

NDIS Specialist Disability Accommodation Pricing and Payments Framework Review

Submission – June 2018



Introduction

PowerHousing Australia welcomes the opportunity to provide feedback on the NDIS Specialist Disability Accommodation (SDA) Pricing and Payments Framework Review.

The growing issue of housing for all Australians finds increasing prevalence in the media today. Government, advocacy groups and low-to-moderate income earners face a significant challenge with 1 in 5 households recording income of less than \$650 per week, stagnant wage growth and rising rents increasing the national rate of rental stressⁱ. Indeed, the number of people experiencing homelessness and on waiting lists for social housing has increased significantly.ⁱⁱ

As recorded by the Productivity Commission, 'the number of public housing households has decreased over the last decade (331,136 in 2008 to 310,483 in 2017), [while] there has been an increase in the number of households in community housing, from 35,043 to 75,634'.ⁱⁱⁱ This in part reflects transfer of some public housing stock (management and/or title) to the community housing sector in line with Government policy to expand the role of community housing in the provision of affordable housing.

The lack of specialist disability accommodation is a reality that many Australians and their families have had to live for the entirety of their lives. With young people with disabilities having to live in nursing homes, others with significant physical disability living in unsuitable rental accommodation and many unable to move out of the family home at all, SDA has the potential to profoundly impact the lives of Australians living with disability.

With Australia currently building 220,000 dwellings per year, which is 60-70,000 dwellings more than the average annual build rate,^{iv} we are now seeing a developing national focus on incentivising the delivery of affordable housing at reasonable price points. Whilst Australia has delivered this many homes consistently per year over the past 2-3 years, Australia has under-delivered when it comes to providing suitable homes for those living with significant disabilities.

Whilst these levels of housing production have peaked at record levels, there is a real risk that a decline in delivery over the next 24 months will reverse recent gains without significant net gain in all housing types such as specialist disability accommodation. Not only would a drop of 40-70,000 dwellings being produced per year impact on diverse supply, it would impact on State and Federal taxation revenues and jobs. To put this into perspective each new dwelling that does not get built will see up to 40 trades and sub-trades work orders lost per dwelling.

Our submission is structured around the following key issues:

1. Uncertainty is impacting investor confidence
2. The language of 'price limits' and participants 'negotiating' with Providers up to a price 'ceiling'
3. Choice and control for participants
4. Other submissions

PowerHousing Australia and its Membership

PowerHousing Australia was formed in 2005 when leading Community Housing executives recognised the value of collaboration and information-sharing in addressing the housing affordability crisis. PowerHousing facilitates a national network of 31 member Community Housing Providers (CHPs) and partners with 15 national/international brand developer, financial and sector affiliates.

PowerHousing assists our members in increasing the supply of affordable housing and delivering excellent tenancy and asset services within a community building model. We do this by facilitating regular opportunities for members to network and exchange knowledge, such as at our Annual Member Exchange amongst other networking and collaborative opportunities. Based in Canberra, we are located to promote the capacity of members and represent their policy positions to the Federal Government and other stakeholders.

PowerHousing is a member of the International Housing Partnership which brings together housing organisations across the UK, USA, Canada and Australia to collaborate, share best practice and build knowledge.

Our ASIC and ACNC-regulated members develop, own and manage social and affordable housing, providing housing worth over \$15.9 billion to more than 82,000 Australians on moderate to low incomes, with great levels of tenant satisfaction.^v

PowerHousing's growing members are projected to have raised over \$700 million of debt facilities in 2017-18.^{vi} In New South Wales alone, our members represent over 80 per cent of registered Community Housing stock.

As demonstrated with the landmark Ivanhoe Estate redevelopment project in Sydney, our CHPs are successfully partnering with large-scale developers to increase the national supply of social and affordable housing. Profits are reinvested into acquiring, developing and managing properties and programs designed to increase the amount of affordable housing and address housing need.

The value, experience and capacity that CHPs bring to the table as we legislate for Australia's housing affordability challenge cannot be overstated.

Elements of the Submission

1. Uncertainty is impacting investor confidence

Greater certainty in pricing and funding into the future is needed to support investment decisions and as such potential new SDA projects are not advancing as fast as would be hoped.

A number of PowerHousing's member CHPs have provided feedback on the certainty that is required around SDA funding decisions. With the development and holding costs of building an SDA-specific dwelling being significant, CHPs have reported on the need to reduce risk around the potential for a 6-9-month delay after a property is completed before clients are confirmed and receiving SDA.

The risk of price changes needs to be considered. The lack of certainty generated by Clause 5.5 of the NDIS SDA Rules 2016 need to be addressed. Clause 5.5 notes that SDA amounts may be adjusted 'from time to time, both annually and following periodic reviews'. This effectively means SDA can be reviewed every year. The uncertainty of the amount of funding per year has been a significant and recurring hurdle for PowerHousing CHP members in gaining finance to develop properties; a fluctuating amount of funding is too great a risk for banks to provide debt.

PowerHousing recommends that the initial time period for SDA should be for an extended period of 10 years, with CPI updated accordingly with the rate applied to the house and adjusted accordingly in the individual's package.

There is a need to improve processes and timeframes around SDA funding approvals for participants, including a 28-day turn around for decisions on SDA where the participant has identified an immediate SDA option. CHPs have reported lengthy wait times for confirmation of SDA, and corresponding lengthy vacancy periods.

For example, one CHP experienced a nine-month vacancy for a newly-constructed 20 bedroom High Physical Support villa. Two individuals were ready to move in however they had to be reassessed to be given High Physical Support Status despite it being well-known which level they needed. The NDIA wanted these individuals to find a house before they would reassess them, which contributed both to the CHP's lengthy vacancy rate and anxiety experienced by those families.

PowerHousing recommends processes and timeframes around SDA funding approvals for participants are improved, particularly with a 28-day deadline for decisions on SDA where the participant has identified an immediate SDA option.

The NDIA needs to publish regular data to support market development including data on the number of SDA approvals for participants and enrolled SDA dwellings by dwelling type, design category and by state. Further to this, information and decisions on demand and SDA plans by location should be made available. This will help to identify prime development locations and increase investor certainty with decision-making.

PowerHousing recommends the publication of data on SDA packages, including the general location of those who already have and those who require SDA plans. This will create certainty for both providers and investors, and follow on to increase the supply of SDA dwellings towards the required number.

2. The language of ‘price limits’ and participants ‘negotiating’ with providers up to a price ‘ceiling’

The investor brief saw the change in terminology, and as such ‘price benchmarks’ are now ‘price ceilings’. The new term ‘SDA price limits’ frames the NDIS Price Guide as only the ceiling up to which SDA providers can earn, after negotiation with SDA participants. This could be interpreted as being that the NDIA may only allocate participants an SDA budget from lower cost categories, and it is up to the participant to negotiate with the SDA provider to accept that budget despite having a higher specification dwelling. An investor brief that could see of providers negotiating lower prices with NDIS participants introduces uncertainty about the returns that can be expected by investors.

This appears in conflict with the SDA Rules and is a change from statements made in the Decision Paper on Pricing and Payments issued in mid-2016, both of which indicated that SDA providers be paid for dwellings when occupied by SDA participants according to the highest design category with which the dwelling complies.

Providers and developers have undertaken feasibilities under the assumption that the SDA Price Guide were benchmark prices, not ceiling prices. PowerHousing is looking to work with global investment banking and diversified financial services groups but CHP Special Purpose Vehicles (SPVs) with SDA will progress slowly until this is clarified. Many providers and potential investors are considering investing further in this space but will hold off until this is clarified.

The SDA Investor Brief created investor concern and uncertainty as it introduced negotiated SDA prices. This potentially means that SDA funding could be less than the published price of what it costs providers to supply SDA housing.

PowerHousing recommends SDA providers be paid for dwellings when occupied by SDA participants according to the highest design category with which the dwelling complies.

3. Choice and control for participants

One major issue is that people who were in the state system prior to the NDIA were being looked after by the state in shared homes. However, now that the NDIA has taken over a large proportion of these people, if they choose to move to another SDA property they have been told they are at risk of losing their SDA. People were to be no worse off under the new system and were to be given choice, however these experiences demonstrate the opposite.

These people should have their SDA level grandfathered across their life. Whilst they may not have the high physical and intellectual disability requirements for SDA, due to the new system they are potentially now caught in the middle; at one point in the past they were put into shared housing and some have nowhere to go now. Desiring to move into a different house should not have adverse consequences for these individuals.

Further, considering collapsing Robust and High Physical Support categories into a single category could increase choice for SDA recipients but would require some consideration. The cost to build a Robust compared to a High Physical Support dwelling is marginal, however combining this category would increase the pool of choice for an SDA recipient, reduce vacancy risk and simplify administration.

PowerHousing recommends grandfathering existing SDA levels to ensure participants have choice and control over where they live. As well as this, flexibility around combining the Robust and High Physical Support categories into one could be considered to increase choice for an SDA participant as well as simplify administration and reduce vacancy risk for a provider.

4. Other submissions

- PowerHousing CHP Members are concerned in respect to the self-assessment of the design of SDA properties. Having SDA dwellings designed and built to perform as intended requires appropriate qualifications and insurances from those who certify. We understand that there are only a small number of New Build SDA dwellings that are certified however a retrospective review of properties in the system as being design and 'as built' compliant is needed.
- Location Index – the location index multiplier is designed to recognise the different land prices in different locations. The index has not kept pace with the changes over the past 3 years and currently it is impossible build in SDA accommodation in Sydney except on the outer suburbs. Considering the build costs in regional areas is important also as they are higher, generally due to freight and labour costs and this not reflected in the pricing model.
- NDIA is encouraged to work closely with the sector and those with the capacity to deliver scale numbers of Specialist disability accommodation. In particular working with scale registered Community Housing Providers as regulated entities reduces the risk of as-built performance and has great potential to improve social impact outcomes.

Conclusion

PowerHousing Australia's members are broadly supportive of the intent of the SDA and look forward to seeing its successful implementation. Incorporating the right structure is essential to ensure the SDA achieves its objectives of affording those with significant disability the capacity to be independent and appropriately accommodated.

Increasing the term between reviews of SDA packages will go a long way to increasing certainty for SDA recipients, housing providers and investors alike. Likewise, shortening the assessment timeframe would increase certainty for both providers and individuals requiring appropriate homes. Releasing information of SDA demand and existing SDA location would ease development risk.

Clarifying the language of the SDA Investor Brief, particularly ensuring SDA providers be paid for dwellings according to the highest SDA design category the dwelling complies with, would address concerns in this area.

Grandfathering existing SDA and would ensure the objectives of SDA are met, and combining the categories of Robust and High Physical Support would both increase efficiencies for providers and give Australians with disability greater choice and control of where they live.

PowerHousing Australia's members look forward to continued consultation with DSS, private industry and affiliates to build community housing sector capacity in the disability space.

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ⁱABS. 2016 Census (Released 27 June 2017).

ⁱⁱProductivity Commission 2017, *Report on Government Services*, Volume G, Canberra: PC.

ⁱⁱⁱProductivity Commission 2018, *Report on Government Services*, Volume G, Chapter 18, pp18.4, accessed 23 Jan 2018, <<https://www.pc.gov.au/research/ongoing/report-on-government-services/2018/housing-and-homelessness/housing/rogs-2018-partg-chapter18.pdf>>

^{iv}ABS. 2016 Census (Released 27 June 2017), *8752.0 - Building Activity, Australia, Dec 2016*. For more info: <www.powerhousingaustralia.com.au/wp-content/uploads/2017/10/Affordbale-Housing-Report-EScan-July-2017.pdf>

^vPowerHousing Australia 2017, *Annual Report*, Canberra

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