for public owned land, application of pricing as a ‘ceiling’ rather than a set price) affect this?	1,2		✓	✓	4. McKinsey Independent Pricing Review
Have the pricing arrangements resulted in any unintended impacts or consequences?	3,4	✓	✓	✓	
Investment – Does the Framework support investor decision making and provide sufficient market certainty?					
Does the Framework support or inhibit long-term investment decision making? How/why?	2,4		✓		1. Numbers and mix of investors currently invested in SDA
Do the existing benchmark pricing approaches provide sufficient certainty for investment?	1, 2				2. Value of investments to date
What risks do investors and providers associate with the existing Framework?	2,3		✓		3. Range of investment and funding arrangements
Is the Framework sufficiently clear on the circumstances where SDA funding will be included in Participant plans to inform investment decisions?	1,2	✓	✓		
Are there any barriers in the Framework to investment?	2,4		✓	✓	

Do any aspects of the Framework specifically support investment?	2,4	✓	✓	
Do these barriers and enablers vary based on the type of SDA property, locations, or any other factors?	2	✓	✓	
Choice and control – Does the Framework enable choice, control, independence and inclusion in the provision of SDA?				
Are participants with SDA in their plans able to secure suitable SDA accommodation? What are the gaps / challenges experienced in finding suitable housing?	1,4	✓	✓	1. Number of Participants with SDA in their plans and proportion of these that have secured SDA 2. Mix of dwelling type
Does the Framework support participants to live in the SDA setting they choose and with people they choose (for example, other people with disability, or friends/family who do not have a disability)?	1,4	✓	✓	3. SDA supports committed and/or claimed in Participant plans and provider claims for SDA support
What housing options do people with disability prefer? Do these differ to the options currently available in the market? Do these differ for different cohorts?	1	✓	✓	
Does the Framework promote flexible housing options for people with disability?	1,4	✓	✓	
Does the Framework promote different occupancy, tenancy or ownership options for people with disability?	1,4	✓	✓	
Does the Framework allow for involvement and influence of people with disability, their families and carers in the design and selection of SDA to support their NDIS goals?	1,4	✓	✓	

Has the Framework resulted in any unintended impacts or consequences with respect to choice and control?	3	✓	✓		
Quality and innovation – Is the Framework facilitating high quality and innovative SDA models and design?					
Does the Framework (including pricing arrangements) encourage and facilitate innovation and quality in SDA design?	1,4	✓	✓		1. New dwelling types or living arrangements emerging
What are the barriers and enablers to innovation and quality in SDA design?	1	✓	✓		2. Range of funding arrangements
Has the Framework resulted in any unintended impacts or consequences with respect to innovation and quality?	3	✓	✓	✓	
Quality and innovation – Does the Framework incentivise value for money in use of NDIS individualised funding and support the ongoing sustainability of the Scheme??					
Who is driving value for money in SDA options? Is this the result of the Framework or does this need to be better supported in the Framework?	1,2,4		✓	✓	1. Value of SDA in plans compared to projected
Does the Framework support flexibility in use of services and built solutions to maximise the value of individualised plans?	1,4	✓	✓	✓	2. 3. Numbers of Participants with SDA in plans compared to expected numbers
If the Participant achieves reduced support costs, does this impact the price of the individualised funding for SDA?	1	✓		✓	4. Mix of SDA and other supports in SDA-recipient plans
What are the barriers or enablers to Scheme sustainability in the current SDA framework?	1	✓	✓	✓	



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