



# NATIONAL AFFORDABLE HOUSING AGREEMENT

## FINAL REPORT

*December 2013*

### BACKGROUND

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In 2012 National Shelter received project funding from the Department of Social Services (DSS) [formerly the Australian Department of Families, Housing, Communities Services and Indigenous Affairs (FaHCSIA)] to undertake consultation with a range of stakeholders to develop the community debate and strategic advice to government on housing policy reform that supports the reduction of homelessness. National Shelter decided that given an anticipated Heads of Treasuries (HoTs) funding adequacy review of the NAHA, it would be timely to conduct targeted consultation with a range of stakeholders on the NAHA, to provide input to inform National Shelters advocacy, including input into the Treasury review process.

It is not the place of this project to evaluate the NAHA. It should be noted that while the project was funded to undertake consultations specifically on the NAHA, it became clear during the consultations that any discussion on the NAHA needed to include discussions on programs and funding influencing affordable housing and homelessness. This included the National Partnership Agreements (NPAs) and Commonwealth Rent Assistance (CRA), as well as others.

### METHODOLOGY

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Roundtables were held in the capital cities of each State and Territory from October 2012 through to February 2013. Invitations to attend were extended to a wide range of housing and homelessness stakeholders including, community housing organisations, specialist and generalist homelessness services, Indigenous housing and homelessness organisations, peak bodies (housing, homelessness and community sector), relevant academics, consumer representatives, as well as representatives from departments representing the portfolios of affordable and social housing and homelessness. In total approximately 150 participants attended.

Each of the roundtables was guided by a number of key prompts, including:

- What works in the current iteration of the NAHA;
- What would improve the NAHA;
- Potential for reform of the NAHA;
- How the NAHA should be funded;
- The most appropriate performance measures and accountability processes; and
- Other State or Territory specific issues.

The discussion at each roundtable varied; while some focused more on financing affordable housing or homelessness, others had greater discussion on performance measures or affordable housing supply. The conversation of the roundtables was transcribed and a report, including recommendations, produced for each roundtable. This document draws the themes together into a nationally focused report.

## OUTCOMES

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### STRATEGIC VISION AND LINKAGES

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- It was anticipated that the NAHA would assist in creating a whole of system approach to housing affordability and homelessness. However, it was felt that the agreement did not meet expectations, particularly as a vehicle to assist in complex decision making.
- The overall purpose of the NAHA does not appear to be clear; is it to provide new supply or subsidise existing supply? Is it to provide a clear framework for a joined up housing system or is it a funding agreement?
- The NAHA does not include wider programs and policies that impact on housing affordability, such as those relating to infrastructure provision, taxation or planning. This creates concern in some jurisdictions where changes to taxation, planning or infrastructure would greatly impact on housing affordability. It is considered that the development of a national housing policy or reframed agreement that includes these elements would be of substantial benefit to creating a more joined up system.
- There are also no strong apparent linkages between the NAHA and other agreements or programs that impact on housing, such as mental health and disability. Changes to policies and programs associated with mental health and the disability services sectors can impact on the availability and demand of social housing.
- The development of a national housing policy or a reframed agreement that includes these elements is generally supported. However, the question was asked about whether the inclusion of other affordable housing initiatives in the agreement would make any practical difference to client and tenant outcomes.
- There was some question about whether the NAHA had led from the front and influenced housing policy outcomes in States/Territories or whether the policy leadership was provided by the relevant State rather than the NAHA. However, the NAHA has been the instigator of new thinking and sharing in some jurisdictions where affordable housing was not a priority. It has also created a positive conversation about the role of affordable housing and social housing, and the distinction between the two. The conversation has turned to focusing on opportunities for growth, leverage and new development models.

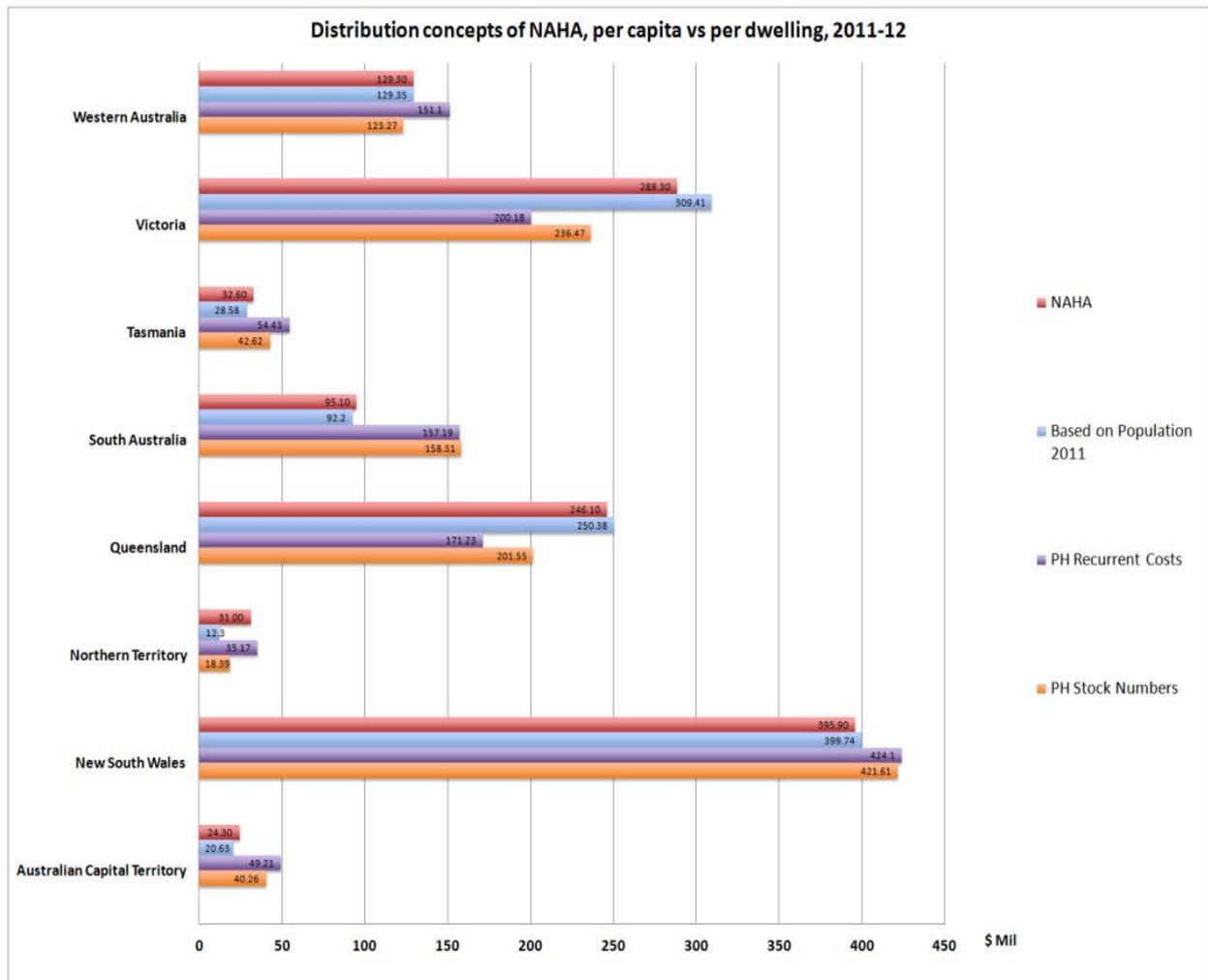
### FUNDING AND FINANCING THE NAHA

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- There is a strong perception that the NAHA is 'negatively funded', despite the increase in funds in Budget papers. This comes from the use of an index that is lower than CPI. It is generally viewed that the only growth in funding is through the NPAs, not the SPP. The current funding through the NAHA is not seen to be sufficient to sustain the current level of social housing stock.
- All participants were aware of the fiscal constraints facing all levels of government, and that the current portfolio is increasingly in debt making it difficult to grow housing supply.
- Under the current agreement States/Territories are not required to make any financial contribution. Additionally, Commonwealth funds are not tied to specific programs or outcomes. As a result it is viewed that States/Territories have little clarity or accountability on how they spend their funds.
- A revised funding regime for public housing was widely supported. The proposed funding was:
  - That the operational subsidy for public housing be distributed to States/Territories on a per dwelling basis; and

- That a growth fund for public housing be distributed to States/Territories on a per capita basis.
- This would result in significant realignment of funding across States/Territories.

**Funding the NAHA, per capita vs per dwelling, 2011-12.**



(Source: National Shelter, 2013, unpublished).

- A significant challenge for future funding affordable housing is attracting large scale institutional investors. Current restrictions can inhibit certain types of institutional investment, namely different tax treatments for individuals and institutions.
- There is broad support for the introduction of an 'affordable housing supply bond' to attract the significant investment potential of superannuation and equity funds. This is seen as important to attract ongoing large scale investment into affordable housing. However, it should not be a replacement for government funding but supplement existing government funding.

#### PRIVATE RENTAL AND AFFORDABLE HOUSING SUPPLY

- A significant proportion of low income households are housed in the private rental sector, compared with social housing. An increased supply of affordable housing is critical to the functionality of the overall housing market, including social housing, and reducing the likelihood of households becoming homelessness.

- Funding of Commonwealth Rent Assistance (CRA) is almost \$4billion annually, almost double the funding of the NAHA, yet tenants in the private market do not have security of tenure and frequently experience ongoing housing stress. This can be both income and housing supply related.
- There is an opportunity for the NAHA to undertake further reform for other aspects of housing assistance, particularly when there is considerable focus on the role of the private market in delivering housing affordability. This could include measures to improve tenure security to benefit both tenants and investors.
- Additionally, the NAHA could include greater scope to recognise the contributions being made by the State/Territory governments towards more affordable housing, particularly the use of incentives for the private sector, including land tax reductions, land to community housing providers, and planning measures requiring a proportion of affordable housing.
- Existing measures that benefit private rental housing could be fine-tuned for better delivery of more affordable outcomes, including better targeting of tax deductibility of rent payments towards the lower end of the market and limiting the amount of mortgage tax deductibility on properties.
- Affordable housing programs that engage with the private market (such as the National Rental Affordability Scheme) need to be flexible to facilitate negotiability with major contributors to affordable housing and to respond to timing and processes of government programs (such as development approvals). They also require scale and certainty, and cannot be achieved with a ‘tap on-tap off’ approach.
- A gap is emerging in the delivery of affordable housing. There are an increasing number of households on low income without high needs who are not eligible for housing with a form of subsidy (either social housing or NRAS). Further investment in affordable housing for households on moderate incomes is required.
- There are also significant difficulties in housing young people in very low incomes, particularly creating an economically viable housing model.

#### NATIONAL RENTAL AFFORDABILITY SCHEME

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- The National Rental Affordability Scheme (NRAS) has been a significant contributor to the supply of affordable housing nationally either for stand-alone or mixed tenure housing projects by not for profit housing providers.
- There are some concerns about the scheme, particularly the use of nationally applicable eligibility criteria and nationally consistent incentives in high cost high rent locations. Other concerns related to the decision making process being too slow, resulting in some projects not proceeding.
- NRAS provides a number of benefits for organisations including a good income stream, a good mix to a property portfolio to be able to transition tenants, and increased asset ownership for large organisations. This has allowed these organisations to demonstrate different income streams and sales potential to financial institutions.

## NATIONAL PARTNERSHIP AGREEMENTS

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### HOMELESSNESS

- Participants were overwhelmingly positive about the introduction of the National Partnership Agreement on Homelessness (NPAH), and the development and delivery of new services. However, an issue raised consistently across the roundtables was that the introduction of the NPAH had inadvertently created a 'two tiered' homelessness service system. This was due to existing services not receiving growth funding, but new services and projects being established under the NPAH.
- There is anxiety about the NPAH being a time limited agreement, and should the agreement not continue then services may disappear to the detriment of clients. Some participants would like to see the NPAH rolled up into the NAHA so that it could benefit from being an enduring agreement.
- The NPAH has been valuable linking the housing and homelessness sectors. It has promoted much more discussion between services, as well as providing a framework for government and non-government agencies to work together much more collaboratively.
- However, the NPAH could shift its focus from ending homelessness to also sustaining tenancies, growing affordable housing stock, and early intervention which are seen as more cost effective responses to homelessness.

### REMOTE INDIGENOUS HOUSING

- Participants are highly supportive of the NPARIH and its aims to address significant overcrowding, homelessness, poor housing conditions and severe housing shortages in remote Indigenous areas.
- However, there is strong concern about the focus only on remote communities, particularly as this represents only a small proportion of the Indigenous population. The lack of focus on urban and non-remote Indigenous housing, services and homelessness is having less than desirable effects for Indigenous communities.
- The NPARIH is limited to addressing housing and homelessness in communities but does not assist to relocate people if that is considered appropriate. One of the significant limitations of the NPARIH is that it does not take into account the movement of Indigenous people from remote communities to non-remote areas. The movement of Indigenous people to urban and regional areas can present significant challenges to local services.
- For some organisations outcomes have been very positive. Services have commenced programs of refurbishment, moved towards registration and have focussed on sustainability and viability.
- One of the challenges associated with responding to Indigenous housing and homelessness is the significant rate of homelessness due to overcrowding, particularly in urban areas. Funding through the NPAH does not meet the need but funds are not available in urban areas under the NPARIH.

### SOCIAL HOUSING INITIATIVE

- The SHI has significantly expanded the capacity and sustainability of community housing organisations, as well as making a significant difference to the supply of social housing.
- The SHI demonstrated the need for the development of a framework that enables community housing organisations to take advantage of funds and assets in the sector. This requires the development of policy to support the growth of existing assets. The social housing portfolio needs to be treated as a commercial portfolio.

## BUILDING THE CAPACITY OF THE COMMUNITY HOUSING SECTOR

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- The role of the community housing sector is important in the provision of affordable housing but also for further growth.
- There is an aspirational target to have up to 35 per cent of community housing stock comprised of social housing. However, at the time of consultation this had not occurred at scale. There was disappointment in the level of transfer and that very little title transfer had occurred. The recent transfers that have occurred to date have been through the SHI and mostly restricted to management only.
- One factor said to inhibit the title transfer of stock is the potential impact on the credit ratings of States/Territories once properties are 'off the books'. There is some question about whether this is a real or perceived problem, particularly when there was no research or evidence to support the claim.
- There is some concern about the introduction of the National Regulatory System for Community Housing (NRSCH), particularly those how it will impact on those providers not as well capitalised as others, Indigenous housing providers, and the movement of assets across borders.
- It was proposed that as a greater role is being considered for the community housing sector, then the sector should have a more proactive voice and greater influence on a future agreement, including in discussions over the allocation of funding.

## IMPACT ON TENANTS

- Any changes to the housing system should be mindful of the implication for tenancy management and tenant outcomes. Tenants are uneasy about stock transfers particularly the implications on security of tenure and rent. This may be based on incorrect perceptions of what may, or may not have occurred in other jurisdictions.
- Strong tenant participation is required and real community engagement about the transfer process.
- Stock transfers are not seen to be overwhelmingly beneficial to tenants, or prospective tenants, because of the transfer of risk to community housing organisations. Some clients may not be able to access community housing because they are considered high risk in relation to not paying rent.

## REPORTING AND MEASURING PERFORMANCE

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- The consultations revealed a sensitive relationship between the Commonwealth and State/Territory governments on measuring performance. The factors contributing to this included the agreement not having tied funding outcomes, the level of reporting detail required to be provided by the States/Territories, and the inability on the part of the Commonwealth to determine whether funds are expended on housing or not.
- This was felt to be compounded by the agreement not having tied funding outcomes. It appeared that the Commonwealth government cannot fully determine whether funds are expended on housing, while State/Territory governments are frustrated by the level of detail that they are required to provide.
- Other challenges included the ways the performance measures had been developed and whether there was suitable data to appropriately measure performance.
- Current measures are quantitative and relate to levels of assistance provided or housing supply. The 'human element' is missing, particularly the personal choices and tradeoffs made by households.

- For some the NAHA is seen to be a substantial improvement of the CSHA, as it removed input controls and focused on outcomes.

## CONCLUSION

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- There has been significant change in the provision of affordable housing and responses to homelessness in the past twenty years. The NAHA was developed as a vehicle to drive this change and create a whole-of-housing system approach to enhancing housing affordability, as well as integrating homelessness services within the housing system. There were high expectations about what the NAHA would achieve.
- The major achievements that have occurred in affordable housing and homelessness in the past five years have not been through the NAHA, but programs and funding that sit outside the agreement, although related to it. Additionally, some of the biggest drivers of affordability are not strongly associated or referenced within the agreement. Despite this there is overwhelming agreement that in the past five years the outcomes for social housing, homelessness, tenants and clients have been outstanding. A major shortcoming has been the reluctance by governments to celebrate success.
- It is appropriate to view the current agreement as a document overseeing a transition; it has gone beyond the prescriptive approach of previous agreements but has not achieved its intended aim to create a national housing system. There are real opportunities to create an agreement that encourages opportunities for partnerships between the not-for-profit, government and private sectors and be a mechanism to actively engage and achieve reforms across the housing and homelessness system.

## RECOMMENDATIONS

### STRATEGIC OUTCOMES

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#### – NAHA SPECIFIC

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- That a future affordable housing agreement includes a pre-amble that provides the context for the agreement and its relationship to other government policies that impact on housing affordability and supply, including taxation, urban planning and infrastructure provision, as well as mental health and disability;
- That a future affordable housing agreement includes a clear reporting framework for all levels of government on expenditure of funds and progress towards targets.

#### – RELATED TO THE NAHA

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- That the Commonwealth Government develops a national housing policy, including clear targets, to provide the basis and articulation of the outcomes to be achieved by the NAHA;
- That this national housing policy has clear linkages to other Commonwealth policies and agreements that have implications for housing affordability and supply, including taxation, urban planning and infrastructure provision, as well as mental health and disability;
- That the Commonwealth Government develop a specific Indigenous housing policy and strategy that includes both urban and remote areas to address the supply of new affordable housing, maintenance of existing housing and homelessness for Indigenous people and communities;
- That future Council of Australian Governments National Agreements, such as Mental Health, NDIS etc, have an impact on the NAHA and their relationship needs to be taken into consideration in policy development;
- That all stakeholders involved in the development of social and affordable housing celebrate and disseminate the success of investment in social housing for tenants, the community and investors.

### FUNDING

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#### – NAHA SPECIFIC

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- That a future affordable housing agreement requires the contributions of funds from States and Territories, including clear indicators on deliverables;
- That a future affordable housing agreement requires State and Territory governments to separately identify funding contributions in their respective budgets;
- That the Commonwealth Government institute a separate growth and operational funding stream to replace the existing funding framework:
  - o The funding for the operation and maintenance of existing properties be funded on a per dwelling basis.
  - o The establishment of a consistently available and dedicated growth fund calculated on a per capita rate;
- That the terms of a dedicated growth fund include the ability to leverage private investment funds and to be applied on a competitive basis, particularly as a catalyst for affordable housing development;

- That the Commonwealth Government consider releasing State and Territory housing authorities from their historic public housing debt to enable the full amount of the Special Purpose Payment to the respective jurisdiction to be used for social housing;
- That the Commonwealth Government considers the differences between jurisdictions of income levels, housing costs and land development costs when preparing new program and funding responses for affordable and social housing;
- That a future affordable housing agreement provides flexibility for State/Territory governments to be able to respond to regional variations impacting on affordability; and
- That the Commonwealth Government recognise the wide range of contributions made by State/Territory governments and local government to the delivery of affordable housing including direct capital contributions to establish housing companies, planning reform, taxation reform, infrastructure provision and rebates;

#### – RELATED TO THE NAHA

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- That the Commonwealth Government develops and implements a framework for affordable housing investment that attracts additional private sector investment, such as a Housing Supply Bond;
- That the Commonwealth Government commit to fund a further 50,000 NRAS incentives;
- That the following amendments be considered for any future NRAS program, including:
  - Amendments to the investor requirements to enable a range of investment opportunities, including accumulation funds.
  - Regional based eligibility requirements (including income ranges) for tenants, particularly in those areas affected by industry growth; and
- That the Commonwealth Government index CRA to the rental housing component of the CPI so that it remains effective during increases in rental housing costs.

#### HOMELESSNESS

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- That the Commonwealth and State/Territory governments build on the good work already being achieved by specialist homelessness services by creating a more cohesive system and integrating homelessness services delivered through the NPAH and those delivered through the NAHA; and
- That the NPAH remain a long term agreement integrated into or referenced by the NAHA with an increased level of funding to have a real impact on the level of homelessness.

#### INDIGENOUS HOUSING AND HOMELESSNESS

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- That the Commonwealth Government develop a specific funding agreement with separate funding for addressing Indigenous housing and homelessness in non-remote areas;
- That specific funding and support be provided for the continuation, expansion and capacity building of Indigenous housing organisations; and
- That greater support be provided for the development of partnerships between Indigenous and non-Indigenous services

## NAHA REFORM OBJECTIVES

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### – LEVERAGING STATE CONTRIBUTIONS TO AFFORDABLE HOUSING

- That a future affordable housing agreement enable the leveraging of non-direct monetary contributions from State/Territory governments, such as planning, infrastructure and taxation reform, and land provision, that contribute to the efficient functioning and supply of the housing system.

### – AFFORDABLE HOUSING SUPPLY

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- That a future affordable housing agreement include provisions to ensure that the redevelopment of public housing assets by State/Territories does not result in a net loss of public housing dwellings in either number or as a proportion of total supply; and
- That the Commonwealth and State/Territory governments build on the success of existing approaches to affordable housing development, including mixed tenure models for successful organisational viability, mixed communities and tenant outcomes;

### – BUILDING THE CAPACITY OF THE COMMUNITY HOUSING SECTOR

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- That greater clarity is provided about the target of 35 per cent of dwellings to be transferred to community housing organisations, and whether the transfers are to be management rights only or full transfer with title;
- That the aspirational target of the community housing sector comprising 35 per cent of social housing become a clear obligation for State and Territory governments;
- That the transfer of public housing stock to community housing organisations continues, with a focus on full transfer with title;
- That the Commonwealth Government in conjunction with community housing providers draft and implement a business development framework for community housing organisations to be able to respond quickly to investment and development opportunities;
- That the community housing organisations develop strong policies and procedures for tenant participation and tenant rights during stock transfers and the move towards a more regulated sector; and
- That State and Territory government/Regulator develop an independent monitoring process during tenant transfers to ensure that tenants are fully consulted and their rights protected.

### – SUPPORT FOR TENANTS

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- That a future affordable housing agreement requires the provision of tenancy advice and advocacy services by State/Territory governments; and

## PERFORMANCE MEASURES

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- That a future affordable housing agreement has mutually agreed clear specific numerical targets on the provision of affordable housing stock, including repairs and renovations of existing dwellings, development of new dwellings, and redevelopment of communities;
- That the Commonwealth and State/Territory governments invest in quality baseline data on the quantity and location of affordable and social housing to be able to accurately measure net changes in dwelling numbers;

- That the Commonwealth and State/Territory governments consider measuring the extra financial value of investing in housing and homelessness services through the use of Social Return on Investment (SROI);
- That a future affordable housing agreement include performance measures, data collection and reporting from a tenant/client perspective;
- That a future affordable housing agreement includes performance measures and reporting periods that align with readily available data sets. If these are not available, then the Commonwealth and State/Territory governments invest in the development and/or purchase of such datasets;
- That a future affordable housing agreement continues to report on the factors that impact on housing affordability and supply; and
- Further investment in the development of the types of performance measures and processes for measuring, including consideration of performance based accountability and shifting away from prescriptive outcomes.

## RESEARCH

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- That rigorous economic modelling be undertaken on:
  - o The extent to which CRA may be leveraged by community housing organisations to provide additional supply;
  - o The impact on credit ratings on the transfer of housing assets from the States/Territories to community housing organisation; and
  - o The extent to which transferred assets may be leveraged for additional supply including the cost of maintenance.
- That further research be undertaken on additional mechanisms to encourage private investment into affordable housing as a complement to current government funding.

## STAKEHOLDER INVOLVEMENT

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- That key non-government stakeholders involved in the implementation and delivery of affordable housing are represented during negotiations of any future affordable housing agreement. This includes community housing organisations or their peak body, National Shelter, the Australian Local Government Association and any housing and development industry groups.

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## LIST OF ABBREVIATIONS

<b>CHFA</b>	Community Housing Federation Australia
<b>CPI</b>	Consumer Price Index
<b>CRA</b>	Commonwealth Rent Assistance
<b>DSS</b>	Department of Social Services
<b>FaHCSIA</b>	Department of Families and Housing, Community Services and Indigenous Affairs
<b>FHOG</b>	First Home Owners Grant
<b>GST</b>	Goods and Services Tax
<b>HIFG</b>	Housing Industry Forecasting Group
<b>IAFFR</b>	Intergovernmental Agreement on Federal Financial Relations
<b>NAHA</b>	National Affordable Housing Agreement
<b>NPA</b>	National Partnership Agreement
<b>NPARIH</b>	National Partnership Agreement on Regional Indigenous Housing
<b>NPAH</b>	National Partnership Agreement on Homelessness
<b>NPASH</b>	National Partnership Agreement on Social Housing
<b>SCFFR</b>	Standing Council on Federal Financial Relations
<b>SHI</b>	Social Housing Initiative
<b>HoTs</b>	Heads of Treasuries

## 1.0 INTRODUCTION

### 1.1 BACKGROUND

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The National Affordable Housing Agreement (NAHA) commenced 1 January 2009 and replaced the Commonwealth State Housing Agreement (CSHA) and Supported Accommodation Assistance Program (SAAP). The CSHA had been in place since 1945. The introduction of the new agreement was seen to provide a shift in affordable housing policy by endeavouring to establish a 'whole of housing system' focus to respond to housing affordability outcomes, homelessness, including Indigenous communities.

### 1.2 PROJECT OVERVIEW

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In 2012 National Shelter received project funding from DSS [formerly the Australian Department of Families, Housing, Communities Services and Indigenous Affairs (FaHCSIA)] to conduct formal and documented consultation with National Shelter stakeholders, members and relevant members of the public to develop the community debate and strategic advice to government on housing policy reform that supports the reduction of homelessness.

This includes conducting fora with State/Territory and national stakeholders in the housing assistance and homelessness sector to bring together a range of perspectives that will contribute to strategic and long range thinking about issues impacting on the homelessness, social and community housing sectors. National Shelter has decided that given anticipated Heads of Treasuries (HoTs) Review of the NAHA, it is timely to conduct targeted consultation with a range of stakeholders on the NAHA, to provide input to inform National Shelters advocacy, including input into the Treasury review process. It is not the place of this project to evaluate the NAHA.

#### 1.2.1 HEADS OF TREASURIES (HOTS) REVIEW

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The Heads of Treasuries undertake funding adequacy reviews of National Agreements. The NAHA was first reviewed in 2010. In April 2013, the Standing Council on Federal Financial Relations (SCFFR) agreed that work on funding adequacy under the Intergovernmental Agreement on Federal Financial Relations (the IGA) would be undertaken in 2013. Treasury is briefing the new government on this work, and other related election commitments."

### 1.3 METHODOLOGY

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Roundtables were held in the capital cities of each State and Territory from October 2012 through to February 2013. Attendance was by invitation only. Invitations were extended to community housing organisations, specialist and generalist homelessness services, Indigenous housing and homelessness organisations, peak bodies (housing, homelessness and community sector), relevant academics and consumer representatives. National Shelter also invited representatives from the departments responsible for overseeing the portfolios of affordable and social housing and homelessness, as well as officials from treasuries, and the offices of Premiers/Chief Ministers.

There were approximately 150 participants at the roundtables and participation varied in each State and Territory.

Each of the roundtables was guided by a number of key prompts, including:

- What works in the current iteration of the NAHA;
- What would improve the NAHA;
- Potential for reform of the NAHA;
- How the NAHA should be funded;
- The most appropriate performance measures and accountability processes; and
- Other State or Territory specific issues.

These points were informed by previous research and analysis of the NAHA, including the Australian Housing and Urban Research Institute (AHURI)<sup>1</sup>, the National Shelter Dialogue<sup>2</sup>, the National Affordable Housing Summit Group<sup>3</sup>, and the COAG Reform Council<sup>4</sup>.

The discussion at each roundtable varied; while some focused more on financing affordable housing or homelessness, others had greater discussion on performance measures or affordable housing supply. The conversation of the roundtables was transcribed and a report, including recommendations, produced for each roundtable. This document draws the themes together into a nationally focused report.

#### 1.4 ABOUT NATIONAL SHELTER

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National Shelter is a peak non-government organisation that aims to improve housing access, affordability, appropriateness, safety and security for people who are on low-incomes, or who face disadvantage in the housing system. National Shelter works towards this goal by influencing government policy and action, and by raising public awareness about housing issues. It has been in operation since 1976.

National Shelter advocates the development of a national housing policy based around the following principles:

- Housing is affordable. People on low and moderate incomes should not have to pay more than 30 per cent of their income on housing costs.
- Housing is adequate. Everybody is entitled to housing that meets acceptable community standards of decency and their own needs.
- Housing is secure. People should not live under threat of loss of home and shelter. A secure base enables people to form constructive relationships, grow families and seek employment and community engagement.

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<sup>1</sup> [http://www.ahuri.edu.au/calendar/beyondnaha\\_20111027.html](http://www.ahuri.edu.au/calendar/beyondnaha_20111027.html)

<sup>2</sup> <http://www.shelter.org.au/files/rpt1107towardsnahamark2.pdf>

<sup>3</sup> [http://shelter.org.au/index.php?option=com\\_content&view=article&id=52&Itemid=104](http://shelter.org.au/index.php?option=com_content&view=article&id=52&Itemid=104)

<sup>4</sup> <http://www.coagreformcouncil.gov.au/reports/housing.cfm>

- Housing is accessible. People should be informed about available housing options and access to these should be free from discrimination. Most housing should be built to Universal Design principles.
- Housing is in the right place. It should be located close to services and support networks, to job opportunities, to transport networks and to social and leisure activities.
- Housing meets people's life-cycle needs. People have different housing needs at different stages of their lives, and housing should be available to match these changing needs.

## 2.0 NATIONAL HOUSING AGREEMENTS, PROGRAMS AND INITIATIVES

### 2.1 INTRODUCTION

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This chapter provides a background to the National Affordable Housing Agreement, its architecture, as well as associated programs and funding. There is some comparison of the NAHA with previous funding agreements. The purpose of this is to demonstrate/highlight the basis for certain parts of the discussions that occurred during the roundtables.

### 2.2 THE NATIONAL AFFORDABLE HOUSING AGREEMENT

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The National Affordable Housing Agreement (NAHA) commenced in 1 January 2009 as the mechanism to deliver affordable housing outcomes for low to moderate income households in Australia. The NAHA replaced the Commonwealth State Housing Agreement (CSHA) which had been in operation since 1945 as well as the long standing Supported Accommodation Assistance Program (SAAP) (operational since 1984).

The NAHA was seen to herald ‘a significant shift in housing policy and provision in Australia that placed housing at the core of a national agenda and aimed to rewrite State and Commonwealth relationships with respect to financing affordable housing’ (Gronda and Costello, 2012: 12<sup>5</sup>). It also adopted a whole of housing system approach to affordability, integrated homelessness services, created a growth fund for social housing and focused on remote housing for Indigenous people.

The architecture of the NAHA is complex. The agreement is just one of a number of National Agreements appended as a schedule to the Council of Australian Governments (COAG) Intergovernmental Agreement on Federal Financial Relations (IGAFFR). The role of National Agreements is to ‘clarify the roles and responsibilities of the Commonwealth, states and territories in the delivery of government services, and to enhance public accountability’ (AHURI, 2012<sup>6</sup>).

Unlike the CSHA and SAAP that were renegotiated every five years, the NAHA is an enduring agreement that continues under current arrangements. Changes to National Agreements are not able to occur unless agreed to by COAG.

The objective and goals of the NAHA are:

#### OBJECTIVE

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All Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation.

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<sup>5</sup> See <http://issuu.com/vcross/docs/insight-06?e=2993536/3266529>

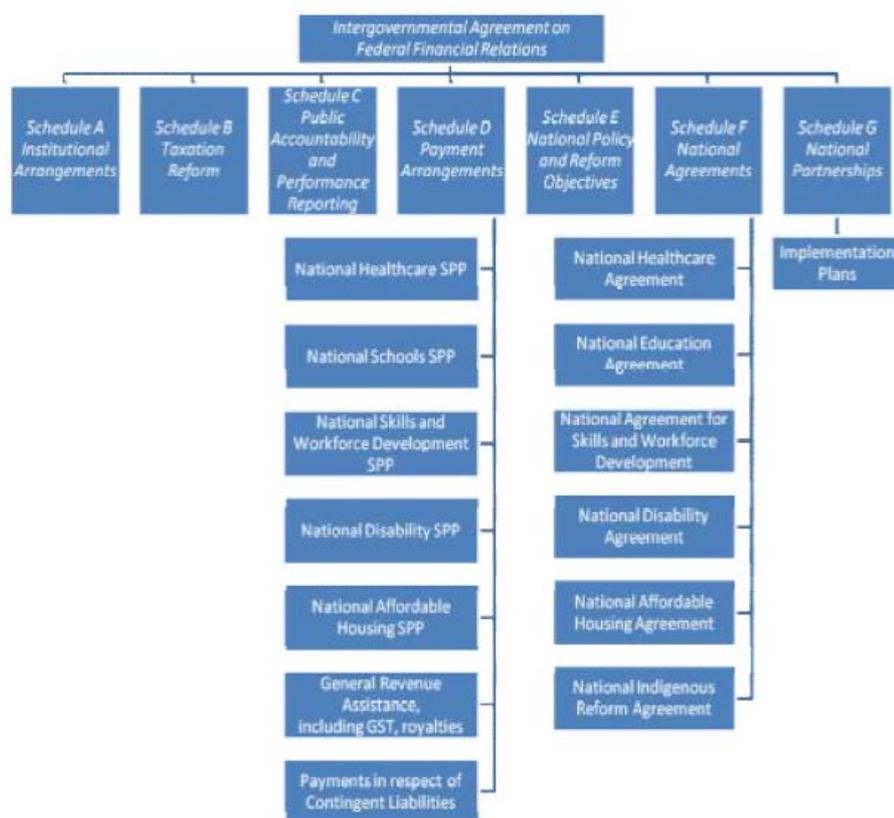
<sup>6</sup> See [www.ahuri.edu.au/download/?id=1492](http://www.ahuri.edu.au/download/?id=1492)

## OUTCOMES

1. People who are homeless or at risk of homelessness achieve sustainable housing and social inclusion.
2. People are able to rent housing that meets their needs.
3. People can purchase affordable housing.
4. People have access to housing through an efficient and responsive housing market.
5. Indigenous people have the same housing opportunities (in relation to homelessness services, housing rental, housing purchase and access to housing through an efficient and responsive housing market) as other Australians.
6. Indigenous people have improved housing amenity and reduced overcrowding, particularly in remote areas and discrete communities.

Figure 1 illustrates the structure of the federal financial relations framework, including the NAHA and NPAs.

**Figure 1: Intergovernmental Agreement on Federal Financial Relations**



Source: <http://www.federalfinancialrelations.gov.au/content/guidelines/Short-Guide-Intergovernmental-Agreement.pdf>

### 2.2.1 FUNDING

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Funding for the NAHA is through a Specific Purpose Payment (SPP) and through the four National Partnership Agreements. In 2013-14 \$1.283billion is allocated through the SPP for affordable housing, and a further \$797million for the National Partnerships<sup>7</sup>. In 2014-15 SPP for affordable housing will be \$1.307billion. This is distributed to the States and Territories on a per capita basis.

The funds allocated to States and Territories are to be spent on housing but are otherwise untied. There is no requirement for States and Territories to match the funds nor are they directed on how the funds are to be allocated. States and Territories are only required to meet the NAHA objectives and outcomes. As a result, each jurisdiction can implement different programs according to their local context. Under the CSHA and SAAP, States and Territories were required to provide a funding contribution of proportion of base funding. This was to be identified separately in state budget documents.

The growth factor for the SPP is tied to incomes, rather than a specific housing indicator. This is the Wage Cost Index 1 (comprising safety net wage adjustment weighted by 75 per cent and all groups CPI weighted by 25 per cent).

### 2.2.2 NATIONAL PARTNERSHIP AGREEMENTS

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There are four National Partnership Agreements associated with the NAHA. These have been established to provide additional targeted funds and specified program directions. The partnerships and their funding are:

- National Partnership on Homelessness (2009-13 NPAH) - \$800million over four years
- National Partnership on Remote Indigenous Housing (NPARIH) - \$1.9billion over ten years
- National Partnership on Social Housing (NPASH) - \$400million over two years
- National Partnership on Nation Building and Jobs Plan - \$5.6billion over three and half years (2008-09 to 2011-12); \$5.28billion for new construction and \$400million for repairs and maintenance.

Additionally, a National Partnership Agreement on First Homeowners Boost was implemented which offered a boost to state and territory first home owner grants of \$7000, ceasing at the end of 2009.

#### NPAH

The 2009-13 NPAH focuses on three key strategies to reduce homelessness:

1. Prevention and early intervention to stop people becoming homeless
2. Breaking the cycle of homelessness
3. Improving and expanding the service response to homelessness.

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<sup>7</sup> [http://www.budget.gov.au/2013-14/content/bp3/html/bp3\\_03\\_part\\_2a.htm](http://www.budget.gov.au/2013-14/content/bp3/html/bp3_03_part_2a.htm)

The funds through the NPAH are for both service provision and capital projects. There are three key national targets for the NPAH:

1. Reduce overall homelessness by 7 per cent;
2. Reduce rough sleeping by 25 per cent; and
3. Reduce Indigenous homelessness by 33 per cent.

Under the terms of the funding each State/Territory is required to prepare an implementation strategy. These plans set out new initiatives and additional services which will make a substantial contribution towards achieving interim targets to reduce homelessness by 2013.

There are four core outputs to be delivered by State/Territories:

- Implementation of A Place to Call Home
- Street to home initiatives for chronic homeless people (rough sleepers)
- Tenancy support for private and public tenants, including advocacy, financial counselling and referral services to help people sustain their tenancies
- Assistance for people leaving child protection, jail and health facilities, to access and maintain stable, affordable housing.

The Australian Council of Auditors-General agreed to undertake a concurrent performance audit on the NPAH (with the exception of South Australia) to determine whether the NPAH was being implemented as intended, is achieving its outcomes and realising expected benefits, had sound governance, and whether requirements (such as reporting) were being complied with. As at June 2013 performance audits have been finalised and released in Queensland, Victoria, Western Australia, Tasmania and the ACT.

The outcomes of the five reports were that while these states and territories are meeting their funding requirements and spending funds on agreed programs and projects, there were some issues relating to quality assurance, governance or contract management, and suitability of performance measures. One common concern raised in the reports was whether it was possible to demonstrate success given the external influences on homelessness. However, it was considered that it was not for the want of trying, and there was no question that initiatives are being implemented. The implications of not being able to demonstrate success in reducing homelessness could impact on future funding.

The NPAH has been extended for a further twelve months (2013-14) for \$320million; of this \$159million is from the Commonwealth government.

## NPARIH

The NPARIH is the mechanism to deliver the 'Health Homes' initiative; one of the priority action areas of the 'Closing the Gap' strategy. This is in recognition of the importance of housing to achieving improvements in other life outcomes such as health, education and employment.

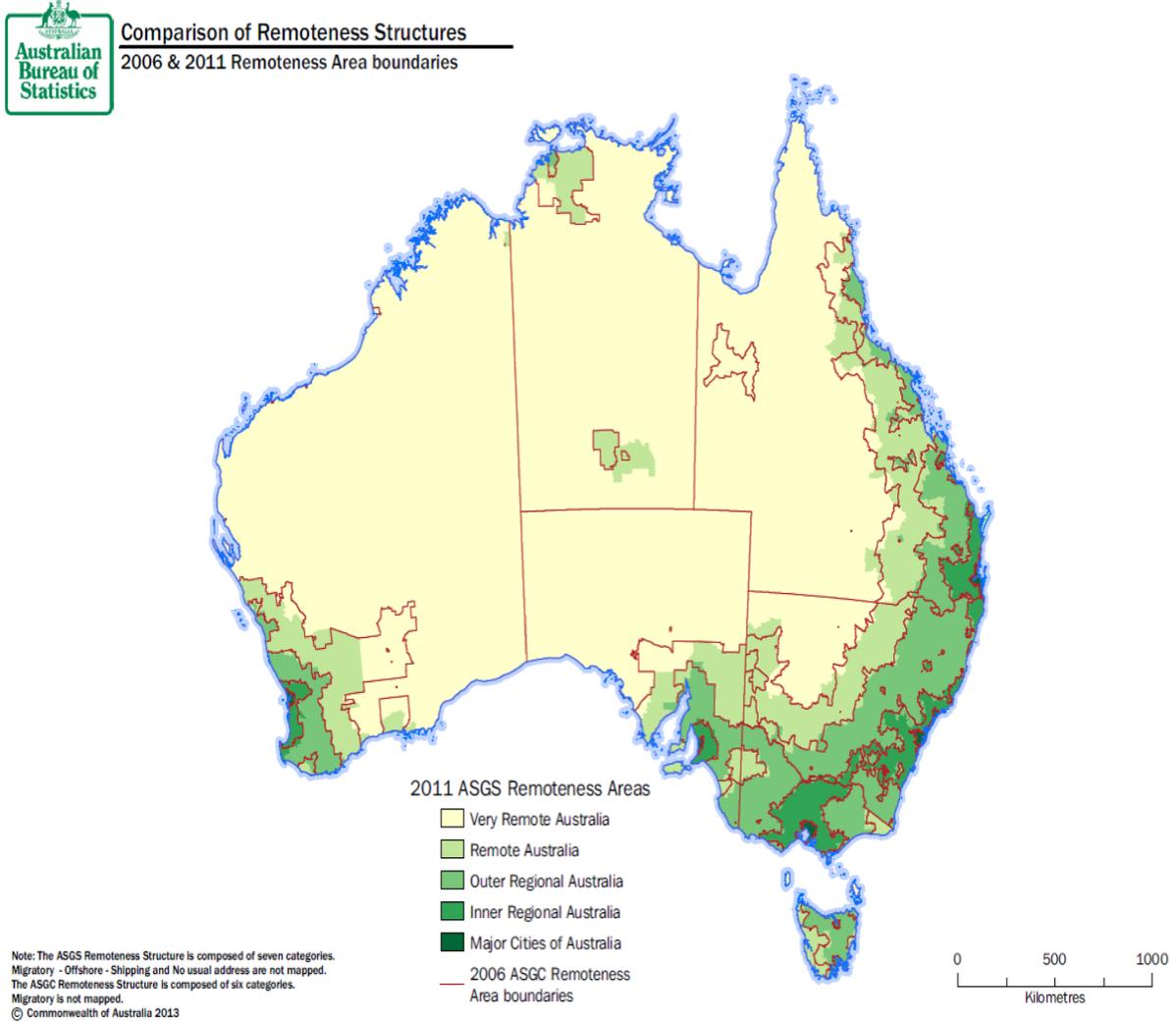
The focus of the NPARIH is to address:

- Significant overcrowding
- Homelessness
- Poor housing conditions

- Severe housing shortage in remote Indigenous.

As the title of the agreement suggests, the focus is on remote and very remote Indigenous communities<sup>8</sup>. All States and Territories receive funding under NPARIH except the ACT. Figure 2 shows the location of areas that are considered to be very remote and remote.

**Figure 2: Remote Area Boundaries**



Source: ABS, 2011,  
[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/2B9F179C6CFA2431CA257B03000D7F21/\\$File/1270055005\\_2011\\_remoteness\\_structure\\_maps.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/2B9F179C6CFA2431CA257B03000D7F21/$File/1270055005_2011_remoteness_structure_maps.pdf)

<sup>8</sup> As defined by the Accessibility/Remoteness Index of Australia (ARIA)

Under the agreement, States and the Northern Territory will:

- Deliver up to 4,200 new houses and rebuild or refurbish approximately 4,876 existing houses in remote Indigenous communities
- Deliver employment related accommodation in regional areas to enable Indigenous people from remote communities to access training, education, employment and support services
- Provide Indigenous employment opportunities through a 20 per cent local Indigenous employment target over the life of the program for new housing construction.

The NPARIH is also intent on delivering structural reforms for remote Indigenous housing relating to secure tenure arrangements, standard tenancy management arrangements, and support for tenants of new houses.

A recently completed review of the NPARIH found that governments were on track to deliver the outcomes of the agreement, and that targets for capital works and Indigenous employment had been exceeded. Approximately 1,600 new houses have been delivered and over 5,200 refurbishments completed.

#### NPASH

This was a two year agreement to deliver up to 2,100 additional social housing dwellings, and provide opportunities for growth for the not for profit housing sector. The focus was to achieve the following outcomes:

- People being able to rent housing that meets their needs
- People who are homeless or at risk of homelessness achieving sustainable housing and social inclusion, and
- Indigenous people having improved housing amenity and reduced overcrowding.

#### NATIONAL PARTNERSHIP ON NATION BUILDING AND JOBS PLAN (SOCIAL HOUSING INITIATIVE)

In October 2008 the Australian Government allocated \$5.238b over three and half years (2008/09 to 2011/12) for the construction of new social housing dwellings, as part of the Nation Building – Economic Stimulus Plan (NBESP). This is commonly referred to as the Social Housing Initiative (SHI).

The target was to construct 17,400 new dwellings within three years for people who are homeless or at risk of homelessness. An additional \$400m was allocated for repairs and maintenance of existing social housing stock, including returning 2,500 existing dwellings that were uninhabitable to the social housing portfolio. The SHI was also expected to provide immediate stimulus to the building and construction industry.

Funds were provided to States and Territories on a per capita basis. States and Territories were also required to implement a number of reforms<sup>9</sup>.

A review of the SHI found that the initiative exceeded expectations<sup>10</sup>:

- The SHI exceeded the delivery of social housing stock delivering 19,740 dwellings nationally (3,340 more than anticipated). This was due to the cost per dwelling being less than anticipated (\$286,000 per dwelling instead of the expected \$300,000 per dwelling).
- Over 50 per cent of dwellings were constructed in regional areas and almost 100 per cent of dwellings achieved a 6-star energy rating and adaptability.
- Over 80,000 dwellings were repaired; over 6,000 more than anticipated. A further 12,115 were brought up to standard and returned to housing portfolios.

The SHI targeted households and individuals who were homeless or at risk of homelessness. Of those assisted 53 per cent were homeless, 42 per cent had a disability, 38 per cent were aged over 55 and 13 per cent were Indigenous.

While the SHI is not included or referenced in the NAHA, it represents the largest capital injection into social housing.

### 2.2.3 PERFORMANCE REPORTING

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There are a number of performance indicators in the NAHA to assess the performance of government towards achieving the objectives and outcomes. The current performance indicators are:

- Proportion of low income renter households in rental stress;
- The number of homes sold or built per 1000 low and moderate income households that are affordable by low and moderate income households;
- Proportion of Australians who are homeless;
- Proportion of people experiencing repeat periods of homelessness;
- Proportion of Indigenous households owning or purchasing a home;
- Proportion of Indigenous households living in overcrowded conditions including in remote or discrete communities;
- Proportion of Indigenous households living in houses of an acceptable standard including in remote and discrete communities, and
- Estimated cumulative gap between underlying demand for housing and housing supply, as a proportion of the increase in underlying demand.

The agreement also includes four performance benchmarks:

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<sup>9</sup> See [http://www.fahcsia.gov.au/sites/default/files/documents/05\\_2012/social\\_housing\\_initiative.pdf](http://www.fahcsia.gov.au/sites/default/files/documents/05_2012/social_housing_initiative.pdf)

<sup>10</sup> See <http://www.dss.gov.au/our-responsibilities/housing-support/programs-services/social-housing-initiative/social-housing-initiative-fact-sheet>

- A 10 per cent reduction nationally in the proportion of low income renter households in rental stress (from 2007-08 to 2015-16);
- A 7 per cent reduction nationally in the number of homeless Australians (from 2006 to 2013);
- A 10 per cent increase nationally in the proportion of Indigenous households owning or purchasing a home (from 2008 to 2017-18); and
- A 20 per cent reduction nationally in the proportion of Indigenous households living in overcrowded conditions (from 2008 to 2017-18).

The responsibility for performance reporting of the NAHA is to the COAG Reform Council. Baseline data was published in 2008-09, and a progress report published in 2011 on the 2009-10 outcomes and outputs. The 2011 report identified issues relating to reporting on outcomes and outputs. This included limited data availability due to new data not being available. It was also not clear if changes in outputs indicated progress towards an outcome. Some concepts were also found to be difficult to report against.

The NAHA was reviewed by the Heads of Treasuries (HotS) in 2010, this was a technical review of funding adequacy. Recommendations of the HoTs Review included improvements to the performance reporting framework. A Working Group was established to continue this work. The report from the Working Group made a number of recommendations to COAG in relation to the performance indicators and benchmarks. It found that there were 'significant flaws' in some indicators but the 'overall performance reporting framework is broadly functional'. Some of the recommendations of the Working Group included retaining certain indicators, amending the wording of certain indicators, discontinuing reporting of specific measures or indicators, disaggregating data on particular indicators, and consideration of alternative data.

It is worth noting that the Productivity Commission has commented that it is not possible to determine the amount of NAHA SPP funding expended on housing assistance because the agreement is not tied to specific programs.

#### 2.2.4 A REFORM AGENDA

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The NAHA also has a reform agenda for the social and affordable housing sector. These twelve items also provide broad policy directions for the homelessness service system, the redevelopment of social housing estates and creation of mixed communities, establishing a nationally consistent approach to social housing, increasing the capacity and growth of community housing organisations, employment opportunities and public housing tenants, planning reform for housing supply, and access to home ownership by Indigenous people.

## 2.3 ASSOCIATED HOUSING INITIATIVES

There are a number of Commonwealth initiatives that contribute specifically to housing affordability measures, or the direct provision of affordable housing but are not included in the agreement. These are considered to 'orbit' the NAHA (See Figure 3).

**Figure 3: Housing Affordability Initiatives Not Included in the NAHA**



Source: Gronda and Costello, 2011: 14

### 2.3.1 COMMONWEALTH RENT ASSISTANCE

Commonwealth Rent Assistance (CRA) is not included or referenced in the NAHA, but it is a housing policy of considerable expense. CRA is payable to eligible households in the private rental market. It is a non-taxable income supplement and the amount paid varies depending on a range of factors and circumstances. CRA is available to eligible tenants renting from a community housing organisations, but not those renting from a government housing authority.

The payment is adjusted in March and September each year in line with changes to the Consumer Price Index. Adjustments are also made for the rent threshold. At June 2011 there were 1.138 million recipients of CRA. The average rent assistance paid per fortnight was \$101, and the average

rent paid per fortnight was \$410. The cash projection for CRA in the 2013-14 budget is over \$3.9 billion.

There is debate about the effectiveness of CRA in addressing housing affordability, particularly regional variations, and its availability. There is also debate whether the funds used for CRA would be better served in capital investment rather than a rental subsidy and reliance on the private rental market.

The payment of CRA is viewed as a critical component of the viability of the community housing sector and forms part of the debate of stock transfers. CRA effectively provides an additional income stream for community housing compared with public housing. It enables rents to be set at approximately 28% of a tenants income compared to 25%, on average, in public housing. This provides tenants with identical "after rent" income but boosts the income of a community provider relative to a public housing provider. For a more detailed discussion on how CRA maximises rental revenue for community housing providers see Pawson *et. al* (2013)<sup>11</sup>.

### 2.3.2 NATIONAL RENTAL AFFORDABILITY SCHEME

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The National Rental Affordability Scheme (NRAS) was introduced in 2008 with the intent of stimulating the supply of 50,000 new affordable rental dwellings by the end of June 2016. Under the scheme, the Commonwealth Government in conjunction with the States and Territories was to provide financial incentives to increase the supply of affordable housing for low to moderate income households, as well as reducing the rental costs for those households. The scheme also aims to encourage large-scale investment and innovative delivery of affordable rental housing. The rental dwellings are made available to eligible low to moderate income households at a rate that is at least 20 per cent below the market rates. The incentive is available to approved participants for ten years.

The majority of investors in NRAS are not-for-profit organisations (57 per cent). Additionally, many community housing organisations are undertaking tenancy management of NRAS properties for private investors. Community housing organisations have incorporated NRAS properties into mixed tenure developments.

NRAS is a significant investment in affordable housing with a total estimated cost to the Commonwealth government of \$4.5billion over the life of the scheme.

The performance summary of the NRAS for June 2013 in Table 1 provides an overview of the NRAS incentives that have been reserved and those that have been allocated<sup>12</sup>. This provides a context to discussions that occurred during the roundtables on the NRAS.

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<sup>11</sup> Pawson, H., Milligan, V., Wiesel, I. & Hulse, K. (2013) *Public Housing Transfers: Past present and prospective*, AHURI, Melbourne, <http://www.ahuri.edu.au/publications/projects/p71008>.

<sup>12</sup> Allocated means homes tenanted or available for rent. Reserves means incentives not yet delivered.

**Table 1: NRAS Incentive Status by State/Territory, June 2013**

State	Incentives Allocated	National %	Incentives Reserved	National %	Total Incentives	National %
ACT	1,364	9.4	1,186	5.0	2,550	6.6
NSW	1,858	12.7	4,654	19.5	6,512	16.9
NT	231	1.6	829	3.5	1,060	2.8
QLD	4,996	34.3	5,900	24.7	10,896	28.3
SA	1,727	11.8	2,014	8.4	3,741	9.7
TAS	504	3.5	959	4.0	1,463	3.8
VIC	2,469	16.9	4,298	18.0	6,767	17.6
WA	1,426	9.8	4,044	16.9	5,470	14.2
<b>Total</b>	<b>14,575</b>	<b>100.0</b>	<b>23,884</b>	<b>100.0</b>	<b>38,459</b>	<b>100</b>

Source: DSS, 2013, <http://www.dss.gov.au/our-responsibilities/housing-support/programs-services/national-rental-affordability-scheme/national-rental-affordability-scheme-performance-reporting>

The scheme is not included or referred to in the NAHA. However, as a significant provider of new affordable housing, it often formed a significant part of the discussion on the supply of affordable housing.

The Community Housing Federation of Australia (CHFA) conducted a series of roundtables on the NRAS with stakeholders on behalf of DSS (formerly FaHCSIA). These roundtables gave NRAS participants and stakeholders the opportunity to discuss the achievements of the scheme, challenges and areas for improvement. The report is available through CHFA.

NRAS was discussed at the National Shelter roundtables in the context of how it interacted with the NAHA and contributed to new affordable housing supply.

### 2.3.3 BUILDING BETTER REGIONAL CITIES – HOUSING AFFORDABILITY FUND

These two programs were focused on the linkages between housing affordability, land supply and infrastructure costs and timing.

The Housing Affordability Fund (HAF) was introduced in 2008 and invested \$400million into reducing the costs of new homes for homebuyers. The focus of the funding was reforming local government planning and development assessment processes, as well as specific infrastructure projects to generate savings for purchasers of new moderately priced housing. The funding was committed by the second round in 2010.

The Building Better Regional Cities (BBRC) program was introduced in October 2011 with a focus on increasing the number of homes for affordable properties for both sale and rent for moderate

income household in high growth regional areas. The program funded the provision of local infrastructure with the cost savings to be passed through reduced purchase or rental costs.

Neither of these programs is included or referenced in the NAHA.

#### 2.3.4 NATIONAL REGULATORY SYSTEM FOR COMMUNITY HOUSING PROVIDERS

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One of the reforms under the NAHA is the establishment of a nationally consistent provider and regulatory framework. This is to assist in building the capacity and growth of the not for profit housing sector. It is also an acknowledgement of the significant role of the community housing sector in social housing reform.

To achieve this, the Commonwealth and State/Territory governments have established the National Regulatory System for Community Housing (NRSCH). This enables community housing organisations to operate across jurisdictions and encourages investment in community housing. The system sets minimum performance requirements for registered community housing providers around governance and viability. It is also anticipated to reduce regulatory burden for housing providers. The implementation of this system has commenced in most jurisdictions and the first round of registrations is expected to be complete by mid-2015.

#### 2.3.5 TRANSFER OF PUBLIC HOUSING STOCK

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Linked to the development of the NRSCH is the agreement by Housing Ministers in May 2009 to develop a large scale community housing sector that either owns and/or manages up to 35 per cent of social housing stock by July 2014<sup>13</sup>. The Housing Ministers also agreed that up to 75 per cent of housing stock constructed through Stage Two of the SHI be transferred to community housing providers.

Analysis of public housing transfers to date reveals that there were a total of 10,800 transfers from 2010 to 2012 through the SHI (see Table 2). The majority of these have occurred in New South Wales. This is only a very small proportion of stock anticipated to be transferred. The table does not include the 500 properties that have been transferred in Tasmania through the Better Housing Futures program.

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<sup>13</sup> [http://www.dhs.vic.gov.au/\\_\\_data/assets/pdf\\_file/0009/564381/Implementing-national-housing-reforms.pdf](http://www.dhs.vic.gov.au/__data/assets/pdf_file/0009/564381/Implementing-national-housing-reforms.pdf)

**Table 2: Transfer of Social Housing Properties as at May 2013**

	ACT	NSW	Qld	Vic	WA	SA	National total
Pre-2011 management outsourcing	200	7,900	200	1,400			9,500
Pre-2011 title transfers		400		600			1,000
SHI transfers 2010-2012	100	6,000	2,600		1,300	600	10,800
Grand total	300	14,300	2,800	2,000	1,300	600	21,300

Notes: 1. National total also includes small number of SHI transfers in Tas  
2. ACT total includes 132 homes subsequently subject to title transfer

Source: Pawson, 2013,

## 2.4 SUMMARY

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The purpose of this section was to provide an overview of not only the NAHA and associated NPAs, but also the other housing initiatives that deliver affordability outcomes. What it illustrates is that there are a number of initiatives that sit outside the agreement, but have a direct role in delivering affordable housing and alleviating homelessness. This provides the context for some of the points of discussion in the next chapter of the report.

## 3.0 OUTCOMES

This chapter brings together the discussions and completed reports from the eight roundtables. It continues the practice from the State/Territory report of using themes. These themes are not mutually exclusive; more often than not they are highly interdependent. Many aspects of the discussion are of the 'big picture' of affordable housing policy and funding, and how a future NAHA can be a medium for achieving key affordable housing outcomes. However, some are detailed observations from service providers that may not appear to be directly relevant to the NAHA, but serve as a reminder of how a revised agreement will impact on service delivery and client outcomes.

This report does not include all of the issues raised at each roundtable. Some very specific State/Territory issues were raised at each of the roundtables, but attempts have been made to capture such specific issues into a broader relevant discussion. This report represents the synthesis of the outcomes.

### 3.1 STRATEGIC VISION AND LINKAGES

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Some of the roundtable participants were closely involved in the development process of the NAHA. These participants had high expectations of the agreement, and what was originally proposed by the National Affordable Housing Summit Group. For these participants the current agreement bears little resemblance to what was proposed, and was expected. There was an expectation that the agreement was to be a vehicle that would assist in complex decision making. For these participants, in its current form, the NAHA is no more than a recurrent funding instrument.

The critical question for some participants is 'what is the function of the NAHA?' There is concern about whether the role of the agreement is to provide new supply or subsidise existing supply. There was further confusion for some participants when they became aware that the agreement itself does not include CRA, NRAS or other government housing affordability programs. Furthermore, the NAHA does not include wider programs and policies that impact on housing affordability, such as those relating to infrastructure provision, taxation or planning. The development of a national housing policy or a reframed agreement that includes these elements would be of substantial benefit to creating a more joined up system. However, the question was asked about whether the inclusion of other affordable housing initiatives in the agreement would make any practical difference to client and tenant outcomes.

For some participants these 'big picture' questions could be addressed if there was a clearly articulated national housing policy. A clear vision of what the NAHA is to achieve, in the context of a national housing policy, would go some way in addressing such strategic issues. Such a policy could also provide the context for the NAHA and other government affordable housing programs, funding and initiatives.

Other elements that were of concern to participants were other human services programs that impact on social housing demand, particularly mental health and disability. A significant proportion of clients in social housing have a mental illness and/or disability. Changes to policies and programs associated with mental health and the disability services sectors can impact on the availability and demand of social housing. Service providers, in particular, were worried about additional costs from

changes in these sectors, and considered whether there should be housing impact statements in such policy areas. Questions were also raised about the introduction of the NDIS. While a very welcome initiative, there is a lack of clarity, at this point in time, about what it means for the demand and availability of social housing.

Some participants considered that one of the most beneficial but underused elements of the NAHA is that it is a COAG agreement. This creates greater opportunities to talk to and/or link with other agencies and agendas, and it was felt that this is not being used to its full potential. It was also felt that the NAHA, through the reform agenda, had a role in influencing State/Territory policies on housing affordability, including government land, infrastructure provision, planning and taxation. It was thought that the NAHA could have greater influence on State/Territory housing affordability reform.

The interaction between housing affordability and other key policy agendas differed by States and Territories. South Australia was pursuing an urban planning agenda that connect planning and housing with an affordable housing planning framework and policy that includes a target for 15 per cent of affordable housing in all new significant developments<sup>14</sup>. It was felt that while this may not necessarily work all of the time it does provide the point to beginning a conversation about the delivery of affordable housing.

Initiatives in the ACT included shared equity home purchase scheme as well as the use of land rent. It had also recently introduced taxation reform in the ACT to be implemented over twenty years. This includes abolishing conveyance duty over the twenty year period and move towards a progressive general rates system. There will also be a reduction in insurance duties. It is estimated that about 33,000 households will be better off under this funding change.

The Northern Territory government had introduced the HomeBuild Access Scheme (home loan package for low to middle income earners) and increasing the First Home Owners Grant (FHOG),<sup>15</sup> but had discontinued the stamp duty first home owner concession and two previous home loan schemes. It had also developed a 'Real Housing for Growth' strategy to encourage further activity in the first home owners market.

Western Australia had developed its own shared equity scheme, discount-to-market rent scheme, provided equity to private developers, including the use of government land in the Perth region, as well as introduced the Royalties for Regions to provide affordable housing in areas impacted by the resources boom.

Participants in some States/Territories were concerned about the lack of planning and taxation levers in their relevant jurisdiction in relation to housing affordability. For example, the Northern Territory is experiencing high rental costs and low rental vacancy rates due to the impact of

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<sup>14</sup> See

[http://www.sa.gov.au/upload/franchise/Housing,%20property%20and%20land/Housing%20SA/Affordable\\_Housing\\_Planning\\_Framework\\_and\\_Policy.pdf](http://www.sa.gov.au/upload/franchise/Housing,%20property%20and%20land/Housing%20SA/Affordable_Housing_Planning_Framework_and_Policy.pdf)

<sup>15</sup> <http://www.treasury.nt.gov.au/PMS/Publications/BudgetFinance/MiniBudget/1-MB-1213.pdf>

speculation associated with the resources sector. Participants felt that greater taxation incentives should be made for resource companies to provide housing for their employees to reduce housing demand. Additionally, tax incentives could also be provided to employers of key workers to construct housing for their employees.

The impacts of government financial decisions as a result of fiscal 'belt tightening' can also have negative implications on housing affordability. The Northern Territory government had discontinued the stamp duty first home owner concession as well as two previous home loan schemes. Participants were concerned that the increase in the FHOG will be counteracted by the increase in stamp duty, and increased costs of building a new home.

It is questionable whether the NAHA influenced the policy outcomes in some States/Territories when they reported that following the NAHA it was 'business as usual' or that the policy leadership was provided by the relevant State rather than the NAHA. It was considered that the affordable housing reform agenda is seen as a 'laundry list' instead of a strategic list to support affordable housing outcomes, and that other forums need to be used to engage with ministers about the reform agenda.

However, for some other jurisdictions the NAHA has been the instigator of new thinking and sharing in some jurisdictions where affordable housing was not a priority. It has also created a positive conversation about the role of affordable housing and social housing, and the distinction between the two. The conversation has turned to focusing on opportunities for growth, leverage and new development models.

### 3.2 FUNDING AND FINANCING THE NAHA

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The discussion on funding and financing focused on three areas: the current funding regime, the proposed National Shelter funding regime, and attracting private investment into affordable housing. The discussion around funding was associated primarily with social and affordable housing.

#### CURRENT FUNDING OF THE NAHA

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There is a strong perception that the NAHA is 'negatively funded', despite the increase in funds in Budget papers. This comes from the use of an index that is lower than CPI. It is generally viewed that the only growth in funding is through the NPAs, not the SPP. The current funding through the NAHA is not seen to be sufficient to sustain the current level of social housing stock.

All participants were aware of the challenges facing State/Territory housing authorities, including:

- Historic debts for some jurisdictions requiring significant funds to be returned to the Commonwealth;
- Maintenance backlog of existing stock, and associated costs;
- Mis-alignment of the public housing stock to respond to demand;
- Public housing as a primary exit point from homelessness; and
- Eligibility criteria focusing on those in highest need, including multiple needs, and having very low incomes.

The result of these challenges is a portfolio that is increasingly in debt, and making it difficult to grow housing supply for households on very low incomes. However, participants were very aware of the fiscal constraints facing all levels of government, and combined with the recent significant investment in social housing, were not expecting significant new investment in social housing in the immediate or medium term future.

The majority of the participants are unhappy that the current agreement does not require States/Territories to provide any financial contribution to the provision of social supports/programs. This differs significantly to the previous agreements (the CSHA and SAAP agreement). Many participants were also concerned that the funds provided by the Commonwealth are not tied to specific programs or outcomes. As a result States/Territories are able to implement programs of their choice to achieve NAHA objectives. An issue related to this was the view that States/Territories had little accountability on how they spent their funds. Some participants would prefer the NAHA include 'priority objectives' and clear targets for States/Territories so that there is greater clarity and accountability about where funds are being allocated.

## PROPOSED FUTURE GOVERNMENT FUNDING

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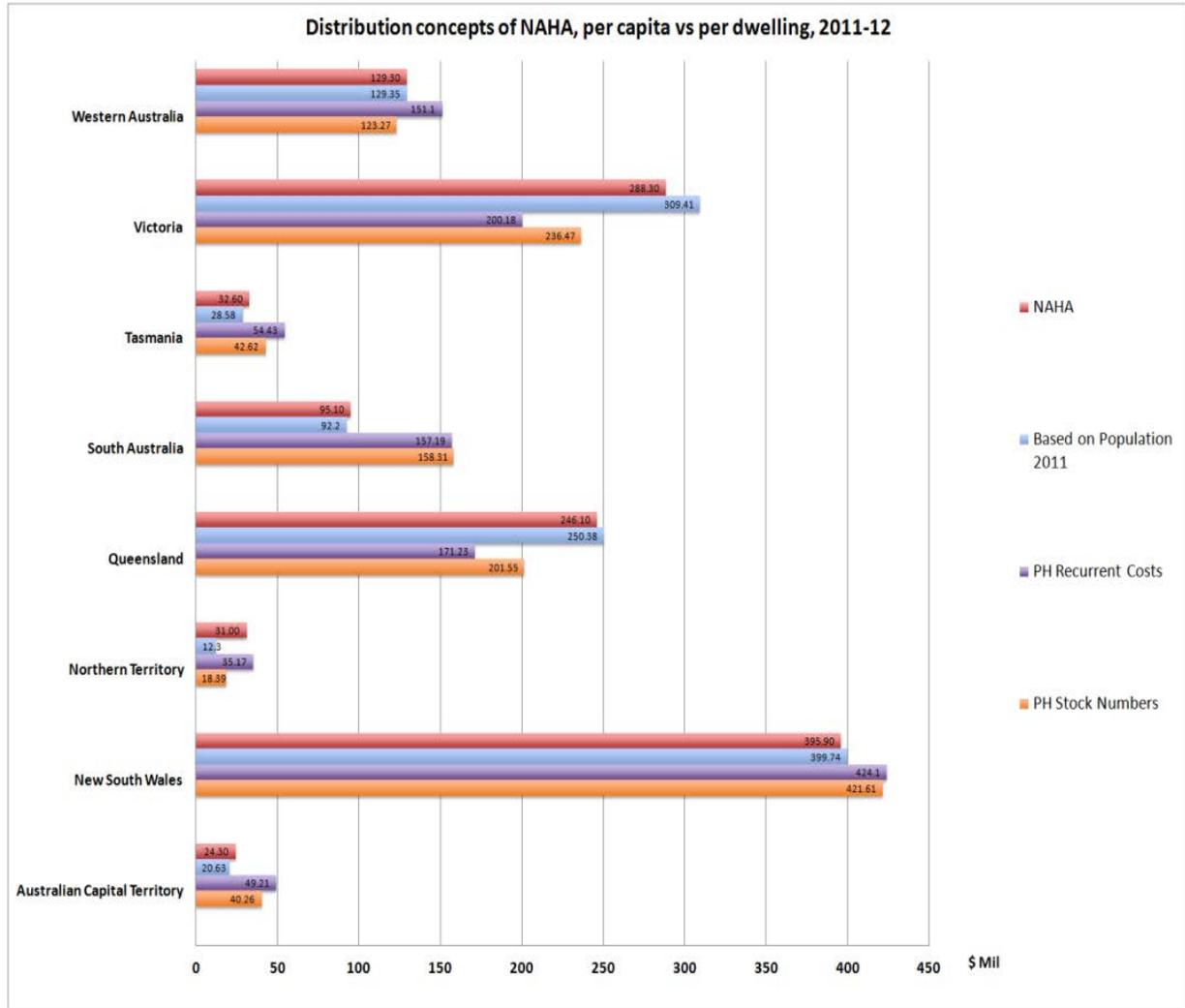
Roundtable participants were presented with National Shelter's proposed funding regime for public housing:

- That the operational subsidy for public housing be distributed to States/Territories on a per dwelling basis; and
- That a growth fund for public housing be distributed to States/Territories on a per capita basis.

The rationale for National Shelter's proposal is to create a more sustainable and equitable funding regime for existing dwellings. Funding States/Territories on a per dwelling basis for existing social housing dwellings does not penalise those States/Territories that have historically had a more generous social housing policy. The creation of a growth fund on a per capita basis recognises those States/Territories with higher proportions of the population. This approach was widely supported by roundtable participants, particularly those with high proportions of public housing.

Figure 4 illustrates the impact of the change of funding from a per capita to a per dwelling basis for each State and Territory. It can be seen that the larger, more populous States would receive a significant cut in funds, while the States/Territories with higher proportions of public housing would benefit substantially.

**Figure 4: Funding the NAHA, per capita vs per dwelling, 2011-12.**



(Source: National Shelter, 2013, unpublished).

However, despite there being agreement that this approach would be useful, it may not solve all of the problems for adequate funding social housing. A higher level of sophistication is required in the discussion on funding for social housing, including deep subsidies versus shallow subsidies.

#### PRIVATE SECTOR INVESTMENT IN AFFORDABLE HOUSING

Participants agreed that one of the challenging aspects of future funding for affordable housing is making affordable housing attractive to large scale institutional investors. Some participants spoke of the restrictions that are currently in place which inhibit certain types of institutional investing, namely different tax treatments for individuals and institutions.

There was broad support across the roundtables for the introduction of an 'affordable housing supply bond' to attract the significant investment potential of superannuation and equity funds. Knowledge of the detail and functioning of a bond was mixed across roundtables and participants. Whether large scale institutional investment occurred through a 'housing supply bond', an 'infrastructure bond' or something else (such as an expanded and revised NRAS) was not important;

the importance was an ongoing large scale investment into affordable housing to alleviate the current lack of supply of affordable housing.

The New South Wales roundtable raised a number of matters that would need to be addressed to attract greater institutional investment in affordable housing:

- Certainty from government, particularly the need for bi-partisan or multi party support.
- Scale of investment including government backed opportunities to enable institutions to invest \$500m per annum utilising a portfolio approach.
- Reduction of financial risk for institutions; this may require the Commonwealth to underwrite a component of debt, if not all.
- Ability for liquidity of investment.
- Government equity and government credit enhancement to assist with consistent and predictable yields as a yield gap does exist.
- Revising NRAS to improve its workability including for large-scale investors, aspects of its tax treatment and ongoing funding certainty to ensure a pipeline of supply.
- Development of an investment scheme that does not require investors to fund property development.
- Recognition that the requirements of institutional investors differ from banks. For example, banks prefer strata development but institutions prefer lower risk and management such as multi-unit residential that are all rental.

While there is support for attracting private investment into affordable housing, participants agreed that this should not replace government funding. Private investment into affordable housing should be used to accelerate affordable housing outcomes. Government funding, through a subsidy, will still be required for social housing. Additionally, the introduction of private investment mechanisms such as supply bonds, would also supplement and provide alternatives to existing private rental investment measures, such as negative gearing or capital gains tax.

### **3.3 PRIVATE RENTAL AND AFFORDABLE HOUSING SUPPLY**

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A significant proportion of low income households are housed in the private rental sector, compared with social housing. An increased supply of affordable housing is critical to the functionality of the overall housing market, including social housing, and reducing the likelihood of households becoming homelessness. Additionally, funding of CRA is almost \$4billion annually, almost double the funding of the NAHA, yet tenants in the public market have security of tenure.

In contrast, participants recognised that compared to the private rental market, social housing assistance was inequitable. This relates to the level of subsidy provided to those in social housing, compared with those in private rental housing. For example, tenants of social housing receive a deep subsidy and have enjoyed security of tenure. Tenants in private rental housing, however, receive a shallower subsidy in the form of CRA, may frequently experience insecurity of tenure and ongoing housing stress.

The issues relevant to individual jurisdictions that impact on the supply and demand of private rental housing, including:

- High median household incomes in the ACT due to the composition of the workforce due to employment type (public sector focused). It is considered that there are greater proportions of higher income households 'renting down' into lower and moderate priced private

accommodation reducing the amount of accommodation that may be available for lower income households.

- Shortfalls in housing supply in Darwin with substantial impacts on low to middle income households. There is a higher than average proportion of rental households in Darwin. The lack of affordable housing in Darwin was having an impact on the ability to attract staff in the health professions, academia and non-government sector. The high cost of housing was in anticipation of the growth in the resources sector.
- High housing costs in the North West region of Western Australia resulting in the Royalties for Regions program that provides housing for workers and specific affordable housing projects. While there are significant housing issues in the north west of the State, there is still significant population pressure in the south west area as it is the base for FIFO families.
- One of the other issues in Western Australia is the general shortage of housing. The Housing Industry Forecasting Group (HIFG) found that at the end of June in 2012, the estimated underlying demand suggested a shortfall of 12,600 dwellings; a deficit of 21,500 dwellings in Perth offset by a surplus in 8,900 in other areas of the State<sup>16</sup>. The deficit is expected to get worse. The wait list for public housing is approximately 23,000 households and there are approximately 23,000 households in housing stress in private housing.

The private rental market is critical to addressing housing affordability and homelessness. It was suggested that the NAHA could be used as a further reform tool for other aspects of housing assistance, particularly when there is considerable focus on the role of the private market in delivering housing affordability. For example, the NAHA could require the provision of tenancy advice and advocacy services. It could also include measures to improve tenure security to benefit both tenants and investors.

It was suggested that there could be greater scope in the NAHA to recognise the contributions being made by the State/Territory governments towards more affordable housing, particularly the use of incentives for the private sector. For example, the reduction in land tax in the ACT for Greenfield developers to provide 25 per cent affordable housing, shared equity purchase schemes in Western Australia, the provision of land or capital to community housing providers in Queensland and planning measures requiring a proportion of affordable housing in all new developments in South Australia. A revised NAHA could encourage these elements as part of State/Territory contributions.

It was proposed that existing measures that benefit the private housing market could be fine-tuned for better delivery of more affordable outcomes. These could be revenue neutral to government, and enable a better, more effective use of the private rental market. Suggestions included better targeting of tax deductibility of rent payments towards the lower end of the market and limiting the amount of mortgage tax deductibility on properties. Serious consideration of the First Home Owners Grant (FHOG) is required. While the FHOG is funded and administered by the States and Territories, it provides little benefit to affordable housing supply.

What is not captured in many reports is the displacement through the system of higher income households residing in low cost housing. There is also anecdotal evidence of 'bidding' for private

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<sup>16</sup> [http://www.planning.wa.gov.au/dop\\_pub\\_pdf/HFIG\\_October\\_2012\\_Report.pdf](http://www.planning.wa.gov.au/dop_pub_pdf/HFIG_October_2012_Report.pdf)

rental housing. Lower income households cannot compete in this environment because they do not have the income, and because they are not 'prime tenants'. It is increasingly difficult for specialist homelessness services to get their clients into private rental. This is leading to concerns about social isolation as low income households move to outlying areas of cities, as well as regional areas of States/Territories, to find more affordable housing. This includes relocating to areas where the cost of transport is significant and unemployment is quite high.

There was frustration about States/Territories not taking full advantage of the private sector in improving housing affordability. Further understanding between States and the private sector is required to promote greater partnerships and catalyse developments. This extends to opportunities for partnerships with resource companies that have trust funds and agreements to deliver social outcomes.

One factor at a number of roundtables was that a depressed property and construction industry (as during the Global Financial Crisis) is highly beneficial to the production of affordable housing. Affordable housing projects benefitted from reduced land prices, better competition by construction companies, and received better value for money. There is concern that once the property and construction industries pick up then interest in investment in social or affordable housing will decline.

There can be difficulties with the flexibility of affordable housing programs, such as NRAS. It was found that NRAS was not sufficiently flexible to facilitate negotiability with major contributors to affordable housing. This is particularly the case when the private housing market does not have the flexibility required to respond to timing and processes of government programs. It was suggested that the focus should be on outcomes required, and then solutions developed to deliver on the outcomes. In some cases it is not new funding initiatives that are required, but new approaches to affordable housing. This often requires scale and certainty, and cannot be achieved with a 'tap on-tap off' approach.

Participants felt that there is a stigma attached to affordable housing and that the community does not fully understand what it is. Examples were provided of mixed tenure developments and the difficulties of selling market based products in developments that include affordable housing.

Participants identified a gap emerging in the delivery of affordable housing. While social housing is for those on very low incomes and high needs, and NRAS targeted towards those with more moderate incomes, there is an increasing number of households on low incomes without high needs who are not eligible for housing with a form of subsidy. Linked to this is that there appears to be a 'disincentive' to increase income through employment as it may result in not remaining eligible for social housing. Tenants could be penalised for working. In one jurisdiction it was mentioned that the proportion of social housing tenants that were 'work ready' was very small. However, the view of moving tenants on once they have reached a maximum income threshold was considered to be anathema to the creation of socially inclusive communities and financial viability. Additionally, the high cost of private rental housing is thought to be providing a dis-incentive for public housing tenants to increase their incomes because they will face difficulty accessing the private rental market. It is felt further investment in affordable housing for households on moderate incomes is required.

## YOUNG PEOPLE

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A number of roundtables highlighted the difficulties with housing young people, particularly those on Newstart. Housing models for single young people focus on shared accommodation which may not be appropriate. However, housing models that provide one bedroom for a single person are often not financially viable to construct. They may also not be affordable for young people on Newstart because they do not receive CRA.

## COMMONWEALTH RENT ASSISTANCE

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There was some discussion of CRA at almost all of the roundtables. The contribution of CRA to housing affordability is critical. However, the indexing of CRA is considered to be low. CRA is currently indexed at a much lower rate than rental growth. Additionally, the impact of CRA varies from region to region. It was suggested that a regional variation to CRA may be needed. While it was appreciated it could be difficult it is not considered impossible.

Additionally, CRA is an important element in the financial viability of not for profit housing organisations. This is particularly the case when housing tenants with high needs or if rent policies are restrictive. CRA enables organisations to bring in support to sustain tenancies. It was suggested that CRA is crude about the impact it has on housing need and that a review of CRA is required, particularly who is assisted and the effectiveness of assistance.

## NATIONAL RENTAL AFFORDABILITY SCHEME

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A significant contributor to the supply of affordable housing nationally is NRAS. It should be noted that the Community Housing Federation of Australia (CHFA) completed a project on behalf of DSS (formerly FaHCSIA) in February 2013 on NRAS, including national roundtables with NRAS participants<sup>17</sup>. As illustrated in Chapter Two of this report the allocation and incentives nationally differs between States/Territories.

Participants are very supportive of NRAS. It is being used for either stand alone or mixed tenure housing projects by not for profit housing providers. Some concerns were raised about the scheme. Some of these are specific to individual jurisdictions, and quite specific regions in those jurisdictions. These generally relate to the use of nationally applicable eligibility criteria and nationally consistent incentives.

It was suggested that NRAS is less successful and less attractive to private investors in areas where there are higher development costs and higher market rents, particularly those areas impacted by the resources sector. For example, in the north-west region of Western Australia or Darwin, the market conditions are such that it is considerably more attractive for private investors *not* to invest

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<sup>17</sup> A copy of the report is available from CHFA.

in NRAS. It is these areas with very high housing costs and competition in the private rental market where more affordable housing for low to moderate income households is critical.

Linked to this are the eligibility requirements for NRAS, particularly the income thresholds, and whether nationally applicable criteria are suitable in some locations. It can be that in some areas the income thresholds for household types may result in households that are experiencing difficulty locating affordable housing being ineligible for NRAS and also not able to compete in the private rental market. Participants queried whether the incentive should vary depending on the housing market of particular geographic areas, or if the income eligibility should be amended to take into account the particular characteristics of a local housing area.

Other concerns raised about NRAS included the decision making process being too slow resulting in developers having to pull out of NRAS applications and putting projects back to the market. It also took some time for investors and consumers to understand the scheme. High market rental prices also impact on affordable housing programs, such as NRAS. Rents under NRAS are no more than 80 per cent of market rent; 75 or 80 per cent of a high market rent is still above affordability thresholds for some eligible NRAS income groups.

However, NRAS has been critical to the success of mixed tenure projects and has complemented the development of new models of delivery, but the time limited nature of the scheme means that there is no confidence for further mixed tenure developments. The inclusion of NRAS or other forms of private investment in the NAHA would be beneficial for investor confidence.

NRAS has a number of benefits for organisations including a good income stream, provides a good mix to a property portfolio to be able to transition tenants and has helped larger organisations with asset ownership. This has allowed these organisations to demonstrate different income streams and sales potential to financial organisations.

The obvious benefits of NRAS are to tenants; it provides stability and has filled a gap between social housing and the private market.

### **3.4 NATIONAL PARTNERSHIP AGREEMENTS**

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The discussion at the roundtables focused primarily on the NPAH and NPAIH. There was little discussion on the NPASH. It appears to be the 'forgotten partnership agreement'. This is likely due to funds being distributed at the same time as the implementation of the SHI. The NPA on First Homeowners Boost was not discussed. The NPA Nation Building and Jobs Plan – Social Housing Initiative was discussed broadly throughout the roundtables either through affordable housing supply or in discussions on stock transfers.

### **HOMELESSNESS**

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Participants were overwhelmingly positive about the introduction of the NPAH, and the development and delivery of new services. However, an issue raised consistently across the roundtables was that the introduction of the NPAH had inadvertently created a 'two tiered' homelessness service system.

In some jurisdictions the existing services (previously funded through SAAP) had not received any growth funding. However, the NPAH had established new services and new projects. In some jurisdictions 'old and new' services are not funded equally and some participants were disappointed that existing services were not funded under the NPAH. However, one jurisdiction (South Australia) saw the NPAH as an opportunity to undertake a restructure of the homelessness sector, and to link homelessness very closely to high needs housing.

The linkages between the housing and homelessness sectors are only as good as the spread of the homelessness system. While it was felt that overall the connections between the two sectors have worked well, there has not been as much integration between the new services funded through the NPAH with those in the former SAAP system.

As the NPAH is a time limited agreement, there was anxiety<sup>18</sup> that if the NPAH did not continue then services may disappear to the detriment of clients. Additionally, some of the new services funded under the NPAH complement other existing services. If the services under the NPAH were to cease operating, there would be considerable impacts. The sector requires consistency and continuity. As such, some participants would like to see the NPAH rolled up into the NAHA so that it could benefit from being an enduring agreement.

The NPAH has made a valuable contribution linking the housing and homelessness sectors. For some participants having social housing stock managed by specialist homelessness service providers will result in a positive change in the sector. However, while the NPAH has achieved a range of outcomes, it may not be good policy if it is only convened around ending homelessness. Many participants felt that the NPAH should also achieve other outcomes such as sustaining tenancies, growing affordable housing stock, and early intervention. Early intervention is seen as a more cost effective approach to respond to homelessness but funds are limited. In some jurisdictions there was greater need for the provision of specialist services to break cycles of intergenerational homeless and domestic violence.

Furthermore, a challenge for services is the lack of appropriate exist points from the homelessness service system. As private rental becomes increasingly unattainable due to discrimination and cost there is greater reliance on the community housing sector.

It was felt that the introduction of the NPAH promoted much more discussion and contacts between housing and homelessness services, as well as others. In some jurisdictions, the NPAH provided the framework for government and non-government agencies to work together much more collaboratively.

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<sup>18</sup> As mentioned in Chapter Two at the time of consultation the NPAH had not been renegotiated.

## REMOTE INDIGENOUS HOUSING

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Participants are highly supportive of the NPARIH and its aims to address significant overcrowding, homelessness, poor housing conditions and severe housing shortages in remote Indigenous areas. However, there is strong concern about the focus only on remote communities, particularly as this represents only a small proportion of the Indigenous population. The lack of focus on urban and non-remote Indigenous housing, services and homelessness is having less than desirable effects for Indigenous communities.

In the areas that the NPARIH is not in place there are a number of issues facing Indigenous organisations and Indigenous people:

- Loss of specific Indigenous housing services, and these services had been providing assistance that was considered appropriate;
- Indigenous clients in mainstream services not fully understanding significant changes to tenancies;
- The need for strong partnerships between Indigenous and non-Indigenous services;
- Mainstream services not undertaking culturally appropriate practices including not fully recognising how the lack of housing and home can affect extended families;
- There appeared to be little support for building the capacity of Indigenous housing organisations. Many organisations do not have title, are not being given support and resources to leverage off assets and are being dictated to about where they are able to purchase dwellings;
- Greater support is required to build the capacity of individuals in Indigenous housing organisations.

In terms of addressing housing and homelessness in remote areas, the NPARIH is limited to addressing housing and homelessness in communities but does not assist to relocate people if that is considered appropriate. One of the significant limitations of the NPARIH is that it does not take into account the movement of Indigenous people from remote communities to non-remote areas. The movement of Indigenous people to urban and regional areas can present significant challenges to local services.

More broadly, some participants raised concerns that the NAHA generally had no particular strategy for Indigenous housing, including no strategy by the Commonwealth for reserves or missions.

For those organisations and areas in Western Australia that received funds through NPARIH the outcomes have been positive. Services have commenced programs of refurbishment, moved towards registration and have focussed on sustainability and viability. It was noted that in Western Australia the NPARIH needed to be rolled out further for full effect as the Indigenous communities in non-remote areas are still experiencing significant social issues.

One of the challenges associated with responding to Indigenous housing and homelessness is the significant rate of homelessness due to overcrowding, particularly in urban areas. Funding through the NPAH does not meet the need but funds are not available in urban areas under the NPARIH.

Additionally, there are questions about whether 'overcrowding' is really homelessness or just overcrowding. For example, there could be multiple generations living in a property supplied by government, and many people will transit from property to property, family to family. It could be

that the focus should be on itinerants coming into communities rather than overcrowded housing per se.

It was noted that through the initiatives of the past three years no new housing has been provided in areas such as Darwin or Katherine as they are not eligible for funding under the NPARIH. This is similar in Western Australia where it was said that the largest proportion of Indigenous people are located in metropolitan areas, and are falling through the gap.

## SOCIAL HOUSING INITIATIVE

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The SHI has significantly expanded the capacity and sustainability of community housing organisations, as well as making a significant difference to the supply of social housing. The SHI missed the opportunity to create and enhance partnerships and include more stakeholders because of the timing. The sector missed the ability to engage with the community resulting in negative outcomes. What the SHI demonstrated was the need for the development of a framework that enables community housing organisations to take advantage of funds and assets in the sector. This requires the development of policy to support the growth of existing assets. The social housing portfolio needs to be treated as a commercial portfolio.

### 3.5 BUILDING THE CAPACITY OF THE COMMUNITY HOUSING SECTOR

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Current reforms in the NAHA not only acknowledge the significant role of the community housing sector in the provision of affordable housing, but also provide the platform for further growth of the sector. Two elements of this reform process are the aspirational target to have up to 35 per cent of community housing stock comprised of social housing, and the development of a nationally consistent provider framework (NRSCH).

The transfer of stock, through either management rights or full title, has not occurred at scale to date. Broadly, participants were disappointed in the level of transfer and that very little title transfer had occurred. The recent transfers that have occurred to date have been through the SHI and mostly restricted to management only. Over 85 per cent of Tasmania's SHI stock has been transferred, and it is estimated that 22 per cent of Queensland's stock has been transferred. The Queensland government has demonstrated its commitment to grow the community housing sector by commencing the Logan Renewal Initiative<sup>19</sup> and is now committed to the transfer of management of 90% of all social housing. The main question in Queensland regarding stock transfers will be speed rather than inevitability. However, there is a need in Queensland for capacity building to support the long term viability of providers and the sustainability of the sector.

Some community housing participants are comfortable with stock transfers that are restricted to management rights only because the organisations can claim the CRA and not pay the Goods and Services Tax (GST). Additionally, rents can be guaranteed and tenants will receive support. However,

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<sup>19</sup> See <http://www.communities.qld.gov.au/housing/housing-services/social-housing/reforming-housing-assistance-in-queensland>

for other organisations, transfer of stock with full title would enable them to continue on an organisational growth agenda, and allow them to continue to develop a range of housing options. Asset ownership is preferable because it creates greater leveraging opportunities. However, leveraging is also possible through long term management leases (10 years).

While the transfer of stock is welcome, real and considered questions were asked about the impact of stock transfers to community housing organisations. These questions include:

- What income will transfers provide, particularly when housing people on very low income with an income based rent?
- What is the maintenance requirement on the assets to be transferred?
- What are the leveraging opportunities available to community housing organisations, particularly if only management rights are transferred?

Community housing organisations require more expert advice on transfers and business planning, particularly to understand how transfers may assist organisations to scale up and be more effective.

While the current level of stock transfer has been beneficial, it is not seen as the 'magic bullet' to alleviating the problems of an undersupply of affordable housing; it is only one lever. The primary question to ask about stock transfers to the community housing sector is 'what is the purpose of stock transfer?' Optimist participants consider this is (a) to preserve and maintain the current level of stock, and then (b) to assist to create new supply through redevelopment opportunities or the selling down and purchase of new stock.

It was brought up at a number of roundtables that one of the factors inhibiting the title transfer of stock is the potential impact on the credit ratings of States/Territories once properties are 'off the books'. There is some question about whether this is a real or perceived problem, particularly when there was no research or evidence to support the claim.

A number of community housing organisations have been direct beneficiaries of contributions by State/Territory governments through either cash or land. Others have received loan facilities. This has enabled a number of larger providers to not only expand affordable housing supply in their relevant jurisdiction, but also has provided the basis for building equity to undertake further development.

Some jurisdictions where community housing organisations are not as well supported have concerns about the implications of the NRSCH. These include:

- East coast community housing providers are seen to be at an advantage with the introduction of a NRS because they have been capitalised to a larger extent.
- The inevitability of national regulation where assets may move across borders, particularly if they include affordable housing bonds. While it may not occur for another three to five years, it is better to look at mitigating these effects rather than denying they will occur.
- Will a "league table" of community housing providers be produced by investment agencies on the benefits or otherwise of investing in affordable housing in particular States, markets or regions?

There is a concern about the impact of the NRS on Indigenous housing providers, specifically the property condition standards as housing stock is in poor condition. It is also considered difficult for

many Indigenous housing organisations to leverage additional development opportunities because most of the land is owned by other bodies.

In some jurisdictions there is insufficient capacity building of community housing organisations and more work needed to be undertaken. There is some anxiety about the introduction of the NRSCH and what it means for local providers. Some of the questions facing providers include;

1. How they acquire more stock and manage in a responsible way?
2. What is 'best practice'?

Workforce development also needs to occur with the introduction of the NRSCH, including the sector being well resourced to train staff for the new system.

A number of participants proposed that given the greater role being considered for the community housing sector, then the sector should have a more proactive voice and greater influence on a future agreement, including in discussions over the allocation of funding. The community housing sector is significant and growing, and it was felt that it is time that the sector is recognised formally in the NAHA and included in the development of future agreements.

## IMPACT ON TENANTS

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Consumer advocates reinforced during these discussions on affordable housing that any possible changes to the housing system should be mindful of the implication for tenancy management and tenant outcomes. How will the supply of new housing and management of assets merge with the quality of services being provided?

Tenants are uneasy about stock transfers, particularly as it may impact on security of tenure and changes in setting rents. Issues were raised about transfers having previously been handled poorly, particularly communication to tenants. Other issues regarding transfer are whether it is a real 'choice' and whether the real benefits (e.g. improvement in housing) are being fully communicated.

Specific issues raised about tenant rights and outcomes include:

- The need for strong tenant participation, including development of policies and procedures, during stock transfers and the move to a more regulated sector.
- Community housing providers can deliver both property management and tenancy support as long as appropriate structural separations exist.
- The need for continuity of case management for clients to occur regardless of the property. The linkage of case management to particular properties does not achieve continuity for clients.
- Concerns that some clients may not be able to access community housing following transfer of housing stock to community housing providers because they are deemed 'high risk' as they do not always pay their rent. Community housing organisations do not have the capacity to carry debt and rental arrears in ways that homelessness service providers have when they control properties.
- Levels of real community engagement about the transfer process.

Stock transfers are not seen to be overwhelmingly beneficial to tenants, or prospective tenants, because of the transfer of risk to community housing organisations. Some clients may not be able to access community housing because they are considered high risk in relation to not paying rent.

One core element of concern about stock transfers relates to tenants and tenancy rights. There is also the question of what, if any additional funding will be provided for organisations to provide or purchase supports for tenants following stock transfer. This also reflects the larger attitude of the sector wanting to focus on the people and households they are assisting rather than solely on any leverage for additional supply by organisations from stock transfers.

There are also concerns about the impact of stock transfers on tenants, particularly if transfers are done on a piecemeal basis. Other concerns relate to incorrect perceptions, particularly about what may have occurred in other States and Territories, a lack of information, the need for clear policies and a national framework about the rights of tenants. An independent monitoring process following stock transfer was suggested.

During the roundtable process the issue of funding for the Queensland Tenancy Advice and Advocacy Service (TAAS) was being played out in the public sphere. It led to a discussion in some roundtables and suggestions there should be a requirement in the NPAH or the NAHA for all States and Territories to provide a tenant advice and advocacy service.

### **3.6 REPORTING AND MEASURING PERFORMANCE**

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The significant outcome of the discussion on measuring performance was that it highlighted the sensitive relationship between the Commonwealth and State/Territory governments. This was felt to be compounded by the agreement not having tied funding outcomes. It appeared that the Commonwealth government cannot fully determine whether funds are expended on housing, while State/Territory governments are frustrated by the level of detail that they are required to provide.

Some participants of the roundtables were aware of the issues raised by the COAG Reform Council, HoTs Review and Working Group about the wording of performance indicators, data availability and timelines, and whether it was really possible to measure success. For these participants, the inability to measure the performance of the agreements and the accountability of the States/Territories and how they spend funds was considered to be greatly inadequate.

For some participants the process involved in developing the performance measures for the NAHA was not considered to be suitable. Generally a reporting framework is provided prior to determining measures. It was considered that data collection is being retro fitted for outcome reporting. These participants also considered that there had been an underestimation of how much time and effort is required to develop outcomes for reporting. There was some discussion on whether greater consideration at the outset should be given to the types of data sources that are available. Additionally, there are questions about the accuracy of data relating to Indigenous housing and homelessness, such as waitlists. The concern is that inaccurate data, specifically under estimation, impacts negatively on appropriate funding allocations.

Participants expressed their frustration at the amount of data being provided to the Commonwealth, the level of detail required on insignificant items, subsequent Commonwealth requests for additional data. It was speculated whether other jurisdictions are being 'difficult' which then impacts on all Commonwealth and State/Territory relations. It was speculated whether Commonwealth *and* States/Territories are able to analyse and use the existing data. The concern was that there would be a retreat to input measures.

Many participants considered that one element lacking in the performance reporting of the agreement is the 'human element'. The current performance indicators are focused on quantitative measures relating to housing costs, numbers of households assisted, or other measures relating to housing supply. Reporting does not capture the personal choices that households make about their housing, particularly costs. Additionally the reporting framework does not capture the movement of people across or through jurisdictions. This is felt to be particularly important in small jurisdictions or for those areas close to State/Territory boundaries. Similarly, it was considered that reporting for Indigenous communities did not take into account that success can be measured through community and family focused outcomes, not just providing housing or sustaining tenancies.

There were some recommendations about options for reporting and monitoring performance, including:

- Use of performance based accountability models that combine population baseline data with service baseline data. This can then be tracked in either an upwards or downwards trend;
- High quality independent evaluations that are undertaken in a timely way;
- Consideration of long range social outcomes report using a framework such as Social Return on Investment (SROI). This would go some way to demonstrating the real return on affordable housing and homelessness investment to government. Only a few key indicators would be required for this type of reporting.
- Inclusion of specific targets that are achievable and linked to responsible agencies.
- Further investigation is required in what is being measured and how it is measured.

Given that one of the areas of concern is about the quantity of social housing, it was proposed that an audit be undertaken nationally of subsidised affordable housing to create a baseline for future reporting. At a minimum the audit should include public funded affordable housing, including NRAS, SAAP, public and community housing. It could also include properties where CRA is in use.

For some the NAHA is seen to be a substantial improvement of the CSHA, as it removed input controls and focused on outcomes. However, there is still room for improvement.

For other participants, particularly service providers, the issue of reporting was not about the NAHA and whether it was achieving its outcomes. The issue was reporting on a range of funding agreements and the time and effort required by services to meet their reporting obligations. Multiple funding sources results in a burden of reporting that can require additional administration staff. Much better streamlined reporting for services will enable those services to focus on their core business of service delivery.

Overall, the relationship between the Commonwealth and States/Territories was not experienced as collaborative. Some States/Territories would like maximum flexibility to deliver agreed outcomes and respond to local conditions. For many participants the reporting focus is on 'widgets' rather than strategic policy intent.

## 4.0 CONCLUSION

There has been significant change in the provision of affordable housing and responses to homelessness in the past twenty years.

These changes have included an extended period of considerable underfunding of social housing, to one of the most substantial capital injections into the system during its history. Additionally, the discussion about social housing is no longer framed within the context of welfare provision, but now sits within the discussion of the 'housing system' and broader housing policy debates. The housing policy debate is much broader encompassing housing affordability, provision of infrastructure, planning reform, land supply and the importance of the private rental market. One of the most significant changes has been the creation of a community housing sector with greater responsibilities in the provision of affordable housing. It has become a much more sophisticated sector undertaking affordable housing developments in partnerships with governments and the private sector.

The NAHA was developed as a vehicle to drive this change and create a whole-of-housing system approach to enhancing housing affordability, as well as integrating homelessness services within the housing system. There were high expectations about what the NAHA would achieve.

The major achievements that have occurred in affordable housing and homelessness in the past five years have not been through the NAHA, but programs and funding that sit outside the agreement, although related to it. Additionally, some of the biggest drivers of affordability are not strongly associated or referenced within the agreement. Despite this there is overwhelming agreement that in the past five years the outcomes for social housing, homelessness, tenants and clients have been outstanding. A major shortcoming has been the reluctance by governments to celebrate success.

It is appropriate to view the current agreement as a document overseeing a transition; it has gone beyond the prescriptive approach of previous agreements (the CSHA) but has not achieved its intended aim to create a national housing system. There are real opportunities to create an agreement that encourages opportunities for partnerships between the not-for-profit, government and private sectors and be a mechanism to actively engage and achieve reforms across the housing and homelessness system.

## 5.0 RECOMMENDATIONS

During the course of the roundtables participants were invited to make recommendations about how the NAHA could be improved. Other recommendations have come about due to a broad agreement during the course of the discussion on areas for improvement or where there was seen to be areas of underperformance.

The differing recommendations from each roundtable have been further refined and are presented below. It should be noted that these recommendations may not reflect the views of all roundtable participants. They are National Shelter recommendations based on stakeholder involvement.

The recommendations are primarily for the Commonwealth Government's action unless otherwise noted.

### STRATEGIC OUTCOMES

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#### – NAHA SPECIFIC

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- That a future affordable housing agreement includes a pre-amble that provides the context for the agreement and its relationship to other government policies that impact on housing affordability and supply, including taxation, urban planning and infrastructure provision, as well as mental health and disability;
- That a future affordable housing agreement includes a clear reporting framework for all levels of government on expenditure of funds and progress towards targets.

#### – RELATED TO THE NAHA

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- That the Commonwealth Government develops a national housing policy, including clear targets, to provide the basis and articulation of the outcomes to be achieved by the NAHA;
- That this national housing policy has clear linkages to other Commonwealth policies and agreements that have implications for housing affordability and supply, including taxation, urban planning and infrastructure provision, as well as mental health and disability;
- That the Commonwealth Government develop a specific Indigenous housing policy and strategy that includes both urban and remote areas to address the supply of new affordable housing, maintenance of existing housing and homelessness for Indigenous people and communities;
- That future Commonwealth of Australian Government National Agreements, such as Mental Health, NDIS etc, have an impact on the NAHA and their relationship needs to be taken into consideration in policy development;
- That all stakeholders involved in the development of social and affordable housing celebrate and disseminate the success of investment in social housing for tenants, the community and investors.

### FUNDING

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#### – NAHA SPECIFIC

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- That a future affordable housing agreement requires the contributions of funds from States and Territories, including clear indicators on deliverables;

- That a future affordable housing agreement requires State and Territory governments to separately identify funding contributions in their respective budgets;
- That the Commonwealth Government institute a separate growth and operational funding stream to replace the existing funding framework:
  - The funding for the operation and maintenance of existing properties be funded on a per dwelling basis.
  - The establishment of a consistently available and dedicated growth fund calculated on a per capita rate;
- That the terms of a dedicated growth fund include the ability to leverage private investment funds and to be applied on a competitive basis, particularly as a catalyst for affordable housing development;
- That the Commonwealth Government consider releasing State and Territory housing authorities from their historic public housing debt to enable the full amount of the Special Purpose Payment to the respective jurisdiction to be used for social housing;
- That the Commonwealth Government considers the differences between jurisdictions of income levels, housing costs and land development costs when preparing new program and funding responses for affordable and social housing;
- That a future affordable housing agreement provides flexibility for State/Territory governments to be able to respond to regional variations impacting on affordability; and
- That the Commonwealth Government recognise the wide range of contributions made by State/Territory governments and local government to the delivery of affordable housing including direct capital contributions to establish housing companies, planning reform, taxation reform, infrastructure provision and rebates;

#### – RELATED TO THE NAHA

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- That the Commonwealth Government develops and implements a framework for affordable housing investment that attracts additional private sector investment, such as a Housing Supply Bond;
- That the Commonwealth Government commit to fund a further 50,000 NRAS incentives;
- That the following amendments be considered for any future NRAS program, including:
  - Amendments to the investor requirements to enable a range of investment opportunities, including accumulation funds.
  - Regional based eligibility requirements (including income ranges) for tenants, particularly in those areas affected by industry growth; and
- That the Commonwealth Government index CRA to the rental housing component of the CPI so that it remains effective during increases in rental housing costs.

#### HOMELESSNESS

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- That the Commonwealth and State/Territory governments build on the good work already being achieved by specialist homelessness services by creating a more cohesive system and integrating homelessness services delivered through the NPAH and those delivered through the NAHA; and
- That the NPAH remain a long term agreement integrated into or referenced by the NAHA with an increased level of funding to have a real impact on the level of homelessness.

## INDIGENOUS HOUSING AND HOMELESSNESS

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- That the Commonwealth Government develop a specific funding agreement with separate funding for addressing Indigenous housing and homelessness in non-remote areas;
- That specific funding and support be provided for the continuation, expansion and capacity building of Indigenous housing organisations; and
- That greater support be provided for the development of partnerships between Indigenous and non-Indigenous services

## NAHA REFORM OBJECTIVES

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### – LEVERAGING STATE CONTRIBUTIONS TO AFFORDABLE HOUSING

- That a future affordable housing agreement enable the leveraging of non-direct monetary contributions from State/Territory governments, such as planning, infrastructure and taxation reform, and land provision, that contribute to the efficient functioning and supply of the housing system.

### – AFFORDABLE HOUSING SUPPLY

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- That a future affordable housing agreement include provisions to ensure that the redevelopment of public housing assets by State/Territories does not result in a net loss of public housing dwellings in either number or as a proportion of total supply; and
- That the Commonwealth and State/Territory governments build on the success of existing approaches to affordable housing development, including mixed tenure models for successful organisational viability, mixed communities and tenant outcomes;

### – BUILDING THE CAPACITY OF THE COMMUNITY HOUSING SECTOR

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- That greater clarity is provided about the target of 35 per cent of dwellings to be transferred to community housing organisations, and whether the transfers are to be management rights only or full transfer with title;
- That the aspirational target of the community housing sector comprising 35 per cent of social housing become a clear obligation for State and Territory governments;
- That the transfer of public housing stock to community housing organisations continues, with a focus on full transfer with title;
- That the Commonwealth Government in conjunction with community housing providers draft and implement a business development framework for community housing organisations to be able to respond quickly to investment and development opportunities;
- That the community housing organisations develop strong policies and procedures for tenant participation and tenant rights during stock transfers and the move towards a more regulated sector; and
- That State and Territory government/Regulator develop an independent monitoring process during tenant transfers to ensure that tenants are fully consulted and their rights protected.

### – SUPPORT FOR TENANTS

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- That a future affordable housing agreement requires the provision of tenancy advice and advocacy services by State/Territory governments; and

## PERFORMANCE MEASURES

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- That a future affordable housing agreement has mutually agreed clear specific numerical targets on the provision of affordable housing stock, including repairs and renovations of existing dwellings, development of new dwellings, and redevelopment of communities;
- That the Commonwealth and State/Territory governments invest in quality baseline data on the quantity and location of affordable and social housing to be able to accurately measure net changes in dwelling numbers;
- That the Commonwealth and State/Territory governments consider measuring the extra financial value of investing in housing and homelessness services through the use of Social Return on Investment (SROI);
- That a future affordable housing agreement include performance measures, data collection and reporting from a tenant/client perspective;
- That a future affordable housing agreement includes performance measures and reporting periods that align with readily available data sets. If these are not available, then the Commonwealth and State/Territory governments invest in the development and/or purchase of such datasets;
- That a future affordable housing agreement continues to report on the factors that impact on housing affordability and supply; and
- Further investment in the development of the types of performance measures and processes for measuring, including consideration of performance based accountability and shifting away from prescriptive outcomes.

## RESEARCH

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- That rigorous economic modelling be undertaken on:
  - o The extent to which CRA may be leveraged by community housing organisations to provide additional supply;
  - o The impact on credit ratings on the transfer of housing assets from the States/Territories to community housing organisation; and
  - o The extent to which transferred assets may be leveraged for additional supply including the cost of maintenance.
- That further research be undertaken on additional mechanisms to encourage private investment into affordable housing as a complement to current government funding.

## STAKEHOLDER INVOLVEMENT

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- That key non-government stakeholders involved in the implementation and delivery of affordable housing are represented during negotiations of any future affordable housing agreement. This includes community housing organisations or their peak body, National Shelter, the Australian Local Government Association and any housing and development industry groups.