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## POSITION PAPER: REFORM OF THE FEDERATION DISCUSSION PAPER, 2015

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### Introduction

In June this year, the Federal Government published online a Reform of the Federation Discussion Paper. Note that this is not a Green Paper. According to the Australian Government, a Green Paper in relation to the reform of the federation is “expected to be released in the second half of 2015”<sup>1</sup>

Under scrutiny in the paper is the relationship between the State and Territories and the Commonwealth in respect of public expenditure. Three key areas for reform are identified in the paper and discussed. These are Health, Education and Housing and Homelessness.

The purpose of this paper is to provide an analysis of and some suggested positions on those sections of the discussion paper relating to housing and homelessness.

CHIA believes that the issues raised in the discussion paper are of crucial importance to the community housing industry and assorted stakeholders. We are particularly concerned with suggestions that the National Affordable Housing Agreement be withdrawn and replaced with a policy regime that would see public housing tenants receive Commonwealth Rent Assistance (CRA).

This is not the first time the suggestion has surfaced at a senior level. Pronouncements by the National Commission of Audit and the McClure ‘Review of Australia’s welfare system’ released in 2014, suggest that strong consideration should be given to doing so.<sup>2</sup>

### Opening remarks

The Discussion Paper section in relation to housing and homelessness is structured to include a discussion regarding the various key issues before proposing three options for reform. This section will make some general points regarding that discussion before providing a more detailed analysis/position in relation to the three options.

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<sup>1</sup> <https://federation.dpmc.gov.au/what-green-paper>

<sup>2</sup> For further information see: <http://commhousing.com.au/what-does-the-mcclure-review-of-australias-welfare-system-mean-for-social-housing/>



## **The private housing market cannot ensure universal provision**

The discussion paper spends some time discussing the various factors influencing housing affordability in Australia. Reforms that address inefficiencies in housing system proper are vital. For example, it is becoming increasingly apparent that current tax policy is contributing to undesirably high levels of investor activity in the housing market which inflates prices and crowds out aspiring owner occupiers. Equally, State and Federal Governments should work together more closely to identify inefficiencies on the supply side that prevents industry from bringing more affordable housing products to market.

It should be clearly understood, however, that improving the efficiency of the market proper does not obviate the need to grow and develop our nation's social housing system. The private housing market cannot ensure universal provision, nor is it designed to. In fact, despite the fact that successive State and Federal governments have "spent a total of \$22.5bn (in 2010-11 dollar values) on cash grants to first home buyers between 1964 and 2011"<sup>3</sup> the home ownership rate in Australia has barely budged in over 40 years and, in fact, during the last decade home ownership rates among younger people have fallen. (Approximately 70% of Australians live in homes that are owned outright, or owned with a mortgage)

That means that, due principally to their status as low income households, Australia, just like every other developed country, is home to a constituency of people who will never own their own home and, within this cohort, are a group who struggle to find and maintain even affordable, appropriate housing in the private rental market.

Globally, social housing systems are a Government response to housing need among low income households who are unable to obtain safe, secure and affordable accommodation in the private housing market and who would be at risk of homelessness without market intervention. In Australia, decades of investment of capital and current expenditure on social housing provision by the State and Federal Governments attest to a belief on the part of successive Governments that the provision of housing is part of its role. Despite this, we have one of the smallest social housing systems in the world and one that simply must grow to meet demand.

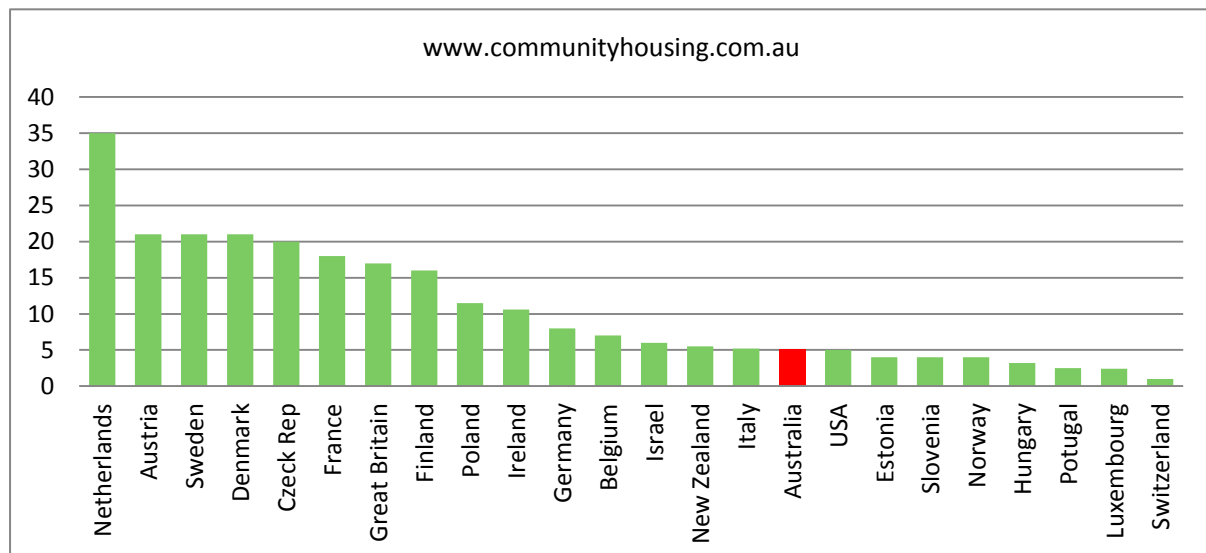
## **Our social housing system is shrinking**

Australia's social housing system is going backwards in terms of the net number of public and community housing dwellings under management across the country. The principle reason why the decline has not been steeper is the performance of the community housing sector and its growth during the past two decades.

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<sup>3</sup> <https://www.prosper.org.au/2013/09/03/saul-eslake-50-years-of-housing-failure/>

**Figure 1: Social housing as a percentage of overall housing stock, selected countries and Australia.<sup>4</sup>**



Social housing has declined from 5.6% of overall housing stock in 1971 to its current level of 4.7% of stock. In real terms, apart from the one off Nation building Economic Stimulus Program (NESP) and the now defunct NRAS, annual Commonwealth expenditure on general social housing grants has declined by two thirds in the past 30 years to its current level of \$1.3 billion (noting that there are additional special purpose agreements on homelessness and remote aboriginal housing). During the past twenty years public housing reduced from 327,000 tenancies in 1996 down to 304,000 ten years later in 2006 before recovering back to 1996 levels in 2013 largely as a result of the NESP.

Social and affordable rental as a whole grew to 430,000 tenancies because of the expansion and development of the community housing sector which has doubled in size in the last 15 years to nearly 90,000 tenancies. The growth of the community housing sector has occurred through community housing projects funded by Government grants, private financing, land and equity donations, development gain, and the transfer of 26,000 public housing properties.

### But demand is increasing

As Australia's population is forecast to rise to 35.9 million by 2050 the demand for public housing is projected to increase; by 2023 over 431 000 dwellings will be needed—a rise of 28 per cent if this demand is to be met.<sup>5</sup>

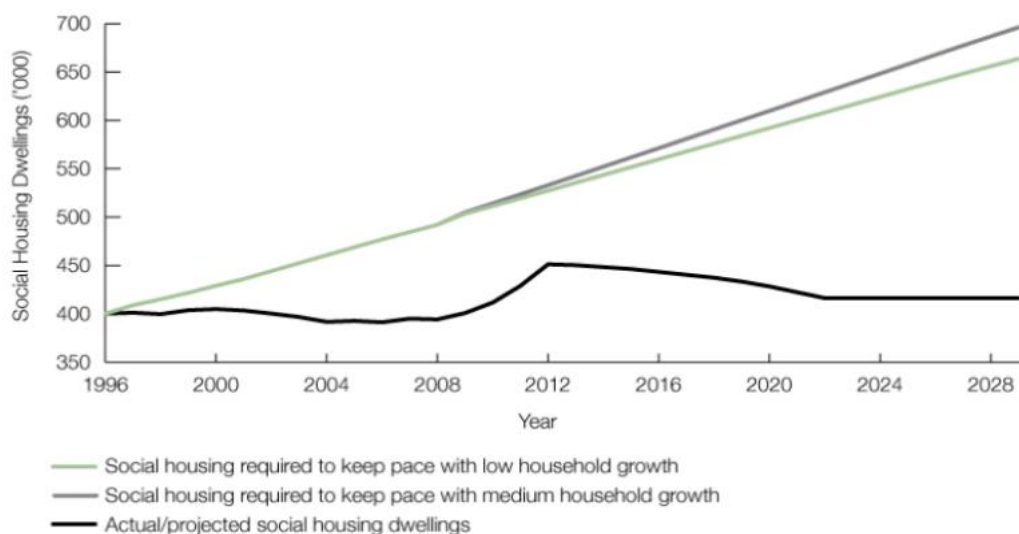
<sup>4</sup> OECD. OECD Economic Surveys Luxembourg 2012 [http://www.keepeek.com/Digital-Asset-Management/oecd/economics/oecd-economic-surveys-luxembourg-2012\\_eco\\_surveys-lux-2012-en#page1](http://www.keepeek.com/Digital-Asset-Management/oecd/economics/oecd-economic-surveys-luxembourg-2012_eco_surveys-lux-2012-en#page1), OECD Publishing, 2012, p.87. Data available: [http://www.keepeek.com/Digital-Asset-Management/oecd/economics/oecd-economic-surveys-luxembourg-2012/share-of-social-housing-across-oecd-countries-2009\\_eco\\_surveys-lux-2012-graph52-en#page1](http://www.keepeek.com/Digital-Asset-Management/oecd/economics/oecd-economic-surveys-luxembourg-2012/share-of-social-housing-across-oecd-countries-2009_eco_surveys-lux-2012-graph52-en#page1). The WA figure is from the Social Housing Taskforce. More than a Roof and Four Walls. Final Report – 30 June 2009, p.32. (Table 3.1 Tenure by Region, August 2006 – public housing and community housing totals are added). [http://www.housing.wa.gov.au/HousingDocuments/social\\_housing\\_taskforce\\_report\\_final.pdf](http://www.housing.wa.gov.au/HousingDocuments/social_housing_taskforce_report_final.pdf)

<sup>5</sup> [http://www.ahuri.edu.au/housing\\_information/review/evrev008](http://www.ahuri.edu.au/housing_information/review/evrev008)

A recent Bankwest and Curtin University study on housing affordability in WA found that people living in the private rental market were more likely to find housing unaffordable. This has serious implications for older households living in the private rental market as they move retire from the labour force. The report noted:

*62 per cent of retired households are outright owners, 18 per cent in the private sector and 12 per cent own with a mortgage. This gives rise to a significant, and rapidly growing, issue of what would traditionally be retired households still needing to work to secure an income necessary to pay rental costs or a mortgage. If a household is forced to retire but has insufficient income to pay for housing costs then such a household faces an uncertain housing future. The traditional retirement model assumes minimal housing costs in retirement but this is less and less likely as debt burdens rise and those on low incomes face the prospect of being locked out of owner occupier sector for their whole housing careers.<sup>6</sup>*

**Figure 2: Social housing as a percentage of overall housing stock, selected countries and Australia.<sup>7</sup>**



The discussion paper acknowledges the shrinkage in the social housing system. It does not however, place sufficient emphasis on the fundamental social and economic challenges that this shrinkage is creating now and will continue to create as the population grows and ages.

<sup>6</sup> Bankwest Curtin Economics Centre. Housing affordability. The real cost of housing in WA. Focus on Western Australia Report Series, No.2 April 2014, p.62-3.

<sup>7</sup> Progress Report to the Council of Australian Governments from Commonwealth, State and Territory

Housing Ministers – Implementing the National Housing Reforms, November 2009 published by the Victorian Government Department of Human Services on behalf of the Housing Ministers Conference available at the Council of Australian Governments website p.16



## **Where the money is going**

The paper contains a useful description of the various funding streams for social housing and homelessness services flowing from State and Federal Government. The conclusions that the paper draws in respect of these funding arrangements, as evidenced in the three options discussed later in this paper, however, again, fail to address the system's major inefficiency: its failure to deliver growth outside of that being provided by community housing providers.

## **Reforming the social housing system**

The discussion paper states that "Public housing is not sustainable in its current form". This is demonstrably true as evidenced by the operational deficits that State housing authorities throughout the country are running and the manner in which this hobbles their ability to refurbish their existing stock let alone build more.

The paper appears to suggest that "rents tied to tenant income" is the central problem. Arguably, however, this is a non-sequitur: rents are linked to incomes to ensure that public housing tenants are paying a rent they can afford. The fact that this does not cover the cost of maintaining their properties, or the system as a whole, is a function of the fact that existing income eligibility requirements have created a public housing system which is home to the nation's poorest people. In other words, changing the way rents are set (unless the suggestion is to have public housing tenants pay much more of their overall income in rent thus creating an 'equality of suffering' with households on similar incomes in the private rental market) is not an avenue for meaningful reform.

The community housing sector is; however, open to innovation in regard to rent setting methodologies. There is room for improvement.

This paper argues that meaningful reform must concentrate on the following areas:

## **Insisting on a growth agenda**

As discussed, the fundamental deficiency of the social housing system as currently constituted is the fact that it is not growing. In fact, it's shrinking. A logical response to this from a Commonwealth perspective is to link funding to growth. The National Affordable Housing Specific payment of \$1.28 billion per annum should be transformed into a growth fund. That is to say, the Commonwealth must insist that the State and Territories use that money in a way that produces an increase in the net amount of housing stock in the system. Any diminution in Commonwealth contributions as part of the NAHA should only be countenanced if it is the result of an increase in CRA payments arising from the stock transfer of public housing dwellings to the community housing sector.

## **A larger role for community housing providers**

Those States and Territories that have worked with the community housing industry during the last couple of decades have been rewarded handsomely in terms of new dwellings in the system. Transferring public housing properties to community housing providers works and any growth focussed reforms to the social housing system must major on having a far more diversified social housing system than we have now.



Australian governments should agree to set a target that at least 50% of the public housing system in Australia is under management by the not-for-profit community housing sector by 2022. Community housing providers will be in a position to run surpluses on those properties and, where required, redevelop the housing stock.

This will lead to an increase in the 'CRA bill' to be picked up by the Federal Government as public housing tenants migrate to the community housing sector. However, it can be recouped by reducing NAHA and similar payments currently made to State Housing Authorities correspondingly. As mentioned, reductions in NAHA should only arise as a result of an increased CRA outlay resulting from the transfer of public housing dwellings to the community housing sector.

Increasing the CRA spend in this way will represent a far better investment than the status quo. In addition, it will be far easier to ascertain how much 'bang for its buck' the Federal Government is getting through reporting requirements with individual CHPs.

The full range of benefits attributable to the growth and development of the community housing system, including a rudimentary explanation of how the model works, is detailed at Appendix 1 of this document.

## **Encouraging private sector investment in social and affordable housing**

The abolition of the National Rental Affordability Scheme (NRAS) was a mistake. NRAS played an important role in the market by;

1. Providing affordable rental accommodation to households which have incomes above the income and eligibility limits for social housing but who struggle to find appropriate, affordable accommodation in the private rental market.
2. Directing capital towards new housing supply (historically the vast majority of housing investors buy established rather than new dwellings)
3. Providing a place on the housing continuum for people looking to exit the social housing system or who are obliged to leave as a result of being 'over income'
4. Providing affordable rental properties so that those low to moderate income households can save the money required for a deposit and enter into home ownership.

Establishing a new scheme which seeks to direct private investment into the creation of new, affordable housing is vital. There are several ways in which it could be funded. This paper notes the ongoing debate around the social and economic desirability of 'negative gearing' tax concessions enjoyed by property investors. Increasingly, the evidence suggests that 'negative gearing', in its current form crowds out aspiring home owners, particularly first time buyers, without adding significantly to the nation's stock of rental housing. Quarantining negative gearing tax concessions in such a way that only property investors that invest in affordable housing products under an NRAS like program would extremely in creating new affordable housing stock.

## **Analysis of the suggested three options**

Following the discussion papers analysis of the issues in relation to housing and homelessness and the respective roles of the State and territories in addressing them are three possible reform options.



The remainder of this paper will critique those options.

### Option 1: A split system manager

The States and Territories would have full responsibility for funding, policy, service delivery, and regulation of social housing and homelessness services.

The Commonwealth would cease funding under the *National Affordable Housing Specific Purpose Payment* and the *National Partnership Agreement on Homelessness*.

The Commonwealth would retain full responsibility for CRA—including eligibility criteria and payment rates—and would extend eligibility to public housing tenants. Community housing tenants would retain eligibility for CRA.

The States and Territories would continue to be responsible for setting rents for public housing tenants and may choose to move towards charging market-based rents. The States and Territories would have responsibility for managing any transition to market-based rents.

The option could include the Commonwealth and the States and Territories jointly agreeing a national housing framework and collaborating on broader housing supply and affordability issues.

The suggested policy prescriptions outlined in Option 1 should not be welcomed by the community housing sector for the following reasons:

### **Remove NAHA/NPAH, Increase CRA**

The central thrust of option 1 is that the Commonwealth should discontinue NAHA and NPAH and replace it with an increased volume of subsidy through CRA by making public housing tenants eligible for it. This would be a massively regressive step for the following reasons:

1. By extending CRA to the public housing system the principle motivation on the part of State and Territory Governments to transfer houses to community housing providers would be removed. This would be disastrous for the community housing sector in terms of its future growth and development. It would compound State Housing authorities' longstanding preference to use NAHA money to 'prop up' public housing system rather than grow it by transferring properties to CHPs and;
2. It runs contrary to the Discussion paper's contentions that "The overarching goal should be to ensure governments have the right incentives to continuously improve the services



provided to Australians, which in turn will improve their wellbeing and standard of living.”<sup>8</sup> And that “Governments should aim to enhance consumers’ capacity to influence the way services are delivered, and empower them to choose from a diverse range of service providers. It should not be assumed governments need to deliver services—often the not-for-profit and private sectors will be better placed to do so. Healthy competition and proper market design for the provision of services can encourage innovation and improve the quality of services in the long run”<sup>9</sup> In other words, it would reinforce the dysfunction present under current arrangements rather than catalyse necessary structural reforms.

3. It is likely that State Housing authorities would be worse off financially under this Option 1 than the status quo. That is to say, the increased rental revenue received as result of tenants receiving CRA would be less than what they currently receive under NAHA. This would make a bad situation worse in terms of their ability to provide additional public housing dwellings. Additional revenue could be raised by changing the rent setting structure but that is a problematic policy suggestion (see below)

## **Market Based Rents in Public Housing**

It is not clear from the discussion paper what “market based rents” means in this context.

If the suggestion is that public housing tenants pay rents that are closer to the market rent of the property they occupy, it is extremely likely that many public housing tenants would be pushed into housing stress. Even with the addition of CRA, the gap between the earnings of public housing tenants (the majority of whom have a Centrelink payment as their primary source of income) and market rents would represent a significant increase in the proportion of the total income they pay under current income based rent setting models.

One of the principle reasons why community housing providers rarely charge tenants in excess of 74.9% of market rent is that rents in excess of that figure would be unaffordable.

The community housing sector is; however, open to innovation in regard to rent setting methodologies. There is room for improvement.

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[https://federation.dpmc.gov.au/sites/default/files/publications/reform\\_of\\_the\\_federation\\_discussion\\_paper.pdf](https://federation.dpmc.gov.au/sites/default/files/publications/reform_of_the_federation_discussion_paper.pdf), p15

<sup>9</sup> Ibid p15





## Option 2: A shared system manager

The States and Territories would continue to have responsibility for policy, service delivery, and regulation of social housing and homelessness services. The Commonwealth would retain full responsibility for CRA.

Social housing and homelessness services would continue to be jointly funded by the States and Territories and the Commonwealth.

The Commonwealth and the States and Territories would jointly agree national priorities and reforms to deliver more integrated and innovative housing assistance and homelessness services, and to create pathways to affordable private rental and home ownership.

The States and Territories and the Commonwealth would work together to develop innovative strategies to address the causes of supply and affordability problems (for instance by creating incentives for investment in and increased supply of affordable housing to enable people to exit social housing).

Under this option, there would be no change to current expenditure responsibilities.

This option could include the Commonwealth and the States and Territories jointly agreeing a national housing framework and collaborating on broader housing supply and affordability issues.

The suggested policy prescriptions suggested in Option 2 are the ones that most closely accords to the current system. It is far superior to those suggested in Option 1 for the following reasons:

### **Potential for meaningful reform agenda**

The 'joint agreement of national priorities and reforms to deliver more integrated and innovative housing assistance and homelessness services' suggestion is encouraging. Ideally, central to those reforms would be:

1. A clear articulation that social housing spending, particularly Federal contributions, should contribute exclusively to an agenda of growth which would arrest the steady decline in the net number of social housing dwellings around the country that has taken place in recent decades.
2. That the social housing system is diversified to include a far greater role for not-for-profit and community housing providers not least because of their ability to service a growth agenda.

### **Alternative and transitional models**

The suggestion that "creating incentives for investment in and increased supply of affordable housing to enable people to exit social housing" is also encouraging.



The scrapping of the National Rental Affordability Scheme (NRAS) was a retrograde step and the establishment of a new scheme that attracts private investment into affordable rental housing, ought to be considered a fundamental policy objective for State and Federal Governments.

Providing exit points from social housing through a new NRAS scheme or similar is a laudable aim. However, we should be wary of a social housing discourse that focusses unduly on how to transition people out of social housing. The fact is that for many households, social housing represents the best and most viable form of housing tenure for them and their potential to exit social housing is limited by factors such as old age or disability.

Moreover, the vast majority of households living in current NRAS properties are not former social housing tenants. They are households who have incomes that are in excess of the income and asset eligibility limits for social housing but who would struggle to maintain affordable, appropriate accommodation in the private rental market. Assisting households in these income brackets is a very important part of the broader effort to address housing affordability nationwide.

### **Growth Agenda and CHP involvement**

Option 2 would be considerably improved by adopting the policy suggestions already detailed in this paper in relation to ensuring the Commonwealth investment is used as growth fund for social and affordable housing and that there is an explicit drive towards creating a far greater role for community housing providers.

#### **Option 3: States and Territories have full responsibility**

The States and Territories would have full responsibility for policy, funding, service delivery and regulation of housing assistance and homelessness services.

The Commonwealth would no longer provide Commonwealth Rent Assistance and would cease funding under the *National Affordable Housing Specific Purpose Payment* and the *National Partnership Agreement on Homelessness*.

States and Territories would be responsible for managing housing assistance and homelessness services, determining local priorities and publicly reporting on performance.

States and Territories could choose whether to continue to provide rental subsidies, either through subsidised public and community housing or through financial assistance to people in the private rental market, and would determine eligibility and rates of subsidy.

This option could include the Commonwealth and the States and Territories jointly agreeing a national housing framework and collaborating on broader housing supply and affordability issues.

The suggested policy prescriptions outlined in Option 3 should not be welcomed by the community housing sector for the following reasons:



## **The cuts would cause carnage**

The suggestion that the Federal Government would cease payments of Commonwealth Rent Assistance, the National Affordable Housing Specific Purpose Payment and the National Partnership Agreement on Homelessness would have catastrophic effects on the nation's social housing system. Specifically;

1. There would be an immediate and hugely negative impact on the financial viability of the community housing sector in Australia with the removal of Commonwealth rent assistance.
2. The removal of the National Affordable Housing Specific Purpose Payment would have a significant deleterious impact on the financial viability of State Housing authorities making a bad situation worse in terms of their ability to maintain and grow the social housing system.
3. That National Partnership Agreement on Homelessness has been a vital resource to homeless service providers throughout the country. Its removal would have a serious and negative impact on the ability of those providers to continue their work.

Option three suggests that without these vital funding Commonwealth streams, the State and territories would be free to design their own funding mechanisms to support community housing providers and homeless service providers. It is virtually impossible to envisage a scenario whereby a smooth transition could be made to the new arrangements.

Moreover, it is almost certain that the new arrangements would result in a significant reduction in investment in social housing and homelessness services. State government's raise only 15% of taxes in Australia which severely limits its choices in respect of public spending compared to the Commonwealth Government. Moreover, States and Territories currently running budget deficits like Western Australia are already struggling to bring their budgets back into balance. Asking those same Governments to take a massive step up in terms of its funding of the social housing system and homelessness services is simply not viable.

## **Conclusion**

CHIA is confident that this paper has adequately engaged with the issues raised in the Federal Discussion Paper on the Reform of the Federation in relation to Housing and Homelessness.

CHIA has major misgivings about some of the suggested reforms; particularly under Options one and three. Of all the Options detailed, Option two is our preference. We contend that meaningful reforms must be underpinned by the following:

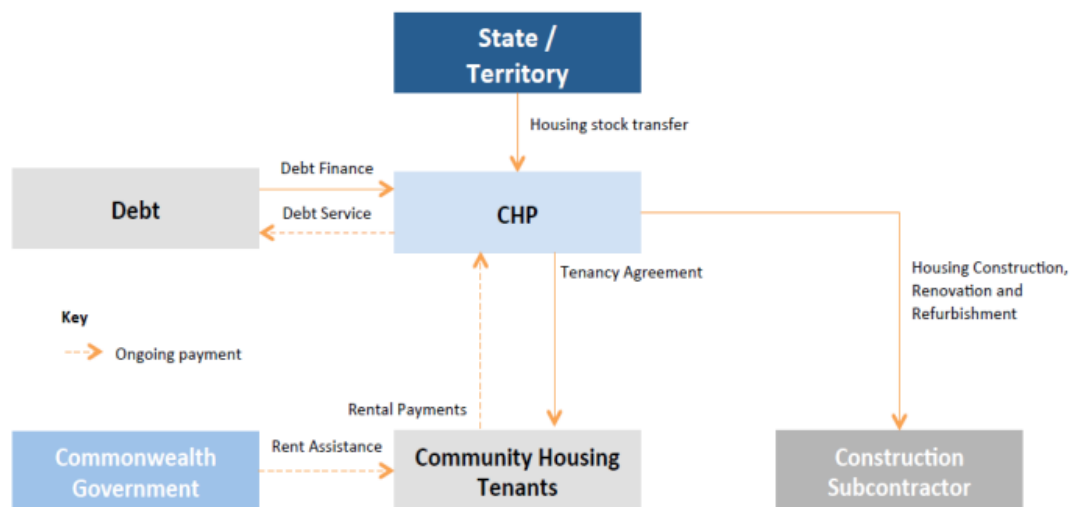
1. A clear articulation that social housing spending, particularly Federal contributions, should contribute exclusively to an agenda of growth which would arrest the steady decline in the net number of social housing dwellings around the country that has taken place in recent decades.
2. That the social housing system is diversified to include a far greater role for not-for-profit and community housing providers not least because of their ability to service a growth agenda.

## Appendix 1: How growing housing through social housing through transfers to CHPs works

Moving assets and tenancies from the public housing system to the community housing sector will enable the sector to attract private finance to invest in building more social and affordable dwellings. Through the transfer of public housing stock, the number of properties owned and/or managed by the community housing sector will increase and so too will the rental income of CHPs that receive the transferred properties. Once their rental receipts reach a sufficient scale, the CHP will be able to raise private finance for the construction or purchase of new social and affordable housing.

Should the CHP own the transferred stock, they are in a position to borrow money leveraged against the value of these assets, which generally facilitates faster growth. The debt is serviced by the CHP's improved net operating position from greater rental returns (see Figure 3 below). While it may take a number of years to materialise, the end result will be growth in the number of social and affordable houses.

**Figure 3: Simple community housing growth model**



The more properties that a provider has, the quicker they can develop or buy more housing – it has a multiplier effect. If a provider owns the title to the properties they can grow even faster as debt can be secured against the value of the assets. For instance, financial modelling undertaken by the Department of Families, Housing, Community Services and Indigenous Affairs shows that:

1. Typical medium size CHPs with only tenancies under management will deliver approximately two per cent growth after five years, and a 15 per cent increase after 25 years.
2. Typical larger CHPs with only tenancies under management will deliver approximately four per cent growth after five years, and nearly 30 per cent growth after 25 years.

3. Typical CHPs that own and manage tenancies will deliver growth of over 20 per cent within five years, and nearly 30 per cent after 25 years.<sup>10</sup> The leveraging ability of CHPs, as distinct from the loss making that occurs in the public housing system, is supported by several financial advantages:

1. Tenants of community housing are eligible for Commonwealth Rental Assistance, a supplementary payment to assist Centrelink payment recipients with their housing costs.

This is captured by CHPs in their rent setting practices, in addition to a minimum 25 per cent and maximum 30 per cent of income for social housing tenants. By comparison, rent in public housing is assessed solely as 25 per cent of tenant income. The result is that rental receipts in community housing are higher than they are in public housing. Take, for instance, a single person receiving the maximum basis rate for the aged pension of \$766.00 per fortnight (at April 2014). A public housing authority will receive a base rent of \$191.50, or 25 per cent of the single aged pension. By contrast, a CHP will receive \$191.50 base rent plus the maximum amount of their CRA, which was \$126.40 per fortnight at April 2014. Over the course of a year, then, a CHP will receive \$8,265.40 in rental income, and a public housing provider will receive \$4,979 in rental income.

When this example is multiplied across several hundred or several thousand tenancies, it seems clear that CHPs receive a far greater rental return per tenant than state housing authorities, which assists them to run the surpluses necessary to grow the social housing system.

2. The diversity of the housing options that CHPs deliver assists with growing the level of social housing. In WA, CHPs can allocate up to 30 per cent of their tenancies to affordable housing income eligible persons. That is, housing for households whose income exceeds the income and asset eligibility limits for public housing but does not exceed the eligibility criteria for affordable housing (for a single person up to \$45,956 in income and \$332,000 in assets at April 2014). Some CHPs have also participated in the National Rental Affordability Scheme (NRAS). Housing tenants with higher incomes provides larger rental returns to CHPs that cross-subsidise smaller rents in social housing. CHPs can then reinvest these surpluses in the delivery of more social and affordable housing.

3. Some CHPs, as a function of being classified as a Public Benevolent Institution or a Deductible Gift Recipient charity, also receive tax concessions and exemptions that ensure ongoing viability. Without access to this raft of tax concessions, the administrative and operating costs of CHPs would be significantly higher. These concessions assist CHPs to operate more efficiently, and build more housing more cheaply, than state housing authorities. This is especially the case if the CHP operates at scale.

### **They receive:**

(a) an exemption from company income tax, stamp duty, land tax, and capital gains tax;

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<sup>10</sup> Department of Families, Housing, Community Services and Indigenous Affairs, Achieving a Viable and Sustainable Community Housing Sector, <http://www.fahcsia.gov.au/our-responsibilities/housing-support/publicationsarticles/homelessness-general/achieving-a-viable-and-sustainable-community-housing-sector/>, 2009



(b) goods and services tax concessions are provided on operating, maintenance and construction costs on housing offered at less than 75 per cent of market rent; and

(c) an exemption from fringe benefits tax, or receive a fringe benefits tax rebate, which helps in the attraction and retention of staff.

### **The benefits of scale**

The development of a larger number of 'at scale' CHPs through the transfer of management or title of public housing stock is key to gearing up the sector to increase the number of social and affordable housing dwellings that are available for low income households.

1. Scale economies: increased efficiencies allowing better use of IT systems, financial control, administration support infrastructure.
2. Specialisation: the ability to employ higher calibre and experienced staff. The Chief Executive can spend more time on strategic issues.
3. Future growth: larger, higher capacity organisations have increased access to bid for stock transfers and other funding options.
4. Risk minimisation: organisations operating at scale can put in place risk management policies, internal audit committees and other controls. This will reduce risk to Government.
5. Partnering opportunities: large CHPs have the capacity to receive large stock transfers of public housing, and enter into complex structured partnerships with private sector organisations.