

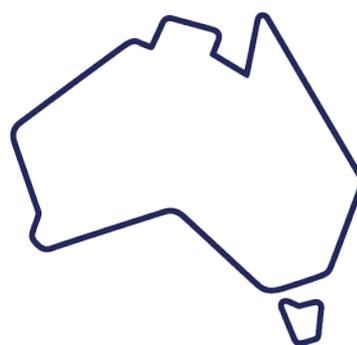


Australian Government  
Department of the Prime Minister and Cabinet



# Reform of the Federation

WHITE PAPER



## Roles and Responsibilities in Housing and Homelessness

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## GETTING INVOLVED AND HAVING YOUR SAY

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The Australian Government would like as many people as possible to think about how our federal system of government can be improved, particularly in relation to roles and responsibilities in housing and homelessness.

A Green Paper setting out options for reform will be published in the second half of 2015, ahead of the publication of the White Paper in 2016.

The Green Paper will invite the public to make written submissions on the proposals put forward.

For more information, please visit [www.federation.dpmc.gov.au](http://www.federation.dpmc.gov.au).

# INTRODUCTION

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## What does housing mean for people?

Housing is about much more than just bricks and mortar. At its most basic level, it satisfies the essential human need for shelter, security and privacy. Adequate housing was recognised in the 1948 *Universal Declaration of Human Rights* as part of the right to an adequate standard of living.

Access to appropriate, affordable and secure housing is an important component of individual and family wellbeing. It provides a base from which people can develop their capabilities, gain a sense of social connection through their community, and raise a family. There is a positive relationship between stable housing and workforce participation.<sup>1</sup> Stable and secure housing is particularly important for children’s wellbeing and development.<sup>2</sup>

Housing is also a significant part of the national economy. It influences building activity and employment, and acts as a store of wealth for owner-occupiers and investors. In 2012-13, dwelling investment accounted for almost five per cent of Australia’s Gross Domestic Product.<sup>3</sup>

At different stages of life people think about housing differently—at times needing or choosing the flexibility of renting, and at other times seeking the security of owning a home. Irrespective of whether owning or renting, for most Australians housing costs are the largest regular expense to be met from household income.<sup>4</sup>

For some of the most vulnerable members of society, housing tenure is less a choice than a product of circumstance. This can lead to individuals and families falling into increasingly marginal forms of housing, and at worst, becoming homeless. More than 105,000 people were recorded as homeless in the 2011 Census.<sup>5</sup>

As people move through different forms of housing tenure, direct government assistance can play an important role. This can include help with rent payments, grants and concessions to first home buyers, and social housing and homelessness services for the most disadvantaged. Currently, public housing makes up four per cent of Australia’s total housing stock, and around 400,000 households live in public or community housing, compared with over seven million households in the private market.<sup>6</sup> The most common type of assistance provided to households are payments to help meet the cost of rent.<sup>7</sup> Around 1.3 million people received Commonwealth

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<sup>1</sup> A Dockery et al. *Housing assistance and economic participation*, AHURI Final Research Paper, Australian Housing and Urban Research Institute, Melbourne, 2008, p. 98.

<sup>2</sup> A Dockery et al. *Housing and children’s development and wellbeing: a scoping study*, AHURI Final Report No. 149, Australian Housing and Research Institute, Melbourne, 2010, p. 17.

<sup>3</sup> Australian Bureau of Statistics, *Australian National Accounts: National Income, Expenditure and Product*, cat. no. 5206.0, ABS, Canberra, 2014.

<sup>4</sup> Australian Bureau of Statistics, *Housing Occupancy and Costs, 2011-12*, cat. no. 4130.0, ABS, Canberra, 2013.

<sup>5</sup> Australian Bureau of Statistics, *Census of Population and Housing: Estimating Homelessness 2011*, cat. no. 2049.0, ABS, Canberra, 2011.

<sup>6</sup> Department of Social Services, based on Australian Bureau of Statistics, *Census of Population and Housing 2011: basic community profile*, ABS, Canberra, 2011; Australian Institute of Health and Welfare, *Housing Assistance in Australia 2014*, cat. no. HOU 275, AIHW, Canberra, 2014, p. 27.

<sup>7</sup> Australian Institute of Health and Welfare, 2014, p. 1.

Rent Assistance in 2013.<sup>8</sup> Throughout 2012-13, governments spent around \$10 billion on housing assistance and homelessness services, with approximately 55 per cent of funding provided by the Commonwealth, and 45 per cent provided by the States and Territories.

However, government involvement is not limited to the provision of direct housing assistance. The housing market is diverse and complex, and governments influence many of its parts. This influence can particularly be seen through urban planning, land release and zoning policies, as well as tax and immigration settings. Such influences can have a greater impact on housing affordability than direct assistance, particularly given the relatively small size of the social housing sector. Moreover, housing assistance is often just one form of support that people access. In addition to housing and homelessness services, people may interact with services related to health, disability, employment, aged care, child and family support, mental health, alcohol and drug treatment, and family violence.

### **What does this paper do?**

This issues paper is one in a series of issues papers being developed to inform the Commonwealth Government's White Paper on the Reform of the Federation. The White Paper is seeking to clarify roles and responsibilities between levels of government, to ensure that, as far as possible, each level of government is sovereign in its own sphere. Specific reform proposals across a range of government activities, including housing and homelessness, will be identified in the Green Paper on the Reform of the Federation, which will be released in the second half of 2015.

This paper looks specifically at the roles and responsibilities of the Commonwealth and the States and Territories in relation to housing assistance and homelessness services. The paper has three parts. The evolution of government involvement in housing and homelessness is set out in Part One. Part Two examines pressures on current government housing assistance and homelessness arrangements. Questions for consideration are set out in Part Three, structured around the six principles in the White Paper's Terms of Reference:

1. accountability for performance in delivering outcomes, but without imposing unnecessary reporting burdens and overly prescriptive controls;
2. subsidiarity, whereby responsibility lies with the lowest level of government possible, allowing flexible approaches to improving outcomes;
3. national interest considerations, so that where it is appropriate, a national approach is adopted in preference to diversity across jurisdictions;
4. equity, efficiency and effectiveness of service delivery, including a specific focus on service delivery in the regions;
5. durability (that is, the allocation of roles and responsibilities should be appropriate for the longer-term); and
6. fiscal sustainability at both Commonwealth and State and Territory levels.

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<sup>8</sup> Australian Institute of Health and Welfare, 2014, p. 2.

It is important to be clear that clarifying the allocation of roles and responsibilities between different levels of government in respect of housing assistance will not solve all of Australia's housing affordability problems. The affordability pressures faced by people on low incomes are the result of broader housing market influences, and these pressures will not be ameliorated by a re-allocation of roles and responsibilities.

Nonetheless, clarifying the roles and responsibilities of the Commonwealth and the States and Territories could improve the operation of direct government housing assistance and homelessness services, which support people who have difficulty securing and sustaining housing in the private market. Greater clarity will improve public accountability by ensuring the public knows which level of government is responsible for particular elements of the system. It could also go some way towards addressing the perverse incentives that exist in housing assistance for both providers and clients that compromise its equity, efficiency and effectiveness.

Importantly, direct government interventions do not exist in a vacuum, and in examining housing assistance and homelessness services this paper takes account of the broader housing context in which they operate. To some extent, the White Paper process will pick up the review of housing and homelessness policies and programmes the Commonwealth Minister for Social Services had planned, reflecting that service delivery in this area is managed almost exclusively by States and Territories.

### **What will other reviews do?**

The White Paper process seeks to complement (and not duplicate) the analysis provided in a number of other reviews that more fully address broader housing affordability pressures. In particular, the current Senate Inquiry into Affordable Housing in Australia is looking at (among other things): the role of all levels of government in facilitating affordable home ownership and private rental accommodation; the impact of social housing on housing affordability and the role of all governments and the community sector in providing social housing; the impact of policies and programmes on homelessness; intersections between housing and other policy areas (such as tax, aged care, disability and Indigenous affairs); and policies to ensure vulnerable groups have access to appropriate and affordable accommodation. The Senate Committee is due to report early in 2015, and the Green Paper on the Reform of the Federation could take account of the findings of the Senate Inquiry that relate to roles and responsibilities.

There are also important links between the White Paper on the Reform of the Federation and the White Paper on the Reform of Australia's Tax System (Tax White Paper). A number of tax settings at both the Commonwealth and State and Territory level, such as negative gearing, capital gains tax, superannuation, land tax, and stamp duty, have an impact on the housing market. Commonwealth and State and Territory tax settings will be considered in the Tax White Paper.

Other relevant reviews include the National Commission of Audit, the Indigenous Jobs and Training Review (the Forrest Review), the Review of Australia's Welfare System (the McClure Review), and the House of Representatives Inquiry into Foreign Investment in Residential Real Estate.

# PART ONE: EVOLUTION OF GOVERNMENT INVOLVEMENT IN HOUSING AND HOMELESSNESS

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## Key points

- Over time, the role of governments in providing housing and homelessness services has changed.
- From Federation to the end of the Second World War, housing policies and programmes were largely the domain of the States. However, since the end of the Second World War, the Commonwealth has played an increasing role.
- In the immediate post-war period, as part of the broader reconstruction effort, government spending was directed primarily towards supply side interventions in housing, such as the construction of publicly owned rental housing.
- Since the 1970s and 80s, the range of housing assistance and homelessness services funded by all levels of government has increased, and more of these programmes have been on the demand side, such as Commonwealth Rent Assistance.

At the time of Federation, housing was not identified as a Commonwealth head of power in the *Australian Constitution*. As such, until the end of the Second World War, housing policies and programmes were largely the domain of the States.<sup>9</sup> Services for homeless people were similarly outside Commonwealth responsibilities and, prior to 1974, were delivered through a combination of philanthropic organisations and State government programmes.

Throughout the first half of the twentieth century, State government involvement in housing included both public housing initiatives and programmes to encourage home ownership. At times, the Commonwealth sought to supplement State home ownership schemes with its own—for example, through the 1918-19 *War Homes Service Act* and the 1927-28 *Commonwealth Housing Act*—but these ultimately had limited effect on overall housing stock or the housing market.<sup>10</sup>

It was in the changed social and political landscape following the Second World War (including the Commonwealth take-over of income taxing powers and the expansion of its role in social security) that the Commonwealth pursued major housing initiatives for the first time. This was part of a broader effort to stimulate the domestic economy.

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<sup>9</sup> The Northern Territory and Australian Capital Territory were officially established (under Commonwealth control) on 1 January 1911, but not conferred with self-government until 1978 and 1988 respectively. As such, this paper refers to the 'States' until 1978, and the 'States and Territories' thereafter.

<sup>10</sup> P Troy, *Accommodating Australians: Commonwealth Government involvement in housing*, Federation Press, Sydney, 2012, pp. 31-33.

The Commonwealth-State Housing Agreement (CSHA) was first negotiated in 1945 to establish a national public rental housing programme funded by the Commonwealth (through loans to the States) and administered by the States.<sup>11</sup> The agreement was limited to the construction of new dwellings rather than the purchase of existing stock, and was designed to provide affordable accommodation for working families.<sup>12</sup> The CSHA was integral to the massive expansion of Australia's housing stock in the post-war period.<sup>13</sup>

Over time, home ownership came to be the Great Australian Dream. While it only became the dominant form of tenure in Australia from the 1950s and 60s, it was seen as the “tenure for all classes of people: the wealthy, the middle class and the working class”.<sup>14</sup> The significant increase in owner-occupation was driven by the ‘long economic boom’ of the post-war years, combined with rapid population growth.<sup>15</sup> It was in this context that the scope of the CSHA was gradually expanded to include programmes for home ownership.

The 1970s marked an important shift in the Commonwealth's approach to housing and homelessness, as the focus moved from subsidising dwellings to subsidising the individual and recasting housing assistance as part of the welfare system.<sup>16</sup> This was based on concerns about the inequity of assistance for people in different forms of housing tenure, supported by the finding of the 1975 Commission of Inquiry into Poverty (the Henderson report) that “most of the poor are not public tenants, and most public tenants are not poor”.<sup>17</sup>

As part of a broader package of social security reforms targeting assistance to individuals based on need, the Commonwealth began to provide assistance for homelessness services in 1974. In addition, from the 1980s the Commonwealth also began to place greater emphasis on demand side housing assistance, such as Commonwealth Rent Assistance and grants to first home owners.

At the same time, investment in public housing was declining (see figure D.1 in Appendix D). This eventually led to a reduction in public housing stock as a proportion of all housing (from 5.6 per cent in 1971 to four per cent in 2011).<sup>18</sup> The profile of public housing tenants was also changing. Today, the majority of people living in public housing are single, a significant change from the immediate post-war period when dwellings were primarily tenanted by working families.<sup>19</sup>

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<sup>11</sup> Troy, p. 86.

<sup>12</sup> J Yates, ‘Evaluating social and affordable housing reform in Australia: lessons to be learned from history’, *International Journal of Housing Policy*, Vol. 134, No. 2, 2013, p. 113.

<sup>13</sup> J Kelly, *Renovating housing policy*, Grattan Institute, Melbourne, 2013, p. 14; C Paris, *Housing Australia*, Macmillan, Melbourne, 1993, p. 78.

<sup>14</sup> A Beer, ‘A dream won, a crisis born? Home ownership and the housing market’, in Paris, p. 147.

<sup>15</sup> Beer in Paris, pp. 151-152.

<sup>16</sup> Yates, 2013, p. 114.

<sup>17</sup> Troy, p. 171.

<sup>18</sup> Australian Bureau of Statistics, *Housing Occupancy and Costs*, 2013.

<sup>19</sup> Department of Family and Community Services, *Social Housing in NSW: a discussion paper for input and comment*, FACS, NSW, 2014, p. 21.

Following the introduction of the Intergovernmental Agreement on Federal Financial Relations, the CSHA was replaced with the 2009 National Affordable Housing Agreement (NAHA), which took a new, outcomes-focused approach to housing and homelessness. The NAHA was supported by a National Partnership Agreement on Homelessness, which was the vehicle for implementing the findings of the 2008 Commonwealth White Paper, titled *The Road Home: A national approach to reducing homelessness*.

Indigenous housing programmes were also streamlined. The Aboriginal Rental Housing Programme was rolled into the NAHA, and a new National Partnership Agreement on Remote Indigenous Housing was developed. This continued the practice, in place since the 1990s and early 2000s, of addressing Indigenous housing through mainstream services as far as possible, with additional Indigenous-specific funding for remote communities in recognition of the particular housing challenges these communities face.

Governments also became involved again in supply side programmes, with the National Rental Affordability Scheme and Social Housing Initiative introduced in 2008 and 2009 to increase the supply of affordable housing. The Social Housing Initiative, in particular, was partly driven by the broader economic context of the time, designed to boost construction following the Global Financial Crisis. However, these programmes were also driven by a desire to look at new ways of providing affordable housing, drawing on private sector investment and the potential of the community housing sector. While success was somewhat mixed, the Social Housing Initiative delivered around 19,700 new social housing dwellings,<sup>20</sup> and (as at June 2014) the National Rental Affordability Scheme had delivered around 21,000 homes, with a further 16,000 under development.<sup>21</sup>

For a more detailed discussion of major changes in housing and homelessness since Federation, including recent discussions about housing reform, see Appendix D.

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<sup>20</sup> Department of Social Services, *Social Housing Initiative – Factsheet*, DSS, Canberra, 2013, p. 1.

<sup>21</sup> Sourced from the Commonwealth Department of Social Services.

## PART TWO: PRESSURES ON CURRENT HOUSING AND HOMELESSNESS ARRANGEMENTS

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### Key points

- The Commonwealth and the States and Territories can influence the housing market through policy settings that have a direct or indirect effect on demand and supply.
- The housing market is interconnected, meaning that affordability issues in one part of the market can affect other segments of the market, which in turn puts pressure on housing assistance and homelessness services.
- Direct government assistance is largely targeted at helping people on low incomes with the cost of housing and supporting people at risk of, or experiencing, homelessness.

## 2.1 The housing market

### 2.1.1 Supply, demand and government involvement in the housing market

Housing affordability is a function of both demand side and supply side factors. Many of the factors that drive demand and supply are outside the control of governments. Nonetheless, governments have policy responsibilities that affect the housing market, either directly or indirectly (see figure 2.1 below).

Housing supply is driven by land availability, construction costs, profitability for developers, and (for 'infill', 'brownfield' or 'greenfield' developments) infrastructure costs such as water, power, sewerage and public transport. Housing demand is driven by the number and type of households looking for housing, household income and preferences (such as size, location and tenure type), and interest rates.<sup>22</sup>

The States and Territories, in conjunction with local governments, have responsibility for a range of policies that *directly* influence housing supply, including land release, land planning and zoning, stamp duty and land taxes. States and Territories also have responsibility for regulating the operation of the private rental market, building and construction activity, and house purchases and sales. Local governments have primary responsibility for local infrastructure and council rates.

In addition, both the Commonwealth and the States and Territories have policy responsibilities that *indirectly* influence the housing market. For the States and Territories, this includes policies on urban planning, environmental regulation, public transport, and infrastructure development. For the Commonwealth, this includes tax settings, immigration settings (including temporary skilled and student migration, and humanitarian entrants), and the regulation of financial

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<sup>22</sup> The Financial System Inquiry noted that some structural features of the housing market, such as regulatory and zoning constraints, inherent geographical barriers, and the cost structure of the building industry, can inhibit supply responsiveness to demand-driven price rises. Source: Commonwealth of Australia, *Financial System Inquiry Interim Report*, Treasury, Canberra, 2014, p. 2-52.

services and foreign investment. The Commonwealth also has a role in national infrastructure policy, which can affect the value of surrounding real estate.

More detail on how housing is taxed in Australia is at Appendix C.

**Figure 2.1: Direct and indirect government influences on housing**



There are important market variations between different States and Territories. In some cases, this extends to separate and distinct housing markets within jurisdictions. For instance, both Western Australia and the Northern Territory have high regional and remote populations in addition to their urban populations, while the Australian Capital Territory is effectively a single 'city state'. These variances mean that community needs, and hence government policy, can differ significantly across jurisdictions.

Many remote Indigenous communities do not have diverse housing markets. Communal Indigenous land regimes generally allow for long-term leases, but land cannot be sold or individually owned. There are also other barriers to development on Indigenous land, including a lack of appropriate zoning, town planning, and infrastructure investment. Many remote communities are dependent on public housing, and the Commonwealth *Native Title Act 1993* was amended in 2010 to include a streamlined process for the leasing of public housing. The 2011 Census showed that, nationally, about 26 per cent of Indigenous households were renting from public or community housing providers, compared with five per cent of non-Indigenous households.<sup>23</sup>

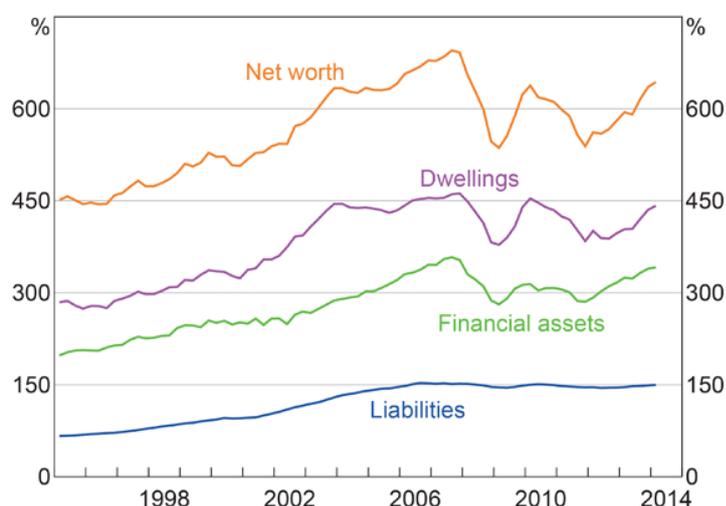
<sup>23</sup> Australian Institute of Health and Welfare, *Housing Assistance in Australia 2013*, cat. no. HOU 271, AIHW, Canberra, 2013, p. 30.

### 2.1.2 The impact of housing on the economy

Housing construction is a significant part of the national economy and an important source of employment. In 2012-13, dwelling investment accounted for almost five per cent of Australia's Gross Domestic Product.<sup>24</sup> As Australia moves beyond the investment phase of the mining boom, improvements in housing construction activity will be an important indicator that the transition to non-mining drivers of economic growth is gaining momentum.<sup>25</sup>

Home ownership can also act as a savings and wealth-building vehicle.<sup>26</sup> Boosting home ownership has been a public policy goal in many OECD countries, and Australia continues to have reasonably high levels of home ownership relative to its OECD counterparts.<sup>27</sup> As demonstrated in figure 2.2 below, housing is the major source of wealth for Australian households.

**Figure 2.2: Household wealth and liabilities as a per cent of annualised household disposable income**



Source: Reserve Bank of Australia, *The Australian economy and financial markets chart pack*, RBA, Sydney, 2014, p. 6.

### 2.1.3 Housing affordability

Housing affordability has three key dimensions: house purchase affordability, mortgage repayment affordability and rental affordability. While the housing market meets the needs of the majority of Australians, those who want to purchase a home for the first time, or are on low-to-moderate incomes in the private rental market, can face affordability pressures and housing stress (see box 2.1).

<sup>24</sup> Australian Bureau of Statistics, *Australian National Accounts: National Income, Expenditure and Product*, 2014.

<sup>25</sup> Treasury, *Budget 2014-15 – Budget Paper No. 1, Statement 2: Economic Outlook*, Treasury, Canberra, 2014, pp. 2-3.

<sup>26</sup> The Financial System Inquiry noted the tax treatment of investor housing tends to encourage leveraged and speculative investment in housing. Source: Commonwealth of Australia, *Financial System Inquiry Final Report*, Treasury, Canberra, 2014, p. 17.

<sup>27</sup> D Andrews and A C Sanchez, 'The evolution of home ownership in selected OECD countries: demographic and public policy influences', *OECD Journal of Economic Studies*, Vol. 1, 2011, pp. 210-212.

There are also spatial dimensions to affordability. All groups feel affordability pressures more keenly in major cities, which can have broader social and economic implications. For instance, people struggle to participate in the workforce when affordable housing is pushed further away from inner-city locations with easy access to jobs and transport. In addition, some groups—including Indigenous Australians, older people, young people, and people with mental illness or disability—are more likely than others to experience difficulty securing stable and affordable housing. This is complicated when individuals face multiple disadvantages and interact with multiple service systems.

A more detailed discussion of housing affordability across different groups is at Appendix A.

### Box 2.1: Defining housing affordability: 'stress' and the 30:40 indicator

While there is no single indicator of housing affordability, it is broadly accepted that when a household spends more than 30 per cent of its gross income on housing costs, it can be said to be experiencing **housing stress**. When this rises to more than 50 per cent, households experience **severe housing stress**.

The benefit of this definition is that it can be applied to the whole population. However, it does not give a sense of the household's relative position on the income 'ladder'. For example, higher income households may make a deliberate choice to devote more income to housing repayments (without cutting back on other essentials) in order to obtain a particular type or location of housing, even if cheaper options are available.

The **30:40 indicator** is perhaps a more robust measure, which identifies housing stress when households have **income in the bottom 40 per cent** of Australia's income distribution and are **paying 30 per cent or more** of their income in housing costs.

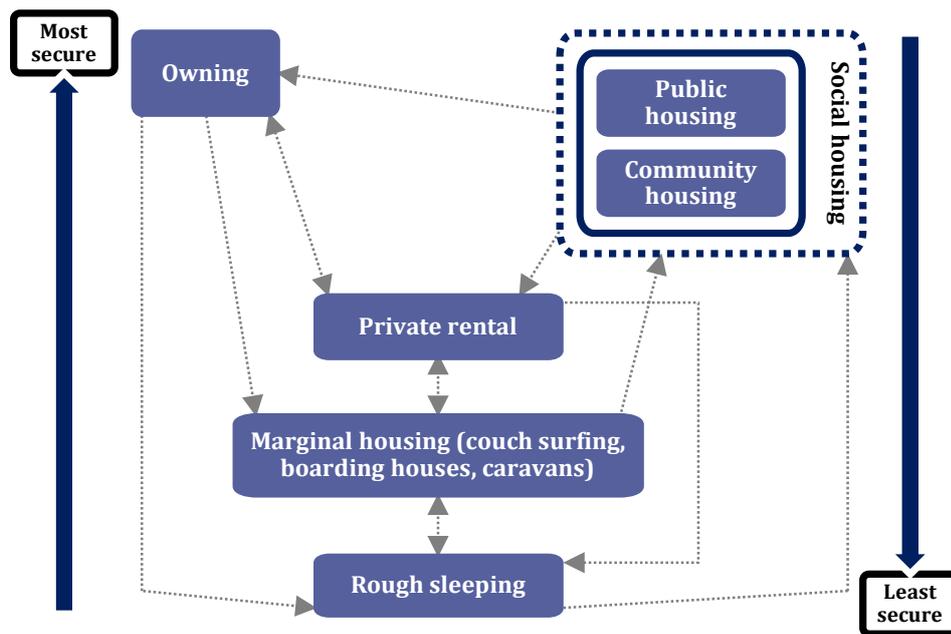
In 2011-12, **over 40 per cent of home owners and over 50 per cent of renters with incomes in the bottom 40 per cent** of Australia's income distribution paid more than 30 per cent of their income towards housing costs (see Appendix A).

*Source: Australian Institute of Health and Welfare, Housing Assistance in Australia 2013, cat. no. HOU 217, AIHW, Canberra, 2013, p. 3.*

#### 2.1.4 Interaction between the housing market and government housing assistance

People who face affordability pressures in the private housing market may be able to access government housing assistance. The combined operation of the private housing market and government housing assistance provides the spectrum of housing tenures that families and individuals access. Figure 2.3 below illustrates different types of housing, with some of the most common pathways between tenure types indicated by arrows. While it does not capture all of the pathways people can take between different tenure types, or all forms of tenure, it does demonstrate the relative security of various forms of housing. It also highlights that pathways are not linear—there is no continuum from homelessness to home ownership. Pathways are also not one-directional, as people can frequently move in and out of different tenure types. People who are not able to maintain affordable tenure in the private market are usually not able to access social housing until their circumstances become critical.

Figure 2.3: Housing pathways and relative security of tenures<sup>28</sup>



## 2.2 Current government roles and responsibilities in housing assistance and homelessness services

Direct government housing assistance and homelessness services are intended to help people who have difficulty securing housing in the private market to access and maintain appropriate housing. Assistance is particularly directed at low-income renters and those at risk of homelessness. Additional government assistance is provided through specific remote Indigenous housing programmes. This section sets out the roles of the Commonwealth and the States and Territories in providing housing assistance and homelessness services, and analyses the pressures facing current arrangements. It also touches on international comparisons of reforms to intergovernmental roles and responsibilities and housing assistance policies.

Figure 2.4 below summarises current Commonwealth and State and Territory involvement in housing assistance and homelessness services against four key roles: policy; funding; service delivery; and regulation. As can be seen, there is a high level of shared policy and funding responsibility.

<sup>28</sup> Overcrowding is not captured in this diagram as it can affect people regardless of their housing tenure. Overcrowding is the most common form of homelessness and is particularly prevalent in remote Indigenous communities (see 2.2.3).

**Figure 2.4: Summary of Commonwealth and State and Territory roles and overlaps**

Area	State and Territory role	Commonwealth role	Overlaps
Policy	<i>Shared lead</i>	<i>Shared lead</i>	<i>High</i>
	Oversee policies that directly affect the housing market (land release, zoning, land taxes). Social housing and homelessness policy.	Oversees policies that indirectly affect the housing market (migration, tax settings, financial services regulation). Commonwealth Rent Assistance (CRA) policy. Influences national social housing, homelessness and Indigenous housing policy.	Both levels of government share responsibility for policy to address housing affordability pressures.
Funding	<i>Shared lead</i>	<i>Shared lead</i>	<i>High</i>
	Fund social housing and specialist homelessness services. Funds grants and concessions for first home buyers.	Provides funding to States and Territories for social housing and homelessness services. Funds the National Rental Affordability Scheme (NRAS). Funds CRA. Funds Commonwealth homelessness programmes.	Both levels of government jointly and separately fund housing assistance and homelessness programmes.
Delivery	<i>Lead</i>	<i>Secondary</i>	<i>Low</i>
	Oversee delivery of housing and homelessness services (often provided by non-government organisations).	Typically not involved in delivery of housing services. Delivers CRA payments to individuals. Limited direct involvement in homelessness services.	Limited overlap in delivery of individual programmes.
Regulation	<i>Lead</i>	<i>Secondary</i>	<i>Low</i>
	Regulate housing (community housing, tenancy management, planning, land release and zoning). Local governments also regulate residential planning and construction.	Regulates NRAS.	Little regulatory overlap.

Key		
<i>Who leads</i>		<i>Level of overlap</i>
Lead	Secondary	Shared lead
High	Medium	Low

### 2.2.1 Government housing assistance and homelessness services

Social housing is provided by State and Territory governments and non-government organisations (supported by Commonwealth funding) to assist people who are unable to secure and sustain accommodation in the private rental market. It includes:

- *Public housing*: rental housing owned (or leased) and managed by State and Territory housing authorities to provide affordable housing for low-income earners;
- *Community housing*: rental housing provided to low-income households and people with special needs, managed by community organisations that lease properties from government or receive a capital or recurrent subsidy from government. Community housing models vary across jurisdictions, and the housing stock may be owned by a variety of groups, including local government;
- *State owned and managed Indigenous housing*: dwellings owned and managed by State and Territory housing authorities that are allocated to Indigenous households; and
- *Indigenous community housing*: dwellings owned or leased and managed by Indigenous community housing organisations and community councils in major cities and regional and remote areas. Housing models also vary across jurisdictions and can include dwellings funded or registered by government.<sup>29</sup>

Specialist homelessness services are funded by Commonwealth and State and Territory governments and delivered by non-government organisations to people who are homeless or at risk of homelessness. Services include crisis accommodation, refuges, transitional supported accommodation and a range of related assistance, such as counselling, advocacy, meals services, and help accessing housing, health, education and employment services.<sup>30</sup>

Commonwealth Rent Assistance (CRA) is a supplementary payment added to the pension, allowance or benefit of income support recipients and low-income families in the private rental market, in recognition of the housing costs they face. It is paid to eligible income support recipients and families with children who receive more than the base rate of Family Tax Benefit A, at the rate of 75 cents for each dollar of rent paid above a minimum threshold up to a specified maximum rate. Thresholds and maximum rates vary depending on individual circumstances, and are indexed to reflect changes in the Consumer Price Index. The Commonwealth draws its power to pay CRA from the 'social welfare powers' under sections 51xxiii and 51xxiiiA of the Constitution.<sup>31</sup>

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<sup>29</sup> Steering Committee for the Review of Government Service Provision, *Report on Government Services 2014, Volume G: Housing and Homelessness*, Productivity Commission, Canberra, 2014, p. 17.2.

<sup>30</sup> Steering Committee for the Review of Government Service Provision, p. 18.4.

<sup>31</sup> Australian Government, *Guide to Social Security Law, 1.2.7.10 Rent Assistance description*, viewed 15 August 2014, <http://guides.dss.gov.au/guide-social-security-law/1/2/7/10>.

### 2.2.2 Policy

The States and Territories oversee policies for public and community housing (both mainstream and Indigenous-specific), as well as homelessness services and regulation (see section 2.2.5). They also have policy responsibility for private rental and home purchase assistance programmes within their jurisdiction, including bond loans, rent relief, First Home Owner Grants and stamp duty concessions.

The Commonwealth contributes to broad housing and homelessness policy through its role in the National Affordable Housing Agreement (NAHA) and other intergovernmental housing agreements, such as the current National Partnership Agreement on Homelessness (NPAH) and National Partnership Agreement on Remote Indigenous Housing (NPARIH).<sup>32</sup> The Commonwealth also has responsibility for CRA, as part of its broader income support role, as well as responsibility for policies relating to some smaller Commonwealth homelessness programmes, such as Reconnect and HOME Advice.<sup>33</sup> In addition, as discussed in the previous section, some government policies—at both the Commonwealth and State and Territory level—can have an impact on the broader housing market. In particular, this includes tax and immigration settings, and land release and zoning.

### 2.2.3 Funding

Both the Commonwealth and the States and Territories have funding responsibilities for housing assistance and homelessness services (see figure 2.5).

In 2012-13, the States and Territories spent around \$4 billion on social housing and homelessness services.<sup>34</sup> This expenditure includes the revenue generated by rent received from public housing tenants, almost all of whom are in receipt of a Commonwealth social security payment.<sup>35</sup> States and Territories also fund rent and home ownership subsidies,<sup>36</sup> and around 25 per cent of the National Rental Affordability Scheme (NRAS).<sup>37</sup>

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<sup>32</sup> The Commonwealth also has high-level oversight of defence housing, although this is primarily managed by Defence Housing Australia, a commercially funded Government Business Enterprise.

<sup>33</sup> HOME stands for Household Organisational Management Expenses. From 1 March 2015, this programme will transition into the Department of Social Services' new Financial Wellbeing and Capability activity.

<sup>34</sup> Steering Committee for the Review of Government Service Provision, tables 17A.1, 18A.2, GA.1.

<sup>35</sup> For example, New South Wales has reported that Centrelink benefits are the primary source of income for 94 per cent of their public housing tenants. See: Department of Family and Community Services.

As data currently available does not allow a further disaggregation of revenue sources, it is unclear what proportion of funding for social housing and homelessness services is from public housing rental revenue and what proportion is from other sources.

<sup>36</sup> In 2012-13, private rent assistance was provided to over 90,000 households, at a cost to States and Territories of more than \$115 million. Similarly, State and Territory Home Purchase Assistance programmes supported over 40,000 households through direct lending, deposit assistance, interest rate assistance and mortgage relief, with outlays totalling almost \$11 billion in 2012-13. See: Australian Institute of Health and Welfare, 2014, pp. 7, 69.

<sup>37</sup> Department of Social Services, *National Rental Affordability Scheme – incentive indexation*, DSS, Canberra, 2013, p. 1.

The Commonwealth provides payments to the States and Territories for affordable housing and homelessness through the National Affordable Housing Specific Purpose Payment (NAH SPP) and related National Partnership Agreements.<sup>38</sup> In 2012-13, these came to \$1.8 billion.<sup>39</sup> The Commonwealth also directly funds CRA, paying \$3.6 billion to recipients in 2012-13.<sup>40</sup> Further, the Commonwealth contributes around 75 per cent of NRAS funding,<sup>41</sup> with expenditure in 2012-13 of \$87 million.<sup>42</sup>

In 2012-13, States and Territories spent \$113.3 million on State owned and managed Indigenous housing.<sup>43</sup> This is partly funded through the NAH SPP, but because funding is not tied to specific programmes, the precise amount cannot be identified. Some NPARIH money is also directed towards work on State owned and managed Indigenous housing. Indigenous community housing is funded through both the NAH SPP and NPARIH, under which the Commonwealth is investing \$5.5 billion over 10 years to June 2018.<sup>44</sup> The Commonwealth also provides targeted home purchase assistance for Indigenous Australians through its Indigenous Home Ownership programme.<sup>45</sup>

In addition, in many remote Indigenous communities the Commonwealth has historically funded municipal and essential services linked to housing—including power, water, sewerage and waste collection—that, in other communities, are funded by State, Territory and local governments. However, reforms in 2014 have resulted in most States and Territories accepting responsibility for providing municipal services to Indigenous communities, as they do for other communities.<sup>46</sup>

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<sup>38</sup> Specific Purpose Payments are distributed among States and Territories in accordance with population shares. They are made in advance, based on Commonwealth estimates of respective growth factors. A balancing adjustment is made at the end of the financial year once final growth factor data becomes available. The NAH SPP is indexed on 1 July each year by Wage Cost Index 1 (comprising safety net wage adjustment weighted by 75 per cent and all groups CPI weighted by 25 per cent). In 2012-13, a total of \$1,264 million was paid to States and Territories under the NAH SPP. This included \$403 million for New South Wales, \$300 million for Victoria, \$251 million for Queensland, \$134 million for Western Australia, \$95 million for South Australia, \$31 million for Tasmania, \$24 million for the Australian Capital Territory, and \$25 million for the Northern Territory.

<sup>39</sup> Treasury, *Final Budget Outcome 2012-13*, Treasury, Canberra, 2013, p. 71.

<sup>40</sup> Department of Families, Housing, Community Services and Indigenous Affairs, *Portfolio Budget Statement 2013-14*, FaHCSIA, Canberra, 2013, p. 61.

<sup>41</sup> Department of Social Services, *National Rental Affordability Scheme – incentive indexation*, 2013, p. 1.

<sup>42</sup> Department of Social Services, *Portfolio Additional Estimates Statements 2013-14*, DSS, Canberra, 2014, p. 56; Australian Taxation Office, *2012-13 Annual Report*, ATO, Canberra, 2013, p. 132.

<sup>43</sup> Steering Committee for the Review of Government Service Provision, p. 2 of table 17A.2.

<sup>44</sup> Steering Committee for the Review of Government Service Provision, p. 17.11.

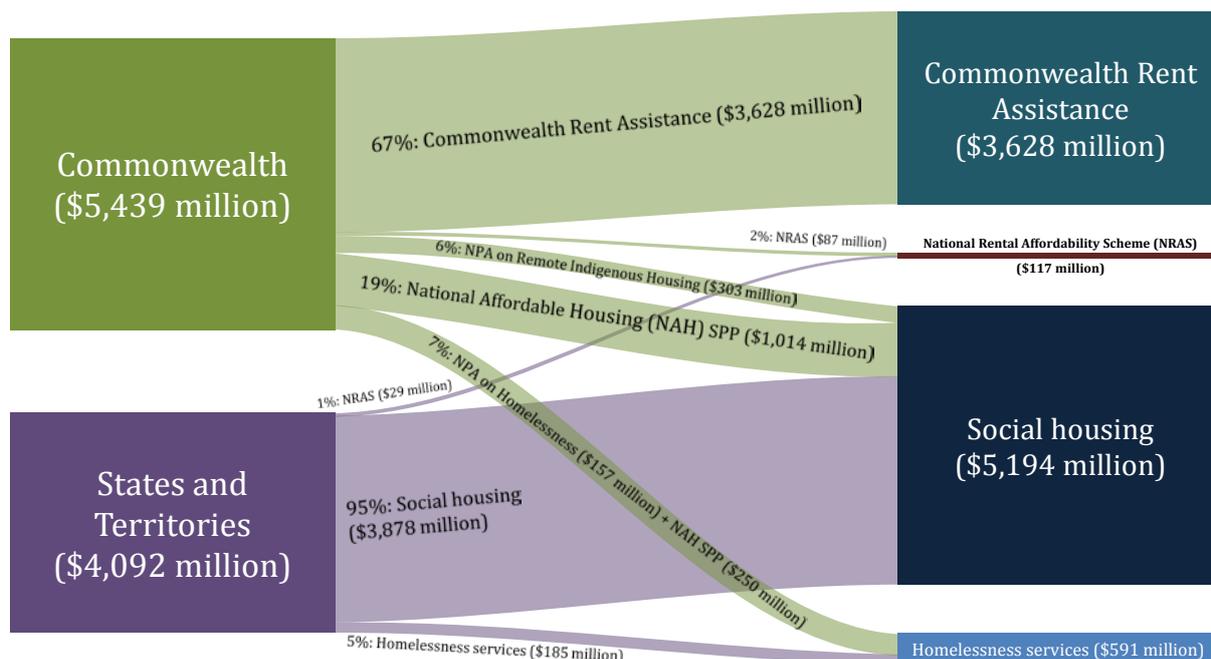
Total Commonwealth investment under the current remote Indigenous housing arrangements includes \$4.8 billion in National Partnership payments under NPARIH, as well as \$600 million in direct Commonwealth funding. For more detail see: Department of Families, Housing, Community Services and Indigenous Affairs, *National Partnership Agreement on Remote Indigenous Housing – Progress Review (2008-2013)*, FaHCSIA, Canberra, 2013, p. 15.

Some jurisdictions that do not have significant remote Indigenous populations, such as Victoria and Tasmania, have recently agreed with the Commonwealth to cease their involvement in NPARIH.

<sup>45</sup> Australian Institute of Health and Welfare, 2014, p. 72.

<sup>46</sup> Discussions with South Australia about future municipal and essential services funding arrangements are ongoing, and separate arrangements exist in the Northern Territory, where the Commonwealth provides funding for municipal and essential services in homelands under the Stronger Futures in the Northern Territory National Partnership Agreement.

**Figure 2.5: Commonwealth and State and Territory funding shares, 2012-13<sup>47</sup>**



### Commonwealth Rent Assistance

While CRA helps recipients meet the cost of housing,<sup>48</sup> rental costs have been increasing faster than the Consumer Price Index against which CRA is indexed.<sup>49</sup> This means payments are losing real value for individuals over time. However, the total cost of CRA to the Commonwealth is increasing at a rapid rate (see figure 2.6) and is expected to total approximately \$4.35 billion in 2014-15.<sup>50</sup> Since 2008-09, expenditure on CRA has increased by around 33 per cent in real terms, from \$2.97 billion in 2008-09 to \$3.95 billion in 2013-14, while the number of CRA recipients has increased by 27 per cent, from 1.04 million in 2008-09 to 1.32 million in

<sup>47</sup> Sources: Steering Committee for the Review of Government Service Provision, tables 17A.1, 18A.2, GA.1, GA.12; Department of Social Services, *Portfolio Additional Estimates Statements 2013-14*, 2014, p. 56; Australian Taxation Office, p. 132.

State and Territory expenditure, with the exception of NRAS, has been calculated as total spending less Commonwealth transfers for social housing and homelessness (via the NAH SPP and NPAH), and includes revenue received from public housing rents. Figures include capital as well as recurrent expenditure. In 2012-13 the NAH SPP totalled \$1,264 million, but for the purposes of this diagram this has been reduced to \$1,014 million to take account of the notional \$250 million component for homelessness services, following funding for the Supported Accommodation Assistance Programme being rolled into the NAHA. This component has been included in Commonwealth contributions to homelessness services. Commonwealth expenditure on NRAS includes a combination of cash payments (\$45.2 million) and refundable tax offsets (\$42.2 million), and State and Territory NRAS expenditure is calculated as a proportion of Commonwealth expenditure (given the Commonwealth contributes 75 per cent and States and Territories 25 per cent). Housing-related Stronger Futures in the Northern Territory transfers and funding for Commonwealth programmes that have expired since 2012-13 are not included. Figures may not add up due to rounding.

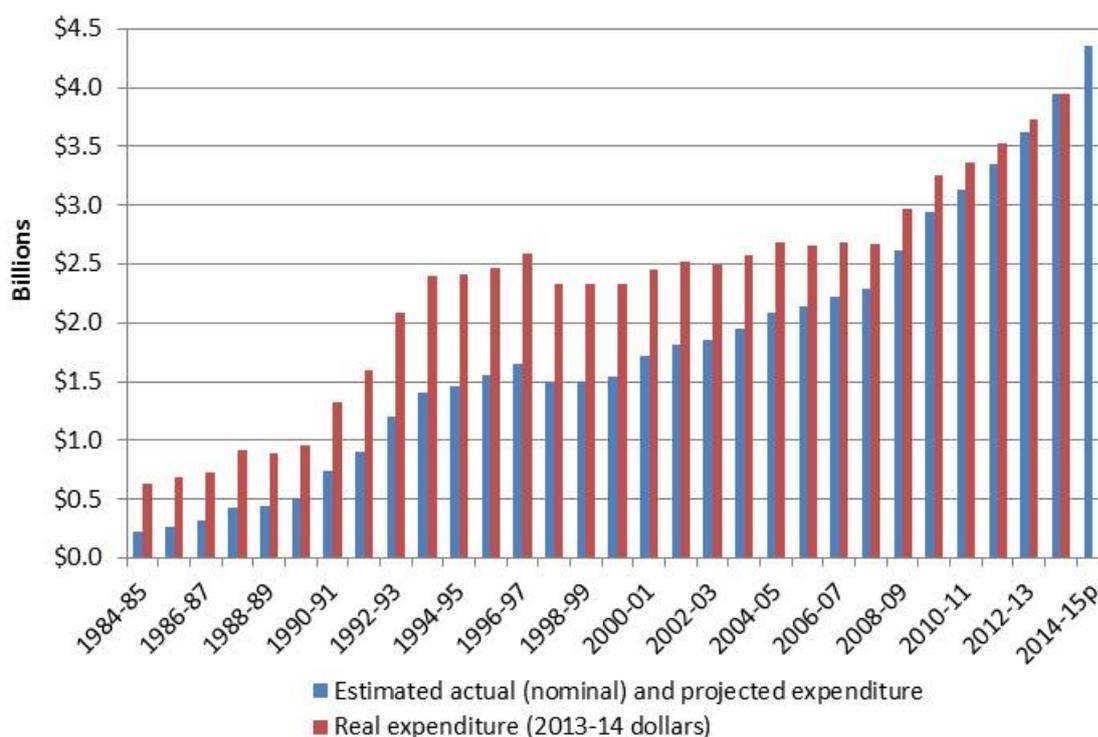
<sup>48</sup> As at June 2013, if not for CRA 67.2 per cent of recipients would have paid more than 30 per cent of their income on rent. Source: Steering Committee for the Review of Government Service Provision, p. G.7.

<sup>49</sup> Australian Bureau of Statistics, *Consumer Price Index*, cat. no. 6401.0, ABS, Canberra, 2014; Australian Bureau of Statistics, *Residential Property Price Indexes: eight capital cities*, cat. no. 6416.0, ABS, Canberra, 2014.

<sup>50</sup> Department of Social Services, *Portfolio Budget Statement 2014-15*, DSS, Canberra, 2014, p. 89.

2013-14.<sup>51</sup> Most of the growth in CRA outlays is a result of more people becoming eligible for income support and family payments, although a reduction in public housing stock has meant that some people who may have previously been in public housing are in the community housing or private rental sector where they can receive CRA. In addition, three-quarters of CRA recipients are now eligible to receive the maximum rate of assistance.<sup>52</sup>

**Figure 2.6: Commonwealth Rent Assistance expenditure, as at August 2014**



Source: Department of Social Services

There is also an equity issue in relation to the different assistance provided to low-income renters, depending on their tenure type. Public housing rents are set as a proportion of each tenant’s income and are capped, irrespective of the market value of the property.<sup>53</sup> On the other hand, people in the private rental market generally pay higher, market-value rents and CRA payments are set to maximum thresholds, regardless of the amount of rent paid. The outcome is that only 0.5 per cent of people on low-incomes<sup>54</sup> in public housing spent more than 30 per cent of their income on rent in 2013,<sup>55</sup> but 40.1 per cent of CRA recipients spent more than 30 per cent of their income on rent.<sup>56</sup>

<sup>51</sup> Department of Social Services, *2013-14 Annual Report*, DSS, Canberra, 2014, pp. 43-47.

<sup>52</sup> Department of Families, Housing, Community Services and Indigenous Affairs, *FaHCSIA Facts and Figures*, FaHCSIA, Canberra, 2012, p. 20.

<sup>53</sup> Certain income support payments (such as the clean energy supplement) may be exempt from assessment in rent calculations, meaning that the rental income State and Territory housing authorities receive is reduced.

<sup>54</sup> Those in the bottom two income quintiles.

<sup>55</sup> Steering Committee for the Review of Government Service Provision, p. 17.43.

<sup>56</sup> Steering Committee for the Review of Government Service Provision, p. G.7.

## Social housing

Current public housing rents are heavily subsidised and generally well below market prices. The rental income States and Territories receive is insufficient to support critical stock redevelopment, or cover the cost of maintaining existing stock.<sup>57</sup> This problem is exacerbated as properties age and the costs of property and tenancy management increase.<sup>58</sup> As a result, public housing is not sustainable in its current form.<sup>59</sup> This has created a perverse incentive for State and Territory housing authorities to either sell stock or transfer it to community sector providers.<sup>60</sup> This reduces maintenance costs to State and Territory governments and has contributed to a reduction in the number of public housing dwellings from 345,000 in 2004 to 328,000 in 2013.<sup>61</sup>

The move by State and Territory governments to transfer public housing stock to the community sector is not motivated solely by cost pressures. It has also been driven by a desire to explore alternative ways of providing affordable housing. Community organisations are often better placed to offer 'wrap around' support services (of which housing is only one part) and respond holistically to clients' needs, particularly those with complex needs. Furthermore, the ability of larger community housing providers to leverage their housing stock is one of the reasons behind the push for State and Territory housing authorities to transfer management and title of public housing to community housing providers.

In 2009, Housing Ministers agreed to develop, over time, a large-scale community housing sector in Australia, comprising up to 35 per cent of all social housing by 2014.<sup>62</sup> In line with this, community housing increased by more than 50 per cent between 2007-08 and 2011-12.<sup>63</sup> The long-term decline in capital investment in public housing<sup>64</sup> has been somewhat offset by funding injections into community housing under the Social Housing Initiative, which operated from 2009 to 2012. However, since 2004, the total number of social housing dwellings per capita has decreased in all States and Territories except Tasmania.<sup>65</sup> More detail on the number of public and community housing dwellings across jurisdictions is at Appendix B.

To date, stock transfers from public to community housing have mainly been confined to management outsourcing, although there have been some asset transfers in New South Wales and Victoria.<sup>66</sup> Unlike public housing tenants, people in community housing are eligible for CRA, meaning the transfer of stock increases the number of people receiving CRA. Research has found

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<sup>57</sup> H Pawson et al., *Public housing transfers: past, present and prospective*, AHURI Final Report No. 215, Australian Housing and Urban Research Institute, Melbourne, 2013, p. 10.

<sup>58</sup> Department of Family and Community Services, p. 6.

<sup>59</sup> Pawson et al., p. 65.

<sup>60</sup> Pawson et al., p. 1.

<sup>61</sup> Steering Committee for the Review of Government Service Provision, p. 1 of table 17A.3.

<sup>62</sup> Department of Human Services, *Implementing the National Housing Reforms: A progress report to the Council of Australian Governments from Commonwealth, State and Territory Housing Ministers*, Victorian Government Department of Human Services, Melbourne, 2009, p. 17.

<sup>63</sup> Australian Institute of Health and Welfare, *National Social Housing Survey: detailed results 2012*, cat. no. HOU 272, AIHW, Canberra, 2013, p. 3.

<sup>64</sup> See: Yates, 2013.

<sup>65</sup> Steering Committee for the Review of Government Service Provision, table 17A.3; Australian Bureau of Statistics, *Australian Demographic Statistics*, cat. no. 3101.0, ABS, Canberra, December 2013.

<sup>66</sup> Pawson et al., p. 3.

that transferring 20,000 households from public to community housing could cost the Commonwealth \$50.3 million a year in additional CRA payments, depending on the composition of the households transferred.<sup>67</sup> Not-for-profit organisations that own community housing dwellings can also seek exemptions from council rates, which can result in lost revenue for local governments.

Like public housing, community housing rents are discounted,<sup>68</sup> and tenancy is more secure than in the private market. While rents charged are usually higher than public housing rents, they are often calculated to maximise the amount of CRA tenants receive, which offsets additional costs for the tenant. As a result, tenants are generally no worse off than if they were in public housing, but CRA outlays increase.

### Homelessness services

Specialist homelessness services are jointly funded by the Commonwealth and the States and Territories, under the NAHA and NPAH.<sup>69</sup>

For governments, the cost of providing services to people who are homeless extends beyond the direct support of specialist homelessness services and into mainstream services through, for example, increased demand for income support and health and justice services. One study found the average health service costs for a case managed client of homelessness services was \$16,531, compared with an average population cost of \$2,024.<sup>70</sup>

Some jurisdictions face particular challenges due to high rates of homelessness. Despite an eight per cent decrease between 2006 and 2011,<sup>71</sup> the Northern Territory continues to have very high rates of homelessness relative to its population size. In the 2011 Census, the rate of homelessness in the Northern Territory was 14 times higher than any other jurisdiction.<sup>72</sup> Overcrowding is the largest contributor to high rates of homelessness, and Indigenous people living in severely overcrowded accommodation in very remote areas of the Northern Territory represent 11.2 per cent of all homeless Australians.<sup>73</sup>

#### 2.2.4 Service delivery

States and Territories are responsible for administering the social housing sector, including running their own public housing and Indigenous housing portfolios. They also oversee the non-government organisations that provide community housing, including specialised Indigenous housing services, and specialist homelessness services. Indigenous Housing Services and Land Councils play an important role in ensuring equity in the administration of Indigenous housing allocations.

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<sup>67</sup> Pawson et al., p. 53.

<sup>68</sup> Rents for community housing are set at the discretion of the housing provider. For long-term tenants, it is common for providers to set rents broadly in line with public housing rents.

<sup>69</sup> Steering Committee for the Review of Government Service Provision, p. 18.2.

<sup>70</sup> K Zaretsky et al., *The cost of homelessness and the net benefit of homelessness programs: a national study*, AHURI Final Report No.205, Australian Housing and Urban Research Institute, Melbourne, 2013, p. 91.

<sup>71</sup> Australian Bureau of Statistics, *Census of Population and Housing: Estimating Homelessness 2011*, 2011.

<sup>72</sup> COAG Reform Council, *Homelessness 2011-12: comparing performance across Australia*, CRC, Sydney, 2013, p. 15.

<sup>73</sup> COAG Reform Council, p. 19.

The Commonwealth is responsible for administering the NRAS and making CRA payments. It can also facilitate the payment of rent for income support recipients through the Commonwealth Department of Human Services' (DHS) Rent Deduction Scheme (for public housing tenants) and Centrepay (for private or community housing tenants). In addition, the Commonwealth delivers homelessness services through non-government providers under the Reconnect and HOME Advice programmes, and provides outreach services to assist homeless people to access income support and other services through DHS Community Engagement Officers. Beyond this, DHS also provides a range of other support services, including access to social workers, for income support customers who have complex barriers and needs (which may include problems with housing or homelessness).

Local governments can play a role in community housing as owners of some dwellings. They can also directly manage community housing,<sup>74</sup> although this is less common.

The service delivery system is under pressure as a consequence of the funding issues described in the previous section. Limited capacity results in long social housing waiting lists. As at 30 June 2013, nearly 160,000 people were on public housing waiting lists nation-wide.<sup>75</sup> Social housing is highly targeted at those deemed to have the highest level of need. People who are homeless or subject to domestic violence are given priority and, nationally, 77 per cent of new allocations in public housing were to this group in 2012-13.<sup>76</sup> Noting that eligibility requirements (including income and assets tests) differ between jurisdictions, targeting public housing allocations to those most in need can create a perverse incentive whereby some people on waiting lists are reluctant to look for work, as improving their circumstances could jeopardise their eligibility for public housing.<sup>77</sup>

Effective public housing allocations are also dependent on available stock being suitable for tenants' needs. This includes dwellings being well located (close to services, jobs and transport) and having an appropriate number of bedrooms. Some public housing requires significant modification for people with disability, and a large proportion of public housing stock requires renovation or refurbishment before it can be re-let.<sup>78</sup> These issues can pose considerable challenges for State and Territory housing authorities.

Homelessness services are also under pressure. Although supply has increased, with specialist homelessness services (delivering, for example, supported accommodation services) providing more than 23,000 additional support periods in 2012-13 than in 2011-12,<sup>79</sup> and assisting over 240,000 clients,<sup>80</sup> levels of unmet demand have also increased. In 2012-13 more than 30,500

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<sup>74</sup> Steering Committee for the Review of Government Service Provision, p. 17.10.

<sup>75</sup> Steering Committee for the Review of Government Service Provision, p. 2 of table 17A.5.

<sup>76</sup> Steering Committee for the Review of Government Service Provision, p. 17.21.

<sup>77</sup> Reference Group on Welfare Reform, *Interim Report on a New System for Better Employment and Social Outcomes*, DSS, Canberra, 2014, p. 30.

<sup>78</sup> Australian Institute of Health and Welfare, 2014, p. 33.

<sup>79</sup> Steering Committee for the Review of Government Service Provision, p. 1 of table 18A.1.

<sup>80</sup> Steering Committee for the Review of Government Service Provision, p. 1 of table 18A.1.

people in need of accommodation services were not provided with a service, an increase from around 25,000 in 2011-12.<sup>81</sup>

More broadly, the 2011 Census found that rates of homelessness had increased markedly in many jurisdictions. The national rate of homelessness was 49 persons in every 10,000, up eight per cent from the 45 persons in every 10,000 in 2006, but down on the 51 persons in every 10,000 in 2001.<sup>82</sup> Rates of homelessness rose by 20 per cent or more in New South Wales, Victoria, Tasmania, and the Australian Capital Territory.<sup>83</sup> Much of this increase is due to more people living in temporary or severely overcrowded dwellings (see box A.1 in Appendix A), and almost half of this cohort are Indigenous.<sup>84</sup> However, Census data shows that the number of 'rough sleepers' fell by six per cent between 2006 and 2011.<sup>85</sup>

### 2.2.5 Regulation

Housing is primarily regulated by the States and Territories (through, for example, urban planning and residential tenancy legislation and regulations). The States and Territories also have responsibility for regulating building and construction activity, and house purchases and sales. In line with Housing Ministers' decision to develop a large-scale community housing sector in Australia, a National Regulatory System for Community Housing was introduced on 1 January 2014, supported by State and Territory legislation.

Residential planning and construction approvals are managed by local governments,<sup>86</sup> and vary significantly from area to area. There are often substantial differences between the National Construction Code, which is designed to incorporate all on-site construction requirements into a single code, and the regulations set by individual local governments.<sup>87</sup> This is partly driven by factors such as the difference between tropical and non-tropical environments, the requirements in some locations for houses to meet cyclone standards, and variations for particular coastal zones. There are also some variances for heritage purposes, consistent with State and Territory government approved local environment plans. Nevertheless, these variations can be a source of frustration for builders and developers, and so should be transparent and justifiable.

The Commonwealth regulates the operation of the NRAS, including application and approval processes. Under NRAS regulations, independent valuers determine the market rent of NRAS dwellings.

### 2.2.6 International comparisons

In response to concerns about declining housing affordability and housing supply shortages, countries across Europe and North America have made institutional reforms that have changed

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<sup>81</sup> Steering Committee for the Review of Government Service Provision, p. 1 of table 18A.9.

<sup>82</sup> Australian Bureau of Statistics, *Census of Population and Housing: Estimating Homelessness 2011*, 2011.

<sup>83</sup> Australian Bureau of Statistics, *Census of Population and Housing: Estimating Homelessness 2011*, 2011.

<sup>84</sup> Australian Bureau of Statistics, *Census of Population and Housing: Estimating Homelessness 2011*, 2011.

<sup>85</sup> Australian Bureau of Statistics, *Census of Population and Housing: Estimating Homelessness 2011*, 2011.

<sup>86</sup> The Northern Territory is an exception to this. The Northern Territory Government manages local planning and construction approvals.

<sup>87</sup> Productivity Commission, *Performance Benchmarking of Australian Business Regulation: the role of local government as regulator*, PC, Canberra, 2012, p. 251.

how housing services are funded, administered and delivered.<sup>88</sup> This has included devolution of responsibility to lower levels of government, the development of localised housing strategies to meet local needs, and investigation of community and private sector partnerships.<sup>89</sup>

Austria, Switzerland and the United Kingdom (among others) have sought to increase the effectiveness of housing assistance through private sector investment in social housing. In Austria, Housing Construction Convertible Bonds provide incentives for private investment in social housing through subsidies and tax concessions, and the government has established special institutional arrangements (housing banks) for private funds to flow to the not-for-profit housing sector.<sup>90</sup>

In addition, to varying degrees Austria, Belgium, Canada, Germany, Ireland, the Netherlands, Switzerland, the United Kingdom and the United States have all looked for a greater role for regional and local governments in housing policy and service delivery.<sup>91</sup> In Canada, the administration of social housing became progressively more devolved throughout the 1980s and 1990s, culminating in the provinces assuming full responsibility for social housing in 1996, supported by ongoing federal funding.<sup>92</sup> However, some inequities in housing conditions between provinces emerged, leading to federal re-engagement in strategies for affordable housing in the 2000s.<sup>93</sup>

More recently, New Zealand has pursued reforms to its social support system (including housing) that are underpinned by an actuarial model of investment. Intensive support is targeted to particular cohorts, taking a long-term view of their needs, challenges and prospects for workforce participation.<sup>94</sup> For example, additional assistance is now provided to young people to help them get into the workforce, thus reducing the likelihood of longer-term income support reliance.<sup>95</sup> Such approaches put citizens at the centre of policy, shifting the focus away from funding providers to funding purchasers—or, as stated by a former Secretary of the Victorian Department of Health and Community Services, creating “a system in which *providers* compete to do what *consumers* like”, rather than a system where governments pay providers to do what governments like.<sup>96</sup>

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<sup>88</sup> J Lawson and V Milligan, *International trends in housing and policy responses*, AHURI Final Report No. 110, Australian Housing and Urban Research Institute, Melbourne, 2007, p. 3.

<sup>89</sup> Lawson and Milligan, p. 7.

<sup>90</sup> Lawson and Milligan, p. 9.

<sup>91</sup> Lawson and Milligan, pp. 115-116.

<sup>92</sup> J Lawson and V Milligan, *International trends in housing and policy responses*, AHURI Final Report No. 110, Australian Housing and Urban Research Institute, Melbourne, 2007, pp. 136-139.

<sup>93</sup> Lawson and Milligan, p. 144.

<sup>94</sup> P Bennett, (New Zealand Minister for Social Services), *Investment approach refocuses entire welfare system*, media release, Wellington, 12 September 2012.

<sup>95</sup> Reference Group on Welfare Reform, p. 37.

<sup>96</sup> J Paterson, 'Foreword to the 1994-95 Annual Report of the Victorian Department of Health and Community Services', *Momentum*, Vol. 3, No. 11, p. 4.

## PART THREE: QUESTIONS FOR CONSIDERATION

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### 3.1 Overview

The principles outlined in the White Paper's Terms of Reference provide a framework to examine the appropriateness of the current allocation of roles and responsibilities in housing assistance and homelessness services. This assessment will necessarily consider the efficiency and effectiveness of current arrangements and opportunities to remove any perverse incentives that may have arisen.

### 3.2 Accountability

Good accountability mechanisms and clear lines of responsibility allow the public to hold the appropriate level of government to account for services delivered and outcomes achieved. Reforms to intergovernmental roles and responsibilities in other federal systems, such as Canada, have been strongly motivated by a desire for improved public accountability.

Under current arrangements, both levels of government fund social housing and homelessness services. This can lead to **uncertainty around which level of government is ultimately responsible for assisting people who have difficulty accessing the housing market.**

Accountability can also be confused because people experiencing housing and homelessness issues often face multiple disadvantages. For instance, people with mental illness can access a range of supports, including housing and homelessness services. When an individual is experiencing multiple issues and interacting with a number of support systems it can be difficult to apportion responsibility across different service providers and levels of government. It is also difficult under current intergovernmental agreements to accurately assess and measure performance against agreed outcomes.<sup>97</sup>

#### Questions

- Could accountability be improved through a re-allocation of government roles and responsibilities in housing assistance and homelessness services?
- If shared roles continue, how can accountability issues best be resolved?
- How could accountability mechanisms work effectively across service systems?
- What impact could changes to roles and responsibilities have on clients who are interacting with multiple support systems?

### 3.3 Subsidiarity

According to the subsidiarity principle, responsibility should reside with the lowest level of government that can perform the role effectively. Generally, lower tiers of government have a

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<sup>97</sup> COAG Reform Council, *Affordable Housing 2010-11: comparing performance across Australia*, CRC, Sydney, 2012, p. xi.

better understanding of community needs and are better able to employ flexible and locally-tailored approaches. Individual jurisdictions may be better placed to employ creative and customised solutions for different circumstances—recognising that the Australian housing market has regional distinctions.

Under current arrangements, the States and Territories are responsible for delivering social housing and most homelessness services. Responsibility for funding and policy is shared, with the Commonwealth influencing high level national policy and providing significant funding through the National Affordable Housing Agreement (NAHA) and related National Partnership Agreements. The Commonwealth has sole responsibility for Commonwealth Rent Assistance (CRA), which delivers a standardised payment to eligible people, irrespective of local housing market conditions.

### Questions

- What benefits (or costs) would arise from assigning full responsibility for housing assistance and homelessness services to one level of government? Which is the lowest level of government that could deliver services effectively?
- If responsibility continues to be shared, what benefits (or costs) would arise from assigning full responsibility for specific roles (for example, policy or funding) or functions (for example, social housing or rent assistance) to one level of government?
- What are the interactions between housing market sectors (social, private rental and home ownership) and what implications do these interactions have for the roles and responsibilities of different levels of government?

## 3.4 The national interest

While often seen as conflicting, subsidiarity and national interest are manifestations of the same principle, under which a central authority should have a subsidiary function, performing only those tasks that cannot be performed effectively at a more local level.

Under current arrangements, the Commonwealth shares policy and funding responsibilities for social housing and homelessness services, and has full responsibility for CRA and some affordable housing and homelessness programmes. A re-allocation of roles and responsibilities should consider which of these roles, if any, need to be performed at the national level.

### Questions

- How do social housing and homelessness outcomes affect other areas of national policy or funding responsibility?
- Are there benefits or costs of national housing assistance and homelessness policy and/or programmes?

## 3.5 Equity, efficiency and effectiveness in service delivery

### 3.5.1 Equity

Current arrangements give rise to inequitable outcomes, given people on the same income can receive different levels of rental subsidies (from different levels of government) depending on their tenure and location. The Commonwealth and the States and Territories both subsidise rents for low-income earners, but in different ways, leading to inconsistent outcomes under which public and community housing tenants receive greater support than those in private rental. Demand side programmes (such as CRA) can be more customer focused, giving citizens greater choice by helping them with the cost of housing, rather than prescribing particular housing services.

#### Questions

- Is one level of government better placed to address equity issues? Why, and for which groups?
- Could the transfer of responsibility to a single level of government improve the equity of housing assistance?
- Are there particular equity issues around housing services for Indigenous Australians and/or people living in regional and remote areas that need to be considered?
- Could arrangements that give individuals greater choice in which services they purchase deliver more equitable outcomes?

### 3.5.2 Efficiency and effectiveness

Current arrangements have delivered mixed results. Through the NAHA, related National Partnership Agreements and the Social Housing Initiative, the Commonwealth and the States and Territories invested around \$15 billion between 2008-09 and 2012-13. Yet public housing stock has declined and demand for public housing and homelessness services has increased. Commonwealth outlays on CRA have increased significantly in recent years, and both levels of government have invested additional funds in housing assistance programmes such as the National Rental Affordability Scheme, but many Australians—particularly those on low incomes—continue to experience housing stress. Arguably, joint responsibility for interventions to increase the supply of affordable housing has made it harder for governments to implement effective strategies.

Housing assistance operates alongside a much broader range of services provided through mainstream service systems. As such, the interaction between housing assistance and homelessness services and other areas, such as health, disability and aged care, also needs to be considered.

## Indigenous Australians

There are particular issues with the effectiveness and efficiency of housing assistance and homelessness services for Indigenous Australians.

Despite significant government investment over the past 40 years in both mainstream and Indigenous-specific housing and homelessness programmes, many Indigenous Australians continue to experience difficulty securing appropriate and affordable housing. Indigenous people are less likely than non-Indigenous people to own their own homes and, particularly in remote areas, are more likely to live in social housing.<sup>98</sup> Indigenous Australians are also more likely to live in marginal forms of housing (such as caravans or improvised dwellings)<sup>99</sup> and are more than five times as likely to live in overcrowded accommodation.<sup>100</sup>

There is significant policy and funding overlap between levels of government in providing housing assistance and homelessness services for Indigenous Australians. This has created a lack of clarity around funding flows and differences in services between remote and urban Indigenous communities (for instance, the approach to delivering municipal services). Consideration should be given to whether greater clarity around roles and responsibilities could enhance the efficiency and effectiveness of housing assistance and homelessness services for Indigenous Australians.

### Questions

- To what extent, if any, do shared roles enhance or detract from the achievement of cost effective outcomes in housing assistance and homelessness services?
- Would the transfer of responsibility to a single level of government enhance the efficiency and effectiveness of housing assistance and homelessness services by allowing better coordination and targeting of programmes? Would this improve outcomes for Indigenous Australians?
- Is there a case for treating the allocation of roles and responsibilities for Indigenous-specific housing assistance and homelessness services differently to mainstream services?
- Could greater contestability in service delivery improve the efficiency and effectiveness of housing assistance and homelessness services?
- How can housing assistance, homelessness services and related service systems, such as health, disability and aged care, be effectively coordinated?

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<sup>98</sup> Australian Institute of Health and Welfare, *Housing Assistance in Australia 2013*, 2013, p. 30.

<sup>99</sup> Australian Institute of Health and Welfare, *Housing Assistance in Australia 2013*, 2013, p. 31.

<sup>100</sup> D Habibis et al., *A sustaining tenancies approach to managing demanding behaviour in public housing: a good practice guide*, AHURI Final Report No. 103, Australian Housing and Urban Research Institute, Melbourne, 2007, p. 83.

### 3.6 Durability

The durable allocation of roles, responsibilities and funding for the long-term is a key consideration. Appropriate allocation of roles and responsibilities will help avoid unnecessary uncertainty around government involvement in housing assistance and homelessness services. Over time, there has been significant change in the administration of housing and homelessness policies, and Commonwealth involvement has waxed and waned.

Changing arrangements generate uncertainty for States and Territories (for instance, around time-limited funds transfers from the Commonwealth) which in turn creates uncertainty for service providers engaged by States and Territories, and can affect service provision. The appropriate allocation of roles and responsibilities for the long-term should be supported by durable funding arrangements.

#### Questions

- What changes would help to create a durable allocation of roles, responsibilities and funding?

### 3.7 Fiscal sustainability

Future arrangements should support the long-term fiscal sustainability of social housing and homelessness programmes. There is broad community expectation that governments will ensure shelter is available for disadvantaged members of the community. Due to the mismatch between State and Territory revenue and expenditure responsibilities, Commonwealth funding transfers are relied on to provide many housing and homelessness services.

Fiscal sustainability is being undermined by increasing cost pressures on governments. For the Commonwealth, expenditure on CRA is growing. For States and Territories, the cost of maintaining public housing stock is increasing and placing pressure on the system. Demand for homelessness services has also increased.

In this environment, fiscally sustainable arrangements need to recognise the potential for cost shifting between levels of government. For example, the cost of managing public housing can be reduced by transitioning stock to the community housing sector; however, this increases Commonwealth outlays as more people become eligible for CRA.

#### Questions

- How would the re-allocation of roles and responsibilities address cost pressures?
- How could incentives for cost-shifting be minimised?
- Is there an opportunity to look at alternative ways (beyond government intervention) of funding the supply of affordable housing?

# APPENDIX A: HOUSING AFFORDABILITY

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## A.1 Purchase affordability

Strong demand for housing in the 2000s was driven by demographic changes, such as a growing and ageing population, comparatively low interest rates, the ready availability of mortgage finance, and relatively strong and consistent wages and employment growth throughout the early and mid-2000s.<sup>101</sup> This led to a significant increase in the cost of housing. Between 2001 and 2011, house prices increased by 147 per cent nationally, compared with a 57 per cent increase in the annual median disposable income for households over the same period.<sup>102</sup>

While rising house prices encourage investment in property, which can subsequently bring forth supply, they also keep some purchasers—particularly first home buyers—saving for their preferred property for longer, or having to settle for a smaller, less well-located home. Between the mid-1990s and early 2000s, house prices were around three and a half to four and half times average annual earnings. However, by 2003, this ratio increased to five or more, and has stayed around that level ever since.<sup>103</sup> For first home buyers today, this can mean extended periods in the private rental sector, putting pressure on the availability of rental properties.<sup>104</sup>

## A.2 Repayment affordability

As demonstrated in figure A.1 below, the ratio of housing debt to income increased throughout the late 1990s and early 2000s in line with relatively low inflation and financial deregulation that markedly increased the borrowing capacity of households.<sup>105</sup> While this means people are carrying and servicing proportionately more debt than they used to, ratios have remained relatively steady for almost a decade.<sup>106</sup>

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<sup>101</sup> National Housing Supply Council, *Second State of Supply Report*, NHSC, Canberra, 2010, p. 7.

<sup>102</sup> Australian Institute of Health and Welfare, *Housing Assistance in Australia 2013*, 2013, p. 7.

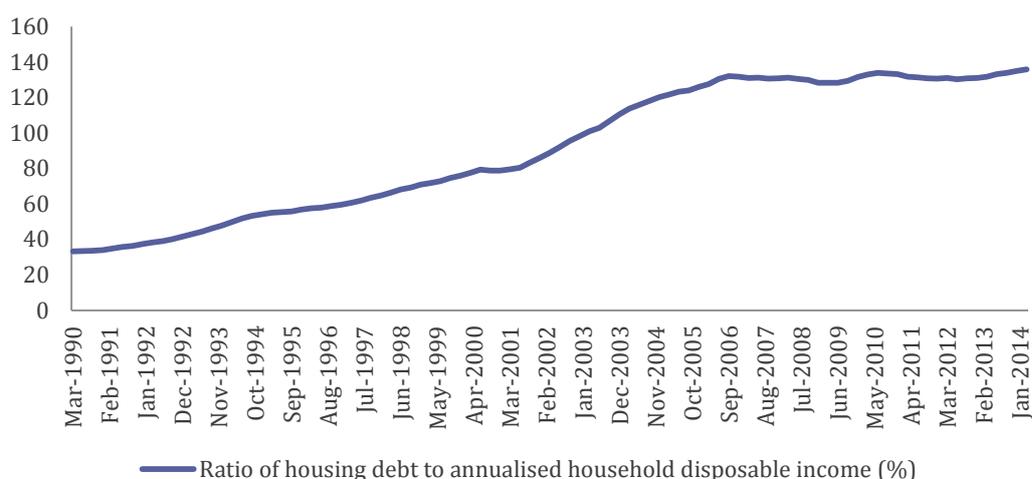
<sup>103</sup> Australian Institute of Health and Welfare, 2014, p. 17.

<sup>104</sup> Australian Institute of Health and Welfare, *Housing Assistance in Australia 2013*, 2013, p. 46.

<sup>105</sup> The Financial System Inquiry noted that households' appetite for housing debt also reflects the favourable treatment of housing by the tax and transfer system. Source: Commonwealth of Australia, *Financial System Inquiry Interim Report*, 2014, p. 2-52.

<sup>106</sup> Reserve Bank of Australia, *Household finances: selected ratios*, RBA, Sydney, 2014.

**Figure A.1: Ratio of housing debt to annualised household disposable income, 1990 to 2014**



Source: Reserve Bank of Australia, *Household finances: selected ratios*, RBA, Sydney, 2014.

Servicing housing debt presents more of a challenge for people with incomes in the bottom 40 per cent of Australia’s income distribution. As demonstrated in figure A.2 (see next section), a significant proportion of these households are in housing stress, and have been paying more than 30 per cent of their incomes on mortgage repayments for an extended period.

### A.3 Rental affordability

The private rental market plays an important role in the Australian housing market. According to the 2011 Census, almost one-third of Australian households are renting privately.<sup>107</sup> Private rental is a suitable tenure type for many people, and is an economic alternative to home ownership. However, it does have drawbacks compared to other forms of housing tenure. Private renters typically have less control over their property than home owners, and their tenancies are likely to be less stable and secure than those of public housing tenants.<sup>108</sup>

Moreover, there are limited private rental dwellings available which allow people on low incomes to spend less than 30 per cent of their income on rent. A survey in April 2014 found that, nation-wide, for a single person on minimum wage only four per cent of available rental accommodation was affordable and appropriate,<sup>109</sup> and for a single person on Newstart Allowance this reduced to less than one per cent.<sup>110</sup> Figure A.2 shows that 53.5 per cent of low-income households renting in the private market in 2011-12 paid more than 30 per cent of their income on rent. While this is down from a high of 59.2 per cent in 2000-01, it demonstrates that low-income private renters face some of the biggest affordability challenges. For these people,

<sup>107</sup> Australian Institute of Health and Welfare, *Housing Assistance in Australia 2013*, 2013, p. 43.

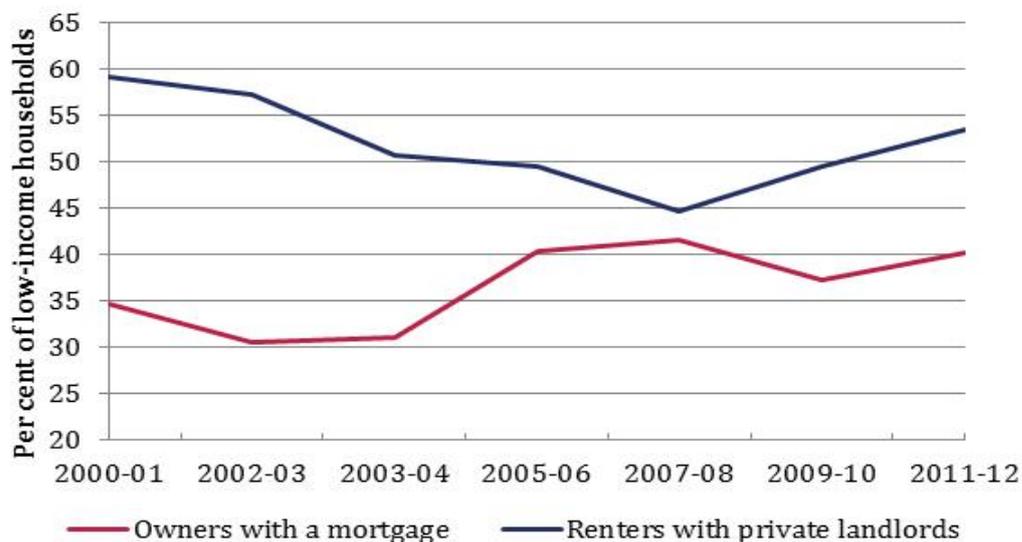
<sup>108</sup> Kelly, pp. 7, 19.

<sup>109</sup> Appropriateness was determined using the following assumptions: a room in a share house or a bedsit is suitable for a single person, a one-two bedroom property is suitable for a single person or couple, and a two-three bedroom property is suitable for parents with children; share houses and bed-sits are not suitable for couples; households with two children require a three bedroom property.

<sup>110</sup> Anglicare Australia, *Rental Affordability Snapshot*, Anglicare Australia, Canberra, 2014, p. 10.

Commonwealth Rent Assistance plays a particularly important role, and is often the sole form of housing assistance they receive.

**Figure A.2: Proportion of low-income households spending more than 30 per cent of gross income on housing costs**



Source: Australian Bureau of Statistics, *Housing Occupancy and Costs* (publications for survey years 2000-01 to 2011-12), cat. no. 4130.0 and 4130.0.55.001, ABS, Canberra, 2004, 2005, 2006, 2007, 2009, 2011 and 2013, table 5.

A lack of affordable private rental housing for low-income earners—particularly in the major cities—has led to an increase in the number of people living in marginal rental accommodation, such as caravans, boarding houses and motels.<sup>111</sup> While on the rise since the 1990s,<sup>112</sup> demand for marginal rental housing has been exacerbated by the impact of the global financial crisis.<sup>113</sup> Marginal housing tenancies are often poorly regulated and highly controlled by landlords, resulting in greater insecurity and disempowerment for tenants.<sup>114</sup>

#### A.4 Broader social and economic implications

Declining housing affordability for low-income earners also has broad social and economic implications.

- **Generational inequality: young** people are increasingly being priced out of the home ownership market, as they often lack the high, stable incomes needed to secure housing finance. In addition, they face discrimination in the private rental market, due to lower than average incomes and a reduced ability to demonstrate sound rental history.<sup>115</sup> Older people are also facing increasing difficulty maintaining an adequate standard of living in

<sup>111</sup> R Goodman et al., *The experience of marginal rental housing in Australia*, AHURI Final Report No. 210, Australian Housing and Urban Research Institute, Melbourne, 2013, p. 8.

<sup>112</sup> Goodman et al., p. 35.

<sup>113</sup> Goodman et al., p. 8.

<sup>114</sup> Goodman et al., p. 2.

<sup>115</sup> Australian Institute of Health and Welfare, *Housing Assistance in Australia 2013*, 2013, p. 33.

retirement, as more are retiring with significant housing debt<sup>116</sup> or while living in the private rental housing.<sup>117</sup> These issues are compounded for those who are reliant on the Age Pension.<sup>118</sup>

- **Reductions in spending:** when households have limited equity in their homes and are committed to high mortgage payments, or when low-income households are committed to high rental payments, resources can be diverted from other forms of consumption.<sup>119</sup> When 30 per cent or more of household income is committed to housing costs, fears about interest rate or rent rises, potential loss of income, or a lack of financial reserves, significantly affects the amount people are willing to spend on essentials like food, healthcare, education and transport.<sup>120</sup>
- **Delays in family formation:** in times of housing stress, people often put off having children, due to concerns about housing and financial security.<sup>121</sup>

There is also an important spatial dimension to affordability. As affordable housing is pushed further away from easy access to jobs and transport, workforce participation and productivity can be reduced.<sup>122</sup> The 2014 *Demographia International Housing Affordability Survey* found that none of Australia's main metropolitan housing markets are affordable.<sup>123</sup> The most unaffordable locations in Australia are its two largest cities, Sydney and Melbourne.<sup>124</sup>

## A.5 Housing affordability, homelessness and disadvantaged groups

Without access to government support, people unable to afford private rental housing are likely to have difficulty maintaining stable accommodation. Some confront additional challenges, including discrimination, mental illness or disability.

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<sup>116</sup> R Ong et al., *Assets, debt and the drawdown of housing equity by an ageing population*, AHURI Positioning Paper No. 153, Australian Housing and Urban Research Institute, Melbourne, 2013, p. 2.

<sup>117</sup> W Stone et al., *Long-term private rental in a changing Australian private rental sector*, AHURI Final Report No. 209, Australian Housing and Urban Research Institute, Melbourne, 2013, p. 14.

<sup>118</sup> M Lovering, *More retire with larger housing debt*, AHURI Evidence Review 055, Australian Housing and Urban Research Institute, Melbourne, 2014, p. 1.

<sup>119</sup> E Baker et al., *Scoping study on household responses to declining affordability*, Centre for Housing, Urban and Regional Planning, University of Adelaide, Adelaide, 2013, p. 9.

<sup>120</sup> J Yates and V Milligan, *Housing affordability: a 21<sup>st</sup> century problem*, AHURI Final Report No. 105, Australian Housing and Urban Research Institute, Melbourne, 2007, p. 21.

<sup>121</sup> J Yates, *Affordability and access to home ownership: past, present and future?* AHURI Research Report No. 10, Australian Housing and Urban Research Institute, Melbourne, 2007, p. 10.

<sup>122</sup> M Berry, *Housing affordability and the economy: a review of labour market impacts and policy issues*, AHURI Research Report No. 5, Australian Housing and Urban Research Institute, Melbourne, 2006, pp. iii-iv.

<sup>123</sup> Australian Institute of Health and Welfare, 2014, p. 21.

<sup>124</sup> Australian Institute of Health and Welfare, 2014, p. 21.

Indigenous Australians face discrimination, overcrowding, and a shortage of suitable housing, especially in regional and remote areas. Relationships with public housing authorities can be conflicted, and tenants are sometimes absent for extended periods due to family and cultural commitments.<sup>125</sup> Moreover, some Indigenous households act as community hubs, exceeding household maximum occupancy rules and meaning Indigenous Australians are more than five times as likely to live in overcrowded accommodation as non-Indigenous Australians.<sup>126</sup> Indigenous Australians are also over-represented in the homeless population.<sup>127</sup>

Increasing numbers of older people are facing housing difficulties due to both affordability and suitability challenges, especially if they have never achieved home ownership.<sup>128</sup> Between 1981 and 2011, the number of older people in the private rental sector increased, with the proportion of people aged 35-54 renting privately up from 16.6 per cent to 25.8 per cent, and the proportion of people aged 55 and above up from 8.9 per cent to 10 per cent.<sup>129</sup> There is also an increasing incidence of older people renting long-term (that is, for 10 years or more continuously).<sup>130</sup>

Despite the increasing number of older renters, young people continue to be more likely to rent than other age groups.<sup>131</sup> They are also over-represented in the homeless population.<sup>132</sup> Specific groups of young people, such as those leaving state care, are more vulnerable to periods of housing instability and homelessness.<sup>133</sup> The younger a person is when they become homeless, the more likely it is they will remain homeless for longer periods.<sup>134</sup>

While people with disability are more likely to own their homes than those without disability,<sup>135</sup> they are also more likely to have lower incomes, fewer housing options, require physical modifications to their homes, and rely on social housing and support services.<sup>136</sup> Appropriate housing for people with disability is a long-standing issue. The introduction of the National Disability Insurance Scheme provides an opportunity for all governments to address the issue.<sup>137</sup>

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<sup>125</sup> C Birdsall-Jones and V Corunna, *The housing careers of Indigenous urban households*, AHURI Final Report No. 112, Australian Housing and Urban Research Institute, Melbourne, 2008, pp. 11-24.

<sup>126</sup> P Memmott et al., *Australian Indigenous house crowding*, AHURI Final Report No. 194, Australian Housing and Urban Research Institute, Melbourne, 2012, p. 3; Habibis et al., p. 83.

<sup>127</sup> Department of Health and Ageing, *Homelessness and mental health linkages: review of national and international literature*, DoHA, Canberra, 2005, p. 1.

<sup>128</sup> V Milligan and A Tiernan, 'No Home for Housing: The Situation of the Commonwealth's Housing Policy Advisory Function', *Australian Journal of Public Administration*, Vol. 70, No. 4, 2011, p. 404.

<sup>129</sup> Stone et al., p. 14.

<sup>130</sup> Stone et al., p. 2.

<sup>131</sup> Australian Institute of Health and Welfare, *Housing assistance in Australia 2013*, 2013, p. 33.

<sup>132</sup> C Chamberlain, *Homelessness: re-shaping the policy agenda*, AHURI Final Report No. 221, Australian Housing and Urban Research Institute, Melbourne, 2014, p. 12.

<sup>133</sup> Australian Institute of Health and Welfare, *Housing assistance in Australia 2013*, 2013, p. 33.

<sup>134</sup> Australian Institute of Health and Welfare, *Housing assistance in Australia 2013*, 2013, p. 33.

<sup>135</sup> This is because (notwithstanding the increasing prevalence of older people in the private rental sector) older people are more likely to own their home, and the prevalence of disability increases with increasing age.

<sup>136</sup> Australian Institute of Health and Welfare, *Housing assistance in Australia 2013*, 2013, pp. 38-41.

<sup>137</sup> Joint Standing Committee on the National Disability Insurance Scheme, *Progress report on the implementation of the National Disability Insurance Scheme*, Senate Affairs Committee Secretariat, Canberra, 2014, pp. 41, 70.

People in regional and remote areas are over-represented among those sleeping rough or living in improvised dwellings (representing 61 per cent of this cohort in the 2011 Census).<sup>138</sup> Access to housing, homelessness and related mainstream services is more difficult outside major cities, as housing markets are smaller and workforce opportunities are more limited.

Almost one-third of people receiving assistance from specialist homelessness services in 2012-13 were escaping family and domestic violence.<sup>139</sup> Most often these were women and children.<sup>140</sup> In 2012-13, adult family members and children accounted for 34 per cent of those accessing specialist homelessness services, with the majority of this group female and nearly half under ten years of age.<sup>141</sup> Responding to homelessness among family groups is particularly important given children affected by homelessness are likely to have lower future educational attainment, greater risk of health issues and experience developmental difficulties or delays.<sup>142</sup>

Mental illness can contribute to difficulties in maintaining stable housing, employment and relationships. In 2012-13, 20 per cent of people who accessed specialist homelessness services were identified as having mental illness.<sup>143</sup> People with mental illness are more likely to receive a longer period of support, access accommodation and be accommodated for longer periods than the average specialist homelessness services client.<sup>144</sup>

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<sup>138</sup> Australian Bureau of Statistics, *Census of Population and Housing: Estimating Homelessness 2011*, 2011.

<sup>139</sup> Australian Institute of Health and Welfare, *Specialist homelessness services: 2012–2013*, cat. no. HOU 273, AIHW, Canberra, 2013, p. 78.

<sup>140</sup> Australian Institute of Health and Welfare, *Specialist homelessness services: 2012–2013*, 2013, p. 79.

<sup>141</sup> Australian Institute of Health and Welfare, *Specialist homelessness services: 2012–2013*, 2013, pp. 64, 66.

<sup>142</sup> Dockery et al., 2010, p.18.

<sup>143</sup> Australian Institute of Health and Welfare, *Specialist homelessness services: 2012–2013*, 2013, p. 83.

<sup>144</sup> Australian Institute of Health and Welfare, *Specialist homelessness services: 2012–2013*, 2013, p. 83.

## Box A.1: Defining homelessness

There is no internationally agreed definition of homelessness and there are fundamental difficulties in attempting to define it.<sup>145</sup> However, there is general agreement that 'homelessness' means more than 'house-less-ness' and includes concepts such as social isolation, adequacy of facilities, and marginalisation.<sup>146</sup>

For its 2011 Census, the Australian Bureau of Statistics developed a statistical definition of homelessness whereby a person is considered homeless if they do not have suitable accommodation alternatives and their current living arrangement:

- is in a dwelling that is inadequate (considering whether the structure of the dwelling renders it fit for human habitation and whether the dwelling has access to basic facilities); or
- has no tenure, or their initial tenure is short and not extendable (considering a person's legal right to occupy a building); or
- does not allow them control of, and access to, space for social relations.

People must lack one of these three elements to be considered homeless. This includes people who have a place to sleep but do not have a 'home' in the accepted sense of the word; that is, a sense of security, stability, privacy, safety and the ability to control living space. There are practical difficulties capturing all elements of this definition, dictated by the scope and field procedures of data collection.

The transition from the previous understandings of homelessness has resulted in shifts in the number and composition of the reported homeless population, largely due to an increase in those reported as homeless due to overcrowding.

*Sources: Australian Bureau of Statistics, Information Paper – a statistical definition of homelessness, cat. no. 4922.0, ABS, Canberra, 2012; Chris Chamberlain, Homelessness: re-shaping the policy agenda? AHURI Final Report No. 221 Australian Housing and Urban Research Institute, Melbourne, 2014, pp. 5-8.*

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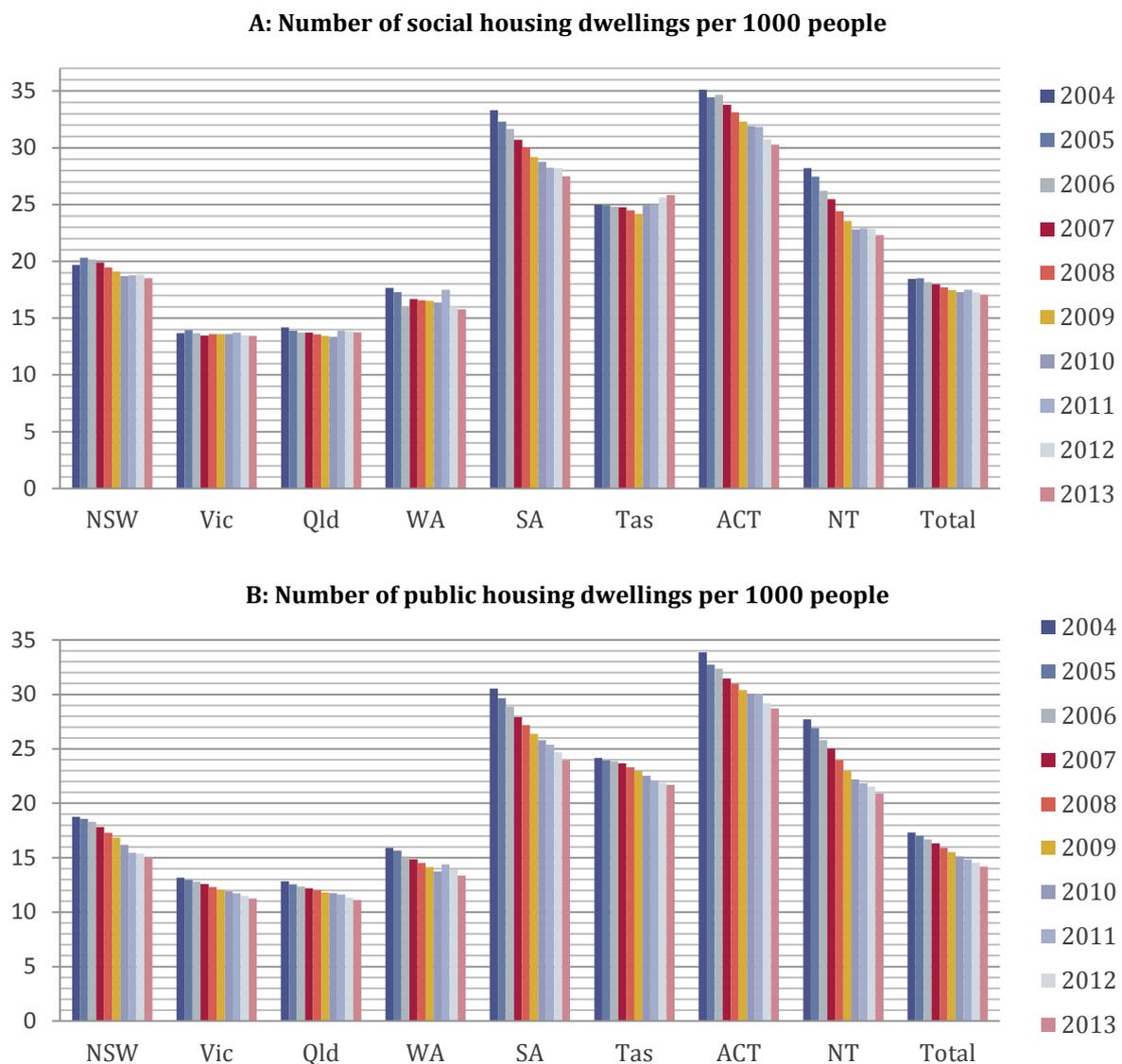
<sup>145</sup> Australian Bureau of Statistics, *ABS Review of Counting the Homeless Methodology*, cat. no. 2050.0, ABS, Canberra, 2011.

<sup>146</sup> Department of Health and Ageing, p. iv.

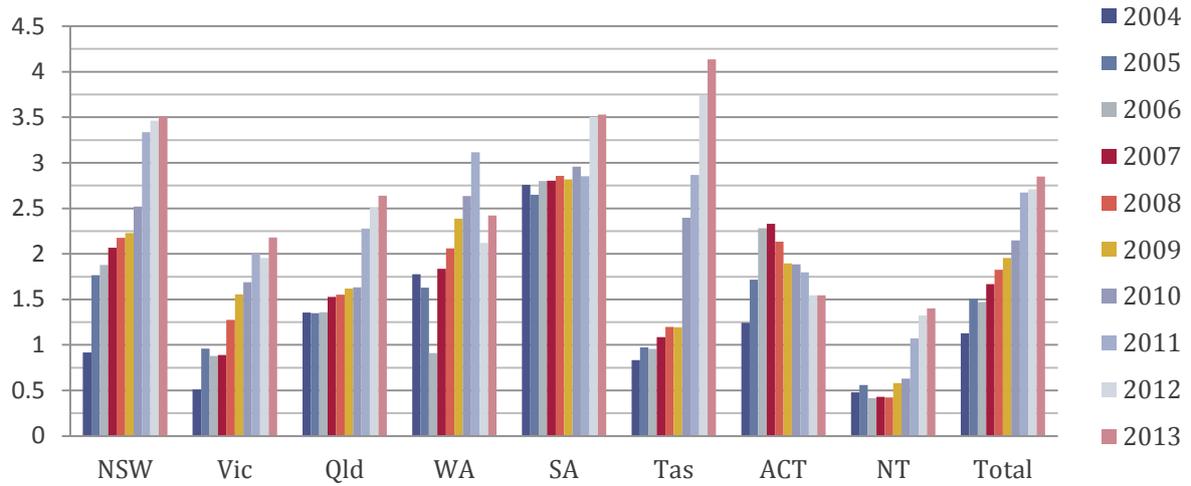
## APPENDIX B: SOCIAL HOUSING STOCK

Figure B.1 illustrates that, since 2004, the number of social housing dwellings per capita has declined in all States and Territories except Tasmania, although South Australia and the Australian Capital Territory continue to have the highest number of dwellings relative to their population (see chart A). The decline in social housing is particularly significant in the public housing sector, where the number of dwellings per capita has decreased in all jurisdictions (chart B). While there has been a significant increase in the number of community housing dwellings per capita in all jurisdictions since 2004 (chart C), this has not completely offset the effect of the reduction in public housing on the overall social housing stock.

**Figure B.1: Social housing stock in each State and Territory (excluding Indigenous specific housing), 2004 – 2013**



**C: Number of community housing dwellings per 1000 people**



Source: Steering Committee for the Review of Government Service Provision, *Review of Government Services 2014, Volume G: Housing and Homelessness*, Productivity Commission, Canberra, 2014, table 17A.3; Australian Bureau of Statistics, *Australian Demographic Statistics*, cat. no. 3101.0, ABS, Canberra, 2013.

## APPENDIX C: HOW HOUSING IS TAXED

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All levels of government in Australia influence the housing market through their tax policies, and each level of government has different tax levers.<sup>147</sup>

The Commonwealth taxes income and capital gains from residential investment properties and other properties. Owner-occupied housing is exempt from tax on **real capital gains** or **imputed rental income**.<sup>148</sup> It is also excluded from the means test for the **Age Pension** and other government payments. While rental income from residential investment properties is taxed, associated costs (such as depreciation and interest on borrowings) can be deducted against rental income. Housing-related deductions in excess of rental income, like all other expenses incurred in gaining income, can also be offset against other sources of income—generally known as **negative gearing**. Unlike owner-occupied housing, **capital gains tax (CGT)** is charged on the sale of a rental property, although a CGT discount may apply to properties held for more than 12 months. Investors are also able to use money held in **self-managed superannuation funds** to purchase investment properties. The Commonwealth also charges **Goods and Services Tax** on the sale of vacant land, new residential premises erected on vacant land, and building materials and services.

State and Territory governments apply **stamp duty to** transactions in residential property, calculated as a percentage of the purchase price. Rates vary from jurisdiction-to-jurisdiction. The exception to this is the Australian Capital Territory, which has **begun the process of phasing out stamp duty in favour of a broader land tax**. States and Territories (apart from the Northern Territory) also **apply land taxes**—generally on the ‘unimproved’ value of land (that is, not including any premises built on the land)—but taxpayers’ principal place of residence is exempt.

**Local governments also tax housing, as they charge municipal rates for the provision of services (such as rubbish removal) and local infrastructure. How rates are calculated varies** between and within jurisdictions, but is generally based on the value of the property—be it site value, capital value, annual value (that is, either the gross or net amount the owner could expect to receive in rental income), or some combination of these.

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<sup>147</sup> Sources: Kelly, pp. 23-24; Productivity Commission, *Inquiry into First Home Ownership*, PC, Canberra, 2004, pp. 76-83.

<sup>148</sup> Imputed rental income is the ‘implicit’ (implicit since no money is actually transferred) rent owner-occupiers can be thought of as paying to themselves for the value of housing services they receive. The value of imputed rent is what owners would need to pay if they rented their own houses at market rates.

# APPENDIX D: GOVERNMENT INVOLVEMENT IN HOUSING AND HOMELESSNESS SINCE FEDERATION

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## D.1 Pre-Federation

Housing shortages that led to high rents and minimal rights for tenants were an issue in the colonies before Federation.<sup>149</sup>

Colonial administrations had limited interest in housing policy, and the provision of low-income housing and services for the homeless were generally left to philanthropic organisations. However, poor sanitation and growing 'slum' populations became a serious public health concern in the second half of the nineteenth century, requiring urgent attention when States were formed.<sup>150</sup>

## D.2 1901 – 1940

Housing was not identified as a Commonwealth head of power in the *Australian Constitution*. As such, from Federation to the end of the Second World War, housing policies and programmes were largely the domain of the States. Services for the homeless were similarly outside the bailiwick of the Commonwealth and, prior to 1974, were delivered through a combination of State government and philanthropic programmes.

Australia's first important public housing initiative was the development of the Dacey Gardens estate by the New South Wales Government in 1912. Its aim was to provide low-cost dwellings for rent or sale, in competition with the private market.<sup>151</sup> The programme started well, but a series of political and administrative problems emerged after 1919 and it was abolished in 1924.<sup>152</sup>

Also in 1912, Western Australia established its Workers' Home Board (WHB), to address issues of housing affordability and availability following a ten-fold population increase since the mid-1880s. The WHB provided means-tested support to individuals and families to obtain

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<sup>149</sup> Troy, p. 8.

<sup>150</sup> C Pugh, *Intergovernmental relations and the development of Australian housing policies*, Centre for Research on Federal Financial Relations, Australian National University, Canberra, 1976, p. 6.

The Northern Territory and Australian Capital Territory were officially established (under Commonwealth control) on 1 January 1911, but not conferred with self-government until 1978 and 1988 respectively. As such, this paper refers to the 'States' until 1978, and the 'States and Territories' thereafter.

<sup>151</sup> Pugh, p. 12.

<sup>152</sup> At the behest of the recently elected Hughes Government, the programme escalated in 1919. However, delays in the completion of houses, combined with rapid price increases, led to a gap between the actual cost of dwellings and the cost prospective purchasers had been advised. In some cases, houses had to be sold below cost. Other houses were hard to sell because prices were out of reach for purchasers.

leasehold (rental) or freehold (purchased) homes. By June 1915, 231 leasehold homes had been constructed and 1200 freehold loans advanced.<sup>153</sup>

The first Commonwealth entrance into housing policy was by virtue of its authority under the defence powers of the Constitution. With the 1918-19 *War Homes Service Act*, the Commonwealth introduced low-interest housing loans to First World War veterans.<sup>154</sup> The programme was designed for a special group of people to whom the nation felt a debt of gratitude. It did not have broad aims around increasing stock in the housing market, and houses built or purchased under the programme were for permanent occupation by returned servicemen and their dependants.<sup>155</sup>

The 1927-28 *Commonwealth Housing Act* was introduced to provide housing finance for moderate-to-low-income earners through approved housing authorities and State banks.<sup>156</sup> It aimed to supplement various home loan schemes introduced by the States between 1909 and 1920, which were introduced to fill gaps left by housing credit markets and provide loan advances on terms which were attractive to low-income groups. The Commonwealth Government was of the view that State schemes had met the need for lower income housing, and directed assistance at salaried workers to help them move into home ownership.<sup>157</sup> However, the scheme was not successful in practice. In 1942, the Joint Parliamentary Committee on Social Security found that it resulted in little activity, largely due to the onset of the Great Depression in 1929-30. Only four financial institutions took up advances under the Act, and the amount paid under the scheme was less than eight per cent of the funds available.<sup>158</sup>

Throughout the 1930s, ideas began to emerge about frameworks within which the Commonwealth and State governments might cooperate in administering national housing policies.<sup>159</sup> During the 1934 federal election campaign, incumbent Prime Minister Lyons pledged to work with the States to deliver low-cost housing. While this did not proceed after the election (in light of doubts about the Constitutional validity of Commonwealth involvement in housing) these ideas subsequently influenced proposals for post-war reconstruction.<sup>160</sup>

This period also saw the establishment of numerous State housing authorities (in addition to Western Australia's WHB), which aimed to provide low-cost rental accommodation to working families, and redevelop 'slum' areas that had fallen into disrepair during the Great Depression. Over the coming decades, the remit of State housing authorities continued to expand, in recognition that cheap and decent housing was critical for industrial growth and retention of a local workforce. Over time, all began offering home loans to existing tenants. The provision of home finance to low-income earners was so successful in some States that organisations

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<sup>153</sup> Sourced from the West Australian Department of Premier and Cabinet. See the Workers' Homes Board Annual Report of 1915 for further detail.

<sup>154</sup> Milligan and Tiernan, p. 393.

<sup>155</sup> Troy, p. 31.

<sup>156</sup> Troy, p. 31.

<sup>157</sup> Troy, p. 32.

<sup>158</sup> Troy, p. 33.

<sup>159</sup> Ronald Mendelsohn, Secretary of the Joint Parliamentary Committee on Social Security, was influential in setting the direction of post-war housing policy. F.O. Barnett and W.O. Burt were also prominent commentators.

<sup>160</sup> Troy, pp. 34-35.

specifically for this purpose, such as HomeStart Finance in South Australia and Keystart in Western Australia, continue to this day.

### D.3 1941 – 1955

It was in the changed social, political and economic landscape following the Second World War that the Commonwealth pursued major housing initiatives for the first time.

The Joint Parliamentary Committee on Social Security was appointed in 1941 to begin grappling with ideas about social security in the post-war era. Its report (tabled in 1942) made clear that it considered planned housing on a national scale essential to post-war economic development.<sup>161</sup>

The Department of Post-War Reconstruction was established in 1942, at a time the Second World War was fundamentally changing the relationship between citizen and state. The focus on *national* effort and sacrifice bolstered people’s sense of connection with the Federal Government, and shifted public perceptions about the role of the Commonwealth.<sup>162</sup> This eventually led to the widening of the Commonwealth’s social services power in the 1946 referendum.<sup>163</sup> In addition, the landmark *First Uniform Tax Case* in 1942 enabled the Commonwealth to increase its tax raising capacity by offering financially attractive arrangements to the States and Territories.<sup>164</sup> This gave the Commonwealth command of significant resources and the ability to pursue major social initiatives for the first time.

The Commonwealth Housing Commission (CHC) was established in 1943 to examine Australia’s housing requirements in the post-war period.<sup>165</sup> This took place on the understanding that immediately following the war there would be a massive demand for housing, not only to meet the existing shortfall of the depression years, but also to meet demand from demobilised servicemen and the expected influx of migrants.<sup>166</sup> In its 1944 report, the CHC estimated a nation-wide shortage of around 300,000 dwellings. However, these assertions were supported by little empirical evidence or data. There was a mood at the time that the need for action was self-evident and the case for strong action by government did not need to be justified.<sup>167</sup> The Commonwealth Government was under considerable pressure—from both the public and its political opponents—about housing deficiencies in Australia, and was accused of producing “planners galore but no houses”.<sup>168</sup>

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<sup>161</sup> Troy, pp. 44-45.

<sup>162</sup> A Bashford and S Macintyre (eds), *The Cambridge History of Australia: Volume 2, The Commonwealth of Australia*, Cambridge University Press, Melbourne, 2013, pp. 40, 49, 62, 89, 105.

<sup>163</sup> See section 51(xxiiiA) of the Constitution. The Commonwealth’s power was extended from invalid and old age pensions to “the provision of maternity allowances, widows’ pensions, child endowment, unemployment, pharmaceutical, sickness and hospital benefits, medical and dental services (but not so as to authorise any form of civil conscription), benefits to students and family allowances.”

<sup>164</sup> *South Australia and Ors v the Commonwealth* [The First Uniform Tax Case] (1942) 65 CLR 373, 417, Latham CJ.

<sup>165</sup> Pugh, pp. 22-23.

<sup>166</sup> Troy, p. 48.

<sup>167</sup> Troy, pp. 53-54.

<sup>168</sup> Troy, p. 85.

It was in this context that the first Commonwealth-State Housing Agreement (CSHA) was negotiated in 1945, to provide Commonwealth housing loans to the States under section 96 of the Constitution.<sup>169</sup> The CSHA deliberately had a narrower focus than the wide-ranging recommendations of the CHC report, given the need for all governments to agree; but it did reflect the CHC's major recommendation: the implementation of a public rental housing programme funded by the Commonwealth and administered by the States.<sup>170</sup> The agreement was limited to the construction of new dwellings, rather than the purchase of existing stock, and its stated purpose was to provide homes for working families and returned servicemen and their families.<sup>171</sup> A key requirement was that the States charge economic rents,<sup>172</sup> with rent rebates provided for tenants for whom economic rents exceeded 20 per cent of income.<sup>173</sup> The CSHA was integral to the massive expansion of Australia's housing stock in the post-war period.<sup>174</sup>

At the same time as the CSHA was developed, rent controls introduced during the war (designed to protect tenants from profiteering landlords) were eroding the private rental market, as much of the rental stock in inner-city locations was sold off by owners who wanted to realise capital gains and shift investment into activities with a higher rate of return.<sup>175</sup>

#### D.4 1956 – 1972

State home ownership programmes had been carried over from the pre-war years. Over time, all States began to press the Commonwealth to include home ownership in the scope of the CSHA.<sup>176</sup> This pressure, coupled with a changed Federal Government (under Prime Minister Menzies) that favoured encouragement of home purchase over provision of public housing, and a period of economic growth that placed home ownership within reach of working families, led to a new CSHA in 1956. Under the new agreement, a portion of CSHA advances—known as the Home Builders' Account—were allocated to building societies and other approved institutions for the purpose of financing the construction of private owner-occupied dwellings.<sup>177</sup> The agreement also relaxed conditions around the sale of CSHA financed dwellings.

The 1961 and 1966 CSHAs were little changed from the 1956 agreement, and did not introduce any major reforms.

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<sup>169</sup> G McIntosh, *The Commonwealth State Housing Agreement*, Australian Parliamentary Library Publications, Canberra, 2001, viewed 12 September 2014, [http://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/Publications\\_Archive/archive/StateHouseAgree](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/Publications_Archive/archive/StateHouseAgree).

<sup>170</sup> Troy, p. 86.

<sup>171</sup> Yates, 2013, p. 113.

<sup>172</sup> A rent struck to recover the costs of constructing the dwelling, including a modest interest rate on borrowed funds.

<sup>173</sup> Yates, 2013, p. 113.

<sup>174</sup> Kelly, p. 14; Paris, p. 78.

<sup>175</sup> Troy, p. 122.

<sup>176</sup> Pugh, pp. 32-33.

<sup>177</sup> Pugh, p. 67.

In 1958, the Commonwealth introduced a Supplementary Allowance—later named Commonwealth Rent Assistance (CRA)—to provide a small additional payment to single age, invalid and widow pensioners who had no other income and were living in rental accommodation.<sup>178</sup> At this time, rates of home ownership were high, and being a non-homeowner in retirement was seen as an indicator of disadvantage.

The 1967 referendum was an important juncture in the history of government involvement in housing and homelessness, as the exclusion on the Commonwealth's ability to legislate with respect to Indigenous Australians was removed. Since this time, housing requirements for Indigenous people, particularly in remote areas, have been treated as somewhat separate from general housing assistance. Specific grants for 'Aboriginal advancement' were made to the States from 1968-69,<sup>179</sup> a significant portion of which went towards housing.<sup>180</sup> Grants were to be used for the construction of new houses and purchase of land for houses. They were designed to supplement existing State expenditure on housing, and it was expected States would maintain real levels of spending.<sup>181</sup> The Commonwealth also earmarked a portion of CSHA funding for Indigenous housing under the Aboriginal Rental Housing Programme.<sup>182</sup> An Office of Aboriginal Affairs was also established at this time. The work of the Office was relatively low-key in its first few years, but expanded significantly following the election of the Whitlam Government in 1972 and the subsequent creation of a Department of Aboriginal Affairs.<sup>183</sup>

## D.5 1973 – 2007

The 1970s marked an important shift in the Commonwealth's approach to housing and homelessness, as the focus moved from subsidising dwellings to subsidising individuals and recasting housing assistance as part of the welfare system.<sup>184</sup> This was based on concerns about the inequity of assistance for people in different forms of housing tenure, heavily based on arguments put forward in the Henderson report.<sup>185</sup>

In 1973, the Federal Government (under Prime Minister Whitlam) developed a new CSHA that reflected a different attitude towards housing. The CSHA shifted back to a focus on promoting public housing, and reintroduced some restrictions on the sale of CSHA financed dwellings.<sup>186</sup> It also allowed for existing dwellings to be purchased and renovated as public housing stock. The agreement began to target assistance based on need, both in terms of recipients of public

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<sup>178</sup> K Hulse, *Demand subsidies for private renters: a comparative review*, AHURI Final Report No. 24, Australian Housing and Urban Research Institute, Melbourne 2002, p. 10.

<sup>179</sup> Pugh, p. 48.

<sup>180</sup> J Long, 'The Commonwealth Government and Aboriginal Housing, 1968-81', in P Read (ed.), *Settlement: a history of Australian Indigenous housing*, Aboriginal Studies Press, Canberra, 2000, p. 106.

<sup>181</sup> Long, 2000, p. 107.

<sup>182</sup> Aboriginal and Torres Strait Islander Commission, *Community Housing and Infrastructure Programme: Policy for 2002-2005*, ATSIIC, Melbourne, 2002, p. 11; M Neutze, 'Housing for Indigenous Australians', *Housing Studies*, Vol. 15, No. 4, 2000, p. 495.

<sup>183</sup> Department of Parliamentary Services, *Commonwealth expenditure on Indigenous affairs 1968-2004*, Australian Parliamentary Library Publications, Canberra, 2004, p. 1.

<sup>184</sup> Yates, 2013, p. 114.

<sup>185</sup> Troy, p. 171.

<sup>186</sup> Pugh, p. 52.

housing, and in determining annual advances to the States based on their individual economic conditions.<sup>187</sup>

The 1973 Federal Budget provided more than \$30 million for Indigenous housing, with the aim of seeing “all Aboriginal families properly housed within a period of 10 years.”<sup>188</sup>

The 1978 CSHA continued to focus on providing housing based on need; however, it also removed the long-observed principle of economic rents for tenants of public housing,<sup>189</sup> replacing this with a requirement for States and Territories to charge rents more closely aligned with market rates.<sup>190</sup> Rental rebates were available for very low-income tenants. It was expected that this would generate more income for State and Territory housing authorities. However, the targeting of housing based on need changed the composition of tenants, and increasing numbers of low-income tenants became eligible for rental rebates (85 per cent of tenants by 1990), meaning expected income gains did not eventuate.<sup>191</sup>

In light of this, the Commonwealth changed CSHA funding from loans to grants, to reduce the cost of funds for the States and Territories. This was accompanied by a requirement, in the context of the 1978-79 Commonwealth Budget, that States and Territories match Commonwealth CSHA advances.<sup>192</sup> Matched funding requirements were strengthened throughout the 1980s, and CSHAs began to prioritise programmes aimed at specific groups (for example, pensioners and Indigenous Australians).<sup>193</sup> As at June 2013, outstanding CSHA loans and loans made under States (Works & Housing) Assistance Acts totalled \$2.4 billion.<sup>194</sup>

The Commonwealth also began to place greater emphasis on CRA from the mid-to-late 1980s, building on its former role as a Supplementary Allowance for some pensioners. Eligibility was gradually expanded until, by 1990, it covered almost everyone in receipt of an income support payment.<sup>195</sup> By the mid-1990s, CRA was increased automatically in line with the Consumer Price Index, and overtook CSHA funding as the major form of housing assistance, as demonstrated in figure D.1 below.

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<sup>187</sup> Pugh, pp. 53-54.

<sup>188</sup> Long, 2000, p. 110.

<sup>189</sup> As defined in Schedule 1, Clause 4 of the *Commonwealth and State Housing Agreement Act 1945*.

<sup>190</sup> Troy, p. 181.

<sup>191</sup> Yates, 2013, p. 114.

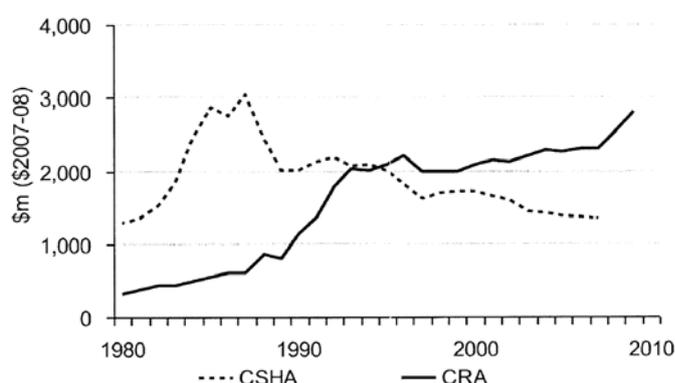
<sup>192</sup> McIntosh.

<sup>193</sup> McIntosh.

<sup>194</sup> Treasury, *Budget 2014-15 – Budget Paper No. 3, Appendix D: Debt Transactions*, Treasury, Canberra, 2014, p. 132; Australian Office of Financial Management, *Portfolio position at 30 June 2013: housing loans administered by the AOFM*, viewed 25 September 2014, [http://aofm.gov.au/files/2013/07/2013-Table\\_P11.pdf](http://aofm.gov.au/files/2013/07/2013-Table_P11.pdf).

<sup>195</sup> M Lovering, *Rent Assistance: essential for low-income renters*, Evidence Review 044, Australian Housing and Urban Research Institute, Melbourne, 2013, p. 1.

**Figure D.1: Expenditure on housing assistance – Australia, 1980 to 2010**



Source: J Yates, 'Evaluating social and affordable housing reform in Australia: lessons to be learned from history', *International Journal of Housing Policy*, Vol. 134, No. 2, 2013, p. 115.

As capital funding under the CSHA decreased, the total stock of public housing remained stagnant, leading to a **reduction in public housing stock** as a proportion of all housing (from 5.6 per cent in 1971 to four per cent in 2011).<sup>196</sup>

The 1980s also saw an increasing focus on programmes to boost home ownership, particularly making home ownership more affordable for those entering the market for the first time. To this end, a First Home Owners Assistance Scheme was introduced by the Commonwealth in 1983 to stimulate the building industry and increase the proportion of owner-occupiers.<sup>197</sup> Funds were made available to anyone who had not previously owned a property. While the scheme may have helped 'hold the line' on home ownership (which had hovered around 70 per cent since the 1966 Census),<sup>198</sup> financial deregulation in the 1980s created a market—rather than state—controlled housing system, reducing the need for Commonwealth involvement.<sup>199</sup> This, combined with the recession Australia faced at the beginning of the 1990s, led to the abolition of the scheme in 1990.<sup>200</sup>

In 1990, the Department of Aboriginal Affairs was replaced with the Aboriginal and Torres Strait Islander Commission,<sup>201</sup> which created the Community Housing and Infrastructure Programme (CHIP) to deliver additional community housing and related infrastructure and municipal services to Indigenous communities.<sup>202</sup> CHIP was designed to supplement CSHA funding, in recognition of the specific housing disadvantage Indigenous people faced.<sup>203</sup> However, a review of CHIP in early 2007 found that, despite significant Commonwealth funding, it had not served the needs of Indigenous Australians in remote communities well, and was poorly managed with

<sup>196</sup> Australian Bureau of Statistics, *Housing Occupancy and Costs, 2011-12*, 2013.

<sup>197</sup> Troy, p. 190.

<sup>198</sup> Troy, p. 190.

<sup>199</sup> A Tiernan and T Burke, 'A load of old garbage: applying garbage-can theory to contemporary housing policy', *Australian Journal of Public Administration*, Vol. 61, No. 3, 2002, p. 92.

<sup>200</sup> Tiernan and Burke, p. 92.

<sup>201</sup> Department of Parliamentary Services, p. 1.

<sup>202</sup> Aboriginal and Torres Strait Islander Commission, p. 12.

<sup>203</sup> Aboriginal and Torres Strait Islander Commission, p. 11.

overly complex funding arrangements.<sup>204</sup> A new framework was established, wherein remote Indigenous housing was provided under the Australian Remote Indigenous Accommodation (ARIA) Programme, and all other Indigenous housing was provided by mainstream services.<sup>205</sup>

In 1995-96, the Council of Australian Governments (COAG) considered reforms to clarify roles and responsibilities in housing.<sup>206</sup> COAG endorsed proposals that would see the Commonwealth accept responsibility for providing cash subsidies to private and public tenants, and the States and Territories accept responsibility for managing and funding public housing at market rents.<sup>207</sup> At the time, negotiations for the 1996 CSHA were already underway, and it was proposed that this continue as a transitional arrangement while longer-term reforms were negotiated. However, the Commonwealth ultimately decided not to proceed with the reforms.<sup>208</sup> In June 1997, Housing Ministers looked instead to other strategies to improve the sector, but these largely focused on efficiencies in housing agencies, rather than reforms to housing assistance policy.<sup>209</sup> The focus on agency efficiency throughout the 1990s was strongly influenced by the 1993 Industry Commission report on public housing, which recommended a range of organisational reforms to achieve greater efficiency in the management of existing public housing stock.<sup>210</sup>

The Commonwealth became involved in grants to first home buyers again in 2000-01, in partnership with the States and Territories. The First Home Owner Grant was designed to help offset the effect of the Goods and Services Tax on the purchase or building of a first home. The 2004 Productivity Commission Inquiry into First Home Ownership found that, while the grants did increase demand for housing by 'pulling forward' house purchases that would otherwise have occurred somewhat later, this was a minor contributor to the surge in house prices at the time. Given their minor contribution to increased house prices, the Productivity Commission also concluded that the presence of the grant would translate to only a small increase in supply, given its relatively low value in relation to house prices, and its limitation to a specific group of purchasers.<sup>211</sup> The Commonwealth no longer provides direct subsidies to first home buyers, although, in line with the Intergovernmental Agreement on Federal Financial Relations (IGA FFR) the scheme has continued in various forms in the States and Territories. It now applies almost exclusively to the purchase of a newly constructed home.

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<sup>204</sup> PricewaterhouseCoopers, *Living in the sunburnt country: findings of the review of the Community Housing and Infrastructure Programme*, Department of Families, Community Services and Indigenous Affairs, Canberra, 2007, p. 16.

<sup>205</sup> S Long et al., *The sunburnt country or the big smoke? Reshaping Indigenous housing*, University of Queensland, Brisbane, 2007, p. 3.

<sup>206</sup> Council of Australian Governments, *COAG Communiqué*, 14 June 1996, viewed 12 September 2014, [http://archive.coag.gov.au/coag\\_meeting\\_outcomes/1996-06-14/index.cfm](http://archive.coag.gov.au/coag_meeting_outcomes/1996-06-14/index.cfm).

<sup>207</sup> Department of Social Services, *Housing Assistance Act 1996 – Annual Report*, DSS, Canberra, 1996-97, p. 3.

<sup>208</sup> Department of Social Services, 1996-97, p. 5.

<sup>209</sup> Tiernan and Burke, pp. 91-93.

<sup>210</sup> Tiernan and Burke, p. 93.

<sup>211</sup> Productivity Commission, 2004, p. 73.

First Home Saver Accounts were introduced by the Commonwealth in 2007. These gave people saving for their first home access to government co-contributions and concessional tax treatment on any interest earned to help grow their deposit. At September 2013, approximately 45,300 accounts had been opened with funds of approximately \$500 million.<sup>212</sup>

### D.5.1 Homelessness

Prior to 1974, homelessness assistance was primarily delivered through a combination of philanthropic and State government programmes. Commonwealth Government assistance was introduced through the *Homeless Persons Assistance Act* 1974, with payments to approved not-for-profit organisations for delivery of food, accommodation and social welfare services to the homeless.<sup>213</sup>

In 1985, through the *Supported Accommodation Assistance Act*, Commonwealth and State and Territory homelessness programmes were consolidated under a single nationally coordinated programme.<sup>214</sup> The Supported Accommodation Assistance Programme (SAAP) was jointly funded by Commonwealth and State and Territory governments, managed by States and Territories, and delivered mainly by non-government organisations.

A National Homelessness Strategy was funded by the Commonwealth from 1999 until 2009. It sought to develop innovative ways to prevent and respond to homelessness and raise awareness of best practice models in order to inform policy and programme development and service delivery, including services delivered through SAAP.

## D.6 2008 – current

The National Rental Affordability Scheme (NRAS) was established in 2008 to increase the supply of affordable rental housing to people on low-to-moderate incomes by offering financial incentives to the private or not-for-profit sectors to build and rent out dwellings to low-income earners, at 20 per cent below the average market rate.<sup>215</sup> Through the NRAS, more than 21,000 homes had been or were ready to be tenanted at June 2014, and around a further 16,000 homes were under development.<sup>216</sup> The Commonwealth announced in the 2014-15 Federal Budget that round five of the NRAS would not go ahead due to the scheme failing to achieve its national delivery targets despite ongoing government funding.<sup>217</sup>

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<sup>212</sup> Australian Prudential Regulation Authority, *First Home Saver Accounts*, viewed 12 September 2014, <http://www.apra.gov.au/crossindustry/FHSA/Pages/default.aspx>.

<sup>213</sup> Australian Institute of Health and Welfare, *Australia's welfare 1999: services and assistance*, cat. no. AUS 16, AIHW, Canberra, 1999, p. 301.

<sup>214</sup> Australian Institute of Health and Welfare, 1999, p. 301.

<sup>215</sup> Department of Social Services, *National Rental Affordability Scheme – information for participants*, DSS, Canberra, 2014, p.1.

<sup>216</sup> Sourced from the Commonwealth Department of Social Services.

<sup>217</sup> K Andrews (Minister for Social Services), *Round 5 of flawed National Rental Affordability Scheme not proceeding*, press release, Parliament House, Canberra, 13 May 2014.

Following the introduction of the IGA FFR, in 2009 a new National Affordable Housing Agreement (NAHA) consolidated a number of older housing agreements (particularly the CSHA and SAAP) and provided a new intergovernmental vehicle for joint commitment to enhance housing outcomes. Funding for specific programmes was facilitated through time-limited National Partnership Agreements operating alongside the high-level, ongoing NAHA.

There has been some criticism of the performance framework set out in the NAHA, with the COAG Reform Council (CRC)<sup>218</sup> finding in its 2013 report that further work was needed to improve measurement of sustainable housing outcomes for people who are homeless or at risk of homelessness.<sup>219</sup> The CRC also reported difficulty assessing performance against NAHA outcomes due to insufficient data, and inability to link activities under National Partnership Agreements to the NAHA objectives.<sup>220</sup>

One of the key National Partnership Agreements established under the NAHA is the National Partnership Agreement on **Remote Indigenous Housing** (NPARIH), which commenced in 2008-09, replacing the ARIA and other Indigenous housing programmes. NPARIH provides around **\$5.5 billion over 10 years to 2018**, to address overcrowding, homelessness, poor housing conditions, and the severe shortage of housing in remote Indigenous communities.<sup>221</sup> In particular, NPARIH is aimed at increasing the supply of new housing and reforming property and tenancy management arrangements. A 2013 review of progress found that targets for capital works and Indigenous employment had been exceeded by the end of 2012, and property and tenancy management reforms, while not as advanced, were underway in all jurisdictions.<sup>222</sup>

The 2009 Social Housing Initiative (SHI) was part of the Commonwealth's Nation Building and Jobs Plan. The main aims of the SHI were to stimulate the construction industry, increase the supply of social housing, and provide long-term accommodation opportunities for homeless people. The SHI supported the construction of new houses (\$5.2 billion) and repair of existing stock (\$400 million) across all States and Territories.<sup>223</sup> It resulted in the construction of around 19,700 new social housing dwellings, many of which were transferred to the community housing sector for management.<sup>224</sup>

Operating alongside the SHI, the National Partnership Agreement on Social Housing provided \$400 million over 2008-09 and 2009-10 to deliver additional social housing dwellings and support growth in the community housing sector. This agreement helped to deliver over 1,950 social housing dwellings.

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<sup>218</sup> The COAG Reform Council was established in 2006 as an independent body to monitor and report on performance against COAG targets. The Council ceased operation in June 2014.

<sup>219</sup> COAG Reform Council, 2013, p. 33.

<sup>220</sup> COAG Reform Council, 2012, p. xi.

<sup>221</sup> Department of Families, Housing, Community Services and Indigenous Affairs, *National Partnership Agreement on Remote Indigenous Housing – Progress Review (2008-2013)*, 2013, pp. 14-15.

<sup>222</sup> Department of Families, Housing, Community Services and Indigenous Affairs, *National Partnership Agreement on Remote Indigenous Housing – Progress Review (2008-2013)*, 2013, p. 7.

<sup>223</sup> Department of Social Services, *Social Housing Initiative – Factsheet*, 2013, p. 1.

<sup>224</sup> Pawson et al., p. 2.

Other recent Commonwealth housing initiatives include the Housing Affordability Fund, which provided \$396.2 million over five years to June 2013 to States and Territories and local governments to reduce housing-related infrastructure and planning costs, and the Building Better Regional Cities programme, investing \$109 million in local infrastructure projects to increase affordable housing in regional centres.

In May 2013, the Victorian Government launched its Services Connect initiative, to shift the focus of service delivery so that services are built around people and tailored to their needs. The Services Connect model aims to work with clients holistically to address a range of needs, including housing. Eight new Services Connect partnerships are being established to bring together groups of community services providers to deliver integrated child and family support, mental health, alcohol and drug treatment, family violence, housing and homelessness, disability, and Indigenous-specific services.<sup>225</sup>

There have been a number of discussions about housing reform in recent years. In 2010, the final report of *Australia's Future Tax System Review* (the Henry Review) recommended COAG review institutional arrangements to ensure zoning and planning do not unnecessarily inhibit housing supply and affordability.<sup>226</sup> In line with this, COAG commissioned work on housing supply and affordability reform, with a particular focus on the housing supply 'pipeline' and government policies that may act as barriers to supply.<sup>227</sup> In 2012, COAG agreed to the recommendations of the Housing Supply Affordability Reform report, which included removing barriers to a greater dwelling mix (such as minimum block-size requirements), deeming development applications approved if authorities do not respond within mandated timeframes, imposing timeframes on local councils' re-zoning decisions, and encouraging greater use of code-based frameworks for dual occupancy and multi-unit dwellings to streamline approvals.<sup>228</sup> The Productivity Commission also undertook a review of State and Territory planning and zoning systems.<sup>229</sup>

In terms of housing assistance, the Henry Review recommended market-based rents should be set for public housing tenants, supported by a commensurate broadening of eligibility for CRA, an increase in the maximum rate, and the provision of additional subsidies for high needs clients who cannot readily access and sustain a tenancy.<sup>230</sup> This reform option was similar to the recommendations of the 2014 National Commission of Audit.<sup>231</sup>

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<sup>225</sup> Sourced from the Victorian Department of Premier and Cabinet.

<sup>226</sup> Treasury, *Australia's Future Tax System Review final report*, Treasury, Canberra, 2010, p. 422.

<sup>227</sup> Housing Supply and Affordability Reform Working Party, *Housing Supply and Affordability Reform final report*, COAG, Canberra, 2012, p. 2.

<sup>228</sup> Housing Supply and Affordability Reform Working Party, p. 10.

<sup>229</sup> See: Productivity Commission, *Performance Benchmarking of Australian Business Regulation: planning, zoning and development assessments*, PC, Canberra, 2011.

<sup>230</sup> Treasury, 2010, p. 610.

<sup>231</sup> National Commission of Audit, *Towards responsible government – phase one report*, Commonwealth Government, Canberra, 2014, p. 182.

### D.6.1 Homelessness

Building on the National Homelessness Strategy (which had operated since 1999), in 2008 the Commonwealth released a White Paper titled *The Road Home: A national approach to reducing homelessness*. In the White Paper, the Commonwealth set targets to halve, by 2020, the number of homeless and offer accommodation to all 'rough sleepers' who needed it.<sup>232</sup> A Prime Minister's Council on Homelessness was established to independently monitor the implementation of the White Paper.

The Commonwealth and the States and Territories continued to fund homelessness services through SAAP until the introduction of the IGA FFR, when funding was rolled into the 2009 NAHA. The National Partnership Agreement on Homelessness (NPAH) was also introduced in January 2009. This provided \$1.1 billion over five years for a range of homelessness initiatives, including prevention and early intervention services, and outreach and supported accommodation services for rough sleepers.

In 2013-14, the Commonwealth and the States and Territories renewed the NPAH and jointly invested a further \$320 million in the delivery of homelessness services, including a capital component to support development projects that assist people out of homelessness and into safe and sustainable housing. In 2014-15, the Commonwealth is providing a further \$115 million, to be matched by States and Territories, to maintain the level of service delivery provided under the 2013-14 agreement.

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<sup>232</sup> Commonwealth of Australia, *The Road Home: a national approach to reducing homelessness*, Commonwealth Government, Canberra, 2008, p. viii.

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