

# **SPECIALIST DISABILITY ACCOMMODATION**

## **Position Paper on Draft Pricing and Payments**

**1 April 2016**

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## Foreword

Specialist Disability Accommodation (SDA) refers to specialist designed housing for those participants requiring integrated housing and supports, due to their significant functional impairment and/or complex needs.

SDA refers only to specialist accommodation and is not intended to reflect the accommodation needs of people with disability for whom mainstream housing would be appropriate. The National Disability Insurance Agency (NDIA; Agency) will continue to work with other agencies and departments with housing responsibilities to stimulate accessible and affordable housing options.

Historically, SDA has been delivered primarily by State and Territory governments (hereafter 'States'). The responsibility for funding SDA is now transitioning to the National Disability Insurance Scheme (NDIS; Scheme). Like all parts of the Scheme, the SDA payments approach seeks to bring greater choice and control for people with disabilities in relation to their need for reasonable and necessary housing supports. For eligible participants, SDA will be funded on a per-person basis and reflect the range of different types of housing, the specific disability needs and other factors such as the age of the property and where it is located.

The approach is also designed to enable a smooth transition of existing SDA stock, to improve the long term supply of SDA and to incorporate provision for innovative housing solutions. This will contribute to greater choice and control within a commercial and sustainable framework.

The Council of Australian Governments' Disability Reform Council endorsed the Specialist Disability Accommodation Pricing and Payments Framework (the SDA Framework) to guide the implementation of SDA supports as they transition from State government jurisdiction into the NDIS (see Appendix A). This position paper should be read in conjunction with that framework.

This paper sets out the NDIS benchmark pricing and payments approach, operational processes and administrative arrangements for SDA, designed in accordance with the SDA Framework, for the funding of the land and built elements of SDA under the NDIS.

As required by the council, and as part of developing this pricing and approach, the Agency has held public consultations in all States and Territories, and with all governments. These consultations have provided valuable input which has been incorporated into the design.

The pricing and administrative arrangements outlined in this paper represent the Agency's intended approach for the implementation of SDA supports to commence from 1 July, 2016. As part of finalising this approach, the Agency is keen to continue engaging with a range of stakeholders, seeking final feedback and comment on its consideration issues of substance. We invite you to send your feedback to [SDAhousing@ndis.gov.au](mailto:SDAhousing@ndis.gov.au) by 15 April, 2016.

The Agency will then publish the final SDA benchmark pricing and payments approach, for commencement on 1 July, 2016.

# 1. Background and purpose

## 1.1. What is Specialist Disability Accommodation (SDA)

SDA refers to specialist designed housing—including land and built form (user cost of capital)—for NDIS participants requiring integrated housing and supports, due to their significant functional impairment and/or complex needs.

In designing this pricing and payments approach the Agency is cognisant that the definition of SDA includes both the existing specialist accommodation where people are currently living, as well as new and innovative models that are not yet widely available.

This definition also explicitly separates out the support arrangements delivered to participants within specialist disability accommodation, such as home modifications where a person does not require specialist accommodation. These supports, where reasonable and necessary, are funded through a participant's NDIS plan.

## 1.2. The process to-date

In November 2015, the Disability Reform Council endorsed the SDA Framework. The SDA Framework outlines how benchmark prices for SDA will be developed by the Agency and provides guidance on for whom, and under what circumstances, SDA will be provided. A copy of the SDA Framework has been included in Appendix B.

In the development of the benchmark pricing, the SDA Framework required the Agency to follow a process where it:

1. Sought the views of the Commonwealth and State governments on the pricing and payments arrangements for SDA;
2. Issued discussion papers on the arrangements it might adopt and consulted with current and future residents of SDA and government and non-government providers of SDA;
3. Sought feedback from other stakeholders including: families, carers, disability interest groups, provider peak bodies and financiers;
4. Developed draft benchmark prices on which it sought views of residents, providers and other stakeholders as necessary; and
5. Made any adjustments it deemed necessary before publishing its final benchmark prices (and any associated weights and factors).

Over the period January 2016 through to March 2016, in accordance with item one through to three above, the Agency sought the views of each State government on the SDA pricing and payment arrangements, issued discussion papers, and consulted widely with stakeholders through open consultations scheduled in every State and Territory. Public forums held as part of the open consultation process attracted more than 500 individuals representing a broad

range of stakeholders including: families, carers, disability interest groups, disability service providers, provider peak bodies and financiers.

### 1.3. Purpose of this position paper

This paper sets out the draft benchmark pricing and payments approach, that the Agency will use to fund SDA for eligible participants commencing from 1 July, 2016.

This paper is being released for two purposes. Firstly, to provide guidance to the market on benchmark pricing, pricing structures and the rules and administration arrangements that sit alongside these prices; and secondly, for the Agency to seek final feedback from the market in relation to the same prior to publishing final pricing which will apply to SDA under the NDIS from 2016 to 2021.

### 1.4. Next steps

The Agency seeks the views of all interested stakeholders on the content of this position paper by 15 April 2016. Responses can be provided to the Agency via email to [SDAhousing@ndis.gov.au](mailto:SDAhousing@ndis.gov.au).

The Agency will consider any feedback prior to finalising the prices to apply from 1 July, 2016. The Agency does not intend to publish or share comments received in response to this position paper. All submissions will be treated as confidential unless otherwise indicated by the author.

In parallel, the Agency will continue to work with governments on a number of interrelated projects, some of which are external to the Agency which support or facilitate the pricing and payment approach outlined in this position paper.

Related projects which do not form the scope of this paper, include, but are not limited to: development of the rule(s) under the *National Disability Insurance Scheme Act (2013)* (NDIS Act); settling mechanisms for reasonable rent contribution and land-payment pass through; and finalisation of policies and working arrangements with States relating to grandfathering arrangements.

The rule(s) authorising the Agency to apply SDA criteria to reasonable and necessary decisions and payments for SDA is a precondition to finalising prices.

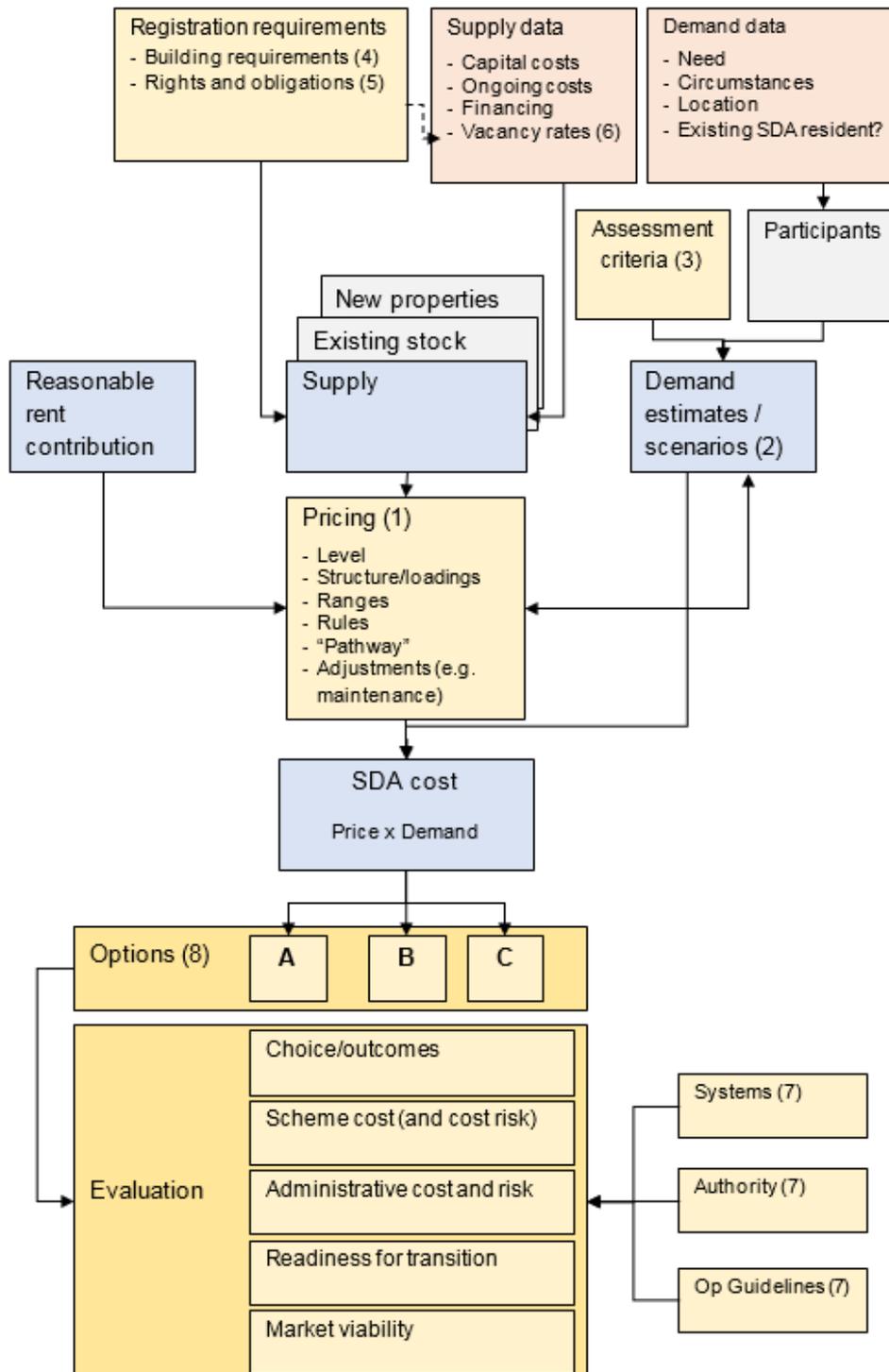
### 1.5. High level methodology for inputs to SDA prices

In order to determine a sustainable benchmark price, the agency has applied data from a range of sources in its modelling, the basic elements of which are outlined in Figure 1

The cost of SDA to the Scheme is a product of pricing (1) and demand (2). Demand is in turn driven by assessment criteria (3) and estimates of the number of NDIS participants that may require SDA, given their needs and circumstances. Pricing inputs include supply data, such as the nature and location of existing stock, provider registration and building requirements (4), tenancy rights and obligations (5) and capital and ongoing costs including vacancy rates (6)

and offset by the proportion of costs to be met by reasonable rent contribution. The various potential scenarios that these factors drive (7) are then assessed by the Agency for their impact on participant choice and control, Scheme and administrative costs (both internal and external) and the ability for that solution to be implemented during transition and to support the desired market objectives. Necessary amendments to legislation, systems and operational guidelines support implementation.

FIGURE 1 - CALCULATION OF BENCHMARK SDA PRICING AND COSTS



## 2. Pricing and approach

### 2.1. Pricing objectives

The Agency's draft benchmark pricing and payments approach recognises that two important goals of the Scheme are to enable people requiring SDA to obtain appropriate accommodation suitable for their needs and for these people to have greater choice and control over where and how they live.

The Agency has applied the following objectives in developing this approach:

1. The NDIS will support the availability of SDA for participants who are assessed as requiring such specialist accommodation.
2. The NDIS will support a sustainable SDA market that fosters choice and control, encourages innovation and provides options for participants, continuity of supply and financial sustainability for governments, participants and providers.
3. The approach is designed to give effect to the objectives of the NDIS Act, 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.
4. The approach seeks to address uncertainty in the market for SDA as it is initially and progressively established and as accommodation support services transition from block grant funding into the market.
5. The Agency is committed to a model which allows a sustainable and commercially viable supply of accommodation to reduce the number of people on waiting lists and living in settings that are inappropriate to their needs.
6. The Agency supports fostering a model which, as far as possible, explicitly separates provision of housing infrastructure from supply of supports and services to residents in order to maximise participant outcomes, choice and control.
7. Based on evidence, and the insurance principles of the Scheme, the Agency may build in strategies to influence greater supply of particular types of accommodation and to maximise participant outcomes over the long term.
8. The approach needs to support the market moving, over time, towards achieving this vision and is also intended to ensure there is scope for growth, replacement, change and innovation in the supply of SDA over time.
9. This benchmark pricing will apply for the period 1 July 2016 to 30 June 2021 but will be reviewed regularly as experience and participant data grows.
10. The approach adopted will be nationally consistent.
11. The Agency will work jointly with the Commonwealth and States governments on any material amendments that impact the SDA pricing and payments approach.

## 2.2. Approach to pricing

The purpose of publishing benchmark prices is to provide guidance to the market on the Agency's proposed approach to pricing for SDA. In addition, the benchmarking pricing will guide planners when determining the reasonable and necessary supports for the cohort of participants identified as requiring SDA (as will be set out in the SDA rule(s)). Funding will be allocated as each of these participants are identified at entry to the Scheme and the SDA support stated, but not explicitly quantified in their package. For sake of certainty this also will be confirmed by the SDA rule(s).

In determining the benchmark prices, the Agency is seeking to allocate SDA funding at a level which results in overall payments to service providers (inclusive of rent contributions) which are commensurate with the market rate of return on investment. The Agency will provide pricing which considers two levels of return based on whether the property is newly constructed or an existing property. As set out in the SDA Framework and relevant sections of this position paper, prices for individual properties vary based on a number of factors including property type, nature of construction, number of bedrooms, allowances for overnight carer facilities, and geographic weightings.

All SDA providers will need to be registered, as will the properties. The registration and monitoring process will capture and maintain sufficient details about the property and the tenants to enable the Agency to apply the appropriate pricing.

Consistent with the SDA Framework, the payment by the Agency will be per participant, while the property is occupied. Occupancy and vacancy risk rests with the housing provider. Each participant is free to choose whether or not they wish to reside in a property. The rate of return adopted by the Agency has been designed to reflect this risk.

The Agency will examine the feasibility of stimulating the market to supply housing in particular areas as demand for specialist housing becomes clear through transition. Subject to policy and legal authority, this may include directly commissioning property. This may be necessary to achieve the short-term growth in accommodation supply necessary to accelerate clearance of waiting lists and support the forecast numbers of full-scheme NDIS participants. This type of procurement is similar to existing approaches where the Agency may choose to bulk purchase supports. In such circumstances the Agency will consider taking on occupancy/vacancy risk and providing an agreed term of funding. In this case a lower rate of return will be applicable.

The following sections detail benchmark pricing formula set out in the SDA Framework, then describe the Agency's proposed scope for variation in elements of the formula and pricing considerations. The final section sets out the key assumptions underpinning the draft benchmark prices.

## 2.3. Pricing model and Price matrix

The benchmark pricing model for SDA has been developed based on the formula and expected adjustment factors outlined in the SDA Framework. To the extent possible, the model assumptions have been developed from industry benchmarks, but have referenced State government data to test and calibrate the results.

There are separate prices for new housing and for existing housing stock. The price for new builds is set to provide an incentive to a broad range of potential investors to respond quickly in constructing new properties to provide for unmet SDA demand. The price for existing housing stock is lower and provides yields more in line with the established rental market to ensure owners have a financial incentive to retain participants for as long as they choose to live at the property.

The benchmark prices have additive and/or multiplicative factors or weights for classes of dwellings (determined by the Agency) that can be applied by the Agency as necessary.

Prices are differentiated by building type and design category. The building type and design categories were developed through consultation with stakeholders, with detailed specifications developed by architects, reflecting the range of different types of accommodation that the Agency may need to fund, including existing accommodation.

For clarity it is noted that the benchmark pricing formula and the SDA Framework (as set out in Appendix B) have been agreed and endorsed by the States and therefore no changes will be made to these aspects as a result of feedback received in this consultation. Comments should be directed towards the interpretation and proposed approach as outlined in this paper.

## 2.4. Benchmark pricing formula

In accordance with the SDA Framework, the Agency's benchmark pricing for SDA is based on an efficient representative provider, with representative configurations of dwelling stock. Prices are calculated based on the formula illustrated below and expressed as a price per participant. The numbers in brackets refer to elements described in Table 1 below.

### **Benchmark pricing formula**

**Dwelling price (1) =**

**Consumption costs (2)**

**+ Opportunity costs of capital (3)**

**+ Costs of ownership (4)**

**– Land price inflation (5)**

**– Reasonable rent contribution (from all participants in dwelling) (6)**

**Benchmark price (7) = Dwelling price (1) / anticipated number of residents (8)**

In addition, the benchmark prices also allow for adjustments based on location and other approved allowances.

Assuming an average occupancy rate, the total income to the housing provider for a particular dwelling is described in the following equation. As with the previous formulas, the numbers in brackets refer to elements described in Table 1 below.

### **Calculating Housing Provider Income per dwelling**

**Total dwelling income (9) =**

**Benchmark price (7)**

**x Location factor (10)**

**x Anticipated number of residents (8)**

**+ Reasonable rent contributions (6)**

**+ Other allowances (11)**

The elements of the pricing formula are set out in Table 1.

**TABLE 1: DESCRIPTION BENCHMARK PRICING FORMULA**

<b>Metric</b>	<b>Description</b>
1) Dwelling price	The annual cost of a dwelling, including land, buildings and recurring annual costs, net of land price inflation and reasonable rent contributions. The dwelling price is the total paid for a dwelling by the NDIS, before other allowances.  The dwelling price is divided by the anticipated number of residents to provide a benchmark price per participant.  For the sake of clarity, the total income for the dwelling owner will be the total dwelling income (9), described below.
2) Consumption costs	The depreciation in the value of the building and other assets over time.
3) Opportunity cost of capital	The efficient financing costs associated with the typical sources of capital (debt or equity), across all aspects of the capital investment (land, buildings, plant and equipment). The weighted average cost of capital will be determined by the Agency.
4) Cost of ownership	Recurring costs including those that are legally required, that extend the operating life of the accommodation, or that are otherwise necessary. An efficient accommodation-related operational cost of SDA could include: facilities management, rates, insurance, utilities not met by the tenants, repairs and maintenance, and tenancy management.

Metric	Description
5) Land price inflation	<p>The gain or loss the accommodation owner incurs over time due to changes in the value of land. To minimise short-run volatility in pricing arrangements, the Agency has adopted a long-run (20 year+) approach to establishing this component of the benchmark prices. This factor will not vary from year to year but may be varied at the nominated review periods if expectations for long term inflation have materially changed since the last review.</p> <p>The SDA Framework notes that land that is procured through a leasing arrangement by the provider will also be funded consistent with the formula outlined above. That is, the benchmark price will not be adjusted for land ownership arrangements (own versus lease). This recognises that while the provider is leasing the land, if they are paying a market price, then the owner of the land will be incurring costs and inflation consistent with the formula above, and this will, in theory, be reflected in the market rental price for the land.</p> <p>Where other gains and losses from the revaluation or inflation of assets can be identified these may be taken into account by the Agency in setting the dwelling price.</p>
6) Reasonable rent contribution	<p>In formulating a resident contribution in the benchmark prices as per the SDA Framework, the Agency has assumed residents will contribute 25 per cent of the base rate of the Disability Support Pension plus any Commonwealth Rent Assistance (CRA) for which they are eligible. The reasonable rent contribution excludes board.</p> <p>The reasonable rent contribution component of the benchmark prices will be adjusted if Disability Support Pension or CRA payment rates are changed.</p> <p>Refer to the section on Reasonable rent contributions for further details.</p>
7) Benchmark price	<p>The benchmark price is the annual NDIS payment for SDA that would be provided per eligible participant that resides at a property. The benchmark price is net of reasonable rent contributions and therefore does not represent the entire income to the property owner.</p>
8) Anticipated number of residents	<p>The number of residents within the accommodation, adjusted for the average level of vacancies for each dwelling type. Note that, subject to confirmation of the continuity of support arrangements, the Agency will also assume any residents who are <u>not</u> NDIS participants who have been assessed as having a reasonable and necessary requirement for SDA supports (and who are residents rather than support staff) are included in this figure.</p>
9) Total dwelling income	<p>The total dwelling income is the total income the housing provider would expect to receive and includes the benchmark price for each eligible participant residing at the property, plus reasonable rent contributions from the participants, plus any additional allowances (see 10 below).</p>
10) Location factor	<p>The base price provided in the pricing schedules reflects a property constructed in a location with land values equal to the median capital city value. A location factor will be applied to the benchmark price based on the location of the property to reflect differences in building costs and land values in each geographic area.</p>
11) Other allowances	<p>Other allowances would be paid for SDA properties with approved:</p> <ul style="list-style-type: none"> <li>• Fire sprinklers</li> <li>• Assistive technology</li> <li>• Furnishings</li> <li>• Communal areas for multiple dwellings</li> <li>• Participants that do not receive CRA for reasons other than income</li> <li>• Participants under 21 that receive a reduced Disability Support Pension</li> <li>• Atypical maintenance costs associated with complex behaviours.</li> </ul>

## 2.5. Accommodation design categories

Benchmark pricing needs to cater for a number of building purposes which incorporate different standards and characteristics of SDA specific to a person’s needs and the nature of their disability.

The benchmark pricing model is based on five broad categories of SDA design, shown below in Table 2. The category labels which the Agency has used are new and do not reference historical approaches or standards unless explicitly referenced. Design standards and assumptions regarding construction materials, size and fit-out have been applied and are outlined later in this document and in Appendix B.

In selecting the design categories listed in Table 2, the Agency considered a range of additional design categories. This level of differentiation was chosen to reduce administrative complexity as price differentials were not material between more granular definitions.

By definition, where the Agency is required to define a price for a support (in this case SDA), it is necessary to provide a detailed specification of what is included in that price. The Agency is aware that this tends to stifle innovation and variation in the market. The ‘innovation’ category therefore allows providers to develop services that do not fit one of the specific definitions satisfactorily.

**TABLE 2: DESCRIPTION PRIMARY DESIGN CATEGORIES**

Design Category	Description
Standard	Housing without specialised design features but with other important SDA characteristics (e.g. location, privacy, shared supports).
Improved livability	Housing that has been specially designed to significantly improve the ‘livability’ for participants with non-physical disabilities (e.g. improved wayfinding, clear lines of sight into other rooms for residents and staff, reduced sensory stimulation, room ‘flow’).
Fully accessible	Allows full accessibility for participants with adjustments to improve ‘livability’ (e.g. platinum level design, appropriate height of windows and benches). This design is based on the Platinum standard for accommodation and Australian Standard 1428.1.
Robust construction	Resilient but inconspicuous materials and features that minimise risk to the participant and the community, improve privacy and reduce maintenance costs (e.g. secure windows, doors and external areas, sound proof walls, unbreakable glass, appropriate strength walls, etc.). The room sizes are based on the platinum standard for accommodation and Australian Standard 1428.1.
High support needs	Higher (e.g. complex or medical) support needs, likely requiring wider access and greater allowances for hoists and other equipment.
Innovation	Innovative features, technology or housing designs that improve outcomes and whole-of-package costs for a participant. Considered on a case-by-case basis and included as a premium above other design categories.

## 2.6. Building types

The nature of the accommodation, the size, and the total number of bedrooms and residents has a material impact on build costs. In developing the pricing matrix the Agency has used four building types, including variations in the number of bedrooms as set out in Table 3 below.

While the four building types being considered for benchmark pricing do not constitute a comprehensive list of the full range of building structures in which SDA services may be provided (granny flats, for example, are not individually priced as a category), the Agency considers the range appropriate to capture the majority of participants' arrangements. The selection of building types combined with variation in the number of bedrooms and allowance for overnight carer facilities balances administrative complexity with a range of variation in accommodation features.

**TABLE 3 - DESCRIPTION OF PRIMARY BUILDING TYPES**

Building type	Description	Number of bedrooms
Apartment	<p>Apartments are self-contained units occupying only part of a larger residential real estate building.</p> <p>Apartments are assumed to be situated in medium to high rise buildings and be predominately located in high-density living suburbs.</p>	1 or 2 bedrooms
Villas, duplexes and townhouses	Villas, duplexes and townhouses are small semi-attached properties within a single land title or strata titled area. These residences are generally low-rise (single or double story) and include access to communal shared areas such as garden or courtyard spaces.	1, 2 or 3 bedrooms
House	Houses are detached low-rise dwellings with garden or courtyard areas. House are most commonly the only property on the land title and are designed for a single family or a small number of people.	3 bedrooms
Group homes	<p>Group accommodation is distinguished from other forms of accommodation by the larger number of resident bedrooms within the complex and the existence of shared kitchen, living and communal spaces.</p> <p>Historically, larger group accommodation may have been classified as a hospital or a hostel.</p>	4 to 6 bedrooms

## 2.7. Adjusting for Geography

Location categories used to allow variation in prices between different geographical regions have been based on Australian Bureau of Statistics (ABS) statistical divisions.

Locational factors are calculated with reference to benchmark pricing results, after adjusting for differences in construction cost in each location and differences in median land values for each location.

The Agency's benchmark prices for particular regions are determined by applying this locational factor to the base cost estimate for the property.

Land values were obtained from the relevant authority in each State for a significant sample of existing properties to test the appropriate weightings.

Further detail on both design and building categories is provided in Appendix B. Further detail on location factors is provided in Appendix C.

## 2.8. Additional factors impacting building costs

While the housing design category, building type (including number of bedrooms) and location adjustments are the major factors driving variation in benchmark pricing for different properties, the Agency has also considered a number of factors which also influence building costs, including adjustments for items which may be funded or assessed separately on a case-by-case basis. These may include:

1. Specialist furnishings;
2. Fire sprinklers;
3. Approved additional maintenance costs for residents with complex behaviours on a case-by-case basis;
4. Approved assistive technology, which forms an integral part of the building, such as environmental controls;
5. Situations where the participant does not receive Commonwealth Rent Assistance for reasons other than income;
6. Participants who are under 21 and do not receive the full Disability Support Pension;
7. Approved communal areas that are provided to support multiple dwellings.

## 2.9. Additional pricing considerations

The price modelling has been undertaken in accordance with the SDA Framework, but practical considerations have necessitated several nuanced adjustments to the approach. These are described below in further detail. The Agency has made these adjustments in order to facilitate improved operation of the market for SDA housing.

### 2.9.1. *Price smoothing*

The Agency has applied an approach that is equivalent in present value terms, but smooths the capital costs (in real terms) over the life of the analysis period by using an annualised payment stream.

The smoothed payment stream provides stability, avoids having to make different payments to each property, makes payments more portable (e.g. independent of the age of any particular dwelling) and will assist providers with budgeting and forecasting.

### 2.9.2. *Cost of capital*

Within the Agency's pricing approach the opportunity cost of capital is set at a level which provides adequate compensation for all investor types. The Agency is seeking to ensure that the rate of return is sufficient for both the traditional community housing and specialist disability providers, but also accommodates commercial and other institutional investors who may have the capacity and interest in funding the significant amount of infrastructure the Agency considers is required.

### 2.9.3. Tax

The Agency has also incorporated the impact of tax on benchmark prices, recognising that tax rates are different for for-profit businesses, tax exempt organisations and private individuals.

### 2.9.4. Vacancy rate assumptions

The payment by the Agency will be per participant, while the property is occupied. Occupancy and vacancy risk rests with the housing provider, noting that each participant is free to choose whether or not they wish to reside in a property. The rate of return adopted by the Agency will reflect this risk.

In calculating benchmark pricing, the Agency has used an estimated vacancy rate for each building type. There was significant variation in feedback during consultations regarding an appropriate vacancy rate, and the Agency is of the view that this is related to both geography or uneven demand and the degree of sensitivity to individual resident needs when determining an appropriate resident to fill a vacancy.

Given the prevalence of waiting lists across Australia, low vacancy rates could be expected in the market generally. The fact that this is not always the case indicates high switching costs and imperfect information.

The Agency is aware that funding only when accommodation is occupied, and on a per-participant basis, will create greater incentives for providers to fill places as they arise. In order to facilitate better transitions and avoid inappropriate placements, the Agency may give consideration to continuing to provide SDA payments for a period after a vacancy arises.

The Agency will further test the impact on the required rate of return of the Agency taking on different levels of vacancy risk, and as part of the process of implementation agree working arrangements for vacancy management with State governments.

Vacancy management and rates of vacancies for SDA is an area which the Agency is particularly keen to obtain further feedback.

#### **Further work – pricing considerations**

Additional work is progressing to finalise arrangements for:

1. Where appropriate and necessary, agreed pricing and arrangements for existing accommodation supporting people with SDA requirements that doesn't "fit" the pricing schedule
2. Continuity of support arrangements for non-participants, or those for whom SDA supports are not reasonable and necessary, that currently reside in registered SDA, and
3. 'Pass back' arrangements for lease revenue of State government owned land.

### 2.9.6. *Non-conforming legacy accommodation*

The Agency has explicitly limited the maximum number of residents in its pricing model to five. The Agency is of the view that, in-line with current industry practice, larger models than this are not optimal for long-term participant outcomes and limit opportunities for inclusion. The pricing matrix was constructed on the expectation that exiting larger models will be phased out over time as innovative approaches become more mainstream.

Nevertheless, the Scheme is required to accommodate existing SDA infrastructure. With respect to legacy properties that do not conform to the design and building categories:

1. Large residential centres and other larger accommodation models will be considered on a case-by-case basis and in consultation with the relevant state government, potentially with reference to expected actual costs. The Agency understands that most of the larger centres are being phased out over the next few years.
2. It is expected that SDA, which does not meet the Agency specified design standards would be paid according to the highest design standard with which the property does comply.
3. Where an SDA provider is facing genuine financial hardship, the Agency may provide exceptional circumstance payments to safeguard residents.

## 2.10. Price differential for existing and new housing

SDA prices are determined by government (in this case the Agency) and differ from prices set by government in monopoly industries such as electricity and water for two important reasons:

1. Unlike monopoly assets, SDA properties have an alternative use and can be either sold or rented to the broader residential market. An important objective of SDA pricing is to encourage property owners to continue to provide SDA to participants for as long as they choose to live at the property. Therefore prices must be at least equal to the next best use of the property, and must include an allowance for the additional maintenance and other costs that may be incurred by a SDA property.
2. Investors in monopoly infrastructure can accept a price that will recover their investment over the full life of the asset because the payment stream is highly certain (prices are revised upward if demand reduces and there are limited alternatives for customers), coupled with the fact that the investor could (in theory at least) sell the asset before the end of its life and would expect a buyer to pay the present value of the remaining payment stream. By contrast, SDA payments are only guaranteed for as long as participants remain in the property. If participants do not choose to reside at the property, the owner could revert the property to the broader residential market, but may not recoup their initial investment as the sale price would depend on value of the property in the non-SDA market.

Recognising these differences, the Agency has adopted a two-tiered approach to SDA pricing:

1. **Existing Properties** - For existing properties, the SDA payment provides an incentive for properties to remain as SDA for as long as participants choose to remain at the property. This payment must ensure that the property owner would not be financially better off reverting the property to the non-SDA market.

Therefore, the price for existing properties is set at a level that ensures the property owner receives income higher than the broader rental market for an equivalent property. This is achieved by providing a net rental yield (income net of expenses divided by the property value) that is higher than the broader market and allowing for the additional maintenance, outgoing and management costs associated with SDA.

2. **New Properties** - There is significant unmet demand for SDA and it is unlikely that private individuals and not-for-profit organisations will be have the capacity to finance and build the required number of dwellings within a reasonable timeframe without assistance from third party ('institutional') investors.

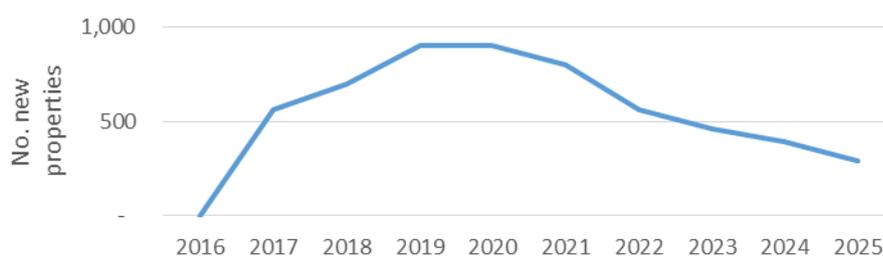
Institutional investors could potentially include superannuation funds, trusts, high wealth individuals, developers (who may on-sell the properties) or companies with a desire to invest in socially beneficial projects. These investors typically require a higher rate of return than private individuals or not-for-profit organisations.

Therefore, to attract the broadest possible range of investors, the SDA payments have been set to provide these higher returns, assuming a reasonable level of both debt and equity financing.

This approach is similar to the existing Commonwealth aged care accommodation supplement, which also differentiates between new and existing buildings.

Figure 2 shows the number of new builds that are assumed in the modelling of SDA cost to the scheme. The number of new builds increases rapidly in the early years of the scheme to meet transitional demand from large residential centres and aged care facilities, in addition to new housing that will be constructed to cater for unmet demand and people moving out of existing housing stock. The modelling assumes that the rate of construction will increase to just over 900 homes a year by FY 2018/19, gradually reducing as the unmet demand begins to fall. As the market's capacity has not yet been tested, the precise pace of new building construction cannot yet be predicted with certainty.

**FIGURE 2 - ASSUMED SUPPLY OF SDA (NEW BULDINGS)**



In summary, the price for new housing is set to provide an incentive to a broad range of potential investors to respond quickly in constructing new properties to provide for unmet SDA demand. The price for existing housing stock is lower and provides yields more in line

with the established rental market to ensure owners have a financial incentive to retain participants for as long as they choose.

The timeframe for the pricing has also been aligned with the expected investment horizon of institutional investors (20 years). To recognise the uncertainty associated with retaining participants for more than 20 years, the pricing model conservatively assumes that at the end of 20 years the property would revert to the general market, providing a lump sum cash flow to the investor equal to the (non-SDA) market value of the property. When combined, the revenue from SDA payments, reasonable rent contributions and the sale value of the property will be sufficient to recover the initial investment, all maintenance, outgoing and management costs, and an 'institutional' return on debt and equity.

The new build pricing will only apply for a period of 20 years. At the end of the 20-year period, and the property remains occupied, the pricing will revert to 'existing stock' prices, which will provide a superior return to the general rental market and encourage property owners to retain the property as SDA.

## 2.11. Reasonable rent contributions

The SDA Framework set out that, in formulating a resident contribution as part of the benchmark prices, the Agency should assume that residents are in receipt of the Disability Support Pension and that the rent contribution should be 25 per cent of the base rate of the Disability Support Pension (plus any Commonwealth Rent Assistance where relevant).

The SDA Framework recognised that setting out a maximum rate for the rent component paid for SDA will be a major change for a number of providers who currently use the 'rent and board' model for determining rents. However, while this will be a major change for many providers, it will make the price of accommodation for residents more transparent.

This approach assumes that most participants will be reliant on the Disability Support Pension. While this is true, at least in the medium-term, this means that this setting will be kept under review and further work on the rent-setting arrangements for participants who are not in receipt of DSP will need to be developed.

The rent setting model for SDA is structured to provide an affordability safeguard for tenants but also give the flexibility they need to make informed decisions about the type of accommodation they live in, the housing provider and the amount of money they choose to spend on housing. In this respect, it is intended that people with disability have the same ability to make decisions about their housing and their financial situation as other people.

The Agency is considering arrangements for participants who wish to access properties with a market rental value higher than considered reasonable and necessary within the plan. For example, if the participant would prefer a higher level of accommodation or a location that is not considered reasonable and necessary, then the participant could potentially choose to cover the difference and provide the top-up funds necessary.

## 2.12. Key pricing assumptions

The Agency has applied numerous data assumptions when modelling the benchmark pricing. Whilst the Agency has reasonable confidence in these assumptions they are likely to change over time. The key assumptions and inputs that are included in the price modelling and subject to ongoing refinement (in conjunction with working through the decisions that have been outlined in the sections above) are illustrated in Table 4.

The assumptions that are most sensitive (have the greatest impact) for the pricing results include:

1. The analysis period, which has been based on a 20 year investment horizon based on advice from investors and financial institutions.
2. The return on equity expected by investors, which has been based on the Capital Asset Pricing Model (CAPM), in accordance with other regulated industries. CAPM indicates a nominal after tax return on equity of 8.1 per cent (equivalent to 11.6 per cent before tax), based on an equity beta of 0.9, indicating slightly lower systematic risk than the broader equity market.
3. A gearing ratio of 60 per cent, based on the established benchmark levels of debt in other regulated industries.
4. A long term (20 year+) land appreciation rate of 5 per cent, which has been set at the low end of historic ranges to reflect the fact that land and property values are currently considered high based on yield and affordability.
5. Maintenance and ongoing costs are based on a review of industry benchmarks and a detailed review of costs incurred by, or recommended by, State government departments. The latter have been applied rather than industry benchmarks because the data reveals that SDA typically has higher maintenance costs and outgoings than the broader market.

**TABLE 4 - KEY ASSUMPTIONS FOR BENCHMARK PRICING**

DESCRIPTION	RANGE	SOURCE OR RATIONALE
<b>General</b>		
Investment horizon	20 years	Consultation with investors and financiers
<b>Rental contributions from participant</b>		
Annual rental contribution/participant	\$8,554	25 per cent Disability Support Pension + Commonwealth Rent Assistance (lower without CRA). Defined by framework.
Growth in rental contribution	CPI	assumption.
Vacancy rates – group homes	3%-10%	Historic data indicates 3-7 per cent. Assume higher in group homes when choice available.
Vacancy rates – smaller forms	3-7%	Public housing vacancy rates around 3 per cent. Assume slightly higher when the dwelling is not a single occupancy.
<b>General market information</b>		
Median land values	Varies by area Base \$552/sqm	State land agencies, aggregated to ABS statistical division. Base = median price combined capital cities.
Long term land appreciation	5% p.a.	Literature and State data indicates long term averages from 5-10 per cent or more. Assume low end due to high current property values.
Increase in building costs	CPI	ABS housing cost index similar to CPI over long term.
Gross market yield for existing stock	5.5% - 6.5%	Proportion of total property value. Based on RBA estimate of standard yield (4.2 per cent) plus 1-1.5 per cent additional cost for SDA based on review of State data. +1 per cent for apartments.
<b>Cost of ownership</b>		
Maintenance and outgoings	\$15,000- \$34,000	Depends on property type. Based on review of State data. Significantly higher than general (non-SDA) industry benchmarks.
Property management	0.4%	Proportion of total property value. From RBA analysis. Equivalent to industry benchmarks of 8-10 per cent of rental value.
Vacancy management	\$4,000	Per vacancy. Equivalent to one FTE plus overheads for one month.
<b>Property costs</b>		
Build costs	\$0.4 - \$1.6m	Varies by build type and design category. Advice from quantity surveyors with architectural design advice.
Additional breakout or staff rooms	\$30,000- \$40,000	As above.
Major refurbishments	20-25 years	Consultation advice.
Major refurbishments costs	\$40,000- \$80,000	Consultation advice.
Asset life of building	60 years	Consultation advice. Assumes property is well maintained and regularly refurbished.
Loss on building costs when sold	20% - 40%	Assumption. Loss of building value on sale because building is designed as SDA. Higher end represents loss on group homes. Homes with higher specifications than platinum are treated in accordance with platinum homes.
Fees on sale of property	7.3%	Transaction fees, stamp duty, etc. Industry average estimated by RBA.
<b>Financing</b>		
Debt rate	5.2%	Ten year Commonwealth Bond rate plus 2.5 per cent debt margin.
Equity rate (nominal after tax)	8.1%	CAPM, based on comparison with aged care and other health care investments.
Level of debt	60%	Comparison with financing assumptions applied in the aged care sector and other regulated industries.

**TABLE 5 - BASE PRICE PER PARTICIPANT FOR NEW BUILDS, EXCLUDING REASONABLE RENT CONTRIBUTION (\$ 2016/17)**

Building type / design category	Standard	Improved livability		Fully accessible		Robust			High support		Innovation
		No OOA	With OOA	No OOA	With OOA	No OOA	With OOA	+1 Room	No OOA	With OOA	
Apartment, 1 bedroom, 1 resident	\$36,255	\$36,715	\$42,835	\$46,542	\$54,299	na	na	na	\$70,514	\$82,267	Premium above other prices. Considered case –by– case.
Apartment, 2 bedrooms, 1 resident	\$44,774	\$45,339	\$52,895	\$55,271	\$64,483	na	na	na	\$86,859	\$101,336	
Villa, 1 bedrooms, 1 resident	\$26,095	\$26,421	\$28,773	\$31,902	\$34,852	\$38,702	\$42,357	na	\$48,814	\$52,655	
Duplex/townhouse, 2 residents	\$16,923	\$17,152	\$18,251	\$20,613	\$22,048	\$25,070	\$26,832	+\$1,577	\$31,961	\$33,808	
Duplex/townhouse, 3 residents	\$13,288	\$13,470	\$14,117	\$16,393	\$17,596	\$20,312	\$21,501	+\$1,081	\$27,027	\$28,246	
House, 3 residents	\$19,699	\$19,960	\$20,734	\$23,842	\$25,219	\$28,651	\$30,009	+\$1,229	\$39,752	\$41,310	
House, 4 residents	\$16,825	\$17,044	\$17,674	\$19,911	\$20,736	\$24,094	\$25,084	+\$887	\$32,979	\$34,108	
Group Accom, 5 residents	\$14,510	\$14,744	\$15,262	\$17,483	\$18,135	\$21,199	\$21,983	+\$699	\$29,376	\$30,267	

OOA                      On-site overnight assistance  
 +1 Room                Additional breakout room

**Location**

\* All prices must be multiplied by the location factor relevant to the property's location –see Appendix C for location factors.

**Additional allowances may also be provided for:**

- Fire sprinklers
- Approved assistive technology
- Specialist furnishings
- Communal areas for multiple dwellings
- The participant does not receive Commonwealth Rent Assistance for reasons other than income
- The participant is under 21 and receives a reduced Disability Support Pension
- Atypical maintenance costs associated with complex behaviours.

**TABLE 6 - BASE PRICE PER PARTICIPANT FOR EXISTING STOCK, EXCLUDING REASONABLE RENT CONTRIBUTION (\$ 2016/17)**

Building type / design category	Standard	Improved livability		Fully accessible		Robust			High support		Innovation
		No OOA	With OOA	No OOA	With OOA	No OOA	With OOA	+1 Room	No OOA	With OOA	
Apartment, 1 bedroom, 1 resident	\$19,597	\$20,035	\$23,374	\$29,398	\$34,298	na	na	na	\$47,233	\$55,105	Premium above other prices. Considered case-by-case.
Apartment, 2 bedrooms, 1 resident	\$26,706	\$27,244	\$31,785	\$36,707	\$42,825	na	na	na	\$60,209	\$70,243	
Villa, 1 bedrooms, 1 resident	\$11,515	\$11,760	\$13,532	\$15,889	\$17,747	\$20,170	\$22,471	na	\$26,536	\$28,954	
Duplex/townhouse, 2 residents	\$6,161	\$6,340	\$7,196	\$9,035	\$9,939	\$11,841	\$12,950	+\$993	\$16,179	\$17,342	
Duplex/townhouse, 3 residents	\$5,011	\$5,153	\$5,657	\$7,430	\$8,187	\$9,897	\$10,645	+\$681	\$14,124	\$14,892	
House, 3 residents	\$7,430	\$7,633	\$8,236	\$10,656	\$11,523	\$13,683	\$14,538	+\$774	\$20,672	\$21,653	
House, 4 residents	\$6,719	\$6,889	\$7,380	\$9,122	\$9,642	\$11,755	\$12,379	+\$559	\$17,349	\$18,060	
Group Accom, 5 residents	\$5,473	\$5,649	\$6,039	\$7,712	\$8,123	\$10,052	\$10,545	+\$440	\$15,199	\$15,761	

OOA On-site overnight assistance

+1 Room Additional breakout room

**Location**

\* All prices must be multiplied by the location factor relevant to the property's location - see Appendix C for location factors.

**Additional allowances may also be provided for:**

Fire sprinklers

Approved assistive technology

Specialist furnishings

Communal areas for multiple dwellings

The participant does not receive Commonwealth Rent Assistance for reasons other than income

The participant is under 21 and receives a reduced Disability Support Pension

Atypical maintenance costs associated with complex behaviours.

Table 7 (below) indicates the typical annual income for a housing provider, including both the benchmark price and reasonable rent contributions from participants. The income is based on a median location, no allowances and average vacancies.

**TABLE 7 - TYPICAL ANNUAL INCOME PER PROPERTY (MEDIAN LOCATION, NO ALLOWANCES, AVERAGE VACANCIES) INCLUDING REASONABLE RENT CONTRIBUTION (\$ 2016/17)**

Building type / Design Category	Standard	Improved livability		Fully accessible		Robust			High Support		Innovation
		No OOA	With OOA	No OOA	With OOA	No OOA	With OOA	+1 Room	No OOA	With OOA	
<b>NEW BUILDS</b>											
Apartment, 1 bedroom, 1 resident	\$43,465	\$43,911	\$49,847	\$53,443	\$60,968	na	na	na	\$76,696	\$88,096	Premium above other prices. Considered case by case.
Apartment, 2 bedrooms, 1 resident	\$51,728	\$52,276	\$59,606	\$61,910	\$70,846	na	na	na	\$92,551	\$106,593	
Villa, 1 bedrooms, 1 resident	\$33,610	\$33,926	\$36,207	\$39,242	\$42,104	\$45,838	\$49,384	na	\$55,647	\$59,372	
Duplex/townhouse, 2 residents	\$48,406	\$48,842	\$50,930	\$55,417	\$58,144	\$63,885	\$67,233	+\$2,997	\$76,978	\$80,488	
Duplex/townhouse, 3 residents	\$60,939	\$61,448	\$63,252	\$69,601	\$72,958	\$80,535	\$83,853	+\$3,017	\$99,270	\$102,672	
House, 3 residents	\$78,826	\$79,554	\$81,714	\$90,384	\$94,226	\$103,801	\$107,589	+\$3,429	\$134,775	\$139,121	
House, 4 residents	\$92,888	\$93,688	\$95,993	\$104,183	\$107,202	\$119,490	\$123,117	+\$3,248	\$152,012	\$156,142	
Group Accom, 5 residents	\$103,789	\$104,842	\$107,170	\$117,167	\$120,099	\$133,887	\$137,414	+\$3,148	\$170,683	\$174,696	
<b>EXISTING STOCK</b>											
Apartment, 1 bedroom, 1 resident	\$27,306	\$27,732	\$30,971	\$36,813	\$41,566	na	na	na	\$54,113	\$61,749	Premium above other prices. Considered case by case.
Apartment, 2 bedrooms, 1 resident	\$34,202	\$34,724	\$39,129	\$43,903	\$49,838	na	na	na	\$66,700	\$76,434	
Villa, 1 bedrooms, 1 resident	\$19,467	\$19,705	\$21,424	\$23,710	\$25,512	\$27,863	\$30,095	na	\$34,037	\$36,383	
Duplex/townhouse, 2 residents	\$27,959	\$28,299	\$29,924	\$33,420	\$35,136	\$38,750	\$40,858	+\$1,886	\$46,993	\$49,202	
Duplex/townhouse, 3 residents	\$37,847	\$38,244	\$39,649	\$44,594	\$46,707	\$51,477	\$53,566	+\$1,899	\$63,272	\$65,413	
House, 3 residents	\$44,594	\$45,161	\$46,843	\$53,596	\$56,015	\$62,042	\$64,427	+\$2,158	\$81,541	\$84,278	
House, 4 residents	\$55,898	\$56,521	\$58,317	\$64,696	\$66,596	\$74,332	\$76,615	+\$2,045	\$94,805	\$97,405	
Group Accom, 5 residents	\$63,121	\$63,914	\$65,668	\$73,199	\$75,045	\$83,725	\$85,945	+\$1,982	\$106,889	\$109,416	

## 3. Demand and assessment

The Agency has been working with jurisdictions to incorporate supply and demand data into the formulation, and scheme costing, of the benchmark pricing. Whilst there is confidence in the pricing of the design categories, an estimation of full scheme liability can only be assessed based on more developed demand data for participant needs. Over time the Agency will build an understanding of demand by geographical location and participant requirements with intention of making data available via Market Position Statements available on the NDIS website.

Given data limitations that are only likely to be resolved as participants enter the Scheme, this necessarily incorporates some risk. An early assessment of full scheme liability is being undertaken by the Scheme Actuary, to test and provide advice on scheme cost sensitivity to demand outcomes.

### 3.1. Assessment criteria and considerations

SDA funding will only be available to participants who meet the criteria for SDA to be a reasonable and necessary support as part of their package. For example, participants with a mix of factors such as significant functional impairment, complex needs (arising from comorbidity of disability), with a high need for support services integrated with their housing supports. The Agency is developing and testing criteria that will be applied to determine when SDA is a reasonable and necessary support for a particular participant.

For self-managing participants, funding for SDA will only be provided where the Agency approves the residential dwelling for this purpose.

#### 3.1.1. *Transition and continuity arrangements*

During the transition period participants currently residing in SDA, including residential aged care, will almost always be considered to have demonstrated a need for SDA which will be reflected in their first NDIS plan. This will provide a high level of continuity of supports and accommodation arrangements.

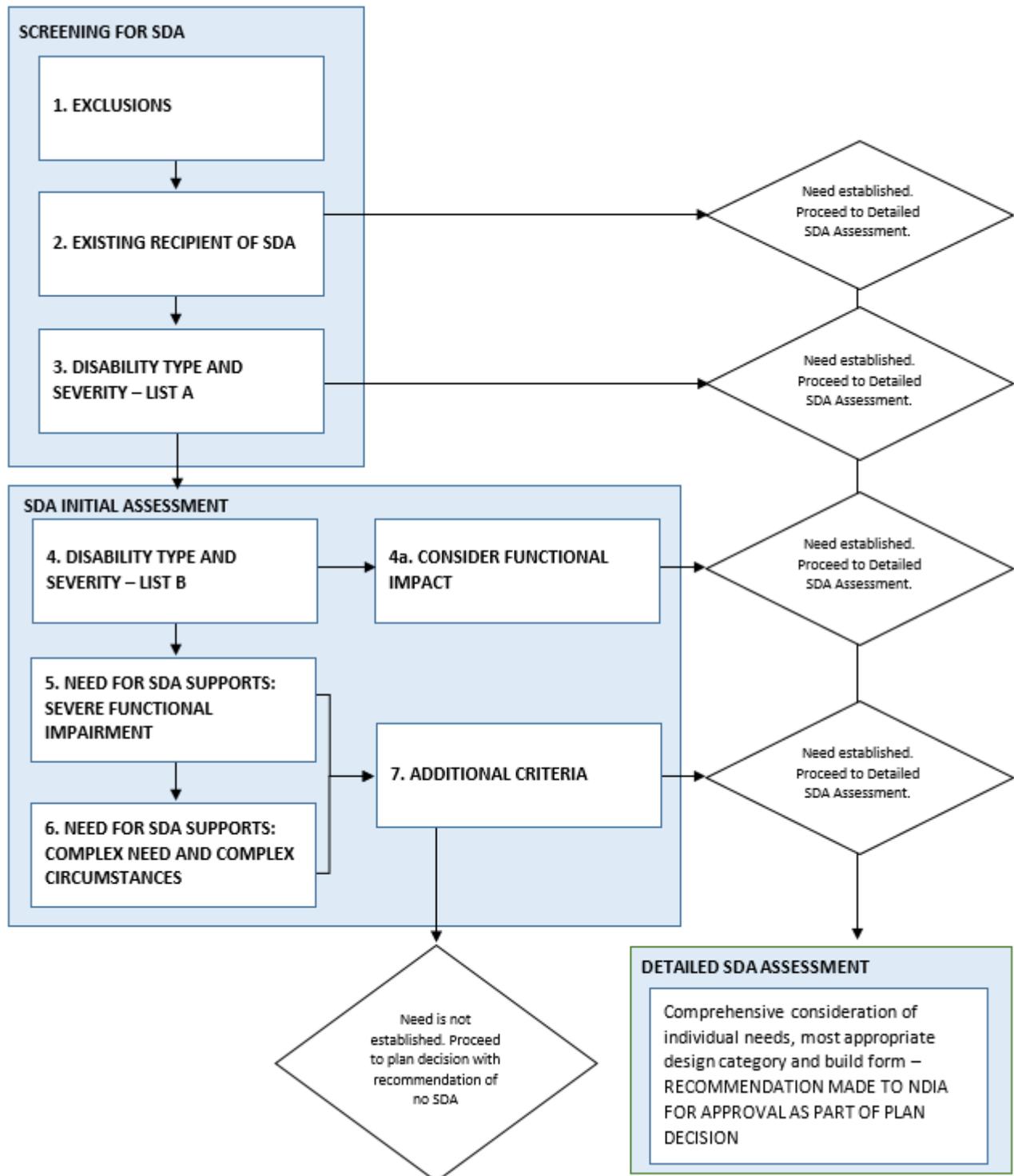
Despite assessment criteria and demand forecasts, participant on-boarding in the initial years of the Scheme will primarily be driven by phasing as agreed in the NDIS bilateral agreements with state governments.

In subsequent plans, the SDA arrangements may change as the participant's circumstances change. For example, when there is a change in the participant's goals and aspirations or the available options for SDA.

Continuity arrangements will also be agreed with jurisdictions where existing SDA residents do not meet the access requirements for the NDIS. In most cases this will be where the person is older than 65.

**FIGURE 3 - SDA ASSESSMENT PROCESS**

Note: This may change as the SDA rule(s) are drafted and the assessment process is implemented.



### 3.1.2. Forecast demand by dwelling type

Figure 4 shows the preliminary forecast number of participants by dwelling type. At the commencement of the Scheme, the majority of existing properties are known to be group homes. As time progresses, it is anticipated that smaller forms of accommodation will become an increasingly preferred option. In particular, duplexes and townhouses are cost effective options that have proven highly successful in trial sites. These and other smaller forms of accommodation are therefore expected to become an increasingly large proportion of SDA as the Scheme progresses.

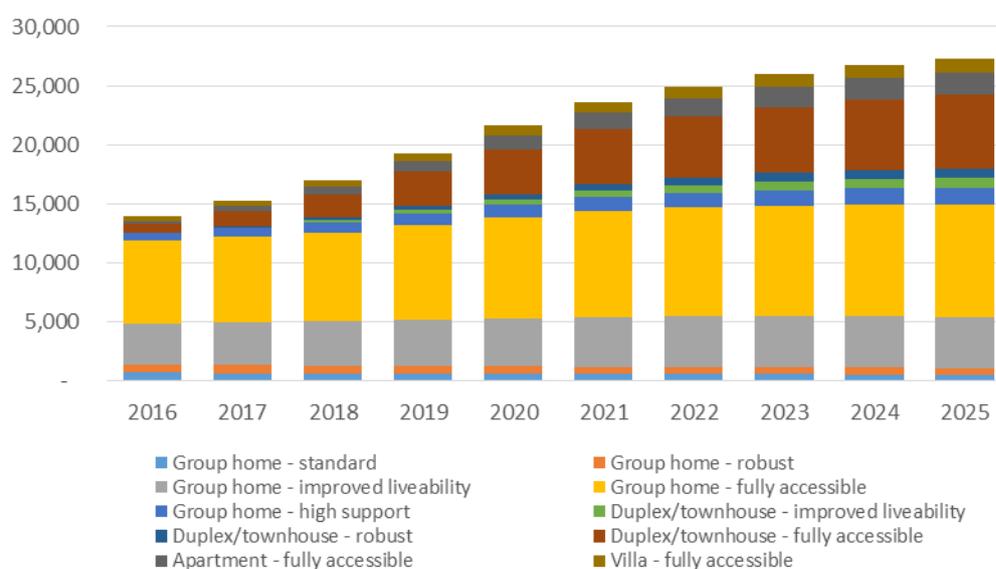


FIGURE 4 - FORECAST PARTICIPANTS BY DWELLING TYPE

## 4. Administration arrangements

### 4.1. Purchase of SDA supports

The purchase of SDA supports will operate in a similar way to the purchase of other supports under the NDIS. A participant, whether self-managed or through another party, will source SDA supports from the market and enter into a relationship with the provider. The new rules will set out the arrangement for the purchase of SDA. Should the Agency decide to bulk purchase SDA supports then the participant's plan will state that SDA supports are to be provided by a particular provider or by the Agency. In this case the primary relationship will still be between the provider and the participant.

### 4.2. Registration of providers

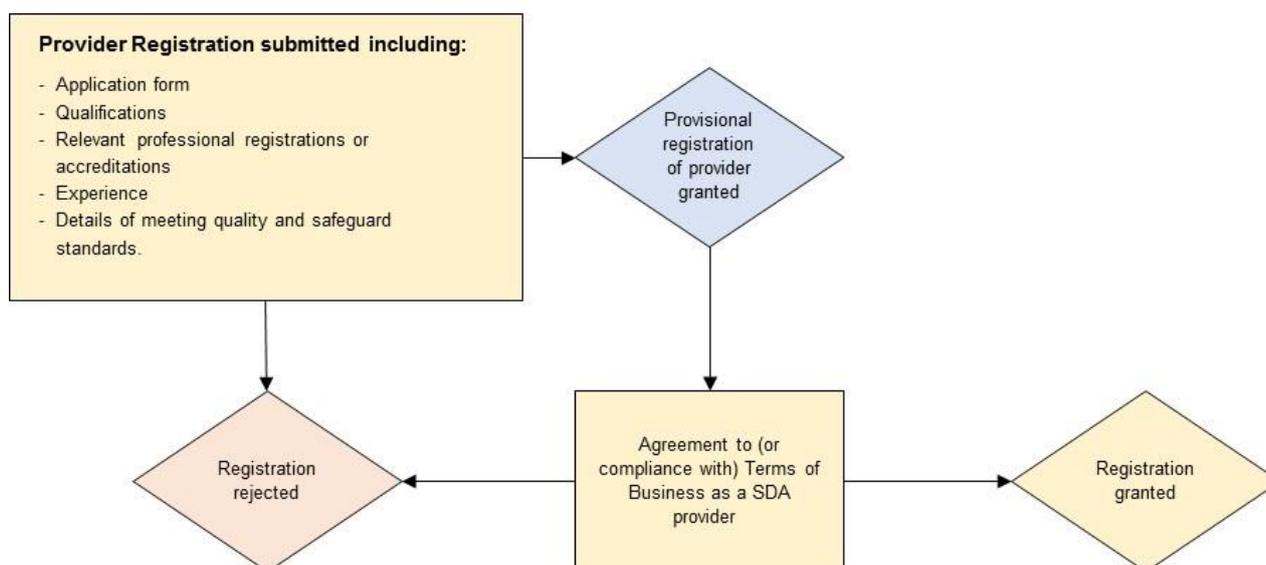
All providers of SDA supports will have to be registered with the Agency. For SDA a new category of supports will be developed and providers will be able to register to provide these supports. Providers of SDA supports will be required to comply with new terms of business which will be developed to reflect the considerations that arise from the provision of SDA supports.

The Agency is designing the registration process, and compliance with requirements under the Scheme, to be as streamlined as possible in order to reduce the burden placed on providers while recognising that specific measures will be required in relation to the provision of SDA supports.

The primary purpose of provider registration is to allow the Agency to make appropriate SDA payments based on the dwelling category, build type and condition of the dwelling. The requirements for the registration of providers are being developed and are likely to include requirements to:

1. Provide an undertaking that the provider agrees to comply with the Agency terms of business;
2. Attest that the dwelling complies with all applicable State, Territory and Commonwealth laws and obligations;
3. Demonstrate that the benchmark rent has not been exceeded;
4. Undertake to satisfy any other requirement necessary to demonstrate that the NDIS funding is being appropriately spent and that the necessary safeguards are in place.

Figure 5 below provides a simplified overview of the registration process for accommodation providers.



**FIGURE 5 – REGISTRATION OF PROVIDERS**

### 4.3. Registration of dwellings

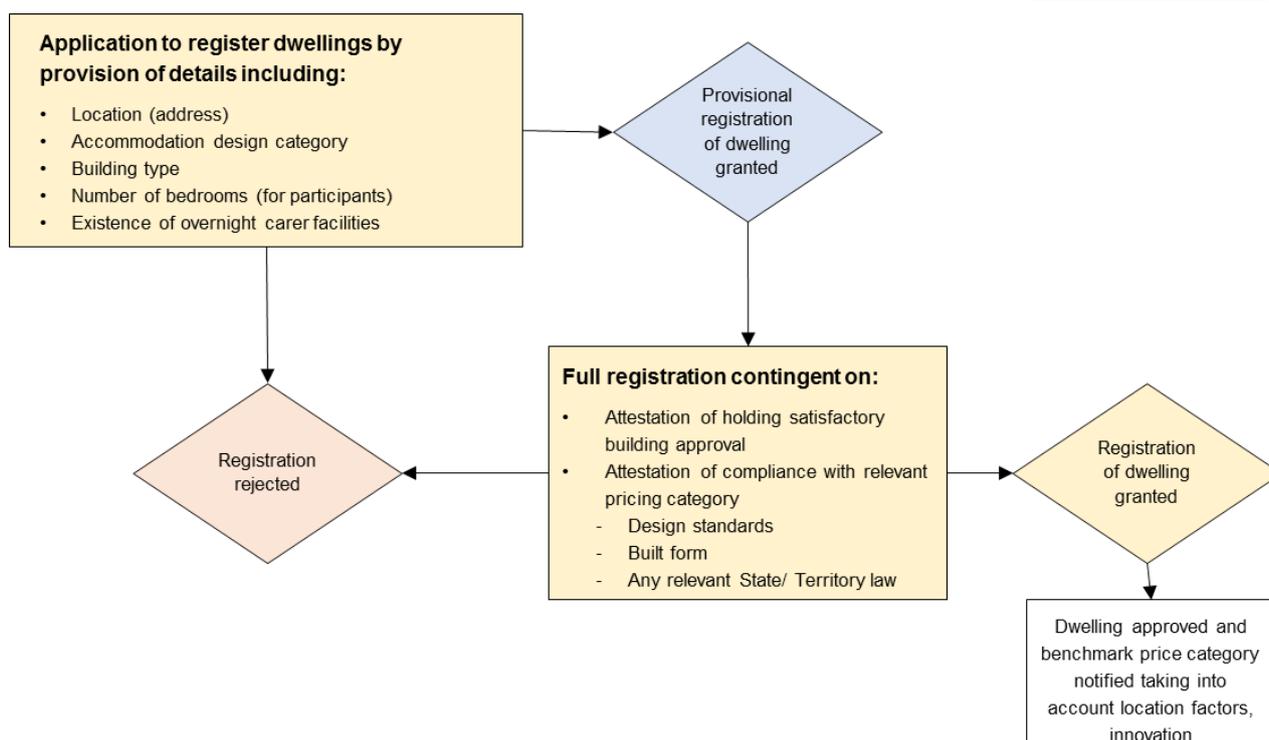
When making a decision about the SDA supports to be provided to a participant, an important part of that decision is to determine the design category and build type of dwelling for the participant. The registration of approved dwellings will serve to provide certainty about the SDA benchmark price that applies for a property and also support the matching of demand and supply.

Before a dwelling will be funded, the dwelling will have to be registered with the Agency. When applying for registration of a dwelling the provider will select the dwelling category and build type against which registration is being sought.

The conditions for registration for a dwelling will include the requirement that the provider attests that the dwelling meets the applicable standards for the selected design category and build type. The benchmark prices for each of the design categories reflect specified design requirements, materials and building standards that are applicable to that category.

Providers will not only have to meet certain requirements in order to register a dwelling, but will also have to meet ongoing requirements to maintain the registration of the dwelling. Providers would have to attest from time to time that the dwelling continues to comply with the requirements for the dwelling category and build type against which the dwelling is registered. This will need to align with the quality and safeguard arrangements of each state government.

Figure 6 provides a simplified overview of the registration process likely to apply for dwellings.



**FIGURE 6 - REGISTRATION OF DWELLINGS**

## 4.4. Quality and safeguarding

The Agency is keen to minimise the burden placed on providers under the Scheme, but recognises that some measures will be required in relation to the provision of SDA supports. For example, measures to ensure that the SDA supports provided to participants are the supports that are being paid for by the Agency and measures to allow participants to exercise choice and control while obtaining appropriate quality and with appropriate safeguarding.

The NDIS Quality and Safeguarding Framework is currently being developed by the Commonwealth. Until the Framework is in place the States, Territories and the Commonwealth will have a shared responsibility for quality and safeguarding. The existing State systems will continue to play an important role.

Following transition to the Scheme, Providers must continue to comply with all relevant quality and safeguard arrangements in force in each relevant State. Providers may also be required to attest that they have third party certification that the dwelling complies with the quality and safeguard arrangements of each State government.

### 4.4.1. Rights and obligations

When a participant chooses a dwelling the tenancy relationship will be between the participant and the provider. In this regard the purchase of SDA supports will operate in a similar way to the purchase of other supports under the NDIS. A participant, whether self-managed or through another party, will source SDA supports from the market and enter into a relationship with the provider.

The registration conditions for providers of SDA supports will impose obligations on providers in relation to tenancy matters. Those obligations are being developed for inclusion in the SDA rule(s). The Agency recognises the need to minimise the burden on providers from imposing obligations in relation to tenancy matters but considers that some minimum obligations will be required in relation to the provision of SDA supports.

#### *4.4.2. Code of conduct, complaints and serious incidents and quality assurance*

As outlined above, the existing arrangements for quality and safeguards arrangements will continue to apply for SDA during transition to full scheme, this includes any relevant code of conducts, complaint and incident report and handling as well as quality assurance processes which may apply. As agreed by the Commonwealth and State governments as part of the bilateral agreements for the NDIS, these existing arrangements will continue to apply until such time as the National Quality and Safeguards Framework is implemented.

### 4.5. Implementation considerations

Implementation of the new arrangements for SDA is dependent on the development of a number of elements, the detail which are currently being developed by the Agency. Several of these critical elements to the implementation of SDA are dependent on the action of other bodies. As the development of these elements progress the information in this position paper may change.

Some of the elements being developed are:

1. Further analysis of scheme sustainability;
2. The new SDA rules which are to be agreed by the Commonwealth, States and Territories;
3. The new ITC systems being developed by the Agency;
4. The procurement and funding processes for SDA;
5. Finalisation of policy with the Commonwealth and the States.

## 5. Appendices

### 5.1. Appendix A: SDA Pricing and Payments Framework

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## **Specialist Disability Accommodation Pricing and Payments Framework Part 1 – Preliminaries**

### **6. Purpose of this paper**

This paper sets out an initial pricing and payments framework for the funding of the land and built elements of specialist disability accommodation under the National Disability Insurance Scheme (NDIS).

This paper is not intended to cover broader aspects of policy in respect of specialist disability accommodation including a charging model of an individual rental contribution and other tenancy arrangements or quality standards relating to the building or asset management by housing providers.

Nor does the paper cover the support arrangements delivered to participants within specialist disability accommodation. These arrangements are covered through broader policy on individual supports funded through the Scheme.

This pricing and payments Framework (the Framework) will apply for the period 1 July 2016 to 30 June 2021. The framework is designed in the context of the transition into the NDIS of participants receiving, and providers of, specialist disability accommodation.

The Framework recognises there may be uncertainty in the market for specialist disability accommodation as it is initially and progressively established, and as accommodation support services transition from block grant funding into the market.

The Framework is also intended to ensure there is scope for growth, replacement, change and innovation in the supply of specialist disability accommodation over time.

Any future framework will be subject to further work by the Commonwealth, states and territories, and the Agency.

### **7. The vision for specialist disability accommodation under the NDIS**

The NDIS will support the availability of specialist disability accommodation for participants who are assessed as requiring such specialist accommodation.

The NDIS will support a sustainable specialist disability accommodation market that fosters choice and control, encourages innovation, provides options for participants, continuity of supply and financial sustainability for governments, participants and providers.

The framework is 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.

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

### **8. Operating context**

NDIS funding for specialist disability accommodation is attached to participants and it is portable. That is, participants will have the ability to move between accommodation providers and their funding will also move. Participants will not be penalised for changes to their accommodation (such

as provider, location and/or configuration). However, their accommodation choices will be constrained by market supply and an assessment by the Agency of their reasonable and necessary needs. There may be adjustments to participants' funding as a result of their choices due to the factors/weightings outlined in this Framework.

While funding is attached to a participant, it may be paid directly to providers.

The funding provided by the NDIS for specialist disability accommodation will not be on an individual dwelling or provider basis. It will be on the basis of an efficient cost structure for a representative provider (noting there may be different classes of accommodation and weightings/factors applied as outlined in this Framework). When combined with resident contributions and land price inflation, the NDIS funding should be sufficient to cover the efficient cost of providing accommodation over its full lifecycle (that is, establishing, operating and replacing the accommodation), and therefore should allow providers to attain finance (debt and equity) in the private market to meet these lifecycle costs.

It is also recognised that the elements of the Framework need to work together. The capacity for providers to access and utilise the value captured in land price inflation may be limited in some circumstances. It is recognised that variables considered when determining the benchmark price will need to be balanced to ensure the funding is on an efficient and sustainable, basis.

## **Part 2 – Benchmark prices**

### **9. Policy intent**

The Agency will set funding amounts for specialist disability accommodation at a level sufficient to cover the full lifecycle costs of appropriate accommodation, after accounting for a reasonable rent contribution from the participant and land price inflation.

The pricing and payment arrangements adopted by the Agency should provide certainty on the payment amount and the period for which this is specified, such that a specialist disability accommodation provider could raise finance for the development and/or redevelopment of appropriate dwelling stock.

### **10. Establishing and publishing benchmark prices**

The Agency will develop by March 2016, and then review every five years, forecasts of benchmark prices for specialist disability accommodation. Benchmark prices will have effect for five years from their publication and be calculated on the basis of classes of dwellings.

When the Agency develops its benchmark prices, it will follow a process where:

- The Agency will begin by seeking the views of the Commonwealth, State and Territory Governments, on the pricing and payments arrangements for specialist disability accommodation.
- In developing its views on the pricing and payments arrangements the Agency should issue discussion papers on the arrangements it might adopt, and consult with current and future residents of specialist disability accommodation, and government and non-government providers of specialist disability accommodation. The consultation process should also seek feedback from other stakeholders including: families, carers, disability interest groups, provider peak bodies, and financiers.
- The Agency will develop draft benchmark prices on which it will seek views of residents, providers and other stakeholders as necessary; and make any adjustments it deems necessary, before publishing its final benchmark prices (and any associated weights and factors).

The Agency may also specify trigger events that would automatically change the benchmark prices, to account for substantial changes in pricing parameters. Where these are a feature of the benchmark prices regime, they would also be consulted on and published. The agency should set out the process that would apply to these updates.

### 11. The form of the benchmark prices

Benchmark prices for all specialist disability accommodation will be based on an efficient representative provider, representative configurations of dwelling stock, and will include the following components:

- Dwelling price =
  - Consumption costs
  - + Opportunity costs of capital
  - + Costs of ownership
  - Land price inflation
  - Resident rent contributions (from all participants in dwelling)
- Benchmark price = Dwelling price / Anticipated number of dwelling residents

The benchmark prices would be expressed as a price per participant.

The benchmark prices will have additive and/or multiplicative factors or weights for classes of dwellings (determined by the Agency) that can be applied by the Agency as necessary including for:

- Geographical location<sup>1</sup> (recognising – for example – that land costs, building costs and maintenance costs can be higher or lower in various locations);
- Number of bedrooms (recognising that the size of a dwelling affects costs);
- Whether the dwelling is furnished or unfurnished;
- Specific building/dwelling features requiring additional build costs to address disability requirements;
- Price inflation in the second and subsequent years of an established benchmark price; and/or
- Any other factor the Agency determines to be necessary.

### 12. Consumption costs

The consumption cost equates with depreciation of the dwelling to the end of its useful life. This price component will be set to cover the capital cost over the useful life of the building (that is, the cost is amortised over the useful life of the building). This would provide the accommodation owner with funds to replace the building as new at the end of its life. The price component would be adjusted for the investment interest on those payments over time, and the inflation impact on construction/replacement costs.

The Agency will determine the period for a reasonable useful life of buildings. The Agency may determine different periods for a reasonable useful life of building classes based on geography, type of building, quality and standards or other factors relevant to building life.

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<sup>1</sup> This would include weights or factors for remoteness.

### **13. Opportunity costs of capital**

The opportunity cost of capital component would recognise the typical sources of capital (debt or equity) and associated costs (at an efficient price), across all aspects of the capital investment in the accommodation (land, buildings, plant and equipment).

In formulaic terms:

Opportunity cost component = value of asset-base \* weighted average cost of capital

This weighted average cost of capital will be set by the Agency at a single national rate.

### **14. Costs of ownership**

The costs of ownership component would make provision for costs that are legally required, that extend the operating life of the accommodation, or that are otherwise necessary. An efficient accommodation-related operational cost of specialist disability accommodation could include: facilities management, rates, insurance, utilities not met by the tenants, repairs and maintenance, and tenancy management (noting resident rent contributions will offset these costs).

The Agency will determine how occupancy rates will be factored into the benchmark prices.

### **15. Land price inflation**

The land price inflation component recognises the gain or loss the accommodation owner incurs over time due to changes in the value of land. To minimise short-run volatility in pricing arrangements, the Agency would adopt a long-run, multi-year approach to establishing this component of the benchmark prices.

Land that is procured through a leasing arrangement by the provider will also be funded consistent with the formula outlined above. That is, the benchmark price will not be adjusted for land ownership arrangements (own versus lease). This recognises that while the provider is leasing the land, if they are paying a market price, then the owner of the land will be incurring costs and inflation consistent with the formula above, and this will, in theory, be reflected in the market rental price for the land.

Where other gains and losses from the revaluation or inflation of assets can be identified these may be taken into account by the Agency in setting the dwelling price.

### **16. Resident rent contributions**

In formulating a resident contribution in the benchmark prices, the Agency should assume residents are in receipt of the Disability Support Pension, and that the rent contribution is 25 per cent of the base rate of this payment and that rent excludes board. The contribution should be adjusted in respect of dwellings in which the tenants would be eligible for Commonwealth Rent Assistance (CRA).

The resident rent contribution component of the benchmark prices will be automatically adjusted when Disability Support Pension payment rates are changed.<sup>2</sup>

The rent contribution of 25 per cent of the base rate of the Disability Support Pension will be considered as the maximum rent that may be charged to residents by accommodation providers. It is recognised that this pricing and payments framework will be a major change for a number of providers who currently use the 'rent and board' model for determining rents. However, while this will be a major change for many providers, it will make the price of accommodation for residents more transparent. It is also recognised that this approach assumes that most participants will be reliant on the Disability Support Pension. While this is likely to be true, at least in the medium term, this means that this setting should be kept under review.

#### **17. Treatment of publicly owned land in setting the benchmark prices**

Land that is owned outright by providers could include land that has been purchased and funded solely by a provider, land that has been provided at nil cost or below market cost from a State Government (or other sources), or land which has been partially funded by State Governments (or other parties).

Regardless of historical funding or ownership arrangements, land for which title resides with the non-government provider will be treated consistent with the benchmark price and not adjusted for historical procurement arrangements.

Land that is owned by State Governments and leased/occupied by non-government providers could include lease arrangements (including 50 or 99 year leases) that are for nil cost, below market value (including peppercorn rent arrangements) or full market rental value.

In determining the value of the benchmark price, the funding methodology adopted by the Agency should not subsidise providers operating on publicly owned land if they are not paying a market rent for that land. This essentially removes any windfall gains arising from existing ownership arrangements that are not fully priced. This largely relates to providers that are delivering accommodation supports on publicly owned land at nil or peppercorn rental cost. To this effect, a "pass-through" mechanism will be set up between jurisdictions, providers and the Agency to reflect the need to adjust the benchmark prices for affected providers operating on publicly owned land at below market cost.

From the perspective of providers and participants, their funding arrangements should not be influenced by land ownership arrangements. To this end, the funding associated with participants resident in specialist disability accommodation would be consistent with the benchmark prices.

Providers not paying market rental costs for land should not receive a windfall gain. State Governments will be expected to charge and recover from these providers a cost of capital equivalent to the land component in the benchmark price. This would be revenue neutral for providers, but ensure there is transparency in pricing/cost.

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<sup>2</sup> This happens twice a year in March and September.

The pass-through mechanism will require jurisdictions to then refund this cost of the land component to the Agency. This would be equal to the difference between the benchmark funding for land and the current (below market) rental cost charged by the state or territory government.

This mechanism will ensure transparency and consistency in applying benchmark prices; it will account for the true cost of service delivery by providers and be cost and revenue neutral for the Agency.

Where the cost of leasing/occupying State Government land by a non-government provider is on a basis that is below market cost, then the cost is being met by a state or territory government. The land component may therefore form part of that government's in-kind contribution to the NDIS (net of any land price inflation). This would be calculated on the same efficient price basis as established by the Agency for other owners in accordance with this Framework and would be transparently accounted for in state or territory government in-kind funding contributions. If below market rents are charged to providers, the in-kind contribution would be equal to the difference between the benchmark funding for land and the current (below market) rental cost charged by the State Government.

The inclusion of land as an in-kind contribution will be reviewed as part of the Framework review outlined below.

State Government land may also be leased/occupied by non-government providers on a basis that is equivalent to the market rental cost. In this scenario, the provider will be funded the full benchmark price (plus any weightings/loadings as appropriate), and State Governments will recoup their market rent from the provider. This can be used by State Governments to fund their cash contribution to the NDIS. In these circumstances the land component would not form part of that government's in-kind contribution to the NDIS.

Governments may also directly provide accommodation services, and this may form part of their in-kind contribution to the NDIS. In this scenario, the land component (net of any land price inflation) would be calculated on the same efficient price basis as established by the Agency for other owners in accordance with this Framework, and would be transparently accounted for in state or territory government in-kind funding contributions. If Government directly provided accommodation services are paid for by the Agency, the same 'pass-through' arrangements will apply.

State Government land may continue to be owned by the relevant jurisdiction or transfer to another provider at the jurisdiction's discretion.

If state or territory governments do not wish to participate in the pass back mechanism other arrangements will be agreed bilaterally to ensure the same net effect on scheme funding.

## **18. Other price setting considerations**

When the Agency develops or reviews its benchmark prices, it will factor into those prices the costs of meeting any quality or safeguarding requirements that apply to specialist disability accommodation.

Further national policy work is required to identify and implement quality assurance mechanisms and safeguards that will apply to supported accommodated related services in the NDIS.<sup>3</sup>

### 19. Payment arrangements

The value of the contribution that the Agency makes in respect of the accommodation costs for a participant residing in specialist disability accommodation will be the relevant benchmark price determined by the Agency, with the application of appropriate weights and factors.

While the benchmark prices might be an annual amount, the Agency would have flexibility in determining the payment schedule for instalments through the year. The Agency (in consultation with the participant) would decide whether payments are made directly to the accommodation provider, or to the participant who would then pay the accommodation provider. The Agency contribution for specialist disability accommodation will flow for as long as the participant lives in the specialist disability accommodation.

### 20. Payment of the consumption costs component of the benchmark price

The payment of the consumption costs component of the benchmark price would cease after the initial life of the building, recognising that replacement costs have been provided over the life of the building.

The Agency will reset the period for the reasonable initial life in respect of a specific dwelling that is replaced or which the Agency determines as having been substantially upgraded or which is of a form that warrants ongoing funding for consumption costs. The Agency will create a mechanism whereby accommodation providers can advise the Agency of, and the Agency can confirm substantial upgrades and replacements.

The Agency will determine the remaining dwelling life of state or territory managed or funded supported accommodation dwellings in a location rolled into the NDIS.

The Agency will develop a framework for assessing the useful life of a building. This will include reference to quality and standards, and other factors as deemed appropriate by the Agency.

For example, consider the case of a 20 year old dwelling that transitioned to the scheme, in the situation where the Agency had determined that a reasonable dwelling life was 40 years. In this case, the Agency would pay one fortieth of the consumption component of the benchmark price for the next 20 years.

If at the end of those 20 years, the accommodation provider replaced or substantially upgraded the dwelling, with the Agency's agreement, it would receive the consumption component of the benchmark price for a further 40 years.

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<sup>3</sup> At the time of drafting this framework, the Disability Reform Council had commissioned work on a Quality and Safeguarding Framework, which when finalised may impact on pricing arrangements. Senior Officials are currently working on the quality and safeguarding arrangements that will operate under the NDIS at full scheme. In the context of specialist disability accommodation, there are a number of specific quality and safeguarding issues that reflect the integrated nature of housing and support. Further work is required to resolve these issues in the context of a national approach to NDIS quality and safeguards.

## **21. Agency has the capacity to pay more in exceptional circumstances**

The Agency has the capacity to pay more than the benchmark price where it determines that compelling and exceptional circumstances exist that substantially affect the costs to the accommodation provider, in respect of a particular participant.

The Agency will determine what payments are made in excess of the benchmark price, and for how long.

### **Part 3 – For whom in what circumstances**

## **22. Participants for whom specialist disability accommodation is reasonable and necessary**

The NDIS will support specialist disability accommodation, including for:

- participants<sup>4</sup> in existing supported accommodation, such as group homes, large residential centres, cluster or village based accommodation;
- participants who currently reside in a residential aged care facility; and
- participants who access alternative or innovative accommodation that is appropriate for people who require specialist disability accommodation to live independently, as determined by Agency.

Funding to support participants who require specialist disability accommodation will be available, if it is reasonable and necessary, for:

- participants who are currently in specialist disability accommodation and wish to stay there;
- participants who are currently in specialist disability accommodation who wish to explore options to change their accommodation arrangements; and
- over time, participants who are not currently in specialist disability accommodation, but for whom specialist disability housing would be reasonable and necessary, including participants whose circumstances change or who represent new or unmet demand

People currently residing in supported accommodation have already established, through State processes, a need for reasonable and necessary housing based supports, but this requires confirmation by the Agency. It is envisaged that at a minimum, funding for specialist disability accommodation will fund current clients in the existing stock of supported accommodation.

Young people in residential aged care and participants deemed eligible from existing waiting lists for which support would be reasonable and necessary would be given priority for funding.

The Agency will determine the participants for whom specialist disability accommodation is reasonable and necessary. This will be done by reference two sets of criteria (noting that both sets might apply to the same participant):

- Whether participants require a specialist built-form – this criteria will identify participants who need specialist disability accommodation because the physical, cognitive or psychosocial features of their disability requires housing with specific design, specialist features or amenity to enable them to live safely; and/or

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<sup>4</sup> Including participants with psycho-social disability.

- Whether participants support needs can only be met cost effectively by specialist disability accommodation – this criteria will identify participants who need specialist disability accommodation arrangements because the nature of their disability, and limitations of their informal support network, mean that their housing needs cannot currently be met in the community, or it would not be cost effective to provide support for them to live independently in the community.

### **23. Participants who require a specialist built-form**

The accommodation needs for some participants are not currently met by the housing market because the functional impairment and impact of their disability requires accommodation with specific design features or amenity which is not readily supplied through mainstream housing and which involves a significant cost beyond what would be funded as home modifications.

These participants need accommodation in properties which are either physically accessible (for example, have ramps and rails) or are designed to minimise the effects of the features of their disability (for example, have a floor plan which facilitates a greater level of independence or building materials and features which minimise sensory stimulation).

Participants meeting these criteria are those with high and/or complex needs, including:

- Those with significant physical limitations; and/or
- Those who have significant sensory, psychosocial or cognitive impairments.

This will include participants with the diagnoses of:

- Spinal cord injury (SCI)
- Cerebral Palsy
- Multiple Sclerosis
- Stroke
- Intellectual disability (ID) with limited mobility
- Global developmental delay
- Acquired Brain Injury (ABI) with limited mobility
- Autism Spectrum Disorders (ASD)
- Psychosocial conditions which may have physical sequelae due to long term medication use, such as schizophrenia

Noting that not all participants with the diagnosis above will require specialist disability accommodation, the Agency will further develop the criteria it will apply when determining whether a participant requires accommodation of a specialist built form in consultation with jurisdictions. This will include consideration of those who will definitely need accessible accommodation and those, who may, depending on their disability and an inability to live independently in the community.

### **24. Participants with high support needs that can only be met cost effectively by specialist disability accommodation**

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.

The factors which best indicate the need for specialist disability accommodation are:

- Level of complexity of the available support required;
- Need to minimise risk to the participant, and in some situations, to the community;

- Capacity of informal supports to maintain these participants in the community;
- Cost of keeping the participant in independent community living; and
- Capacity or capability of the person to live outside of a specialist disability accommodation arrangements

These factors are linked and a combination must be present together in a participant for whom specialist disability accommodation funds are reasonable and necessary.

#### *Level of complexity of the available support*

Participants with high levels of complex or specialised needs can find it difficult to source the support that they need (particularly for example some rural and remote regions). Setting up and maintaining very high intensity support programs for participants requiring 1:1 or more support for long periods (for example 24 hour care) are particularly difficult to reliably source and staff, even in some metropolitan areas. Providing support for participants in a shared living arrangement, where staff and other resources can support more than one participant is often an effective strategy in these situations.

#### *Level of risk*

This relates to a number of issues, including:

- the way a participant responds to safety risks, alarms and the like and are able to remove themselves from the hazard or get assistance quickly enough to help them do so;
- the minimisation of risks to a participant's safety or functional performance due to the diagnosis which may be minimised by design features (for example walkways which channel residents into living areas); and
- any risks that a participant may present to the community or others in the household due to challenging behaviours if living independently or with families or carers in the community.

The presence of these risks is not generally something that could be identified reliably from the participant's diagnosis or severity but requires some knowledge of the participant.

The current risk assessment section of the Agency Planning Conversation Tool does not sufficiently explore the participant's capacity in these areas. The Agency will undertake further work on this issue.

#### *Informal support*

This relates to the participant's support network and the capacity and capability it has to maintain the person in the community outside a specialist disability accommodation arrangement. The sustainability of these supports is an important feature here as many people with very severe levels of disability remain at home because families or other carers are willing and able to continue to support them.

#### *Cost effectiveness of maintaining the participant in the community*

Participants requiring very high levels of support, especially 1:1 support, are very expensive to maintain individually in the community. This is particularly so for participants who require 24 hours care per day or who require more than one carer to be in attendance at any one time. Supporting all NDIS participants to live independently would not be sustainable for the NDIS. The economies of scale of having very high need participants supported in shared living arrangements, where staff and other resources can be brought together to support more than one participant, means that specialist disability accommodation is often the most cost effective option for supporting these participants.

### *Capacity or capability of the participant*

An individual's circumstance may be such that they have resided in supported accommodation for a significant period time, such that their capacity to live outside of a specialist disability accommodation arrangement is limited. The individual may require ongoing supported accommodation for a period of time as they transition to alternative accommodation arrangements that are appropriate for their circumstances.

Building on the above, the Agency will develop and publish the criteria it will apply when determining whether specialist disability accommodation is reasonable and necessary for a participant on the basis of their high support needs and other circumstances. This will include consideration of those who will definitely need accessible accommodation and those, who may, depending on the supports available to them.

## **Part 4 – Registration, approved dwellings, security of tenure**

### **25. A modified market**

It is recognised that the existing stock of supported accommodation (such as group homes, large residential centres) is essential to ensuring the ongoing supply of appropriate specialist accommodation. A key priority is to facilitate the transition of the existing stock of supported accommodation into the NDIS. Funding will allow for the continuity of supply of the existing stock of supported accommodation (State owned or non-government owned) and also ensure there is scope for replacement, change and innovation over time.

The design of the NDIS has sought to embed a market based approach where feasible, by putting funds into the hands of participants (to the extent possible). There are market constraints on the feasibility of this, including that:

- Housing involves substantial capital investments that create returns over the long term. It is not responsive to short-run changes in market dynamics.
- It is an area where the market may not respond fully or quickly to demand, especially in respect of required built forms that are not typically available in the broader housing market; thereby requiring some market incentive.
- In a number of locations, there are serious shortages of affordable accommodation for low income earners; which may impact disproportionately on NDIS participants with complex needs and reliant on income support.
- There is a need to ensure that the scheme does not replace existing effort in the social and community housing sectors which are primarily responsible for addressing the housing needs of people on low incomes.

Consequently, the Agency will need the flexibility to target funding in respect of approved dwellings, to ensure the best accommodation outcomes can be secured for participants who have a reasonable and necessary need for specialist disability accommodation, while ensuring the sustainability of the NDIS.

### **26. Registration of approved dwellings**

The Agency will implement a provider registration system. Funding will only be directed in respect of registered and approved providers for approved dwellings.

For payments to be made in respect of participants for specialist disability accommodation, the participant must be resident in a dwelling approved by the Agency for this purpose.

Approved dwellings for specialist disability accommodation include:

- State or territory managed or funded supported accommodation dwellings at the time that the scheme became operational in a location;
- Commonwealth funded aged residential care facilities;
- Dwellings incentivised under the second funding stream (see Part 5 below); and
- Any other dwelling the Agency approves for this purpose.

For participants who choose to self-manage their funding, funding for specialist disability accommodation will only be provided where the Agency approves the residential dwelling for this purpose.

The Agency will determine how it manages this requirement.

## **27. Further Work**

The quality and safeguarding aspects of specialist disability accommodation require further work. The work will be undertaken by the housing sub group with a report back to DRC at their next meeting.

Subject to further work, the dwelling approval process may also include minimum requirements, and may be linked to the provider registration process in the NDIS Act.

The Agency will specify requirements relating to:

- quality and standards that must be met by accommodation providers, noting this may leverage existing mechanisms, such as the national community housing regulatory system, State-based building codes and other mechanisms as deemed appropriate by the Agency
- the rights and responsibilities of accommodation providers, residents and support providers, and how this will be implemented
- security of tenure and safeguarding arrangements for residents.
- how providers will calculate and apply resident contributions.

The mechanism for regulation and monitoring of these requirements will be considered through this further work.

## **Part 5 – Miscellaneous**

### **28. Flexibility**

Nothing in this Framework prevents the Agency from making other payments in respect of housing or accommodation arrangements that are consistent with the NDIS Act.

This includes any funding arrangements the Agency may need to facilitate the supply of specialist disability accommodation, where the market is not responding appropriately to the demand for places, and/or where innovative built forms or financing arrangements are needed.

The Agency can also enter into voluntary agreements with existing or prospective accommodation providers to reduce payments below the benchmark price in recognition that families, carers, faith groups, philanthropic bodies, local government bodies and others may wish to make an ongoing contribution to the provision of specialist disability accommodation.

### **29. Transition of residents in supported accommodation and aged residential care**

Some people living in existing specialist disability accommodation may not be assessed as:

- qualifying as an NDIS participant; or
- having a reasonable and necessary need for specialist disability accommodation on entry to the NDIS.

Continuity of support arrangements will be developed for people living in existing specialist disability accommodation who are in these situations. These arrangements will either retain the person in their current accommodation or find new accommodation or other arrangements appropriate to their needs.

Continuity of support arrangements will apply to people who are ineligible for the NDIS and are/were resident in state or territory managed or funded supported accommodation and residential aged care facilities at the time the scheme was/is rolled out in their location.<sup>5</sup>

### **30. Notification**

The Agency will need to adjust its cost structures when a state or territory government wishes to sell or transfer ownership of publicly owned land on which there is an approved dwelling. To give the Agency better capacity to manage these pressures, States and Territories will give the Agency 6 months' notice of any intention to change the ownership arrangements for publicly owned land.

The Australian Capital Territory does not need to notify the Agency in respect of ownership changes for leasehold land, where the lease is held by a non-government body.

### **31. Reviewing this Framework and establishing the subsequent Framework**

The Disability Reform Council will review this Pricing and Payments Framework in the Framework's third year of operation, with the goal of completing the review by the conclusion of that third year. The Disability Reform Council will set the terms of reference for this review. The outcome of the review will inform the Disability Reform Council's development of any pricing and payments arrangements that replace this Framework.

The Agency may ask DRC to bring forward the review time frame, should it prove necessary.

### **32. Western Australia**

In Western Australia (WA) the comparative trial of the Agency and the NDIS My Way models is informing WA's own planning for the future of disability services in WA.

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<sup>5</sup> Continuity of support arrangements may be further addressed in bilateral agreements between the Commonwealth and the states and territories.

## 5.2 Appendix B: Building Specifications for SDA design categories

### 1.1 Introduction

The SDA Framework anticipates that participants may require a range of different property types and that both the design and the construction of properties may vary depending on the individual's specific needs.

This Appendix details the design and building categories utilised in the development of benchmark prices.

Note that this appendix is a preliminary draft only and will be refined through further review and stakeholder feedback.

### 1.2 Categories of SDA and building types

The design of the house, costs of building and allowances for differences in SDA participant's disability based requirements are interdependent.

As such, Marsden Jacob has developed a matrix set of building design options which incorporates, five broad categories of SDA design, four building types and variations in the number of bedrooms within the building types.

#### 1.2.1 Accommodation design categories

The benchmark pricing model is based on five broad categories of SDA design as show below:

**TABLE 8 - ACCOMODATION DESIGN CATEGORIES FOR SDA**

Design Category	Description
Standard	Housing without specialised design features but with other important SDA characteristics (e.g. location, privacy, shared supports)
Improved Liveability	Housing that has been specially designed to significantly improve the 'liveability' for participants with non-physical disabilities (e.g. improved wayfinding, clear lines of sight into other rooms for residents and staff, reduced sensory stimulation, room 'flow')
Fully Accessible	Allows full accessibility for participants with adjustments to improve 'liveability' (e.g. platinum level design, appropriate height of windows and benches). This design is based on the Platinum standard for accommodation and Australian Standard 1428.1
Robust Construction	Resilient but inconspicuous materials and features that minimise risk to the participant and the community, improve privacy and reduce maintenance costs (e.g. secure windows, doors and external areas, sound proof walls, unbreakable glass, appropriate strength walls, etc.). The room sizes are based on the Platinum standard for accommodation and Australian Standard 1428.1
High Support Needs	Higher support needs (e.g. wider access and greater allowances for hoists and other equipment).

## 1.2.2 Building types

Four building types, including variations in the number of bedrooms are set out in Table 9

**TABLE 9 - ACCOMODATION DESIGN CATEGORIES FOR SDA**

Residence type	Description	Number of bedrooms
Apartment	<p>Apartments are self-contained units occupying only part of a larger residential real estate building.</p> <p>Apartments are assumed to be situated in medium to high rise buildings and be predominately located in high-density living suburbs.</p>	1 or 2 bedrooms
Villas, Duplexes and townhouses	Duplexes, villas and townhouses are small semi-attached properties within a single land title or strata titled area. These residences are generally low-rise (single or double story) and include access to communal shared areas such as garden or courtyard spaces.	1, 2 or 3 bedrooms
House	Houses are detached low-rise dwellings with garden or courtyard areas. House are most commonly the only property on the land title and are designed for a single family or a small number of people.	3 bedrooms
Group Homes	Group accommodation is distinguished from other forms of accommodation by the larger number of resident bedrooms within the complex and the existence of shared kitchen, living communal spaces. Historically, larger group accommodation may have been classified as a hospital.	4 to 6 bedrooms

## 1.3 Property size estimates

The size of each property type at each standard of SDA was developed based on estimates of the room sizes and numbers of each room required. This approach allowed properties to be sized and priced

### 1.3.1 Room sizes for each level of SDA

THE PROJECT TEAM DEVELOPED ROOM SIZES FOR EACH OF THE LEVELS OF SDA BASED ON DESIGNS BY THE TEAM'S TEAM'S ARCHITECTS- SILVER THOMAS HANLEY (STH) FOR LIVEABLE HOUSING DESIGN *PLATINUM STANDARD* (INCORPORATING AUSTRALIAN STANDARD AS1428.1) AND FOR HIGH CARE<sup>6</sup>. ROOM SIZES FOR STANDARD AND IMPROVED LIABILITY WERE BASED ON THE ARCHITECT'S DESIGNS AND WERE MODERATED THROUGH CONSULTATION WITH ACCOMMODATION PROVIDERS. THE RESULTING ROOM SIZES ARE SET OUT IN

Table 10. Optional rooms (for overnight support and breakout rooms) are shaded and are shown at the bottom of the table.

<sup>6</sup> For high support needs these room sizes are based on Silver Thomas Hanley's experience in designing a quadriplegic centre in Western Australia.

**TABLE 10 - CURRENT PROPERTY SPECIFICATIONS MODELLED**

Room/ area	Standard & Improved liveability	Fully accessible & Robust construction (Platinum standard)	High Care
Door Widths	Not specified	1500 mm	1600 mm (split doors)
Corridor Widths	1200 mm	1200 mm	1600 mm in individual accommodation 2100 mm in shared accommodation
Entry	1.44 m <sup>2</sup>	2.25 m <sup>2</sup>	2.56 m <sup>2</sup>
Kitchen	8 m <sup>2</sup>	11.75 m <sup>2</sup>	11.75 m <sup>2</sup>
Bathroom	6.5 m <sup>2</sup>	6.5 m <sup>2</sup>	9 m <sup>2</sup>
Toilet	3.6 m <sup>2</sup>	3.6 m <sup>2</sup>	3.6 m <sup>2</sup>
Bedroom	12 m <sup>2</sup>	16.2 m <sup>2</sup>	25 m <sup>2</sup>
Laundry	4 m <sup>2</sup>	8.14 m <sup>2</sup>	8.14 m <sup>2</sup>
Storage	2 m <sup>2</sup>	2 m <sup>2</sup>	2 m <sup>2</sup>
Terrace	10 m <sup>2</sup>	15 m <sup>2</sup>	15 m <sup>2</sup>
On-site Support-Office (if required)	9 m <sup>2</sup>	9 m <sup>2</sup>	9 m <sup>2</sup>
On-site Support-Sleepover (if required)	6.5 m <sup>2</sup>	6.5 m <sup>2</sup>	6.5 m <sup>2</sup>
Breakout Room (if required)	16 m <sup>2</sup>	16 m <sup>2</sup>	16 m <sup>2</sup>

Source: Platinum and high care areas designed by Silver Thomas Hanley based on AS1428.1.

An allowance for corridor space has been calculated mathematically based on the total size of the property.

Living and dining room areas were combined and are dependent on the number of bedrooms in the property as well as the standard of accommodation.

**TABLE 11: LIVING AND DINING ROOM AREAS**

No of bedrooms	Standard & Improved liveability (m <sup>2</sup> )	Fully accessible & Robust construction & High Care (m <sup>2</sup> )
1	17.25	23
2	24	32
3	33.75	45
4	39	52
5	48.75	65
6	56.25	75

Source: Fully accessible room sizes for 1 to 5 bedrooms from NSW Family and Community Services Design guidelines – Group accommodation – February 2013

### 1.3.2 Numbers of rooms for each building type

The number of rooms for each building type are summarised in Table 12.

For simplicity the table does not list rooms that do not vary from one property to another – such as each house as one kitchen, one laundry and one living/dining room.

**TABLE 12: NUMBERS OF VARIABLE ROOMS FOR EACH BUILDING TYPE**

Building type	Bedrooms	Entry	Large bathroom	Bathroom	Toilet	Storage
Apartment	1	1	0	1	0	0
	2	1	0	1	0	0
Villa/ Townhouse / Duplex	1	1	0	1	0	0
	2	1	0	1	0	0
	3	1	0	2	1	0
House	3	1	0	2	1	0
Group home	4	2	1	1	1	4
	5	2	1	1	1	5
	6	2	1	1	1	6

### 1.3.3 Total property sizes estimates

Based on the numbers of rooms and the size of each room the total property size for each form of SDA and each property type are set out in Table 13 below

**TABLE 13: PRIMARY ACCOMMODATION OPTIONS ESTIMATED SIZES (M2)**

Dwelling type	Number of bedrooms	Standard	Improved liveability		Fully accessible		Robust design			High support	
			No OOA	With OOA	No OOA	With OOA	No OOA	With OOA	+1 Room	No OOA	With OOA
Apartment	1	59	59		79					101	
	2	79	79		106					138	
Villa/ Townhouse/ Duplex	1	59	59	78	79	98	79	98	114	101	122
	2	79	79	98	106	125	106	125	141	138	160
	3	114	114	133	149	167	149	167	183	195	216
House	3	114	114	133	149	167	149	167	183	195	216
Group home	4	154	154	173	191	209	191	209	225	246	268
	5	177	177	196	221	240	221	240	256	286	308
	6	197	197	216	248	267	248	267	283	323	344

**Legend**

- Standard Design features to enhance liveability but otherwise comparable to non-SDA housing.
- Platinum level Designed to meet platinum level design standards. Fully accessible with adjustable kitchen
- Robust design More robust materials, security and privacy features to cater for challenging behaviours.
- High support Additional structural allowances for more intensive medical equipment.
- OOA On-site Overnight Assistance
- +1 Room Additional breakout or sensory room

## 1.4 Specifications for levels of SDA

In addition to the property sizes, the differing levels of SDA will also require differing levels of specification. The differing specifications also impact on the costs estimates for each level of SDA.

### 1.4.1 Summary Specifications

	Build standard				
	Standard	Improved Liveability	Fully Accessible	Robust construction	High Support
Basic Description	Based on Social housing	Architect design and layout for improved wayfinding and lines of sight	Platinum standard under Liveable Housing Guidelines & AS 1428.1	Specific design and construction for behaviours of concern/ challenging behaviours	Based on Quadriplegic requirements
External building fabric	Standard residential	Standard residential	Standard residential	Standard residential	Standard residential
Windows	Standard residential Double glazed	Standard residential Double glazed	Standard residential Double glazed Laminated glass	Standard residential Double glazed Laminated glass	Standard residential Double glazed Laminated glass
Blinds	Roller blinds	Roller blinds	Roller blinds	Roller blinds	Motorised roller blinds
Internal doors	Solid core doors Residential hardware	Solid core doors Residential hardware	Solid core doors High grade hardware	Solid core doors High grade hardware	Solid core doors High grade hardware
Internal walls	Timber stud	Timber stud	Timber stud	Impact resistant	Impact resistant
Internal wall finishes	Standard plasterboard Tiles to wet areas	Impact resistant plasterboard Tiles to wet areas	Impact resistant plasterboard Wall vinyl to wet areas	Impact resistant plasterboard Wall vinyl to wet areas	Impact resistant plasterboard Wall vinyl to wet areas
Floor finishes	Residential carpet and tiles	Residential carpet and tiles	Commercial carpet and vinyl	Commercial carpet and vinyl	Commercial carpet and vinyl
Ceiling finishes	Standard plasterboard	Standard plasterboard	Standard plasterboard	Standard plasterboard	Standard plasterboard

	Standard	Improved Liveability	Fully Accessible	Robust construction	High Support
<b>Joinery</b>	Standard residential	Robust/Impact Resistant construction	Robust/Impact Resistant construction	Robust/Impact Resistant construction	Robust/Impact Resistant construction
<b>Fittings/appliances</b>	Standard residential	Standard residential	Accessible	High grade	High grade
<b>Sanitary fittings/taps</b>	Standard residential	Standard residential	Accessible	High grade	High grade
<b>Heating</b>	No separate heating system - reverse cycle air conditioning to provide heating	No separate heating system - reverse cycle air conditioning to provide heating	No separate heating system - reverse cycle air conditioning to provide heating	No separate heating system - reverse cycle air conditioning to provide heating	No separate heating system - reverse cycle air conditioning to provide heating
<b>Cooling</b>	Split system air conditioning to common areas only	Split system air conditioning to common areas only	Split system air conditioning to all rooms	Ducted air conditioning, not zoned	Ducted air conditioning, zoned
<b>Electrical</b>	Standard residential	Standard residential	Standard residential	High grade (ready for assistive technology)	High grade (ready for assistive technology)
<b>Communications/ data</b>	Standard residential	Standard residential	Standard residential	High grade	High grade
<b>Nurse call</b>	Nil	Nil	Nil	Nil	Patient/staff distress system
<b>Fire services</b>	Residential smoke alarms	Residential smoke alarms	Residential smoke alarms	Monitored smoke alarms	Monitored smoke alarms
<b>Optional</b>	Fire sprinklers Broadband and technology, smart-key, Remote activated doors/gates - ready for assistive technology.	Fire sprinklers Broadband and technology, smart-key, Remote activated doors/gates - ready for assistive technology.	Fire sprinklers Broadband and technology, smart-key, Remote activated doors/gates - ready for assistive technology.	Fire sprinklers Broadband and technology, smart-key, Remote activated doors/gates - ready for assistive technology.	Fire sprinklers Broadband and technology, smart-key, Remote activated doors/gates - ready for assistive technology.

## 1.4.2 Further detailed specifications

### a. Improved livability

The building specification is assumed to be in line with social housing. In addition, the design and layout should support wayfinding and clear lines of sight for participants and staff.

### b. Fully accessible

The building specification is assumed to be in line with social housing. In addition, the dwelling requires:

- Strengthened walls in bathrooms to support railings
- Fully accessible bathroom
- Kitchen with modular adjustable units to allow adaptation to the resident's requirements
- Protection for areas likely to be in contact with wheelchairs (lower door, door frame, wall and cabinetwork) in accordance with AS1428.1
- External door thresholds and Bathroom showers should be fitted with linear grates to facilitate flush thresholds and continuous even 'falls' which ensure ease of access/use by persons with disabilities and effective localized water capture and disposal.

### c. Resilient construction

Draft specification for resilient construction are set out in dot point below.

#### *Wall construction*

- Masonry core with impact resistant facings (hard-wall plaster does not comply) or 92mm metal studwork with impact/moisture/noise/fire resistant plasterboard facings to satisfy codes.
- Designed to receive elevated point loads where necessary (overhead cupboards, etcetera).

#### *Cabinetwork*

- Benchtops – 26mm HMR7 particleboard with applied laminate, square edged, fully post-formed or 2mm ABS edged.
- Carcass Units are to be constructed in 18mm HMR particleboard or MDF core material, pre-laminated. Includes backs. Edgings to be 2mm ABS or equal.
- All 4 sides of adjustable shelving are to have 2mm ABS edging or equal.
- Laminated plastic surfaces are to be fully adhered and post-formed (as required/detailed).
- Hardware is to be commercial grade (medium duty). Handles to be suitable for use by persons with disabilities.
- All drawers are to have high sides unless noted otherwise.
- All detailing is to be easy clean with exposed sharp corners eliminated or detailed to minimise injury risk.

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<sup>7</sup> Highly Moisture Resistant

- Detailing is to utilize commercially available storage systems which maximise storage capacity and access by persons with a potential range of incapacities.

### *Doors*

- Solid core doors (min. 40mm thick) or equal approved with impact resistant finishes as required. Alternative lightweight systems will be considered but must have acceptable impact resistance and whole of life performance.
- Minimum door width for Platinum is 950mm (10mm door stops, 40mm thick door, 900mm clearance at 90degrees open. Wider for fire rated entry doors (as required).
- 4 hinges per door, 2 together at the top. Reduce for alternative lightweight systems as noted above.
- Commercial grade lever type door hardware to facilitate use by persons with a range of dexterity limitations are required.
- Top mounted door-stops fitted where necessary to minimise wall damage. Floor mounted or low level wall mounted door stops are not recommended.
- Door frames (internal) should be steel to resist impact, especially at low level. In Bathrooms, Laundries and Toilets, special consideration must be given to effective rust protection.

### *Glazing*

- Glazing generally (external and internal) to be impact resistant (including point load) - 10.38mm laminated glass is recommended.
- Mirrors to be framed laminated glass/mirror construction with closed cell impact absorbing backing. Anti-tamper fixings. Acrylic or stainless steel not acceptable.
- External window frames shall be semi commercial aluminium or better to accommodate thicker glass and regular impact (where applicable).
- Sliding door thresholds shall be as flush as possible to facilitate wheelchair and walking frame access without hindrance.

### *Disability compliance*

- If the building is planned to be fully accessible as well as robust construction – such as for wheelchair for mobility, lower door, frame, wall and cabinetwork protection should be included (in accordance with AS1428.1).
- Assistance rails and the like may also be required. This extends to external accessible spaces.
- External door thresholds and Bathroom showers should be fitted with linear grates to facilitate flush thresholds and continuous even ‘falls’ which ensure ease of access/use by persons with disabilities and effective localized water capture and disposal.

### **1.4.3 High Care**

It is assumed that the building specification will be the same as for Fully Accessible but also with strengthened ceilings and floors to support hoists; and Remote control blinds and lights.

## Building type groupings

In developing the cost estimates, it is necessary to stipulate the total size of a development in order to estimate the unit cost.

The assumed groupings of each of the building types are summarised in Table 14.

TABLE 14: ASSUMED BUILDING TYPE GROUPINGS

Building type	Bedrooms	Assumed grouping
Apartment	1	Group of 40 apartments
	2	Group of 40 apartments
Villa/ Townhouse/ Duplex	1	Group of 5 villas or townhouses
	2	Group of 2 duplexes
	3	Group of 2 duplexes
House	3	1 freestanding house
Group home	4	1 freestanding house
	5	1 freestanding house
	6	1 freestanding house

### Apartments

As apartments have a large amount of communal area (corridors, stairs, lifts etc.) it is necessary to develop further detail on the assumed nature of the development<sup>8</sup>. Apartments are scoped as a 2 to 4 storey apartment block services provided on the roof.

The architects have developed a modular format that has 10 apartments per floor. A concept design for a single floor is shown in **Error! Reference source not found.** This is illustrative only – but is useful for consideration of the external common on each floor.

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<sup>8</sup> The costs of the common areas for the apartments are divided equally among the total number of apartments.

**FIGURE 7: PLAN OF APARTMENT SHOWING EXTERNAL AREAS (SHADED GREEN)**



The common areas within the plan are as follows:

Corridor widths are 2.1 metres and corridor lengths are assumed to be 50 metres per 10-unit module

Lifts – 2 per 10-unit module

Stairs – 2 per 10-unit module

A four storey apartment module would have a total of 40 units. We have nominally we have assumed that 8 units within a module would be SDA and 1 unit would be for support.

## 1.5 Construction cost estimates

Using all of the details set out above the total cost estimate for each of the benchmark properties was estimated by a Quantity Surveyor that specialises in disability accommodation. These cost estimates for construction in Melbourne metropolitan area are set out in Table 15. Variations in construction cost based on locality are considered in detail in the following section.

**TABLE 15 – LOCATION ALLOWANCES FOR EACH CAPITALCITY**

Dwelling type	Number of bedrooms	Standard	Improved liveability		Fully accessible		Robust design			High support	
			No OOA	With OOA	No OOA	With OOA	No OOA	With OOA	+1 Room	No OOA	With OOA
Apartment	1	384,900	391,250	na	526,900	na	na	na	na	785,300	na
	2	487,900	495,700	na	632,800	na	na	na	na	973,300	na
Villa/ Townhouse/ Duplex	1	251,700	255,900	286,243	326,600	358,400	399,900	439,300	474,500	508,900	550,300
	2	315,700	321,700	350,400	412,100	442,400	506,200	543,400	576,700	651,700	690,700
	3	410,400	417,400	442,200	529,500	566,800	651,000	687,874	721,400	859,200	897,000
House	3	529,500	539,500	569,200	688,400	731,100	837,500	879,600	917,700	1,181,700	1,230,000
Group home	4	652,200	663,200	694,900	807,500	841,044	977,600	1,017,900	1,053,996	1,339,000	1,384,900
	5	707,400	721,400	752,359	885,300	917,875	1,071,100	1,110,300	1,145,279	1,480,000	1,524,600

Source: Cost estimates generated by Plancost

## 1.6 Regional cost variations

The team's Quantity Surveyor (Plancost) outlined that the Cost Estimates are priced at rates applicable to the Melbourne Metropolitan area and noted that costs may vary depending on the location and building market at the time as well as the type of building.

The following factors should be taken into account when establishing cost estimates for areas other than the Melbourne Metropolitan area:

### 1.6.1 Other Capital Cities

Building costs will vary between the capital cities in each state due to different design standards and varying market conditions. For the purposes of this Cost Report we refer to the indices from "Rawlinsons Australian Construction Handbook", International Construction Costs, Regional variation Indices, 2016. These costs are set out in Table 16.

TABLE 16: LOCALITY ALLOWANCES FOR EACH CAPITAL CITY

State / Territory	Capital city	Rawlinson Index	Index to be applied to cost estimates (Melbourne =100)
Victoria	Melbourne	0.97	100
New South Wales	Sydney	1.00	103
South Australia	Adelaide	0.99	102
Queensland	Brisbane	0.94	97
Australian Capital Territory	Canberra	1.03	106
Northern Territory	Darwin	1.22	126
Tasmania	Hobart	1.01	104
Western Australia	Perth	1.04	107

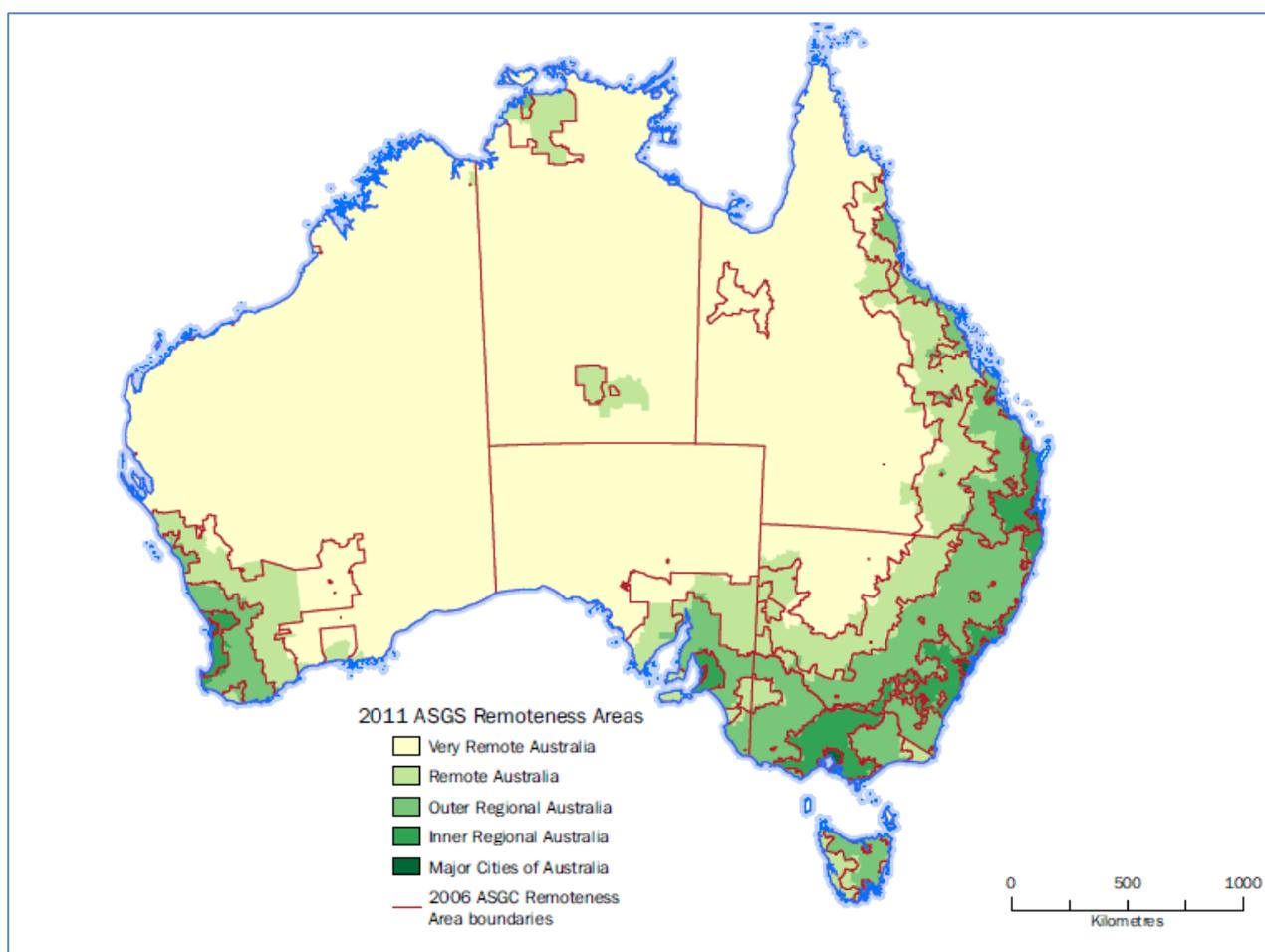
Source: Indices generated by Plancost based on analysis of Rawlinsons data

### 1.6.2 Remoteness indices

Building costs may increase in areas that are remote from capital cities or major regional centres due to additional transport costs, increase labour costs and reduced market competition. The rate of increase will vary depending on the location and the type of buildings being constructed.

Plancost aligned the estimated cost increases to measures of remoteness developed by the Australian Bureau of Statistics. The Remoteness index assigns one of five categories to all of Australia based on the distance travelled to local centres. A summary map of remoteness is shown in **Error! Reference source not found.**

**FIGURE 8: MAP OF REMOTENESS AREAS**



Source: [Australian Statistical Geography Standard \(ASGS\) Volume 5 – Remoteness Areas, July 2011](#)

Using the remoteness classifications, the Quantity Surveyor has allocated the indices set out in Table 17.

**TABLE 17: REMOTENESS INDICES**

Remoteness	Relative index
Major cities	100
Inner regional	105
Outer regional	110
Remote	120
Very remote	in excess of 120

Source: Indices generated by Plancost based on analysis of Rawlinsons data

Note: These remoteness indices are a broad guide only, and in each of the regions there will be areas that are atypical to the general remoteness index. For example, Mount Hotham is located in an Outer Regional zone and the additional costs for building there would be significantly higher than the index of 110.

It should be noted that the remoteness index and the state capital index are multiplicative. As such remote location in the Northern Territory has a higher cost increase than a remote area in New South Wales. The impact of combined state and remoteness indices is set out in Table 18.

**TABLE 18: COMBINED IMPACT OF STATE AND REMOTENESS INDICES**

State / Territory	Major cities	Remoteness indices			
		Inner regional	Outer regional	Remote	Very remote
Victoria	100	105	110	120	120+
New South Wales	103	108	113	124	124+
South Australia	102	107	112	122	122+
Queensland	97	102	107	116	116+
Australian Capital Territory	106	111	117	127	127+
Northern Territory	126	132	139	151	151+
Tasmania	104	109	114	125	125+
Western Australia	107	112	118	128	128+

## 1.7 Additional accommodation options and factors

Based on discussions with a broad range of stakeholders, Marsden Jacob have identified three additional specifications that may be desirable in some forms of SDA, or in some regions – but do not form part of the minimum standard across Australia.

These additive factors are:

- fire sprinklers;
- communications and technology to support assistive technology; and
- cyclone rated construction.

Each of these topics are considered in turn below.

### 1.7.1 Fire Sprinklers

The National Construction Code (a COAG initiative) indicates that fire sprinklers should be included in dwellings considered Class 3 buildings or above. Class 3 buildings include:

*a residential building, other than a building of Class 1 or 2, which is a common place of long term or transient living for a number of unrelated persons, including—*

- (c) a boarding house, guest house, hostel, lodging house or backpackers accommodation; or*
- (d) a residential part of a hotel or motel; or*
- (e) a residential part of a school; or*
- (f) accommodation for the aged, children or people with disabilities; or*
- (g) a residential part of a health-care building which accommodates members of staff; or*
- (h) a residential part of a detention centre.*

However, while some of the homes being considered for SDA might fall under this category, most would be considered Class 1, which includes:

- (a) Class 1a — a single dwelling being—*
  - (i) a detached house; or*
  - (ii) one of a group of two or more attached dwellings, each being a building, separated by a fire-resisting wall, including a row house, terrace house, town house or villa unit; or*
- (b) Class 1b —*
  - (i) a boarding house, guest house, hostel or the like—*
    - A. with a total area of all floors not exceeding 300 m<sup>2</sup> measured over the enclosing walls of the Class 1b; and*
    - B. in which not more than 12 persons would ordinarily be resident; or*
  - (ii) 4 or more single dwellings located on one allotment and used for short-term holiday accommodation, which are not located above or below another dwelling or another Class of building other than a private garage.*

Some jurisdictions encourage the installation of fire sprinklers as part of the duty of care for people with disability, including those with both mobility issues and intellectual disabilities.

Therefore, Marsden Jacob have included fire sprinklers as a separate additive factor in the benchmark price, allowing the Agency to consider whether fire sprinklers will be considered 'reasonable and necessary' in either some or all SDA.

The Quantity Surveyor (Plancost) estimated that installation of fire suppression sprinklers at the time of construction would cost around \$70/m<sup>2</sup> for standard, improved liveability and fully accessible housing and would cost \$84/m<sup>2</sup> for robust construction and high support housing.<sup>9</sup>

### 1.7.2 Technology

A number of stakeholders have noted that some NDIS participants would benefit from SDA that includes a high level of technology such as:

- high speed internet connection;
- remotely operated lights and blinds;
- smart locks on doors; or
- remotely operated gates and garages.

As these forms of technology will not be suitable for all participants and will not be present in most legacy properties, Marsden Jacob have not included a high level of technology in benchmark SDA prices but note that they may be included on a case by case basis if it can be demonstrated that the additional cost of the technology is required for a participant or will offset service costs.

The Quantity Surveyor (Plancost) estimated that installation of cabling and technology at the time of construction would cost around \$100/m<sup>2</sup> for standard, improved liveability and fully accessible housing and would cost \$120/m<sup>2</sup> for robust construction and high support housing.<sup>10</sup>

### 1.7.3 Cyclone rated construction

In northern communities of Australia, particularly in coastal areas, buildings must be constructed to a standard that can withstand cyclonic conditions.

The Building Code of Australia refers to Australian Standard AS/NZS1170.2:2011 (Structural Design Actions - Part 2 - Wind actions). The standard defines Australia into four regions (A to D) and specifies additional building requirements in Regions C (Tropical cyclones) and Region D (Severe Tropical Cyclones).

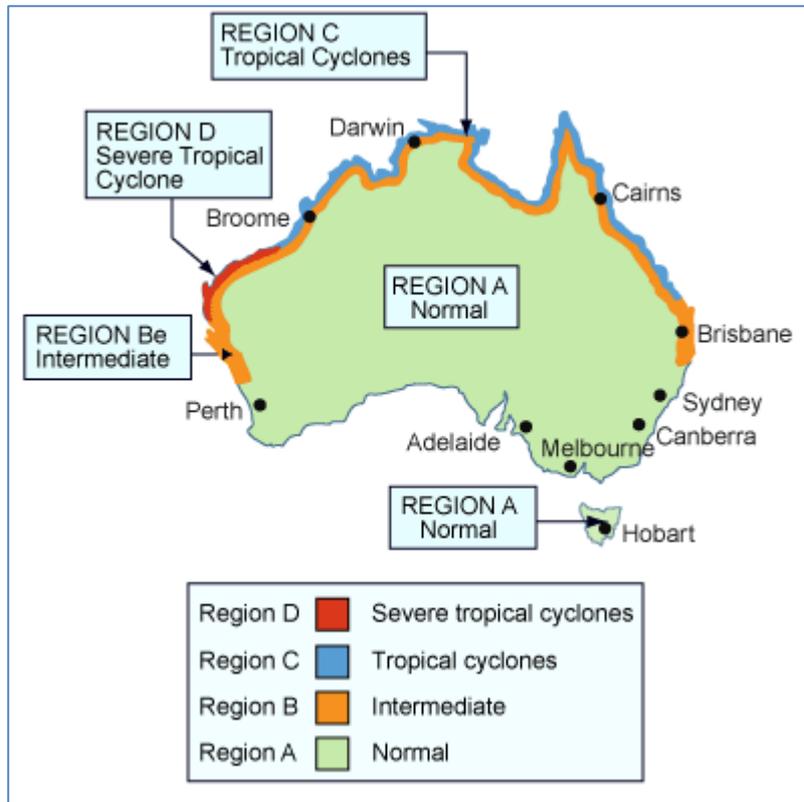
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<sup>9</sup> These costs are then subject to a contingency uplift of 8% and fess and disbursements of 12.5%.

<sup>10</sup> These costs are then subject to a contingency uplift of 8% and fess and disbursements of 12.5%.

Regions C and D only apply within 50 kilometres of the coast and so impact on a small part of a large number of local government areas. The location of these areas are illustrated in Table 19.

**TABLE 19: MAP INDICATING THE CYCLONIC AND STRONG WIND REGIONS OF AUSTRALIA**



Source: [www.dlsweb.rmit.edu.au](http://www.dlsweb.rmit.edu.au)

Advice from a Quantity Surveyor indicates that in regions C and D the additional building requirements are estimated to increase construction costs by 15%.

### 5.3 Appendix C: Location Factors

To derive an SDA Benchmark Price for a particular property, the Base Price must be multiplied by the Location Factor relevant to the property's location and build type, as shown in the table below. The Location Factor geographic areas are based on Australian Bureau of Statistics, Statistical Areas Level 4 regions.<sup>11</sup>

**TABLE 20: LOCATION FACTORS**

	Apartment, 1 bedroom, 1 resident	Apartment, 2 bedrooms, 1 resident	Villa, 1 bedrooms, 1 resident	Duplex, 2 residents	Duplex, 3 residents	House, 3 people	House, 4 people	Group Accom, 5 residents
Median capital city	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
ACT - Australian Capital Territory	1.02	1.02	0.99	0.96	0.95	0.97	0.96	0.95
NSW - Capital Region	1.07	1.07	1.01	0.96	0.94	0.98	0.96	0.94
NSW - Central Coast	1.04	1.04	1.01	0.99	0.98	1.00	0.99	0.98
NSW - Central West	1.07	1.07	0.99	0.94	0.91	0.95	0.93	0.91
NSW - Coffs Harbour - Grafton	1.07	1.07	1.01	0.97	0.94	0.98	0.96	0.95
NSW - Far West and Orana	1.15	1.15	1.06	1.00	0.98	1.02	1.00	0.98
NSW - Hunter Valley exc Newcastle	1.07	1.07	1.01	0.97	0.95	0.98	0.97	0.95
NSW - Illawarra	1.08	1.08	1.06	1.04	1.04	1.04	1.04	1.04
NSW - Mid North Coast	1.07	1.07	1.01	0.97	0.95	0.98	0.97	0.96
NSW - Murray	1.06	1.07	0.99	0.94	0.90	0.95	0.93	0.91
NSW - New England and North West	1.07	1.07	0.99	0.94	0.90	0.95	0.93	0.91
NSW - Newcastle and Lake Macquarie	1.08	1.08	1.06	1.04	1.04	1.05	1.05	1.04
NSW - Richmond - Tweed	1.07	1.07	1.03	1.00	0.98	1.00	0.99	0.98

<sup>11</sup> For more detail on these regions see ABS catalogue number 1270.0.55.001, or

[www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/B01A5912123E8D2BCA257801000C64F2?opendocument](http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/B01A5912123E8D2BCA257801000C64F2?opendocument)

	Apartment, 1 bedroom, 1 resident	Apartment, 2 bedrooms, 1 resident	Villa, 1 bedrooms, 1 resident	Duplex, 2 residents	Duplex, 3 residents	House, 3 people	House, 4 people	Group Accom, 5 residents
NSW - Riverina	1.07	1.07	0.99	0.94	0.91	0.95	0.93	0.91
NSW - Southern Highlands and Shoalhaven	1.07	1.07	1.01	0.97	0.95	0.98	0.97	0.96
NSW - Sydney - Baulkham Hills and Hawkesbury	1.05	1.05	1.08	1.11	1.13	1.10	1.11	1.13
NSW - Sydney - Blacktown	1.00	1.00	1.02	1.03	1.03	1.02	1.03	1.03
NSW - Sydney - City and Inner South	1.15	1.12	1.77	2.22	2.57	2.08	2.31	2.52
NSW - Sydney - Eastern Suburbs	1.12	1.10	1.64	2.02	2.31	1.90	2.09	2.27
NSW - Sydney - Inner South West	1.03	1.02	1.15	1.23	1.30	1.21	1.25	1.29
NSW - Sydney - Inner West	1.07	1.06	1.36	1.57	1.74	1.51	1.62	1.71
NSW - Sydney - North Sydney and Hornsby	1.08	1.08	1.26	1.38	1.48	1.34	1.41	1.47
NSW - Sydney - Northern Beaches	1.03	1.03	1.18	1.29	1.37	1.25	1.31	1.36
NSW - Sydney - Outer South West	1.04	1.04	1.01	1.00	0.99	1.00	0.99	0.99
NSW - Sydney - Outer West and Blue Mountains	1.04	1.04	1.01	0.99	0.98	1.00	0.99	0.98
NSW - Sydney - Parramatta	1.02	1.01	1.08	1.13	1.17	1.11	1.14	1.16
NSW - Sydney - Ryde	1.03	1.03	1.18	1.28	1.36	1.25	1.30	1.35
NSW - Sydney - South West	1.00	1.00	1.03	1.04	1.05	1.04	1.04	1.05
NSW - Sydney - Sutherland	1.03	1.02	1.13	1.21	1.27	1.19	1.23	1.26
NT - Darwin	1.18	1.18	1.14	1.11	1.11	1.11	1.11	1.11
NT - Northern Territory - Outback	1.37	1.37	1.29	1.22	1.22	1.23	1.23	1.23
QLD - Brisbane - East	0.94	0.95	0.91	0.89	0.87	0.90	0.88	0.87
QLD - Brisbane - South	0.95	0.95	0.96	0.97	0.97	0.97	0.97	0.97
QLD - Cairns	1.02	1.02	0.95	0.91	0.88	0.92	0.90	0.88
QLD - Darling Downs - Maranoa	1.01	1.01	0.94	0.88	0.84	0.90	0.87	0.85
QLD - Fitzroy	1.01	1.02	0.95	0.91	0.87	0.92	0.90	0.88
QLD - Gold Coast	0.98	0.98	0.95	0.93	0.91	0.94	0.93	0.92
QLD - Ipswich	0.98	0.98	0.91	0.87	0.83	0.88	0.86	0.84
QLD - Logan - Beaudesert	0.98	0.98	0.93	0.89	0.87	0.91	0.89	0.87

	Apartment, 1 bedroom, 1 resident	Apartment, 2 bedrooms, 1 resident	Villa, 1 bedrooms, 1 resident	Duplex, 2 residents	Duplex, 3 residents	House, 3 people	House, 4 people	Group Accom, 5 residents
QLD - Mackay	1.02	1.02	0.96	0.91	0.88	0.93	0.91	0.89
QLD - Moreton Bay - North	0.98	0.98	0.94	0.91	0.89	0.92	0.90	0.89
QLD - Queensland - Outback	1.09	1.09	1.01	0.96	0.93	0.97	0.95	0.93
QLD - Sunshine Coast	0.98	0.98	0.94	0.91	0.89	0.92	0.90	0.89
QLD - Toowoomba	1.02	1.02	0.96	0.91	0.88	0.92	0.90	0.89
QLD - Townsville	1.02	1.02	0.96	0.91	0.88	0.93	0.91	0.89
QLD - Wide Bay	1.01	1.02	0.94	0.89	0.85	0.90	0.88	0.86
SA - Adelaide - Central and Hills	1.00	1.00	1.01	1.02	1.03	1.02	1.03	1.03
SA - Adelaide - North	1.02	1.03	0.99	0.96	0.94	0.97	0.95	0.94
SA - Adelaide - South	0.99	0.99	0.96	0.94	0.93	0.95	0.94	0.93
SA - Adelaide - West	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99
SA - Barossa - Yorke - Mid North	1.02	1.02	0.94	0.89	0.85	0.90	0.88	0.86
SA - South Australia - Outback	1.14	1.14	1.06	1.01	0.98	1.02	1.00	0.99
SA - South Australia - South East	1.02	1.02	0.94	0.89	0.85	0.91	0.88	0.86
TAS - Hobart	1.00	1.00	0.94	0.91	0.88	0.92	0.90	0.88
TAS - Launceston and North East	1.07	1.08	1.00	0.95	0.92	0.97	0.95	0.93
TAS - South East	1.07	1.08	1.00	0.94	0.91	0.95	0.93	0.91
TAS - West and North West	1.07	1.08	1.00	0.95	0.92	0.96	0.94	0.92
VIC - Ballarat	1.04	1.04	0.98	0.93	0.90	0.94	0.92	0.91
VIC - Bendigo	1.04	1.04	0.98	0.93	0.91	0.95	0.93	0.91
VIC - Geelong	1.01	1.01	0.96	0.93	0.91	0.94	0.93	0.92
VIC - Hume	1.04	1.04	0.97	0.92	0.89	0.93	0.91	0.89
VIC - Latrobe - Gippsland	1.00	1.00	0.93	0.89	0.85	0.90	0.88	0.86
VIC - Melbourne - Inner	1.00	1.00	1.13	1.22	1.28	1.19	1.23	1.27
VIC - Melbourne - Inner East	0.99	0.99	1.06	1.11	1.15	1.10	1.12	1.14
VIC - Melbourne - Inner South	0.99	0.99	1.07	1.13	1.17	1.11	1.14	1.16
VIC - Melbourne - North East	0.97	0.97	0.96	0.95	0.94	0.95	0.94	0.94
VIC - Melbourne - North West	1.01	1.01	0.96	0.93	0.90	0.94	0.92	0.91

	Apartment, 1 bedroom, 1 resident	Apartment, 2 bedrooms, 1 resident	Villa, 1 bedroom, 1 resident	Duplex, 2 residents	Duplex, 3 residents	House, 3 people	House, 4 people	Group Accom, 5 residents
VIC - Melbourne - Outer East	0.97	0.97	0.94	0.92	0.90	0.92	0.91	0.90
VIC - Melbourne - South East	1.01	1.01	0.99	0.98	0.97	0.99	0.98	0.98
VIC - Melbourne - West	0.97	0.97	0.95	0.93	0.91	0.93	0.92	0.91
VIC - Mornington Peninsula	0.97	0.97	0.93	0.91	0.89	0.92	0.90	0.89
VIC - North West	1.04	1.04	0.96	0.91	0.87	0.92	0.90	0.88
VIC - Shepparton	1.04	1.04	0.97	0.92	0.89	0.93	0.91	0.89
VIC - Warrnambool and South West	1.04	1.04	0.97	0.92	0.89	0.93	0.91	0.89
WA - Bunbury	1.10	1.11	1.05	1.00	0.98	1.01	1.00	0.99
WA - Mandurah	1.06	1.07	1.01	0.97	0.95	0.98	0.97	0.96
WA - Perth - Inner	1.07	1.06	1.22	1.34	1.43	1.30	1.36	1.41
WA - Perth - North East	1.03	1.03	1.01	1.00	0.99	1.00	1.00	0.99
WA - Perth - North West	1.03	1.03	1.04	1.04	1.05	1.04	1.04	1.05
WA - Perth - South East	1.07	1.07	1.06	1.05	1.06	1.05	1.06	1.06
WA - Perth - South West	1.03	1.03	1.02	1.02	1.02	1.02	1.02	1.02
WA - Western Australia - Outback	1.19	1.19	1.11	1.06	1.04	1.07	1.06	1.05
WA - Western Australia - Wheat Belt	1.10	1.10	1.02	0.97	0.94	0.98	0.96	0.95