

Productivity Commission Inquiry into the National Housing and Homelessness Agreement

Joint submission

ACT Shelter & ACT Council of Social
Service



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Introduction

ACT Shelter is the peak housing body in the ACT. It is a not-for-profit organisation funded by the ACT Government to represent the interests of our members and provide advocacy and strategic advice on systemic issues affecting housing consumers in the ACT. We are an informed and independent voice on housing policy issues affecting the ability of people on low, moderate or no incomes to have an affordable, safe and secure home.

The ACT Council of Social Service Inc. (ACTCOSS) advocates for social justice in the ACT and represents not-for-profit community organisations. ACTCOSS is a member of the nationwide COSS Network, made up of each of the state and territory Councils and the national body, the Australian Council of Social Service (ACOSS). ACTCOSS's vision is for Canberra to be a just, safe and sustainable community in which everyone has the opportunity for self-determination and a fair share of resources and services.

This brief submission highlights issues of particular importance to the ACT, many of which are obviously reflected across the country. We support and draw attention to the submissions of national bodies National Shelter, ACOSS and Anglicare.

Overview of housing in the ACT

With a population of 431,500¹, the ACT is one of the smaller jurisdictions. Nevertheless housing issues are substantial and Canberra has held a position as one of the most unaffordable housing markets in the country for many years.

In the ACT 27% of dwellings are owner occupied and 38% owned with a mortgage. This leaves the rest of the households (32%) in rental accommodation with 23% renting privately, 6% in public housing, 0.5% in community housing with the rest not identifying the landlord or tenure type.²

Currently, Canberra:

- Is the most expensive capital city in which to rent a house or unit³;
- Has the highest rate of rental stress among lower income private rental households at 73%⁴;
- Is the least affordable capital city for low-income households⁵; and
- Since December 2021, has the second highest median house price, exceeding Melbourne⁶.

Public and community housing

Commonwealth funding is grossly inadequate at only 16% of total net recurrent cost of public housing and homelessness service delivery in the ACT⁷. This proportion falls to about 14.3% once CSHA debt servicing repayments are taken into account⁸.

The ACT has rationed and residualised triaging allocations of public housing to highest need, lowest income. Even so, about 10% of ACT households are eligible for rebated rent allocations. However, due to decades of divestment, only about 6% of housing stock in the ACT is public housing.

ACT community housing stock numbers are low, with about 1000 tenancies in total. There are only 2 Tier 1 growth providers operating in the ACT, with one Tier 2 and 10 Tier 3 CHPs. Several of the Tier 3 providers are keen to grow stock but thus far the nature of the aggregated low interest, long term finance availed through the NHFIC has not enabled small providers with few housing assets to benefit from accessing the needed funds. The ACT Government provides minimal cash and equivalent support to CHPs and in an environment of no direct investment in new social housing supply funds from the Commonwealth, prospects for growth are modest at best.

To its credit, the ACT Government is investing heavily relative to Gross Territory Product and own source revenue, in Growing and Renewing Public Housing (GRPH). The ambitious program is detailed in the ACT Housing Strategy⁹. The Territory was required to develop this in order to secure the \$130.7 million from the Commonwealth for the existing Affordable Housing Specific Purpose Payment (NHHA 2017/18 – 2022/23). It is also the flagship item in the NHHA bilateral agreement between the ACT and the Commonwealth.

As ambitious as the GRPH is, the \$1.1 billion investment will replace 2,288 old and cold properties, nearing the end of their asset life with 2,688 new ones, all Class C Adaptable, between 2014 and 2026. The addition of 400 properties to the pool of social housing stock represents growth of less than 4% over the life of a 12 year growth and renewal program.

There is currently no budgeted, ongoing funding stream for new social housing supply. Without direct, per capita investment in new bricks and mortar on an annualised basis, both the number of dwellings and the share of social housing relative to total residential housing stock in the ACT will continue to decline.

Unmet need for social and affordable rental homes in the ACT

In 2020 ACT Shelter commissioned the Australian Housing and Urban Research Institute (AHURI) to undertake a scoping study and cost-benefit analysis for increased investment in social and affordable rental homes in the ACT¹⁰. It identified a current shortfall in excess of 3000 income-based social rental homes in the ACT.

Further analysis of known new supply commitments of both public housing and social housing owned or managed by CHPs and housing demand projections by income decile, projects this shortfall will grow to more than 4,000 properties by the expiry date of the next iteration of the NHHA. Looking forward to 2036, the gap will widen to more than 5,600 homes by 2036.

When we factor in the number of households in private rental paying more than 50% of their income on rent but earning too much to be eligible for social housing, we identify an additional shortfall in sub-market affordable rental homes of about 1,800 properties. The current NHHA does not fund sub-market affordable rental maintenance or supply.

The AHURI study determined that there were 1,800 households in housing crisis in the private rental market (incomes between \$37K and \$77K), illustrating the relative unaffordability of the ACT rental market and the urgent need for a rethink of the remit of both the NHHA and the payment eligibility criteria and quantum of Commonwealth Rent Assistance (CRA).

Of those households in receipt of CRA, 84% receive the maximum rate and 50% of those households are still in housing stress or crisis after receiving that assistance. Additionally, because eligibility for CRA is tied to eligibility for income support (family payments, Jobseeker, pensions, Special Benefit, Student and Youth Allowance), many households in the first category (Fringe Tax Benefit recipients) are eligible for CRA. However, single person and coupled households who derive income from paid work are not eligible, despite being tens of thousands of dollars worse off after tax and paying much higher proportions of income to their landlords.

The Commonwealth has prioritised a cash-based demand subsidy allocated using its income support responsibility over direct investment in social or affordable rental housing supply. The Productivity Commission has previously highlighted the significant disparity in mean weekly subsidy for rebated rent eligible tenants (now more than \$400 a week per household in the ACT) and maximum rates of CRA for households on equivalent incomes renting privately (\$71 – \$149 per week for singles or families).

Divestment from affordable and social rental supply has been a four decade-long slow burn, with a slight reprieve created by the National Rental Affordability Scheme and Social Housing Initiative component of the Mario Building and Economic Stimulus Plan in 2010. Prioritising a demand based subsidy in an effort to price tenants eligible for CRA back into rental markets they would otherwise be unable to afford and therefore access, has left thousands of Canberrans with no option but to get by in a rental market now asking \$753 a week for a detached house, \$614 a week for a 2 bedroom apartment/unit or \$447 a week for a 1 bedroom flat. These median asking rents mean households need to earn more than \$114,000 a year before tax to pay less than 30% of their income on rent for a detached house, \$95,000 to affordably rent a 2 bedroom unit, and \$69,000 to avoid housing stress, if renting a 1 bedroom flat. Alarming, all three income thresholds are above the average gross income of an Australian worker.

In the ACT every individual earning less than the average national income has effectively been priced out of the private rental market for a 1 bedroom unit. Even factoring in the high median incomes in the ACT, households in income quintiles 1 and 2 are unable to afford rentals for 2 bedroom units.

Recommendations

1. **The NHHA must be underpinned by a comprehensive, National Housing Strategy that adopts a whole-of-system approach to housing investment and policy.**

Any requirements for sign off placed upon one level of Government must be equally applied to the other. In 2017 the Cth inserted that the: 'States must have a credible housing and homelessness strategy'. However, there has not been a national housing strategy for nearly 30 years. The next NHHA must place requirements on both levels of Government.

The importance of an affordable, accessible, appropriate, safe and secure home of decent amenity cannot be overstated. A place to call home is an enabler of better life outcomes. A National Housing Strategy would therefore reframe our housing assistance narrative: from cost to government to investment in people, place-making and productivity. It should:

- Be evidence-based, well resourced and set short, medium and long term goals and targets that:
 - address significant housing market failure
 - reverse the long term trend of divestment from affordable and social rental housing supply.
- Include a comprehensive review of the efficacy and efficiency of the demand side rent assistance subsidy and the insecurity it enshrines in tenants' lives by forcing them into a private rental market that has priced them out and serves only the interests of lessors and their agents.
- Determine what an adequate quantum of income-based non-market rental housing should be based on income eligibility alone.
- Set targets to increase and then maintain what an adequate quantum means, proportionate to all housing stock, noting this will vary based on the proportion of people in a given housing market or state/territory, and report incomes below a defined ceiling for rebated rent.
- Prioritise preventing and ending homelessness through secure homes with housing-focused support if and when needed as increased risk of homelessness is identified.
- Adopt a Social Determinants of Health and Rights Based approach and recognise the importance of security of tenure for all Australians regardless of housing tenure or type.
- Be based on broad consultation.

A National Housing Strategy:

- Would change millions of lives for the better.
- Must be a key recommendation by the PC in its Final Report from this review of the NHA.

2. The per capita funding formula & CHC/CSHA Debt Servicing is inequitable and unfair and must be replaced with a hybrid or new formula.

In the NHA payments are made on a per capita basis. This results in rewarding States (such as Queensland and Victoria) that have higher populations, higher population growth but comparatively lower provision of social housing. This approach punishes States (such as South Australia, Tasmania and the Australian Capital Territory) that have historically had a more generous social housing policy, but have lower populations, and lower rates of population growth.

The current formula should be replaced by a per dwelling funding formula subject to State and Territory Housing Authorities agreeing to have their assets subjected to an independent audit by Commonwealth-appointed teams to determine exactly how many assets are in their portfolios and what the net recurrent cost of keeping them tenable is per dwelling.

States and Territories should fund 50% of this and be incentivised to recycle and replace older and more expensive to maintain stock with new, fit for purpose homes that are accessible, adaptable and energy efficient.

The ACT has previously benefited from a Commonwealth asset recycling initiative which it used to demolish and replace its oldest multi unit complexes with scatter site, smaller parcels of public housing dispersed in many suburbs.

- 3. CHC/CSHA debt should be forgiven and returned to States/Territories on an annual recurrent basis, tied to evidence it has been invested in new supply for priority groups identified by the Commonwealth (at present, these are women leaving violence and young people).**

In return for this, the Commonwealth should require lines of accountability from jurisdictional Housing Departments and Treasuries. Reporting would demonstrate additional investment in maintenance, repairs or upgrades to extend asset life or supply increases commensurate with the annual amount previously allocated to CSHA debt servicing.

In the ACT, this would boost investment in public housing by just over \$6 million a year, or 23% of Commonwealth recurrent investment in the NHHA.

This arrangement has been achieved by SA and Tasmania. It must be extended to all 8 jurisdictions.

- 4. The next NHHA must include direct investment by both levels of Government in new social and supportive housing supply that is annualised and tied to interim and long term targets to:**
 - a. Increase social housing supply to 10% of all housing stock; and**
 - b. Increase affordable (non-market) rental supply to 2.5% by 2040.**

Currently only 4% of the national housing stock is social housing. As Anglicare and National Shelter have noted this is woefully inadequate to meet the housing needs of the 20% of lowest income earners who increasingly cannot afford private rentals. This substantial housing market failure is compromising health and wellbeing and hindering the ability of a large portion of the population to participate economically and socially.

The only way to address the shortfall in social housing across Australia is via dedicated, long-term investment by federal and state Governments working together.

- 5. The absence of supply dollars must be rectified with a competitive per capita growth fund.**

There are multiple options for raising these funds as noted in Anglicare's submission. The Federal Opposition has adopted the Grattan Institute's proposal for an "off budget" supply fund similar to the Medical Research Future Fund. We also note the massive level of investment needed, and the need to leverage private investment funding to create a sufficient pool of funding.

The successor NHAA should include a simple Growth Fund mechanism which specifies: match funding arrangements for contributions from federal and state governments; incorporates incentives for additional funding commitments from either the States or Commonwealth; provides targets for net growth in social housing stock; and incorporates regular meetings to foster cooperation between the responsible Ministers at State and Federal Government and representatives of local Government.

6. Remove indicators that are unrealistic or cannot be measured at all and replace these with indicators that measure the impact of investment in the Agreement on improving the lives of the people who benefit from the funding.

The NHHA funds means tested housing assets and homelessness beds, accessed by less than 10% of Australians. It is not a universal instrument. It cannot influence whole-of-market or whole-of-system outcomes. As it stands, it subsidises housing that exists because of market failure, and a new agreement must reflect this.

In its previous reviews, the Productivity Commission has been candid in its assessment that most of the indicators cannot be reliably measured at all. Those that can, rely largely on Census data. They are not comparable within, let alone across jurisdictions and therefore cannot be used to measure the efficacy of the NHHA or the Return on Investment made to it.

There needs to be a serious commitment on the part of the Productivity Commission this time to be clear about the lack of utility of the performance indicators. A significant amount of time and effort should be invested in re-writing performance indicators that are appropriate to what the agreement can realistically be expected to achieve given the scope is limited to social housing and homelessness funding with a small amount of home purchase assistance..

7. The absence of direct Commonwealth investment, via the agreement, in addressing Aboriginal housing need in urban Australia must be addressed.

The ACT is almost totally urbanised and as such receives no funding for state owned and managed Indigenous housing units in the country. With 6,508 individuals identifying as Aboriginal or Torres Strait Islander they comprise 1.6% of the ACT population. The breakdown of tenure differs significantly to the general ACT population and also nationally, with 53% of households renting, 30% in private rental, 19% in public housing and none in community housing.¹¹

8. The next agreement should include performance indicators for the homelessness component.

The first would require states and territories to commit to reducing the number of people 'turned away from homelessness services. We refer to the Anglicare submission's outline of issues relating to homelessness services and goals: *"The most important performance indicator for our homelessness response must be the number of people who are turned away from accommodation support. The goal should be as close to zero as is practicable."*¹²

9. The Productivity Commission should conduct an urgent review of the effectiveness and efficiency of Commonwealth Rent Assistance as a housing subsidy.

While it is not part of the NHHA, Commonwealth Rent Assistance is an integral part of housing assistance. Any review of housing assistance must consider this significant program that, when it was increased during the past two years, assisted so many Australians to remain in their homes. Consideration must be given to increasing the rate of CRA permanently and expanding eligibility to low income single, working people.

Endnotes

1. ABS <https://www.abs.gov.au/statistics/people/population/national-state-and-territory-population/dec-2020>
2. ABS ACT Community Profile, table G33 Tenure and Landlord Type by Dwelling Structure,
https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/communityprofile/8?opendocument
3. Core Logic Market Trends Report
4. Report on Government Services, released by the Productivity Commission on 25/01/22)
(<https://www.pc.gov.au/research/ongoing/report-on-government-services/2021/housing-and-homelessness>)
5. 2021 Rental Affordability Index
(<https://www.sgsep.com.au/projects/rental-affordability-index>)
6. Core Logic Market Trends reports
7. ACT Budget Paper G – Housing and Community Services and Australian Government Budget Paper 3 – Specific Purpose Payments – Affordable Housing SPP – National Affordable Housing Agreement
8. These figures are based on the ACT Government contributing \$838.1 million to the net recurrent cost of maintenance and repairs of public housing and homelessness service delivery between 2017/18 and 2022/23 and the Commonwealth contributing \$130.7 million. The ACT Govt received \$26.7 million in 2022/23 from the Commonwealth. It returned \$6.1 million in debt servicing payments. The ACT Government allocated \$181.4m to public housing and homelessness in 2022/23. This is where the 84% – 16% estimate and 85.7% – 14.3% funding split figures quoted above are derived from.
9. ACT Housing Strategy
https://www.act.gov.au/_data/assets/pdf_file/0004/1265638/ACT-Housing-Strategy-2018.pdf
10.
<https://www.actshelter.net.au/news/64-act-shelter-and-ahuri-release-new-housing-research>
11. ABS ACT Community Profile, table 110 Tenure and Landlord Type by Dwelling Structure,
https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/communityprofile/8?opendocument
12. p12 Anglicare “Submission to the Productivity Commission Inquiry into the National Housing and Homelessness Agreement March 2022”