

Submission to Joint Standing Parliamentary Committee on the National Disability Insurance Scheme (NDIS) on accommodation for people with disability

4TH MARCH 2016

OVERVIEW

- Providing high quality, accessible and affordable housing is essential to assist the 7,200 young people aged under 65 years who are living in residential aged care (RAC).
- Housing options for young people in RAC to leave a nursing home and return to the community remain very limited. The NDIS includes funding to increase these options – it is critical that this funding is well targeted to create the diversity of housing options that young people require.
- Housing and support models funded by the NDIS should meet the following criteria to effectively support young people with high and complex needs in RAC, or at risk of entering RAC:
 1. Housing is accessible and its location helps to build community connections.
 2. Housing choices are diverse, including enabling people with disability to live with their family.
 3. Investors have faith in the structure and delivery of the NDIA's housing payment scheme
 4. The design and delivery of housing and support models is innovative and highly collaborative
- There are four actions we recommend the NDIS undertake to ensure it lives up to its ambition of fully supporting young people in RAC:

Recommendation 1: The NDIA should prioritise the release of housing funds around Australia to begin to develop housing for NDIS participants, with young people in RAC as a high priority group.

Recommendation 2: The NDIA should provide as much certainty as possible to investors in the terms of NDIS housing payments in order to build market confidence and reduce the cost of capital.

Recommendation 3: The NDIA should work with social housing developers when setting housing payment rates to ensure the rates will be sufficient to cover the high development and ongoing maintenance costs often required by young people in RAC.

Recommendation 4: Governments should invest in creating a hub of knowledge around disability housing design and development to invest in innovation and share knowledge across the sector.

1. BACKGROUND

Currently over 7,200 people under 65 years live in residential aged care (RAC) nationally, most often with acquired / late onset neurological impairment (89%)^{1,2}. In addition, nearly 300 people under 50 are at risk of admission to aged care each year in Australia.³

RAC separates young people from their community, family, friends, partners and children. Young people with disability should have the ability to live in a home that meets their needs and allows them to continue to actively participate in the community and build and maintain relationships with family and friends.

The NDIS has the potential to be the single largest improvement to the lives of young people in RAC and dramatically reduce the number of young people admitted to RAC each year in Australia. In particular, the NDIS combines together funding for community support and funding to expand the housing stock available to young people with disability. The lack of funds to create new housing options has been a significant barrier to creating alternatives to young people living in RAC.

2. THE HOUSING NEEDS OF PEOPLE WITH HIGH AND COMPLEX SUPPORT NEEDS

Young people with disability in RAC are a diverse group with different reasons for moving into RAC and different support needs. Most young people in RAC have moderately high support needs that have not been able to be met in the community which has led to entry into RAC.

This position paper is focused on young people living in RAC (or at risk of RAC entry) who have 'high and complex support needs'. This describes young people in RAC who require:

- a. services to be delivered frequently and at a high intensity;
- b. assistance from multiple service systems and/or service providers; and
- c. the level of service intensity to change regularly and usually unexpectedly.

Not all young people in RAC have high and complex support needs. Around 1 in 4 young people in RAC (26%) can be left alone overnight.⁴ While other young people may require high intensity attendant care services, but have no variation in their need for services and do not usually require services from other providers or systems.

One of the key reasons that young people are in RAC is due to a lack of housing and support models that support young people to stay in the community. Young people with high and complex needs would be very unlikely to enter RAC if they had timely access to the housing and support options they need in the community. Improving the housing and support option in the community will reduce the flow of young people into RAC, leading to better outcomes for young people and lower costs for governments.

3. HOUSING AND SUPPORT IN THE NDIS

Young people in RAC—or at risk of RAC entry—require support from health, disability and housing systems to be effectively supported in the community. The introduction of the NDIS will change the dynamic of how young people's housing and support needs will be met.

The NDIS brings significant additional funding that has been lacking in order to support young people to live in the community and to create the housing options young people require. The NDIS is not responsible for all the needs of young people in RAC however, with the health system continuing to be a key player in ensuring that young people exit, or avoid, living inappropriately in RAC.

The Productivity Commission's design and costing of the NDIS enabled a housing option to be created for all young people currently living in RAC. The NDIS design explicitly considered the housing needs of young people in RAC as a priority area and it is critical that this focus remains as the NDIS is rolled out.

The Productivity Commission included a 'user cost of capital' in its model to meet the demand for housing generated by participants in the NDIS. The capital cost of housing was estimated to be 12% of the total package costs for people with very high supports needs (around 28,000 people - 6% of participants).

In December 2015, the NDIA released a Specialist Disability Accommodation Pricing and Payments Framework outlining how it will determine the level of funding to provide for a participant's housing costs. The NDIA's model of housing funding will provide ongoing payments to housing providers, rather than an upfront grant. This funding model requires housing providers to raise finance to purchase housing and use NDIS payments and participant rent to meet the costs of operating the property and debt service.

4. EFFECTIVE SUPPORT MODELS FOR YOUNG PEOPLE WITH HIGH AND COMPLEX NEEDS

The NDIS presents a significant opportunity to improve the housing options available to young people with high and complex support needs. The NDIS will change the way disability services are designed and delivered. It is still too early in the life of the NDIS to definitively identify what the right models are to support young people in RAC.

The Summer Foundation has proposed four core characteristics that housing and support models should have to support young people with high and complex needs. These characteristics can be used as a scorecard to evaluate whether the NDIA or service providers are creating housing and support models for young people that live up to the vision of the NDIS.

EFFECTIVE HOUSING MODELS CHARACTERISTIC #1: HOUSING IS ACCESSIBLE AND ITS LOCATION HELPS TO BUILD COMMUNITY CONNECTIONS.

Accessible design that is adaptable to the diverse needs of this group is essential to maximise independence and community inclusion. Effective housing design would reduce the need for funded supports (such as attendant care and domestic assistance) while enabling people with disability to be more independent in their daily lives.

Smart-home and communications technology would be installed in housing to provide cost effective solutions that enhance independence, allow people with disability to alert others when they need assistance, and remotely monitor a person's safety and wellbeing, if required.

Housing would be located near the services people use and the people that are significant in the person's life. Proximity to shops, transport and other services is critical to enabling people with disability to easily get out of their home and have a meaningful life. Being located near family and friends and living in a familiar neighbourhood is also essential for maintaining relationships and community inclusion.

Housing would enable people with disability to be actively involved and included in their communities, not segregated. People with disability would live in housing and locations that is similar to the housing choices available to Australians without disability. The location of dwellings would also be salt and peppered throughout neighbourhoods, not congregated in particular locations.

These characteristics of effective housing would simultaneously maximise the goals that young people have and also reduce lifetime costs to the NDIS through lower payments for funded support.

EFFECTIVE HOUSING MODELS CHARACTERISTIC #2: HOUSING CHOICES ARE DIVERSE, INCLUDING ENABLING PEOPLE WITH DISABILITY TO LIVE WITH THEIR FAMILY

Young people in RAC are a diverse group; they need a range of options to meet their needs, preferences and family circumstances. This means that effective models would enable young people to have access to housing that meets their family circumstance, including for the 46% who have a partner and the 27% who have school aged children.⁵

The vast majority of the 10,000 specialist disability accommodation places in Australia⁶ are a variation on the group home model with people expected to live with four or more others with limited privacy. While group homes may work for some people with disability, they do not work for everyone. People with disability will also need different housing options throughout their lives and this would be supported by a dynamic housing market. For example, people with disability may choose one housing setting immediately after a catastrophic injury and move in with family after a period of recovery. The housing options available to people with disability need to enable people's choices and preferences to change over time, in the same way as the broader Australian population has different housing needs and preferences over their lifetime.

Rather than continuing to build segregated specialist housing, the housing needs of people with disability need to be incorporated into mainstream housing strategy. In an inclusive Australia, private housing would be designed so that people with disabilities could visit friends and family and all new social and public housing would be fully accessible inline with Livable Housing Design Australia targets. Smart design of new housing will allow all of us to remain in our own homes for longer as we get older. Giving all people with disability greater access to mainstream housing will enable many people with severe disabilities to move to more independent living options and create vacancies in existing specialist disability housing.

EFFECTIVE HOUSING MODELS CHARACTERISTIC #3: INVESTORS HAVE FAITH IN THE STRUCTURE AND DELIVERY OF THE NDIA'S HOUSING PAYMENT SCHEME

The effective management of the NDIS' housing budget would see housing options created through a huge community effort. The NDIA will have played a key role through its specialist housing funding. There is a significant opportunity to engage private and social investors in the building and management of housing for young people in RAC if the policy and implementation of NDIS housing funds is crafted to provide reasonable returns, and mitigate some of the risks for investors. The involvement of investors is essential because of the immensely challenging scale of housing options required.

For illustration, the average capital cost of housing for young people to leave RAC in Victoria under the YPIRAC program was around \$300,000 per person.⁷ Based on these estimates, creating a housing option for all 7,200 young people in RAC—which the NDIS budget enables—has a capital requirement of \$2.1 billion. While not all young people in RAC will choose to leave, the NDIS funding envelope allows for these places to be created by making yearly housing payments to providers.

From an impact investor's perspective, new housing for people with disability should not be so specialised that it does not have an alternate use. Highly specialised housing that is segregated is often only worth the value of the land that it sits on because it could not readily be sold on the open market. The housing we create for people with disability should be housing that private buyers and renters also find desirable. We should avoid creating specialist dwellings with institutional features, and instead use design that is adaptable and accommodates a wide range of individual preferences and abilities. Highly adaptable apartments or townhouses that are peppered throughout larger developments are much more attractive to potential investors than traditional group homes.

Creating adaptable housing that is equally attractive to the private market does not always mean the private market will fully value the additional cost of creating accessible housing. For this reason investors require some certainty in NDIS housing payments because while these properties may be attractive to private buyers on the open market, there may be a gap between the cost of building housing that is highly adaptable dwellings and the market value of the dwelling.

An effective housing funding model would have streamlined investment processes where investors understand and have confidence in the NDIA's housing payment scheme. This is essential to making the NDIS model of 'user cost of capital' work.

Housing in the NDIS would be seen as more than corporate social responsibility at the margins: it would be a significant financial investment and financial risk for investors. Investors will require certainty in payment terms and have faith in the funding model. To build this level of confidence—and drive down the cost of capital—the NDIA will have eliminated as much of the risk as possible, including by minimising any changes in government policy on the terms of NDIS housing payments.

An NDIS housing payments scheme has the potential to create a diverse range of investors and financing models. The funding model encourages social investors and fosters Australia's social impact investment market. Housing payments would also be building the assets of people with disability wherever possible, including by providing opportunities for shared equity ownership models.

EFFECTIVE HOUSING MODELS CHARACTERISTIC #4: THE DESIGN AND DELIVERY OF HOUSING AND SUPPORT MODELS IS INNOVATIVE AND HIGHLY COLLABORATIVE

An effective housing system within the NDIS would be constantly innovating to create higher quality housing options. There would be investments in the design of housing to trial and evaluate the impact of different design options that reduce the cost of housing and improve the accessibility of the dwelling and quality of life for people with disability.

Housing and support providers would be sharing lessons about their experiences and working collaboratively as a sector to achieve the best outcomes for people with disability.

There would be sector-wide acknowledgement of what best practice in housing and support looks like. The NDIA would be informed by good practice in the types of housing it authorises NDIS funds to be used to build and operate.

5. THE CURRENT SYSTEM VS AN EFFECT HOUSING AND SUPPORT SYSTEM

The models of supporting young people in RAC with high and complex needs are currently far from the effective models the Summer Foundation has outlined in this position statement.

The NDIS presents an opportunity to improve the quality of the supports available to young people in RAC, yet there is also a risk of further service fragmentation and a loss of knowledge about how to effectively support young people in RAC. This is particularly important because the NDIS moved towards a demand-driven system where government will not have a leadership role in designing services or requiring collaboration between service systems. A lack of coordination and leadership in the area of housing has the potential to undermine our efforts to deliver the best possible support to young people in RAC.

The experience of the NDIS trials have not shown how housing will operate in the NDIS. This lack of any progress makes it challenging to provide a complete stocktake of how the NDIS rollout is comparing with our scorecard of an effective NDIS.

The Summer Foundation has highlighted five issues of concern that we believe governments and the broader community should focus on to ensure young people in RAC get the support they need.

1. SLOW PACE OF PROGRESS IN USING NDIS FUNDS TO CREATE NEW HOUSING

The NDIS trial site funding includes funds for user cost of capital to create more housing options for people with disability. After two and a half years of NDIS implementation, the NDIA has not spent any funds to encourage the development of housing for people with disability. This is a significant concern to the Summer Foundation and many other disability and housing providers.

The lack in spending of NDIS' housing funds had created two problems. First, housing is a significant barrier to many young people in RAC moving into the community. The NDIA has chosen not to allow participants to access housing funds, which is preventing young people from being able to exit nursing homes. Second, the lack of any examples of housing models under an NDIS will slow the pace of innovation and growth of housing options. The NDIA's slow progress in releasing housing funds has delayed the community's ability to learn lessons about how the NDIS funding model will operate and the types of housing that will be effective in the NDIS. This slows the community's ability to create the best possible housing and support models for young people in RAC.

Recommendation 1. The NDIA should prioritise the release of housing funds around Australia to begin to develop housing for NDIS participants, with young people in RAC as a high priority group.

2. NEED FOR INVESTOR CERTAINTY IN INVESTING IN HOUSING MODELS

The success of the NDIS' approach to housing depends on engaging private and social investors in disability housing. The Summer Foundation remains concerned that without sufficient certainty and risk-minimization, the cost of capital in the NDIS could be prohibitively high.

Investors will base their interest and investment terms on the level of certainty and risk involved in NDIS housing payments. The less certainty investors have, the higher the cost of capital will be in the NDIS. The NDIA's current position on how much risk housing investors will be required to take on in the scheme is unclear. Specifically, the risk of vacancies and tenants leaving the property are not explicit in the draft Specialist Disability Accommodation Pricing and Payments Framework. The party bearing this risk must be clearly identified, and in making this decision the NDIA should be aware of the higher costs of capital involved in placing these risks with investors.

Further, the experience of the National Rental Affordability Scheme (NRAS) demonstrated that investors may require 3-4 years of experience with the scheme before they are willing to fully commit to investing. This will be critical to take into account given that the multi-billion dollar pipeline of housing the NDIS is charged with creating depends on finding private and social investors to make the upfront investment.

Recommendation 2. The NDIA should provide as much certainty as possible to investors in the terms of NDIS housing payments in order to build market confidence and reduce the cost of capital.

3. ASSURANCE THAT NDIS HOUSING FUNDS WILL BE SUFFICIENT FOR THE HIGH-COST HOUSING THAT YOUNG PEOPLE IN RAC REQUIRE

Young people living in RAC are likely to require some of the most expensive housing funded by the NDIS. Many of these young people require housing that is highly accessible—exceeding platinum level Livable Housing Design guidelines—and if they have a family their housing also needs to provide a home for their partner or children.

It will be critical that the NDIS housing payment levels are sufficiently flexible to meet the needs of this group without pushing young people into locations that will isolate them from family, friends and amenities. The Summer Foundation is concerned that low housing payment rates would result in the development of more specialised and segregated housing in highly isolated locations which would undermine the community participation of young people. This would also ultimately drive up NDIS lifetime costs.

Recommendation 3. The NDIA should work with social housing developers when setting housing payment rates to ensure the rates will be sufficient to cover the high development and ongoing maintenance costs often required by young people in RAC.

4. PROMOTING COLLABORATION ACROSS THE SECTOR AND INVESTMENTS IN INNOVATION

The current architecture for housing in the NDIS does not appear to include a focused and strategic approach to funding innovation and sharing knowledge across the housing sector to create better quality housing options for people with disability.

The housing payments approach proposed by the NDIA is focused on individual subsidies for housing developments. This funding model encourages housing organisations to work on their own projects with limited incentives for collaboration and sharing of knowledge across the sector. While this approach may have been suitable for NRAS given the relatively common design of housing stock, there remains much to be learnt about how to design the best possible housing for young people with disability.

Investing in high quality design that is shared across the sector is a wise investment for governments, given the enormous amount of government funds that will be dedicated towards building new housing for people with disability.

The Summer Foundation's action-research approach has begun to demonstrate innovative design options for housing and we have been sharing this information across the sector. To enable this work to occur at a larger scale funding needs to support these investments which are best made at a sector-wide level, not by individual housing providers.

Recommendation 4. Governments should make system-level investments in housing by creating: a hub to share knowledge on disability housing design and lead innovation; and resources and platforms that enable people with disability to find accessible housing, including by matching housing to potential tenants with a disability.

REFERENCES

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