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National Disability
Insurance Agency

Specialist Disability Accommodation Price Review 2022-23

Terms of Reference

Overview

1. The Specialist Disability Accommodation (SDA) Price Review 2022-23 (“the SDA Price Review”) will examine, through submissions, consultations, research and analysis, whether the existing assumptions that underpin SDA prices will support a sustainable SDA market that fosters choice and control, encourages innovation, provides options for participants, continuity of supply and financial sustainability for governments, participants, investors and providers.

Background

2. SDA is one of the supports that may be funded under the National Disability Insurance Scheme (NDIS) for some participants. SDA funding is provided to participants who require a specialist dwelling that reduces their need for person-to-person supports, or improves the efficiency of the delivery of person-to-person supports. SDA funding is only provided for participants who meet the eligibility criteria. Participants who meet the eligibility criteria will have an extreme functional impairment and/or very high support needs.
3. As at 30 June 2022, a total of 19,358 participants in 7,086 dwellings were receiving SDA supports funded through their NDIS plans. In total, \$271 million was spent from participant plans on SDA supports over the 12 months to 30 June 2022.
4. The legislative framework for providing SDA to participants under the NDIS, including the criteria for when a participant will have SDA included in their NDIS plan, the dwellings that can be used for SDA and the payments that will be paid to providers of SDA are set out in the *National Disability Insurance Scheme Act 2013* (the NDIS Act) and the NDIS Rules under the Act, including the NDIS (Specialist Disability Accommodation) Rules 2020 (SDA Rules) and the NDIS (Specialist Disability Accommodation Conditions) Rule 2018 (SDA NDIS Q&SC Rule), which incorporate the NDIS (Specialist Disability Accommodation Conditions) Amendment Rules 2020.
5. The [Specialist Disability Accommodation Pricing and Payments Framework](#) (“the Framework”), which was approved by the Commonwealth and all state and territory ministers in 2020, sets out the long-term pricing and payments framework for the funding of the land and built elements of SDA under the NDIS. Under the Framework, the National Disability Insurance Agency (NDIA) is responsible for setting the pricing arrangements for SDA and is required to set the funding amounts for SDA 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 NDIA is also required to undertake a review every five years of the specific underlying assumptions that underpin the pricing methodology for SDA.

6. The current pricing arrangements for SDA are set out in the [NDIS Pricing Arrangements for Specialist Disability Accommodation 2021-22](#). Appendix A of the Pricing Arrangements for SDA provides a summary of the current set of specific underlying assumptions that underpin the pricing methodology for SDA. A Background Paper that sets out the pricing methodology in detail, will be made available as part of a submissions process (refer paragraph 7, Scope of SDA Price Review).

Scope of the SDA Price Review

7. The SDA Price Review will, through submissions, consultations, research and analysis:
 - a) Develop benchmark estimates of the efficient construction cost in a benchmark Region (excluding the cost of land) for each of the 96 allowable combinations of Building Type and Design Category that are funded as SDA by the NDIS.
 - b) Develop statistical estimates of the cost per square meter of undeveloped and vacant land in each of the 88 SA4 regions, where the land is valued based on its highest and best permitted use.
 - c) Estimate the future rate of growth in the cost per square meter of undeveloped and vacant land, including the extent to which different future growth rates are likely to apply to different SA4 regions.
 - d) Review the current methodology by which the NDIA accounts for the differences in construction costs between geographic locations and the assumptions in that methodology, including whether it is appropriate to use the same relative construction cost multiplier for all Building Types and Design Categories in a given region.
 - e) Review the current methodology by which the NDIA accounts for the presence of sprinklers in estimating the construction cost of a New Build, including whether it is appropriate to use the same adjustment for all Building Types, Design Categories and Regions. The NDIA will also examine whether the pricing arrangements provide an appropriate incentive for the installation of sprinklers given the mobility needs of some participants and test if it might not be more appropriate to require the installation of sprinklers in all New Builds.
 - f) Estimate the loss in value that can be expected to occur on the conversion of SDA property to general property at the end of an investment, including the extent to which this varies by Building Type and Size, Design Category and Region.
 - g) Estimate the fees that are incurred on the sale of SDA properties, including the extent to which these fees vary by Building Type and Size, Design Category and Region.
 - h) Estimate the vacancy rates that efficient SDA providers can expect to encounter, including the extent to which these rates vary by Building Type and Size, Design Category and Region.
 - i) Estimate the efficient costs of ownership, including maintenance, property management and vacancy management, and examine whether these costs significantly vary by Design Category, Building Type and Size, and Region.

- j) Estimate the key parameters of a Capital Assets Pricing Model for SDA investments, including:
 - i) The Equity Beta for SDA investments;
 - ii) The efficient Gearing Ratio for SDA investments; and
 - iii) The extent to which the typical equity investor in SDA can use the franking credits attached to its dividends because of the payment of company tax.
 - k) Estimate the typical gross rental yields that can be expected from SDA type properties in the Australian economy, including the extent to which gross rental yields significantly vary by Design Category, Building Type and Size, and Region.
 - l) Examine any other factors that have the potential to impact on the ability of the Scheme to attract the required level of investment over the next twenty years across the range of SDA to meet the reasonable and necessary support needs of participants.
8. In developing the new SDA Benchmark Prices, the SDA Price Review will be cognisant of the need to both attract investment to meet current demand and support investment to meet changing demand on a regional basis.
9. The SDA Price Review will also develop supply and demand projections for SDA properties and examine the extent to which the demand mix will change in the medium to long term.
10. The SDA Price Review will also examine the implications for SDA pricing of the decision on 30 April 2022 by building ministers to include minimum accessibility standards in the 2022 National Construction Code (NCC). The new standards will come into effect in September 2022.
11. In framing its recommendations, the SDA Price Review will be cognisant of the provisions in paragraphs 99-101 of the *Specialist Disability Accommodation Pricing and Payments Framework*, which provide that the NDIA can make other payments in respect of housing or accommodation arrangements that are consistent with the NDIS Act, including funding arrangements to facilitate the supply of SDA where the market is not responding appropriately to the demand for places, and/or where innovative built forms or financing arrangements are needed. The Consultation Paper will seek submissions on locations or building types where it may be appropriate to use these alternative approaches and on the pricing arrangements that should apply in those cases.
12. In framing its recommendations, the SDA Price Review will also be cognisant of the objectives and principles of the NDIS, as set out in the NDIS Act, including that the NDIS should:
- a) Support the independence and social and economic participation of people with disability.
 - b) Enable people with disability to exercise choice and control in the pursuit of their goals and the planning and delivery of their supports.
 - c) Facilitate the development of a nationally consistent approach to the access to, and the planning and funding of, supports for people with disability.
 - d) Promote the provision of high quality and innovative supports that enable people with disability to maximise independent lifestyles and full inclusion in the community.
 - e) Adopt an insurance based approach, informed by actuarial analysis, to the provision and funding of supports for people with disability.
 - f) Be financially sustainable.

Process and Timing

13. In accordance with the Framework, the SDA Price Review, including any consultations, will be undertaken by the NDIA.
14. A panel of independent experts with relevant skills and expertise in pricing (“the Expert Panel”) will work with the NDIA to oversee the work of the SDA Price Review. The role of the Expert Panel will be to:
 - a) Provide advice to the NDIA on the conduct of the SDA Price Review; and
 - b) Provide advice to the Board of the NDIA, through the CEO, on options and recommendations developed by the SDA Price Review.
15. The NDIA will invite submissions from the public and consult with stakeholders, including governments, participants, investors and providers.
16. The NDIA will consult with and take into account any early findings of the broader NDIS Review to improve the NDIS design, operation and sustainability as well as build a more responsive and supportive market and workforce to improve the effectiveness of the NDIS.
17. The NDIA will test changes in the specific assumptions underpinning the SDA methodology with stakeholders, including governments, participants, investors and providers.
18. The SDA Price Review and the NDIA Board’s decisions about any changes to specific underlying assumptions underpinning the SDA methodology will be released by the NDIA in April 2023.
19. Final prices for 2023-24, following CPI indexation of the SDA Price Review’s outcomes, will be released in May 2023.
20. Any new pricing arrangements will come into effect on 1 July 2023.

Expert Panel

21. The Expert Panel will be convened by a senior executive of the NDIA and comprised of between six (6) and eight (8) independent members as follows:
 - a) Independent Members appointed by the CEO, reflecting an appropriate diversity of skills, experience and geography, including strong understanding of and experience in one or more of the following:
 - i) The objectives and operations of the NDIS
 - ii) The SDA sector
 - iii) The SDA Building Design Standards
 - iv) The residential building industry and building costs
 - v) Land costs and movement over time in land costs
 - vi) Property ownership costs, including vacancy management, tenancy management and property management
 - vii) Investment structures and strategies relevant to SDA, including taxation
 - viii) The pricing of regulated assets
 - ix) Capital Assets Pricing Models

22. To assist the Expert Panel provide advice to the Board of the NDIA, the NDIA will provide the Expert Panel with an impact assessment of any proposed options and recommendations that considers:
 - a) Market prices and factors influencing markets, including market monitoring activities and any market issues that arise based on analysis of Scheme data and external data sources;
 - b) Expected costs and benefits for participants, providers and other relevant stakeholders, including the distribution of these costs and benefits;
 - c) Risks, along with any options to manage/mitigate these risks; and
 - d) Any other impacts that are relevant to the successful delivery of the NDIS.
23. The Expert Panel will provide its advice to the Board of the NDIA on the basis of the impact assessment.

Further information

24. Further information on the SDA Price Review is found on the NDIS website at <https://www.ndis.gov.au/news/7696-updates-ndia-pricing-reviews>.