

## **Submission to the Productivity Commission Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services Draft Report**

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## ***Introduction***

Access to safe, secure, affordable housing underpins the economic and social well-being of Australian households and their communities. Housing provides physical shelter as well as stability and security that are the critical foundation for people to participate in education and employment and actively engage in civic and economic life. The high cost of privately renting and home purchase in recent years has led to significant levels of housing stress (housing costs greater than 30% of household income) among low and moderate income households and a significant rise in the number of people seeking assistance from homelessness service providers due to financial hardship.

National Shelter is concerned that the direction of reforms outlined in the Productivity Commission's draft report are too narrowly focussed on the real and perceived problems confronting Australia's social housing system whilst paying too little attention to the broader housing system.

Australia's social housing provides housing that is highly rated by tenants, provides security of tenure to almost all who reside in it and is the only housing in Australia which guarantees affordability. The failure of successive governments, both State and Commonwealth, to invest in social housing to maintain an adequate supply of social housing, is a failure of financing, policy and political will rather than a systemic failure of social housing systems.

The social housing system has flaws and requires reforms reiterated and outlined by National Shelter in this submission. National Shelter is also concerned about the excessive reliance on market and demand led solutions underpinning the directions for reform outlined in the draft report. The reason we require social and affordable housing to be subsidised by governments, in a variety of ways, is because of the failure of market mechanisms to meet the demand for appropriate, affordable, safe and secure housing.

The overall direction for reform recommended in the draft report, relies on extending Commonwealth Rent Assistance (CRA) to public housing tenants, creating a single demand side subsidy, which also increases social housing rents to market levels. The proposed change to CRA may reduce/remove an inequity between social housing tenants and those receiving CRA in similar circumstances in the private rental market, but it will lead to after housing poverty of social housing tenants due to the inadequacy of the CRA increase proposed to meet affordability thresholds and the ability or likelihood of State governments to make compensating high cost payments.

National Shelter believes there are greater inequities within the private rental market between areas and regions than any equity disparity between social housing tenants and private rental tenants, because CRA is a flat payment with no variation between geographic areas for example inner city Sydney and Cobar.

National Shelter supports increasing CRA for those on the maximum eligibility rate in the private rental market but does not support the reforms suggested in the Productivity Commission's draft report as they are inadequate to increase affordability, either for low-income households in the private rental market or those in social housing who would be exposed to market rents.

We also draw the Productivity Commission's attention to the fact that State housing authorities currently calculate rents on the basis of market rent levels while charging rents based on a percentage of household income. State housing authorities are the only social housing entities able to charge full market rent to social housing tenants<sup>1</sup> recognising the need to keep housing at an affordable threshold. The important element of the cost of social housing is not the rent level but the cost of subsidy by governments. Rents are subsidised in social housing because markets do not supply housing at an affordable cost to low income tenants.

That many households in private rental experience much worse after housing poverty is due to the failure of market rental housing to generate supply at price points affordable to low income tenants, rather than a fault of the social housing system.

### ***The Role of Social housing***

Social housing is the principle mechanism by which Australia attempts to meet its obligation as a signatory to the United Nations Declaration of Human Rights. Acceptable housing is recognised as part of the right to an adequate standard of living in the 1948 Universal Declaration of Human Rights and in the 1966 International Covenant on Economic, Social and Cultural Rights.

In contemporary times, social housing has become housing for the most vulnerable. Increasingly social housing providers, both State and community based, are housing people with high and complex needs, who cannot access the private rental market.

Reforms must consider the spectrum of housing need and the role of social housing within this environment, in particular the support required for the most vulnerable consumers many of whom will require housing support for their lifetime; and the opportunity for social and affordable housing to become a genuine, stable and long-term housing alternative to private rental or home purchase.

State governments are increasingly using private rental markets to divert eligible households from joining long public housing waiting lists and to exit social housing despite the limited capacity of private rental markets to provide affordable or appropriate options. People living on low incomes are often set up to fail in private rental cycling back and forward between homelessness and social housing incurring large costs to individuals, families and governments.

### ***The National Housing and Homelessness Agreement (NHHA)***

We draw the Productivity Commission's attention to the development of a new National Housing and Homelessness Agreement (NHHA) to replace the existing National Affordable Housing Agreement. Under the NHHA will be bilateral agreements with each State and Territory to negotiate outcomes and contributions reflecting the different jurisdictions.

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<sup>1</sup> When incomes rise above the threshold of income rent charging

The NHHA will also introduce a National Housing Finance and Investment Corporation (NHFIC) to oversee a new Bond Aggregator and a National Housing Infrastructure Facility.

Under the NHHA, funding to State and Territory governments will link to outcomes in priority areas including:

- aggregate supply targets, including targets for social and affordable housing;
- residential land planning and zoning reforms;
- inclusionary zoning arrangements (land use planning intervention requiring or incentivising affordable housing including dedicated first home buyer stock);
- renewal of public housing stock and transfer of public housing to community housing providers (CHPs); and homelessness services; and
- bilateral schedules with clear targets to ensure that each State and Territory is accountable for better outcomes reflecting the different housing markets in each jurisdiction.

The 2017 Federal Budget also introduced a role for Managed Investment Trusts (MITs) in financing affordable housing including investment in new supply managed by Community Housing Providers (CHPs) and qualifying for an extended Capital Gains Tax discount.

These measures are designed to encourage and promote new supply both from States and CHPs drawing on a range of measures to increase supply. While it is too early to quantify the additional dwellings that might be brought into affordable and social housing the NHHA reform must recognise the need to expand supply and provide adequate capital.

### ***The Private Sector***

There are innovative alternatives and strategies that governments can consider to make the private rental market more affordable and stable for tenants. The Australian Housing and Urban Research Institute (AHURI) has outlined the critical need for supply side initiatives to enable private sector affordable housing growth. This includes subsidised rental schemes such as the National Rental Affordability Scheme (NRAS). A subsidised affordable rental scheme, combined with planning mechanisms to deliver land for affordable housing and measures to build the capacity of the community housing sector, could deliver a significant supply of dwellings to add social and affordable options.

Given the surplus demand for social housing, weaving benefits into the private rental market (and those sections that benefit from government concessions) may go some way towards reducing the need low-income households have for government-provided housing (either through public, community or State Owned and Managed Indigenous Housing (SOMIH)).

### ***The Commissions work must be within a broader reform agenda***

The Productivity Commission's approach is limited to a single mechanism and does not place itself within a broader reform context. Housing affordability cannot be achieved by adjustments to social housing but must be built on reform of the housing system as a whole including consideration of the distorting effects of tax settings, the role of planning systems, adjusting equity between home owners, investors and renters, land supply, additional transport and employment opportunity costs in a spatial context.

Demand side housing options are important and could incorporate tailored forms of assistance that enable support for households to achieve employment, undertake appropriate training and maintain their housing alongside increased support to those with ongoing or complex needs however, demand-side strategies will not work without attending to the well-evidenced shortage of affordable and suitable housing supply for very low-income households.

Like other essential social services provided through a long term asset, to remain financially viable social housing providers require sustainable revenue streams to recover the costs of provision including asset operations, maintenance, depreciation and management. While the approach the Productivity Commission takes attempts to establish a system enabling viable providers, by increasing rents to market rates, subsidised by an increased CRA and State-based high cost payments, it is relying on demand driving supply which is not demonstrable in Australia's housing markets for low income households.

CRA is primarily a consumer subsidy and yet it is being treated in the Productivity Commission's approach as a provider subsidy. The purpose of CRA is to improve affordability for eligible recipients not as an operational subsidy for providers. CRA is captured by CHPs in rent calculations but it is at best a proxy operational subsidy. The Productivity Commission should be explicit in the need for operational subsidy that is not conflated with a welfare payment.

In informing the Productivity Commission, National Shelter recommends Government undertaking modelling to demonstrate how funding currently flows within the social housing system between the Commonwealth and State Governments, CHPs, private landlords, the non-government sector and tenants to maintain and sustain assets, and support tenancies. More sophisticated investigation is needed to test the efficacy and likely impacts of the recommendations from a whole of housing system perspective including a full cost disclosure, with alternative options evaluated and publicly reported, and the likely outcomes on consumers assessed.

The degree of service improvement gained through increased competition, contestability and user choice will be minimal without reform to improve housing provision and the provision of services to people experiencing homelessness.

A broader reform agenda could attract new private sector institutional finance to renew existing portfolios of public housing owned by State governments via transfers to and working with CHPs, to renew, redevelop and grow affordable housing supply.

- The reform process should be driven by a National Housing Minister at Cabinet level working within a Cities and Built Environment Ministry, Treasury, States, the community housing

associations and peak bodies including National Shelter, the Community Housing Industry Association and the Australian Council of Social Service.

- Reform must re-task current tax expenditures (particularly the current capital gains tax discount and negative gearing) to a beneficial social outcome to create more equitable incentives for at scale private investment.
- Reform must move Australia away from a narrowly targeted welfare housing system to a broader national affordable housing strategy using a combination of private finance for scale investment to grow community housing to renew and increase the low base of social and affordable housing, currently mainly provided by State governments.
- Reform must impact the overall housing market, keeping pressure off house prices to make house purchase more affordable over time and improve rental affordability for key workers struggling to rent close to their employment as well as addressing the low supply of housing for high needs households, disability housing and other specific targeted households (for people who are older, younger, Aboriginal, sole parents, victims of domestic violence, living with physical and mental health issues).
- Reform must be complimented by a strategy to apply the principles identified in the draft issues paper – otherwise the provision of social and affordable housing may continue along largely geographic considerations and not lend itself to increased contestability.

### ***Response to the draft recommendations***

#### ***Draft Recommendation 5.1***

*The Australian Government should enhance Commonwealth Rent Assistance (CRA) by:*

- *extending CRA to cover tenants in public housing*
- *increasing the current maximum CRA payment by about 15 per cent to address the fall in the relative value of CRA caused by average rents rising faster than the consumer price index since 2007*
- *indexing the maximum CRA payment amount to reflect changes in rental prices nationally.*

The above recommendation draws on the direction of the Henry and Harmer reviews, the McClure Welfare Review and the Abbott Government's Commission of Audit who make similar suggestions. All of the above reviews match extending CRA eligibility for public tenants with the move to a market rent and the removal of Specific Purpose Payments (SPPs) from the Commonwealth to the States. The Productivity Commission's recommendation and draft report are silent on this link but National Shelter assumes that Federal Treasury would not have an appetite for increasing CRA payments and continuing the NHHA SPPs.

The 2017/18 Federal Budget maintains the National Affordable Housing and Homelessness Agreement and its SPPs throughout the forward estimates, however should the recommendations of the Productivity Commission's draft report be accepted we envisage the SPPs would be discontinued as suggested by McClure and the Commission of Audit.

National Shelter has previously argued and submitted that the NAHA/NHHA SPPs ought be made on a per dwelling basis (as an operational subsidy to maintain social housing systems) and supplemented by a per capita growth or capital fund for net additional supply of social and affordable housing. We still recommend this method to increase social housing supply for low income earners.

Additionally:

- National Shelter acknowledges that there is different housing assistance for those who live in community housing and private rental housing who receive a CRA payment, and for those who live in public housing who do not receive a CRA payment, but whose rent is subsidised by the States.
- National Shelter is open to a restructure of rental subsidies (public and private) for low income-earners: there is some merit in the approach from a consumer choice and multi service provider perspective but needs to be a much higher increase than suggested by the draft report to have feasibility (see Appendix 1).
- The Productivity Commission does not demonstrate that the current approach limits the choice over the home in which a tenant lives: a lack of supply does. Until the complexities and risks involved, and the issue of supply are addressed, we cannot support the Productivity Commissions' recommendation.
- Current State budgets do not allow a proper understanding of the full cost of social housing systems to States. Without clarity there is no basis to judge if the draft report recommendations fill the required subsidy gap and this should include a full cost disclosure, with alternative options evaluated and reported, and the outcomes on consumers subjected to scrutiny. For example:
  - If a single model of financial assistance was applied across public, community and private housing, based on an increase and extension to CRA, it is likely to increase housing stress by putting public tenants in housing stress but would remove the "inequity" between them and their cohorts in the private rental market.
  - Without effective supply side initiatives, there is a risk that the expansion of CRA will be absorbed into inflated market rents: the supply side initiatives recommended in the draft report are limited and will have long lead times before new appropriate supply is delivered.
  - It is not stated definitively that there will be no net reduction in funding from the Commonwealth to the States for social housing: this recommendation must be contextualised within broader State and Commonwealth investment in social housing, if the Commonwealth

NHHA SPP funding stream were replaced with CRA to support public housing stock, this could have a negative impact on access to rental housing for low income tenants.

- The Productivity Commission does not demonstrate how this recommendation will impact on the business model of CHPs and their ability to provide active tenant management, or how contestability will work in relation to a State/Commonwealth NHHA SPPs.

**Increasing the current maximum CRA payment by about 15 per cent to address the fall in the relative value of CRA caused by average rents rising faster than the consumer price index since 2007**

- National Shelter supports the proposal to increase the value of CRA.
- National Shelter is concerned that increasing CRA without increasing supply may lead to rent inflation. Consideration must be given to the option of increasing income support as a possible alternative.
- The 15% flat increase in CRA, to compensate for charging market rents for public tenants, is inadequate. A 15% increase in CRA will not meet the gap between income based rents and market rents in most jurisdictions and future public tenants would lose substantially and private tenants would gain little. If implemented this measure will increase poverty and destabilise social housing.
- National Shelter's current policy position is that a 30% increase is required to the maximum rate of CRA complimented by an increase to Newstart by \$50 per week.
- National Shelter supports indexing CRA against variations in rental price rather than the Consumer Price Index and this change is supported by AHURI.
- National Shelter is concerned that a National benchmark does not take into consideration the level of rent inflation compared to Consumer Price Index (CPI) increases. AHURI notes that whilst increases to CRA are linked to CPI increases, house rents have been increasing at a faster rate than CPI and CRA is less able to help low-income households afford a private rental property in areas that are increasingly becoming more expensive.
- CRA indexation should reflect regional/sub-regional rent movements. AHURI note that as CRA is paid at a uniform rate across the country, it means recipients in high rent areas receive the same assistance as those in low rent areas. As a result, recipients living in higher rent areas, such as inner city suburbs, can be disadvantaged by the setting of National rules, increasing the likelihood of low-income households locating to areas where rent is lower and where there are potentially fewer prospects for employment, which in turn exacerbates the risk of these householders not finding or being able to maintain employment in areas close to where they live therefore representing a greater inequity between tenants because of geography and rental price relative to CRA than the difference between CRA for private tenants against the subsidy provided to public tenants.

## **DRAFT RECOMMENDATION 5.2**

*State and Territory Governments should abolish the current assistance model for social housing where rents are set at a proportion of the tenant's income and enhance user choice by:*

- providing a high-cost housing payment funded by State and Territory Governments for eligible tenants, such as those with a demonstrated need to live in a high-rent area*
- delivering the high-cost housing payment to the tenant in a way that would enable it to be used in either the social or private rental markets*
- offering existing tenants in social housing an option between continuing to pay rent set at a proportion of their income for up to ten years, or electing to move to the new assistance model*
- charging market rents for tenants in social housing.*

National Shelter does not support this recommendation. National Shelter acknowledges that there is different rent setting for tenants in social housing with income based rents, and those in the private rental market who pay market based rents that is fundamental to the provision by governments and other providers of social housing to achieve greater affordability and security of tenure.

Moving to market-based rents may improve transparency however, the proposed approach is overly simplistic and fails to consider current rent setting obligations (i.e. the 75% rent cap applicable to community housing) or the different circumstances faced by different household types (including pensioners, people with disabilities, young people, single parents). More sophisticated investigation and modelling is needed to test the efficacy and likely impacts of the recommendations including a full cost disclosure, with alternative options evaluated and reported. We also note the following:

- The Productivity Commission does not take into consideration the very high levels of housing stress and low-quality options in the private market for vulnerable people and people living on low incomes and fails to understand social housing in the context of the overall housing market.
- The New South Wales Independent Pricing and Regulatory Tribunal (IPART) Review of Rent Models for Social and Affordable Housing, 2017, found that an income based rent contribution is the best option to keep rents affordable for tenants and general consensus among social researchers and stakeholders is that calculating tenant rent contribution as a percentage of household income is the best way to ensure affordability.
- IPART consider the best option to place social housing in a financially sustainable position is for governments to fund the gap between the tenants' contribution and the efficient cost of providing social housing through explicit subsidies to social housing providers.
- IPART consider the variation in the level of the subsidy by location is an appropriate way to facilitate socio-economically diverse communities. If a fixed subsidy or a lowest (financial) cost subsidy model were pursued, it would result in social housing only being located in lowest cost

areas, leading to concentrations of disadvantage that have a high social cost. National Shelter is concerned that market based rents may push tenants to re-locate to cheaper locations, impacting on affordable living, as opposed to tenants having access to inclusive and diverse housing properties across metropolitan and regional areas.

- All Australian States and Territories offer rent assistance schemes to help low-income households in the private rental market which may help with affordability directly, such as through relocation assistance, or with helping households to find, apply for, move into and maintain a rental tenancy.
- The cost to the State and Territory governments for the high cost payments is likely to be considerable and needs to be understood. It is not clear from the Productivity Commission's draft report how State and Territory governments perceive this change or whether they have been consulted on its design. There is a risk that these payments will not be made or sustained, given they appear to have been unilaterally delegated to State and Territory governments and this should be a consideration for the renegotiation of the NHHA within the context of unilateral and bi-lateral discussions, not an arbitrary decision by the Commonwealth.
- The administrative arrangements and parameters for determining eligibility for the high cost payment needs to be properly explored and understood. Eligibility should not be limited to seeking employment. Households have a range of reasons for living in high cost locations, including the need for access to health and other services, as well as the maintenance of established social networks also crucial to supporting good social outcomes.
- Recommendations should include measures to address discrimination and tenure security in the private rental market (which typically offers 6 and 12 month leases). Minimum standards for all properties and increased accountability for the private sector to protect tenants and to ensure quality outcomes should be available across all housing sectors.
- In line with the IPART recommendations, National Shelter's position is that to improve outcomes for tenants and taxpayers, including creating stronger incentives for workforce participation, the eligibility and tenure arrangements for social housing need to be reformed.
- State Governments should adopt a formal policy that eligibility for social housing means eligibility for a suitable dwelling that meets the tenant household's needs, rather than a specific dwelling.
- AHURI has shown that outcomes for low-income households in the private rental market are poor also confirmed by the national survey of tenants undertaken by National Shelter, Choice Australia and National Association of Tenant Organisations (NATO) which raises questions about the overall quality of rental housing especially that is available for low income households in the private rental market.
- The Productivity Commission does not take into consideration the very high levels of housing stress and low-quality options in the private market in the private market for vulnerable people

and people living on low incomes and fails to understand social housing in the context of the overall housing market.

- The Productivity Commission does not fully consider the impact on rent setting of this recommendation and the issue of rent stabilisation and rent control measures.

### **DRAFT RECOMMENDATION 5.3**

*State and Territory Governments should introduce choice-based letting for tenants entering into, and transferring between, social housing properties.*

The principle of choice-based letting is superficially attractive to allow tenants greater control and access but ignores the realities of our housing systems and the impacts of the suggested reforms. There is little private rental housing available for people living on low incomes and new supply to that market segment will not be generated by increased demand side subsidy.

The point of social housing is to create affordable and sustainable tenancies and foster inclusion in communities. Much social housing has effectively done this in the past but has been limited in this capacity by excessive targeting which has undermined its viability, exacerbated by increasingly tightened eligibility for social housing and the drastic rationing of very limited available supply so choice is either non-existent or a 'Hobson's choice'<sup>2</sup>.

Choice-based letting also ignores the possibility for CHPs to favour tenant types or to manage the compatibility of tenants housed in specific places, communities or properties. In a rationed system States are moving to single registers of housing with weighted allocation for those in greatest need. The Productivity Commission has not demonstrated how choice-based letting could operate within the confinement of rationed allocation to those in greatest need from a single register. Additional points include the following:

- The issue of insufficiency of available supply effectively means no choice even if such a system were in place in Australia.
- We note that vulnerability can constrain user choice and control: people will access services out of need rather than want or in crises – i.e. sudden homelessness.
- Investment in governance, technology and IT systems across the social housing system will be required to facilitate choice-based letting, requiring extra resources.

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<sup>2</sup> In other words, one may "take it or leave it". The phrase is said to have originated with Thomas Hobson (1544–1631), a livery stable owner in Cambridge, England, who offered customers the choice of either taking the horse in his stall nearest to the door or taking none at all.

- If choice-based letting is instituted, National Shelter recommends a pilot approach that can be fully evaluated and refined if needed before a roll-out.

National Shelter is attracted to a choice-based letting system but could not support this recommendation without significant additional work on how that system would operate, where resources to back the technological requirements would be derived, that sufficient supply had been added to the system to make choice possible and problems of appropriate allocation and tenancy management had been addressed.

National Shelter notes an absence in the Productivity Commission's draft report about the need to create tenant owned and controlled inputs to a sustainable housing system. We support the call in the Community Housing Industry Association Submission to the draft report around the need for tenant voices to be considered in reforms to housing systems.

#### **DRAFT RECOMMENDATION 5.4**

*State and Territory Governments should continue to make the management of social housing properties contestable, on a staged basis. The management of social housing properties should be subject to a tender process that is open to all providers, including the government provider.*

National Shelter supports the recommendation to make the management of social housing properties contestable, on a staged basis, to the not for profit sector. Not-for-profit community housing providers have an explicit social purpose within a regulatory framework.

National Shelter would broaden the recommendation to include asset ownership with title to facilitate the maximum leverage possible and recognises the limitations of leverage within that.

National Shelter argues all social housing providers (government and not for profit) should be subject to a single National regulatory system.

National Shelter supports service tendering but is sceptical about the benefits of ongoing tendering by way of recommissioning service tenders on a regular basis. Our previous submissions have pointed to the recommissioning process in the New South Wales homelessness system and elsewhere leading to incongruous outcomes.

National Shelter questions how direct tendering of managed tenancies sits within a "choice-based letting" approach and it is not clear how a tenanted property can be allocated to a specific provider if tenants have a choice between them.

National Shelter's principal interest is in building a sufficient supply of affordable and social housing that is available for people living on low incomes to reside in. The current portfolios of State housing authorities represent a significant public asset, much of it in need of renewal and redevelopment. Staged allocation of current social housing assets must include ownership/title to enable value to be released and returned as new supply that grows the net amount of social housing.

National Shelter is concerned that an exclusively competitively tendered service system, based on the “marketisation” of social and affordable housing, could lead to market dominance by larger, better resourced organisations rather than reflecting the social purpose of social and affordable housing. Scale can be a double-edged sword, risking the qualities of local connectedness, responsiveness and linkage to community versus a scaled-up service bureaucracy and this is a particular concern for many regional areas reliant on local smaller providers who fear local knowledge and connectedness loses out to price competition.

Competitive tendering must be founded on well-constructed pathways to optimal housing solutions with appropriate eligibility criteria, rent settings and efficient management of housing stock

### **Issues with competitive tendering**

- Tendering can be an effective technique that has been used in the development and delivery of successful programs in the social housing area, especially by Community Housing Providers e.g.: The National Rental Affordability Scheme (NRAS) and Nation Building Stimulus Social Housing Package (Stimulus Package).
- Both programs were delivered on time, within budgets and with outcomes exceeding expectation, as outlined by AHURI, but the tendering of NRAS incentives was slowed and compromised by double-checking at both State and National levels instead of a single approval regime, requirements to be site specific, small tranches of incentives instead of larger ones to attract institutional investors, insufficient coordinated explanation and engagement of financial markets, and insufficient emphasis on utilisation of NRAS incentives alongside other incentives (increased State contributions, capital, land, planning measures) to achieve other outcomes (lower rent, accessible design, sustainability, housing for specific groups).
- Tendering with a focus on cost alone will lead to poor quality outputs or no outcomes. Decisions about success may be reduced to low cost winning bids that can compromise quality and appropriate supports for specific consumers.
- As outlined in the initial National Shelter submission to the Inquiry, tendering has advantages for governments to procure service but it also has some significant limitations and drawbacks.
- Tendering often adds enormous cost to CHPs and Specialist Homelessness Services (SHSs) to undertake tendering processes.
- Tendering has often not resulted in improvements and has arguably lowered the available competition to the few organisations with the capacity to commit financially to completing tenders.
- Competitive tendering effectively rules out capturing the knowledge base or utilising collaborative approaches to service delivery often essential to success in housing for low income, high need households, where housing and a range of supports may be required to improve the value of service provision and to ensure consumer choice.

- National Shelter supports suggestions in the NSW Federation of Housing Associations’ original submission to this Inquiry, “As noted by KPMG in their 2015 post-implementation review, ‘new thinking on alternative procurement approaches is needed so that the benefits of co-design are not lost while still meeting probity concerns (Scotland and the UK’s experience with Public Social Partnerships [PSP] provide a useful reference point on this regard)’. In Scotland, a PSP is a strategic partnering arrangement which involves the not-for-profit sector earlier and more deeply in the design and commissioning of public services. PSPs differ from commissioning approaches as they start from the need to be addressed, not the services available.”

National Shelter is concerned about the impact of increased tendering or competitive approaches to funding service delivery for specific population sub sets, specifically:

- Aboriginal and Torres Strait Islander peoples;
- Young people; and
- People living with physical or mental health issues.

#### **DRAFT RECOMMENDATION 6.1**

*When commissioning tenancy support services, State and Territory Governments should:*

- *clearly separate the funding and commissioning of tenancy support services from tenancy management services*
- *ensure that tenants renting in the private market have the same access to support services as tenants in social housing*

The separation of tenancy management and tenancy support is agreed upon as a principle of best practice – consumers have greater choice and face fewer risks if their relationship is with more than one service provider.

However, National Shelter does not support a blunt approach. Consideration needs to be given to understanding regional variations, or differing scales of operation or approaches to providing tenancy support by social housing managers.

- Care must be taken to commission tenancy support services: contract design critical to ensure services are skilled, culturally appropriate and relationship based, with a focus on prevention and early intervention.
- AHURI has identified that a competitive culture in a multi-provider setting may provide consumers with more choice but can undermine the coherence of care and level of professional coordination. In addition, there is a risk that private agencies may reduce choice by lowering their price in the short term in order to eliminate competition.

- Issue of ‘creaming’ where services target clients who are low cost rather than those most in need must be considered.
- As an alternative to competitive tendering we propose a Public Social Partnership and a co-design approach to enable the deep knowledge of the community services sector (this is particularly true for providers in long term services like housing, but also homelessness where service may be provided long after the initial “crisis response”) to be utilised much earlier in the design phase of service delivery, program response and decisions around cost and scope of service provision.
- Governments should encourage providers to strive for excellence rather than setting a minimum standard, and allow for flexibility in service delivery.
- CHPs and tenancy support services have demonstrated innovation, efficiencies and effectiveness without competition.
- National Shelter would also like to see much higher levels of tenant engagement and participation in service delivery and believes this would ideally be independent of CHPs or organisations (industry bodies, training or support bodies) which are effectively controlled by providers. At a minimum “arms length” separation should be vested in consumers rather than providers.
- For example, the Peer Education Support Program (PESP) is a volunteer program that provides people who have experienced homelessness with the opportunity to improve the service system. PESP team members play a key role in promoting the benefits and transformative power of consumer participation in service system and policy development. PESP activities include:
  - consumer participation training and advice
  - group and individual presentation
  - peer facilitation of focus groups, interviews or surveys
  - peer support
  - media activities
  - consultation with all levels of government
  - consultation with the specialist homelessness support services (SHSS) and related sectors
  - participation on working / steering groups and committees

National Shelter proposes exploring improved ways to engage tenants in the design, evaluation and delivery of housing services. Levels of participation are often described by means of a “ladder of participation”, most famously articulated by Sherry Arnstein in 1969. Romanin, drawing on a number of sources to revise this concept for a housing setting it is divided into three levels and eight sub-levels as follows:

- Two degrees of Non-participation – providing information, and seeking information;
- Three degrees of Tokenism – listening, consultation and dialogue; and
- Three degrees of Tenant Power – joint management, choice and control.

National Shelter identifies a need for a feedback mechanism that would ultimately be owned and controlled by tenants themselves to improve user choice. Governments should provide resourcing to enable engagement and participation processes to form a central plank of service design and delivery.

**Ensure that tenants renting in the private market have the same access to support services as tenants in social housing.**

National Shelter support this recommendation as a principle but cannot see how this can be achieved in practice without significant investment in private rental tenant support services, representation or training of private real estate entities.

The Choice Australia, National Shelter and National Association of Tenant Organisations' report "Unsettled: Life in Australia's private rental market" highlights the current issues faced by renters in the private market, including experiencing some form of discrimination when looking for a rental property including for receiving government payments (17%) or based on age (14%)<sup>1</sup>.

Key findings include:<sup>2</sup>

- 83% of renters in Australia have no fixed-term lease or are on a lease less than 12 months long;
  - 62% of people say they feel like they can't ask for changes;
  - 50% of renters report experiencing discrimination when applying for a rental property;
  - 50% of renters worried about being listed on a residential tenancy database;
  - 20% renters experiencing leaking, flooding and issues with mould ; and
  - 8% of renters are living in a property in need of urgent repairs.
- National Shelter does not believe support services to tenants could or should be performed by for profit entities.
  - Service systems like Social Housing Advocacy and Support Program in Victoria and Queensland Statewide Tenant Advice and Referral Service could form the basis for extended support services to tenants in the private market as they already perform some of those functions.
  - Tenancy reform is critical to support tenants in this market including longer term leases and greater security of tenure.

***DRAFT RECOMMENDATION 6.2***

**State and Territory Governments should ensure that the entity responsible for managing social housing assets is separate from the entity responsible for social housing policy. The entity managing social housing assets should be subject to competitive neutrality policies**

- National Shelter supports this recommendation.

- A core role for the Commonwealth and State Governments is developing housing policy and funding social housing and tenancy support services.
- Good housing policy should be informed by operational data and issues from a management and tenant perspective, and operational approaches informed by thoughtful and contemporary policy and research.

### **DRAFT RECOMMENDATION 6.3**

*State and Territory Governments should ensure that applicants for social housing assistance:*

- *receive a comprehensive up-front assessment of their eligibility for: a social housing placement; the high-cost housing payment (draft recommendation 5.2); and tenancy or other service support, including support to enable the tenant to choose their home*
- *are made aware: that the high-cost housing payment would be payable if they chose to live in either the private or social housing markets; and of the extent to which support services available in social housing would also be available in the private market.*

National Shelter does not support the rationale for splitting payments between CRA provided by the Commonwealth and a high-cost housing payment provided by States supported through market rent charged to social housing tenants.

National Shelter supports the concept of a single upfront and comprehensive assessment for social housing applicants. Which service system undertakes the assessment is open and we support the idea of a “no wrong door” approach where any provider may undertake assessment for eligibility.

National Shelter is sceptical about the practicality or efficacy of a State based high needs supplementary payment.

Placement is about allocation and in the current system allocations are moving in all jurisdictions to allocation based on the level of need in a rationed system, allowing for little consumer choice or choice on the part of providers about who or where allocation may occur so to a large degree this recommendation is moot.

Ideally an assessment and allocation system would allow for present circumstances, changed circumstances and an allocation based on housing and support requirements which would be done between a provider/s (CHP for housing, other provider for supports) and tenant, also allowing a tenant to maintain housing whilst their circumstances (financial, support, family makeup e.g.) changed and maintain or change their housing requirement regardless of their circumstantial change.

The appropriate supply of affordable housing is required to support this recommendation.

### **DRAFT RECOMMENDATION 6.4**

*State and Territory Governments, in conjunction with the Australian Institute of Health and Welfare, should improve the data that are collected on:*

- *the efficiency of social housing*
- *tenant outcomes, including high-cost housing payment and service recipients who choose to rent*

*in the private housing market.*

*State and Territory Governments should clearly define the outcomes they are seeking to achieve to support the commissioning of tenancy management and tenancy support services, and put in place frameworks to assess their success in meeting these outcomes over time. Outcomes data should, to the extent possible, be consistent and comparable to that developed for family and community services (draft recommendation 7.3).*

- National Shelter agrees on the need for improved data collection, monitoring of performance and tenant outcomes.
- National Shelter recommends reinstatement of the National Housing Supply Council as the most appropriate body to oversee this work.
- National Shelter supports the continuation of the Australian Institute of Health and Welfare as a data collector but wants to see social housing, affordable housing and homelessness data in a broader housing supply and performance framework linked to government portfolios related to urban and regional development, economic performance, infrastructure and cities. Maintaining social housing within a welfare context constrains housing policy to residual welfare and ignores the importance of housing as an economic driver/inhibitor and the productivity associated with ineffective housing and insufficient supply of social and affordable housing.
- National Shelter would prefer a focus on understanding the real cost of social and affordable housing provision. We suspect the cost of social housing provision is obscured by State budget reporting.
- National Shelter recommends a National audit be conducted of social and affordable housing to establish a baseline which losses and additions to social and affordable housing supply may be monitored.

#### **DRAFT RECOMMENDATION 6.5**

*State and Territory Governments should:*

- *publish information on expected waiting times to access social housing, by region, in a format that is accessible to prospective tenants*
- *make publicly available the regulatory reports on the performance of community providers that are undertaken as part of the National Regulatory System for Community Housing.*

*To facilitate choice-based letting, State and Territory Governments should publish information on available social housing properties, such as the rent charged for the property, number of bedrooms and the location of the property. This information should be disseminated across a range of mediums, such as online and printed leaflets.*

National Shelter supports this recommendation and would add that the information should be collected and made available on a dedicated, public webpage.

#### **Addendum - A Note on Indigenous Community Housing Organisations**

The past decade has seen a decrease in the role of Indigenous Community Housing Organisations (ICHOs) due to Commonwealth transfer of responsibility to State governments overlain by the introduction of the National Regulatory Scheme for community housing.

There has been an increasing development of and expansion of CHPs in general, including through stock transfers, increased supply via stimulus and NRAS, however there has been a deliberate strategy to increase government control over Indigenous Community Housing Providers against the National trend for non-Indigenous community housing providers in general.

In some jurisdictions, this has led to ICHOs opting out of registration and has left many in an uncertain state. The initial transfer of property portfolios and responsibility (from the Commonwealth to States) involved maintenance and repair upgrades (but not to sufficient levels) on the basis of agreement to transfer from Commonwealth to State registration. The subsequent introduction of a National Regulatory Scheme has meant very few ICHOs are now registered and leaves most ICHOs operating outside the regulatory framework.

There has also been a loss of Aboriginal-controlled service provision across the nation often caused by competitive tenders awarded to large National providers who have little track record in working in remote communities and often under-cost the provision of services in tenders.

National Shelter is concerned about the impacts on Aboriginal and Torres Strait Islander community controlled services caused by the existing tendering of services - it demonstrates how regional and remote service provision may be adversely affected by tenders which do not properly recognise the importance of:

- Local knowledge;
- Cultural understanding;
- The cost of services in remote areas;

- Over-reliance on competitive outcomes assessed on cost;
- The loss of community owned and controlled services; and
- National Shelter supports the calls for a partnership centred approach to Aboriginal and Torres Strait Islander service provision as developed by ACOSS in conjunction with Northern Territory mainstream and Indigenous service providers and endorsed by multiple National organisations.

## **Appendix 1**

### ***Modelling the impact of an increase in Commonwealth Rent Assistance***

Over the past three years, National Shelter in conjunction with SGS Economics and Planning and Community Sector Banking has developed the national Rental Affordability Index (NRAI). The NRAI is gaining wide acceptance as a Nationally important monitoring device for rental affordability.

The NRAI measures the rents paid (as reported to various rental bond authorities) against the incomes of renters specific to the areas in which people rent.

Additionally, we now have variability for household types (single and dual income pensioners, single income families, student share houses, dual income with children and others) as well as dwellings varied by bedroom able to be displayed on an interactive map available here

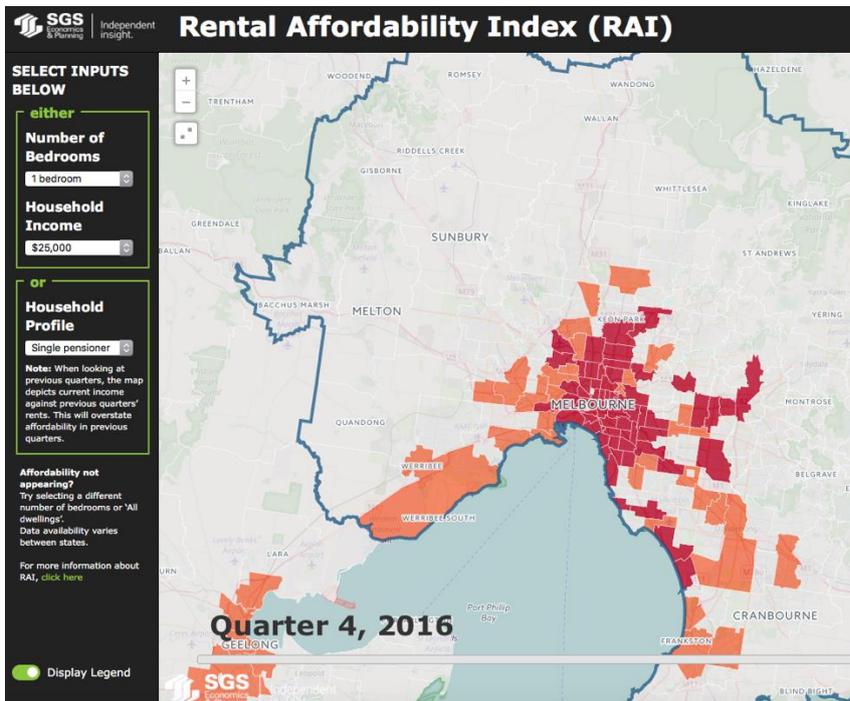
<http://www.sgsep.com.au/maps/RAI.html> and allows a live view of changes to rental affordability and to a degree the availability of properties appropriate for the different household types.

The proposal by the Productivity Commission to increase CRA by 15% supplemented by (undefined) high cost payments from States (resourced from charging market rents to public housing tenants) are unable to be directly modelled as the increases are too small for the modelling tool to accommodate.

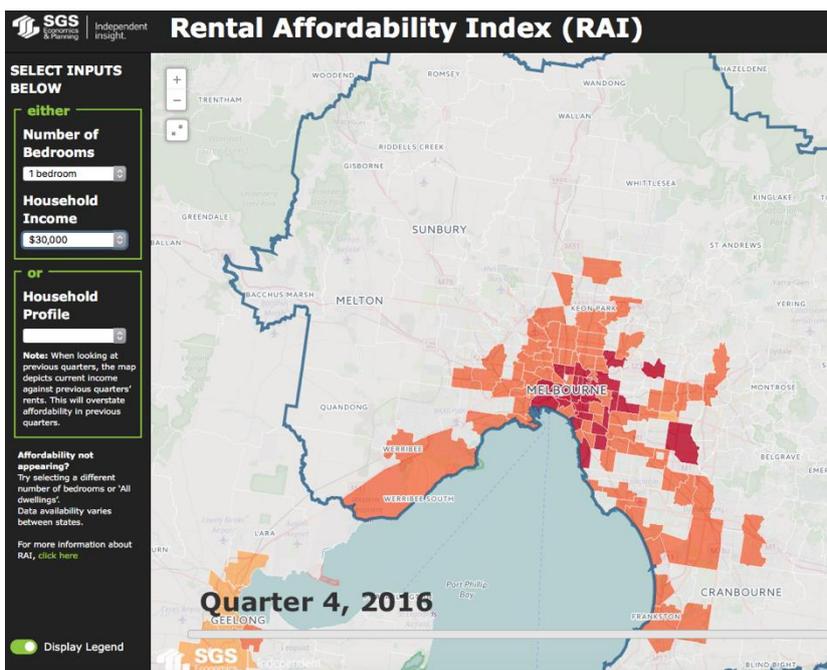
However, taking Melbourne as the basis on which the Productivity Commission reports its modelling having been based, we can model a much greater increase in income than proposed by the Commission.

So: for single pensioners on current incomes renting one bedroom properties the rental affordability picture looks like this where the darker the red colour the more extreme is the rental affordability:

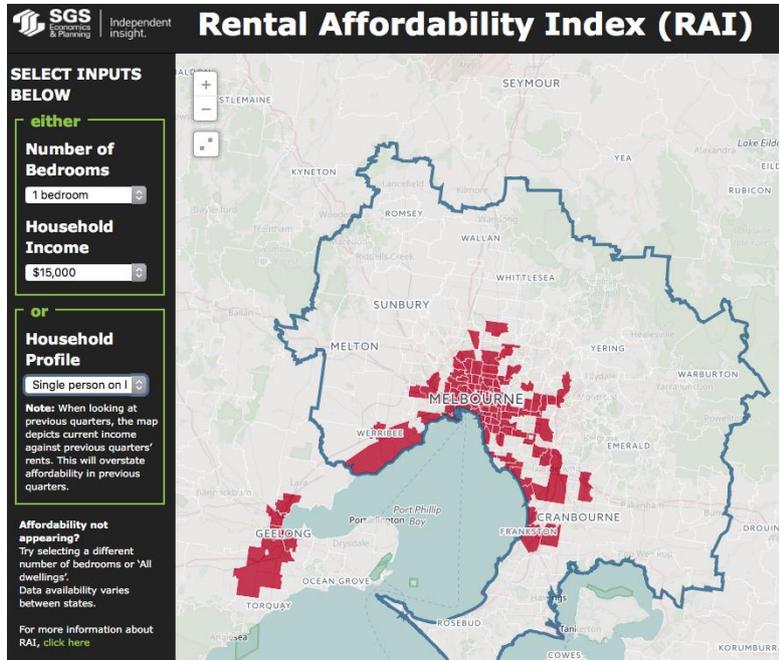




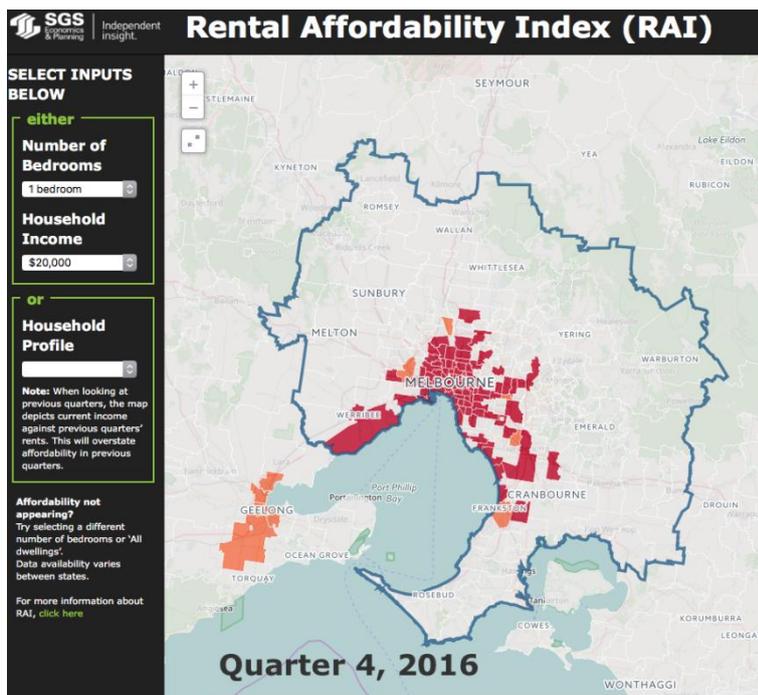
If we increase the income for that group by \$5000, which is approximately 10 times the level suggested by the Productivity Commission in its draft report it looks like the image below and even though it represents an improvement it still records no affordable one bedroom rental properties meaning all single pensioners would remain living with housing stress:



For singles on basic welfare payments the picture is below:



Please note the grey areas represent a complete absence of appropriate properties which forces singles on welfare to look in more costly areas or into sharing. A \$5000 increase in CRA would mean this:



Representing virtually no change for an increase ten times the level recommended by the Productivity Commission, the above images reinforce the point that the real issue is a lack of available supply and the solution will not be achieved by minor adjustments to income support or a single payment model.

Additional points:

- Research indicates tenant satisfaction and security is higher in community housing when compared to private housing:
- 83% of renters are on leases of 12 months or less.
- 50% of all renters have experienced discrimination when looking for rental housing (typically people involved in a bond disagreement, low income households receiving some form of government payment; single parents; people under 35 years of age; and pet owners).
- National Shelter believes the reform should allow for organisations to compare levels of tenant satisfaction, and a shared understanding amongst community housing organisations about their comparative performance on tenant engagement or about what an appropriate performance benchmark might be in this field.
- National Shelter does not support contestability of social housing properties by the private sector. This recommendation blurs the lines between social and private market housing, based on research findings.
- We support the utilisation of private rental properties managed by community housing providers.
- Security of tenure tenancy reform needs to be considered including longer term leases.

### ***Conclusion***

Overall, National Shelter rejects the approach taken by the Productivity Commission. We maintain that a specific housing supply strategy as an element of a National housing plan, supported by an overarching strategy joining urban and regional development with infrastructure, planning and tax reform is required to address social housing issues.

Its not social housing that's broken - it's our housing system and market.

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