



## **Response to the Treasurer's call for community input**

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### **Contact**

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## **1. Introduction**

National Shelter is a national peak housing organisation which 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. We work towards this goal by influencing government policy and action, and by raising community awareness in relation to housing.

As such we welcome the Treasurer's call for public input into the 2009-10 budget. This submission focuses on what needs to be done to address Australia's pressing shortage of affordable rental housing, and to reduce the impact of this shortage on household with low incomes. The proposals in this submission have been documented in more detail elsewhere, particularly in the work of the National Affordable Housing Summit and the housing material used by Australia Fair, to both of which National Shelter contributed significantly. This submission provides a brief summary of this material for the budget purposes.

We acknowledge that significant progress has already been made on housing issues, with the establishment of new funding arrangements and funding commitments under the national Affordable Housing Agreement. However, it is our view that these are just a beginning and that significant new spending is needed over and above these commitments, both to expand the supply of affordable housing for low income Australians, and to enable major reforms of Australia's social housing system.

## **2. The Problem**

Australia is facing an ongoing, long-term shortage of affordable rental housing. This shortage has worsened in the past 5 years as the booming economy has forced demand for housing up, and supply has not kept pace. While the recent economic downturn has led to some easing of this pressure, it has not come close to solving the problem. Some key elements of the problem are as follows.

- There are at least 600,000 families and singles in the private rental market in housing stress (paying more than 30% of their income in rent). This represents 65% of low income private renters.
- Commonwealth Rent Assistance (CRA) is received by approximately one million people. However despite this financial assistance approximately 35% of recipients remain in housing stress.
- More than 105,000 people are homeless on any given night.
- Approximately 180,000 households were on waiting lists for public rental housing at 30 June 2007.
- Despite this demand, Commonwealth funding for public and non-profit housing has fallen by around 30% in real terms since 1996. The supply of public housing has declined by approximately 30,000 dwellings between 1996 and 2006 (from 372,000 to 341,000 dwellings).

This has resulted in tighter targeting and shorter tenure periods in many states and territories.

It is clear that current programs are not coping with the level of need that is present in the community, and that more needs to be done.

### **3. Current Budget Commitments**

National Shelter welcomes the commitments made by the Rudd Government so far to address homelessness and the need for affordable housing. In particular we commend

- The negotiation of a new National Affordable Housing Agreement (NAHA) between the Commonwealth, States and Territories, with a total budget commitment of \$10b
- The creation of the National Rental Affordability Scheme with a commitment of \$622m over four years
- The commitment of an extra \$800m over five years to address homelessness
- The commitment of \$1.94b over 10 years to address Indigenous homelessness
- The commitment of an extra \$400m over the next two years to increase the supply of social housing.

These initiatives represent a very encouraging beginning in addressing housing affordability in Australia, and in particular in addressing the needs of some of the people who face the highest levels of disadvantage in the housing market. The new NAHA also holds out the promise of significant ongoing reform of housing assistance, which in our view is long overdue.

We commend the Government for these commitments and encourage you to continue to follow through on them.

### **4. Future Vision**

While the Government's recent commitments are a good beginning, it is clear that they will not come close to meeting the magnitude of the need outlined above. To effectively address these issues, the Commonwealth, State and Territory governments need to initiate a bold program of reform and expansion of social housing supply, and significant reform of Commonwealth Rent Assistance.

It is our view that extra expenditure on housing affordability is both consistent with the Government's social objectives in promoting social inclusion, and with its economic objectives in providing stimulus for Australia's slowing economy. Providing housing at an affordable price puts extra money in the pockets of low income Australians who will spend it on other essentials like food, clothing and education.

### *Growth and Reform of Social Housing*

In our view, the most pressing priority for the Commonwealth, State and Territory governments is to reverse the decline in the supply of social housing stock. Meaningful reform of social housing is difficult in the current environment where the system is under extreme financial and social pressure. Hence it is important for governments to commit to reform in the context of expanding resources and with some available discretionary spending.

We recommend the following

- COAG should establish growth target of 30,000 additional social housing dwellings by 2012.
- This would be funded by a growth fund of \$7.5b over four years, jointly funded by the Commonwealth, States and Territories, exclusively used to expand the supply of social housing.

In order to be effective, the issue of the viability of the existing social housing system needs to be addressed. Increased targeting in this sector, and the ageing of the housing, has meant that most State and territory housing authorities are operating in deficit and are forced to sell properties to remain viable. In order to address this, we recommend as follows.

- The establishment of an operating subsidy program for housing providers (primarily State housing authorities) with a contribution of \$3.5b over four years by the Commonwealth.
- This fund should be linked to reforms in social housing management, including improvements in management efficiency and exploration of the potential for devolution of public housing management to community organisations.

This set of reforms will require approximately \$5b extra from Commonwealth, State and Territory governments over and above their existing commitments under the now superseded Commonwealth and State/Territory Housing Agreement.

### *Improvement to Commonwealth Rent Assistance*

Commonwealth Rent Assistance (CRA) payments have not kept pace with increases in housing costs, leading to many low income renters living in housing stress despite receiving CRA.

In line with the recommendations of the Senate Committee on Housing Affordability, there is a need for a full review of CRA, addressing issues including regional variation in housing costs, ineligibility of some low income households, the impact of CRA on housing costs, and the possibility of indexing CRA to CPI.

However, there is an urgent need to address the current level of housing stress for low income households. To achieve this, we recommend an immediate 30% increase in the level of CRA for households receiving the

maximum rate. This would require an additional budget allocation of \$500m per annum over the next four years.

## **5. Conclusion**

Australia's low income renters have suffered from long-term government neglect of housing policy, at a time when housing costs have increased substantially. The Rudd Government has begun the process of rectifying this neglect with some significant new programs and funding commitments, as well as beginning a fundamental reform of the housing system with the negotiation of the new National Affordable Housing Agreement. While these developments are most welcome, much more needs to be done. This submission provides a brief summary of our views on priorities for spending to alleviate housing affordability problems for low income Australians.

For further information or discussion please contact either Adrian Pisaski Chairperson National Shelter (office 0733932433 or mobile 0417975270) or Mary Perkins Vice Chairperson National Shelter (office 0292675733 or mobile 0419919091).