

## **Housing and the National Disability Insurance Scheme 20 October 2015**

### **Overview**

At the 19 June 2015 meeting of the Joint Standing Committee on the National Disability Insurance Scheme (NDIS), the former Assistant Minister for Social Services, Senator the Hon Mitch Fifield, said he would provide the Committee with a short Commonwealth paper on housing arrangements under the NDIS.

The housing arrangements that will operate under the NDIS are being considered by the Disability Reform Council (the Council) of Commonwealth and State Ministers. This paper reflects the Commonwealth's views on how the housing arrangements are likely to work, in anticipation of the Council settling the matter. The key elements are likely to be:

- The NDIS will support participants to live in the community in accommodation that accords with their choices and preferences.
- Most NDIS participants will have their housing needs met through mainstream arrangements (be that with family or friends, though self-funded home purchase, in the private rental market, or with a social housing provider). Where reasonable and necessary, the NDIS can help participants to navigate mainstream housing systems.
- The National Disability Insurance Agency (the Agency) has the capacity to help that proportion of NDIS participants with very high support needs that need specialised disability accommodation arrangements. Based on guidelines, the Agency will decide who can receive this support based on the participant's need.
- The Agency will be responsible for setting the value of any payments associated with specialist disability accommodation. It may be guided in this task by advice from the Disability Reform Council.
- For the participants who need specialist disability accommodation, the NDIS would set a reference price based on meeting the full life-cycle costs associated with providing that accommodation at an efficient price, after accounting for a reasonable resident rent contribution and the impact of long-run land price appreciation. The funding arrangement would make necessary allowances including for occupancy levels, geographic location, and specialised support need.
- At full scheme, the NDIS will have the funding capacity to expand the supply of specialist disability accommodation by around 12,000 places over the current stock of supported accommodation. In this expansion, the Commonwealth believes priority should be given to relocating people who currently reside in residential aged care facilities into more appropriate accommodation arrangements. Other priority cohorts may also be identified. In expanding supply, the Agency will seek to encourage innovation in specialist disability accommodation design and financing. The Agency would aim to facilitate a diversity of housing forms to meet the choices and preferences of NDIS participants who require specialist disability accommodation.
- Commonwealth, state and territory government officials are working to finalise advice on guidance for the Agency on specialist disability accommodation before the end of 2015. One element of finalising the arrangements will be to ensure the NDIS will operate on a sustainable basis.

These key elements have informed the Supports for Specialist Disability Housing schedules that are included in the Bilateral Agreements for the Transition to an NDIS signed between the Commonwealth and New South Wales and Victoria. These schedules include the following funding principles:

- The assistance provided for specialist disability housing will follow the principles of choice and portability for clients, and innovation and sustainability for providers. There are a number of NDIS design and pricing elements that will underpin the approach to funding specialist disability housing:
  - a. a mix of potential funding streams may be utilised to address existing and new specialist disability housing;
  - b. funding would be based on the efficient lifecycle cost of delivery of specialist disability housing representative of typical providers;
  - c. residents will be expected to provide a reasonable contribution towards their accommodation;
  - d. funding is provided for both existing and new supply of specialist disability housing, as well as for both private and publicly owned specialist disability housing;
  - e. providers of specialist disability housing will be expected to finance ('cash-flow') the purchase or build of accommodation and their operations; and
  - f. funding will allow for the continuity of supply from providers and also ensure there is scope for change and innovation over time.
- The lifecycle costs that will need to be addressed by the NDIS, resident contributions and land appreciation include:
  - a. an efficient cost of purchase, lease or construction for specialist disability housing, including land and buildings;
  - b. an efficient cost of capital (finance) for new and existing specialist disability housing;
  - c. an efficient cost of depreciation, which allows for the replacement of specialist disability housing (existing and new supply) at the end of their useful life; and
  - d. an efficient accommodation-related operational cost of specialist disability housing, including facilities management, rates, insurance, utilities, repairs and maintenance.

### **What the Productivity Commission considered**

In looking at the need for specialist disability accommodation, the Productivity Commission (PC) noted in its 2011 report, *Disability Care and Support*, there were around 15,700 people in state government managed supported accommodation and 6,500 in residential aged care. It was estimated that the waiting lists would add a further 25% to the population needing specialist disability accommodation.

|   |
|---|
| <p style="text-align: center;"><b>PC Need Estimate:</b> <math>(15,700 + 6,500) * 1.25 = 27,750</math><br/>(Supported accommodation residents + aged care residents + waiting lists = 27,750)<br/><math>(15,700 + 6,500 + 5,550 = 27,750)</math></p> |
|---|

In making a recommendation on the supply of specialist disability accommodation under the NDIS, the PC initially estimated there were some 15,880 people (on the basis of their level of need) who would require a specialist disability accommodation option. Because this number was less than the estimate of current usage and the waiting list, the PC decided to increase its supply proposal by 12,000 places.

|  |
|--|
| <p style="text-align: center;"><b>PC Supply Proposal:</b> <math>15,880 + 12,000 = 27,880</math><br/>(Estimated high needs cohort + expansion in places = 27,880)</p> |
|--|

The implicit size of the cohort of NDIS participants whose package therefore might include specialist disability accommodation related costs would be around 27,880, of 411,250 participants, which is 6.8 per cent of all projected NDIS participants (where there an NDIS in 2011-12).

The estimated package costs for the 27,880 people in this cohort were increased to cover the costs of providing specialist disability accommodation. The PC recommended \$565m for these costs in full scheme terms and 2011-12 funds. This has been indexed to around \$700m in 2019-20, for a cohort of around 31,280 participants (ie. 6.8 per cent of 460,000 participants across Australia in 2019-20, recognising growth in the population).

### **The NDIS housing money has existing commitments**

Around 80 per cent of the \$565m in 2011-12 terms or the \$700m in 2019-20 terms is committed to meeting the existing costs of supported accommodation places and the accommodation costs of people residing in aged care facilities. This 80 per cent comes from the supported accommodation residents and aged care residents in the need estimate above.

In the initial trial and transition phases of the NDIS, only a proportion of the population will be able to access the NDIS. Because these funds were calculated as part of the package costs for individuals, the funds notionally available for housing will grow as more people come into the NDIS and the budget for the NDIS grows commensurately.

### **Most NDIS participants will rely on mainstream housing options**

Most participants will have their housing needs addressed through mainstream arrangements (be that with family or friends, though self-funded home purchase, in the private rental market, or with a social housing provider). Where reasonable and necessary, the NDIS can help participants navigate mainstream housing systems. The NDIS was not funded to provide direct housing assistance to most participants. It was not funded to provide a large scale social housing programme for participants. The NDIS only includes accommodation funding for NDIS participants with significant physical limitations and/or with

significant sensory, psychosocial or cognitive impairments who need an integrated accommodation and support arrangement.

This approach is set out in the Principles to Determine the Responsibilities of the NDIS and other Service Systems. These principles were agreed by the Council of Australian Governments (COAG) on 19 April 2013. Applied Principle 8 relates to housing and community infrastructure:

Applied Principles – Housing and Community Infrastructure

1. Public and community housing providers will continue to provide accommodation for people in need of housing assistance in line with existing allocation and prioritisation processes, including appropriate and accessible housing for people with disability, routine tenancy support, and ensuring that new publicly-funded housing stock, where the site allows, incorporates Liveable Design features.
2. Housing and homelessness services remain responsible for homelessness-specific services, including through homelessness prevention and through outreach and access to temporary and long term housing for people who are homeless, or at risk of homelessness.
3. Parties responsible for community infrastructure will continue to improve the accessibility of the built and natural environment (including roads and footpaths) through planning and regulatory systems and through building modifications and reasonable adjustment where required.
4. The NDIS will be responsible for support to assist individuals with disability to live independently in the community, including by building individual capacity to maintain a tenancy and support for appropriate behaviour management.
5. The NDIS will be responsible for home modifications for accessibility specific to individuals in private dwellings, and in some cases in legacy public and community housing dwellings on a case-by-case basis and not to the extent that it would comprise the responsibility of housing authorities to develop, maintain and refurbish, stock that meets the needs of people with disability.
6. The NDIS is also responsible for user costs of capital in some situations where a person requires an integrated housing and support model and the cost of the accommodation component exceeds a reasonable contribution from individuals.

The arrangements for housing under the NDIS are further examined in the *National Disability Insurance Scheme (Supports for Participants) Rules 2013*, as follows:

7.19 The NDIS will be responsible for:

- (a) supports to assist a person with disability to live independently in the community, including by building their capacity to maintain a tenancy, and support for appropriate behaviour management; and
- (b) home modifications for accessibility for a person in private dwellings; and
- (c) home modifications for accessibility for a person in legacy public and community housing dwellings on a case-by-case basis but not to the extent that it would

compromise the responsibility of housing authorities to develop, maintain and refurbish stock that meets the needs of people with disability; and

- (d) user costs of capital in some situations where a person requires an integrated housing and support model and the cost of the accommodation component exceeds a reasonable contribution from individuals.

7.20 The NDIS will not be responsible for:

- (a) the provision of accommodation for people in need of housing assistance, including routine tenancy support and ensuring that appropriate and accessible housing is provided for people with disability; or
- (b) ensuring that new publicly-funded housing stock, where the site allows, incorporates Liveable Housing Design features; or
- (c) homelessness-specific services including homelessness prevention and outreach, or access to temporary or long term housing for participants who are homeless or at risk of homelessness; or
- (d) the improvement of community infrastructure, ie accessibility of the built and natural environment, where this is managed through other planning and regulatory systems and through building modifications and reasonable adjustment where required.

The Commonwealth is hopeful that the NDIS will see innovative housing options emerge that afford people with very high support needs the opportunity to live in community settings that meet their choices and preferences.

### **Who will receive assistance?**

The Commonwealth, state and territory governments are working with the Agency to clearly identify the criteria for participants who would be able to have assistance for specialist disability accommodation included in their plan and package of assistance.

### **How will the Agency formulate a price for specialist disability accommodation?**

The Agency will be responsible for setting the value of any payments associated with specialist disability accommodation. It may be guided in this task with directions from the Disability Reform Council.

Possible guidance is being examined by Commonwealth, state and territory government officials. The approach could involve the Agency setting a reference price for the full life-cycle costs to the housing provider, consistent with the risk profile for this type of investment. The reference price might include factors that account for:

- The capital consumption costs of the building stock (i.e. depreciation);
- The opportunity costs in respect of the capital value tied up in the accommodation provider's land and buildings, offset by any capital appreciation, and the extent to which capital financing might be typically sourced from debt or equity; and
- Any other reasonable capital ownership costs that are not directly or indirectly paid for or funded through other mechanisms (including building maintenance).

This assistance will take into account a reasonable resident contribution for rent, any other provider income or offsets, and capital growth from the housing provider's investment. It would also take into account occupancy levels, geographic location, and dwelling structures necessary for specialised support needs.

The Commonwealth is working with states and territories to have guidance for the Agency finalised by the end of 2015.

### **Reasonable rent contribution**

Historically, the way in which resident contributions have worked has drawn on the "room and board" model that operates in the aged care sector. The resident pays a basic daily fee, with the maximum amount set at around 85% of the single person rate of the basic Age Pension. The actual amount charged in disability services might vary a little between states and between public and non-government service systems, but in the broad, this model is widely followed.

The NDIS has been designed so that disability support and care arrangements can be separated from the accommodation arrangements. This allows a person's support arrangements to move with them when they move house. The separation of support and accommodation necessitates the consideration of what a reasonable rent contribution might look like.

A reasonable rent contribution could be modelled on rental arrangements in social housing. Residents in public housing do not receive Commonwealth Rent Assistance (CRA). Typically those residents pay 25% of their income support (or the market rent, whichever is lower). Residents in community housing do receive CRA. Typically, they pay 25% of their income support plus the entire CRA component, and are not out of pocket compared with public housing tenants.

For people living in residential aged care, the current accommodation arrangements may continue for now.

### **Encouraging the supply of new specialist disability accommodation**

In addition to assisting some participants with the costs of living in existing specialist disability accommodation, the NDIS may enter into arrangements with housing providers to encourage the development of new specialist disability accommodation.

These arrangements may financially stimulate supply and/or leverage opportunities. To incentivise supply, the Agency may agree to make an additional payment/s to a housing provider, possibly for a number of years, while the dwelling is used by NDIS participants with a need for specialist disability accommodation. In realising an opportunity, the Agency might enter into an arrangement with governments, charitable organisations or others who would, for example, contribute land for a development and/or agree to a reduced ongoing payment for specialist disability accommodation.

It is likely that accommodation supplied under these arrangements would often be of a built form that is necessary for the support of existing or future participants but which is not typically available through mainstream (public, private or community) housing systems. For example, this would include dwellings with reinforced ceilings for hoists or additional rooms for support staff.

In encouraging the supply of new specialist disability accommodation, the Commonwealth expects the Agency to give high priority to generating the supply of alternative accommodation arrangements for participants living in residential aged care facilities (and who would like to move to a more appropriate accommodation arrangement). In general, supplied housing should be of a form that would provide participants with choices in their living arrangements and which allows the preferences of NDIS participants to be met.

### **NDIS Housing pilots**

In April 2015, the Disability Reform Council asked officials to work with the Agency to support the development and testing of innovative accommodation pilots in trial sites that will help to expand the supply of appropriate and sustainable integrated housing and support models for people with disability. This may include existing, contemporary and/or innovative supports.

Initially this may focus on trial sites in which there are adequate funds to support meaningful activity in this area. Commonwealth, state and territory officials are working to identify those sites that have adequate funds to allow this to progress.

### **Disability accommodation initiative**

In addition to the Agency encouraging the supply of specialist disability accommodation, the former Assistant Minister for Social Services, Senator the Hon Mitch Fifield, allocated \$10m from the Sector Development Fund in 2015-16 and 2016-17 to increase supply for those people not currently eligible in trial sites to respond to immediate need, through community led projects.

### **Transition arrangements for people currently in specialist accommodation**

People who are currently living in state funded supported accommodation services or residential aged care facilities will continue to be supported as they transition into the NDIS.

### **Other housing supports**

The NDIS can also help participants—who do not need the specialist disability accommodation discussed above—with housing related needs where this is reasonable and necessary (it can also provide additional funding for people in specialist disability accommodation who need additional housing related supports). This could include:

- Navigating rental markets – where a participant is considering renting in the public or private market and they require assistance navigating real estate agents or visiting prospective dwellings, this may be included in their support package.
- Assistance with tenancy obligations – the Scheme can provide guidance, prompting, or other supports to help a tenant obtain and retain accommodation.
- Home modifications – including funding for the installation of equipment or changes to building structure if reasonable and necessary for a participant's support.
- Assistive products for household tasks – a range of aids and equipment may be funded that enable participants to undertake tasks such as cooking, cleaning, washing and home maintenance.

- Food preparation – participants are expected to pay for ingredients but assistance to prepare the food may be included in their package if they are unable to do so.
- Cleaning and Linen Services – support for essential house cleaning and related activities can be included in a participant's package.
- House and yard maintenance – if a participant's disability means they are unable to attend to the normal care and maintenance of their property, this may be included in their package.
- Short-term transitional accommodation – if necessary, short term rental or utility payments can be made on transition to NDIS funding.
- Utilities – the scheme can contribute to utility costs, where these are increased as a result of a person's support needs.