



Community Housing
INDUSTRY ASSOCIATION

CHIA

2024-25 Federal Pre-Budget Submission



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Pre Budget-Submission – CHIA Priorities for the 2024-25 Federal Budget

Our Priorities

CHIA is the peak body representing not for profit community housing organisations (CHOs) across Australia. Our 150+ members manage a \$40 billion-plus portfolio of more than 120,000 homes, housing people on low and moderate incomes who find it hard to access affordable and appropriate tenancies in the private market.

The Community Housing Industry Association (CHIA) welcomes the opportunity to outline CHIA's priorities for the 2024-25 Budget.

Our submission is concise. In this year alone we have made two submissions to the National Housing and Homelessness Plan¹, one on behalf of the community housing disability network², and another to the Senate Inquiry into the Worsening Rental Crisis³. Each has outlined the steps we believe necessary to remediate Australia's growing housing policy challenge.

We also commissioned work (1) in response to the Productivity Commission's review of the National Housing and Homelessness Agreement⁴, and (2) to estimate the number of lower income households whose housing needs remain unmet⁵. Such studies build on CHIA's extensive body of work demonstrating the major social and economic benefits that will flow to Australia from investing in social and affordable rental housing. In this vein, 2023 has seen the launch of our SIGMAH tool that quantifies these benefits at a project level.⁶

Key priorities

Australia is in the grip of a severe housing crisis. We applaud the Federal government's recent actions to address the issue. Nevertheless, considerably more needs to be done to tackle the root causes of the problem and deal with its consequences. The forthcoming National Housing and Homelessness Plan must acknowledge and quantify the extent to which housing system outcomes are currently falling short of reasonable expectations. It must define the short, medium and long term actions needed to correct the situation. Our submission to the Plan's Issues Paper argues that these actions must include commitment to a long-term national social and affordable rental housing program, tax reform and measures to improve access to appropriate housing for people with disability, young people and, First Nation's peoples .

For this pre-budget submission we have set out three actions that can be taken in 2024-25 that are relatively modest in dollar terms, are non-inflationary, and are designed to enhance outcomes from current initiatives. That is, to 'bridge the gap' before the longer term actions we hope to see in the Plan, kick in. These three priorities are summarised below. Each is then elaborated in the main body of the submission.

Our priorities for Budget 2024-25 would see the Federal Government:

1. **Increasing the scope and ambition of the Housing Australia Future Fund (HAFF)** by expanding the size of its capital investment from \$10 billion to at least \$20 billion
2. Fostering the capacity of the community housing industry to deliver more choice for low-income renters through contributing \$3.0 million annually to a ***National Community Housing Industry Development Strategy***, to support the further growth of a strong, viable and well performing sector.
3. ***Leading the overhaul of the National Regulatory System for Community Housing (NRSCH)***, in line with the yet to be fully implemented 2017 recommendations of the last Government's Affordable Housing Working Group and the findings from the 2021 statutory review. For this purpose, an initial \$500K should be allocated to the Australian Treasury in 2024/25 to consult with key stakeholders as part of developing a roadmap for implementation from 2025/26.

Our Budget Priority 1

Increasing the scope and ambition of the Housing Australia Future Fund (HAFF) by expanding the size of its capital investment from \$10 billion to at least \$20 billion

We recognise that the Government has made a series of policy and funding commitments that, together, provide a foundation for relieving high and growing levels of homelessness and rental stress across Australia. In combination, the 40,000 new social and affordable rental housing units to be supported by the HAFF and the National Housing Accord, together with those generated via the Social Housing Accelerator, and additional investment in the National Housing Infrastructure Facility (NHIF), represent a significant first step in remediating a decade of national housing policy neglect.

However, the extent of unmet housing need amongst lower income households requires considerable further action via a long term and sustained response. At the time of the 2021 Census, there were 640,000 households either homeless or in the bottom two income quintiles in rental stress, i.e., paying more than 30% of income on housing costs. Without appropriate policy interventions, this total is forecast to rise to almost one million households by 2041⁷.

The establishment of Housing Australia, the expert National Housing Supply and Affordability Council and the development of a ten-year National Housing and Homelessness Plan have the potential to provide the much needed institutional and policy framework to support a co-ordinated comprehensive approach to planning and managing the housing system.

In the meantime, the Government's relatively favourable budgetary position as (conservatively) forecast in the 2023-24 MYEFO⁸ presents it with an opportunity to at least double the capital investment in the HAFF. This investment will not contribute to inflation, if as we anticipate, it simply facilitates further funding rounds when the returns from the initial \$10 billion stake have been fully committed.

A doubling of the HAFF stake has a number of advantages by increasing the quantum of housing generated, allowing greater flexibility in funding streams, and enabling a greater range of social and affordable rental

housing options to be delivered. CHIA appreciates the government's concern to avoid contributing to inflationary pressures; however, this investment could simply add to the length of the HAFF program – potentially extending the scope to underwrite new construction commitments beyond 2030.

At the moment the HAFF is anticipated to provide three types of funding – availability payments, concessional loans and capital grants. If the HAFF is to meet its targets then there are understandably limits on the amount of concessional loan and capital grant it can disburse. An increase in the HAFF stake and the consequentially increased investment return will allow more of this funding to be provided. Apart from this type of funding being potentially more cost effective over the longer term, it is particularly needed for the expensive-to-deliver housing needed in high cost metro markets, in many remote areas, and for projects where rental income streams are lower - such as housing for young people or single older women.

Some types of social and affordable rental housing take longer to plan and execute; this might be where partnerships need to be developed, where re-development of existing homes is involved or where capacity needs to be built up, such as in the Aboriginal Community Controlled sector. Knowing that the HAFF can continue to take on new funding commitments beyond the program's initial five years, enables CHOs and their partners to plan strategically and invest in preparatory work.

A larger HAFF investment would also allow for a designated program to support the housing recommendations in the reports of both the Disability Royal Commission⁹ and the NDIS review¹⁰.

Our Budget Priorities 2

Fostering the expansion of the community housing industry to deliver more choice for low income renters by contributing \$3.0 million annually to an industry-led National Community Housing Development Strategy to build the capacity of the community housing sector

In its 2017 report 'Supporting the implementation of an Affordable Housing Bond Aggregator' the government's Affordable Housing Working Group recommended the updating of the existing community housing National Industry Development Framework (2014). Especially with the new Commonwealth administration having pledged that community housing will provide the main delivery vehicle for its forthcoming affordable housing programs¹¹, the AHWG recommendation has acquired greater importance and urgency.

Over the past decade, high-performing community housing organisations have responded to opportunities (both development and management) by ensuring that they are operating under the expert oversight of skills-based boards of management. Our proposal for a new national industry development fund would build on Housing Australia's existing small-scale industry capacity grant program to support individual CHOs seeking Housing Australia loan facilities. While such assistance has been beneficial for recipient organisations, the program is not designed to drive sector growth or improvement.

There is a history of CHOs collectively funding industry development projects in partnership with government, with the establishment of an ESG standard¹² being a notable recent example. However, the scope for such initiatives is understandably limited given the priority to invest in services and new housing

supply. Certain state governments have also supported sector capacity building from time to time. However, projects funded as such are inherently limited in scope to the state concerned.

Moreover, in most jurisdictions no such funds are made available at all. The growth of similar sectors elsewhere has been underpinned by strong government support, including, in some cases, substantial capacity-development funding. This is a scenario recently well-exemplified by the Canadian Federal Government's Community Housing Transformation Centre, established in 2019 as part of a CAN\$50 million initiative under Canada's National Housing Strategy 2017¹³.

It is envisaged that in the first year a national industry development strategy would focus on community housing growth and sustainability. The strategy would be:

- CHIA Member-led - developed and owned by industry members in partnership with government and/or peak bodies.
- Outcomes-based: The strategy would be structured around an agreed ten year industry vision and measurable objectives for industry growth and sustainability—that can be used to prioritise and evaluate proposals for industry development initiatives. Program guidelines would align with aspirations and actions in the National Housing and Homelessness Plan.
- Client-focused: The content of the strategy would be framed in terms of how growth and sustainability objectives will (1) facilitate better outcomes for tenants, (2) meet government priorities and (3) support CHOs to access other funding and financing opportunities.

The strategy would identify projects that could be delivered through a National Community Housing Development program, which could for example include:

- Collaborative projects to develop sector responses to meet key challenges including building climate resilience, the sector's role in urban regeneration and meeting regional and remote housing needs.
- Projects that specifically support delivery of the HAFF and National Housing Accord
- Support the sector to work with the National Association of Renters Organisations to establish a National Community Housing Tenants Panel
- Work to assist CHOs in harnessing the potential of technology and data analysis to drive performance improvement.
- Supporting the development of National Community Housing Standards – complementary to formal regulatory frameworks – to drive service excellence.
- Building on our work through the community housing disability network to improve the capacity of mainstream CHOs to engage with tenants with special needs, including those with disabilities, as well as in the delivery of culturally-appropriate services to tenants from culturally and linguistically diverse backgrounds, including Indigenous Australians.
- Enabling other existing networks including the community housing climate action network and the community development network to respond to collective capacity building needs
- Support for the 'nationalisation' of state / territory led sector capacity-building initiatives.
- Improvement in management information to support benchmarking and evaluation to drive continuous improvement strategies across the sector.

The financial commitment required for industry development is modest in comparison to the significant asset portfolios under management across the sector and government contributions can be leveraged to secure funding from the community housing industry, from state/territory governments, and other partners (e.g. finance industry investment backers).

It is for the Indigenous Controlled Community Housing sector to decide on its priorities for industry development, but CHIA hopes to collaborate with this sector via the National Aboriginal and Torres Strait Islander Housing Association (NATSIHA), as we face many common issues and have much to learn from each other.

Our Budget priorities 3:

Leading the overhaul of the National Regulatory System for Community Housing (NRSCH), in line with the yet to be fully implemented 2017 recommendations of the last Government's Affordable Housing Working Group and the findings from the 2021 NRSCH statutory review. An initial \$500K should be allocated to the Australian Treasury in 2024-25 to consult with key stakeholders as part of developing a roadmap for implementation from 2025-26.

Good regulation drives industry capability and builds the confidence of all key stakeholders –investors, governments, and tenants – in the quality of management and security of social and affordable rental housing assets. The AHWG acknowledged as much in its 2017 paper by recommending the need to ‘develop and implement a uniform and nationally applied regulatory framework’. The Interim National Housing Supply and Affordability Council in its first report issued in , *Barriers to Institutional Investment, Finance and Innovation in Housing Report* is the latest institution to recognise the regulatory regimes require reform and recommending ‘there should be a joint Commonwealth-state review to develop and implement a truly national regulatory framework for the community housing sector. The new framework should be designed to support engagement with institutional investors and address the increased complexity of funding arrangements in the sector.’¹⁴

The official 2021 NRSCH Review was disappointing since, in the absence of adequate Federal government involvement at that time, it concluded without firm recommendations and failed to make progress towards a single national regulator for all social and affordable housing (an option the sector as well as the AHWG supported).

The three existing sector regulation regimes (Victoria, WA, and NRSCH (the other six jurisdictions)) operate with similar standards and have similar enforcement powers. They regulate the same types of organisations, indeed in some cases the same CHOs. However, CHOs wishing to operate nationally are required to register separately under each system and submit to different compliance assessments, adding considerably to regulatory burden.

CHIA's favours a single national regulator for all social and affordable housing (the option the AHWG supported); but accepts that there are alternative options to strengthen the system's governance and regulatory expertise in specialist areas.

The Commonwealth initially committed resources to part-fund the 2021 review. However, to secure a satisfactory outcome for a new regulatory reform push, we strongly recommend that further Commonwealth funding is designated to appoint an independent reviewer to resolve the current impasse and produce a clear roadmap to achieving a truly national regulatory regime. At the same time the reviewer should consider any enhancements necessary to ensure the NRSCH supports the successful implementation of the HAFF and National Housing Accord.

Given the reliance placed on community housing regulation by Housing Australia to provide assurance that organisations are well governed, CHIA recommends that the Commonwealth Government support the system's revitalisation by reinstating its original financial support to the NRSCH, as withdrawn from 2014.

References

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- ³ [Renters-Inquiry-Submission-07082023.pdf \(communityhousing.com.au\)](https://communityhousing.com.au)
- ⁴ [Review of Productivity Commission's 'In need of repair' report \(communityhousing.com.au\)](https://communityhousing.com.au)
- ⁵ [More social and affordable housing – Community Housing Industry Association](https://communityhousing.com.au)
- ⁶ [SIGMAH – Community Housing Industry Association](https://communityhousing.com.au)
- ⁷ <https://www.communityhousing.com.au/wp-content/uploads/2022/11/CHIA-housing-need-national-snapshot-v1.0.pdf?x22076>
- ⁸ [2023-24 Mid-Year Economic and Fiscal Outlook | Treasury Ministers](https://www.treasury.gov.au)
- ⁹ [Final Report | Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability](https://www.ndis.gov.au)
- ¹⁰ [Recommendations and actions | NDIS Review](https://www.ndis.gov.au)
- ¹¹ Australian Labor Party (2022) Housing Australia Future Fund – Background; Election platform fact sheet
- ¹² [Key Initiatives – Community Housing Industry Association](https://communityhousing.com.au)
- ¹³ Co-operative Housing Federation of Canada (2020) Community Housing Transformation Centre launched – will distribute millions in grants to housing providers <https://chfcanada.coop/community-housing-transformation-centre-launched-will-distribute-millions-in-grants-to-housing-providers-including-co-ops/>
- ¹⁴ https://nhsac.gov.au/_assets/downloads/barriers-to-institutional-investment-report.pdf