



INFORMATION PAPERS

ACT MINISTERIAL HOUSING CONSUMER FORUM
Monday 27 February 2006
Rydgges Lakeside
Canberra

ACT MINISTERIAL HOUSING SUMMIT
Tuesday 28 February 2006



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INTRODUCTION

This set of four Information Papers has been produced by the ACT Department of Disability, Housing and Community Services to stimulate discussion amongst participants at the ACT Ministerial Housing Consumer Forum on 27 February 2006 and at the ACT Ministerial Housing Summit on 28 February 2006.

The options outlined in these papers are not necessarily current government policy but have been developed to test ideas and to engage the private, public and community sectors in working collaboratively to identify and address issues in the ACT housing market and to consider ways to strengthen the financial viability of the ACT social housing sector.

The first paper titled *The ACT Social Housing System in Context* is a background paper, and provides a context and foundation for the following three papers.

The second paper titled *Targeted Housing Assistance* outlines the challenges in meeting the diversity of need in the community and highlights the competing priorities amongst specific client populations within the housing market. This paper aims to generate debate, stimulate discussion and propose workable policy options to manage the demand for housing assistance in the ACT.

The third paper titled *Social Housing Supply* facilitates discussion on the supply and financing of social housing. This paper aims to generate debate, stimulate discussion and propose workable policy options to manage the supply side of housing assistance in the ACT. The paper outlines the challenges facing Housing ACT along with other housing authorities, that are attempting to meet increasingly complex and urgent demands for housing assistance.

The fourth paper titled *Financial Viability* aims to facilitate discussion on the financial position of social housing. This paper outlines the challenges facing

Housing ACT along with other housing authorities, that are attempting to meet increasingly complex and urgent demands for housing assistance in an environment of static or reducing supply and restricted funding options. This paper aims to generate debate, stimulate discussion and propose workable policy options to manage the funding of social housing assistance in the ACT.

Thank you for taking the time to consider the issues outlined in this set of information papers and for your interest in the development of future strategies to meet the housing needs and aspirations of the Canberra community.

The Consumer Forum on 27 February and the Housing Summit on 28 February are two key milestones, but just one part of the community engagement process on this vital topic. If you have further comments on the papers or if you were unable to participate in the Consumer Forum or Housing Summit, you are able to provide comments to the Department up until **Friday 31 March 2006** either electronically at:

DHCShousingpolicy@act.gov.au

or to:

Housing Policy Consultation
Strategic Housing Policy
Department of Disability Housing and Community Services
GPO Box 158
Canberra ACT 2601



INFORMATION PAPER NO.1 THE SOCIAL HOUSING SYSTEM IN CONTEXT



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1. PAPER ONE OVERVIEW

This paper titled *The ACT Social Housing System in Context* is a background paper, which provides the framework and basis upon which the other three papers build.

The first section of this paper provides a general overview of the major housing options in the ACT, those of home ownership, private rental and social housing rental. It also discusses issues relating to homelessness and affordability.

The second section of this paper provides a brief overview of the current legislative framework which governs the provision of social housing in the ACT. Much of this legislation was formulated in the late 1980s, at a time when the issues confronting social housing were of a different nature to those facing policy makers today. This paper therefore provides a brief summary of current legislation in the context of current and future needs.

Other papers in the series prepared for the Consumer Forum and Housing Summit are:

- Information Paper Two – Targeted Housing Assistance;
- Information Paper Three – Social Housing Supply; and
- Information Paper four – Financial Viability.

2. KEY ELEMENTS OF THE HOUSING SYSTEM IN THE ACT

2.1 Background

The ACT is in general an affluent society, with average incomes the highest in Australia, however this tends to overshadow the fact that the ACT has social issues of a similar nature to those experienced by other jurisdictions. Issues associated with poverty and homelessness affect a significant proportion of the ACT population. As at June 2004, 16.7% of the ACT population was dependent on government for income support¹. However at a national level, approximately 36% of those dependent upon government pensions and allowances are in rental accommodation².

There are approximately 120,000 residential properties in the ACT. Of these, approximately 22,000 are private rental properties while another 12,000 properties are social housing³ rental properties.

Social housing provides appropriate, secure and affordable housing to those most in need and who are unable to be housed in the private market. The 2003-2008 Commonwealth State Housing Agreement (CSHA) under which grant funding is provided to the Territory for social

¹ ABS Cat No 6523 Households Income and Income Distribution 2003-04, Table 14 - (ie 50% or more of their income was from government sources)

² ABS Cat No 6523 2003-04 – Table 9

³ The term social housing refers to government funded long-term housing sector and encompasses public, community and Indigenous managed housing.

housing, has as its principal aim the provision of appropriate, affordable and secure housing assistance for those who most need it in order to reduce poverty and its effects on individuals and on the community.

The Australian Government also provides housing assistance to eligible people in the ACT by way of Commonwealth Rent Assistance, which is provided to assist households to meet the costs of accommodation in the private rental market.

2.2 Social Housing

The social housing sector has properties spread throughout the ACT and with approximately 23,500 residents⁴ the sector accommodates 7.2% of the population⁵. The social housing sector therefore has significant financial and social responsibilities to the community and its stakeholders.

Public Housing

The history of the development of public housing in the ACT is quite different to that of most other jurisdictions. As a planned city, the provision of accommodation initially responded to the needs of construction workers who were required to live in the vicinity of the developing capital. However, as Bruce Wright states in his history of public housing⁶ “there was almost no housing for them. Workers camps – tents for single workers and shanties for families developed around infrastructure projects.....”. It was against this background that the Government commenced the building program for Government officers who were to live in Canberra.

The first properties were constructed by the Federal Capital Commission during the early 1920s. However as Wright also indicates, the expectation by Government that the private sector would share the burden of housing the growing population was not fulfilled⁷. Government provided the majority of housing in Canberra and it was not until 1972 that the number of privately built dwellings surpassed the number built by Government⁸.

Up until 1973, publicly built houses in Canberra were allocated on a waiting list basis without reference to applicant need. The first test for access based on need was introduced in 1973 in an attempt to align the ACT with housing policies in other States, however this was soon varied in the absence of any binding agreement. This period also saw the creation of an Emergency Housing Committee to assess those who were in urgent need of housing assistance.⁹

It was not until 1987 that the Australian government required the ACT to align itself with the housing policies consistent with those of the States under the CSHA as a condition of continuing to receive Australian Government funding. The administration of public housing in the ACT was transferred to the Commissioner for Housing, who oversaw the newly established ACT Housing Trust, a housing authority comparable with those in other States and Territories.

⁴ CSHA National Data Reports for Public and Community Housing 2004-05

⁵ ABS 325,000 people in the ACT at June 2005

⁶ Cornerstone of the Capital - Bruce Wright 2000 p 2

⁷ Cornerstone of the Capital - Bruce Wright 2000 p 4

⁸ Cornerstone of the Capital - Bruce Wright 2000 p vi

⁹ Cornerstone of the Capital - Bruce Wright 2000 p 71

In 1989, with the introduction of self-government, the ACT became a signatory to the CSHA. Despite the ACT inheriting most of the stock built in an era where public housing was available to all, at the beginning of self-government 65% of tenants were in receipt of a rental rebate.

Public housing has had an enormous social impact on Canberra. Bruce Wright concludes; *“Public housing shaped the development of Canberra. It was pervasive. In some suburbs almost every house was built by government. Up to the mid 1990s, only three Canberra suburbs had no public housing”*¹⁰

The ACT has inherited housing stock from this period that includes a:

- portfolio of ageing housing stock (the average age of which is 29 years, the oldest public housing portfolio in Australia) which impacts upon repair and maintenance requirements;
- housing stock profile which does not meet current needs;
- multi-unit complexes that are more than 40 years old and which have significant social and tenancy issues; and
- tenancy profile where 86% of households are on a rebated rental payment.

In 2005, public housing consists of 11,500 properties, this is approximately 9.5% of all housing stock in the ACT and compares to a national average of around 5% in other jurisdictions.

These factors provide a range of new challenges that are explored in the accompanying Information Papers.

Community Housing

There are many concepts and definitions of ‘community housing’ however the ACT has generally defined it as;

“rental housing provided for low to moderate income or special needs households managed by not-for-profit community based organisations whose operations have been at least partly subsidised or resourced by government and which provides the opportunity for tenant involvement in its management.”

Involvement by community organisations and community groups in low-income housing provision in the ACT emerged in the 1980s with the availability of direct capital and infrastructure funding through a number of programs provided by the Australian Government. A number of housing co-operatives formed, with the aim of housing their members through the purchase of properties under various grant and mortgage arrangements. Nevertheless, the total amount of funding available limited the growth of stock to around 40 properties by the mid 1990s.

A parallel development in the 1980s was the move by some members of the community to lobby the Government to provide more low cost housing. Community organisations formed to provide accommodation and support at both Ainslie Village and Havelock House, the capacity of both facilities provided housing for over three hundred people.

¹⁰ Cornerstone of the Capital - Bruce Wright 2000 p 95

A third development was the growth of short and medium term housing for people in crisis, and for housing with a strong health and/or support focus. One of the causal factors appears to have been the ACT following the national trend to close institutions and facilities and to expand services provided in a suburban residential setting. The availability of capital funding under the Australian Government's funded Crisis Accommodation Program, as well as the growth of government group houses for people with an intellectual disability, led to the headleasing of Housing ACT stock to a number of community organisations and other government agencies.

In the late 1990s, Community Housing Canberra (CHC) was established by the ACT Government to develop, hold and manage properties that could be sublet to local housing providers. Housing ACT transferred 209 properties with 20 year leases to CHC which were subsequently sub-leased to a mix of existing and new housing providers. An additional 15 units were provided for community housing as a result of an innovative joint venture between CHC and the private sector through redevelopment of the previous public housing multi-unit site at McPherson Court O'Connor.¹²

In May 2003, the *Community Housing in the ACT – Future Directions Policy Framework* was released following extensive community consultation on future directions for community housing in the ACT. The Framework provides a policy context, which enables a collaborative approach between Government and the community sector to develop strategies for community housing in the ACT.

In the ACT today community housing provides an important housing option for more than 500 households. Although small in scale, the ACT community housing sector is now quite complex and diversified, with over ten organisations representing a range of cultural, social and community interests. This diversity reflects the range of individual household needs across the ACT community and is in keeping with one of the benefits of community housing – to provide for a wider range and choice of housing options reflecting differing needs and preferences of clients.

The sector accesses accommodation from a range of sources, including leasing from Housing ACT, leasing from the private sector, capital purchases, and tendering for management of specific government funded projects such as the boarding house projects.

Community housing organisations also manage a wide range of programs that cater to specific needs, and often work collaboratively with other agencies to maximise client outcomes. For example, Gungahlin Singles Accommodation, a 20-unit development opened in December 2005 accommodates single adults, including at least four adults with mental health issues. Havelock Housing Association, the community housing provider funded to manage the development, has engaged a number of support agencies to assist the clients of this project. It has also devised an allocation policy specifically for the project in an attempt to maintain a sustainable environment, and to include the provision of accommodation and support for people with mental health issues.

¹²CCHOACT – A Position Paper for the Affordable Housing Taskforce - August 2002

The development of a range of program responses that reflects housing need has resulted in a diversity of funding and leasing arrangements within the community-housing sector. A range of community engagement and sector development activities have been undertaken to prioritise and implement the various strategies outlined in the Government's Community Housing Framework.

At the Ministerial Housing Advisory Forum on Community Housing held in September 2005, it was agreed that there should be an Action Plan to implement the various strategies in a consistent way within the available resources of \$1.45 million per annum for community housing. With the growth of property numbers likely to be relatively small and incremental, sector viability and the potential for partnerships for smaller organisations will be an issue for the sector in progressing the Action Plan. Future priorities include three-year funding arrangements; sector development initiatives that includes transparency, accountability and high quality service provision for tenants. Forum participants also noted that the Action Plan for community housing needed to include the emerging role of community housing in the development of affordable housing options, including the Framework for National Action on Affordable Housing and the role of CHC.

2.3 Private Rental

The key determinants of affordability for private renters are household income and the level of rent being paid. The level of rent, in turn, is driven by the vacancy rate, which reflects supply and demand in the rental market.

In 2003-04, private rental housing represented about 20% of the total housing stock of the ACT, similar to the national average of 22%¹³. The Affordable Housing Taskforce reported that in 1996, low cost private rental accommodation accounted for only 7% of all low cost housing in the ACT, compared with 20% to 40% of low cost housing in other capital cities. This low proportion may be partly attributable to the high proportion of public housing in the ACT which may affect the low cost private rental market.

As at the last census in August 2001, the ACT had approximately 22,000 properties available for private rental¹⁴, however average rents in the ACT were amongst the highest in the country. As at June 2005, the average rent for a three - bedroom house was \$300pw, this is considerably higher than the next highest average rent, NSW was \$260 pw, while average rent for a two bedroom flat was \$280 pw, the same as in NSW¹⁵.

This relatively low proportion of low cost rental housing in the ACT creates further demand for affordable housing. The ability of government to influence the private rental market is limited. However, it has implemented a number of initiatives designed to assist entry into private rental arrangements, sustain tenancies and reduce upward pressure on rental costs.

Commonwealth Rent Assistance (CRA) is available to tenants of private and community housing who are in receipt of some forms of Australian Government benefit. As at June 2005, there were

¹³ ABS, Household Income and Income Distribution, Cat No. 6523.0, 2003-04.

¹⁴ ABS Census Basic Community Profiles, Australia, Cat No 2002.0 (unpublished)

¹⁵ SCRGSP (Steering Committee for Review of Government Services Provision) 2006, *Report on Government Services 2006*, Productivity Commission, Canberra Table 16A69

8,000 people in the ACT in receipt of CRA¹⁶. The average CRA payment in the ACT is \$75.21 per fortnight¹⁷, this means that approximately \$15.5m was paid by the Australian Government in 2004-05 to non-government renters in the ACT. However, of these renters 47% were paying more than 30% of their income on rent payments,¹⁸ while 1271 recipients or 16% were paying more than 50% of their income in similar payments¹⁹. Furthermore, 74% of recipients were receiving the maximum rate of CRA²⁰. The ACT has the highest level of recipients on maximum CRA in Australia. This reflects the current high rent levels in the private rental market.

Housing ACT provides assistance to low to moderate incomes earners to enter the private rental market, however it has no capacity to influence the private market directly. Under the Rental Bonds Housing Assistance Program, an interest free grant is available to assist with the up-front bond payment, in addition to a grant of \$100 to assist with the costs of establishing a new private rental tenancy.

2.4 House Prices and Affordability

The ACT with a homeownership rate of 68% has similar home ownership levels to the rest of Australia which is around 70%²¹. However homeowners in the ACT have relatively high mortgages compared to the national average²², which reflects the high median house prices in the ACT.

While these mortgages may be manageable for many ACT households due to their high average incomes²³, high property prices will preclude many low to middle income earners from entering into home ownership. As at September 2005, the median house price in the ACT was around \$350,000²⁴ while prices for units are around \$295,000²⁵.

Since 2002, house prices at the lower end of the market have increased by 50-75% while wages have increased more modestly, increased demand is one of the factors driving this price rise. The graph below illustrates house prices by quartile for this period.²⁶

¹⁶ SCRGSP (Steering Committee for Review of Government Services Provision) 2006, *Report on Government Services 2006*, Productivity Commission, Canberra Table 16A45.

¹⁷ SCRGSP (Steering Committee for Review of Government Services Provision) 2006, *Report on Government Services 2006*, Productivity Commission, Canberra Table 16A59.

¹⁸ SCRGSP (Steering Committee for Review of Government Services Provision) 2006, *Report on Government Services 2006*, Productivity Commission, Canberra Table 16A62.

¹⁹ SCRGSP (Steering Committee for Review of Government Services Provision) 2006, *Report on Government Services 2006*, Productivity Commission, Canberra Table 16A65.

²⁰ SCRGSP (Steering Committee for Review of Government Services Provision) 2006, *Report on Government Services 2006*, Productivity Commission, Canberra Table 16A60.

²¹ ABS, Household Income and Income Distribution, Cat No. 6523.0, 2003-04

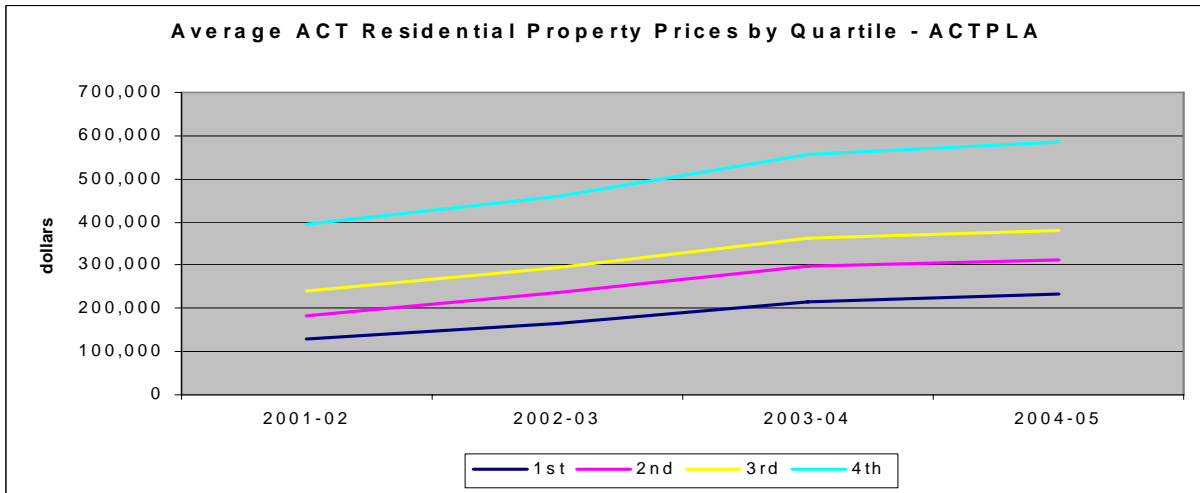
²² ABS Housing Finance Cat No 5609, Oct 2005

²³ ABS, Household Income and Income Distribution, Cat No. 6523.0, 2003-04

²⁴ REIA Home Loan Affordability Report - September Quarter 2005, ACT Department of Treasury

²⁵ REIA Home Loan Affordability Report - September Quarter 2005, ACT Department of Treasury

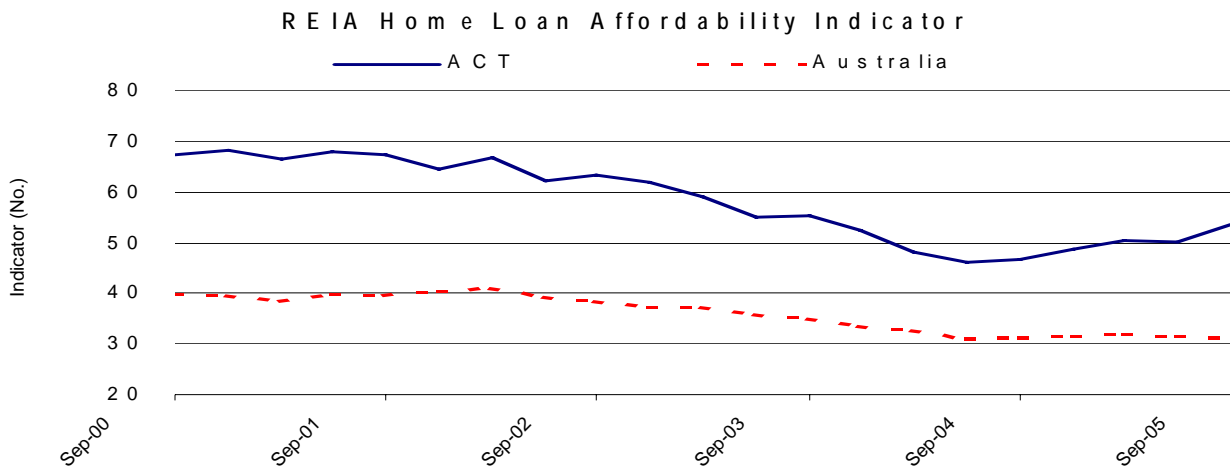
²⁶ A quartile is a quarter (or 25%) of the sample. In the table below for example, the 1st quartile means the 25% of properties that are in the lowest price bracket.



Source; ACTPLA

However increasing house prices are seen as a benefit by some people, particularly existing owners, investors and those looking to downsize, who all stand to gain in an era of rising prices. While those wishing to enter the market for the first time find it increasingly difficult to do so. This challenge is an important consideration for any government decision that substantially affects house prices.

The ACT's home loan affordability indicator is a general affordability measure which is calculated as the ratio of family income to average loan repayments. An increase in the indicator denotes greater affordability. Not surprisingly, this indicator illustrates reduced levels of affordability during the period since 2002, with signs of improvement since mid 2004.



Source; REIA

The ACT AMP/REIA Home Loan Affordability Indicator shows affordability improved in four of the five quarters to September quarter 2005, and following a rise of 7.0% in the September quarter 2005, home loan affordability is at its highest level in two years.

In the ACT, the average monthly loan repayment fell 3.3% to \$1,624 in the September quarter, while the ACT medium weekly family income rose 3.5% in the September quarter 2005. As a result, the proportion of family income required to service a loan repayment fell from 2.0% to 1.8% in this period. The overall result is that the ACT home loan affordability is likely to continue to improve.²⁷

The ACT ranks second in terms of affordability across all States and Territories, with the Northern Territory recording the highest level of home loan affordability in the September quarter 2005.

Nationally the ACT recorded the highest rise in home loan affordability for the year ending September quarter 2005. The largest decline was recorded by Western Australia followed by Tasmania.

Improving affordability reflects a combination of the softening in house prices, and steady growth in household incomes as a result of the strong labour market. Housing affordability should continue to improve if interest rates remain at the current rate, household incomes continue to grow strongly and housing price growth continues to remain modest.²⁸

2.5 Residential Land Supply

The ACT Government's Residential Land Supply Strategy seeks to maintain a balance between land supply and demand in the ACT whilst achieving a range of economic, social and environmental objectives as endorsed by *The Canberra Plan* and *The Canberra Spatial Plan*. It also attempts to provide housing choice, promote housing affordability and to respond to the housing needs of an ageing population.

The Strategy also provides a framework to consider the allocation of land for community purposes and the delivery of various social policy outcomes.

There is currently 4.2 years worth of land supply sitting in the builders and developers pipeline. This equates to 7,600 dwellings, with land available for a further 4,800 dwellings where concept planning has been finalised.

Land sales program

The ACT Government's Land Sales Program is designed to, as closely as possible, achieve equilibrium between land supply and demand in the ACT.

²⁷ REIA Home Loan Affordability Report – September Quarter 2005, ACT Department of Treasury.

²⁸ ACT Residential Property Market Report – December 2005, ACT Department of Treasury

In 2003-04, the target number of dwelling sites to be released was 2,395. Actual releases numbered 2,961, which exceeded the target by 566 sites. This increase was designed to provide ongoing supply to meet very high demand and ensure that land prices remain relatively stable.

The Land Sales Program provided an indicative number of dwelling sites to be released in 2004-05 of 2,083. The Residential Land Supply Strategy states that due to the highly cyclical nature of the property market, the actual land supply and sales program will be adjusted accordingly. Given the slowing of the housing boom in 2005 and a possible over supply of land, the year-end forecast for total releases is now 1,505, which includes the recent announcement of 1000 blocks in the new suburb of Forde.

Targeted land release

As part of the Government's broad range of strategies to release affordable blocks of land and to improve affordable home ownership options for low to moderate income earners, a new initiative was announced in the 2004-05 Budget to provide affordable greenfield sites in various estates throughout the ACT. This initiative makes provision for release of up to 100 blocks each financial year for the next five years to be sold through restricted ballot processes to moderate income earners seeking entry into home ownership and to affordable housing providers for social and community housing purposes.

In addition, the provision of affordable housing is supported by the Government policy of the direct grant of land to community housing groups.

2.6 Homelessness

As mentioned previously, although the ACT is a relatively affluent community, homelessness is an ongoing concern. Homelessness means different things to different people and many researchers, including the ABS in their census data, refer to three distinct kinds of homelessness:

- primary homelessness - people who have no shelter, sleep rough, live on the streets, in cars, under bridges and in impoverished dwellings.
- secondary homelessness - people who frequently move from various forms of temporary accommodation, eg emergency accommodation, SAAP services, friends, relatives and short-term boarding houses; and
- tertiary homelessness - people living in accommodation that is without security of tenure, unsafe or inappropriate to their needs, without their own bathroom and or kitchen.

Breaking the Cycle – the ACT Homelessness Strategy considers and addresses homelessness at the primary, secondary and tertiary levels to ensure the ACT is positioned to prevent, wherever possible, the occurrence of homelessness and to minimise its most damaging, sustained and residual impacts. At the time of the last census 1229 people were homeless in the ACT²⁹. Of these, 65 people were experiencing primary homelessness.

The ACT Government commissioned the ACT Council of Social Services (ACTCOSS) to undertake a needs analysis of homelessness in the ACT. The resulting ACTCOSS report made

²⁹ABS *Counting the Homeless, Nov 2003 (based on 2001 census data, the ACT count was 1229 people)*.

37 recommendations. The Homelessness Advisory Group was established in June 2002 to develop a draft homelessness strategy in response to the recommendations. This Strategy, *Breaking the Cycle - the ACT Homelessness Strategy* was released by the ACT Government in April 2004. The primary goal is to prevent and reduce homelessness to enable individuals and families to lead safe, active, participative and rewarding lives. The strategy has set a target to reduce primary homelessness to as close as possible to zero by 2013. A progress report on the implementation of *Breaking the Cycle – The ACT Homelessness Strategy* for the period July 2004 to June 2005 was tabled in the Legislative Assembly in November 2005.

The primary response to homelessness in the ACT is through the Supported Accommodation Assistance Program (SAAP). This is a joint initiative of the Australian and State and Territory Governments and is the keystone of the national response to homelessness. The objectives of SAAP are to work cooperatively to provide transitional supported accommodation and a range of related support services, in order to help people who are homeless to achieve the maximum possible degree of self reliance and independence. The goals of the program are to:

1. resolve crisis;
2. re-establish family links where possible; and
3. re-establish capacity to live independently of SAAP.

The SAAP V Multilateral Agreement, covering the period 2005 to 2010, has adopted new strategic themes, reflecting a consolidation of the program's operation over the past 20 years, with a greater focus on integration and collaborative practice, prevention and the achievement of sustained outcomes. Consistent with the broad aims of SAAP as defined in the Commonwealth's *Supported Accommodation Assistance Act 1994*, these themes are for:

1. increased involvement in early intervention and prevention strategies;
2. the provision of better assistance to people who have a number of support needs; and
3. the provision of ongoing assistance to ensure stability for clients post-crisis.

The SAAP V Multilateral Agreement has four main national strategies that are: reform of the sector; research to inform policy and program delivery; enhanced reporting and data collection; and linkages to the broader social support system. The national strategies and strategic priorities are consistent with the ACT Government's policy in responding to homelessness, *Breaking the Cycle – the ACT Homelessness Strategy*.

One of the mechanisms the ACT Government has used to address homelessness is the head leasing program whereby Housing ACT headleases approximately 470 properties to community and government agencies to provide a range of crisis, supported and long-term accommodation services. Further information about the headleasing program is provided in the later section defining ACT Housing Assistance Programs.

The causes of homelessness are complex and a targeted and well-coordinated suite of solutions is required to achieve positive and sustainable results. The capacity of SAAP to fully meet the diverse support needs of clients experiencing mental health issues, domestic violence, substance misuse, family breakdown, unemployment or poverty, is limited. The establishment of functional linkages and sound working relationships with other support services and agencies are critical to

expanding the capacity of SAAP to provide early intervention support for people experiencing or at risk of homelessness. *Breaking the Cycle – the ACT Homelessness Strategy* articulates key actions to improve service coordination and is being implemented in partnership between ACT Government agencies, the Australian Government and the community sector.

2.7 Residential Tenancies Act 1997

The *Residential Tenancies Act 1997* (RTA) commenced operation on 26 May 1998, replacing the *Landlord and Tenant Act 1949*. The new Act regulates the vast majority of residential and occupancy agreements in the ACT, including public rental housing tenancies and seeks to achieve an equitable balance between the interests of both tenants and lessors.

Major reforms introduced with the RTA in 1998 include:

- establishment of the Residential Tenancies Tribunal to arbitrate disputes between tenants and lessors on matters such as tenancy termination, rent increases and maintenance and repair issues;
- introduction of a comprehensive set of Prescribed Terms to be read into every tenancy agreement, whether written or oral;
- tenancy termination without cause;
- strict standards for both urgent and routine repairs; and
- strict limitation on the number of inspections that may be carried out by the lessor.

Other areas covered by the Act include:

- administration of Rental Bonds;
- termination of tenancies;
- condition reports;
- rent setting;
- exclusive right of occupancy; and
- quiet enjoyment.

The RTA was reviewed in 2003-04 and two tranches of amendments arose from this review. The first set of amendments were passed by the Assembly in 2004 and came into operation on 8 March 2005, except for changes to the Prescribed Terms which will have a commencement date of 1 January 2006. The second set of amendments was passed by the Assembly in August 2005 with a number of the provisions due to commence on 1 March 2006.

Key amendments included:

- introduction of Occupancy Agreements (similar to tenancy agreements except that they may be terminated without cause by giving less than six months notice);
- recognition of short term tenancies by prescribed crisis accommodation providers;
- allowing Housing ACT to seek payment of a past debt as a condition for the offer of a new tenancy;
- changes to the succession arrangements to permit public housing tenancies to prohibit transfer of tenancy under a will; and
- arrangements for the substitution by the RTT of an occupant as tenant where a court order has been made removing the tenant from the premises.

3. SOCIAL HOUSING REGULATORY FRAMEWORK

3.1 Background

The *Residential Tenancies Act 1997* (RTA) covers most private and social rental housing options in the ACT. However there are a number of primary and subordinate pieces of legislation which govern the provision of social housing assistance in the ACT. Some of these, particularly the ACT's *Housing Assistance Act 1987* (HAA) and its subordinate programs, are unable to respond effectively to the diverse range of housing assistance requirements of individuals and the community consistent with the Governments policy of sustainable tenancies and communities.

Since the passing of the HAA, there has been a substantial change to the approach to housing assistance whereby Housing ACT, like other state housing authorities, has moved towards offering a range of social, private rental, home ownership or supported accommodation options in addition to the traditional form of public rental housing assistance. There is also an increasing focus on targeting assistance options to the most vulnerable members of our community.

While the focus remains on housing those most in need in traditional models of social housing, additional assistance options are required for those ineligible for social housing and for those who are effectively locked out of the system. Some of these include: people facing discrimination in the housing market, people with support needs and low disposable incomes, and households with unstable tenancy or financial histories, particularly those with children.

One of the key outcomes from the Consumer Forum and the Summit will be consideration of whether legislation for housing assistance needs to be amended or replaced in order to improve the delivery of flexible and responsive assistance measures to meet current and emerging housing needs. In order to provide the context for this consideration, a brief overview of legislation underpinning the social housing sector is provided below.

3.2 Housing Assistance Act 1996 (Cwlth)

The objects of the Australian Government's *Housing Assistance Act 1996* (Act) are to provide financial assistance to the States and Territories (States) to support access to housing that is affordable, secure and appropriate to their needs. A secondary purpose of the Act is to allow the Australian Government to make payments for the purposes of research, development and evaluation in relation to housing.

A key feature of the Act is that the assistance is to be implemented through common-form agreements between the Commonwealth and the States. These agreements take the form of the Commonwealth State Housing Agreement (CSHA) discussed below. The Act also determines the form and content of the CSHA.

Overarching goals of the Act, which are reflected in the CSHA are:

- to target housing assistance to those most in need, including the homeless and those discriminated against in the private rental market;

- to make available a choice between different forms of housing assistance and different providers of that assistance; and
- to ensure that rental housing provided under inter-government housing agreements is of an adequate size, has adequate amenity and is appropriately located in relation to employment opportunities and necessary services and facilities.

The Act also specifies that the housing assistance provided under this Act will be achieved by:

- identifying needs for which the provision of housing assistance is an appropriate response;
- providing, or arranging for the provision of, housing assistance;
- giving the assistance in ways that are effective and ensure that money provided is spent efficiently and is properly accounted for;
- encouraging the provision of different kinds of housing assistance; and
- ensuring that the rights of people receiving assistance are properly protected and that due regard is had to their responsibilities.

3.3 Commonwealth State Housing Agreement

The Commonwealth State Housing Agreement (CSHA) comprises a multilateral agreement between the Commonwealth and States and Territories and separate bilateral agreements between the Commonwealth and each jurisdiction. The current CSHA extends from 2003-2008, the legislative basis for which is the *Housing Assistance Act 1996* described above.

The main guiding principles of the CSHA are to:

- assist those whose needs for appropriate housing cannot be met by the private market;
- provide assistance for the duration of need;
- promote alternative methods of housing provision; and
- provide assistance in a way that minimises workforce disincentives.

The CSHA acknowledges that Bilateral Agreements are the main instrument for articulating housing assistance outcomes and objectives in each state and territory. The following objectives articulate the direction of the ACT during the five-year period:

1. Develop and maintain a viable and sustainable social housing sector;
2. Develop and deliver affordable, flexible housing responses that meet the needs and choices of people in housing need;
3. Better integrate housing and associated programs to improve client outcomes and meet broader government objectives;
4. Continue the ACT's commitment to improving housing outcomes for Aboriginal and Torres Strait Islander people;
5. Ensure that housing assistance promotes access to employment; and
6. Promote innovative approaches to leverage additional resources into the social housing sector.

Each of these objectives contains strategies and mechanisms by which the ACT Government will provide safe, appropriate and affordable housing for those in need.

In 2004-05, the ACT received \$16.777m from the Australian government as base funding. This was supplemented by \$8.212m in matched funds provided by the ACT Government. The CSHA also funds community housing under the Community Housing Program with \$1.044 provided in 2004-05 and crisis and transitional accommodation under the Crisis Accommodation Program, with \$0.647m provided in 2004-05.

3.4 Housing Assistance Act 1987 (ACT)

The *Housing Assistance Act 1987* (HAA) establishes a framework for housing assistance to be provided in the ACT through the position of the Commissioner for Housing. The HAA establishes the office of the Commissioner for Housing as a corporation sole whose statutory functions are attached to a position in the ACT Public Service.

Currently the Chief Executive of the ACT Department of Disability Housing and Community Services undertakes these functions, which are to administer on behalf of the ACT, programs and funding arrangements for the delivery of housing assistance in the ACT in relation to:

- public rental housing;
- home ownership;
- income-related assistance to home owners and tenants;
- hold land on lease;
- acquire, control, manage and dispose of properties;
- purchase and sell housing;
- construct, maintain, renovate and demolish housing;
- enter into contracts and tenancy agreements; and
- enter into, and participate in, joint ventures.

The HAA permits the Commissioner, with the approval of the Minister, to prepare, amend and revoke housing assistance programs. Once they have been registered, such programs become subordinate legislation (disallowable instruments). Programs may be altered or revoked at any time with approval of the ACT Legislative Assembly, while amendments or revocations are also disallowable instruments which require the assent of the Assembly to become operational.

Three housing assistance programs are currently operational under the HAA, these are:

- Public Rental Housing Assistance Program;
- Community Organisations Rental Housing Assistance Program; and the
- Rental Bonds Housing Assistance Program.

Residual elements of two other programs, the HomeBuyer Housing Assistance Program and the Single Share Accommodation Scheme are operational but these programs are no longer current.

The ACT Government is restricted in the range of housing options it can operate through its registered programs and funding arrangements. Consequently, it is unable to respond to the diverse range of housing assistance requirements of individuals and the community, consistent with the Government's policy of sustainable tenancies and sustainable communities. The HAA may not, for example allow government to establish or regulate non-government organisations to provide housing assistance on its

behalf. It is clear that increased flexibility in the way housing assistance can be provided is desired in order to address an increasing need for a diversity of housing assistance responses.

3.5 Housing Assistance Programs

A brief description of the operational programs under the ACT's *Housing Assistance Act 1987* (HAA) is provided below.

Public Rental Housing Assistance Program

The Public Rental Housing Assistance Program (PRHAP) is the major form of housing assistance provided by the ACT. PRHAP reflects Government policy for the provision of public housing assistance in the ACT. It was first gazetted in 1989 and has subsequently seen a number of amendments. PRHAP specifies the criteria under which an applicant qualifies for, and is allocated, assistance. These eligibility criteria are currently relatively inflexible in that they specify objective standards that must be met by all applicants, for example, standards relating to Australian residence or asset limits. Subject to exceptions in circumstances such as those outlined below, these standards must be applied in every case.

In some instances the Program provides a degree of flexibility or discretion in determining whether or not an applicant is eligible. For example, the ownership of residential property may be disregarded in certain circumstances, and any of the eligibility criteria (except the age criterion) may also be disregarded if an applicant is suffering severe hardship which could not be alleviated by any other means. Details of the eligibility criteria currently in operation are discussed in *Information Paper 2 Targeted Housing Assistance*.

In May 2005, PRHAP and its 16 amendments were consolidated into a single program, while in December 2005 further refinements were included. However there has not been a general review of PRHAP since its commencement. PRHAP contains a mixture of broad policy, operational policy and many prescriptive details concerning the delivery of housing assistance. There are a number of gaps in its coverage and a number of elements are open to interpretation that can lead to discrepancies in operational practice.

Rental Bonds Housing Assistance Program

The Rental Bonds Housing Assistance Program (RBHAP) was introduced on 1 July 2003 in response to a recommendation of the Affordable Housing Taskforce. Rental bond assistance was previously available under the Rent Relief Program which was revoked in December 2000 under the previous Government's housing reform package. That scheme had been criticised by the Auditor General as being inefficient and administratively cumbersome.

The new program was streamlined with a focus on providing financial assistance to eligible persons experiencing financial difficulties in establishing a residential tenancy.

The main features of the new program included:

- eligible applicants assisted to access private rental housing through an interest-free loan of up to 80% of the bond required under a tenancy agreement;
- loan repayments are to be by manageable instalments starting 3 months after the loan is granted;

- eligibility criteria were aligned to PRHAP criteria, but the income barriers were somewhat higher to allow for the higher cost of renting on the private market; and
- similar to PRHAP, the program provided for waiver of one or more of the eligibility criteria for an applicant who was in extreme hardship.

In mid-2005, the program was amended to make it more responsive to the needs of applicants. In particular the income barriers were significantly increased to 120% of the average weekly earnings (AWE)³⁰ for single households and 150% of AWE for households of two persons, plus additional allowances for larger households. In addition a new form of assistance by way of a grant of \$100 was introduced to assist with the costs of establishing a new tenancy.

Although the requirement that applicants demonstrate their financial capacity to sustain a tenancy on the private market and to repay the bond loan was retained, the specific requirement that payments not exceed 40% of the applicant's income was amended in favour of a more general provision. This was in recognition of a finding of the review that a disproportionate percentage of applicants were refused bond assistance because of their inability to meet the 40% criterion.

In the 2004-05 financial year, a total of 47 bond loans were issued worth \$32,287 (compared to 66 bond loans in 2003-04 worth \$46,659).

Community Organisations Rental Housing Assistance Program

The Community Organisations Rental Housing Assistance Program (CORHAP) was one of the original programs gazetted in 1987 and has not been amended.

The object of CORHAP is to provide rental accommodation for use by eligible community organisations in the ACT. In general CORHAP has been a successful vehicle for providing housing assistance throughout the community. As at November 2005, approximately 470 properties were leased under the program for a range of purposes including; crisis accommodation and refuges, supported accommodation for people with disabilities, respite accommodation, and Indigenous Community Housing.

The types of services supported through these headleasing arrangements include:

- supported accommodation provided through Mental Health ACT;
- supported accommodation provided through Disability ACT;
- crisis and medium term accommodation funded through SAAP;
- long term community housing organisations;
- Aboriginal and Torres Strait Islander Community Housing Organisations;
- services to young people and children in care of the Office of Children, Youth and Family Services; and
- temporary student accommodation.

³⁰ Eligibility for housing assistance is determined by a number of eligibility criteria, one of the most important is income level. Generally if an applicant's income is above a certain amount they are not eligible for housing assistance. The income limit is determined as a proportion of the ACT average weekly earnings (AWE) which is published by the Australian Bureau of Statistics. Housing ACT income eligibility figures are reviewed every 3 months following the release of ABS Consumer Price Index (CPI) and the AWE figures.

Many of these areas are where the social housing systems is experiencing increasing demand pressures.

3.6 Aboriginal and Torres Strait Islander Housing Agreement

The CSHA requires the ACT Government to enter into an agreement with the Australian Government in relation to Indigenous housing in the ACT. A new *Agreement for the Provision of Housing for Indigenous People 2005-2008* (Agreement) was signed by both the Australian and ACT Ministers in October 2005.

This Agreement recognises that Aboriginal and Torres Strait Islander people generally endure lower standards of housing than the rest of the community and while the private market satisfies the majority of Indigenous housing needs in the ACT, social housing assists those unable to find appropriate and affordable accommodation privately.

The Agreement is informed by four key objectives, outlined below:

1. identify and address unmet housing needs of Indigenous people;
2. improve the capacity of Indigenous community housing organisations and involve Indigenous people in planning and service delivery;
3. achieve safe, healthy and sustainable housing; and
4. coordinate program administration.

The Agreement requires the pooling of Indigenous housing funds in order to more effectively achieve the objectives. From 2006-07, all Australian Government funding for Indigenous housing in the ACT will be provided to the ACT Government for disbursement in accordance with the terms of the Agreement. In 2005-06, the ACT will receive new funding from the Australian Government's *Healthy Indigenous Housing* and *Community Housing and Infrastructure Program* initiatives. Funding for both of these programs is intended to assist in capacity building, training and development in the ACT Indigenous housing sector.

The objectives of the Agreement are to be achieved through an Annual Operational Plan that articulates the actions that the ACT Government will undertake and complete in the 2005-06 financial year. Broader goals and longer-term strategies for Indigenous housing in the ACT will be incorporated in a *Strategic Plan for Indigenous Housing 2006-2008*. This will be developed in consultation with an ACT Indigenous Housing Advisory Committee, which will be appointed in early 2006.

4. CONCLUSION

Thank you for taking the time to consider this paper and for your interest in the development of future strategies to meet the housing needs and aspirations of the Canberra community.

As a background paper, this Information Paper provides the foundation and context for discussion of the social housing issues which are detailed in the three following papers of this series; *Paper2 Targeted Housing Assistance*; *Paper3 Social Housing Supply*; and *Paper4 Financial Viability*.

5. GLOSSARY

ACTCOSS	ACT Council of Social Services
AUV	Average Unimproved Value
AWE	Average Weekly Earnings
CHC	Community Housing Canberra
CORHAP	Community Organisation Rental Housing Assistance Program (ACT)
CRA	Commonwealth Rent Assistance
CSHA	2003 2008 Commonwealth State Housing Agreement
HAA	Housing Assistance Act 1987 (ACT)
PRHAP	Public Rental Housing Assistance Program
RBHAP	Rental Bonds Housing Assistance Program
REIA	Real Estate Institute of Australia
RTA	Residential Tenancies Act (ACT) 1997
SAAP	Supported Accommodation Assistance Program (Cwlth)

INFORMATION PAPER NO.2 TARGETED HOUSING ASSISTANCE



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1. PAPER TWO OVERVIEW

This paper titled *Targeted Housing Assistance* outlines the challenges in meeting the diversity of need in the community and highlights the competing priorities amongst specific client populations within the housing market. This paper aims to generate debate, stimulate discussion and propose workable policy options to manage the demand for housing assistance in the ACT. The paper outlines the role of a social landlord and issues of balancing equity and access in the provision of housing.

The first section of this paper outlines the overarching principles that have informed the development of the paper, provides a brief overview of the ACT targeted housing system including specific client populations that may require targeted housing assistance.

The second section of this paper outlines the current security of tenure policy and provides a range of policy options to enhance the capacity of social housing to support a greater number of clients within the system. The third section of this paper details a range of options to better manage demand within the current housing system.

Key issues for consideration in this paper include:

- How should relative need be determined?
- Should market renters, who have the capacity, move into the private sector?
- How can demand for housing assistance be better managed?

Other papers in the series prepared for the Consumer forum and Housing Summit are:

- Information Paper One– ACT Social Housing System in Context;
- Information Paper Three – Social Housing Supply; and
- Information Paper Four – Financial Viability.

2. OVERARCHING PRINCIPLES

A number of overarching principles have been considered in the development of targeted housing assistance options. These principles will inform the development of future decision-making processes on housing policy directions.

2.1. Client participation and engagement

The ACT Government is dedicated to upholding the dignity and rights of clients, and in particular maintaining choice in forms of housing assistance. The principle of client participation and engagement will be a priority in the development of housing policy directions to ensure clients are actively involved in decisions that affect their lives.

2.2 Grandfathering Arrangements

An important principle of introducing any change to the current housing system is the acknowledgement of accrued rights for tenants and applicants, this may be provided for under a ‘Grandfathering’ arrangement.

A ‘Grandfathering’ arrangement is general practice associated with the introduction of changes to legislation or statutory programs. A Grandfathering clause may be required so that individuals are not negatively impacted by changes to the housing assistance programs and supports a legitimate transitional process to minimise the effect of these changes on housing clients. In other words, introducing changes, which do not apply retrospectively.

2.3. Provide adequate lead time for changes to housing assistance programs

Closely related to the issues of accrued rights is the provision of adequate lead-times and change management process to implement any significant amendments to the housing assistance program. Any change to legislation would need to be prepared and tabled for consideration by the ACT Legislative Assembly.

2.4. Shared responsibility in meeting client need

The challenge of developing a continuum of housing assistance incorporating homelessness services, social housing programs and enhanced access by vulnerable members of the community to the private housing market requires improved and better-coordinated support options for clients with a focus on sustaining tenancies.

The provision of effective support services to applicants and tenants with multiple and complex needs often requires multi-agency involvement and is a shared responsibility between government agencies, community organisations and social networks, and includes an appropriate role for the private sector.

Question:

What are the most effective ways to build partnerships in housing assistance?

(a) Between government agencies?

(b) Between government, community organisations, the private sector and the community?

3. OVERVIEW OF TARGETED HOUSING ASSISTANCE

All human services that face unlimited demand have the challenge of rationing or targeting services and products to manage within existing resources.³¹ Generally this targeting is controlled through legislative and policy frameworks, which govern the range and programs and services available to the community.

The 2003-08 Multilateral Commonwealth State Housing Agreement (CSHA) requires the provision of appropriate, affordable and secure housing assistance for those who most need it, for the duration of their need.³² The *Housing Assistance Act 1987* (HAA) states that one of the objectives is to maximise the opportunities for everyone in the ACT to have access to housing that is affordable, secure and appropriate to their needs and to facilitate the provision of housing assistance for those in most need.

There are significant differences in the extent of targeting across jurisdictions, with Tasmania and Victoria operating the most targeted systems and Queensland the least.³³ Four jurisdictions including New South Wales, ACT, South Australia and Victoria use a segmented waiting list to determine priority of access to public housing; whilst Queensland, Western Australia and the Northern Territory operate an administrative priority system in conjunction with a date order waiting list, while Tasmania uses a priority point system.³⁴

In the ACT there are three distinct targeting processes including:

- eligibility criteria;
- waiting lists / prioritising system; and
- an allocations / entitlement process.

These targeting measures are a mechanism for assessing housing applicants by relative need and prioritising the provision of assistance on that basis. It is designed to respond equitably to the principle that priority assistance be provided to those with the highest need.

3.1 Eligibility

The eligibility criteria for public housing are stipulated in the Public Rental Housing Assistance Program (PRHAP) and provides the initial targeting tool for determining who obtains access to public housing. A copy of the eligibility criteria is at [Attachment A](#).

In order to be eligible for public housing an applicant must be on a relatively low income. Income limits are determined according to household size and are tied to ACT Average

³¹ A Blueprint for Change, National Housing Conference, Perth 2005.

³² Commonwealth State Housing Agreement Multilateral Agreement 2003-08

³³ *Social housing allocation systems – how can they be improved?* AHURI Research and Policy Brief, Issue 64, September 2005.

³⁴ *Ibid*, p.3.

Weekly Earnings (ACTAWE) advised on a quarterly basis by the Australian Bureau of Statistics. For a single person the income threshold or limit is set at 60% of ACTAWE, while for a household of two people the income limit is set at 100% of ACTAWE (plus allowances for additional people). As at 18 November 2005 these limits were \$585 and \$975 gross per week respectively.

In addition to the income test there is an asset limit of \$40,000 which is applied to realisable assets and which excludes basic items such as clothing and ordinary personal and household effects, tools of trade and one motor vehicle per household.

Applicants are also required to reside or be employed in the Territory. In December 2003, this was amended to include applicants enrolled to study at a high school or secondary college or with a higher education provider in the ACT. Applicants are also ordinarily expected to have lived, worked or been enrolled to study in the ACT for at least six months before becoming entitled to the allocation of housing assistance.

3.2 Waiting List / Prioritisation

The ACT public housing system has a segmented waiting list that includes four categories of prioritisation. These categories include two early allocation categories (EAC) 1 and 2; and two standard allocation categories (SAC). SAC 3 is for new applicants and SAC 4 is for transfer applicants, that is a tenant that already has a public housing dwelling but wishes to move to another. Currently dwellings are allocated according to an applicant's priority category and their place on the waiting list, which is determined by their date of application. Entry requirements for these categories are provided at [Attachment B](#).

There is also discretion within PRHAP for the Director of Housing ACT to allocate applicants 'out of turn' in cases of urgent or critical need, creating an additional priority category. The Out of Turn (OOT) category is for applicants whose circumstances are demonstrably more acute than other applicants. Such applicants are often experiencing a range of complex issues placing them at significant disadvantage compared to other applicants generally.

Approvals to this discretionary category continue to grow, highlighting the current limitations of the EAC1 category in housing applicants with the most pressing housing needs.

Another priority category exists for tenants who are to transfer from dwellings that no longer meet current housing standards. These transfers are referred to as management initiated transfers (MITs). In addition to these categories, properties are also made available from the public housing stock to community groups to head lease and provide a range of social and support services.

Public housing waiting list as at 9 November 2005

Category	Number of applicants	Allocation time*
OOT	23	209 days
EAC1	590	220 days
EAC2	481	683 days
SAC3	2,276	934 days
SAC4		962 days**
Total	3370	

*These times are historical as opposed to predictive and therefore cannot be used as the basis for forecasting future waiting times.

Of the 3370 applications on the waiting list approximately 32% of all applicants were in the highest priority categories. These figures indicate that the government policy of allocating primarily to those most in need, in accordance with the CSHA and the HAA, is being achieved, however it is not being achieved quickly.

The lengthy waiting times for housing allocations are directly related to the relatively small number of dwellings that become available for allocation or re-allocation each year, and the high demand for these dwellings. Available dwellings have reduced markedly in recent years from the 637³⁵ public housing allocations in 2004-05 compared to the 1,198 allocations 2000-01. To illustrate this, of the 637 allocations, 561 were to applicants on the EAC1 list, with applicants in EAC2 and the standard categories being offered only those dwellings that are either not required or not wanted by EAC1 applicants.

The static nature of the waiting list may be attributed to an increased focus on allocating housing to those most in need and a stronger focus on sustaining tenancies. In many cases public housing is no longer a stepping stone to other forms of accommodation, but rather a long term form of support. This may be due to reduced housing affordability of the private sector. Given the challenges of significantly increasing the availability of public housing stock, new approaches are required to decrease allocation times and to target assistance more effectively.

3.3 Entitlement Categories

Entitlement categories for public housing are decided by the Commissioner for Housing under the provisions of PRHAP. These categories work on the broad principle that a single person requires a one or two bedroom dwelling, households of two or three people will require a two or three bedroom dwelling, while larger households will require appropriately sized dwellings. Further information of these entitlement categories is provided at Attachment C.

³⁵ SCRGSP (Steering Committee for Review of Government Services Provision) 2006, *Report on Government Services 2006*, Productivity Commission, Canberra. Table 16A.1

3.4 Identifying Housing Assistance Target Groups

Given the increasing demands for social housing, a key policy challenge for housing assistance programs is how to manage the competing priorities and respond to the diversity of community need. Currently housing assistance is focused on supporting members of the community most in need, however this may not fully capture the existing competition for scarce resources.

Existing government policies and relevant research confirm that there are many groups that are in need of housing assistance. These groups include, but are not restricted to the following:

- Young people who are at risk of becoming homeless or are experiencing various forms of discrimination in the private housing market. Young people often have very low incomes, sometimes as a result of underemployment and often as a result of undertaking part time or full time study;
- Older people whose housing needs may change following significant life transitions. A range of accommodation options is necessary, especially low cost accommodation for people needing low-level care who do not qualify for residential care. Given the rapid ageing of our population new housing should be built using accessible and adaptable housing standards. This is supported in the Territory Plan that specifies that 10 % of units are to be built to adaptable standards in a multiunit development greater than 10 units. Currently there are 273 aged-care beds and 233 independent living units either under construction or ready to begin construction. Almost 150 new beds have come on line since 2003 and more than 600 are expected by the end of 2008;
- Women and children experiencing domestic and family violence and requiring safe, responsive, timely crisis and supported accommodation during periods of homelessness, and to prevent homelessness;
- Refugees experiencing housing difficulties due to residency status and corresponding inability to access income and secure affordable housing options. Refugees may have also experienced torture or trauma due to war, persecution, and detention and may require specific social support services. PRHAP has been amended to allow Temporary Protection Visa (TPV) holders in the ACT to apply for public housing or a rental bond loan in the same manner as permanent residents; and
- Sole parents and/or low income families in housing stress may also require additional support to secure and maintain their tenancy, including debt management support and rent assistance. This includes one-parent families that may consist of an adult and/or carer and their children that may be experiencing income stress or crisis due to a range of social issues.

People with a Disability

People living with a disability or other specific health needs have particular housing requirements including the need to access support services. Many people with a disability also experience additional costs related to their care and support needs. People with a disability require appropriate long term social housing with particular accommodation

types for example, ground floor, with modifications to suit disability and level of mobility.

A disproportionate number of people with a disability often have limited incomes and may be in receipt of government income support and as such are highly dependent on access to housing assistance programs.

The current government policy of person-centred support has led to the need for additional and diverse housing options. Disability ACT is considering a range of supported accommodation options for people with a disability and their families and carers, who require well designed and located accommodation which supports the principles of empowerment, connection and independence. To date most homes have been sourced through Housing ACT placing additional demand on social housing resources.

Aboriginal and Torres Strait Islander communities

Although the Aboriginal and Torres Strait Island community is relatively small in the ACT, a large proportion, approximately 56%, rented their homes. Public housing tenancies comprise 24% of all Aboriginal and Torres Strait Island households in the ACT. By contrast, amongst all households in the ACT 28% were renting while public housing tenancies comprise 10% of all ACT households.

Whilst the types of dwellings occupied by Aboriginal and Torres Strait Islander persons are similar to the pattern for other households, Aboriginal and Torres Strait Islander households are more likely to contain three or more persons. Around 6% of all Aboriginal and Torres Strait Islander households comprised six residents, compared to 2% for other households.

In terms of overcrowding, the 2001 Census revealed that 17% of all Aboriginal and Torres Strait Islander households in the ACT had fewer bedrooms than they need. Whilst this is much lower than the national figure of 29%, it is almost three times higher than the figure for all ACT households of 6%.

Aboriginal and Torres Strait Islander people are also over-represented in the homeless population and are more likely to experience poor health compounded by poverty, unemployment, social exclusion and disadvantage. For Aboriginals and Torres Strait Islanders, homelessness is experienced in a physical, spiritual and cultural sense.

Consultations held during the development of the Homelessness Strategy also identified the need for accommodation for Aboriginal and Torres Strait Islander students and people requiring temporary accommodation, such as those visiting the ACT whilst relatives are in hospital. The Canberra Hospital has confirmed the need for such accommodation.

Housing affordability for low to moderate-income earners – key workers

Recently there has been a revival of interest among policy makers in Australia in exploring the impact of escalating house prices on low to medium paid workers. In the

recent past, concern over the provision of affordable housing has primarily focused on developing rental options for those on the lowest incomes. As a result, Australian housing assistance policy today is almost solely targeted on supporting rental housing.

Affordable housing for low income earners (those in the bottom 40 % of the distribution of household incomes) is commonly defined in Australia as housing in which the occupants are paying no more than 30% of household income on housing costs. Such households paying greater than 30% are said to be in housing stress. Recent ABS data estimate that 1.8% of ACT renting households, and 3.1% of all ACT households, suffered housing stress in 2002-03.³⁶

Concerns have been expressed about affordability outcomes for working households who are finding it difficult to rent or purchase in the private sector housing market that is accessible to their place of work and who, as a result, experience either of significant housing costs or of significant transport costs. Current housing assistance programs may not cover many of these households.

In the United Kingdom (UK) these issues have been addressed by publicly funding a program to create an intermediate housing market comprising below market cost housing for rental or sale to assist in the recruitment and retention of key occupations such as essential service workers.

Whilst ACT residents do not currently experience significant issues in accessing their place of work; the principle of introducing an intermediate housing market for low to moderate income earners for specific professions may be applicable to the ACT social housing system.

Questions:

Which groups, if any, should receive priority housing assistance, and on what basis?

How can targeting systems respond to the diverse needs of local communities without compromising other objectives such as equity?

What approaches may be applied to measure and to determine the relative need of individuals?

³⁶ Australian Social Trends 2005, ABS Cat No. 4102.0, p. 159.

4. SECURITY OF TENURE

This section outlines issues with the current security of tenure policy and details options that would protect the reasonable expectations of public tenants to ongoing assistance while addressing the requirement to assist those in the greatest need.

The term Security of Tenure, in the context of accommodation, refers to the right of a tenant to continue the tenancy of a property indefinitely unless they breach the tenancy agreement or the landlord has a genuine need to reclaim possession of the property. In the ACT, security of tenure is provided by Housing ACT and by community-housing organisations, but not by private landlords.

4.1 Community Housing

While security of tenure is a principle that applies across the social housing system, the different ownership and title arrangements for some community housing programs means that community housing organisations may not be able to guarantee ongoing security of tenure for all of its tenants.

The National Community Housing Standards defines security of tenure as:

Security of tenure means that community-housing organisations cannot evict without a just cause. The length of a tenancy agreement may be limited by funding program guidelines, but the tenancy is legally secure until the end of the term of the agreement.

At the Ministerial Housing Advisory Forum on Community Housing held in September 2005, a key issue for a number of community housing tenants in the ACT was how the security of tenure policy relates to redevelopment and/or disposal of properties as part of an organisation's asset management strategy. Specifically, several organisations were keen to ensure that security of tenure to a particular location or community was reflected in documented community housing policies and strategies.

While principles of developing and supporting community networks and involving tenants/members in asset and development strategies, where appropriate, are inherent in community housing, the message from the forum was that community housing organisations in the ACT wanted to formalise these principles.

4.2 Public Housing

The principle of security of tenure in public housing was one of the guiding principles of the 1989 CSHA to which the ACT was a signatory for the first time following the introduction of self-government. In the 1999 CSHA, the principle of security of tenure was replaced by a principle of time-limited assistance based on the duration of need.

“...The aim of this Agreement is therefore to provide appropriate, affordable and secure housing assistance for those who most need it, for the duration of their need.”

The principle of time-limited assistance has been maintained in the current 2003 CSHA.

Currently public tenants do not risk losing their government provided home if they improve their financial situation. Longer-term tenants whose family situation has changed over time are able to retain the tenancy and the government provided property if they so wish, supporting the policy directions of ‘ageing in place’. Tenants are able to seek a transfer to a smaller home if this would better meet their changed housing needs.

The principle of security of tenure is an important concept. It can be said that it facilitates peace of mind and a feeling of belonging and self-worth for public tenants, particularly those at risk. Security of tenure helps to promote in occupants of public housing confidence to plan for the future in terms of seeking employment and improving their financial position, knowing they have a permanent home irrespective of their changing circumstances. It is also worth noting that other forms of assistance may also contribute to peace of mind and a sense of belonging for individuals.

The principle of security of tenure has never represented an absolute right, nor could it ever reasonably be raised to that level. For example Housing ACT has the capacity to sell or redevelop properties for the purpose of making better use of available resources. Inevitably such actions will sometimes have the effect of displacing public tenants and their families who will be required to relocate to other public housing in accordance with their needs.

Beyond this well-established scenario, there are less universally accepted propositions. Can strict adherence to the security of tenure principle continue to be justified for all tenants given the high demand for scarce public housing and the limited resources available to increase the housing supply? Alternatively should the community accept an emerging ‘reality’ that current (and foreseeable) resources are limited and the capacity to meet demand will continue to remain a public policy challenge?

In July 2005, NSW introduced a system that effectively moved away from traditional lifetime tenure for public tenants in favour of offering renewable fixed term tenancies. These new types of tenure include short term of up to two years, medium term from two to ten years and long-term tenancies of ten years for people with specific requirements such as older persons and people with a disability. Most other jurisdictions also now have time-limited tenancies.

The provision of public housing assistance in NSW is now linked to how long a person is in need of assistance. Other changes to the NSW public housing system include a priority on low income groups in high housing need, including older persons; people with a disability; homeless people; families with children; and people under 20 without family support.

Also included in the changes announced are increased rent contributions for people on moderate incomes, moving from 25% to 30% of income. The objective of this change is partly to provide an incentive, for those with the financial capacity, to move to private rental accommodation, freeing up housing stock for those more in need.

4.3 Security of Tenure options

4.3.1 Maintain Security of Tenure for all Tenants

In accordance with current ACT Government policy and existing Housing ACT practice, maintenance of security of tenure implies that subject to observing the requirements of their tenancy agreement, public tenants have an assured right to remain in the dwelling allocated. Although such a right can never be absolute, this is the guiding principle.

The current policy based on this principle gives an existing tenant a right to remain in their public dwelling despite changes to their circumstances after assistance was provided. These may include changes to their household composition, increases in their income or assets, acquisition of another dwelling, or inability to meet one or more of the current eligibility requirements being applied to new applicants.

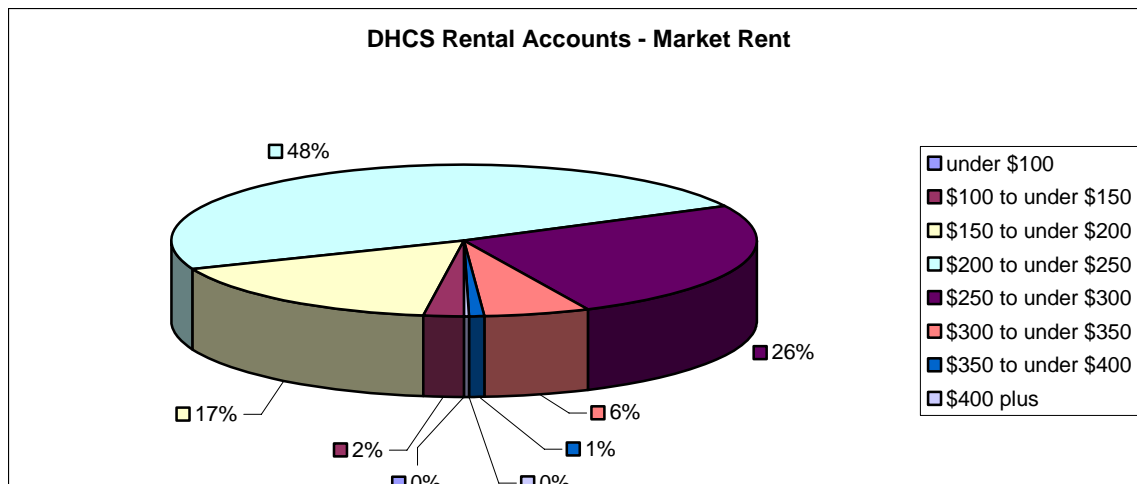
The current tenure provides tenants with a degree of certainty that they will not be asked to leave their dwelling and encourages a sense of 'ownership' and promotes a positive attitude to maintaining the dwelling and grounds. Furthermore, the knowledge that any substantial improvement in their financial circumstances will not lead to their being asked to leave their home helps to remove any disincentive to fully engage in the workforce, consistent with the objective of the current CSHA.

The preservation of security of tenure for tenants in public housing has maintained the diversity of the public housing system. This diversity includes tenants who pay full market rent for their rental property because their income is high enough to preclude them from receiving rental assistance through provision of a rebate on their rent. In recent years, policies under the CSHA of increased targeting of 'welfare' clients has meant that earlier policies of open access to public housing has been removed.

This has resulted in the number of market renters gradually declining, to the point where at June 2005 only 14% of all tenants are market renters³⁷ (approx 1500 tenants), compared to 2001 when the proportion was 22%³⁸.

³⁷ SCRGSP (Steering Committee for Review of Government Services Provision) 2006, *Report on Government Services 2006*, Productivity Commission, Canberra

³⁸ Review of Housing ACT Market Renters, DHCS, August 2004 p5



The above chart indicates the proportion of public housing tenants who are market renters and provides a breakdown by percentage of market rent for those houses being subsidised.

This trend is predicted to continue. A discussion of market renters is included in the fourth Information Paper titled *Financial Viability*.

Every State and Territory has market renters within their public housing system due to a security of tenure policy, however this policy is currently the subject of examination in a number of jurisdictions. It has been argued that tenants who have the capacity to sustain a tenancy on the private market or access home ownership ought to be asked to relinquish their dwelling and contribute to the availability of housing for people in greater need.

4.3.2. Security of Assistance for all Tenants According to Entitlement

This option represents a variation on current security of tenure arrangements. It provides an assured right to ongoing assistance, rather than an ongoing right to a particular dwelling. This approach allows tenants to be moved to alternative accommodation consistent with their changing life-cycle needs and supports better targeting of resources such as utilising larger dwellings to house applicants with a demonstrated need for such accommodation.

The ACT Government could offer a range of incentives and disincentives to encourage tenants to move to alternative housing more appropriate to their existing needs or entitlement. An incentive may include the offer of assistance with removal costs and utilities connection.

If a tenant was unwilling to move and wished to continue their occupancy of a dwelling significantly in excess of their current needs, consideration could be given to charging a levy through the rent rebate system, that is additional rent, to fully cover the cost of providing bedrooms above entitlement.

4.3.3. Ongoing Tenure Subject to Periodic Review of Eligibility

A system of periodic review was introduced in NSW that is consistent with the CSHA of providing ongoing assistance for the duration of need.

In line with this approach a potential option is to re-introduce a power to review tenants' eligibility periodically, a policy implemented by the previous ACT Government, to gain some insight into the percentage of tenants that have the capacity to access other forms of housing assistance and tenure. Currently, detailed information on the financial circumstances of public tenants is only available for those seeking rent rebates (around 85% of tenants).

4.3.4. Provide Incentives to Relinquish Security of Tenure

An alternative approach would be to encourage tenants, who have the capacity, to buy or rent in the private market by providing a range of alternative assistance measures that support tenants to voluntarily relinquish their dwellings. Where a tenant voluntarily relinquished their tenancy it might be appropriate to provide access to housing assistance on an expedited basis if their financial situation later declined for reasons beyond their control to the point where they could no longer sustain housing on the private market. A time limit of three years on such a safeguard may be appropriate.

Voluntary relinquishment could be achieved through:

Grants - Such incentives would be based around assisting tenants into home purchase or renting on the private market. Incentives might include home purchase products and streamlined arrangements and expanded opportunities to purchase public housing. Incentives might also take the form of a grant to help a public tenant with appropriate basic resources to access the private rental market. Such a grant could be used to pay a security bond, to cover removal costs and utility charges or other housing related purposes.

Rental caps - An alternative option may include consideration of rent stabilisation or caps in the private market. The proposed private sector rental caps may apply for a pre-determined period whilst the former public housing tenant adapts to different tenancy arrangements within the private sector housing market. This proposal would require detailed consideration of a range of implications for both the private and public housing market.

4.3.5 Provide Fixed Term Tenancies

Adopting a variation of the NSW approach, tenure reviews could be undertaken in an environment where new tenants were offered fixed term tenancies instead of periodic tenancies as they are now. Consideration might be given to offering three to five year terms, instead of terms of up to two years for general applicants as in the NSW system.

If an applicant was asked to relinquish their tenancy they would have the right of appeal against that decision under the normal Housing ACT internal arrangements as well as the opportunity to defend the matter in the Residential Tenancies Tribunal.

5. HOUSING ASSISTANCE PROGRAM OPTIONS

This section outlines a range of possible reforms for the provision of public housing assistance programs in the ACT. The options aim to extend and improve housing assistance to target groups identified as requiring support, and provide opportunities to support a greater number of vulnerable members of the community. These options consider specific housing assistance issues related to the targeted measures in public housing through eligibility and the prioritisation of the waiting list.

5.1 Eligibility Options

The following options are not mutually exclusive and are developed as stand alone options to support specific housing target groups, and enhance broader access to housing assistance.

5.1.1 Reduce income barrier level for applicants

There is some potential to tighten public housing eligibility criteria to achieve more effective targeting of special need groups. One option may be through the substantial reduction of the income barrier in the eligibility criteria. Income eligibility criteria in the ACT are substantially higher than in other jurisdictions generally. However the criteria would need to be reduced substantially to achieve any real effect. On present indications, a reduction of the income barrier for two people from its current level of \$975 to \$500 a week would reduce the Applicant List by approximately 12%, and improve access to housing assistance programs.

5.1.2 Require all applicants to reside in the ACT for a specified period

Applicants in the ACT are generally required to live or work in the ACT for six months before becoming eligible for housing assistance. If this rule were modified so that the employment link were removed requiring all applicants to reside in the ACT; and further, to have resided here for at least six months or longer before applying for assistance, demand could be slightly reduced and established residents of the ACT more effectively targeted. This option would require an exception for Temporary Protection Visa holder applicants and students moving to the ACT to study.

5.1.3 Reduce the number of offers under priority one waiting list

There may also be some value in considering the adoption of a “one offer” policy for EAC1 (priority) housing applicants, who currently can receive two offers. If an applicant refused a reasonable offer of a dwelling, the applicant could be removed to a lesser priority category and be given a second in-turn offer at a later date through another stream. This option may reduce the time applicants are required to wait for housing assistance.

Question:

*Should the income threshold be modified to be more consistent with other jurisdictions?
If yes, to what extent would be reasonable?*

5.2 ALLOCATION OPTIONS

The allocation of properties to public housing tenants and applicants is determined by their position on the public housing waiting list that is segmented into priority categories. A range of options have been developed to improve the delivery of housing assistance by reorienting the current way individuals are categorised and are allocated properties according to identified need.

5.2.1 Managing the housing waiting list

A number of alternative allocation systems are outlined below for consideration:

- a simple chronologically based system with some limited capacity to respond to demands from people in extraordinary need; ie where everyone will eventually be housed;
- a points system where points are awarded for defined areas of disadvantage and applicants are ranked/prioritised against each other by the total number of points awarded to each;
- a quota system where a percentage of people are allocated properties from each category;
- a property focused system where applicants who meet basic needs criteria are considered for the allocation of available dwellings on the basis of how well a particular property would meet their identified needs in a holistic sense;
- a sustainable tenancy model that, in addition to examining existing disadvantage and vulnerability, assesses the capacity of an individual to sustain a tenancy and live independently with the option to provide support packages according to need. This approach could evaluate the degree to which housing assistance would promote general health and well-being with a focus on community inclusion;
- a special needs groups system characterised by separate waiting lists and notionally separate ‘housing pools’ for specific target groups which are considered vulnerable, such as people with a disability or a mental illness, aged persons, Indigenous people, or young people;
- retain the current system with minor definitional changes to the EAC categories; or
- retain the current system with more substantial changes to EAC categories.

A number of these options are explored in more detail below.

5.2.2 Ring fencing properties for special needs groups

In relation to the “special needs group” option a version of this option is currently operating in the ACT in relation to aged persons and people with a disability; and (in a broader sense) to a range of other special needs groups by the provision of public housing to community organisations through the Community Organisation Rental Housing Assistance Program (CORHAP).

While the idea of establishing separate waiting lists for special needs groups and “ringfencing” or setting up separate pools of dwellings for such groups has merit, this approach could give rise to a number of potential operational difficulties. One such

problem is illustrated by the current supply of Older Persons Units (OPUs), which effectively exceeds current demand, particularly in relation to one-bedroom units. As these units are intended only for eligible older people, there is a risk of creating an unusually high ratio of unoccupied dwellings.

A similar issue can arise with dwellings that are modified to meet the needs of people with disabilities. The nature and extent of mobility varies considerably between individual people, and affects the nature and extent of necessary modification. This can lead to difficulties in allocating a vacated, previously modified dwelling because it might not suit the needs of a new applicant.

These issues could be compounded if the number of dedicated housing pools were to be increased to target the needs of a larger range of special needs groups. Although there is merit in establishing a separate waiting list for special needs groups as discussed later in this paper under item 5.2.5.

5.2.3 Implement strategic planning for head leasing properties to community organisations

The current arrangement for headleasing properties from Housing ACT does not guarantee that a suitable dwelling will be available to respond to identified needs. Community organisations are required to submit applications for properties, and properties are allocated from the same waiting list as public housing tenants. As the majority of organisations applying for properties receive recurrent government funding, there is a need to ensure that the allocation of properties and the allocation of funding for community housing and supported accommodation is coordinated to ensure effective service delivery and that maximises client outcomes.

With competing demands on resources, Housing ACT and community organisations need to be able to plan ahead and ensure that available housing resources are directed towards priority needs.

To facilitate a planned approach, it is proposed that allocations of new properties to organisations be determined through an annual allocation process, based on identified needs. Under this process, the department, through Housing ACT, would agree to provide a set number of properties each year for a number of years, with allocations to organisations based on need and capacity to provide housing assistance.

5.2.4 Retain current system with definitional changes

One option to refine the existing waiting list or system of prioritisation is to modify the process of determining the order of allocation within first priority category. This will ensure that the available housing is allocated to applicants who are identified as in most need.

The current priority allocation category focuses on people experiencing homelessness. The definition of homelessness in *Breaking the Cycle – the ACT Homelessness Strategy* could be adopted and inform the revised allocation categories as follows:

- primary homelessness - people who have no shelter, sleep rough, live on the streets, in cars, under bridges and in impoverished dwellings;
- secondary homelessness - people who frequently move from various forms of temporary accommodation; eg emergency accommodation, friends, relatives, and boarding houses; and
- tertiary homelessness - people living in accommodation without security of tenure, unsafe and/or inappropriate to their needs.

This option would include primary and secondary homelessness in the first priority category and tertiary homelessness in second priority category. Applicants experiencing serious/severe medical conditions that effectively render their current accommodation fundamentally inadequate could be considered as grounds for inclusion in the first priority category.

These proposals do not resolve the issue arising from the currently unacceptably long allocation times for people requiring urgent housing. To address this difficult and complex issue a more radical restructure of the early allocation arrangements may be necessary coupled with a more targeted approach to determining relative need and therefore the timing of individual allocations.

5.2.5 Retain current system with more substantial changes

In 1999, Victoria implemented a segmented waiting list that was structured on the basis of those whose need for housing was most urgent would be offered housing before other applicants on the waiting list, irrespective of the order in which applications were received. The early allocation categories in order of priority include;

1. Recurring homelessness – people who have history of being homeless or who are at risk of long-term homelessness.
2. Supported housing – people living in unsuitable housing who have high support needs or need major disability modifications to their home.
3. Special needs housing – people whose current housing is untenable for a variety of personal, health or family reasons. At a basic level, an indicator of tenancy sustainability is duration of tenancy.³⁹

A similar approach could be adopted by Housing ACT to better target housing assistance and manage demand. Currently Housing ACT applicants are listed chronologically in application order and allocated housing in that order, subject to dwellings reflecting their entitlements and their preferences becoming available. Within this system all applicants in EAC1 are assumed to have the same level of need, leading to lengthy waiting times for all EAC1 applicants.

³⁹ Sustaining Tenancies, National Housing Conference, Perth 2005

An alternate approach to the current system or the Victorian system might be to introduce better targeting by splitting the EAC1 list into two separate needs groups based on next available allocation (List A) and in turn allocation (List B).

Next Available Allocation (List A)

Applicants assessed as having the most critical need, comprising applicants who are experiencing multiple and severe disadvantage relating to their basic social, economic, health, housing and personal needs. Many applicants in this group might also meet the *Breaking the Cycle – the ACT Homelessness Strategy*, definition of ‘primary homelessness’ or be otherwise able to demonstrate extreme housing crisis.

For List A applicants, the concept of chronological allocations by application order would be dispensed with, in favour of a more strongly focused needs-based system. Initially applicants would be listed by order of approval for inclusion on that list. Periodically a manageable and convenient number of applicants would then be ranked against each other to determine relative need and then listed in that order for the purpose of the allocation of assistance. Assessment may include a case conferencing process and be undertaken using a panel of experts from within and, possibly, outside the Department.

Relative need could be assessed using a system of criteria and guidelines agreed by government and community representatives. Ideally these would factor in target groups of vulnerable people, such as people with disabilities, young people or children at risk, people experiencing mental health issues, women experiencing domestic violence and other risk factors etc. These latter factors would be considered alongside the issues that led to the assignment of an applicant’s existing priority status in the first place.

Next in Turn Allocation (List B)

Applicants may comprise those who are assessed as experiencing significant disadvantage in a number of basic areas. Many applicants in this group would meet the definition of ‘secondary homelessness’ or be experiencing comparable housing disadvantage such as living in accommodation that is fundamentally inadequate because of a serious medical condition (especially where this impacts adversely on vulnerable people such as children).

The applicants would continue to be listed in order of application date and allocated chronologically. To ensure there was meaningful movement throughout the EAC1 list, a proportional allocation system could be adopted which gave significant preference to List A applicants.

The EAC2 priority category could be retained and would include people experiencing ‘tertiary homelessness’ as well as people currently covered by the existing criteria for that category. There would be value in more clearly defining and augmenting those criteria and, as already mentioned, in moving ‘people with serious medical conditions’ to a higher category. Given that EAC2 would continue to represent a genuine priority category for disadvantaged people, including people with multiple issues, there would be value in implementing a proportional allocation system to this category.

5.2.6 Provide incentives to downsize dwelling

There are some potential options to increase the number of dwellings becoming available for allocation to applicants on the segmented list. These might include encouraging older people still occupying larger dwellings to move to dedicated OPUs as was done under a previous scheme some years ago. Under the previous scheme people eligible for OPUs were offered a lower rent contribution rate (18 % of income) and assistance with their removal and utilities connection costs to move from their three or four bedroom public dwellings to an OPU. That scheme proved to be popular and was very successful in releasing a significant number of larger dwellings for allocation to applicants with specific housing requirements. A similar scheme may have merit particularly in the present environment where OPU's are readily available to the target group.

5.2.7 Provide incentives to move into the private market

Another approach might be to encourage public tenants on higher incomes who are paying full market rent to move to the private market, either through home purchase or private rental tenures. Incentives could be offered such as a significant grant to facilitate a move to the new form of tenure. Purchase options may include the Housing ACT dwelling they currently occupy. Such a grant could be used to help fund a home deposit, subsidise interest payments on a housing loan or meet the costs of establishing a private rental tenancy, including the payment of a security bond.

The current policy, which assures public tenants security of tenure, could also be examined to determine whether it can still be justified in the current environment, given the level of need for public housing assistance from people in critical need. This option is discussed in the Security of Tenure section of this paper.

5.2.8 Develop a Shared Waiting List for Social Housing

Currently, applicants for social housing are required to apply separately to Housing ACT and individual community housing organisations, resulting in the potential for applicants being placed on more than one waiting list. In the discussion paper for the Ministerial Housing Advisory Forum on Community Housing held in September 2005, the Department indicated its support for a shared waiting list for public and community housing in the interests of achieving transparency and equity in terms of access to public and community housing.

As part of the implementation of the Community Housing Action Plan, the Coalition of Community Housing Organisations of the ACT (CCHOACT) is exploring options for implementing a shared waiting list in the ACT, including feasibility of shared registration forms.

5.2.9 Target low-income working household from specific industries

As highlighted in the identification of housing assistance target groups section, there may be merit in focusing housing assistance to applicants who are experiencing housing stress due to housing affordability issues. Currently the income threshold in the ACT is quite generous and includes households on low incomes. However unless low-income families

have additional needs, their application would generally be placed in the standard allocation categories and they may experience a long wait to be allocated a property.

A policy option could be to allocate a designated number of properties from the standard allocation category for low income working households from specific employment industries.

The concept of providing housing for specific industry workers or low to medium income earners reflects former public policy that housed manual workers and public sector workers. The introduction of an intermediary scheme that provides access to social housing for low to moderate income workers has benefits where these tenants subsidise the acquisition of additional housing stock, similar to the role of full market renters. The change to the allocation process may therefore contribute to a more sustainable public housing sector.

Nevertheless implications of modifying the allocation process may also have negative impacts on housing people with other needs such as women escaping domestic violence or people who may be experiencing homelessness.

Questions:

Should the current system of priority categories be retained with some relatively minor changes or are more fundamental changes required?

Should public housing tenants reasonably expect to be housed for life, irrespective of their need, or changes in their capacity to obtain and sustain other housing options?

If not, what alternative system of 'security' could be introduced?

What industries should be targeted for social housing?

6. GLOSSARY

AWE	Average Weekly Earnings
CCHOACT	Coalition of Community Housing Organisations of the ACT
CORHAP	Community Organisation Rental Housing Assistance Program (ACT)
CRA	Commonwealth Rent Assistance
CSHA	2003-2008 Commonwealth State Housing Agreement
EAC	Early Allocation Category
HAA	Housing Assistance Act 1987 (ACT)
MIT	Management Initiated Transfer
OOT	Out of Turn
OPU's	Older Person's Unit
PRHAP	Public Rental Housing Assistance Program
ROGS	Report on Government Services
SAC	Standard Allocation Category
TPV	Temporary Protection Visa

ELIGIBILITY CRITERIA

Clause 9 of the Public Rental Housing Assistance Program (PRHAP) includes the following:

Eligibility for assistance

- (1) An applicant is eligible for assistance under this program if—
 - (a) each applicant is in Australia lawfully; and
 - (b) each applicant’s presence in Australia is not subject to any time limit imposed by law; and
 - (c) at least 1 applicant is—
 - (i) resident in the ACT; or
 - (ii) employed in the ACT; or
 - (iii) enrolled to study at a high school or secondary college in the ACT; or
 - (iv) enrolled in a course of study of at least 1 academic year with a higher education provider in the ACT; and
 - (d) each of the applicants is at least 16 years of age; and
 - (e) none of the applicants has any interest in residential real property in Australia; and
 - (f) the combined value of assets of the applicants is not more than the asset eligibility limit (currently set at \$40,000); and
 - (g) if the household is 1 person only, the person’s weekly income is not more than 60% of the ACT average weekly earnings; and
 - (h) if the household is made up of 2 independent persons only, their combined weekly income is not more than 100% of the ACT average weekly earnings; and
 - (i) if the household is made up of more than 2 people, the weekly income of the applicants plus 10% of the combined weekly income of all other independent people in the household is not more than 100% of the ACT average weekly earnings plus 10% for each person in the household in excess of 2 people.
- (2) However, subclause (1) (b) does not apply to the extent that the commissioner decides that a certain time limit imposed by law is not relevant to eligibility.
- (3) Also, subclause (1) (e) does not apply to property in which an applicant has an interest if—

- (a) the commissioner decides it is not reasonable for the applicant to live in the property having regard to the following:
 - (i) the nature or location of the property;
 - (ii) the nature of the applicant's interest in the property;
 - (iii) any restraining order, protection order or other order of a similar kind that affects the applicant's ability to live in the property;
 - (iv) any pending or anticipated action under the *Family Law Act 1975* (Cwlth) which may result in the property being the subject of an order under that Act; and
 - (b) the commissioner is satisfied that the applicant has made or is making reasonable efforts to dispose of the applicant's interest in the property.
- (4) Unless the commissioner decides otherwise, an applicant is not eligible for assistance if—
- (a) the application is false or misleading in any material way; or
 - (b) the applicant has changed his or her income or arranged his or her financial affairs by or as a result of any artificial or contrived scheme or arrangement for the purposes or, including the purpose of, or having the effect of—
 - (i) being eligible for assistance under this program or any other welfare or government assistance (whether from the Territory, the Commonwealth or a State); or
 - (ii) obtaining a taxation benefit or any other advantage.

An applicant must meet the eligibility criteria applying at the time of lodgement of an application for registration on the public housing Applicant List, while he/she remains on the list, and at the time of offer of accommodation.

PRIORITISATION CATEGORIES

Clause 10 of PRHAP provides for the creation of priority categories. The current priority categories, as determined by the Commissioner, are detailed below:

Priority Category	General Description	Priority Category typically includes, but is not limited to, applicants who are/have:
Priority 1 (EAC1)	Applicants in urgent need of housing	<ul style="list-style-type: none"> • homeless - people moving between various forms of temporary shelter such as refuges, hostels, boarding houses or accommodation provided by friends; • in extreme housing crisis or at imminent risk of becoming homeless; may include applicants at risk of domestic violence, exiting CAP/SAAP programs, or facing imminent eviction; • ACT Housing tenants who need to be re-housed urgently.
Priority 2 (EAC2)	Applicants for whom the private rental market is not suitable or accessible as a long term option	<ul style="list-style-type: none"> • facing private rental barriers such as extreme affordability problems caused by multiple issues, lack of supply or discrimination; this may include refugees, indigenous groups, or applicants with disabilities, severe medical conditions, or people with a serious requirement for accommodation with a level of amenity or in a certain locality not available in the private market; • ACT Housing tenants whose current housing is seriously overcrowded, or is no longer suitable because of serious medical or other reasons.
Priority 3 (SAC3)	Applicants with an affordability problem	<ul style="list-style-type: none"> • incomes within ACT public housing eligibility criteria.
Priority 4 (SAC4)	Applicants seeking transfer to other public housing	<ul style="list-style-type: none"> • ACT Housing tenants who wish to transfer for reasons of personal preference; including tenants whose need for transfer is less urgent than that of tenants who would qualify under Priority 2.

For the purpose of allocating assistance, Priority Categories 3 and 4 have equal status.

Commissioner’s Discretion

In addition to the above formal categories, Clause 13 of PRHAP provides the Commissioner with discretion to provide assistance earlier than it would otherwise have been provided if, in the Commissioner's opinion, the applicant has an urgent or critical need, which cannot be satisfactorily resolved by any other reasonable means.

DWELLING ALLOCATION ENTITLEMENTS

Housing Size – Entitlement Chart

Household	<i>Bedsitter</i>	1 BR	2 BR	3 BR	Additional Bedrooms
Single tenant	X 1	X	X		
Single tenant with children			X	X	<p>A single tenant is entitled to additional bedrooms to allow:</p> <ul style="list-style-type: none"> • separate bedrooms for children of different gender; and • no more than two children being required to share a bedroom.
Couple			X		
Couple with child(ren)				X	<p>Partnered tenants are entitled to additional bedrooms to allow:</p> <p>separate bedrooms for children of different gender; and</p> <p>no more than two children being required to share a bedroom.</p>
Households with multiple adults			X		<p>Multiple tenants will be generally entitled to a separate bedroom for each adult. However, depending on the composition of the household, partnered tenants may be required to share a bedroom</p>
Family related needs					<p>Tenants with family related needs, such as access to children or carer responsibilities will be entitled to an additional bedroom, above their assessed eligibility where this would require unpartnered adults, children of different gender or more than 2 children permanently residing in the property to share a room.²</p>
Client with medical or disability needs					<p>Tenants may be entitled to an additional bedroom if required.³</p>



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INFORMATION PAPER NO.3 SOCIAL HOUSING SUPPLY



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1. PAPER THREE OVERVIEW

The first section of this paper provides a brief description of the funding context for social housing, and a detailed explanation of many of the current issues confronting management of the public housing stock portfolio.

The second section of this paper provides a number of options for increasing or improving public housing stock through involvement of private sector funding. Some of these options are at various degrees of consideration and implementation across Australia.

Key issues for consideration this paper include:

- How can we increase the supply of social housing in the ACT?
- How can the private sector enhance the availability of affordable housing options for low incomes earners?

Other papers in the series prepared for the Consumer Forum and Housing Summit are:

- Information Paper One– ACT Social Housing System in Context;
- Information Paper Two – Targeted Housing Assistance; and
- Information Paper Four – Financial Viability.

2. BACKGROUND

Access to stable and affordable housing is an important factor in alleviating poverty and disadvantage for many in our community, it also assists in developing a sense of community for those who may otherwise be isolated or vulnerable. It is a building block for many on a road to economic and personal fulfilment.

Adequate funding is a key element in achieving this desired outcome. Information Paper 4, titled *Financial Viability*, describes in some detail the funding challenge currently facing all jurisdictions in the provision of social housing. For the purposes of this paper the main issues for consideration are:

- a reduction in funding for social housing caused by an erosion of the funding base under the Commonwealth State Housing Agreement and increasing numbers of people on low incomes entering public housing;
- an increased targeting of housing to those with high and complex needs creating additional costs to help tenants sustain their tenancies; and
- the increasing cost of private sector accommodation is restricting the ability of families in social housing to move to private rental or home ownership thus producing a bottleneck in supply of social housing.

With expenditure and operating costs continuing to increase, a situation is arising where there are negative cash flows from the operations of social housing. Without the injection of additional capital funding from an alternative source, this affects the capacity of a jurisdiction to improve its existing housing stock or acquire additional stock.

As indicated above, other state and territory housing authorities in Australia are also experiencing these financial constraints. There is a need to consider the development of a range of innovative responses to these challenges. This includes the more effective use of existing resources, the use of alternative financing arrangements to increase the supply of social or affordable housing and the potential involvement of the private sector in this process. It also requires complementary policies to encourage private sector provision of low cost private rental housing.

The possible involvement of the private sector in social housing initiatives is receiving increased attention. Under the 2003-08 Commonwealth State Housing Agreement (CSHA), the ACT is required to report against a number of objectives, one of which is to “Promote innovative approaches to leverage additional resources into the social housing sector.”

The Framework for National Action on Affordable Housing, endorsed by all Ministers for Housing, Local Government and Planning in August 2005, also references greater private sector involvement.

The ACT Ministerial Housing Advisory Forum held in December 2005 specifically brought together the private sector as well as community and other interest groups to consider opportunities of financing and private sector partnerships in public housing.

Questions:

Are there more efficient social housing models operating in other jurisdictions that may be applicable to the ACT?

What opportunities currently exist to encourage the private sector to increase the provision of low cost private rental housing?

What opportunities exist to encourage greater participation by the private sector through partnerships in public housing?

3. PUBLIC HOUSING ASSET MANAGEMENT STRATEGY

The housing that is managed by Housing ACT is the oldest public housing stock in Australia. This presents considerable challenges for the management of the stock and directly influences the level of effectiveness in meeting the community’s need for housing assistance.

The public housing stock totals some 11,500 dwellings, which represents approximately 9.5% of the total housing stock in the ACT. The acquisition, disposal, upgrading, repair and maintenance of the stock presents an enormous asset management task. It is therefore essential that a formal framework be in place to support the cost-effective delivery and financial sustainability of the public housing assets now and into the future.

The *Public Housing Asset Management Strategy 2003 –2008* (the Strategy) was established to provide a framework within which the decisions around the public housing stock could be based.

The Strategy was set within the context of:

- ageing stock that no longer met the needs of applicants;
- multi-unit properties were more than 40 years old, many of which do not comply with community standards or current building codes and have significant social and tenancy issues;
- maintenance backlogs and issues about upgrading stock to better meet tenants needs, for example, older tenants and those with disabilities; and
- changes in demand, shifting from bed-sitter flats and three bedroom properties and an increase in the number of one and two-bedroom properties as well as in the preferred location of dwellings.

To ensure that the portfolio was properly managed a set of asset management principles was developed to respond to the challenges facing Housing ACT. The principles were based on the assumption that maintaining a viable public housing portfolio is integral to meeting ongoing needs for affordable and appropriate housing.

The principles, which were used to develop asset management strategies include:

- stock is well located across the city and in areas with good access to public transport, employment, education and services;
- public housing contributes to the creation of sustainable communities through better integration with the existing neighbourhoods, the promotion of mixed ownership and the incorporation of high-quality design features;
- there will be sufficient flexibility of stock to respond to ongoing and emerging social housing needs, including provision for clients with special needs;
- the housing portfolio is maintained to agreed condition standards and, equally importantly;
- the public housing system is managed efficiently and cost-effectively, providing best value for the government and the taxpayer.

4 PUBLIC HOUSING PORTFOLIO

The public housing property portfolio presents a number of significant challenges. Some of these are discussed below.

4.1 Maintaining Property Numbers

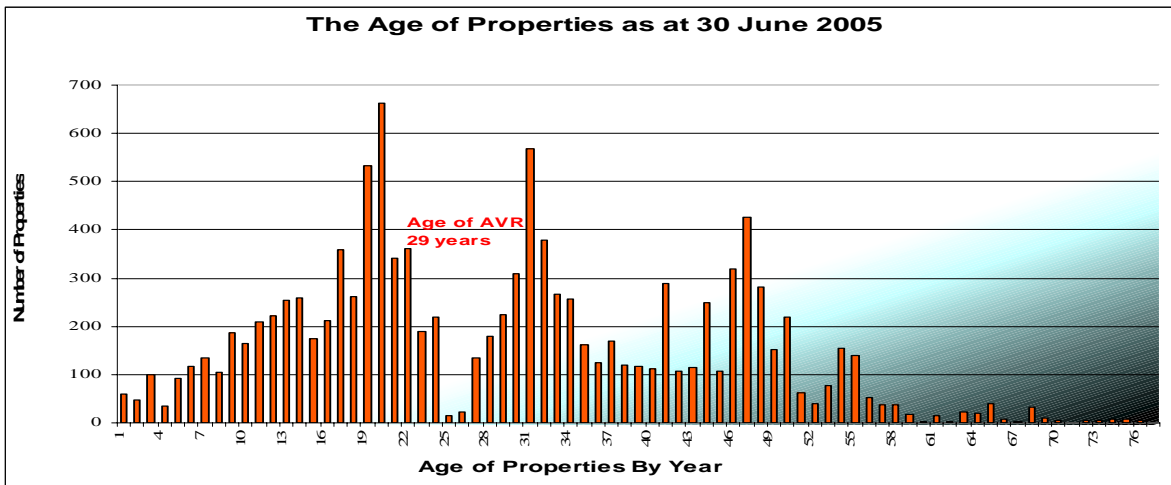
Since 2001 public housing stock numbers have stabilised, following a reduction of properties from 1996. The ACT Government's intention is to maintain stock numbers at present levels (over the long term, as opposed to numbers at any one time) of around 11,500 and at the same time implement sustainable and long-term asset management strategies.

The maintenance of stock numbers has to be considered within the context of:

- the reduction in property numbers from the refurbishment and/or redevelopment of the multi-unit sites that are nearing the end of their economic life. That is, the number of units replaced will be less than the number of units existing; and
- the use of asset sales to fund the operations of Housing ACT.

4.2 Age, Condition and Maintenance

The average age of the ACT public housing stock is 29 years with over 20% more than 40 years old. The age of the stock has a major impact on repairs and maintenance requirements. The age of public housing has been identified as a possible consequence of the security of tenure policy, however there is no clear evidence to support this position.



4.3 Type and Location

There is some discrepancy between the location of existing properties and new applicant preferences, as shown in figures 1 and 2 below.

Figure 1 - Housing stock by area

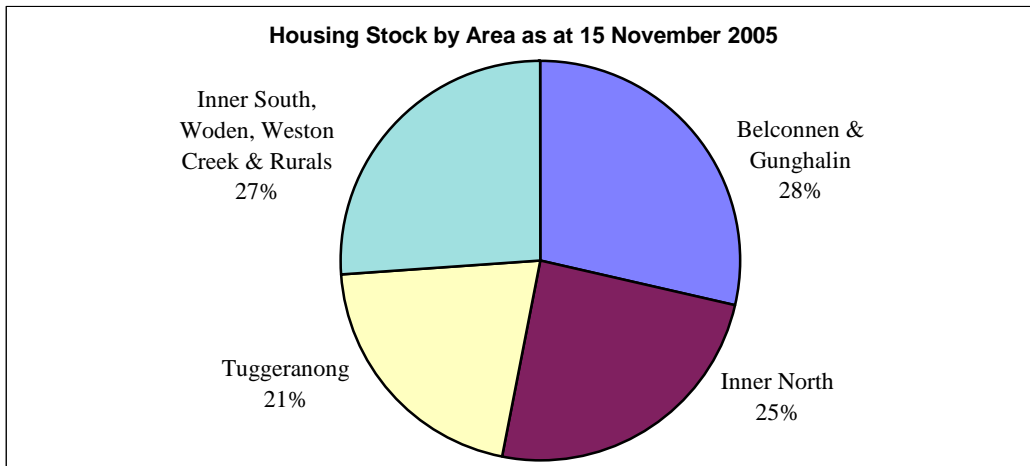
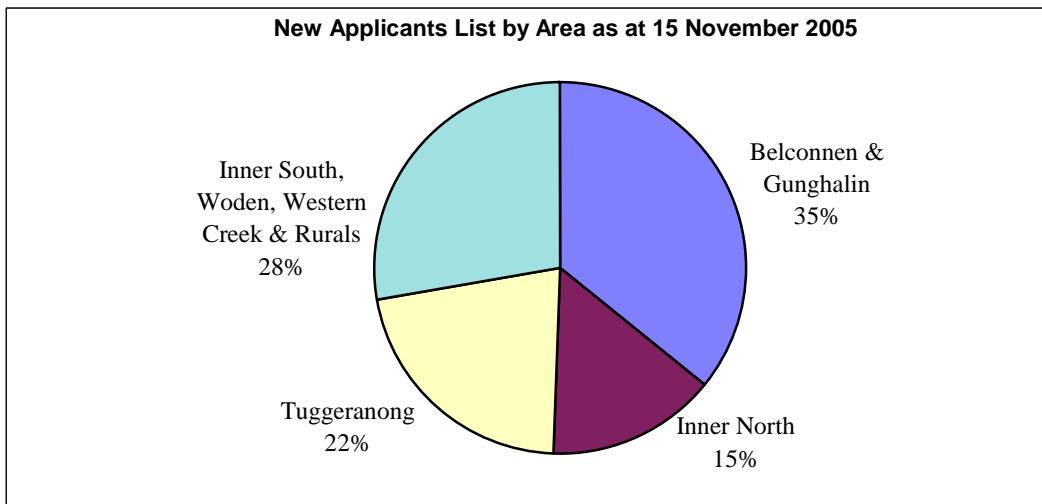


Figure 2- Applicant list by area



Allocation times and churn rates need to be considered in interpreting the above charts, however they do suggest the need to continue to selectively reduce stock holdings in Inner North and to increase stock holdings in Belconnen and Gungahlin.

4.4 Housing Stock and Entitlements

There is also an apparent mismatch between the type of housing stock held and applicant entitlements, as shown in figures 3 and 4.

Figure 3 – Housing stock by type

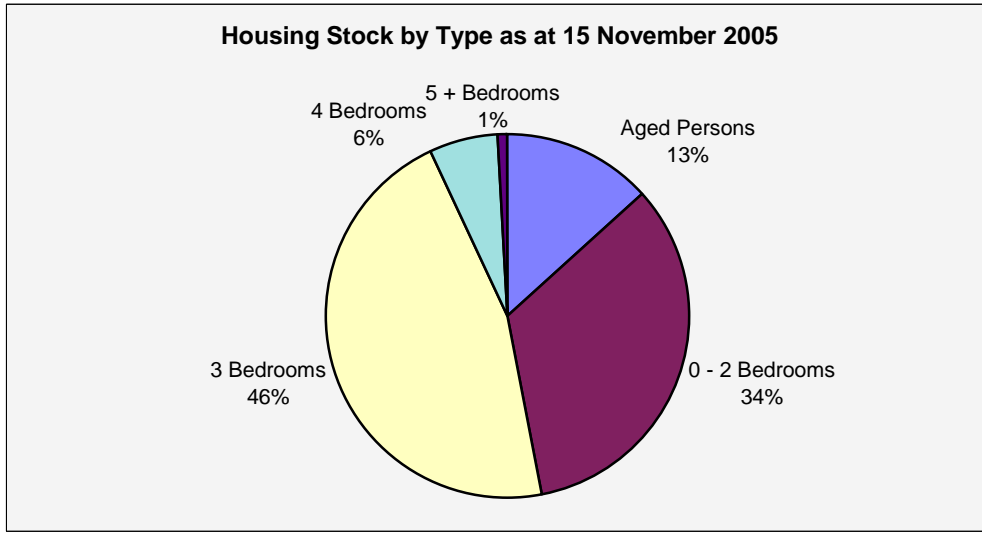
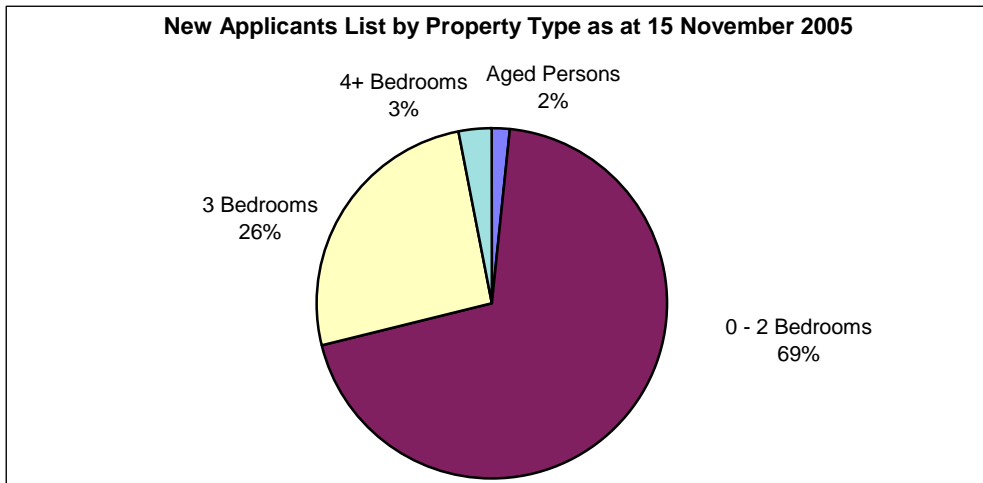


Figure 4 – New Applicant List by property type



Three bedroom properties represent 46% of the total stock, yet only 26% of new applicants require this type of accommodation. This is due, primarily, to a reduction in the size of the average household over the past 20 years or so, a trend expected to continue as the population ages and the number of single parent families and single person households grows. This

cannot be corrected quickly as the turnover, or “churn”, of tenants through three bedroom dwellings is significantly less than, say, the multi-unit properties that have a high turnover.

This trend in dwelling demand is expected to be reflected across the ACT as a whole. Based on work carried out by the ACT Planning and Land Authority, for the period between 1996 and 2021, the projected number of household types:

- for couples with children is expected to be static,
- a substantial increase is expected in households for couples without children,
- a slight increase is expected for households of singles with children,
- a large growth in single persons households is expected,
- group households will show a slight increase.

While the number of applicants seeking three bedroom houses is lower than those seeking smaller properties, retaining a high proportion of three bedroom properties may still be desirable because of their flexibility. However, this needs to be balanced against the age of three bedroom properties, which is 30 years, and the estimated higher maintenance expenditure if these properties are retained indefinitely.

There has been a concerted effort to reduce the proportion of bed-sitters and three bedroom properties, and increase the proportion of one and two bedroom properties. However, this has not fully kept pace with demand.

4.5 Concentration of Dwellings

There is also a need to address existing areas of high concentration. The large multi-unit sites (greater than 40 units), which comprise close to a fifth of the total portfolio, represent the most difficult asset management challenge.

While several of these complexes are in high value locations and are well situated near shopping centres and public transport, there are however major problems with many of them, including:

- they are over 40 years old with some in poor condition;
- they are limited in the types of households they can house;
- they do not comply with community standards or current building codes;
- they have limited accessibility or are unable to cater for people with special needs;
- some have significant tenancy issues; and
- generally under-utilise the land on which they have been built.

In terms of tenant needs, some of the large flat complexes do not provide appropriate accommodation or contribute to sustainable communities as evidenced by several having high turnover rates. A number of applicants, including those assessed as requiring priority assistance, are refusing to accept allocation to some of the larger complexes.

5 RESPONDING TO THE CHALLENGES – IMPROVED OUTCOMES FROM OUR ASSETS

Information Paper 4, *Financial Viability*, discusses possible options for increasing revenue and reducing expenditure outcomes for Housing ACT, including further capital injections by the Government.

The Public Housing Asset Management Strategy establishes a context of maximising the outcomes of our assets. This includes the aim of improving the level of private sector financing of social housing to increase the number of dwellings, which are available for use by people in need of assistance.

There is a range of options available, each with its own opportunities and constraints.

5.1. Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint ventures are often established to enable the participants to share resources, including people and skills, as well as risks.

In December 2005, the ACT Government announced that it was intending to enter into a joint venture for the development of sites in Lyons and Kingston. The preferred tenderers for the sites are the Hindmarsh Group (Lyons) and St Hilliers (Kingston).

In deciding to take the sites to market by way of joint venture, independent financial advice was sought on the benefits to be gained by using a joint venture as opposed to selling the land directly to the market. It was decided that under the joint venture model the ACT Government would make the land available as equity for the project, which the private partner could use when securing funding for the development of the site. The ACT Government would retain title of the land.

The joint venture model offers a number of benefits:

- the level of risk is shared between Housing ACT, operating on behalf of the ACT Government, and the developer. Where the land is sold all of the risk is transferred to the market, which affects the price paid for the land. For Housing ACT the challenge is to limit the risk as far as possible to the land; the developer takes the development and construction risk;
- there is an increased return expected by the ACT Government in line with the increased assumption of risk. This return is greater than what might be achieved by selling the site to the market. This return can be by way of increased revenue or the retention of a number of dwellings;
- by leaving the land in the project, there is the capacity to remove transfer costs for the sale of the land to the developer as an intermediary. The direct sale of dwellings to an

end purchaser under a units plan saves a range of statutory charges and taxes, legal and conveyancing fee and agent's commissions.

- it is possible to provide improved outcomes consistent with the ACT Government's broader planning and social objectives eg the Canberra Plan and Spatial Plan, through a higher level of involvement in the delivery of the project by Housing ACT. In the case of the proposed joint ventures there is a requirement that a certain element of affordable housing be provided, especially on the Fraser Court site;
- by releasing larger sites it is possible to stage the development of the land, and hence the release of dwellings onto the market in response to demand. This provides a greater degree of flexibility and responsiveness, and hence an improved return; and
- it sends a strong signal to the development industry that the ACT Government is committed to leveraging assets and to meet the objectives of the Public Housing Asset Management Strategy. This is done in the context of a commercial focus and outlook.

The range of commercial risks to Government will be monitored through these Joint Ventures with consideration of the development skills and management capability and the ability to ensure that the risks are appropriately managed.

The outcomes of the joint venture proposals to date confirm that using a joint venture approach for the two sites is likely to realise significant benefits, which are greater than would have been achieved if the sites were sub-divided and taken to the market through a land sale process.

To date, when land has been taken to the market through a simple sales process, revenue returned from such sales has generated enough cash to replace 15% of the units that might be lost. It is expected that the proposed joint ventures will exceed that rate. By way of example, the "deemed land value" of the Kingston site, in effect the guaranteed return to the Territory, will be approximately \$14m or enough to purchase/build 42 units. This is about 40% of the units that are currently on the site.

With the ACT Government's continued participation in the project, through a joint venture process, the anticipated return is \$21.5m or the equivalent of 65 units, with the potential for a higher return flowing from improved outcomes for the joint venture.

Translating this to the impact on stock numbers, a straight sale would result in a loss of 62 units; the joint venture has the potential to reduce that loss to 35 or less.

Question:

What further options and arrangements might be possible to progress joint ventures?

5.2. Private Public Partnerships

The high cost of developing and maintaining public infrastructure and related services is a major concern throughout Australia. Private provision of public infrastructure (PPPI) and related services is one procurement option for addressing this concern.

A PPPI is defined as a project in which the private sector not only provides public infrastructure but also has a significant and long-term involvement in the operation/maintenance of the infrastructure. PPPIs are not joint venture partnerships, where private and public partners share agreed business objectives. They are contractual arrangements between government as a purchaser of services and the private sector as a provider of services.

The main objective of involving private sector entities in providing public infrastructure services is to obtain value for money. In a large and complex project, significant savings can be achieved by fully integrating, under the responsibility of one private party, the initial design and construction of the infrastructure with the operation and maintenance of the infrastructure over its life. Such an approach also allows significant project risks to be allocated to the private party.

The PPPI process is complex and requires detailed information collection and analysis to be confident that value for money is being achieved. It also requires the provision of specialist contract management services, which often need to be procured. To date, a PPPI has not been established in the ACT, however other states have adopted a PPPI approach. Specifically, in December 2004, the New South Wales Government announced the Bonnyrigg Living Communities Project that is worth up to \$500 million. The project is being delivered as a social housing private-public partnership.

Under the project, a private sector partner will be chosen to finance, plan, develop, build, refurbish and maintain social housing as well as roads, parks and community facilities. The partner will also provide tenancy and facilities management services for a period of 30 years. The partner is to play a lead role in community renewal and consultation throughout the project.

An Expression of Interest (EOI) seeking proposals from the private sector for this project closed in March 2005. The purpose of the EOI was to shortlist potential private partners to be selected to move to the next stage, a Request for Tender.

Following this process, the following were shortlisted:

- Bonnyrigg Partnerships: Becton Group Holdings, Westpac Banking Corporation, Spotless Property and Facilities Pty Ltd, St George Community Housing Co-op Ltd
- Lend Lease and Commonwealth Bank: Lend Lease, Commonwealth Bank, United KFPW, Cumberland Community Housing Association
- Sydney West Housing Partnerships: Urban Pacific Limited, Macquarie Bank, Transfield Services, Hume Community Housing Association.

The NSW Government has prepared a Request for Detailed Proposals outlining project specifications, the services to be provided and the standards to be met. The shortlisted companies were to prepare their proposals, cost them and submit them to the Department of Housing by the end of 2005.

The Bonnyrigg scheme is on a large scale, which exceeds that likely to be required in the ACT. However, the principles that are being applied as part of the Bonnyrigg scheme may be of useful application in the ACT. There may be lessons learnt from that process that could be applied in the ACT.

An alternative approach to the standard PPPI identified above was discussed at the Ministerial Housing Advisory Forum on “Public Housing Asset Management – Financing and Private Sector Partnerships” which was held in December 2005. It was suggested that it might be possible to have a sale process that transferred the ownership of a large number of public housing properties to a fund or a bank with the management of the housing to be retained by Housing ACT. A similar arrangement to the Defence Housing arrangements was suggested. Such an approach would certainly be in line with the requirement of the CSHA to increase private sector provision of social housing.

It was suggested at the December Forum that the rental being received was unlikely to have a significant impact on the price as most investors were seeking the majority of their return from the capital growth and that even the average return being achieved by Housing ACT was higher than some rental return rates being achieved in parts of Sydney.

Notwithstanding the above, if a decision is made to proceed with such a scheme there are three possible sale options. The first is to sell the market renters stock where the market renters have been paying market rent for more than three years in separately titled properties.

The second option would be to sell a portfolio of stock that was designed to be more representative of Canberra, to spread the risk for the fund, which was made up of properties where clients were paying less than full market rent but more than the average rebated rent of \$101 per week.

A third option is to put together a portfolio that is likely to have strong capital growth, though still having a good geographic spread, without regard to whether the occupants are market renters or not.

In deciding whether such an option is worthwhile it is necessary to consider how such a sale would be structured, ie would market rent be guaranteed, or would only a rebated rent level be guaranteed, would maintenance be done by the managing agent or by the asset owner and what level of fee should be charged. Once an acceptable model has been identified it would be necessary to consider how funds from the sale would be utilised.

In terms of cash return on funds invested it would be possible to generate greater cash from placing funds on investment rather than re-investing in housing stock. However, there is likely to be an expectation that additional social housing assets would be purchased. Whether this would be the repurchase of the same amount of stock or a lesser amount would need to be considered.

This approach would provide the opportunity to significantly restructure stock, reduce the average age of the portfolio, allow renters to remain in their properties at current rentals and increase the supply of social housing to meet CSHA requirements.

Further work would need to be done to see whether tenants in the sold properties would be able to access Commonwealth Rental Assistance (CRA), though it is worth noting that tenants of DHA properties and Community Housing properties are able to access CRA.

Question:

Are PPPIs desirable in the ACT?

If yes, what levers are required to instigate PPPIs in the ACT?

5.3. Shared Equity

Shared equity schemes aim to support home ownership by creating equity partnerships between households and financial institutions. Under a shared equity scheme the lender reduces the buyer's upfront purchase costs in exchange for a share of the home's capital gain when it is sold.

While shared equity schemes do not directly contribute funding to be used for public housing developments, they can provide the opportunity for public housing tenants to enter into the mainstream housing market. This then makes more dwellings available for public housing tenants.

Financial institutions (eg Wizard and Midware) and the Northern Territory Government (Home North Shared Equity Loan) have already developed shared equity products that are designed to assist first home owners purchase dwellings.

Details of the schemes that have been developed vary. Under the Home North Shared Equity Loan, the purchaser owns a share of between 70% and 99% of the property with Territory Housing owning the rest of the property, which is provided on a rent-free basis. In return, the purchaser is required to pay for all repairs and maintenance, insurance, rates and charges. To qualify for the Home North Shared Equity Loan, a range of criteria have to be satisfied, including limits on household income (\$1100 or less per week) and home loan payments being less than 30% of gross income.

A shared equity scheme can offer the opportunity to substantially reduce the entry costs and mortgage repayments for first homeowners or for under funded retirees.

For the ACT Government, a shared equity product introduced by a financial company has potentially a number of other benefits:

- there is no involvement of government in its administration and management;
- it is not contingent on the Territory supplying land, above what is made available as part of the yearly residential land supply arrangements; and

- it can be limited to people that generally would not be able to access housing properties.

If a shared equity product (such as in the Northern Territory and Western Australia) was to be considered in the ACT, a number of issues would need to be addressed, including the:

- cost/funding to establish and run the scheme until it was self-sufficient;
- cost of administration and resourcing;
- governance and accounting arrangements;
- eligibility criteria and whether the scheme would be available to other household provided they meet the eligibility criteria;
- impact of the scheme on products offered by financial institutions; and
- attractiveness of the scheme and the benefits/outcomes to be gained.

Question:

Under what conditions would the private sector be willing to trial or initiate a shared equity model in the ACT?

What additional measures are necessary to establish a scheme in the ACT?

What safeguards would be necessary under a shared equity scheme?

What guarantees would third parties need?

6. DISCUSSION

The three options outlined above represent varying degrees of improving the outcome obtained through the use of the existing Housing ACT asset base and attracting resources from outside the sector.

Opportunities also exist for the Land Development Agency to work with Housing ACT to assist in the redevelopment of aged and under-utilised stock, and to create a more desirable social mix of public and private housing, particularly on strategic sites where a range of planning, development and economic outcomes may be realised. The acquisition of newer dwellings provides an opportunity to possibly sell and lease back the dwellings, thereby freeing up capital for other uses.

Question:

What additional options are available to increase the supply of social housing in the ACT?

Of the methods outlined and from the evidence presented, the joint venture approach appears to offer the best opportunity to maximise the use of the existing public housing asset base, these opportunities may also be applicable to the community housing sector.

All methods recognise the need to be more innovative and flexible in addressing the housing needs and aspirations of households who cannot compete effectively for housing. It must also be recognised that this problem is being faced by other jurisdictions throughout Australia.

All sectors need to work more closely together to increase the supply of housing to people that cannot access appropriate accommodation in normal circumstances. Any solutions developed need to be flexible, accountable and transparent. In particular, better relationships need to be developed with the financial sector and there needs to be a common understanding of the needs of each party. There is evidence from the Ministerial Housing Advisory Forum held in December 2005 to suggest that this is happening.

Internationally, large-scale private investment in areas such as affordable housing is established and widespread. In the United Kingdom over \$4 billion is invested in affordable housing annually, mainly through mortgage backed debt finance to housing associations.

A consideration of the issues associated with the growth in private sector financing in other jurisdictions suggests that there needs to be a number of factors to create an environment of investment:

- the right mix of government commitment, rules of engagement and policy certainty that give confidence to potential investors;
- sufficient scale of opportunity to create commitment from the financial sector, attract large players and create competitive pressures;
- secure and adequate level of subsidies that close the gap between the required rate of return for investors and the income stream that is generated by prices or rents that are kept affordable for lower income households;
- delivery agencies with robust governance and balance sheets and income streams that can accommodate the range of risks associated with loan financing, property development and long-term property management; and
- a regulatory regime that underpins the delivery system that gives confidence to investors, and underwrites their risk, thereby reducing the cost of finance.

These factors highlight the value of coordinating the financing, regulatory and planning policy levers to create an atmosphere within which investor confidence is generated, principally through the scale of investment and predictability of growth. The objectives contained in the National Action on Affordable Housing are consistent with these factors.

Building partnerships between the private and not-for-profit sector will allow for different financing and non-financing elements to be combined and be tailored to meet specific requirements and exploit local opportunities.

Challenges include:

- promoting and encouraging the development of financial products. Clearly there is a need to be open and transparent and to ensure that all parties are treated equitably;
- supplementing private investment to reduce the debt burden;
- using planning arrangements to enable development of affordable housing projects and generate additional funding for landowners and developers;
- developing the potential of community groups/organisations to participate in partnerships with financial institutions;
- recognising that every community/organisation has its own characteristics and these can influence the capacity of the organisation to participate in partnerships; and
- enhancing the capacity of groups to participate in such partnerships by ensuring that the opportunities for training and education in relevant areas is available.

7. GLOSSARY

CSHA	2003-2008 Commonwealth State Housing Agreement
EOI	Expression of Interest
PPPI	Private Provision of Public Infrastructure



dhcs | ACT

department of
disability, housing &
community services

INFORMATION PAPER NO.4 FINANCIAL VIABILITY



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1. PAPER FOUR OVERVIEW

The purpose of this information paper titled *Financial Viability* is to facilitate discussion on the financial position of social housing. The paper outlines the challenges facing Housing ACT along with other housing authorities, that are attempting to meet increasingly complex and urgent demands for housing assistance in an environment of static or reducing supply and restricted funding options.

This paper aims to generate debate, stimulate discussion and propose workable policy options to manage the funding of social housing assistance in the ACT.

The first and second sections of this paper provide a brief description of the funding context for social housing, and a detailed explanation of revenue sources. The third section explores the expenditure associated with maintain social housing in the ACT.

The fourth and fifth sections provide a number of options for developing a sustainable social housing portfolio in the ACT.

Other papers in the series prepared for the Consumer Forum and Housing Summit are:

- Information Paper One – ACT Social Housing System in Context;
- Information Paper Two – Targeted Housing Assistance; and
- Information Paper Three – Social Housing Supply.

2. BACKGROUND

In accordance with the Commonwealth State Housing Agreement (CSHA) and as a matter of Government policy, the ACT has been pursuing increased targeting of housing assistance to those in greatest need. In 2004-05 the proportion of new allocations for the year to the highest priority applicants was 88%⁴⁰. This compares to the national average of 38%. Only Tasmania with 94% is higher than the ACT and then Victoria has the third highest allocation rate at 67%. As a result of this targeting, to applicants with high and complex needs, the majority of people being housed in public housing in the ACT are recipients of Centrelink pensions or benefits.

This has two major impacts upon the financial viability of the public housing system;

- it limits capacity to generate significantly increasing rental revenues from the lease of properties; and
- it increases the costs of providing public housing due to the higher costs associated with maintaining those tenancies and providing the advocacy and support services required to sustain those tenancies.

⁴⁰ SCRGSP (Steering Committee for Review of Government Services Provision) 2006, *Report on Government Services 2006*, Productivity Commission, Canberra.

A recent Australian Housing and Urban Research Institute (AHURI) publication titled *Sustainable Financing for Public Housing Authorities*⁴¹, stated that six out of nine state housing authorities in Australasia are running operating deficits, which are not financially sustainable. The problems being experienced in the ACT are not unique, but are being experienced by all jurisdictions across Australia and New Zealand. Based upon the work by Jon Hall and Mike Berry, AHURI state that in 1990-91 all housing authorities had operating surpluses, but by 2000-01, only South Australia, Victoria and New Zealand were in surplus.

The operating result for all housing authorities, on average moved from a surplus of \$621 per dwelling in 1990-91 to a deficit of \$269 per dwelling in 2000-01.

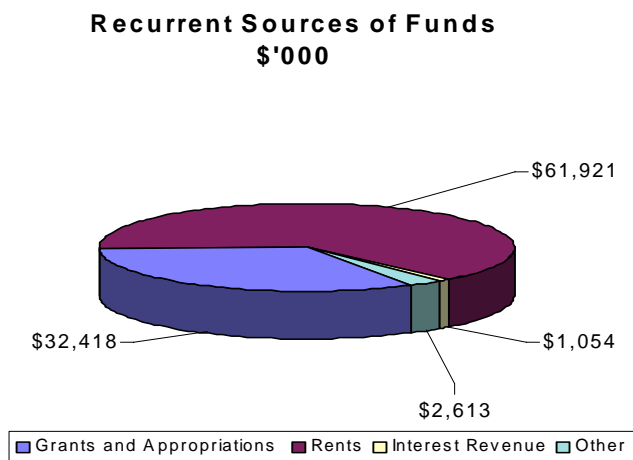
As well as also being in this deficit position, the ACT has an additional challenge. The ACT has one of the highest proportions of public housing (about 9%) compared to the national average of 5%. However, as funding under the CSHA is provided on a per capita basis, the funds received by Housing ACT need to be spread across a proportionately larger number of public housing properties than happens in other state housing authorities. While the Territory does receive less CSHA funding per property it does have high levels of rent received on a dollar per property basis.

3. REVENUES

Funding for social housing is derived in two ways;

- recurrent funding comprising CSHA grants provided by the Australian and ACT Governments, rental revenues and interest revenue; and
- capital injections arising from property sales and one off appropriations from the ACT Government.

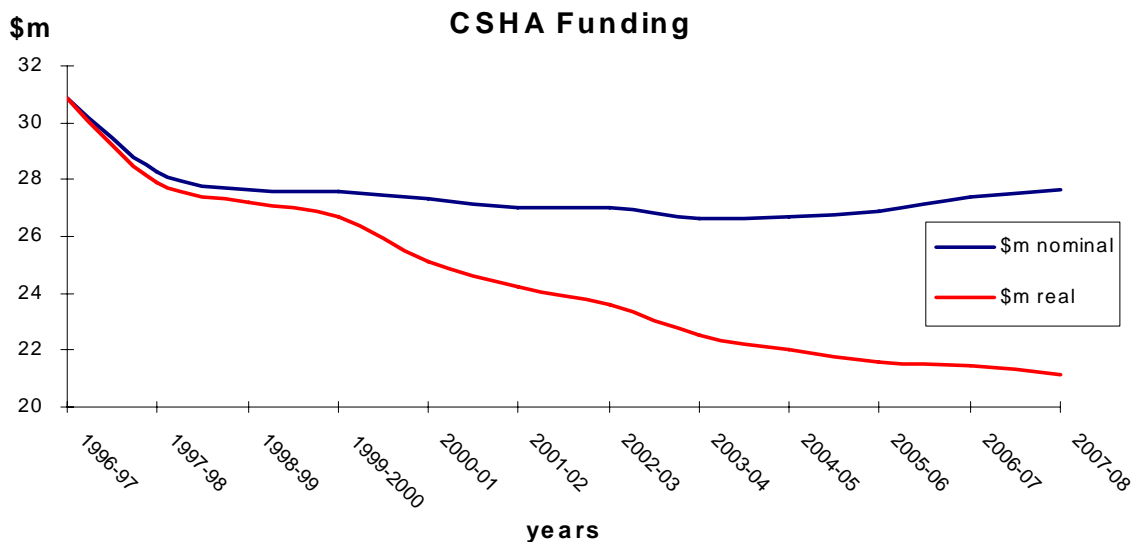
Excluding the one-off capital injections, 96% of the funding for social housing operations is derived from CSHA grants and rental revenues. The chart below shows the expected sources of recurrent funding for 2005-06, the reliance upon rental receipts, which provides some 63% of recurrent funding, can clearly be seen. The grants and other appropriations account for a further 33% of the recurrent funding. The balance is derived from interest and recoveries and other miscellaneous revenues, but these are minor.



3.1. Commonwealth State Housing Agreement Grants

Grants under the CSHA have been relatively flat in absolute terms over the past few years, but have been declining in real terms.

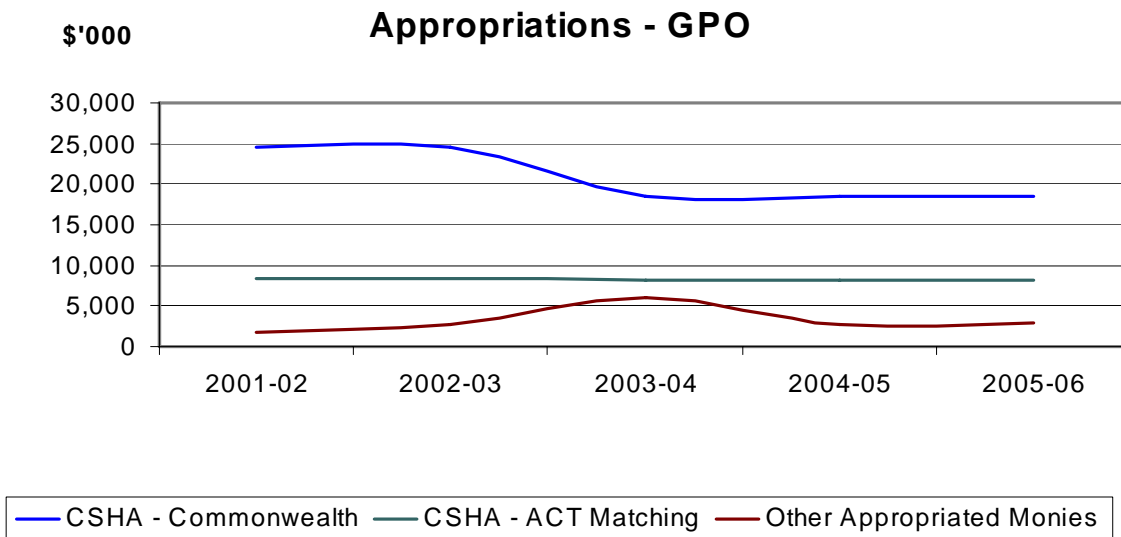
The chart below indicates the Australian Government funding in nominal and real terms since 1996-97, including funding under the current CSHA until 2007-08 projecting the grants forward based upon current grant details. The chart indicates that although grant funding has been relatively stable over the past few years with a slight increase projected in the future years, in real terms there has been a dramatic reduction. This affects the capacity to continue to meet operational costs, maintain and improve the properties and expand the supply of public housing.



The slight upward trend in the actual (nominal) grants is due to the indexation of the grants under the 2003-2008 CSHA. This is the first time CSHA grants have been indexed.

The CSHA grants are appropriated as Government Payment for Outputs (GPO) along with other monies provided by the ACT for specific purposes or projects, such as funding for innovative community housing expansion projects, to provide access and choice through development of the indigenous community housing sector and to implement a range of housing tenures at Ainslie Village.

The chart below illustrates the funding from appropriations over the past few years. The decline in CSHA Australian government funding after 2002-03 is due to the loss of supplementary funding to compensate for the introduction of the GST of \$5.9m. The increase in funding for other appropriated monies for 2003-04 relates to the Government providing an additional one-off \$3m for the expansion of affordable community housing.



In addition, the ACT Government has provided capital injections, such as the \$20m over four years commencing in 2004-05 to increase the supply of affordable social housing announced in the 2004-05 Budget. Capital injections are not included in the appropriations (GPO) above.

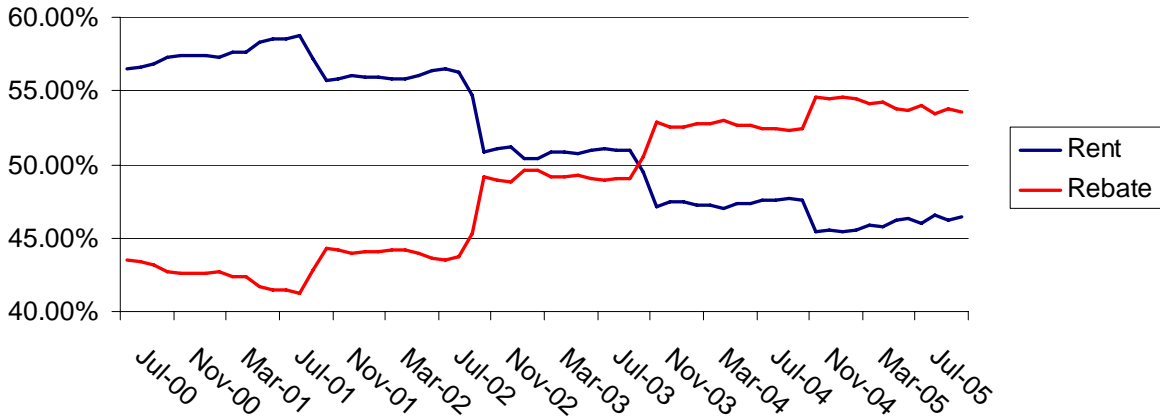
3.2. Rental Revenues

Under the *Housing Assistance Act 1987* tenants are required to pay market rent and this rent is re-assessed annually. However, under the *Public Rental Housing Assistance Program*, tenants are able to apply for a rental rebate. Tenants not in receipt of a rebate pay market rent.

As outlined in Information Paper Two *Targeted Housing Assistance*, increasing numbers of tenants are reliant upon the receipt of Centrelink pensions or benefits as their sole source of income. It is also unlikely that many of the recently housed tenants with high and complex needs will be able to transition to being housed in the private market, nor to be able to substantially increase their capacity to increase their rental payments. They are likely to be housed long term in public housing, with high levels of rebates.

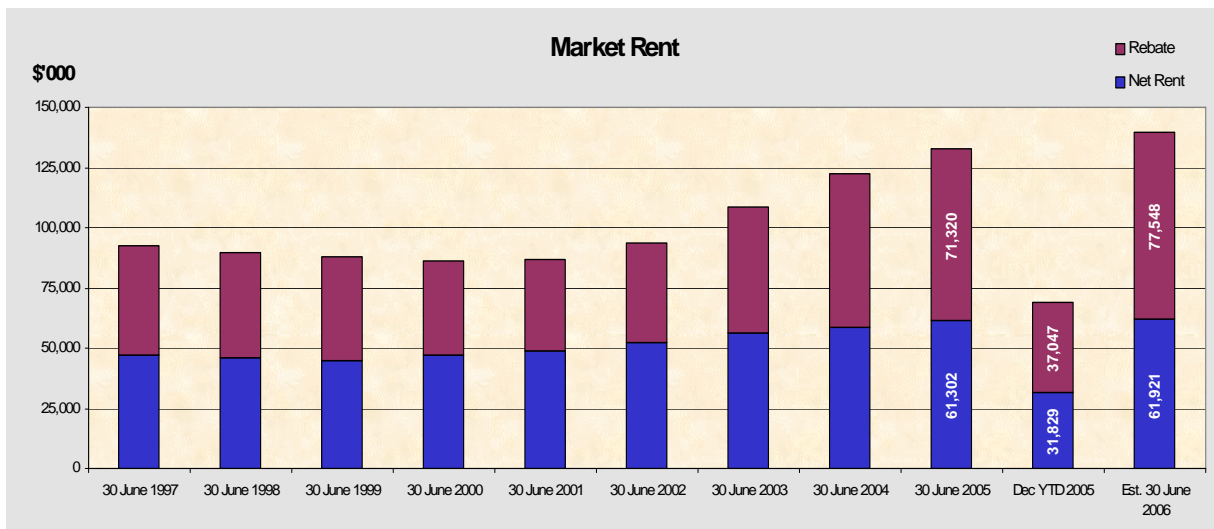
This has two main effects upon the rental revenue stream available to fund social housing. The first effect is that as tenants are eligible for rebates and the amount of rebate is increasing, the percentage revenue-take from the market rent charged is declining. The chart below shows the declining percentage of each dollar of market rent charged that is available as revenue to fund public housing operations.

Percentage of each \$ of market rent receivable as rent or provided as rebate



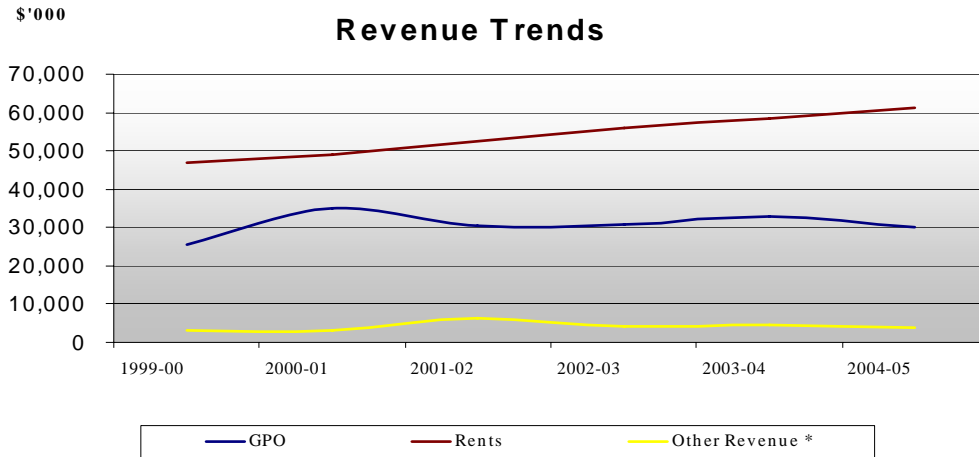
As at October 2005, the proportion of each dollar of market rent chargeable that is provided as rebate has increased to 53.62%. That means that only 46.38% is collectible as rental revenue. In simple terms, for every dollar of market rent, Housing ACT can only collect from tenants just over 46c.

This decline in the proportion of each dollar of market rent chargeable is also reflected in the following chart, which shows the significant increase in the amount of rebates in absolute dollar terms provided over the past few years. The result to December 2005 confirms the trend that Housing ACT is receiving a lower proportion of net rent. This is after the latest re-assessment of market rents that took effect from early November 2005. The slight upward movement at the end of the chart above shows the effect of the November 2005 market rent re-assessment.



The second effect is that the capacity to generate increasing rental revenues is constrained; however social housing is reliant upon rental revenues as the major source of indexed revenues.

The chart below demonstrates the reliance upon rental revenues to fund the increasing costs of providing public housing. Rental revenues are the only source of revenues that are increasing and available to fund operations. Proceeds from property sales are used as far as practicable for acquiring replacement properties, meeting the cost of upgrades and improvements to properties and to repay the principal on Australian Government loans.



* Note: Other revenues have been adjusted to remove the profit or loss on sales.

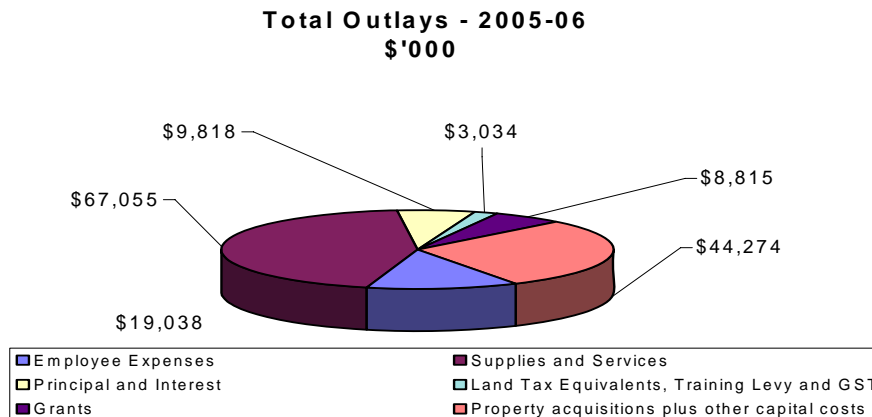
4. EXPENDITURE

The cost of providing public housing in the ACT is considerably higher than other jurisdictions; in 2004-05 the cost was \$25,050 per dwelling, compared to the national average of \$15,530⁴². While the major component of this was the land cost (\$15,128), because of our relative smaller size and older housing stock our recurrent costs are also higher per dwelling.

Total outlays are spent on;

- operating (recurrent) costs, and
- capital expenditure requirements.

Total outlays for 2005-06 are illustrated in the chart below. These include both operating costs and capital expenditure.

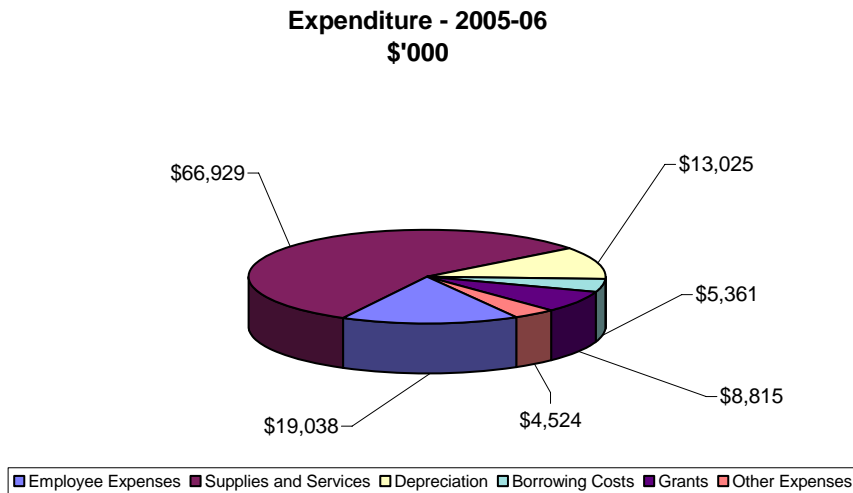


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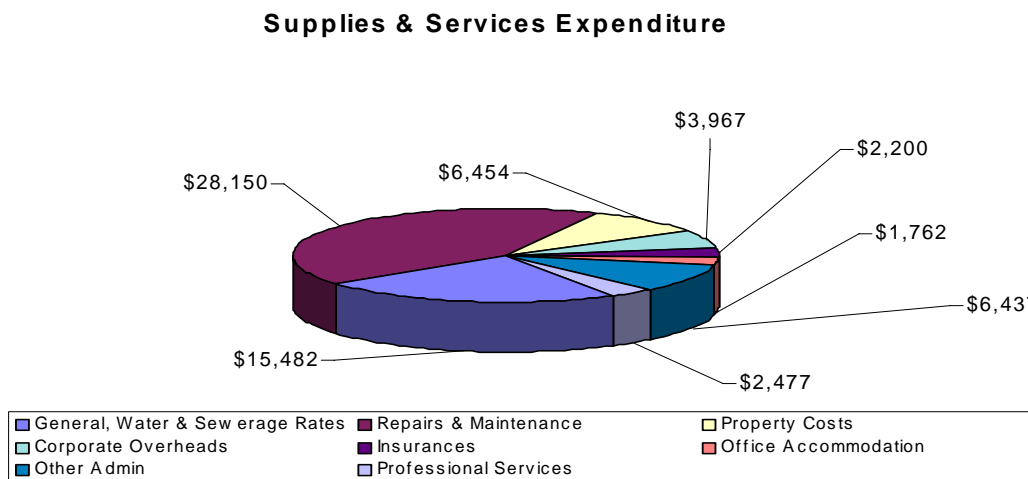
As evident from the chart above, some \$44.274m or almost 30% of total (cash) outlays relate to the acquisition of properties and to meet other capital costs.

If capital transactions were excluded, the major operational (recurrent) cash outlays are on staffing (\$19.038m) and on the costs associated with property ownership. These include the principal and interest costs (\$9.818m), a large proportion of the supplies and services costs and the land tax equivalent expense. The next few charts illustrate various aspects of public housing expenditures.

The chart below shows total recurrent/operating expenditures for 2005-06 as per the Operating Statement in 2005-06 Budget Paper No. 4. Total Expenses in 2005-06 amount to \$117.692m. From this chart, expenditure on operational and administrative costs included in supplies and services (\$66.929m) accounts for 57% of expenditures, depreciation and borrowing costs (\$13.025m) accounts for 11% and employee costs (\$19.038m) accounts for another 16%, with grants and other costs accounting for the remaining 11%.



The next chart shows the breakdown of major items comprising supplies and services, which accounts for the major operating and administrative expenditures.



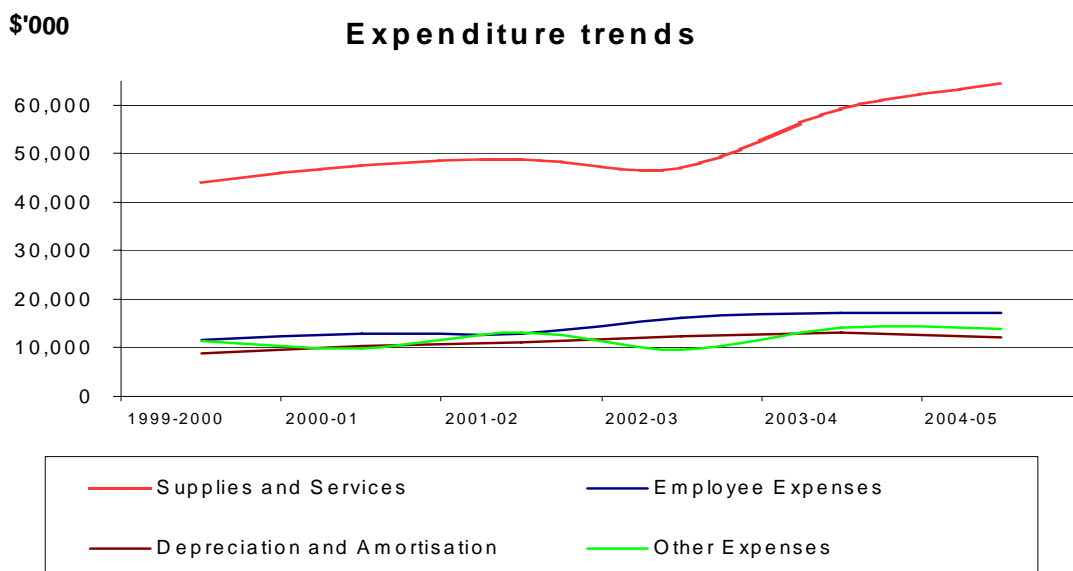
As can be seen from the chart above, the major items in supplies and services are property related costs and many of these are largely non-discretionary. Property costs, including general rates and water and sewerage rates and other statutory charges and repairs and maintenance account for almost 60% of supplies and services. Repairs and maintenance are the only significant cost that can be varied.

The objective of the Total Facility Management model is to maintain and improve the condition of public housing at a reduced cost through moving from a regime of responsive repairs to a more planned maintenance and managed approach. This means that in effect more repairs and maintenance work is put into the properties at the same or a reduced cost. The new Total Facility Management contract with Spotless (P & F) Pty Limited incorporates performance hurdles and incentives to encourage improved performance and particularly to increase expenditures on planned maintenance programs.

Reducing expenditure on repairs and maintenance can occur in the short term, but this could be to the detriment of the longer-term habitability and amenity of the property and therefore the capacity to tenant the property and/or earn rental revenues. The aim is to continue to maintain the properties at the agreed condition, whilst reducing the expenditure by improving efficiencies and the effectiveness of the maintenance programs. Keeping the properties at the agreed condition has been agreed within the context of the Public Housing Asset Management Strategy and is discussed in detail in Information Paper Three *Social Housing Supply*.

Employee costs also represent a significant cost to Housing. Ways to improve productivity and performance at current expenditure levels or even by reducing outlays will need to be investigated. Work on benchmarking costs with the other jurisdiction housing authorities will focus on those costs that may yield savings, including by reducing staffing levels and more efficient and effective maintenance programs. However, it is likely that these savings will accrue over the medium to longer term as the operations are restructured.

The chart below shows the growth in various expenditures over the past few years.



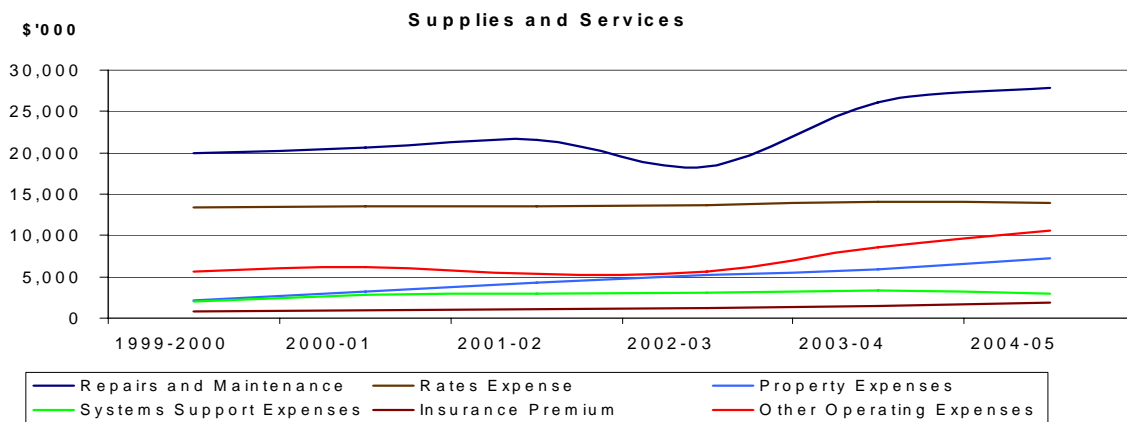
In 2004-05, supplies and services account for 61% of total costs, employee expenses and superannuation account for another 16%, depreciation and amortisation is 11% of total costs and other expenses were 12% of total costs. As discussed above, supplies and services expenses includes costs related to holding the public housing property portfolio such as repairs and maintenance, general rates and other statutory charges and insurance and other property costs as well as the general administrative and operating costs. The Chart indicates that the cost for supplies and services has increased dramatically over the past few years. The reasons for this are discussed below.

The chart above shows that expenditure on depreciation and amortisation indicates a slowly increasing cost curve. As the value of the buildings increases, depreciation will also increase. Over the past few years the value of the public housing portfolio has increased dramatically, but this has mainly applied to the increase in the value of the land, whilst building values have increased, but not at the same rate. As increase in property values are not expected to continue at the same rate as that which has occurred over the past few years, the cost for depreciation and amortisation will be relatively flat.

Employee costs have also increased over the past few years due to increases in salary rates under the current Enterprise Bargaining Agreement and also as full time equivalent staff numbers have increased due to a slowing of staff turnover and staffing at budgeted levels. Increases in employee costs over the next few years will depend upon the next Enterprise Bargaining Agreement pay rates and staff levels.

The cost for those expenditures included in supplies and services will need to be contained if costs are not to continue increasing at the same rate as over the past few years (as indicated in the chart below).

The chart below shows the trend of increasing costs for the major items in supplies and services over the past few years. It illustrates the growth in expenditures related to the public housing property holdings.



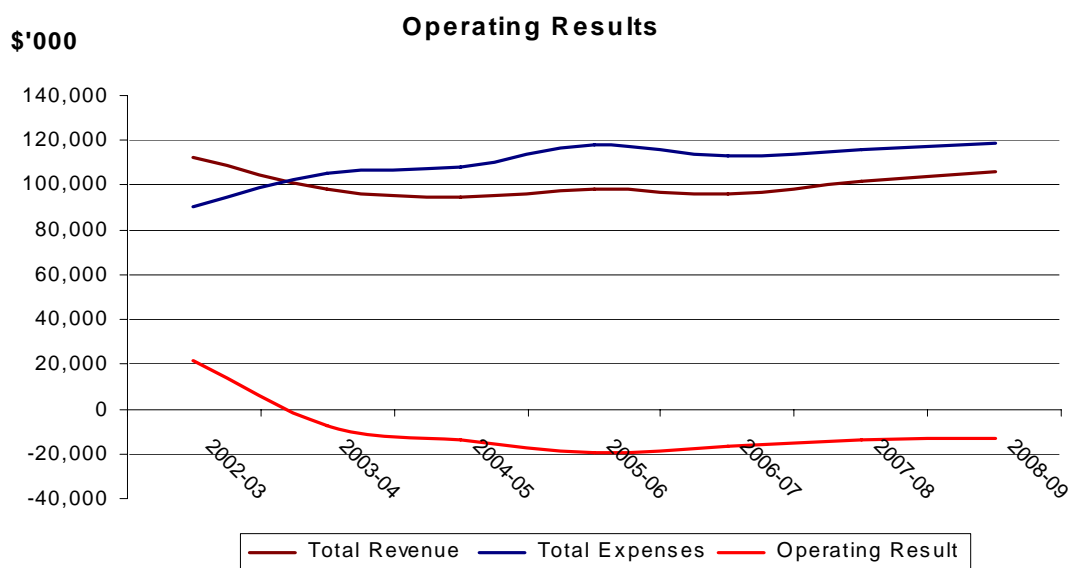
From the chart above it is evident that it is the property ownership costs such as repairs and maintenance and other property expenses that have been increasing significantly over the past

few years. The dip in repairs and maintenance costs in 2002-03 relate to the increased expenditure on capital improvements and upgrades to properties in that year. In subsequent years, a change in the policy on capitalisation has meant that an increased proportion of costs have been recognised as repairs and maintenance, rather than as improvements to properties.

The other operating costs have also increased significantly, and this is due to the growth in overheads.

Expenditure, particularly those related to employees and property are increasing at a faster rate than revenues. This is resulting in increasing operating deficits for public housing operations.

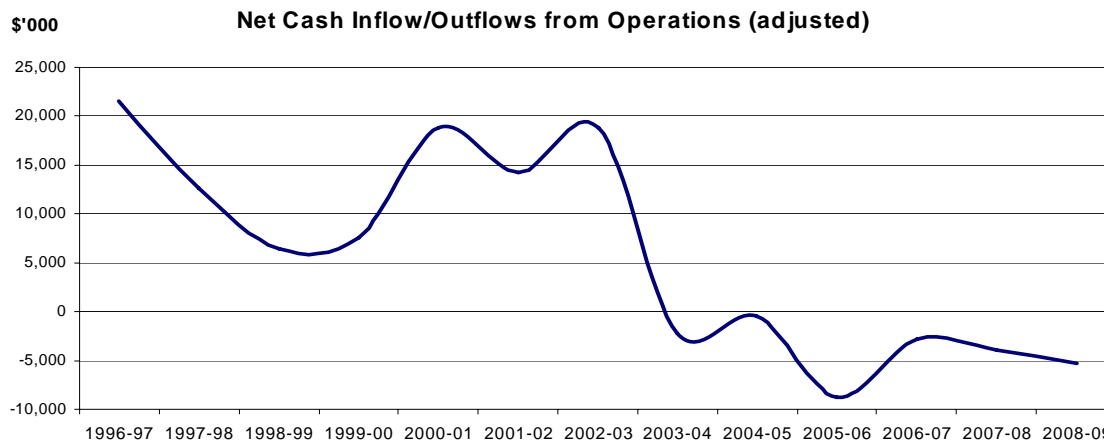
The trend of continuing operating deficits for public housing is illustrated in the chart below.



The forward years are the current predictions included in the 2005-06 Budget Papers and are based upon current operations. In 2003-04 total expenses exceeded revenues resulting in an operating deficit of just over \$7m. Operating deficits are predicted to continue to grow over the future years, though there is a slight upward trend in 2007-08 and 2008-09 to reflect the anticipated returns from the proposed joint ventures.

The declining sustainability of public housing is also reflected in the negative net cash flows from operations, which means that without remedial action or additional Government funding, operations would need to be underpinned by property sales, with obvious effects on stock numbers and capacity to meet demand.

The chart below shows the trend of increasingly negative cashflows from operations.



The significant dip in 2005-06 is due to outlays on grants for the acquisition of community housing that have been carried over from prior years and where the income was received in those prior years, so the projects are being funded from cash held in the bank rather than current year income.

In the longer term it is not sustainable for the net cash flows from operations to be negative, with the shortfall in funding picked up from asset sales as this will have a cumulative effect, since as property numbers decline, this causes revenues to decline further. The real challenge facing Housing ACT is how to turn this cash position around without additional revenue from the Government. Given the declining funding from the CSHA and relatively low growth in rental revenue the area that needs most attention paid to it is reducing expenditure.

5. OPTIONS FOR REDUCING EXPENDITURE

In 2004-05, administrative and operating costs (supplies and services) accounted for 61% or \$64.605m of total expenditure. Of this expenditure almost 80% or \$51m relates directly and specifically to holding the public housing rental property portfolio and therefore are largely not discretionary as they relate to general rates, water and sewerage rates and charges, insurance, body corporate fees and heat, light and power, common area cleaning and other costs associated with maintaining the multi-unit properties in particular. However, some of these property costs are discretionary and can be varied, such as repairs and maintenance, security at the multi-unit complexes and insurance etc.

Employee costs amounted to almost \$17.250m or 16% of total expenditure. Almost 60% of these employee costs specifically relate to the provision of tenancy management and tenancy support activities to ensure that the tenants are able to maintain and sustain their public housing tenancy.

In addition, depreciation and borrowing costs amount to just over \$17.6m or 16% of total expenditure (based on 2004-05 figures). There is very little opportunity to reduce the borrowing costs as these loans are long life fixed interest loans with the Australian

Government and it is not economic at current interest rates to refinance or accelerate repayment.

Therefore, expenses directly related to holding properties amount to \$68.7m or just over 63%. Once employee costs are included, almost 80% of costs provide little opportunity for significant savings to be made, as to a large degree these costs cannot be avoided or significantly reduced in the short term. Those areas where significant savings can be made generally relate to maintaining the amenity of the property, such as repairs and maintenance, common area cleaning, landscaping and security.

Large amounts are expended upon repairs and maintenance and property services such as ground maintenance and graffiti removal costs and other property costs, including the body corporate fees, private rental leasing costs and valuation and security costs etc. These expenditures ensure that the properties are adequately maintained to the required standard or condition, but also offer the greatest opportunity for savings as even small dollar savings per property translate into significant savings across the portfolio.

In particular, greater efficiencies should be leveraged through the Total Facility Management contract to reduce expenditure on repairs and maintenance and upgrades, whilst continuing to ensure that the properties are appropriately maintained at the required standard. A \$100 saving in repairs and maintenance per property would yield over \$1m savings. This should easily be achievable through better control over expenditures and scoping works and extracting higher bulk discounts as well as better supervision and control over sub-contractors. Improvements in contract management, scoping works and expenditure monitoring should enable a reduction in costs of about \$1 – 2m, for such services as information and communications, security at the multi-unit complexes, legal services and other consultants and contractors, fleet management and insurance. In addition, improvements in debt management should yield savings in the cost of bad and doubtful debt write-offs and debt collection fees.

Reducing the private rental-leasing program also provides the opportunity to reduce costs. Total costs associated with these programs are \$1.3m per annum. However, tenants currently accommodated under these arrangements would need to be housed in public housing if they remain eligible for public housing. A review of overhead costs will also need to be undertaken to identify opportunities to reduce these costs.

Under current arrangements, Housing ACT pays the cost of water consumption. The cost of consumption could be charged to tenants, at least for those in stand-alone (metered) houses. This has been roughly estimated to be about \$2–3m per annum.

The recently completed Community Housing Funding Review provides a timely opportunity for grant payments to be undertaken to ascertain the scope for reducing these payments and/or redirecting them to achieve improved outcomes.

Housing ACT has a responsibility to provide a range of tenancy and social support services for its clients. These services are largely absorbed by Housing ACT as part of its ongoing commitment to sustaining tenancies.

Clearly Housing ACT has to seriously look at major savings in its expenditure, however, these savings need to be achieved in the context of ensuring that services are able to be provided to tenants of Housing ACT and to those on Housing ACT's waiting list. The most useful mechanism for identifying additional savings to those discussed above will be to look at the operations of Housing ACT against other public housing providers and seek to move closer to national benchmarks.

Notwithstanding that expenditure is where there is probably more scope for improving the overall cash position of Housing ACT it is also important to consider revenue options.

6. OPTIONS FOR INCREASING REVENUE

As discussed, the great proportion of funding for social housing is currently derived from monies appropriated by government for the provision of housing assistance and from the public housing rental receipts. Appropriated funds are largely provided pursuant to the CSHA, though the Government has also appropriated additional monies to support social housing initiatives.

The provision of a regular and a constant stream of additional funding for social housing to meet the ongoing operational costs have been limited. Additional one-off funding has been provided by Government to fund specific initiatives in any year and/or to expand the supply of social and affordable housing.

Therefore the major option for increasing revenues is by generating additional monies from the public housing property portfolio through increased rental income.

A number of options are discussed below:

1. Relax the targeting and broaden the tenant base by housing applicants in the 3rd and the bottom of the 4th income quintiles. The current income threshold would be inclusive of applicants with affordability issues in the private market however under current targeted assistance measures these applicants are largely not currently assisted under the tighter targeting policies. The modified allocation process would target low-income workers and the working poor. However, broadening the allocation process is likely to significantly increase the waiting time for those on the Applicant List, particularly people with high levels of need.
2. Increase the percentage of (assessable) income payable as rent from the current 25% to say 30% similar to the changes to the NSW system as discussed in Information Paper Two *Targeted Housing Assistance*. This may be stratified for different income quintiles, i.e. those on the bottom quintile continue to pay 25% or less if this is determined, whilst those on the 3rd and 4th quintiles may be required to pay 30%. The affordability thresholds would be set at income levels, such as any household with an income below \$20,000 per annum would pay only 20% of income, whilst those earning \$50,000 per annum would be required to pay 30% of income as rent or market rent whichever is the lower.

3. Remove all income exemptions that are currently imbedded in the system for determining the eligibility for rebate.
4. Create the public housing provider as a separate corporate entity, which qualifies as a public benevolent institution (PBI) or charity under the *Income Tax Assessment Act*. In this way, those eligible tenants would be able to claim Commonwealth Rent Assistance and this could be passed onto the social housing provider. Secondly, such an entity would be entitled to claim back the input tax credits under the New Tax System: Goods and Services Tax (GST), effectively increasing the revenues or reducing the costs by the input tax credits currently paid and unable to be recouped (\$6 – 7m per annum).

A further benefit accruing from the social housing provider having PBI or charity status is the favourable treatment of Fringe benefits that effectively provides an increase in salary for no additional cost to the entity. This can be used to contain subsequent salary increases and/or as an incentive to attract and retain high quality staff.

This option may also result in better use of existing funding, although in itself would not solve all housing problems. With an asset base of \$3 billion at its disposal, a separate legal entity could effectively deliver a Government endorsed program for public housing. Whilst this provides an opportunity, there are risks associated with holding housing assets that would need to be considered and managed.

Questions:

What other sustainable options are available to increase revenue?

What are the merits of the above options?

6.1 Role of Market Renters

As indicated previously one of the main challenges for public housing authorities is that due to increased targeting of high needs clients the rental revenue stream is reducing in real terms.

This combined with the reduction in real terms of funding from the CSHA, and increased support and operating costs, places housing authorities in an increasingly unsustainable financial position.

Recommendations from the *Review of Housing ACT Market Renters*

The review, completed in August 2004, considered a number of potential exit incentives and revenue measures for public housing market renters and recommended that these options should be investigated further. The suitability of other housing options for market renters is limited, with equivalent sized stock in the private rental market being limited due to the higher rents for this stock.

There is some scope for market renters to be amongst the target groups to receive other forms of housing assistance. This includes the enhanced stamp duty concession scheme, the revised rental bond loan scheme and the targeted land releases announced in the 2004-05 Budget.

Abolition of Market Rent

One option for consideration is that of abolishing market rents and charging all tenants a rent based on a percentage of income. This option has the benefits of increasing the rental revenue stream to Housing ACT while maintaining affordable rents for all tenants.

However this may not support opportunities to reduce workforce disincentives. The ACT has also agreed to develop a nationally consistent approach to the way rents are calculated.

Review of the Market Rent concept and rent levels

Another option is to review the concept of market rent so that it reflects the real level of service received by a tenant of a public housing property, rather than being based solely on the physical and locational aspects of a property, however this option would have inherent risks as it removes the link to an externally determined rent level.

There is no 'market' as such for public housing properties and current 'market rents' for public housing properties do not reflect the real value of services provided. This is primarily because tenure of a public housing property provides a range of benefits, which are not available to private tenants and these benefits are not factored into the calculation of the 'market rent'. Some of these benefits include:

- security of tenure;
- security of affordability;
- opportunity to be rehoused to more appropriate accommodation;
- access to a multilayered review and appeals system;
- provision of free property modifications eg due to accident, disability or age;
- having a social landlord which facilitates coordination with, and provision of supportive and other community services, and
- opportunity to purchase the rental property.

If the private rental market were required to provide these benefits, it is likely that the rent charged to cover these additional responsibilities and costs would be higher than current market rents.

In the event that market rents did increase as a result of reconsideration of the market rent concept, the actual rent paid by the majority of tenants would be unaffected as they presently receive a rental rebate. Those not in receipt of a rental rebate, ie the full market renters, may be required to pay additional rent, however some of these tenants would become eligible for a rebate, so their rent would remain affordable. Those still not eligible for a rebate would pay higher rents, which would still be affordable for them.

Apart from the resultant increased rental income stream going to Housing ACT, the higher rent levels paid by those tenants on higher incomes would send price signals to them, encouraging increased consideration of alternative accommodation options such as the private

rental market or home ownership. These tenants are most likely to be able to afford these options.

Question:

What additional housing options are available for market renters?

7. GLOSSARY

AHURI	Australian Housing and Urban Research Institute
AUV	Average Unimproved Value
AWE	Average Weekly Earnings
CRA	Commonwealth Rent Assistance
CSHA	2003-2008 Commonwealth State Housing Agreement
GPO	Government Payment for Outputs
GST	Goods and Services Tax
HAA	Housing Assistance Act 1987 (ACT)
PRHAP	Public Rental Housing Assistance Program
RBHAP	Rental Bonds Housing Assistance Program
REIA	Real Estate Institute of Australia
ROGS	Report on Government Services
RTA	Residential Tenancies Act (ACT) 1997
TFM	Total Facility Management

RESPONSE TO THE INFORMATION PAPERS

If you would like to provide feedback to the Department on the Information Papers or you were unable to participate in the Consumer Forum or Housing Summit, you may provide comments up until **Friday 31 March 2006** either electronically at:

DHCShousingpolicy@act.gov.au

or to:

Housing Policy Consultation
Strategic Housing Policy
Department of Disability Housing and Community Services
GPO Box 158
Canberra ACT 2601