

Committee Secretary
Senate Standing Committee on Economic Affairs

SUBMISSION TO COMMITTEE INQUIRY INTO TREASURY LAWS AMENDMENT (NATIONAL HOUSING AND HOMELESSNESS AGREEMENT) BILL 2017

The Community Housing Industry Association welcomes the opportunity to provide a submission to the Committee's inquiry into the provisions of the *Treasury Laws Amendment (National Housing and Homelessness Agreement) Bill 2017*.

The Community Housing Industry Association (CHIA) is the national peak body for community housing sector in Australia. It is funded by its member organisations which between them own or manage over 60,000 social and affordable rental properties across every State and Territory in Australia. The effectiveness of the legislative framework for the National Housing and Homelessness Agreement set out in this Bill will have a direct impact on community housing organisations, which now deliver 19% of all social housing dwellings.

This submission was prepared drawing on input from our state community housing peak body members, CHIA Victoria, the New South Wales Federation of Housing Associations and CHPs for Queensland, together with input from the Community Housing Council of South Australia, QShelter and Shelter Tasmania.

Summary

CHIA welcomes this new legislative framework for the Commonwealth-State housing agreement. We are pleased to see its emphasis on credible strategies to address housing affordability and homelessness and its requirements for greater transparency and accountability for the funding received from the Commonwealth. However, we are disappointed that in parallel the government has withdrawn the funding it provided to the National Competition Council in the 2017 Budget to enable the Council to monitor the agreement.ⁱ As the current National Affordable Housing Agreement has demonstrated, transparency and accountability for outcomes will not improve without additional investment by all levels of government in reporting and analysis.

We have identified a number of areas where we believe the effectiveness of this Bill could be improved. These include greater clarity about the respective roles of the Commonwealth and State and Territory governments and clearer specification of the minimum components of 'credible' housing strategies required under the legislation. The legislation also needs to set out what happens to the Commonwealth funds notionally allocated to a jurisdiction if that



jurisdiction fails to meet the requirements set out in the legislation. As well, the legislation should provide for the payments under the agreement to be indexed having regard to population growth as well as to increases in the consumer price index and wages. We endorse the provision for bilateral (supplementary) agreements and designated agreements which could address particular issues, for example improving Indigenous housing outcomes.

If this legislation is to fulfil its promise it needs to be framed within an over-arching national housing strategy and supported by a commitment from all levels of government to the additional investment which is needed to boost the supply of social and affordable housing. The National Housing and Homelessness Agreement itself provides an ideal vehicle to draw all jurisdictions together in constructive dialogue around a national housing strategy. We urge the Commonwealth government to engage with the other levels of government and with the community housing sector and other stakeholders on a long-term national housing strategy as a matter of urgency. Without strong Commonwealth leadership, substantial improvement in housing affordability and homelessness outcomes under this new agreement are unlikely.

Roles and responsibilities

A broader framing of the housing affordability problem is critical if we are to move the discussion beyond bickering about which level of government is most responsible for the broken-down condition of public housing. In this regard, the statement of roles and responsibilities which is in the current National Affordable Housing Agreement is a good model, even if the supporting actions have been poorly executed and the funding commitment lacking over the past decade. We ask the Committee to consider the value in setting out the roles and responsibilities of the Commonwealth, State and Territory, and local governments in the legal framework for the Agreement. This includes reference to Commonwealth responsibilities for the macro-policy settings which drive housing demand such as immigration and taxation policies, and to the responsibilities of State and Territory governments for land use, land supply and urban planning and development policy, infrastructure policy and services, and tenancy legislation. This approach would emphasise the shared responsibility of governments to address housing affordability and homelessness and open the opportunity to advance the general 'housing affordability matters' referred to in the Bill (section 4).

We ask also that the National Housing and Homelessness Agreement require States and Territories to resolve the role conflict which arises from housing departments being responsible for funding, regulating and direct provision of social housing. Proper separation of these functions will facilitate broader reform of the social housing system and ensure the same standards of regulation are applied to all social and affordable housing providers whether community housing or government providers. A level playing field between government and non-government housing providers would facilitate healthy competition, encourage higher service standards and offer more choice for tenants.

Credible housing strategies

We support the central proposition of the Bill that Commonwealth funding be made conditional on State and Territory governments having a housing strategy in place which indicates the level of housing supply needed to respond to projected demand and outlines how that demand will be met (Sub-sections 15C(4) and (5)). While paragraph 1.17 of the Explanatory Memorandum requires that the housing strategy must be a 'current, credible housing strategy' there is no guidance in either the Bill or its Explanatory Memorandum as to how a housing strategy will be judged to be 'credible'. We consider that the legislation should set out the minimum criteria for a 'credible housing strategy' to address housing affordability and homelessness, perhaps in regulation.

Seven matters to which we would look in gauging the credibility of State or Territory's housing strategy are as follows:

- Does it have targets and strategies to ensure housing affordability for renters and home-buyers in bottom 3 quintiles of household incomes?
- Does it identify reforms to planning and land development systems to improve the efficiency of the housing market, ensure sufficient supply of zoned land ahead of time to meet demand, and deliver more affordable housing?
- Will its targets and strategies ensure that the number of social housing dwellings increases in line with trend growth in households as described in the recent report of the Affordable Housing Working Group to the Council on Federal Financial Relations (this is the 'standing still' strategy which requires an additional 6,000 social housing dwellings a year to maintain social housing at 4.3% of Australia's housing stock)?ⁱⁱ
- Does it include a commitment to transfer at least 50% of public housing stock to community housing by the end of the first five year term of the agreement (2023-24)?
- Are there identifiable mechanisms to bridge the financing gap and support the operation of the bond aggregator, as identified by the Affordable Housing Working Group?ⁱⁱⁱ
- Does it have targets and strategies to improve housing affordability and housing quality outcomes for Aboriginal and Torres Strait Islander people in both remote and non-remote areas?
- Does it include a commitment to be operating under the National Regulatory Scheme for Community Housing by end of 2018-19 financial year and to apply the same regulatory standards to both community and public housing by 2023-24?

Inclusion of 'housing affordability' matters in primary and supplementary agreements

We endorse the inclusion of broad 'housing affordability matters' in the primary and supplementary agreements. In particular it is important that the agreements identify strategies which will boost the supply of social and affordable housing in addition to direct capital

investment or additional subsidies from government to support community housing sector borrowings through the bond aggregator. These strategies include urban planning and land zoning arrangements, improving the efficiency of the planning and development system to reduce holding costs, value capture and inclusionary zoning incentives, reduced reliance on taxes and duties which drive up housing costs, and the release of suitable government land for affordable housing. We recognise that these strategies will differ across States or Territories.

Supplementary and designated agreements

We support bilateral agreements (supplementary agreements) which reflect distinctive conditions in each jurisdiction, but consider that strong Commonwealth leadership is required to set national aspirations and stretching benchmarks for this agreement. We also support provision in this legislation for 'designated agreements' to deal with specific matters outside the primary and supplementary agreements. We expect that additional funding required to improve Indigenous housing outcomes will be addressed as a priority via a designated agreement between the Commonwealth and the State and Territory governments.

Transparency of how funding is spent

We endorse the requirement in the legislation that Commonwealth funding be spent in accordance with the credible housing strategies, that is, in support of the purpose for which the funds are appropriated. To this end, both primary and supplementary agreements must specify clear and measurable outcomes. As noted above, we are concerned that the removal of funding allocated in the 2017 Budget to the National Competition Council to monitor performance under the agreement will undermine the accountability to which this legislation aspires. To help assess the credibility of the housing strategies, we suggest that States and Territories be asked to identify funding earmarked for growth in the supply of social and affordable housing funding separately from funding used for the operation and maintenance of existing properties. Both financial and non-financial contributions of States and Territories must be recognised in reporting under the agreement.

We recognise that the transfer of public housing dwellings to the community housing sector can generate an additional liability for the Commonwealth in respect of Commonwealth Rent Assistance. This additional rental income partly explains how community housing has lifted the supply of social housing since 2009. However, when a State transfers part of its housing portfolio to community housing, it keeps its (population-based share of) Commonwealth funding even though it has fewer public housing dwellings to maintain. A more transparent approach would direct Commonwealth funding to additional housing supply, with State and Territory funding contributions supporting the operating costs of the public housing portfolio.

In the same vein, it is important that public housing stock transfers to community housing be

designed to maximize the potential for community housing to generate additional supply of affordable housing, either through redevelopment and regeneration of properties of or by leveraging those assets to borrow funds for developments elsewhere. This is best achieved via property transfers involving transfer of title (not just management rights) or, at a minimum, 20-year management leases with permission for redevelopment. In this respect, New South Wales and South Australia are currently imposing models with diverse aims.

How Commonwealth funding will be reallocated where jurisdictions fail to deliver

The conditionality of Commonwealth funding is explicit in this legislation (Subsections 15C(2), (4), (5) and (6)), but it is unclear what happens if the legislative requirements are not met. We believe the legislation must set out clearly the consequences of a State or Territory failing to have a credible housing strategy or homeless strategy in place for the whole year, or failing to supply the required data, information or reporting within the required timeframe. We suggest that the legislation specify that States and Territories be given a fixed time to comply with the requirements, after which the funds would be reallocated to a capital funding pool and offered on a competitive basis to community housing providers in the relevant jurisdiction. This would underpin the integrity of the conditionality requirement in the legislation and at the same time ensure that housing outcomes for lower income people are not compromised by withdrawal of funding from the system entirely.

Indexation

The Bill does not specify the method by which payments under the National Housing and Homelessness Agreement will be indexed. The current National Affordable Housing Agreement is indexed using Wage Cost Index 1 (comprising a 75% weighting to safety net wage adjustment and 25% weighting to all groups CPI) which, unlike the indexation method used for the health and education agreements, does not reflect population growth.^{iv} Population growth is a major driver of demand for housing and for homelessness services. Had the NAHA factored in growth in the number of households since 2009, the annual Commonwealth contribution under the NAHA in 2016-17 would have been approximately \$65m (5.5%) higher than it was.

Accordingly, we propose that the legislation set out the indexation method to be applied, specifically that it reflects five-year trend growth in the number of households for the housing component of the agreement and trend-growth in population for the homelessness service component.

Data and reporting

Timely reporting from States and Territories using robust data will be the key to the greater accountability contemplated under this legislation. We welcome the commitment to better

data and reporting and suggest that as much of this reporting be put in the public domain as possible. In the absence of any independent forecasting agency such as the National Housing Supply Council, it is difficult to see how the States and Territories will be able to design credible strategies to meet projected housing demand (particularly the demand for housing which is affordable and available to people on low to moderate incomes). Equally, it is difficult to see how the Commonwealth could assess the credibility of the demand forecasts or the adequacies of the strategies proposed to meet demand without the benefit of an independent forecaster.

We note that there are likely to be flow-on costs to community housing providers and homelessness services as a result of the increased data and reporting requirements under the agreement. Accordingly we suggest that State and Territory data commitments include a requirement to facilitate community housing reporting. Although the sector delivers 19% of all social housing, very few individual community housing providers have the resources to make significant I.T. investment to support additional reporting. We also seek community housing involvement in developing the specifications for a nationally consistent data set for housing and homelessness. This will ensure that the data collected is as useful as possible to both governments, community housing organisations and the wider public.

Funding to front-line homelessness services

We welcome the confirmation of ongoing funding to homeless services and the requirement for State and Territory governments to match the funding provided by the Commonwealth. It is unclear whether this matching requirement will apply only to the additional funding component for homelessness rolled into the new agreement from 1 July 2018, or whether it also includes homelessness funding rolled into the core NAHA funding in 2009. We welcome the proposed emphasis on preventative measures which would contribute to a reduction in the incidence of homelessness (paragraph 1.37 of the Explanatory Memorandum). We expect that additional housing investment would be a core part of credible strategies put forward to address homelessness, noting that 60% of those attending specialist homeless services in 2016-17 identified housing and financial difficulties as reasons for their homelessness.^v

Conclusion

CHIA remains hopeful that this legislation will pave the way for an agreement which overcomes the disappointing outcomes from the existing National Affordable Housing Agreement. In particular that agreement failed to unite the Commonwealth, State and Territory governments in the joint effort needed to address housing affordability and



homelessness. Critically, it failed to ensure that investment in the supply of social housing and effective front-line homelessness services kept pace with population growth. Despite having a mutually agreed outcome of 'ensuring that people have access to housing that meets their needs through an efficient and responsive housing market', that Agreement also failed to deliver the necessary reforms to planning systems, land supply and infrastructure investment which could have improved the supply of affordable housing available to people in the bottom quintiles of household incomes.^{vi}

We consider that the legislation is an important step towards increasing accountability of States and Territories for the way they spend Commonwealth funds for housing and homelessness under the agreement. However, the prospects of the legislation meeting its objectives would be significantly improved if it were framed within a longer-term national housing strategy and supported by additional funding to boost the supply of social and affordable housing.

We would welcome the opportunity to discuss the Bill with the Senate Standing Committee on Economics in the New Year. In the meantime, if you require further information on any of the matter raised above, please contact Peta Winzar at by telephone on 0419 631 868 or via peta.winzar@communityhousing.com.au.

Yours sincerely

Michael Lennon

Chairman

19 December 2017

ⁱ Treasury. Mid-year Economic and Fiscal Outlook 2017. Appendix A: Decisions taken since the 2017-18 Budget. Page 133

ⁱⁱ Council on Federal Financial Relations. Affordable Housing Working Group. Supporting the implementation of an affordable housing bond aggregator. 2017

ⁱⁱⁱ *ibid*

^{iv} Council of Australian Governments. Intergovernmental Agreement on Federal Financial Relations Reforms. Schedule D: Payment arrangements. 2009. Paragraphs D24-29.

^v Australian Institute of Health and Welfare. Specialist Homelessness Service Annual Report 2016-17. 2017

^{vi} Council of Australian Governments. Intergovernmental Agreement on Federal Financial Relations Reforms. National Affordable housing Agreement. 2009. Sub-paragraph 7(d). See also sub-paragraphs 11(e) and (f), 12(d), (f) and (g), and paragraph 13.