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Housing Tomorrow

**Report on community
consultations on the next
Commonwealth-State
Housing Agreement**

August, 2002

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Harvey Volke, report writer;
Hazel Blunden, statistics and graphs;
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Workshop facilitators:

Sally Abrahams
Harry Andronicos
Claire Barbato
Hazel Blunden
Jill Coleman
Jacqui Conner
Deirdre Dowsett
Sandy Eager
Adam Farrar
Carmen Jauregui
Rob Lake
Rozita Leoni
Catherine Mahony
Chris Martin
Annie McCabe
Dave Newton
David Owens
Mary Perkins
Lesley Wyatt

© Shelter NSW Inc
Level 4 377-383 Sussex Street
Sydney 2000
Phone: (02) 9267 5733
Fax: (02) 9267 5001
Emails: info@shelternsw.org.au
Website: www.shelternsw.org.au

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Introduction

The Commonwealth Minister for Family and Community Services and State and Territory Housing Ministers met in Canberra on 19 April, 2002, and agreed to negotiate a new Commonwealth-State Housing Agreement (CSHA), to operate from July, 2003. They also commissioned the Australian Housing and Urban Research Institute (AHURI) to conduct a quick round of consultations with key stakeholders in all States and Territories as a means of obtaining broader views on the options for the next agreement.

Shortly after the Ministers' meeting, Shelter NSW proposed to the NSW Department of Housing that it should be funded to undertake a round of community consultations throughout the State to advise people of the issues and proposals currently under discussion, and to gather responses that could be used to inform the renegotiation process. The consultations would also be designed to build on a more general series of consultations that had been held from March to June, 2001, under the title "Housing Us".

The Department approved this submission in June, and Shelter immediately organised a series of consultations to take place throughout July. It was necessary to move quickly, as the next meeting of the Housing Ministers' Advisory Committee was to take place on 6 August. It was important to ensure that at least preliminary outcomes of the consultations were fed in to that meeting. This inevitably meant the consultations could not be as comprehensive or extensive as the previous round. Shelter regrets this, as the consultations involved dealing with complex issues and proposals deserving of a great deal more thought and consideration than was possible in the time available.

The speed with which the debate has developed, and the complexity and radical nature of some of the proposals within the current national policy framework, gave participants a major task in rapidly comprehending the issues and providing reasoned responses. Shelter pays tribute to the willingness of the participants to engage in a difficult and exacting process, and to come up with a surprisingly broad range of proposals while at the same time demonstrating an impressive unanimity of viewpoint on the major issues. It became quite clear that a realistic process required a good deal more consultation, and that if given a chance, people from a variety of backgrounds are capable of coming up both with broad and meaningful statements of principle and creative proposals for dealing with problems.

It should, however, be noted because of the short timeframe possible, and the complex nature of the material, there were some flaws in the process. It was not possible to run pilot projects, except by learning from mistakes and making changes within the framework of the consultations. Thus, for example, it was good that we provided basic information in our discussion paper, and that we placed a heavy emphasis in the consultations on encouraging discussion and workshopping. But one relative difficulty needs to be mentioned: In the nature of things, some of the "crunch" issues came late in the discussion. It is apparent from both the questionnaires and the workshop reports that in an intensive process people were wearying and/or running out of time in the later stages of the process. Workshop reports for the final group of questions were rather more sketchy, and the volume of written comments on individual questionnaires declined

rapidly. While it does not change the outcome – people were quite clear about what they found acceptable and what unacceptable – it significantly affects the level and volume of discussion.

Consultation details

During July, 2002, a total of eight consultation sessions was held in Sydney city, Liverpool, Wollongong, Newcastle, Orange, Wagga Wagga, Coffs Harbour and Lismore, involving approximately 150 people. Participants represented community housing providers, social housing tenants, housing and tenancy advocacy bodies, government and local government service providers, and non-government organisations like family support services, neighbourhood centres, churches and charities. Undoubtedly it would have been possible to increase this number if there had been more time to organise and promote the consultations, and if we had been able to hold meetings at a wider range of centres.

Copies of a discussion paper and detailed questionnaire were circulated both to participants and also to a wider constituency to gather as much response as possible: For example, while it was not possible in the time available to organise consultations with Indigenous bodies, some key Indigenous representatives were also approached and quick responses obtained. We could wish this had been more extensive. In addition, community housing providers also provided a specific submission through the Federation of Housing Associations of NSW, and their comments have been noted, particularly where they differ from points made by others. At the same time, community housing providers were also well represented in the consultation sessions. A total of 107 questionnaires were returned, and as some of these had been sent out separately to people who could not attend, there would also be a small increase in the actual number of participants.

The consultations attempted to develop both quantitative and qualitative responses. The discussion paper was divided into five key issues areas: Indigenous housing, housing linkages to other policy areas, sustainability of the social housing system, attracting additional investment, and roles and responsibilities of levels of government. The paper listed questions for each issue, and these were discussed in all workshop sessions. The questionnaire, which was filled out individually, involved both tick-box and written comments.

Summary of responses

On the broad major issues there was a good deal of unanimity, while there was a diversity of specific suggestions and recommendations. In some cases, also, while there was clear opposition to some proposals currently under discussion, responses also indicated preferences if, in fact, the Commonwealth and States went down that particular path.

In summary, the responses indicated:

1. There was near-unanimity that the Aboriginal Rental Housing Program should be available in remote, rural and urban areas on the basis of need, and not just in remote areas.

2. A large majority called for the development of a National Housing Strategy in which the Federal Government, State and Territory Governments, and community representatives should participate.
3. In relation to avoidance of poverty traps, a large majority called for both Centrelink and Department of Housing regulations to be made more flexible so it was easier to obtain work and not lose income or rental rebate.
4. A majority wanted the formula for social housing rents to remain as a percentage of income, although a substantial minority was prepared to consider another rent-setting formula, provided rents remained affordable for low-income people.
5. A majority said the Department of Housing should vary its products to ensure a greater flow of income by increasing stock, broadening eligibility, and cross-subsidising rental payments. Substantial numbers also wanted increases in Centrelink and/or Rent Assistance payments, and the development of joint ventures with the private sector.
6. A majority said State Housing Authorities should broaden their client base (without penalising people in need) by increasing the size of the social housing sector. A large minority said it was impossible under present circumstances.
7. In terms of the balance between maintenance and upgrading and asset sales, and the construction of new housing, responses almost unanimously called for more funding for the Department of Housing, as its funds were insufficient for both maintenance and new housing.
8. To encourage private investment in social housing, the majority of responses called for Government to give incentives to the private sector. A substantial minority called for Government to legislate to require superannuation funds to invest in social housing, and a somewhat smaller number called for Government to use its own resources.
9. To enable social housing providers to enter financial arrangements with private enterprise the preferred options were (i) to set up a body holding equity in housing stock; (ii) to give equity in stock to all housing providers so they can borrow against it; (iii) a substantial minority was unsure or did not know, or rejected the private financing option.
10. In terms of eligibility requirements, a large majority said they should be relaxed to address a wider constituency; but substantial numbers who said either that eligibility should remain the same (or be tightened further), or that they did not know, were clearly concerned to ensure that the people in the highest need should be housed as a priority.
11. In terms of identifying other revenue streams the preference was overwhelmingly for adjustments and/or use of the taxation system. In order of preference these were (i) use land tax and stamp duty, or a percentage of them; (ii) introduce capital gains tax on luxury homes; (iii) increase taxes on high-income earners; (iv) increase company taxes.

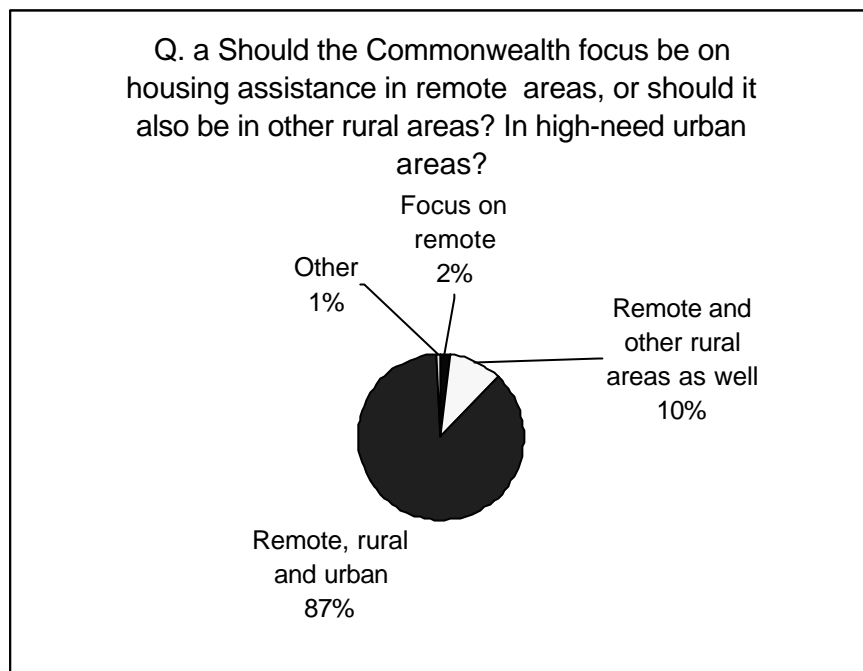
12. People were clearly concerned about the proposed shift from CSHA to CRA funding for social housing, and frequently called for much wider consultation and detailed analysis before any such shift was made. A substantial majority said the CSHA should remain as a special purpose program drawing Commonwealth and State funds into capital construction of social housing. A substantial minority said they did not know, and a smaller minority said that CRA should replace capital funding as it provided an assured income stream and was indexed.
13. If, in fact such a switch was made, a large majority wanted guarantees of at least the same level of funding as currently.
14. There was a similar response to the question of what should be in any transitional arrangement: There was a virtually unanimous demand for no reduction in Commonwealth funding as a result of the switch. Indeed, many called for growth funding in any interim period.
15. If CRA were extended to public housing tenants, more than half of respondents said it should be paid in a block to State Housing Authorities, with a quarter reporting they did not know, and a smaller number saying CRA should be paid directly to tenants.
16. A large majority called for the continuation of tied housing programs.

1. Indigenous housing

Question a: ***Should the Commonwealth focus be on housing assistance in remote areas, or should it also be in other rural areas? In high-need urban areas?***

While recognising the specific problems of remote-area housing, there was near-unanimity that Aboriginal Rental Housing Program funds should be spent on the basis of need in rural, remote and urban areas. There was also consistency in this between the principally non-Indigenous workshop groups and the individual Aboriginal leaders approached. It is also consistent with the findings in some States and Territories of the AHURI consultations. One Indigenous representative commented:

The visible signs of a disadvantaged community group are readily seen in a discrete Aboriginal (rural and remote) community. The social conditions and disadvantage are just as bad if not worse in an urban Aboriginal community (domestic violence, abuse, unemployment, bad health, early death are high in many urban communities). Access to affordable housing is almost non-existent in urban areas . . .



Source: Participants' Questionnaire¹

A metropolitan workshop group noted that by limiting assistance to remote areas, the Commonwealth Government was denying Indigenous people the portability of housing assistance they required to access training and jobs. There was a fear that restricting Commonwealth funding to remote areas risked marginalising Indigenous people. There was also a measure of scepticism in some groups that in restricting ARHP funds to remote areas, the Commonwealth may be operating out of an ideologically-blinkered perspective, or may be engaged in a cost-saving exercise. Several groups and individuals suggested overall ARHP funding should be increased to ensure Indigenous people in rural and remote areas did not suffer, and/or that there should be a weighting for different levels of disadvantage.

In general, workshop groups felt uncomfortable discussing Indigenous housing in the absence or near-absence of Indigenous participation, and called for consultation specifically with Indigenous representatives.

The submission lodged on behalf of community housing associations by the Federation of Housing Associations of NSW (hereafter referred to as FHA Submission) noted that Aboriginal people were a clearly identified target for many housing associations. This is reflected in the fact that 5% of tenants in mainstream community housing in 2001/2 identified as Aboriginal (Indigenous people make up 2% of the general population), and in some housing associations the figure is as high as 17%. In supporting extending the Commonwealth to rural and urban areas as well as remote areas, the Submission commented:

¹ NOTES on the graphs: Graphs are indicative of how much support (in percentage terms) there was for various policy directions. Some questions were multiple-choice (questions E and I) . All unticked boxes were recorded as 'Don't Know'. There were 107 questionnaires received overall.

Perhaps the perception of an Aboriginal housing crisis is higher in remote areas where Aboriginal people are the majority of the population. This points to an historical inability for Aboriginal communities to access mainstream funding available to the rest of the community. The amount spent on Aboriginal communities per capita is below the level of expenditure available in the rest of the community in many policy areas including health and housing.

However, the answer does not rely on shifting a small amount of identified funding to remote areas only. The answer lies partly in increasing the total amount of funding for housing and ensuring that Aboriginal people receive both the mainstream funding they are entitled to plus additional funding to redress disadvantage.

Community housing identifies particular housing issues for Aboriginal people that may not be identified as readily in the public housing system. For instance, there are many examples in “prison” towns of Aboriginal families moving into these towns to be closer to family members who are in prison. Upon release, the family is likely to stay in the area. The result is a dislocated Aboriginal family who are staying in the area often without social and family supports. The proportionally high level of imprisonment for Aboriginal males results in single-parent families arriving in town with few possessions or resources hoping to maintain some semblance of family life. Funding for Aboriginal housing must recognise the mobility of some families often for reasons beyond their control.

The ideal Aboriginal housing strategy is one that aims to holistically address social exclusion of Indigenous people and integrates housing, employment and education opportunities. Funding for Indigenous housing should provide both horizontal and vertical equity.

Specific suggestions that were made included:

- Any proposed changes needed extensive consultation with Indigenous communities. To be effective, policies needed to acquire a sense of ownership by Indigenous people.
- Self-determination should be fundamental to funds management by Indigenous people.
- Housing should be formally linked with other policy areas like health, education and criminal justice, as unstable housing critically affected all of these.
- A need for infrastructural funding for Indigenous housing providers for training, management and administration support, and development of construction skills.
- There is substantial confusion over the various funding components for Indigenous housing, and these should be better coordinated, and there should be greater transparency in funding programs.

- Support for development of Indigenous building co-operatives, embodying training schemes and funding for purchase of materials, with land to be provided, e.g., by Aboriginal Land Councils.
- Housing needed to be constructed and allocated in culturally-appropriate ways.
- Assistance is needed for Indigenous people in the private rental sector – for example, in country areas it is difficult for single parents to obtain rental housing, and impossible for single Aboriginal parents.
- Some specific needs areas have to be addressed, like those of semi-itinerant families, women and children escaping domestic violence, people with mental health problems, and 25-50-year-old men. In addition, there is sub-standard housing in some areas, like The Rocks near Nimbin.
- It should also be noted that in this context several workshop groups – in addition to individual questionnaires – proposed specific purpose payments for housing for non-English-speaking background people, and especially refugees. These proposals have been embodied in the responses to question q, “should tied housing programs continue”.

2. Linkages to other policy areas

Question b: Should development of a national housing strategy or plan be made a feature of the new CSHA?

There was strong support for development of a national housing strategy or plan. Indeed, a number of groups said it was essential. A Newcastle workshop group noted

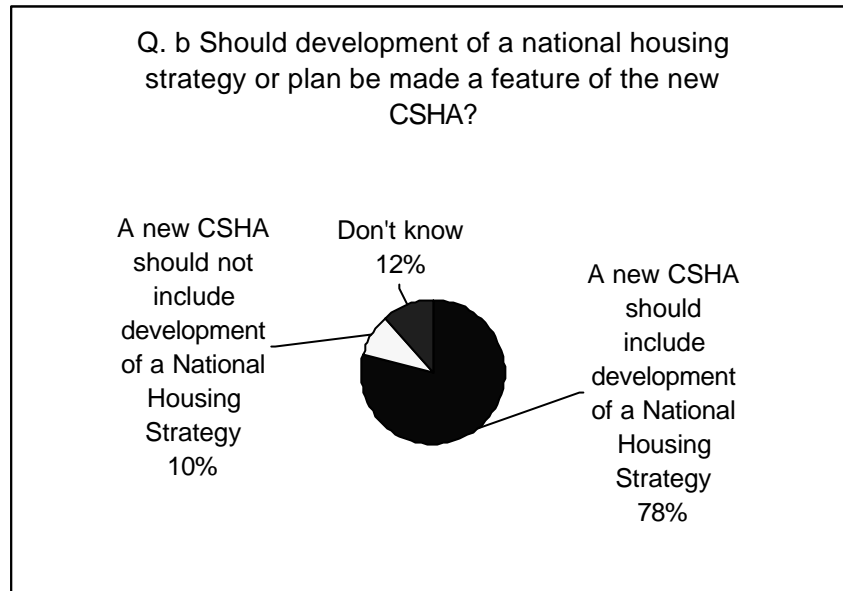
An overall strategy needs to acknowledge housing/shelter as a basic human right, and any housing policy should start from the premise that housing needs to be accessible, affordable and appropriate to all the community.

A workshop group at Liverpool commented:

The CSHA is the only vehicle for getting a national housing strategy, and must therefore form the cornerstone of a national housing strategy.

A minority of respondents said they did not know or that a new CSHA should not include development of a national housing strategy. These latter responses were largely predicated on fears for the future of the CSHA in an uncertain new environment, and a concern to maintain capital funding. They reflected uncertainty over the relationship between the CSHA and a national housing plan, rather than outright opposition to a national housing plan per se. In a handful of cases they related to fears that the process would be subverted by profit-motivated investors and speculators; that any strategy would not take into account macroeconomic policy;

or that instead there should be a series of bilateral agreements between the Commonwealth and individual States and Territories.



A number of groups suggested that the CSHA should form part of an overall national housing strategy rather than the other way around (indeed, clearly the question should have been framed that way). They indicated that the NHS should include the items contained in the six-point plan developed by Australian Council of Social Services (ACOSS), Housing Industry Association, National Shelter, the churches and Community Housing Federation of Australia (CHFA); and it should also include a discussion of the external fiscal and monetary policy environment, as well as poverty, employment, social security policies and social inclusions. The FHA Submission noted that a national housing strategy should particularly pay attention to important housing-related transfers and payments such as the First Home Owners Grant, Commonwealth Rent Assistance, negative gearing and social housing subsidies broadly.

Participants also felt that that it was vital for a NHS to be developed on the basis of broad-ranging consultation with stakeholders and with the general community, and that peak agencies such as Australian Local Government Association, National Shelter, ACOSS and CHFA needed to be involved in a coordinated way, as well as social housing tenant representatives.

Groups frequently expressed concern that the Commonwealth appeared uninterested in the issue of low-income housing, and should undertake a more proactive role in ensuring consistent national housing policies across the country, and in ongoing consultation with the States and Territories. They noted, for example, that there was now no Housing Department or Ministry at a federal level. One participant suggested it was necessary to keep the Commonwealth actively involved in the “safety net” that everyone had a right to safe, secure, affordable, and appropriate housing. Virtually all participants generally shared this view.

A workshop group in Sydney commented that a NHS was all the more important because in practice housing was being expected to meet the budgetary demands of a range of other departments:

The housing pot is being used for more and more things: The housing budget is, in fact, trying to meet the budgetary demands of other departments like welfare, health, community services, etc. There needs to be overall coordination and control of resources . . . Development of a national housing strategy needs to be adequately resourced – it shouldn't just be used to fund bureaucrats, with insufficient money for service provision.

An individual participant commented similarly

There needs to be a commitment from all policy areas re costing provision of services, not loading these costs on to the housing budget.

A workshop group in Wollongong said the Commonwealth should be responsible for ensuring that housing resources were equitably distributed throughout Australia, and that any national housing strategy should have the following elements:

- An equalising effect;
- Baselines/benchmarks;
- Money attached;
- Guidelines;
- Set-out priorities;
- Community consultation processes;
- Evaluation processes;
- Be underlined by a human rights approach;
- Include local government;
- Include non-government organisations;
- Include home ownership assistance measures.

Another Wollongong workshop group asked what a National Housing Strategy would look like, and replied that

- Links to employment were critical for sustainable communities.

- Decentralisation would enhance access to employment for people in outlying areas of major cities.
- Infrastructure also needed to be included at the development stage. This had been tackled in the past by strategies like Section 94 funds, restructuring development to match sewerage/roads. Social infrastructure needed to be treated in the same way.
- New technologies needed to be included in the planning – e.g., commerce relied on adequate telecommunications infrastructure. This was especially relevant in rural and remote communities.
- Crime prevention links were worth pursuing.
- Social infrastructure.
- Growth through telecommunications, with the lower cost of housing attracting people to large rural centres like Wagga and Orange. There needed to be a major switch in policy to take advantage of this niche.
- Strong support for linking the housing debate to the “getting-people-back-to-work” debate.

Aboriginal submissions noted that a NHS should also include a statement of commitment about ongoing funding for Indigenous housing.

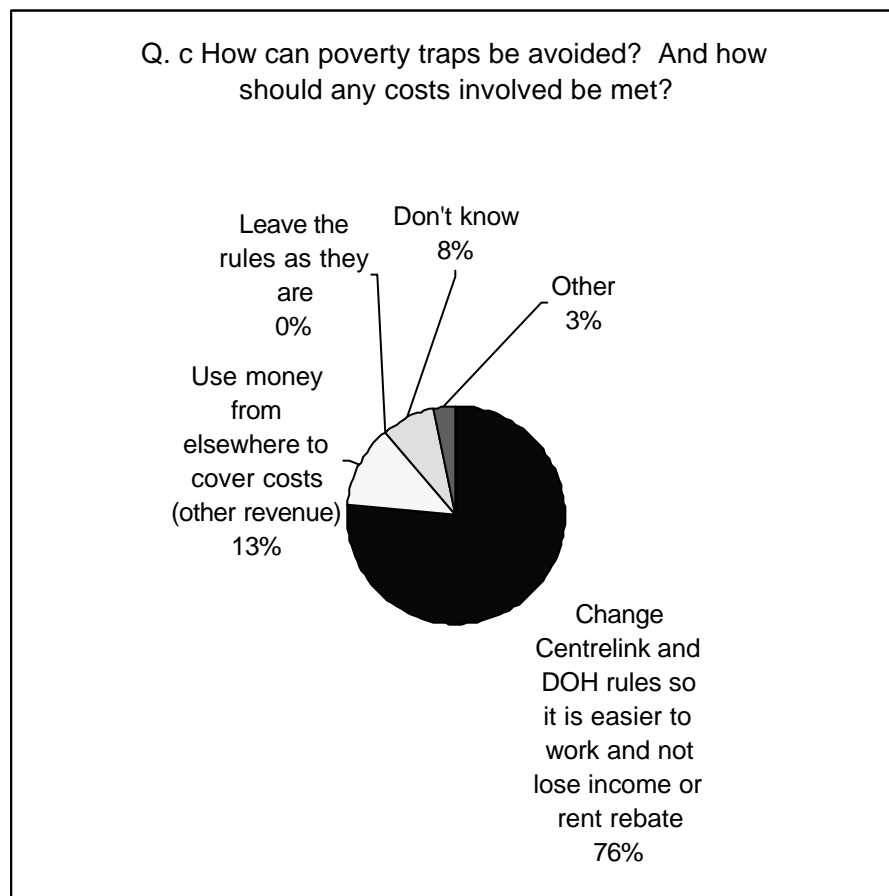
Specific comments and suggestions included:

- There was an emphatic response that the CSHA should be retained as part of any National Housing Strategy, and that it should be given increased funding on a predictable basis.
- The NHS should set priorities and agreed responsibilities across all levels of government, including local government, and as the non-government sector. It should have clear lines of accountability and commitment to linkages across portfolio areas and outcomes.
- States and Territories should be required to develop State housing strategies complementary to the NHS.
- Planned development should relate low-income housing to employment and transport, and green-acre estates were not necessarily bad if they were properly planned in this context. However, there was a diversity of views on estate developments, with some preferring a “salt-and-pepper” approach to social housing, in preference to, e.g., building out of town (seen as common in rural towns).
- A NHS should involve long-term planning – i.e., longer than four years (one participant suggested it should indicate where the Federal Government saw social housing in the next 10 years), and should ensure that overall policies should reinforce and support each other.

- Employment opportunities could bring benefits to whole communities (e.g., young people and refugees working in the town abattoirs), regardless of housing mix.
- The housing market was currently unsustainable for people who could not enter home ownership. There was a need for a national stocktaking, and a national housing policy must address other issues in addition to home ownership.
- A percentage – some said as much as 20% -- of all private sector housing developments should be reserved for low-income stock, and regulatory and planning instruments should enforce this.
- The NHS should ensure graduated housing from SAAP to intermediate-level housing, to permanent housing. Indeed, one group pointed out that SAAP should be the crisis housing response, but that public housing itself was increasingly taking this role to the exclusion of other roles.
- Links to employment and welfare reform needed to be based on the aspirations of the consumers, rather than being a punitive attempt to force people into jobs that don't exist.
- The NHS should include a strong focus on affordable housing, as well as social housing, and on a diversity of housing models.
- The NHS needed to take account of regional variations, such as inflated property values and high housing costs in areas like Sydney.
- The NHS should ensure minimum housing standards and minimum levels of housing on a nationwide basis.
- The NHS should include a commitment to legal rights for low-income housing consumers, via tenancy law reform, and support for tenancy support and advocacy services, to ensure sustainable tenancies with guarantees of long-term security of tenure.
- The NHS should address gender inequities as a matter of priority.
- Special needs groups like victims of domestic violence, migrants and refugees, and young people also needed national strategies.
- The role of local government needed to be included, along with local planning and employment needs.
- The NHS should consider the effects of ageing, deinstitutionalisation and mental illness.

Question c: How can poverty traps be avoided? And how should any costs involved be met?

A large majority of participants said there should be a combination of changes to both Centrelink and Department of Housing rules to make it easier to work and not lose income or rental rebate. Insecurity of employment and also the changing nature of work with greater casualisation and part-time or seasonal work were seen as a major problem and a major poverty trap of which there had not been sufficient recognition in either the income support system or the public housing system:



As things were, people stood to lose too much in the way of benefits for casual or part-time work to be a real option – even though these might be the only work opportunities available. People were not prepared to trade off secure and affordable housing against an insecure job that may or may not be full time, and that may or may not be permanent, but that in any event was not likely to be well paid. A written tenant response noted:

. . . there is no incentive for unemployed people to even take on a six to eight hour job per week, as that money is then added to their social welfare monies and they are then forced to pay a proportion of this in additional rent as monies received. Whereas the Department of Social Security do allow people to earn a small amount of money per week without it infringing upon their benefits, and that is done as a way of keeping people just above the poverty line. So, as you can see, the public tenants have no incentive to take on any part-time or casual work, as there is no gain for them to do so: I would recommend that the DOH take the same steps have been put in place by FACS as a guide.

Changes were needed in employment policy as well as in the system of welfare payments and rental payments – and work was never going to be easy to obtain in an environment where there were six unemployed people for every job vacancy, and where the pattern of work had changed so dramatically, especially for unskilled or semi-skilled workers. They suggested there should be more programs for people seeking work, and more incentives and assistance for people to do so.

Some groups noted that if secure, stable housing was available as a policy priority, poverty traps would not be an issue. They also took exception to the current CSHA emphasis on assistance through public housing being for “duration of need”, and noted that security of tenure remained fundamental. Because secure, stable housing was so important, people were frightened they would lose their housing if they got a job – and then subsequently lose the job anyway. One group commented:

People should not have to live in fear that their housing will become unaffordable if they get a job.

This was also predicated on recognition that the private rental market was generally unstable, insecure and unaffordable for low-income earners, particularly in metropolitan and regional centres, where the majority of people lived. Participants felt that it was too much to ask for people to risk their housing for the problematical benefits of uncertain, impermanent and poorly-paid employment, especially when it could involve considerable and expensive travel as well.

In the workshop groups, a range of measures was proposed for liberalising both Centrelink and Department of Housing rules, and there was in addition a range of suggestions involving taxation and incomes policy, e.g., increasing non-taxable income thresholds and ensuring a guaranteed income for all; the problems of part-time and casual work in relation to calculating DOH rents were also frequently referred to. There was a strong call for Commonwealth Rent Assistance (CRA) payments to take account of regional variations in rental cost, e.g., in the high-cost Sydney market. Some groups and individuals also called for CRA to be made available to the working poor, and to public tenants (although this last was not related to the later question of whether the Commonwealth should switch from CSHA housing payments to CRA payments for public tenants).

The FHA Submission addressed this question in detail arising from the experience of housing associations, and is worth extensively quoting, particularly in light of the fact that housing associations operate on the basis that their eligible tenants receive CRA payments:

Poverty traps first need to be identified and analysed for particular groups within the community. Our evidence shows that the greatest poverty traps arise for sole parent families re-entering the workforce. Some of the costs of employment are outside the scope of social security and housing rules because they relate to the cost of childcare. A study that comprehensively reviews the costs is first required.

The primary issue for sole parents and others is the rate at which various payments “taper”. Changes to taper rates require careful analysis and modelling because one of the outcomes of greater tapering is an increase in cost to government and an increase in “middle-class welfare” – i.e., payments to higher income households. A complicating factor is that there are equity concerns if the social security taper rates of social housing tenants are treated differently from other social security recipients.

A second issue, peculiar to affordable housing (i.e., City West and housing provided through the Social Housing Subsidy Program) is that income-based rent percentage changes (slides from 25% up to 30%) as income rises providing an even worse EMTR for tenants in these properties. Indeed the incentives for people who are employed, and get housed in affordable housing properties encourage them to reduce their income because they will be better off.

It is clear that taper rates in social security payments by themselves can create poverty traps. One payment that is not tapered according to income is Rent Assistance that is a “sudden death” payment that is only secondarily related to income. That is, the payment of RA is determined by other income-related factors and whether or not a tenant is receiving a social security payment of most kinds. It should be noted, however, that the structure of RA is determined so that tenants paying rent up to or less than the maximum are essentially paying 30% of their income in rent.

An interesting feature of a switch to RA payments to social housing tenants is that it would be possible to restructure the social housing rent payments to be less focused on income. This would require a refocus on social housing subsidies as an explicit subsidy that belonged to the tenant (in this example it is immaterial whether it was paid direct to the tenant or to the social housing landlord). If the RA payment did not provide an affordable rent and a further subsidy was required, this second subsidy could be income-related. This would have a result of reducing the component of the EMTR that arises from income-based rents.

Workshop groups and individual participants made a number of suggestions, in terms of Commonwealth welfare and income policies, and in terms of State Government policies (especially in relation to Department of Housing rental policies). Most often, too, these were seen as concurrent and complementary, rather than being mutually exclusive.

In terms of Commonwealth policy, measures proposed included

- There should be greater flexibility in Centrelink rules relating to moving to areas of higher unemployment – by definition, this tended to be where housing was more affordable for low-income people. People should not be financially penalised for moving to such areas.
- Centrelink rules related to income from part-time or casual work should be eased. Jobs are increasingly structured in this way, but the penalties (loss of benefits and concessions, plus payment of taxation) may be too great for people to take on such work. There needs to be a recognition from Centrelink generally that some people (e.g., shearers and other itinerant workers) are in chronically insecure employment. One participant commented:

Maybe statements of earnings by tenants on social security could become an annual return like income tax – this would average things out and overcome the problems of ongoing changes due, for example, to lack of employment consistency.

- There should be transitional arrangements for people who obtain jobs. For example, they should be permitted to keep their health care card and other benefits for a limited time, say up to three months (the usual “probationary period” for newly-hired workers). A number of groups noted the importance of benefits such as health care cards and other concessions as “safety net” provisions, and their importance in giving people the opportunity in the short term to build reserves before they are removed.
- “Mutual obligation” requirements should take account of active involvement in public housing estates, volunteering, adding to social capital, engagement in tenant participation, etc. These could be seen as “work-for-the-dole” activities, and an incentive for tenants rather than an occasion for penalty or breaching.
- Childcare is another significant issue for people entering the workforce, especially if it is on the basis of casual employment. While the JET program goes some way to addressing this issue, access to child care is a major poverty trap, especially for people who live significant distances from their workplace (note also comments quoted earlier from FHA submission).
- Health care and dental services should be made available for all benefit recipients.
- Consideration should be given to provision of a minimum wage system rather than what was perceived as the current punitive social security system. At the least, the tax-free income threshold should be increased. Further analysis should be undertaken on the crossover point between benefits and earnings.
- Generally, income support payments are too low. Young single people especially face extreme housing stress, and this is exacerbated by the low rate of Youth Allowance. It is also exacerbated by the fact that young people with no housing security may have to move a lot, and may therefore not receive letters from Centrelink and may consequently be breached. Some young people face problems with literacy and numeracy, making it difficult for them to get jobs. Young people who are apprentices do not qualify for CRA – this is unfair, given the low wages they receive. The Newstart payment is not enough,

especially for job seekers, who need to buy clothes and who also need to cover travel costs to job interviews.

- The income threshold for Centrelink payments should be increased, and should make more allowance for variable incomes – e.g., the problems of casual employment, and the fact that it makes no allowance for holiday pay.
- Reporting requirements for both Centrelink and DOH should be averaged over a longer timespan, e.g., annually.
- Commonwealth incentives for industries to move to rural areas, especially where they have the appropriate infrastructure (e.g., airfreight, rail service, transport industry).

State Government – especially Department of Housing – policy proposals included:

- Support for the current DOH policy of a 12-week period of grace before rents are increased as a result of income changes arising from employment. Some suggested extending this to at least six months (some groups said 12 months), and/or tapering down levels of subsidy or phasing in rent increases over time, allowing a period for adjustment. One participant suggested the Tenant Employment Initiative Scheme should be extended to meet the needs of tenants who work casually or freelance, rather than at permanent jobs – such tenants should be allowed 12 weeks a year without rental increases, whatever the conditions of employment.
- When people are penalised for breaching Centrelink requirements, they are subject to a double penalty because the DOH policy was not to increase rental rebate in the event of reduction or withdrawal of Centrelink benefits. This policy should be reversed.
- There should be better transitional arrangements, with assisted passage from SAAP to social housing to the private market (whether ownership or rental)
- Establish traineeship programs for tenants to benefit, and some could become self-employed or start businesses in groups, e.g., to undertake maintenance work to Australian Standards with the Department of Housing.
- The DOH needs a more flexible calculation of rental levels in relation to household composition, e.g., where independent people share a house, or where a person with a disability shares a house with a person who is employed. Such households may not necessarily be a single economic unit.
- Any disincentives in DOH transfer and rehousing policies should be removed where possible so people can move easily within public housing to areas where jobs are available.
- DOH computer system needs to be adjusted to take account of casual workers.
- One participant suggested a mixture of rental subsidy policy:

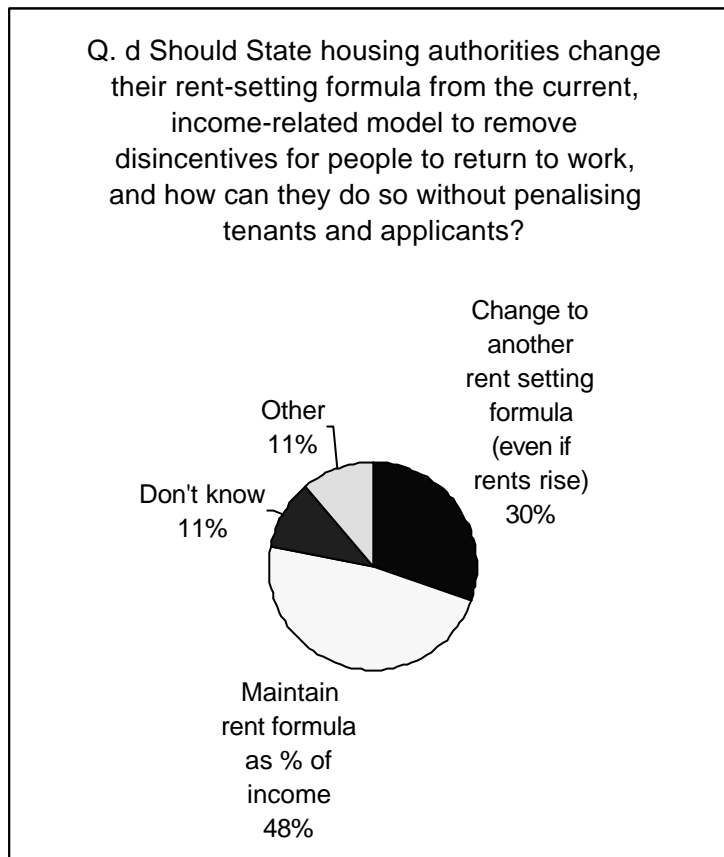
Given that ideally social housing has benefits other than financial, the focus could be shifted, e.g., subsidised rent for a fixed term for public housing tenants, then revision to market rent with rental assistance made available. If it becomes clear that longer-term rental subsidy is needed, there could be the capacity for it to continue with the tenants having access to whatever health/welfare services might be needed to facilitate greater independence (no rental assistance while rent is being subsidised). Public housing could primarily be about security and stability for all but a proportion of tenants.

Question d: Should State housing authorities change their rent-setting formula from the current income-related model to remove disincentives for people to return to work, and how can they do so without penalising tenants and applicants?

A large majority said income-related rents should remain, as the best means of ensuring affordability and horizontal equity in public housing. Participants argued that in any move from income-related rents, whoever paid the subsidies clients were still “caught in the welfare roundabout”. Moves to, say, a cost-rent formula, could lead to unaffordability, or to inequities in supply and standard of housing. However rent levels were calculated, low-income people would still need their rents subsidised or rents would be unaffordable. Payment of more than 25% of income would in any event make rents unaffordable. One participant commented:

Anything linked to “market value” is too volatile and dependent on forces beyond either government or community control. Tenants become victims of “market forces” too easily.

There was also a substantial minority that was prepared to consider another rent-setting formula, although this was generally within a framework recognising that low-income people cannot afford to spend more than 25 percent of their income in rent. The minority view appeared to be related to other questions such as broadening eligibility for social housing, proposals for affordable housing, and a recognition of the dwindling rental income stream for State Housing Authorities. In general, the primary concern was to ensure that social housing remained affordable for low-income earners, even though there might be a case for revising the current income-related formula. It was nearly universally recognised that secure and affordable housing was a key factor in the employment equation.



Some groups also suggested extending CRA to public tenants (and indeed to all low-income earners not on pension or benefit), and recalculating rents accordingly. However, this also engendered fears that moving to CRA-related rentals risked social housing replicating private rental affordability problems, especially in NSW and especially in Sydney. Others suggested CRA should be abandoned altogether and adequate income levels be guaranteed through the taxation system.

The FHA Submission noted that there did not have to be a “one-size-fits-all” model of rent determination:

Income-based rents are important in a system that determines that housing affordability is exactly equal to 25% of income or some other sort of benchmark. In many ways, fixed income models are not appropriate for all household types. For example, single person households have very different cost structures and per person costs from a family of five.

There does not have to be a one-size-fits-all model of rent determination. It would be possible to give tenants and applicants choice about the way in which they want their rent calculated. For instance, some tenants such as older people or people who are permanently out of the workforce may choose an income based rent because they are on a statutory income.

Others may choose an “affordable” rent that is calculated on the market cost of the property – say set at a maximum of 75% of market rent. A tenant who thought they

- *Would move in and out of work;*
- *Would be on a low to moderate income;*
- *Wanted a bit of a safety net;*
- *Knew that if they were in receipt of any social security payment they would receive RA, which would subsidise the rent*

could choose an affordable rent. Social housing providers could offer tenants the choice to review their decision at six-monthly intervals if the tenant’s circumstances change considerably. Some tenants, particularly single parents re-entering the workforce may welcome a stable rent and may not wish to regularly declare their income.

Similar suggestions commanded some support from some workshop groups. For example, a group at Liverpool commented

Administrative savings from having fixed rents would fund a reduction in cost rent. Fixed rents also save children being kicked out and couples could stay together.

Nevertheless this was more usually in the context of assuming that levels of assistance provided in other ways than income-related rental levels would ensure that rentals were still affordable.

Other suggestions included:

- Young people who are apprentices do not qualify for CRA. This is unfair, given their low level of wages. Young people in general face problems – e.g., for young people receiving Youth Allowance of \$170 per fortnight, a rent based on 25% of income is “way too high”.
- Rules for assessing household income and in relation to household composition should be amended (e.g., where a person with disability shares housing with an employed person, they have to work out the rent between themselves) because they are assessed as a household as a single economic unit.
- Workshop groups in Orange and Lismore accepted that the rent formula may need to be reviewed and suggested alternatives like a tiered income-related rent, with low-income people on say 20% of income, people in part-time employment on 25% of income, and people in full-time employment on 30% of income, up to market level.
- Some income support measures should be reconsidered in terms of their relationship to income-based rents – e.g., some groups argued family tax allowance should not be taken into account as part of income; and noted that while family support cuts out when children turn 16, they increasingly remain in the family home and still have to eat.

- Target the causes of house price inflation rather than tinkering with rent-setting formulae – the Government should focus on controlling land values, speculative inflation of housing prices, and over-consumption of housing at the top end of the market.
- In terms of calculating market rents, assessment via Planning NSW figures should take account of stock and type/quality, and not just local government area average.
- One participant suggested tenants should pay “a fair rent” to cover the cost of holding and maintaining housing, with CRA “to look after the increased income need”.
- Another participant criticised the question as “short-sighted”:

People have other major impediments to work, not least of which is not enough jobs. This whole question is short-sighted and unaware of realities for people with mental health [sic] single mothers with lots of children.

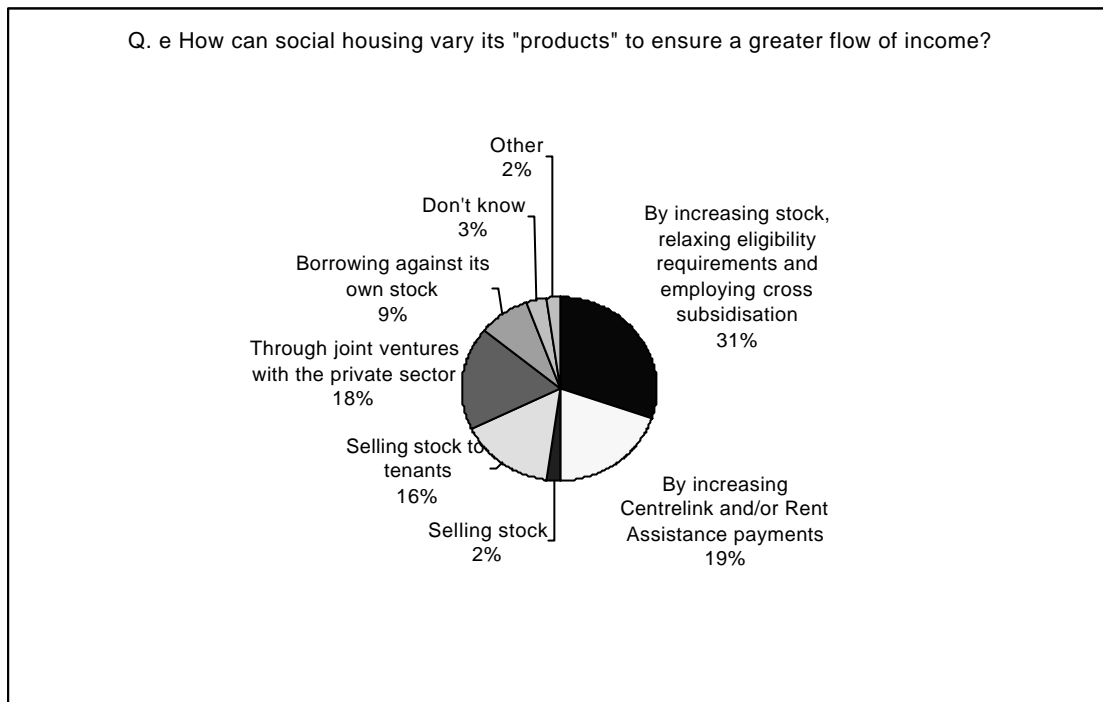
- Another participant suggested removing CRA from community housing and Aboriginal tenants to provide greater equality with public tenants.
- A number of participants said rent should be based on net not gross income, and one commented that only five twelfths of gross income was available after tax and rent had been taken out.
- A participant said housing providers should be given “some flexibility” in determining what rent-setting formula to adopt.

3. Sustainability of the social housing system

Question e: How can social housing vary its “products” to ensure a greater flow of income?

As with several other questions, there was a belief that funds and housing availability for low-income earners were simply inadequate to meet demand, and a consequent call for substantially increased funding. A large majority of people called for an increase in social housing stock, relaxation of eligibility requirements, and cross-subsidization of rents. A significant number of people also called for increases in Centrelink and/or Rent Assistance payments, and for joint ventures with the private sector.

Several groups and participants indicated they felt Shelter NSW should be objecting that the current funding base – let alone any proposed funding reduction – for public housing was not sustainable, and that real funding reductions were a major concern because of the way they threatened sustainable housing. Shelter should be organising to get peak agencies involved in pressure to get more money for housing – it was not adequate to try to find different ways of slicing a pie that was too small to go around.



While there was support from a number of groups for joint ventures, several concerns were also raised, e.g.,

- What guarantees were there on quality of housing.
- Fears of a “two-tiered” approach, with good-quality housing for private development and lesser-quality housing for public tenants.
- Loss of green space.
- Corporatisation of the department and sell-off of public housing assets.
- What the requirements of private developers might be.
- A possible change in the dynamics of service provision, with a focus on risk rather than on service delivery.
- One group wanted joint ventures only with the not-for-profit sector – cooperation, e.g., with the St. Vincent De Paul society could enable freeing up of some Departmental stock. The same group noted that some elderly people were moving out of DOH housing because they felt unsafe as a result of over-targeting of public housing to groups with complex needs.

Smaller, but still significant numbers also favoured selling stock to tenants – although this was most usually on condition it was of benefit to the Department as well as to the tenant, and it was also on the basis that this was not likely to be a large-scale program, as no more than 1% to 2% of tenants could afford the capital costs of equity purchase. Some groups also proposed the Department's borrowing against stock assets.

Very few favoured sales on the open market, and those few did so conditionally on returns being ploughed into new construction. A significant reason for the lack of favour for this option appeared to be a view that the Department would find it difficult to achieve real market gains from its sales policy; and that capital gains really flowed from resale of public housing stock sold on the private market. On the other hand, there were several suggestions that the Department itself should become more entrepreneurial in developing house and land packages for the open market, constructing and selling housing to high-income earners, lending money to developers and ploughing the proceeds back into low-income housing.

At bottom, some groups said the Department was in a Catch-22 situation with inadequate finance: You could not change the current policy of targeting clients without more housing; you could not get more housing without more finance; to get a better rental stream you needed a broader eligibility base; to broaden the eligibility base you needed a lot more housing stock; to get a lot more housing stock you needed a lot more finance. There was a general recognition that meeting these requirements, let alone seeking to meet changing needs, required growth funds and that this should be an element of any new arrangement that was reached.

A number of groups listed as a first priority the DOH's regaining control of Landcom and other housing-related income generators at the State level, including hypothecating land tax. Sales of stock and net reductions in stock would not achieve sustainability – rather it would result in a more gradual decline and death.

Indigenous comments stressed that for Indigenous housing sustainability mainly depended on effective management. They also proposed a scheme by which current tenants could purchase their house at reduced market value, with the government funding the difference. An education and support system would need to be set up to assist people to move from rental housing to home ownership.

The FHA Submission prioritised responses as

1. Regain control of Landcom and other housing-related income generators at the State level including hypothecating land tax;
2. Increase stock, relax eligibility requirements and employ cross-subsidisation;
3. Borrow against its own stock;
4. Increase Centrelink and/or Rent Assistance payments;
5. Joint ventures with the private sector;

6. Sell stock to tenants;
7. Sell stock.

It commented:

. . . Sales of stock and net reductions in stock will not achieve sustainability – rather it will result in a more gradual decline and death.

The Commonwealth could increase the amount of subsidy it provides for each tenant – either through RA or through the CSHA. Either choice would result in a more sustainable system but only if the value of the increase is planned to achieve sustainability over time.

The States can increase flows by reintegrating profits from land banking and other home-ownership-related taxes back into social housing.

Tenants are unlikely to be able to afford higher levels of rent on the current income-based rent approaches. However, if eligibility was broadened and new products developed that met the housing needs of the low-moderate income range the system would become more sustainable. This would not just be because the rent contributed by slightly higher income earners would increase income. The cost per unit of managing higher-income tenants is likely to [be] lower than current costs. Therefore an increase in this group would lead to a lower management cost per household for the whole system.

Bringing in private sector investment by itself will not increase the viability and sustainability of the system because the private profit has to be factored in either as a reduction in stock or as an increase in outgoings. Unless a subsidy is provided somewhere, it is unlikely that this strategy will result in a more sustainable system by itself.

The social housing system can vary its existing products by breaking up management of large estates and using the skills and experience of community housing providers to provide innovation that may result in lower cost structures through improved tenancy and asset management.

A written tenant response noted of private sector involvement:

. . . In general a builder or developer is not going to go to the lengths and costs involved in developing land then building dwellings upon the land to rent them to the DOH. The costs involved are just too great for the DOH to plan on. Relying only on this source of housing, as the developer/builder needs in 90% of cases to service a large overdraft or development loan from a lending body, and this finance usually comes with quite a few strings attached . . . One idea, though, is to enter into a mutual agreement between a builder and the DOH, as the DOH has land that is just sitting idle with no residences

upon this land. So the proposal would be for an agreement to be drawn up whereby the builder recoups his cost along with the DOH .

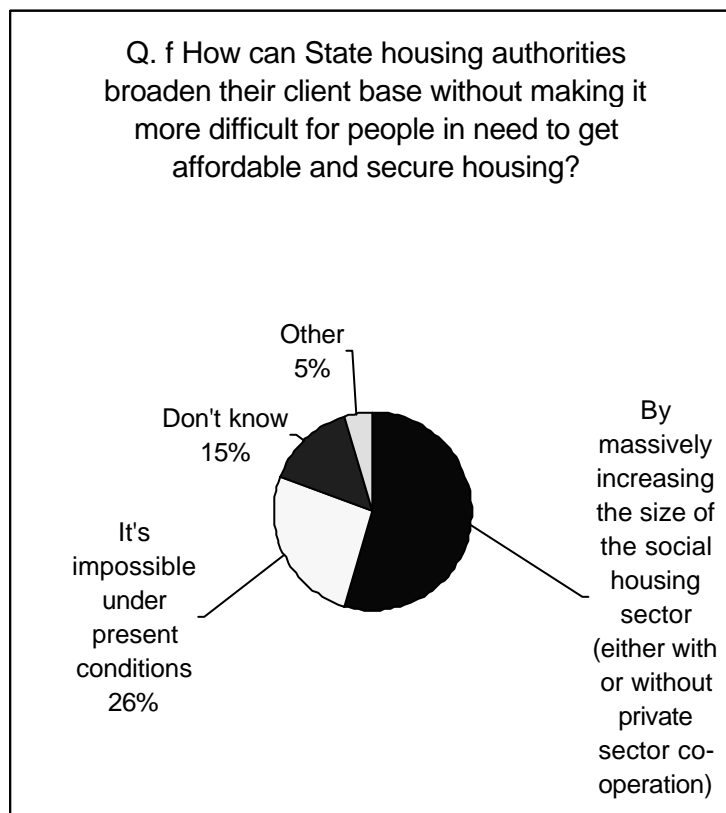
Other suggestions made by participants included:

- Implement a government-guaranteed loan scheme for part-purchase with equity, and with maintenance and rates allocated as per percentage of ownership. Some groups noted that sale or part-sale of stock to tenants would remove their protection by residential tenancies legislation, which could be to their disadvantage if they defaulted on payment, or if there were any dispute over responsibility for maintenance and repairs; or if they bought fibro housing which brought the risk of health problems in the event of asbestos becoming unstable. One group suggested selling tenants 50 percent of their house, with capital gains to be shared on that basis in the event of resale.
- Let vacant stock on DOH estates at fixed rents on the private market.
- Spot purchase properties for individual tenants. Spot purchase was seen by several groups and individual participants as having a number of long-term benefits, including decline in public housing stigma, increased self-determination for tenants, social mix, etc.
- While reconfiguration of estates and encouragement of social mix were supported, provisos proposed included that it resulted in a clear net increase in social housing stock, a respect for tenants' rights, and direct tenant engagement with the process and design from the start.
- Develop appropriate housing for specific at-risk groups like refugees and people of NESB. One group suggested the DOH should provide semi-supported accommodation for ex-SAAP clients and women from refugees; although another participant made the mordant comment that the DOH was now itself one large SAAP agency and had effectively taken over the functions of SAAP services.
- Social housing should be for people on low incomes, whether they were on benefits or in low-paid jobs.
- Community service obligations should be imposed on superannuation funds to provide additional revenue for social housing.
- A number of groups called for cooperation with local government in using planning and regulatory provisions for new developers, e.g., with levies, density trade-offs etc.
- Headleasing was seen by some as not ultimately being cost-effective, though it provided greater stock and location flexibility.
- The affordable housing State Environmental Planning Policy should have more teeth.

- A few groups and individuals said the responsible departments should be held responsible for the costs of deinstitutionalisation currently being met through the housing budget. The Department of Housing should be enabled to put all of its resources into its core business of housing.
- An increased emphasis on co-op housing models (one group).
- Education programs on property purchasing and assistance with deposits or other incentives.

Question f: How can State housing authorities broaden their client base without making it more difficult for people in need to get affordable and secure housing?

A majority said this could happen only by massively increasing the size of the social housing sector, either with or without private sector co-operation. A substantial minority said it was impossible under present conditions, and a lesser number did not know. This last was predicated on a recognition that expansion was not possible without expanded funding, and that this was not going to happen in the current climate. It was also noted that the CSHA should be indexed, instead of being regularly reduced by what was euphemistically called “efficiency dividends”.



Community housing providers endorsed development of a broader system, because it brought more than just income into the system – it would also contribute towards the social viability of the system. They recognised that there was a danger of not housing those most in need – but given the fact there were 90,000 applicants on the waiting list, and that long wait-times were involved, that was already *de facto* the case.

The FHA Submission noted

There are political sensitivities that will need to be managed and the debate will have to be around the long-term viability of the system rather than just the desirability of finding anyone a house anywhere because they need it today.

The development of a National Housing Strategy and clear objectives will assist to resolve the conflicting objectives of housing the most needy and developing a sustainable system. It may be that those in most need attract different (larger) subsidy streams than those in less need and these can be made explicit rather than implicit in a NHS.

We will need to develop a sustainable and broader system over time – after all, it took a while to get where we are today. It is only by making this an objective that it will be achieved – it won't happen by accident.

A number of groups – including Aboriginal representatives – suggested the DOH should be enabled to develop an aggressive arm aimed at maximising profits by going on to the market itself. For example, it could be seeded by raising \$100 million from the private market with government-guaranteed loans. This should be all the more possible with the move of the Affordable Housing Service from Planning to Housing, and this also suggests revisiting the recommendations of the Affordable Housing Task Force. The DOH should also be enabled to undertake retail and commercial developments, as it had done in earlier years. Some participants suggested the Department refocusing

. . . include purchase of income-producing ventures, which could then fund more equitable public housing.

Suggestions made by workshop groups and individual participants included:

- Several working groups suggested more efficient organisation of the community housing sector, with community housing providers moving to larger, more effective and more cost-efficient operations which could attain self-sufficiency and competitiveness. Ownership of title would also enable borrowing against assets for more housing construction.
- Perhaps NSW is not receiving its fair share of the CSHA, given the level of demand and the high costs of housing in metropolitan areas. Perhaps the CSHA allocation formula needs to be reviewed.

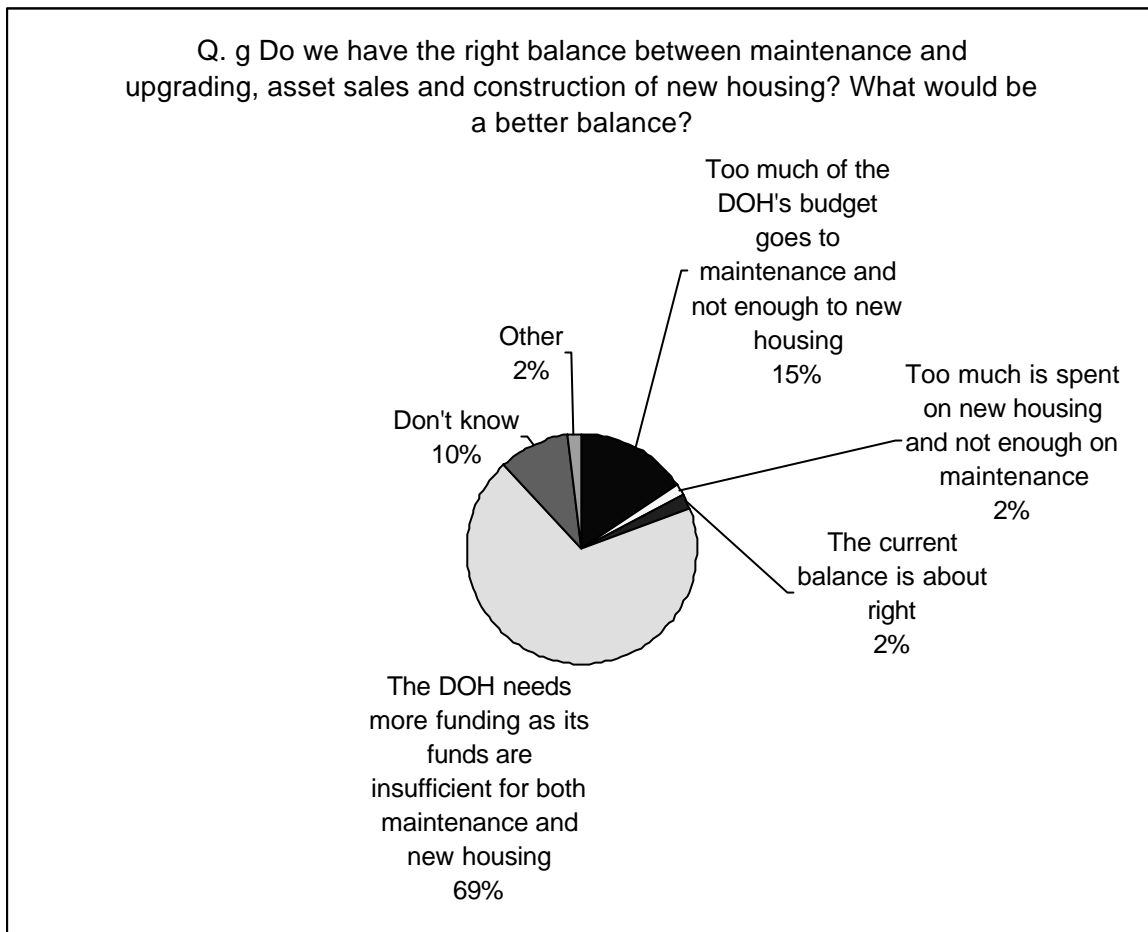
- Special provision must be made for people with disabilities. The private rental market does not meet accessibility requirements, and neither rent assistance or headleasing properties from the private market will address this issue.
- Perhaps the ballot scheme used in the early years of public housing could be reintroduced – a 90,000 waiting list with a 12-year wait-time meant that by the time people came to the top of the waiting list their housing needs could well have changed.
- There needed to be proper long-term projections of the risk/costs/benefits of the headleasing scheme.
- Several groups suggested expansion of shared-equity and self-help programs, and cooperation with groups like co-operative housing bodies, Habitat, etc.
- Several groups suggested strengthening the Affordable Housing State Environmental Planning Policy, enforcing it, and requiring developer levies, affordable housing stock trade-offs for density allowances, etc.
- There should also be planning incentives for a proportion of all developments to be for adaptable housing.
- There were fears that if eligibility was broadened, there could be a perverse outcome of the DOH being encouraged to house those with better incomes at the expense of low-income earners, in the interests of improving the rental stream.
- Other departments like Health and Community Services should be required to fund liabilities they have created (e.g., through deinstitutionalisation) through their own budgets.

Question g: *Do we have the right balance between maintenance and upgrading, asset sales and construction of new housing? What would be a better balance?*

Overwhelmingly, people said the DOH needed more funding, as its funds were insufficient for both maintenance and new housing. Or, as one participant put it succinctly:

We need a bigger cake.

There was a widespread recognition that (1) ageing stock and the need for estate reconfiguration required large amounts to be spent on catch-up maintenance – more, in fact, than the Department had resources for, and (2) funding constrictions and the need for catch-up maintenance had dramatically reduced the capacity for new construction – funds intended for capital construction were, in fact, being used for maintenance. A number recognised that broader eligibility criteria would deliver better income streams and thus enhance the possibilities for increased new construction.



A participant from Orange commented

The condition of much of the current stock is terrible, and the situation needs to be rectified for the current tenants . . .

A very small number said too much of the DOH's budget went on maintenance, and not enough on new housing, and a similar number said they did not know. There was a general recognition that it was important to look after public investment, and that in some instances poor-quality stock needed to be bulldozed and replaced. Several workshop groups said in effect that at the least, however the new CSHA was structured, it needed an element of growth funding to make any new construction possible. One participant noted

A capital boost now will ensure better returns mid- to long-term.

One group expressed support for an AFHO policy statement, calling for an increase in public housing stock from the current 6% to 8% of total stock, at an estimated cost of \$2.8 billion per annum over the next five years.

The FHA Submission commented:

The backlog of maintenance has built up over the years from poor and inefficient maintenance programs. This must be redressed if the system is to become viable. There is no point in having large stockholdings of properties if the standard of those properties is so poor that they become hard to let and well below market standard.

It is clear that the current system cannot support the existing maintenance let alone expansion. The extent of the growth through the leasing program in both public and community housing is insupportable in the long run and leasing costs (currently around \$18m) provide short-term increases to stock but risk becoming as burdensome as interest repayments on long-term debt (currently \$63m). There is no point swapping debt for leasing expenses of the same amount. Unlike debt, which will reduce with contributions to the capital proportions, leasing expenses never go away and increase with CPI.

The gains that are provided to the system from redevelopment of “underdeveloped” assets make little difference to the size of the system and no amount of development can meet existing need – let alone future need.

Just as the FHA submission expressed reservations about swapping debt for leasing expenses for the same amount, several working groups and participants expressed concern about the long-term costs of headleasing. They felt there would be more long-term benefits from putting the money instead into maintenance catch-up or new construction in the interests of long-term housing gain.

Suggestions made by workshop groups and individual participants included:

- Some groups made suggestions about making the maintenance dollar go further – e.g., by instituting a “barter system” by which rents were reduced in return for tenants doing maintenance work; subcontract council maintenance staff to do maintenance work on DOH properties. Some individual participants made similar comments about “brokering” maintenance to housing estates and local community housing providers.
- One group said DOH should purchase stock for a specific period then sell it to purchase more stock, when the capital value of the stock is good, and when cyclical maintenance costs will be more than the income generated by the stock.
- The views of applicants as well as tenants should be sought. As street homelessness gets worse, a crisis response was needed – more housing was urgently needed. Other participants also urged consultation with “prior, current and potential tenants”.
- One cynical group suggested chook raffles and putting poker machines into estate community rooms. Not quite so cynically other groups suggested lotteries *a la* the old Opera House lottery, or selling Telstra only if the proceeds could be used for social housing.

Question h: What should be done about continuing debt repayment problems? Should the debts be forgiven? Failing that, should they be rescheduled or otherwise dealt with?

A majority called for the Commonwealth Government to forgive the debts. Some of the reasons for this included:

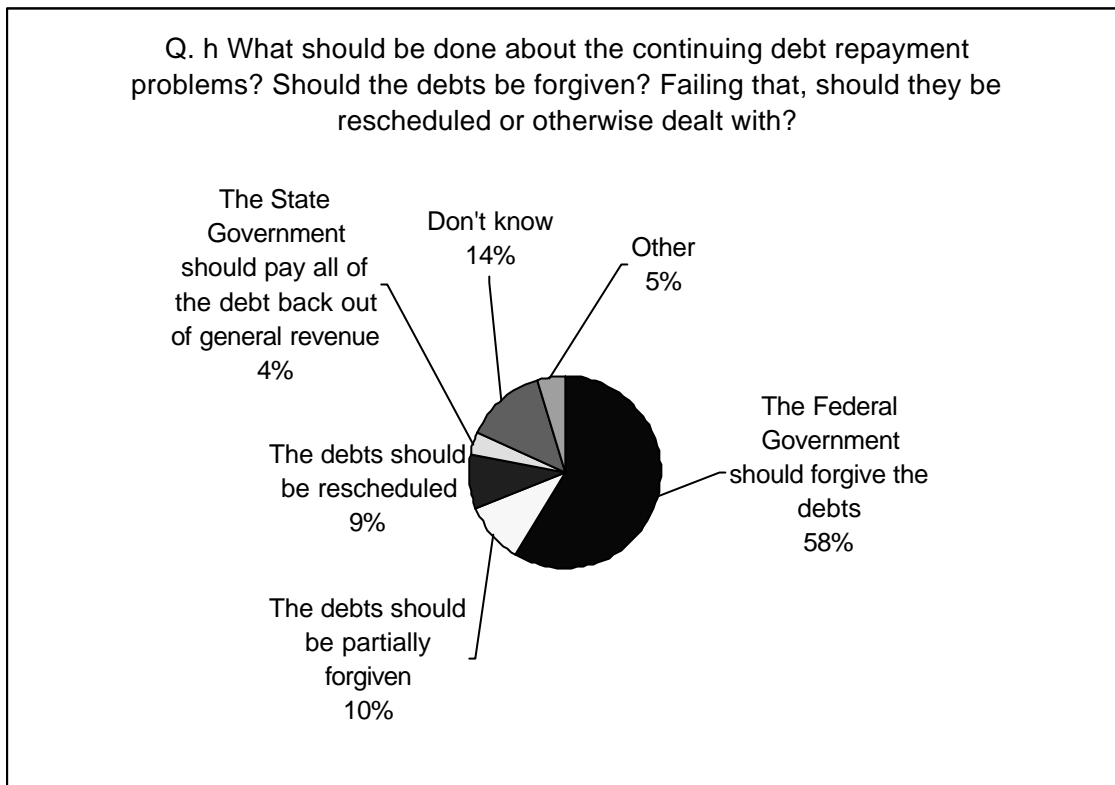
- Scepticism whether debt repayments would, in any case, be used to benefit low-income groups in other ways;
- the tax system needed in any event to address the huge problem of housing unaffordability on the eastern seaboard;
- There should be recognition that provision of CSHA funds by way of loans was “an
- Loans made in an a profit environment were now being called up in a deficit environment, and there is a reduction in government funds available;
- Loans were in the nature of a book entry in ongoing loan arrangements between governments, and low-income housing consumers should not be penalised by book entries and cost-shifting between governments.

A much smaller number did not know, and a smaller number still said the debts should be partially forgiven or rescheduled. Only a small minority said the State Government should pay all of the debt back out of general revenue. An Indigenous respondent said

Just do it

but then went on to raise the question of what impact the GST would have. The Commonwealth and States should sit down and work out a solution to retire the debt.

The FHA Submission opted for partial forgiveness and rescheduling of the debts. It suggested that asking the Commonwealth to forgive the debt would mean they were likely to walk away from the CSHA altogether, and that this was an undesirable outcome. And should the States decide not to repay the debt, then the amount saved would not be sufficient to ensure sustainability. The States should seek to forgive some of the debt as compensation for changes in policy, and reschedule the remainder to reduce the current burden.



The FHA Submission read:

The debts were incurred subject to Commonwealth government requirements at a particular time and place. Since then Commonwealth priorities have changed and their imperatives (with which the States have agreed) have resulted in a significantly different income profile. There is a relationship between the Commonwealth interest in the CSHA and the housing outcomes that relate to it and the debt that has been historically incurred. Current Commonwealth contributions to the NSW portion of the CSHA are roughly equivalent to the current repayments on the debt. It is curious that this relationship has resulted in so much influence over the State housing program.

It is true, however, that annual income from tenants' rents is roughly equal to the total debt of \$1billion. This would appear to indicate that the NSW Department of Housing is only modestly geared and that their debt to asset ratio is very reasonable. It also shows that the major contributor to SHA income is tenant rents, and not the Commonwealth Government.

Asking the Commonwealth to forgive the debt would mean that they are likely to walk away from the CSH altogether and this is an undesirable outcome. The continuation of the debt is therefore important in a symbolic way as it ties in Commonwealth interest.

Should the States decide not to repay the debt then the amount saved would not be sufficient to ensure sustainability. The States should seek to forgive some of the debt as compensation for changes in policy. They should seek to reschedule the remainder of the debt to reduce the current burden. New loans should be renegotiated that seek to expand a larger, more viable system within the context of a National housing Strategy. The new loans should have exit clauses built into them that account for any changes in objectives and policy.

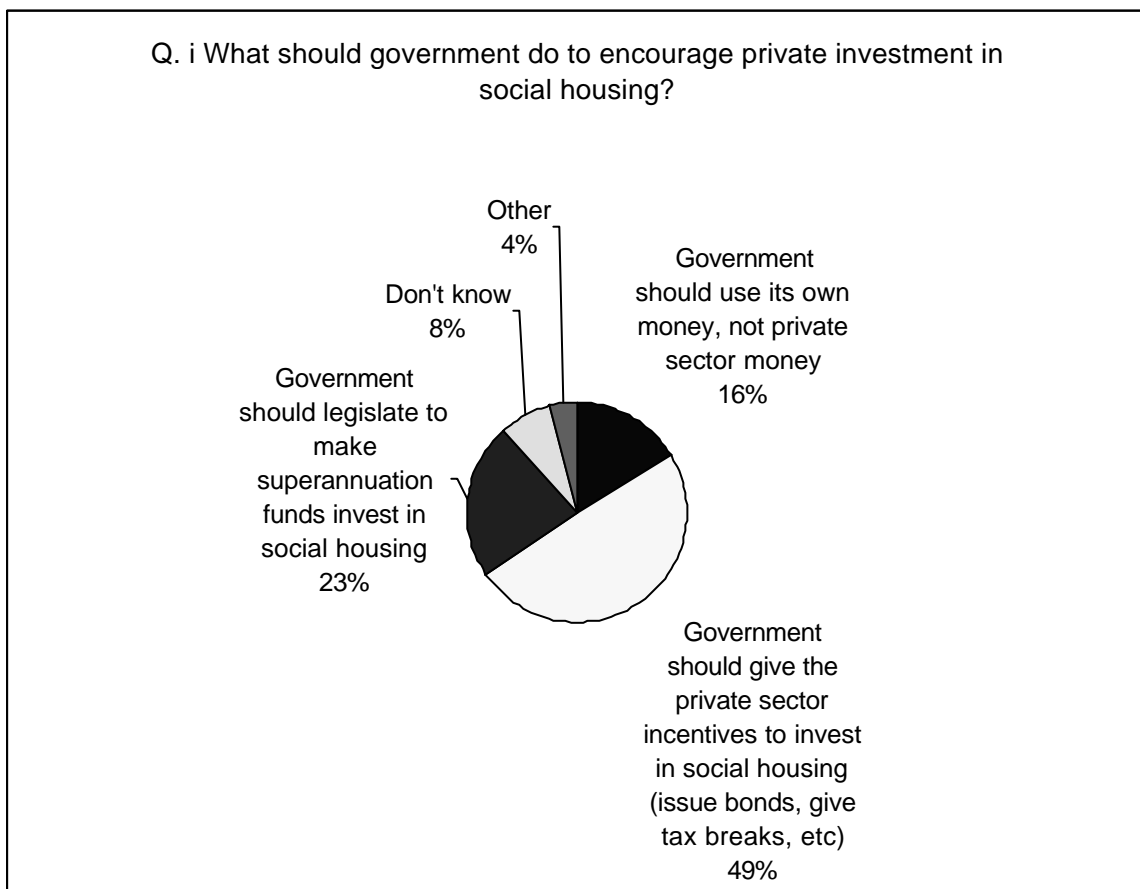
Suggestions made by workshop groups and individual participants included:

- A group opposed to writing off the debt suggested waiving of States' interest payments, but the States should pay the capital costs.
- Several groups suggested the proportion of debt forgiven should be contingent on the State Housing Authority committing the equivalent amount to increasing the stock of social housing.
- The States should fast-track debt repayments out of State general revenue, like gambling funds and property taxes; or they should use State taxes like land tax and stamp duty to pay out the debt.
- There should be a compromise between the Commonwealth and States on debt repayment, perhaps with a trade-off between retiring the debt and reduction in Commonwealth funding.
- Reschedule the debt and link it to the National Housing Strategy – e.g., funds could be used to maintain/upgrade/purchase for a reasonable time in an attempt to improve the income stream, which would make debt repayment more feasible.
- Social housing needs to be talked about as “infrastructure”, and asking to wipe \$4b State housing debt from the proceeds of further Telstra sales should be a campaigning issue.
- If the Federal Government was looking to sell public utilities, the Greens and the Democrats should ensure that the profits were ploughed back into socially responsible spending like paying off the housing debt.
- Impose community service obligations on major profit institutions like banks, and using the proceeds to repay CSHA debts.
- The debts should be forgiven, and the consequent shortfall met out of politicians' perquisites, like overseas junkets. The more cynical suggested this would easily meet the shortfall . . .

4. Attracting additional investment

Question i: What should Government do to encourage private investment in social housing?

Many groups were sceptical about both the capacity and the value of raising private sector finance, pointing to the marked lack of success despite discussions over a number of years, and to the fact that the private sector would require guarantees of profits and of long-term stability. While there might be short-term benefits, many worried about the never-ending costs of guaranteeing profits. A number of comments reflected weariness with macroeconomic reform involving privatisation of public assets, and saw the current discussion as slotting in to that agenda. There was an emphatic view that for too long social benefit had been subordinated to an overall program dictated by an economic rationalist agenda, although it was not necessarily expressed in such terms. A number of workshop groups and individual participants expressed a preference for government taxation measures like stamp duty and land tax at a State level, and a capital gains tax on luxury homes and allowing negative gearing only for provision of low-cost housing, at a federal level.



However, in general both the groups and the questionnaire responses recognised the realities of the current situation and looked at a range of options – “a reluctant willingness to experiment” was the way a group in Wollongong expressed it. Within that framework, a substantial majority said the government should give the private sector incentives to invest in social housing by way of bonds, taxation concessions, etc. A substantial minority said the Government should legislate to make superannuation funds invest in social housing, and a smaller number said the Government should use its own money, not private sector finance. It should be noted that these options (except the last) were not mutually exclusive. There was also a recognition that the plight of “the wage-earning poor” in the private rental sector should be addressed, and that affordable housing programs were the best way to address this.

Community housing providers favoured government incentives to the private sector, but noted it was vital that tenancy management and investment were separated in order to meet the needs of both parties – thus private sector investment needed to be obtained at arm’s length through something like a bond issue or through a social housing property trust. The FHA Submission commented:

. . . Research from the points of view of both consumers and private investors is that investors do not understand the social housing product. They are concerned about risk and that funds will be secured only if tenancy management risk is reduced for the investor. From a consumer point of view the experience of the private rental market is not good for the potential social and affordable housing group. Therefore it is vital that tenancy management and private investment are separated in order to meet the needs of both parties.

This requirement means that private sector investment needs to be obtained at arm’s length, either through something like a bond issue or through a social housing property trust. Depending on the nature of the investment and the purpose for which it has been obtained both public and community housing managers will be able to manage social and affordable housing properties obtained through private sector investment.

It is important to note that there is considerable private sector investment already in community housing and to a lesser extent public housing. The leasehold programs use properties purchased by private sector investors and on-leased to social housing managers. The important feature in these products is the separation of property management and investment.

Several workshop groups expressed the view that rather than attempting to find incentives for private enterprise to invest in social housing, State Housing Authorities should instead go on to the market and try to make profits themselves. A workshop group in Liverpool commented:

Raising private investment funds mean the beneficiaries will be rich people: It would be better instead to compete with them, borrow cheap and lend dear, and undertake an aggressive marketing strategy, competing with banks and financial institutions.

Nevertheless working groups made a number of suggestions of incentives for private investment. These included:

- Housing bonds;
- Tax breaks and incentives;
- Land price concessions;
- Develop and leaseback arrangements;
- Joint ventures;
- Planning and regulatory concessions and contributions;
- Development of appropriate finance instrumentalities;
- Levies (or tax concessions) on superannuation funds.

Groups nevertheless continued to express scepticism about the possibilities of raising sufficient private finance, and believed that substantial government input would need to continue. An individual participant commented

If incentives, costs need to be transparent, and not be money taken away from existing social housing/rent assistance funds, because this is addressing a different area of social need. When developers are negotiating with public servants, don't trust that there'll be an equitable outcome.

And a still-idealistic participant said:

I realise that the idea of government providing services to those in need no longer exists. What happened to the idea that taxpayers' money should be used to provide services to people?

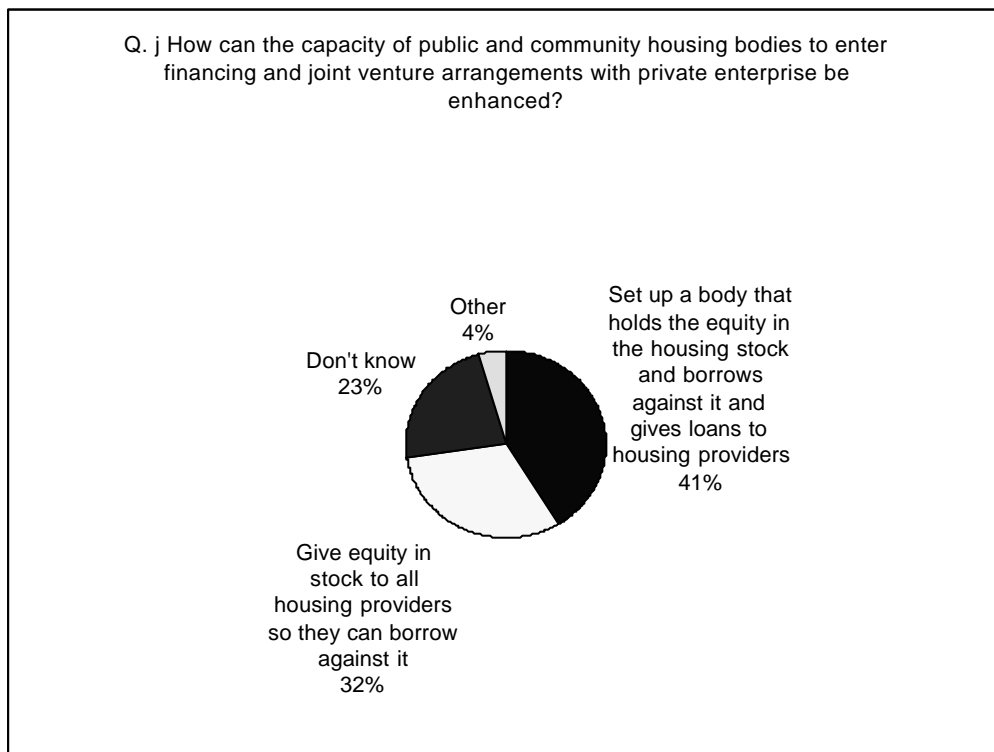
A metropolitan group commented that planning and regulatory controls were not sufficient, as, e.g., requirements for a percentage of low-cost housing in new developments generally cut out after a specified time, and this housing then reverted to market pricing. It would work only if title to such properties were handed over to social housing providers. The same group noted that loans were also problematical, as they could be raised only against assets, and would also have to be serviced – which could oblige social housing providers to rent to tenants who could pay premium rents.

Comments from workshop groups and individual participants included:

- Bond issues would need to provide housing on a large scale to generate revenue from affordable housing rents.
- There was unease about the apparent failure of the Affordable Housing Service to deliver results, and underlying that a recognition that many of the recommendations of the Affordable Housing Task Force had not been taken up or embodied in resource allocation.
- Multiple occupancies: Greater land subdivisions could be allowed, but councils can adopt conservative policies towards them. In some regions a lot of dairy farmers are leaving or the land is not being used. Shares could be sold in land and used to put in roads and other infrastructure. Perhaps land could be “strata titled” and parcelled up. Multiple occupancies create communities and social supports. Government could provide interest-free loans.
- Sort out amortisation issues for churches, so partnerships that have worked to bring more resources to housing become the rule, not the exception.
- Housing associations should be given title so they have the independence to raise their own finance (a Newcastle group commented, however, that equity should return to the government, not the private sector, in the event of financial problems).
- There should be a government-sponsored Housing Corporation – there needs to be a vehicle or mechanism to enable private developers to invest in housing.
- A better-managed HomeFund could be revisited.
- Community housing providers should establish Housing Trusts, using their housing equity to fund joint ventures with the private sector.
- Tap into socially-responsible enterprises for finance, like credit unions and community banks.
- If there are to be guarantees for investors, there should also be guarantees for tenants, like secure of tenure and effective legislative protection of rights.
- Developers will not build one- or two-bedroom units because of the lower resale value – but these were what was needed.
- Government should require the development of low-cost housing as part of the development application process.
- Encourage owners to headlease to social housing.
- Better marketing of social housing.
- Income tax scales should become more steeply progressive for high-income earners.

Question j: How can the capacity of public and community housing bodies to enter financing and joint venture arrangements with private enterprise be enhanced?

The greatest number of responses said a body should be established to hold equity in the housing stock, borrow against it, and provide loans to individual housing providers. A significant number said title to stock should be given to all community housing providers so they could borrow against it (some also said that title should be dependent on tight accreditation or a range of such factors). A substantial minority said they did not know.



Community housing providers indicated that their preferred option was for them to have title directly, but noted that the sector generally supported establishment of an intermediary holding title to community housing properties, obtain finance, and enter agreements with community housing providers about the management and finance commitments. The FHA Submission went on:

However, this model will work only if the funding and management arrangements support the payment of interest and capital on any loans that are generated through the business. The current client base is unlikely to provide the level of gearing required to substantially grow the sector.

In addition, the current skill base of community housing organisations does not include the negotiation of complex financing deals and this capacity will have to be supported and grown. However, these skills can and will be developed and secured by the sector given the opportunity. Any opportunity to significantly expand housing associations to develop and manage a broader range of housing options will be readily taken up.

Significant work on developing the standard of housing and tenancy management through accreditation is currently under way. The review of the National Community Housing Standards that will occur this year is likely to foreshadow the development of new skills in larger housing associations.

This year there is a strong focus on the strengthening of corporate governance in housing associations and development of new reporting tools to ensure that boards are better able to receive high quality management and financial information. The Federation is currently researching the range of tools available overseas to support this work. The Office of Community Housing is also developing performance management tools to provide individual organisations, the sector as a whole and the regulatory environment with better information about performance on a range of criteria. This will include benchmarking of performance and the development of peer networks.

Several groups noted that local providers could respond better to local market conditions – they were smart, and being relatively small organisations they were also low-risk if things went wrong. It was noted that Illawarra Housing Trust, with only a small asset base, had nevertheless just acquired a \$700,000 loan against its assets. On the other hand, some groups felt that government was better placed to enter into private sector financing arrangements, and that the Department of Housing should maintain its responsibility for social housing. Governments already worked with large developers, and had more bargaining power.

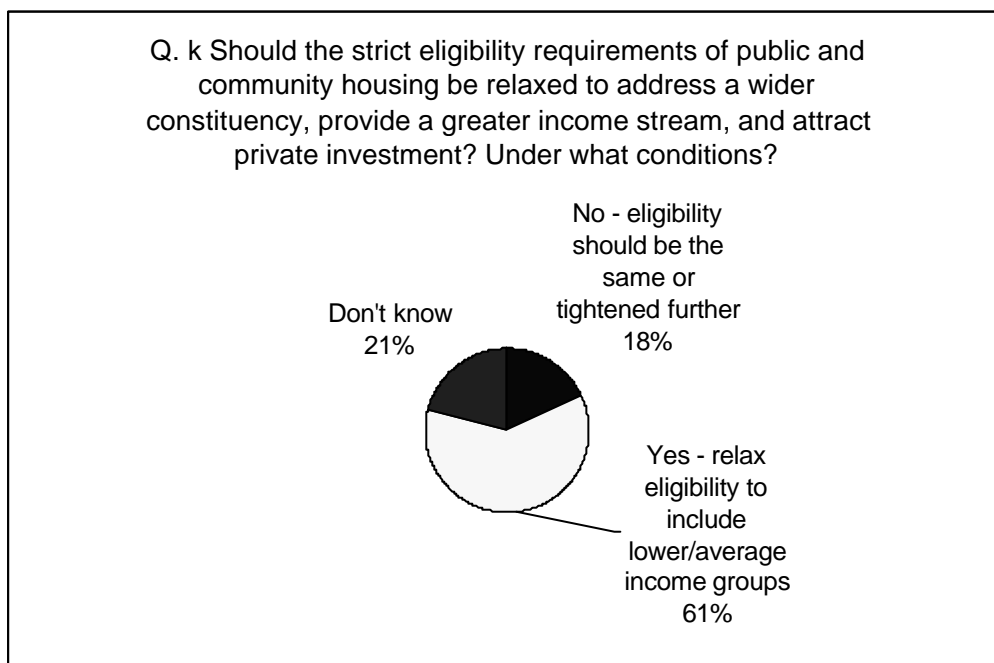
Comments made by workshop groups and individual participants included:

- If title were given to community housing providers and they fell over, the mortgagee would move in and take the housing. Guarantees would have to be written in.
- Not all housing providers had the capacity to manage equity – perhaps only large organisations, or amalgams of providers, which could demonstrate the capacity to manage, should have the option to hold equity in properties.

Question k: *Should the strict eligibility requirements of public and community housing be relaxed to address a wider constituency, provide a greater income stream, and attract private investment? Under what conditions?*

A substantial majority said eligibility should be relaxed to include lower/average income groups. A significant minority said they did not know. This was clearly related to awareness of the problems of high-need applicants missing out if higher-income residents are also housed in a limited pool of stock.

A surprisingly large 18% said eligibility should remain the same or be tightened further. However, this is probably explained by two factors: (1) the majority of these responses came from one location, Coffs Harbour. Unless there are housing or social factors distinguishing Coffs Harbour from the rest of the State (the participant profile was similar to the other regions), the likeliest explanation is the way in which the question was discussed in the introductory session (as there were two separate workshop groups); (2) The majority of questionnaire responses did not include any additional written comments by way of explanation. However, of those that did include comments, one or two were individually idiosyncratic, but the rest were roughly along the line that as there is not enough social housing to go around it should go to those in the highest need. That is, the answers did not differentiate between whether eligibility should remain as it is or be tightened further, but simply indicated there was not enough social housing for people in need, and therefore eligibility should not be broadened.



In the context of support for relaxation of eligibility requirements, the FHA Submission commented that the current policy settings ensured that people had to be desperate and to have exhausted all their options before they could be housed. The result of this was to incur greater non-housing costs to the system. However, great care should be taken to ensure that perverse incentives were not created through too great a reliance on income-based rents. Income-based rents could encourage those in employment to reduce their income once their housing was secured, particularly in high-rent areas. This was a bad outcome for tenants because it reduced their attachment to the workforce, and a bad outcome for housing providers, because it significantly reduced income. The system should not encourage people to reduce their incomes, but should provide appropriate safety nets in case it did happen. The Submission commented further:

The social housing system could be sustainable with the same or tighter eligibility criteria. Crucially, this would require significantly greater public investment in social housing to ensure that the operating and maintenance costs were covered and that future replacement and expansion costs were accounted for. Day to day tenancy management is also likely to be higher than at present and different tenancy management (and perhaps asset management) strategies will be required.

Ultimately, the policy objectives that should be established in the National Housing Strategy will determine whether the system is to be tightly or broadly targeted. The objective should be supported by an appropriate financing arrangement.

While people saw the value from a range of perspectives of broadening the eligibility criteria, workshop and individual responses stressed the problems of housing people who met the current criteria, and pointed out the length of the waiting list, and the duration of wait-times. There was a general belief that broadened eligibility criteria would be good for several reasons. One individual participant commented

In the long run a more diverse public housing community will provide greater returns – not just financially but socially, and in terms of the security and safety of public housing communities.

A Liverpool group found even more reasons:

Relaxing eligibility could broaden the client base, making social housing a viable alternative to the private rental market, reduce stigma, increase low-cost rental property standards and improve attractiveness to private investors.

But the conundrum was to ensure this while at the same time providing housing for those most in need. For this reason, the Orange group insisted

Priority housing should be maintained to allow those desperately in need to still have hope.

A Liverpool group commented

We cannot answer this question in the affirmative – it relies on housing availability so that the most needy are housed.

The same group suggested that either more housing had to be built, or that there had to be a new and separate affordable housing system that cross-subsidised DOH revenues from higher rent revenues.

Groups generally felt that broadened eligibility would be particularly appropriate for the development of affordable housing options. A group in Wollongong said those in the \$40,000 to \$70,000 bracket should be seen as the target group for affordable housing – they noted that even a family on \$70,000 had considerable expenses as they were in a higher tax bracket and also had

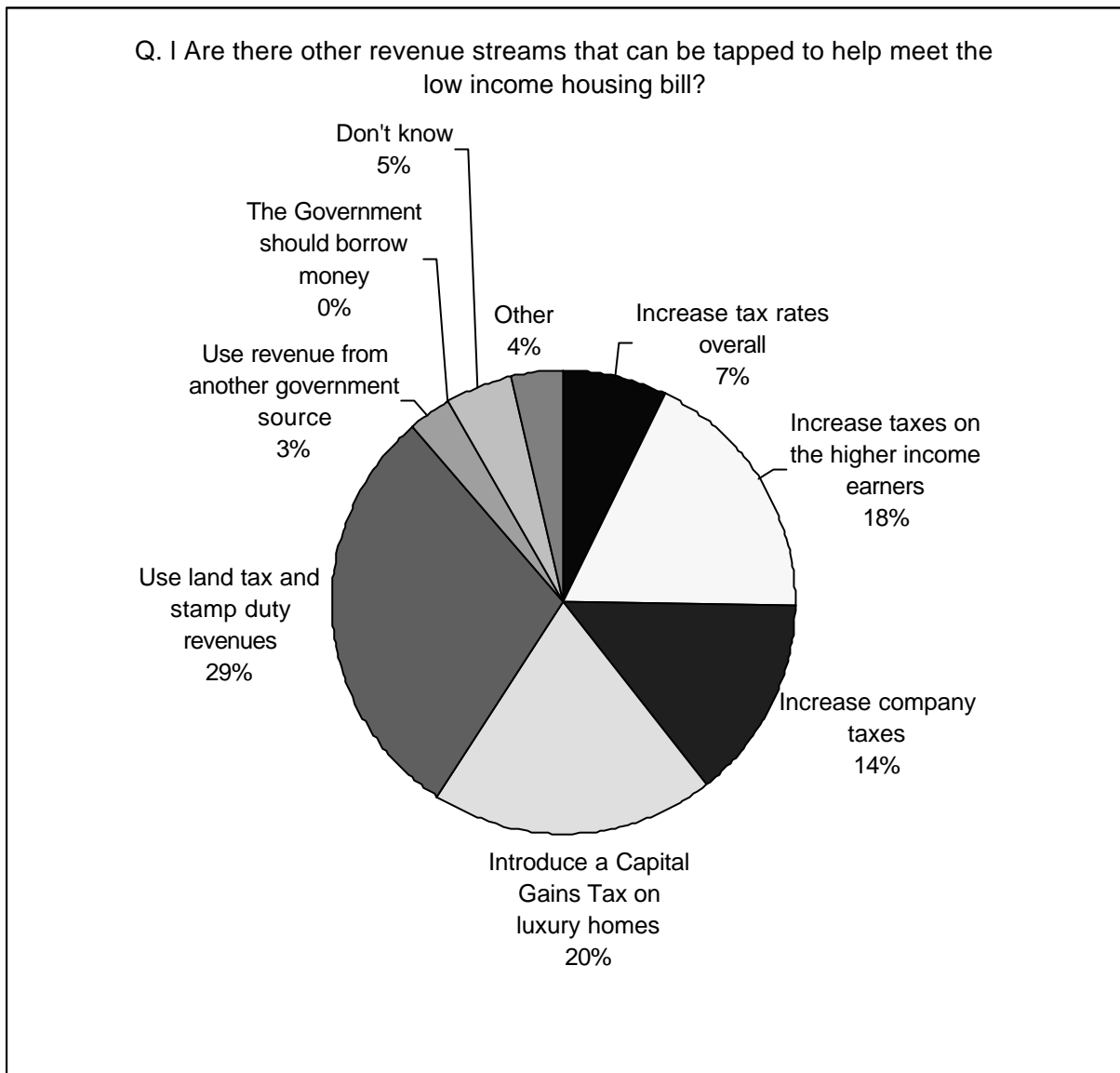
to pay for childcare (assuming that the higher income came from two-income families). Provision of affordable housing would also form communities – it was hard for this to happen when people kept moving. The provision of affordable rented housing would also allow people to save for a deposit instead of spending all their income on rent.

Comments and suggestions from workshop groups and individual participants included:

- Create different target group benchmarks for the selection of tenants to encourage people who are on a higher income but still eligible. This group also accepted the corollary that this would require a reduced selection of people in higher-need categories. Other groups also suggested such “benchmarking” of different income groups, based on calculating a viable rental income stream.
- Designate specific properties for higher rentals to subsidise growth for social housing. This group also suggested a marketing campaign to explain the long-term benefits.
- There needs to be a long-term view so that the mix and use of private investment is well managed for tenant security over the long term – this group expressed concern about the effects of the Public Equity Participation Scheme under which some properties were sold to A.M.P. and rented back for 20 years.
- If private investors build, they need to wage the community sector to manage properties, with a mix of 30% high and 70% low to moderate incomes.
- The tightening of eligibility has resulted in a homogenised target group in extreme poverty. Many of these people require support to maintain their accommodation. The stigmatisation of the sector is a disincentive to investment.

Question 1: *Are there other Government revenue streams that can be tapped to help meet the low-income housing bill?*

Almost all of the responses focused on various taxation measures (both State and Federal). A majority focused on land tax and stamp duty revenues, followed by capital gains tax on luxury homes, increased taxation on higher-income earners, increased company taxes, and increased tax rates overall.



In general, the FHA Submission supported these options, and noted:

If government wants particular outcomes and establishes agreements to deliver them, then it is also responsible for ensuring the funds are available to meet the agreed outcomes. Funds can either come on a “user pays” and co-payment arrangement or through taxation revenues. The current housing subsidy system uses a mix of both.

It is unlikely that additional funds can be raised through tenant rents, although broadening eligibility may assist. Therefore the funds must be raised through some form of taxation. Even if funds are borrowed, the future repayments must be met from revenue generated through taxation.

Options available to the Commonwealth include raising the GST (not supported) through to adjusting income tax rates. The progressive application of income taxes is supported and therefore the greater burden of revenue raising will be borne by those who are comparatively wealthy. The Commonwealth has the option to adjust negative gearing and capital gains tax in ways that can provide additional housing for people on lower incomes.

The introduction of a capital gains tax on “luxury” homes is problematic because of the widely varied nature of property prices across Australia. A luxury home in Hobart is very different from a luxury home in Sydney. However, the principle is supported. The reintroduction of capital gains tax at 100% rates is supported.

At a State level, land tax and other property-related taxes should be hypothecated to housing assistance.

An Indigenous response commented that local government should also be seen in this context, and that it should have a system where land developers contribute to a fund for low-cost housing.

Another participant noted that there needed to be more awareness that Australia was one of the lowest-taxed nations in the OECD – that there was a mistaken perception that Australians paid high rates of taxation. It was necessary to change this perception.

Some workshop groups proposed additional forms of taxation, including

- Wealth tax;
- Inheritance tax;
- Higher levels of company tax;
- A range of gambling taxes;
- Tighten tax loopholes (e.g., GST on luxury items, company tax, multinational tax exemptions);
- Increased taxation on politicians’ salary and superannuation.

Other comments groups and individuals made included:

- Shelter should be lobbying the State Government to make a commitment to GST revenue being used for social housing.
- The State Government should make its own commitment to social housing by setting a fixed percentage of stamp duty/land tax revenue to go into both social housing and homelessness.

- As gentrification of inner and middle-ring suburbs of Sydney continued, the State Government and local councils had an increasing responsibility to use their taxation and rates revenue gains to ensure an affordable rental market and increase social housing stock.
- Adjust land tax thresholds on “residential rental” properties to remove disincentives for large investors.
- Landcom should be reunited with DOH, and development profits turned over to social housing.
- Introduce various gambling devices to raise funds for social housing – e.g., lotteries.
- Legalise drugs and tax their sales. Use levies on gambling and alcohol (a participant from Lismore) for housing.

5. Roles and responsibilities of each level of government

Question m: *How can we best assure a secure and reasonable flow of funds to State Housing Authorities? Should we accept a new arrangement, with the Commonwealth being responsible for CRA for eligible households in all tenures, and the States responsible for housing provision?*

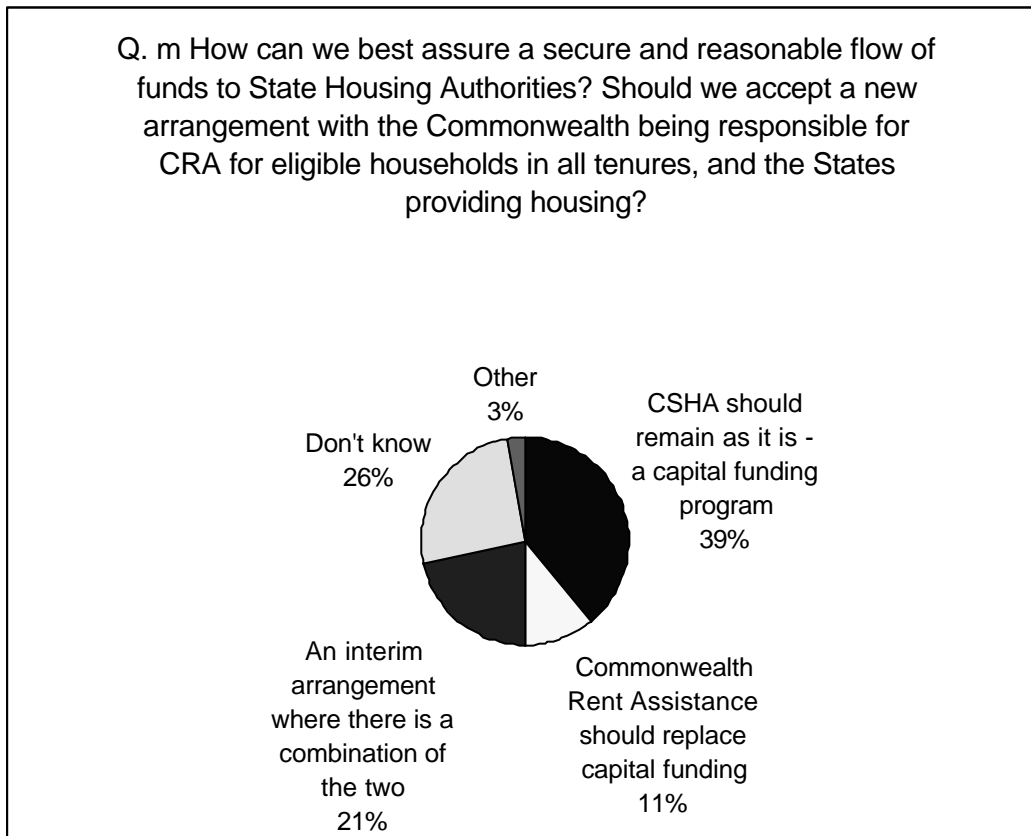
The answers to this question indicated a high degree of uncertainty and lack of knowledge of what the consequences would be of such a switch. There was a strong view that the CSHA should remain as it is, as at least guaranteeing a flow of designated funds from the Commonwealth to the States. This also included a reluctance to see social housing as simply a matter of welfare assistance.

A substantial number said they did not know – it was within this category that many said there should be much more analysis and consultation before any switch was considered. There was a strong view generally that the Commonwealth was and should be seen to be responsible for social housing provision through the CSHA, and that it should not be permitted to withdraw from this. It would also stifle any chance of there being a national housing strategy, as each of the States would simply go their own way. One group commented:

There has to be some agreement that has to be monitored and reviewed; there needs to be a commitment from the Commonwealth to maintain the viability of social housing in the event of failure in any new system; it should also be built into the national housing strategy.

Some of the unease also flowed into the next and less preferred option of an interim arrangement combining the two. A small number agreed that CRA should replace capital funding, on the basis that at least it provided an assured flow of funds, and that it was indexed. In addition, some

groups used this question (as well as others) to say that CRA itself needed to be reviewed, if it was meant as a serious attempt to address issues of housing affordability: It should, for example, take account of regional variations in rental costs (e.g., the high costs of renting in Sydney and Melbourne), and the fact that many low-income people struggling in the private rental market had no access to CRA because they did not receive other welfare payments.



Some participants commented that the only way the sector should accept a switch from CSHA to CRA is if the State Government has made an advance commitment of GST funds to housing. Also, State CSHA negotiators should be asked to demonstrate to the sector how they would continue to fund capital investment and upgrading from this revenue stream.

The FHA Submission suggested revisiting the Industry Commission model, noting that there were many attractions to the individual entitlements of Rent Assistance. Each tenant, whether in public or private rental, who was in receipt of RA then had greater choice about where they lived; and social housing providers were able to better meet demand because every tenant had that subsidy with them. The submission went on:

However, this model works only if the subsidy is of sufficient size to ensure affordability for the tenant and that cost-rents plus are met for the social housing landlord. In the UK social housing landlords are increasingly moving towards “choice-based lettings” in which tenants are able to choose the type, cost and suitability of dwellings – much like

the private rental model. As the Industry Commission itself found, choice exists only when demand and supply are much closer than they are at the moment.

Therefore a mix of subsidies will be required – so that means that either the Commonwealth or the States will have to meet the difference between the “market rent” and the affordability benchmark for the tenant after RA has been paid.

It also means that RA that currently goes to community housing landlords will have to be calculated as a contribution to rent, rather than a contribution to income. This has significant implications for the policy philosophy of RA.

The current CSHA is not really a capital program at all. In fact, the Commonwealth contribution is paying for previous capital and no new additions to stock. The current situation cannot continue. There are real arguments for separating the responsibilities of the Commonwealth and the States so that, as the Industry Commission argued, responsibilities can be attributed and performance accounted. This does not occur under the present arrangement and both the States and the Commonwealth blame each other for failures of the system.

An Indigenous participant commented:

I believe that under a CRA-only system the people who will be affected the most are the most vulnerable disadvantaged people in the community. Social housing needs a capital funding program, as we see many more families registering in social housing waiting lists. The gap between the haves and the have-nots is widening.

Another participant commented bluntly:

CRA seems a copout option. Don't let the federal government wash its hands of providing housing to the most needy in our society.

Comments and suggestions from workshop groups and participants included:

- Welfare payments generally should be simplified and streamlined.
- Whether or not the CSHA is cut, there is no guarantee, either, that CRA would not be cut.
- A number of individual participants said rent assistance should be given to the DOH in addition to CSHA funding.
- Some suggested abolishing CRA rather than the CSHA.
- If the switch is made to CRA, it should be indexed to reflect regional variations in rental costs, like metropolitan Sydney.

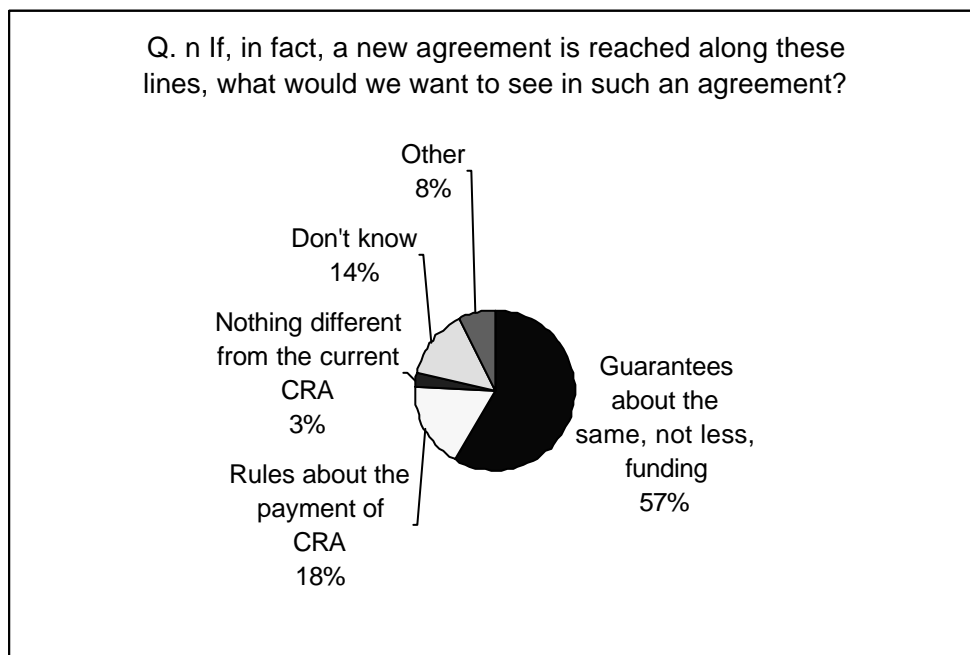
- Some expressed concern about the differences between the current rebate system and CRA in relation to market rents, and who would pay for the difference. If tenants had to pay the “gap”, they would be even worse off than they are now.

Question n: If, in fact a new agreement is reached along these lines, what would we want to see in such an agreement?

In these circumstances, a large majority wanted guarantees about the same, not less funding. In fact, this tends to mask some of the level of concern, because some respondents to the questionnaire altered the first option – “guarantees about the same, not less funding” – to read “guarantees about more, not less funding”; and numerous terse comments called for “more

The next highest priority was for rules about the payment of CRA – characteristically these included demands for maintaining a growth element in a transitional CSHA, and for indexation of CRA.

Almost equal with this number were “don’t knows”, again reflecting uncertainty about the implications, and, in particular, a wariness about linking housing and welfare reform. It was also noted that an interim arrangement would allow time to work out a national housing strategy. Indeed, as part of this process some groups suggested establishment of a community advisory panel with which federal and State ministers could consult, and which could provide advice on community views and proposals. Some groups also proposed that tenants and prospective tenants should be included in such consultations.



A participant said flatly

The Commonwealth must not be allowed to shift housing policy and funding totally to the welfare sector.

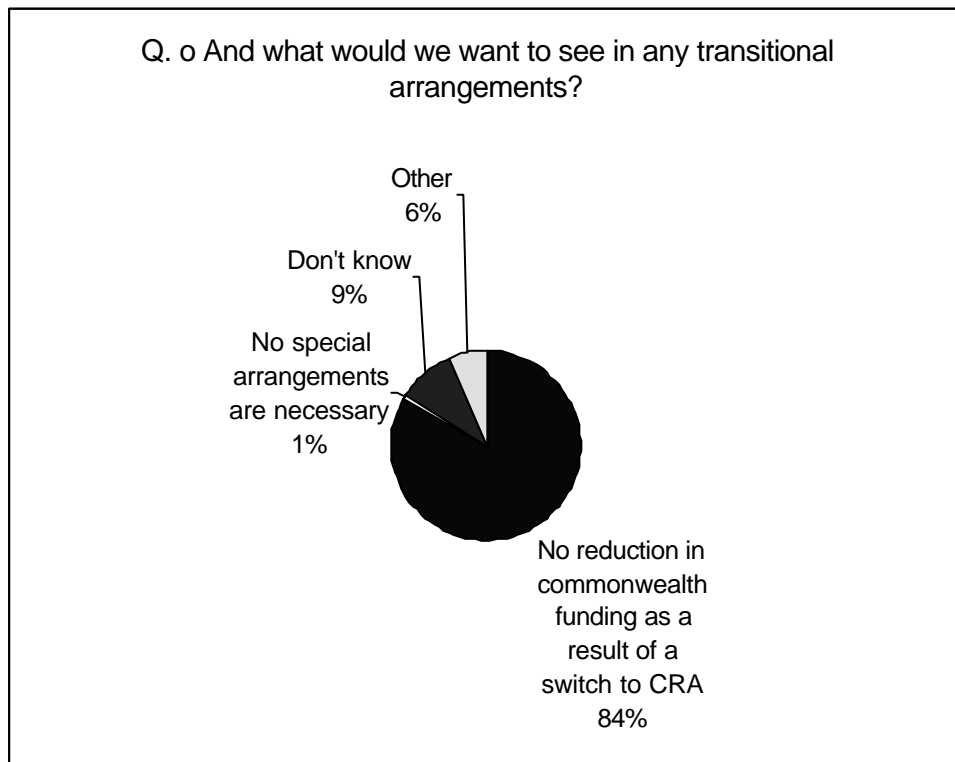
Community housing providers said there should be guarantees of more funding to meet specified objectives. They said the agreement should include agreed outcomes for the CSHA and identify responsibilities for both parties. There should be joint commitments to meet the targets specified in the National Housing Strategy.

Comments and suggestions workshop groups and participants made included:

- Mechanisms are needed to limit the potential for private rental providers to increase rents to take advantage of extending CRA. Others suggested capping rents.
- Rules need to be consistent across both DOH and Centrelink.

Question o: And what would we want to see in any transitional arrangements

Apart from a very small number of “don’t knows”, there was virtually a unanimous demand for no reduction in Commonwealth funding as a result of any switch to CRA.



The FHA Submission said there should be a commitment from the States to take responsibility for their contribution to funding, and noted that the NSW government, like all other State governments, had reduced their matching contributions over the last six years in line with Commonwealth reductions:

An end to buck passing is required.

One group called for a review of the overall program, on the basis of a commitment from the Commonwealth government to protect the viability of social housing:

There should be a review of the overall program, but on the basis that current housing stock is protected and its quality is improved. (i) The CSHA should continue; (ii) It should contain growth funds; (iii) Growth funds could be tapered over time. What if the whole rental assistance scheme fails? There has to be some agreement that has to be monitored and reviewed; there needs to be a commitment from the Commonwealth to maintain the viability of social housing in the event of failure in any new system; it should also be built into any national housing strategy.

Another group said that at the minimum

- (i) *there should be no less funding;*
- (ii) *there should be no disadvantage to clients;*
- (iii) *in the interim CSHA funds should be maintained to provide some element of growth.*

A third group said

- (i) *We would like the States put into a healthy situation before they're cut loose;*
- (ii) *Funds should be indexed at a multiple level on the inflation rate, to provide catch-up finance;*
- (iii) *In the interim there should be CSHA growth funds, or at least an ability to come back if the deal is not working.*

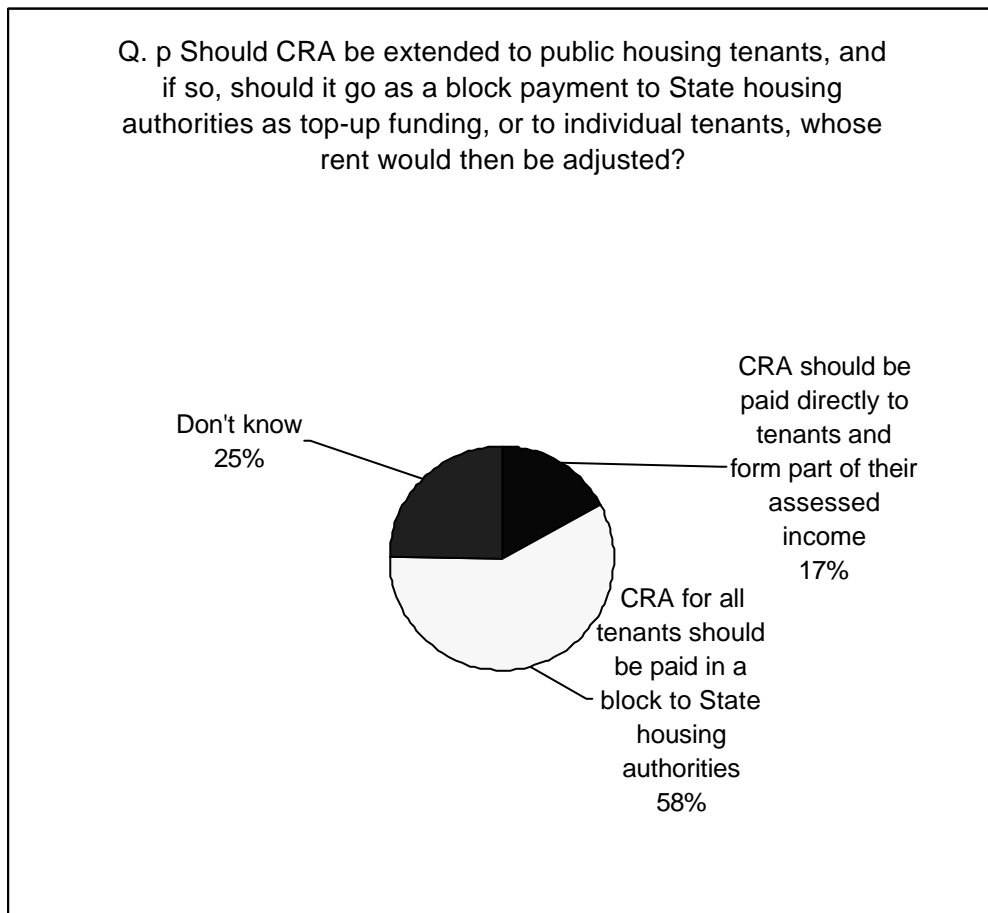
Comments by workshop groups and individual participants included:

- There would need to be careful analysis of how CRA funding worked – for example, if no differentials were applied across different areas, public tenants' rents would go up. Time was needed for the gradual withdrawal of CSHA funding.
- Removal of the CSHA subsidy could also remove justification for the DOH having exemptions from some parts of the Residential Tenancies Act.

- However it is structured, there should be no increases in rent for public tenants above 25% of income.

Question p: Should CRA be extended to public housing tenants, and if so, should it go as a block payment to State housing authorities, or to individual tenants, whose rents would then be readjusted?

If the switch is made to CRA, a substantial majority of responses said CRA for all tenants should be paid in block to State Housing Authorities (on the basis of simplicity, of predictability for planning purposes, and no leakage from rental arrears, etc.); a substantial minority said they did not know; and a lesser number said CRA should be paid directly to tenants and form part of their assessed income. Reasons for the last included preserving the autonomy of low-income people in how to use their resources, and fear of setting a precedent for private landlords to exploit.



One participant in Sydney encapsulated what many were feeling:

The trouble is I can see problems in all these alternatives. CRA extension to public tenants assumes market rent in public housing, and rent no longer attached to income. There is a fundamental justice in housing costs not exceeding 20-25% of income.

The FHA Submission supported the block payment of RA subsidy to both public and community housing landlords in preference to the current arrangement for community housing. They noted that payment directly to tenants and forming part of their assessed income would ensure that SHAs and community housing providers received less money – it was the cheapest option for the Commonwealth, and one that did not support their maintenance of housing effort in any way at all.

It went on

However, payments to tenants should not be discounted as it does provide tenants with choice. Perhaps tenants could choose to take the cash if renting privately, or if renting in social housing they could take a voucher that they could hand over the provider, allowing rents to be obtained as a block (a bit like what happens with Centrepay).

The advantage of ensuring tenants are aware of the use of RA in determining their rent is about empowerment. The current provision of funds to SHAs does not provide any sense that the subsidies that are provided for tenants are in any way related to the tenant. If RA is to be used, then it should be viewed as the entitlement that it is.

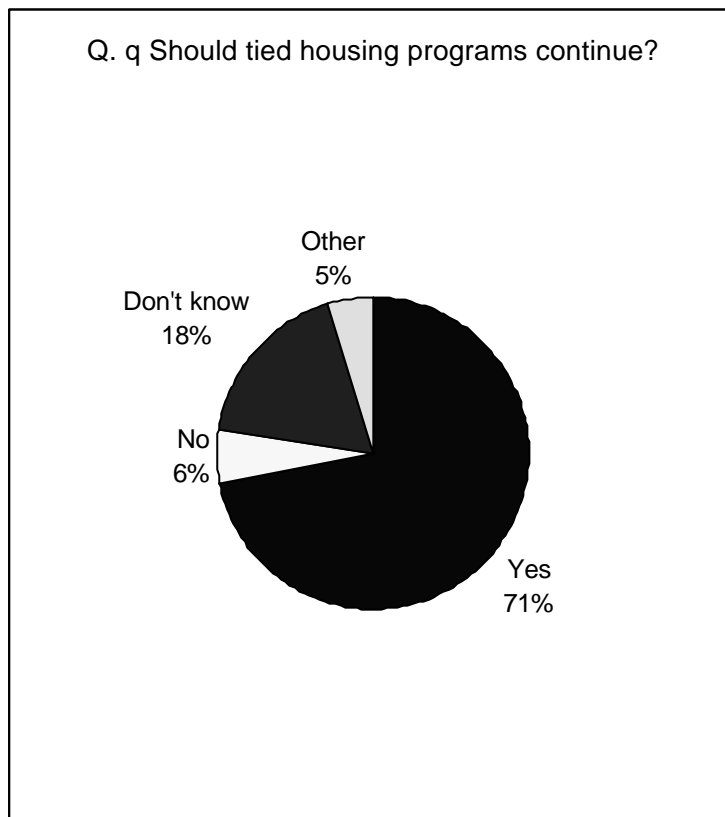
Block payment of RA subsidy to both public and community housing landlords without reference to the tenant is possible and would be preferred over the current arrangement for community housing.

Comments and suggestions made by workshop groups and participants included:

- The choice should remain with individuals to choose what they do with their rental assistance. This should be seen in the context of a social structure that tends to disempower and disadvantage welfare beneficiaries. One participant said that if it was intended to encourage capacity building and community development, CRA should be paid directly to tenants.
- If CRA goes in block to DOH assessment criteria need to be established, and performance monitoring procedures put in place.
- Several participants said CRA block payments should go to community housing providers as well as the DOH.
- The level of the CRA's cap should be increased, and the maximum rate should be paid to State Housing Authorities.

Question q: Should tied housing programs continue?

A large majority said tied housing programs should continue, on the basis of the need for nationally consistent recognition of special needs – indeed, further categories for tied grants were proposed, e.g., refugees and NESB people, and young people. A minority did not know, and a handful said no.



Indigenous submissions indicated that Indigenous housing was going through a painful change as new processes, systems and structures are taking place. At the same time, they said, long-term unmet need is growing every day as young people establish new households. The private market would not house them, and social housing – including Indigenous housing providers – could not house them in the current climate. Indigenous housing must continue as a tied program, and with increased funding. This latter was necessary to help develop infrastructure and management capacity.

The FHA Submission gave a qualified yes – if the Commonwealth wanted to achieve particular objectives or develop particular programs. If community housing growth continued to be important to the Commonwealth and it wanted it to happen nationally, then some capital growth funds in a tied program would be required. However, it said,

if a RA model is developed or the incentives are such that community housing growth is the only option, then a tied program is a bit redundant. The concept of a tied program is related very much to the current CSHA and therefore a bit problematic in a significantly changed environment.

Workshop groups noted that tied programs at least meant the needs of marginalised groups would be recognised and served – the right targets and strategies were essential, and tied programs could deliver these. For these reasons, groups also said funding for tied programs should be increased. In addition, priority areas should be specified in the development of a national housing strategy. There was some recognition of the point the FHA Submission makes above, in that some groups said tied programs should be kept, but also reviewed, as some may need to be reoriented. Each would need to be looked at separately. However, one group dissented (at least, to some extent):

The grants should be untied, insofar as programs should be assessed at regional levels, however smaller programs that could be lost like the capital assistance program for SAAP services should remain tied.

Indigenous and community housing have a large political constituency that would ensure that monies would be used for specific areas.

And an individual participant noted

But they should not be the sole reason for Commonwealth grants. That is the danger: that unless a State can demonstrate a particular need, they get nothing. Tied grants should not replace entirely general capacity for housing.

And another individual participant commented that tied programs should be determined by regional not, not a national “one-size-fits-all” policy.

A group listed a range of tied programs:

- Mental health;
- High-intensity family support;
- Aged;
- Young homeless;
- Exit housing from SAAP;
- Outreach programs;
- More men’s services (e.g., on the north coast).

A number of groups and individuals also referred specifically to the levels of need of refugees in particular, and NESB people in general. A participant noted that CAP was at risk as usual, and that there had been no discussion of any alternative models to fund capital/upgrade components of the homelessness system. Another participant said priority issues like women and children escaping domestic violence also needed to be addressed in a tied program.

A number of groups and participants also called for a federal Minister for Housing and a federal Department of Housing to ensure there was a serious commitment to resolving housing need, and to develop a national housing strategy, in conjunction with the States and the community.

Photos taken during the consultations



Harvey Volke presenting the Shelter paper in Liverpool.



Workshop participants at the Lismore consultations



Rozita Leoni, public housing tenant, reporting back at the Sydney consultations



A workshop at the Liverpool consultation. At right is workshop facilitator Chris Martin

APPENDIX 1

Housing Tomorrow

**Discussion paper for
NSW community consultations
on the next Commonwealth-State
Housing Agreement**

July, 2002

Introduction

In general terms, in the post-World-War-II-era home ownership has dominated national housing policy. In its way, this has been a remarkable success story, with a large majority - nearly 70 percent - of people being well-housed in properties they own or are buying. In this context private rental housing was seen as a transitional form of housing for people moving through the life cycle into home ownership as they left the family home and formed their own households. Government policy concentrated on encouraging home ownership through a combination of regulatory and subsidy arrangements (e.g., interest rate caps, mortgage insurance provision, home savings grants, and taxation assistance). By contrast, social housing was designed as an affordable option for low-income earners, but never rose below a very low six percent of total housing stock, and now stands at five percent.

The last decade has seen some alarming trends. Housing affordability has emerged as a major problem, and as a focus for housing policy reform. Paradoxically, this has arisen during an extended period of sustained economic growth and historically low mortgage interest rates. It is in this very period that more people than ever are struggling to house themselves adequately and affordably. Some of these trends have included:

- A decline in the first home owners' market, only partly addressed by measures like reintroduction of the first home owners' grant;
- Steep price increases in major metropolitan areas like Sydney, both in the costs of home purchase and rental costs;
- A change in the pattern of private renting, with more people remaining in it for extended periods – 40 percent of private tenants have been renting for the previous 10 years or more;
- While private rental housing has generally expanded to meet increasing demand, there has been a steep 28 percent decline in private rental stock for people at the bottom end of the market, with an overall shortage of 150,000 units of low-stock for people on the lowest income level;
- Rising numbers of low-income earners in housing stress – that is, paying more than 30 percent of their incomes in rent or mortgage repayments;
- An increasingly sharp division between rich and poor has also led to spatial separation, with low-income families living in lower-cost but poorer quality housing, isolated from services, employment and transport;
- A deepening viability crisis for State Housing Authorities, faced by a combination of reductions in Commonwealth funding, reductions in rental revenue stream caused by a steep increase in the percentage of tenants on pensions and benefits, the burden of debt repayments, and the need to undertake major catch-up maintenance and upgrading as a result of ageing stock and decaying estates;

- A steep reduction in annual public housing commencements, while at the same time waiting lists have grown.

All of these factors have combined to produce a high and increasing level of housing stress, and a crisis in housing affordability for people on low and moderate incomes.

The Commonwealth-State Housing Agreement

Since 1945 the Commonwealth-State Housing Agreement (CSHA) has been the main financial instrument for channelling Commonwealth and State funding into public housing, as well as for other housing programs like assisting people into home ownership. Until 1989, Commonwealth funds were provided as loans, but since then they have come as grants, based on a *per capita* formula. It also has some matching requirements for State Governments, in addition to what State Governments put in through their own resources.

The CSHA is part of a range of programs providing housing assistance for social and private tenants and home buyers. They include Commonwealth Rent Assistance (CRA), the First Home Owners' Grant and State stamp duty concessions for first home buyers. There is also taxation assistance for housing investors, like negative gearing, depreciation allowances and non-taxation of capital gains (for home owners).

Nationally, about \$1.3 billion is provided for social housing programs through the CSHA, and \$1.5 billion for CRA, per year. While CSHA funding has declined significantly in the last decade, CRA has increased significantly (although it dropped in the current federal budget), so that it is now greater than CSHA funding.

It is also worth noting that CRA was designed as a welfare measure – that is, it is given as an income supplement to people on statutory benefits, rather than being rationed by the availability of social housing stock. It is important to note that public housing tenants are not eligible for CRA (although community and Aboriginal community housing tenants are), and neither are low-income people in housing stress who are not on benefits.

Guiding principles

The current Agreement finishes next year, and is currently being renegotiated by the Commonwealth and the States and Territories. The Housing Ministers' Advisory Committee will meet in August, and it is expected a new Agreement will be finalised in September.

The guiding principles of the current Agreement are:

- (a) Funding is aimed at assisting those whose housing needs cannot be met by the private market. The duration of assistance should be based on those needs.
- (b) Housing assistance arrangements should be sufficiently flexible to reflect the diversity of situations in the States, and to assist in micro-economic reform.

- (c) Funding arrangements should promote efficiency and cost-effective management, including longer-term planning and alternative methods of housing provision.
- (d) Providers of assistance should meet high standards of public accountability and quality, and the costs of assistance should be transparent.
- (e) Housing assistance should be responsive to the needs of consumers, and should
 - provide priority of assistance to those with the highest needs;
 - be designed to minimise work disincentives;
 - provide assistance on a non-discriminatory basis;
 - give reasonable choice and meet community standards on consumer rights and responsibilities, including consumer participation.
- (f) It should have regard to the economic, social and environmental objectives of government, and other agreements made between the Commonwealth and the States.

Future CSHA scenarios

Housing Ministers have expressed a general commitment to the development of options for a new CSHA that will

- Create a modern, sustainable housing system;
- Support community development and the renewal of public housing estates;
- Support wider government outcomes in health, education and labour market reform;
- Stimulate private sector investment in the supply of low-cost housing;
- Look to improved housing outcomes for Indigenous people;
- Engage community housing in contributing to housing outcomes.

However, these goals need to be fleshed out in detail, and their implications worked through. In addition, they need to be seen against a background in which only limited options are available. There are essentially three options:

1. Continuation of current CSHA arrangements

There would be limited capacity for State Housing Authorities (SHAs) to achieve viability. There would be no future growth in social housing, and stock numbers would decline because of the need to sell assets to fund the maintenance backlog and to upgrade old housing stock.

2. *An interim CSHA, with funding reductions*

Even the limited outcomes outlined in the first scenario would not be possible. Instead, SHAs would have to substantially reduce the level of public housing stock so it could fund comprehensive services to a smaller number of tightly-targeted clients.

3. *A revitalised social housing system*

Current financing arrangements would be restructured to provide funding certainty so that the outcomes listed above could be met. To do this, Housing Ministers are looking seriously at ensuring a flow of recurrent funds to SHAs by extending Commonwealth Rent Assistance to public tenants. However, the Commonwealth has signalled that funding over the next agreement should provide cost savings: that is, switching to CRA should cost less than what would have been paid under the current formula. In fact, it is likely that paying CRA for all eligible public, community and Aboriginal community housing tenants would cost around \$20 million a year more than current CSHA funding. To meet the Commonwealth's requirement of cost reductions, savings would have to be made somewhere.

Issues for discussion

1. Indigenous Housing

Indigenous housing disadvantage is a major issue, with Indigenous people in greater housing-related poverty than any other section of the community. A total of 21% of Indigenous people face homelessness or overcrowded housing, compared to 3.6 percent of non-Indigenous Australians. These problems are also worse in rural and remote regions (together with poor quality housing), but housing affordability is a greater problem in urban areas.

In NSW efforts are being made to address this issue, for example, by

- ensuring access to mainstream social housing programs;
- specific Indigenous programs resourced through the Aboriginal Housing Office ,
- by support for a broad range of Indigenous housing providers.

Housing Ministers have listed four key objectives for Indigenous housing:

- Identify and address the unmet housing needs of Indigenous people;
- Improve the capacity of Indigenous community housing organisations and involve Indigenous people in planning and service delivery.
- Achieve safe, healthy and sustainable housing; and

- Coordinate program administration.

Another issue a new CSHA should address is improvement in coordination and integration of services for Indigenous people, through better program links. This could include development of shared program objectives and outcome reporting arrangements.

In addition, the Commonwealth Government provides funds through the Aboriginal Rental Housing Program (ARHP). These have been specifically targeted to remote areas and currently it is not possible to use funds from this program to address Indigenous housing problems in urban areas. The Commonwealth is increasing pressure for these funds to be used solely in future for remote areas where no mainstream housing options are available.

Question

(a) Should the Commonwealth focus be on housing assistance in remote areas, or should it also be on other rural areas? And on high-need urban areas?

2. Linkages to other policy areas

The relationship of secure and affordable housing to other policy areas like employment, transport, health, regional development, community renewal and welfare reform is increasingly being recognised. Removal of work disincentives that currently exist in the social security system is also a key element of the current welfare reform process. At the least all of this suggests the need for a national housing policy, together with changes to the Social Security Act, and it may be important to ensure that development of such a policy should be a priority for a new CSHA.

It is clear, for example, that there is currently a mismatch between affordable housing and employment opportunities, and that this in its turn impacts on transport provision and transport costs. For historical cost reasons, public housing estates have often been located on the suburban fringe, but changing industrial and employment patterns have increasingly left them isolated. All of these factors combine to increase pressure both for better-located low-cost housing, and for community renewal and redevelopment.

These factors, combined with the rundown in funding through the CSHA, lead to pressure for greater flexibility in housing supply programs, in a broader range of housing assistance programs, and in removal of disincentives to re-enter the workforce. This could be done by, for example, alternative tenure models like purchase of rental dwellings, and sales of estate housing to encourage social mix and provide additional funds for estate reconfiguration.

Through projects like its Community Renewal Program, NSW is trying to address some of these issues, together with undertaking community capacity-building, by, for example:

- Integrating housing estates with surrounding neighbourhoods by redesigning and reconfiguring estates;
- Seeking to coordinate delivery of services to tenants;
- Increasing tenant employment and training opportunities by, for example, requiring tenant employment in some building and maintenance contracts, and developing links with Job Network providers;
- Seeking to ensure greater social mix by diversifying housing management and housing tenure on estates.

In addition, one of the problems being looked at in the current welfare reform process is that of work disincentives and poverty traps. Public tenants who take on part-time or casual work may suffer a double penalty: Not only will their benefits be drastically reduced for every extra dollar they earn, but any increase in income will also mean an increase in rent. If a social housing tenant gets paid work, their rent goes up proportionally, until it reaches market level. This may discourage people from getting jobs, especially if they don't stand to gain much (or anything) from working after losing health benefits and paying income tax, travel costs, etc. That is what is known as a poverty trap.

Apart from anything else, it is worth noting that there are still high levels of unemployed with one job for every six people unemployed, and with unemployment in some regions and some industries (particularly for unskilled work) being much higher than the national average. It may be that other measures should be considered, like giving financial recognition to participation in meaningful activity or voluntary work as an alternative to waged work.

While State housing authorities may be willing to continue subsidising housing for a period after a tenant gets a job in the interests of encouraging tenants into work, they are unlikely to do so for indefinite periods. Will the Federal Government require them to change rent policies so that rents do not increase with income (e.g., rents are related to operating costs or to market rent, not to income), while at the same time withdrawing that proportion of CRA? Who, then, will pay the difference? This raises acute questions about the formula for rental rebates, and who will be responsible for the ongoing subsidies they involve. It could also cause exactly the opposite to what the Commonwealth wants – like low-income tenants being forced to poorer areas where cost factors make rents relatively lower, but employment prospects are also lower.

Questions

- (b) *Should development of a national housing strategy or plan be made a feature of the new CSHA? If so, what elements should be in it?*
- (c) *How can poverty traps be avoided? And how should any costs involved be met?*

(d) Should State housing authorities change their rent-setting formula from the current income-related model to remove disincentives for people to return to work, and how can they do so without penalising tenants and applicants?

3. Sustainability of the social housing system

The changing social environment, together with increasing funding constraints, have faced State housing authorities with a range of problems which threaten their ongoing viability. These include:

- Increased targeting of social housing has dramatically changed the tenant profile, with 90 percent of tenants now on statutory benefits (92 percent in NSW) – virtually a reversal of the situation of 25 years ago (in 1976, for example, only 20 percent of tenants were on rebated rents). About two thirds of tenants in public housing are aged and disability support pensioners. Changing social patterns, including the breakdown of traditional families and the increase in single-parent and single-person households have also had a serious impact on tenant profile.
- This has meant a substantial drop in rental income, with relatively few tenants paying higher rents (up to market level), and the rest on rents rebated by State housing authorities to around 25 percent of statutory incomes. Currently in NSW new public tenants pay 25 percent of their gross income in rent, and existing tenants are being moved up by stages to the same level.
- Increased targeting of social housing has also meant an increasing percentage of tenants with high and complex levels of need. This in its turn has required a substantial change of emphasis from primarily provision of housing to delivery of services and intensive tenancy management. It has also meant increasing costs involved in sustaining tenancies and in dealing with increasing levels of property damage, crime and vandalism.
- Ageing and increasingly inappropriate stock has forced a change from new construction to high and increasing levels of deferred and recurrent maintenance. The average age of public housing stock in NSW is 25 years. This has soaked up substantial amounts of funding under the CSHA, especially as declining rent revenue cannot cover both operating and upgrading costs.
- These factors, combined with a continuing decline in Commonwealth funding – a 15 percent reduction in CSHA funding since 1995/96 – have led to a declining revenue base in real terms.
- Even though new construction has plummeted, modest growth is nevertheless required to reconfigure housing stock, to break up concentrations of high-need tenants on large estates, and to seek a broader mix of tenures to contribute to the sustainability of local communities. This also raises other issues, like:

- The role of asset sales as a means of asset management to achieve these ends and to help plug revenue gaps, and how to find an appropriate balance; and
- The need to attract private finance as an additional income stream to help overcome some of the shortfall in Commonwealth funding.

Among the sustainability problems faced by State housing authorities is the problem of debt repayments. This arises from the fact that CSHA funds were provided to the States as loans from 1945 to 1989, when they became grants. At 30 June, 2001, State housing authorities still owed a total of \$4.06 billion, of which NSW owed \$1.556 billion, or 38 percent. Annual repayments from State housing authorities total \$243 million.

When this is taken in association with Commonwealth efficiency dividends (that is, reductions), it is an increasing cost burden and a serious constraint on funding flexibility. Nor will this be short term: Unless alternative arrangements are made, debt repayments will stretch out to near the middle of the century. However, if the Commonwealth were to forgive States' housing debt, it would lose a stream of expected income over the next 40 years which it has already earmarked as revenue to support expenditures like health, defence and housing.

Questions

- (e) How can social housing vary its "products" to ensure a greater flow of income?*
- (f) How can State housing authorities broaden their client base without making it more difficult for people in need to get affordable and secure housing?*
- (g) Do we have the right balance between maintenance and upgrading, asset sales and construction of new housing? What would be a better balance?*
- (h) What should be done about continuing debt repayment problems? Should the debts be forgiven? Failing that, should they be rescheduled or otherwise dealt with?*

4. Attracting Additional Investment

Ever since the National Housing Strategy in 1992, there has been broad discussion of attracting additional investment into social housing, and, more recently, into affordable housing. This debate has been sharpened, once again, by the decline in CSHA funding, and the need to find additional funding sources. This is all the more important because of the constraints faced by State Housing Authorities: There is little point in borrowing unless they have sufficient resources to service the debt, and they are subject to Loan Council borrowing limits. However, to date, there has not been marked success in setting up appropriate vehicles to attract alternative investment. The National Housing Strategy proposed, among other things, development of a secondary mortgage market and issuing of housing bonds.

This has been echoed more recently by the National Affordable Housing Consortium, which proposed a direct government subsidy for private (debt) investment in affordable housing. Under this arrangement, governments would issue a bond with a guaranteed minimum after-tax return. The funds generated would be distributed to State Housing Authorities and community housing providers to construct affordable rental dwellings. These would then be owned and managed by State housing authorities and community housing providers. The subsidy could either be provided via a tax concession, or through a Budget outlay.

At different times, institutional investors have expressed interest in appropriate investment opportunities, but this would be dependent on a range of factors, including

- Guaranteed security of investment;
- Guaranteed return;
- Tax concessions;
- Appropriate investment vehicles;
- Adequate risk management;
- Adequate market information.

In relation to the CSHA, this necessarily means assurances of a secure and sufficient income stream. This has not really been possible to date, given the short-term nature of the CSHA, the level of funding in relation to the services currently being provided, the uncertainty about its income flow, and its problematical future. This raises the question of how best to ensure a secure investment environment. It also impacts on other policy areas such as taxation, and therefore requires a broader policy approach than that of simply renegotiating the CSHA.

In addition to looking towards private investment to try to find a way out of the overall crisis in funding, perhaps there are also other ways in which Governments themselves might be able to raise additional finance for housing. It would seem logical, for example, to suggest that revenues from State taxes like stamp duty and land tax could be applied in whole or in part to easing the housing affordability crisis. Indeed, when land tax was first proposed some years ago by NCOSS, the original proposition was that it should be applied to helping to solve the problem of homelessness.

In addition, an affordable housing program that embraces a wider potential constituency than people on very low incomes raises interesting questions about how it might be assured through community and public housing. It also raises the question of whether eligibility – currently extremely restricted – needs to be revisited, while at the same time protecting the interests of people in housing crisis.

Questions

- (i) *What should Government do to encourage private investment in social housing?*
- (j) *How can the capacity of public and community housing bodies to enter financing and joint venture arrangements with private enterprise be enhanced?*
- (k) *Should the strict eligibility requirements of public and community housing be relaxed to address a wider constituency, provide a greater income stream, and attract private investment? Under what conditions?*
- (l) *Are there other Government revenue streams that can be tapped to help meet the low-income housing bill?*

5. Roles and responsibilities of each level of government

Essentially, this revives some aspects of a debate that developed in the mid-1990s. That period saw extended discussion over the respective roles of Commonwealth and State Governments in providing housing assistance. There was a strong push from the Federal side in particular, for a separation of the roles of Commonwealth and State Governments to avoid what was seen as duplication and overlap. It was argued then that the Federal Government should accept responsibility for income support/affordability (especially in the private sector through CRA, and in fact this was substantially expanded), and the States should accept responsibility for capital construction and management of social housing.

Now the Commonwealth and the States are looking seriously again at a similar split of responsibilities. Essentially, they are investigating what might happen if

- The Commonwealth take responsibility for income support (including rent assistance) for all eligible low-income households (including public tenants);
- The States take responsibility for supplying a mix of targeted housing assistance programs, including low-income housing, linked to appropriate planning and regulatory frameworks.

These proposals have been partly driven by such factors as the imminent ending of GST compensation. In the negotiations over the new tax system, the Commonwealth made a commitment to maintain the aggregate level of special purpose payments such as the CSHA. However, there is a perception that this next CSHA may be the last, with States possibly expected to draw their housing funds from GST flows thereafter.

The proposals have also been driven by the long-term decline in Commonwealth funding under the CSHA, and the likelihood that this decline will only continue. Social housing commencements have dropped to record lows. To undertake long-term planning and to be able to enter construction contracts or public/private joint ventures with long lead-times – and, increasingly, to meet ongoing operating costs – the States need funding certainty for longer time

frames, and funding which does not keep diminishing. They feel they are unable to undertake proper planning and project development through the CSHA as it is currently constructed and in the present climate. While it is inevitable that discussion will focus on restructuring CRA, the Commonwealth should be encouraged to explore other financing avenues in addition to the CSHA framework, like those involving leveraging private finance. For this to be taken seriously by the private market, the Commonwealth would need to look seriously at establishing the financing mechanisms and tax concessions that alone will make it feasible.

The States feel that funding tied to welfare payments such as CRA appears to offer greater prospects of long-term and indexed funding stability. This could be achieved by a block grant equivalent to CRA entitlements being paid directly to State Housing Authorities. It could also be achieved by CRA being paid directly to eligible tenants, with these tenants being charged rents which give the State Housing Authorities the equivalent revenue. Either way State Housing Authorities would be in a position to distribute subsidies more widely to whichever households were deemed to have sufficient priority (i.e., including households not eligible for CRA).

However, in the immediate future it is likely – at the least – that federal funding through the CSHA will continue to decline. And to meet the Commonwealth's requirement of savings in the next agreement, any CPI-indexed funding flowing from a switch to CRA – even if it is paid as a block payment to the States – will have to be at a much lower level than current funding. This would impact immediately on the viability of State Housing Authorities.

A CRA model could also present problems for some individual States if CRA eligibility for social housing tenants was used to inform not only the total Commonwealth funding available, but also the distribution of Commonwealth funds between States. Instead of being based on the State's share of the Australian population (as CSHA grants are now), the allocation would be based mostly on the relative size of the social housing sector in each State. Some States, e.g., Victoria, would have a much smaller proportion of available Commonwealth funds than now. By contrast, NSW would be better off – possibly with almost 40 percent of Commonwealth funding, compared with the current 32 percent. The problem also remains that CRA is a fairly blunt instrument: It does not, for example, take account of regional variation in rental levels. This means that CRA does not take account of the fact that metropolitan rents in cities like Sydney and Melbourne are far in excess of other areas. If it was related to such regional variations, CRA payments would be much higher in those cities.

Because of issues around both the overall level of funding and its distribution between the States, the States will want to be assured that in any transitional period they will not be disadvantaged by any reduction in funds, especially when the viability of State Housing Authorities is already under threat. In particular, any transitional arrangements will need to continue providing capital funds for the upgrading and development of the existing asset base, and to support growth. It would appear that any transitional arrangement will need to include some mix of capital and recurrent funding, and at a level not lower than the present level. The fact is that the States are facing a viability crisis, and they are continuing to face massive problems with their backlog in maintenance and even with sustaining day-to-day operations.

There is also the issue of **tied programs** within the CSHA. In the past, tied grants required the States to address particular needs, like aged people's housing, community housing, and Aboriginal housing programs. Many of these programs have gone, but some special purpose tied programs remain, like Aboriginal housing, community housing and the crisis accommodation program. Should these also be discarded, or is there still a place for tied housing programs to ensure particular needs are met? And how else do we ensure a nationally consistent approach to meeting specific needs?

Questions

(m) How can we best assure a secure and reasonable flow of funds to State Housing Authorities? Should we accept a new arrangement with the Commonwealth being responsible for CRA for eligible households in all tenures, and the States responsible for housing provision?

(n) If, in fact, a new agreement is reached along these lines, what would we want to see in such an agreement?

(o) And what would we want to see in any transitional arrangements?

(p) Should CRA be extended to public housing tenants, and if so, should it go as a block payment to State housing authorities, or to individual tenants, whose rent would then be adjusted?

(q) Should tied housing programs continue?

Conclusion – moving towards a national housing policy

Housing is one of the most basic human needs and human rights. An address and adequate, safe shelter are minimum requirements not only for survival but for good health and the capacity to participate in social and community life, and to undertake employment and education. Adequate housing means housing that is affordable, that provides safety and privacy, that provides security of tenure, that is appropriate in design and location, that is of good quality, and that can be accessed without discrimination.

The nation's housing stock of 7.8 million dwellings is a productive asset worth around \$1,000 billion. A broad range of government policies impacting on the supply of affordable housing in Australia need to be better co-ordinated. The current discussion has focused on the CSHA, welfare reform and Commonwealth Rent Assistance, but a national housing policy also needs to examine a better integration of policy and service delivery between say SAAP, the CSHA and the Commonwealth-State Disability Agreement. And in broader terms, there needs to be analysis of the impacts on housing and vice versa of employment programs, taxation regimes, fiscal policy impacting on interest rates, urban and land planning, the links between health and housing policy and so on.

The next CSHA should include an in-principle agreement by all governments to a nationally coordinated strategic approach to housing policy and programs, through a national housing policy. It would at least be a start for the Commonwealth and States to develop a national housing policy that would identify

- Strategic outcomes for Government (such as a more cohesive society);
- A vision for the housing system to contribute to these strategic outcomes (such as socially diverse communities);
- The areas where the housing system is not contributing to these outcomes (such as the continuing loss of low-cost housing);
- Strategic policy objectives to tackle the underlying causes of these housing system failures (such as taxation reform to encourage institutional investment in well-located, low-cost housing);
- Strategic policy objectives for a national housing assistance system to mitigate the effects of housing system failure (such as a sustainable social housing system); and
- Commonwealth and State roles and responsibilities, and linkages between housing assistance and related welfare measures such as income support).

APPENDIX 2

Questionnaire used at the CSHA consultations

SHELTER NSW CSHA CONSULTATIONS 2002

In order for Shelter NSW to be fully informed about what the differing opinions are about housing policy, we would appreciate if you completed and hand in this questionnaire before leaving for the day.

The questionnaire is a mixture of tick-a-box and detailed comments. Please use the comments space if you can't agree with any of the options or have more to say.

1. Indigenous housing

(a) Should the Commonwealth focus be on housing assistance in remote areas, or should it also be in other rural areas? In high-need urban areas?

- Focus on remote
- Remote, and other rural areas as well
- Remote, rural and urban
- Other

Additional comments:

2. Linkages to other policy areas

(a) Should development of a national housing strategy or plan be made a feature of the new CSHA? If so, what elements should be in it?

- New CSHA should include development of a National Housing Strategy
- New CSHA should not include the development of National Housing Strategy
- Don't know

Additional comments - what should be in a National Housing Strategy plan?

(b) How can poverty traps be avoided? And how should any costs involved be met?

Change Centrelink and DOH rules so it is easier to work and not lose income or rent rebate

Use money from elsewhere to cover costs (other revenue)

Leave the rules as they are

Don't know

Other

Additional comments:

(c) *Should State housing authorities change their rent-setting formula from the current income-related model to remove disincentives for people to return to work, and how can they do so without penalising tenants and applicants?*

- Change to another rent setting formula (even if rents rise)
- Maintain rent formula as % of income
- Don't know
- Other

Additional comments:

3. Sustainability of the social housing system

(a) *How can social housing vary its “products” to ensure a greater flow of income? PLEASE RANK IN ORDER OF PREFERENCE - 1, 2, 3 etc...*

- By increasing stock, relaxing eligibility requirements and employing cross subsidisation
- By increasing Centrelink and/or Rent Assistance payments
- Selling stock
- Selling stock to tenants
- Through joint ventures with the private sector
- Borrowing against its own stock
- Don't know
- Other

Additional comments:

(b) How can State housing authorities broaden their client base without making it more difficult for people in need to get affordable and secure housing?

- By massively increasing the size of the social housing sector (either with or without private sector co-operation)
- It's impossible under present conditions
- Don't know
- Other

Additional comments:

(c) *Do we have the right balance between maintenance and upgrading, asset sales and construction of new housing? What would be a better balance?*

- Too much of the DOH's budget goes to maintenance and not enough to new housing
- Too much is spent on new housing and not enough on maintenance
- The current balance is about right
- The DOH needs more funding as its funds are insufficient for both maintenance and new housing
- Don't know
- Other

Additional comments:

(d) *What should be done about continuing debt repayment problems? Should the debts be forgiven? Failing that, should they be rescheduled or otherwise dealt with?*

- The Federal Government should forgive the debts
- The debts should be partially forgiven
- The debts should be rescheduled
- The State Government should pay all of the debt back out of general revenue
- Don't know
- Other

Additional comments:

4. Attracting additional investment

(a) What should Government do to encourage private investment in social housing?

- Government should use its own money, not private sector money
- Government should give the private sector incentives to invest in social housing (issue bonds, give tax breaks, etc)
- Government should legislate to make superannuation funds invest in social housing
- Don't know
- Other

Additional comments:

(b) How can the capacity of public and community housing bodies to enter financing and joint venture arrangements with private enterprise be enhanced?

- Set up a body that holds the equity in the housing stock and borrows against it and gives loans to housing providers
- Give equity in stock to all housing providers so they can borrow against it
- Don't know
- Other

Additional comments:

(c) Should the strict eligibility requirements of public and community housing be relaxed to address a wider constituency, provide a greater income stream, and attract private investment? Under what conditions?

- No - eligibility should remain the same or be tightened further
- Yes - relax eligibility to include lower/average income groups
- Don't know
- Other

Additional comments:

(d) Are there other Government revenue streams that can be tapped to help meet the low-income housing bill?

- Increase tax rates overall
- Increase taxes on the higher income earners
- Increase company taxes
- Introduce a Capital Gains tax on luxury homes
- Use land tax and stamp duty revenues
- Use revenue from another Government source (specify) _____
- The Government should borrow money
- Don't know
- Other

Additional comments:

5. Roles and responsibilities of each level of government

(a) How can we best assure a secure and reasonable flow of funds to State Housing Authorities? Should we accept a new arrangement with the Commonwealth being responsible for CRA for eligible households in all tenures, and the States responsible for housing provision?

- CSHA should remain as it is - a capital funding program
- Commonwealth Rent Assistance should replace capital funding
- An interim arrangement where there is a combination of the two (capital funding and Commonwealth Rent Assistance)
- Don't know
- Other

Additional comments:

(b) If, in fact, a new agreement is reached along these lines, what would we want to see in such an agreement?

- Guarantees about the same, not less, funding
- Rules about the payment of CRA
- Nothing different from the current CSHA
- Don't know
- Other

Additional comments:

(c) *And what would we want to see in any transitional arrangements?*

- No reduction in commonwealth funding as a result of a switch to CRA
- No special arrangements are necessary
- Don't know
- Other

Additional comments:

(d) *Should CRA be extended to public housing tenants, and if so, should it go as a block payment to State housing authorities as top-up funding, or to individual tenants, whose rent would then be adjusted?*

- CRA should be paid directly to tenants and form part of their assessed income
- CRA for all tenants should be paid in a block to State housing authorities
- Don't know
- Other

Additional comments:

(e) *Should tied housing programs continue?*

Yes

No

Don't know

Other

Additional comments:
