

Human Services Inquiry: Introducing Competition and Informed User Choice
Productivity Commission
Locked Bag 2, Collins Street East
Via Online Submission

Friday 14 July, 2017

Attention Commissioners:

Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services

Homelessness NSW welcomes the opportunity to provide comment into the Productivity Commission's report *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services* (the draft report).

Homelessness NSW is a peak not for profit organisation that works with its members to prevent and reduce homelessness across New South Wales (NSW). Our members include small, locally based community organisations, multiservice agencies with a regional reach and large state-wide service providers all of which provide services and support to people at risk of or experiencing homelessness. Homelessness NSW has developed this submission in consultation with its members.

Background comments

Homelessness NSW believes that the draft report's recommendations with regard to social housing are based on the incorrect assumption that the private rental market (with some minor reform) can address the current housing crisis.

Homelessness NSW believes that this assumption is flawed for several reasons. Firstly, transitioning people out of social housing into private rental is based on an incorrect understanding of the current tenancy cohort. To discuss housing pathways for social housing tenants which considers social housing as transitional housing does not understand the current social housing tenant profile who require access to long term, affordable and accessible housing. In NSW over 93 per cent of current social housing tenants are on income support payments of some kind and for whom pathways out of social housing is inappropriate due to their age, disability or support needs.

Secondly, the draft paper's focus on encouraging social housing tenants to transition into the private market does not recognise the acute shortage of affordable private rental accommodation. Anglicare Australia's *2017 Rental Affordability Snapshot* found that only 76 properties (less than 1 per cent) advertised across greater Sydney and the Illawarra were available to people on income support payments. In Sydney, the overwhelming bulk of these were in the outer suburbs, more than 20 kilometres from the CBD.¹ In addition to the acute shortage of affordable rental accommodation, those experiencing homelessness experience

¹ Anglicare Australia, *Rental Affordability Snapshot 2017*, July 2017, accessed at

numerous systemic barriers entering the private rental market including adverse listings on Rental Tenancy Databases and discrimination including on the grounds of receipt of Centrelink benefits, history of homelessness and engagement with social housing providers.

Rather than relying upon measures to increase tenant transition and reduce the number of people eligible for social housing, the current housing crisis can only be resolved through the Federal Government developing a coherent national strategy to deliver more social housing and end homelessness. Homelessness NSW believes there are five key reforms which should be implemented:

- 1. Significant growth in public and community housing and other affordable housing options*

The Federal Government should commit to developing an Affordable Housing Growth Fund starting with \$750 million in the first year, growing to \$15 billion over 15 years. This funding should be explicitly for expanding the stock of social housing to provide real alternatives for low income Australians locked out of home ownership. The funds should be deployed in tandem with strategies to attract private investment into the affordable housing sector, with the precise means for this to be informed by the current policy process being managed by the Affordable Housing Working Group

- 2. A renewed National Homelessness Strategy and Plan*

The Federal Government should commit to a renewed plan to end homelessness, which addresses the drivers of homelessness, rapidly rehouses people who are homeless, and provides adequate and flexible support for those needing help to sustain housing. A recommitment to aspirational targets for reducing homelessness, should be integrated with a wide range of strategies which provide housing and address known risk factors leading to homelessness. In particular, we support the investment of new and additional funding and resources into early intervention programs.

- 3. Reform the tax treatment of rental housing*

Rental housing currently receives tax subsidies in the form of investors being able to write off losses from rental investments against other income, and significantly reduced capital gains tax compared to other investments. The Government should commit to limit the offsetting of losses on investments in rental properties purchased after a specified date to income from those assets, rather than the investor's other income. Part of the revenue saved from this measure should be used to introduce a two-tier rental housing investment incentive to support the creation of affordable rental housing.

- 4. Increase Commonwealth Rent Assistance*

To reduce the number of Commonwealth Rent Assistance (CRA) recipients in housing stress, the maximum rate of payment should be increased by 30%, and it should be indexed to the rental component of the CPI.

- 5. Address the shortfall of appropriate, social housing for people with disabilities*

In the context of the introduction of the National Disability Insurance Scheme, the Commonwealth and State Governments need to work with the community housing sector to

develop a ten-year plan to deliver 16,000 new units of specialist disability housing and improve the capacity of other parts of the mainstream housing system to cater for people with disabilities.

Recommendations

Homelessness NSW comments are focused on the draft report's recommendations on social housing (sections 5 and 6) and family and community services (section 7). They are also informed by Homelessness NSW's belief that a lasting and effective solutions to housing affordability needs to rely on investment into social housing and that large-scale tenant diversion into private rental is not practical.

Social Housing

Draft recommendation 5.1 - Increasing the CRA

Homelessness NSW supports increasing the CRA and the recognition in the draft paper that the relative value of the payment has not kept pace with the increasing average rent. However, Homelessness NSW does not believe the proposed increase of 15 per cent adequately reflects rental prices nationally. The draft paper in determining the 15 per cent relies upon the relatively more affordable rental prices in Victoria rather than rents in unaffordable locations such as New South Wales. As detailed above, Homelessness NSW believes the maximum rate of payment should be increased by 30%, and it should be indexed to the rental component of the CPI.

Homelessness NSW also does not support the coupling of increases of the CRA to the introduction of market based rents in social housing (discussed below).

Draft recommendation 5.2 - Charging of market rents in social housing

Homelessness NSW strongly opposes the adoption of a market based rent for social housing. Homelessness NSW supports the findings of the recent Independent Pricing and Regulatory Tribunal (IPART) *Review of rent models for social and affordable housing* which found that 'basing tenant rent contribution on anything other than household income is likely to make social housing unaffordable for most tenants'. In addition, IPART's modelling found even with significant subsidies most current social housing tenants would be unable to access private rental except for 'lower cost locations, potentially with lower access to employment and educational opportunities, resulting in concentrations of disadvantage'. We note that the Productivity Commission's draft report does not provide any alternative modelling which contradicts IPART's findings in relation to the impact of charging market rents in social housing.

Draft recommendation 5.3 - Introduction of choice based letting

Homelessness NSW is broadly supportive of the notion of choice based letting and the potential better matching the allocation of social housing properties to household needs. In Homelessness NSW's experience, new social housing tenants can be allocated properties away from vital mental health, community and other medical supports.

While generally supportive of measures to better match housing stock to tenants' needs and characteristics, Homelessness NSW argues that any system that is implemented must

ensure that it rapidly houses those with urgent needs and does not add to the time people are on the social housing waiting list. In considering choice based letting in NSW, IPART recommended focusing on existing tenants in unsuitable housing with those currently on the waiting list experiencing delay because of this re-prioritisation. Homelessness NSW is strongly opposed to choice based letting being implemented in such a format and believes such an approach would ultimately place more pressure on the already stretched crisis accommodation sector.

Draft recommendation 6.1- increased tenant support

Homelessness NSW is broadly supportive of extending the range of supports provided to vulnerable tenants in the private rental market. As is noted in the discussion paper, support provided to tenants in private rental is primarily focused on assisting them to access rental accommodation, is time limited and provides little ongoing support.

While supportive of extension of support to those in private rental, Homelessness NSW believes the current levels of support for those in social housing is also inadequate and requires reform to ensure vulnerable tenancies are sustained. In 2016, Homelessness NSW released *Debt Set Unfair* which examined the management of debt within the social housing system in NSW. *Debt Set Unfair* found that a significant number of people experiencing homelessness consulted in preparation for the report had been evicted from social housing for accruing arrears. None of those consulted were provided with any support to assist them to address their arrears and sustain their tenancy.

Homelessness NSW is aware of a number of programs that have assisted people who have experienced homelessness to access and maintain tenancies via ongoing support such as Platform 70 and the Camperdown Project. The provision of support to maintain tenancies has resulted in an 80-90% success rate in supporting people who have experienced homelessness to maintain tenancies.

Reforms to Family and Community Services

Homelessness NSW has concerns in relation to the implementation of outcomes measurement in the homelessness space. While broadly supportive of the Specialist Homelessness Sector (SHS) being more able to demonstrate the outcomes it achieves, Homelessness NSW notes the following:

- That the SHS Program is one component within a much broader service system and does not have control of the levers to prevent and address homelessness (eg housing, domestic violence, other government reforms) and that any outcomes based contracting approach needs to be carefully considered in this context.
- That the introduction of any outcomes measurement must be linked with a broader strategy to address homelessness. This strategy should also incorporate the measurement of all components in preventing and responding to homelessness (including social housing, health, NGO and for profit sector responses).
- The need for careful review of the implementation of outcomes based contracting internationally and across jurisdictions with particular analysis around evidence of improved service delivery and the risks associated with this approach.

- A move to outcomes based contracting will require significant reform of the SHS service system and will therefore require an additional investment of resources including substantial time, money and sector development by government and the sector to oversee this reform and enable the SHS sector to shift to this approach.

Homelessness NSW also has concerns around the implementation of a major reform to the SHS that is not coupled by matching investment in social and affordable housing. We note the experience of the Going Home Staying Home (GSHS) reforms in New South Wales that attempted to implement reforms to a sector already experiencing high demand for services without increasing the supply of social and affordable housing. As a result, the period following the implementation of these reforms has seen a significant increase in the number of people experiencing homelessness.

Conclusion

Homelessness NSW welcomes the opportunity to continue to work with the Productivity on reforms to the social housing system and family and community services. We would be pleased to discuss any aspect of our submission.

Regards,

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CEO
Homelessness NSW