



**UNSW**  
City Futures  
Research Centre



**Submission to the Productivity Commission  
National Housing & Homelessness Agreement Review  
Issues Paper**

City Futures Research Centre, Faculty of Arts, Design & Architecture, UNSW

March 2022

This Submission has been prepared by the City Futures Research Centre, UNSW. The submission has been drafted by:

Vivienne Milligan

Hal Pawson

Bill Randolph

Contact: Hal Pawson

© City Futures Research Centre 2022

Disclaimer: All opinions expressed in this Submission are those of the Authors and do not represent the views or position of the Faculty of Arts, Design and Architecture or the University of New South Wales on this matter.

## **Contents**

Executive Summary.....	4
1. Our approach .....	7
2. Purpose and objectives of the NHHA.....	8
3. Financial arrangements and social housing financial viability .....	10
4. Outcomes and outputs of the Agreement.....	15
5. Roles and responsibilities of government.....	16
6. Performance monitoring and reporting.....	17
7. Governing the Agreement .....	18
8. Homelessness.....	19
9. Private rental housing.....	21
10. Home ownership.....	23
11. Housing outcomes for Aboriginal and Torres Strait Islander people.....	24
12. The supply side of the housing market.....	26
Attachment 1: National housing-related reviews and their outcomes 1989-2022.....	29
References .....	30

## Executive Summary

The NHHA and its predecessor agreements dating back to 1946 have shaped Australia's present day social rental housing system and homelessness responses. Historic agreements also played a significant part in providing home ownership opportunities for working households, but this aspect of the Agreement has been largely abandoned.

Framed by the Australian Constitution and Federation governance, these successive agreements have also been the primary means of encouraging Commonwealth and state/territory cooperation and collaboration on housing matters. Indeed, in our view a crucial benefit of the NHHA is its explicit acknowledgement (p.7) that 'The Commonwealth and the States agree to be jointly responsible for ... housing, homelessness and housing affordability policy...'

In this submission we argue, however, that as currently configured and governed, the NHHA is totally inadequate both in relation to its support and funding for social housing, and in its wider aspirations to help redress Australia's deteriorating housing system performance.

Necessary action to address the serious housing-related challenges facing Australia would extend far beyond the scope and focus of the current NHHA, as reflected at least to some extent in the breadth of questions raised for consideration by the Productivity Commission in the NHHA Review Issues Paper.

We believe that major housing system reform is both urgent and long overdue. Previous attempts at reform have been largely unsuccessful, being unsustainable or otherwise too limited in scope. It is accepted that this is partly explicable by the complexity of issues involved, the entanglement of housing with other policy domains (especially the tax and transfer system and land-use planning) and the power of vested interests in property development and housing asset wealth creation. Nevertheless, we would argue that lack of necessary policy modernisation also importantly results from the absence of consistent national leadership.

Therefore, while we strongly advocate for development of a comprehensive national housing strategy/policy agreed by all levels of government, we recognise that this will not be easily achieved, and certainly not before the expiry of the present NHHA in 2023.

This should not, however, hinder significant reform of the NHHA even if, in the first instance, this is directed primarily to its present (narrow) scope. Indeed, a collaborative effort by Commonwealth and state/territory governments to achieve a sustainable social housing system, and to commit to ending recurrent homelessness, would deliver crucial components of any prospective national housing strategy.

Focussing, therefore, on the NHHA in its current scope, this submission makes a case for the following key reforms.

### **1. Reform funding arrangements to put social housing on a cost recovery basis**

This should be addressed by calibrating the operating subsidy necessary for an efficient social housing provider carrying out the normal range of social landlord tasks (i.e. property maintenance and life cycle asset upkeep, and tenancy management and tenancy sustainment) to recover their costs after rent revenue is accounted for. The cost benchmarks should incorporate weightings for additional costs for some tenancies, such as occur in remote areas, or for some high needs' groups. Determination of who pays for this subsidy would be a matter for governments, noting the

Commonwealth's constitutional responsibility for income support and the large disparity in tax raising and borrowing powers between the Commonwealth and states.

## **2. Introduce a 10-year National Partnership Agreement for Social Housing Supply**

A dedicated 10-year partnership agreement should earmark sufficient funding from both the Commonwealth and state/territory governments to redress the long-term decline in social housing supply, and to enable an ongoing rate of growth in social housing at least commensurate with household growth. The financing approach should aim to utilise the most cost-effective mix of public investment (capital or recurrent funding and land allocation) and private financing.

If the above two proposals are adopted as a package, social housing will finally be put on a financially sustainable path. This will significantly improve the social housing system's capacity over the long term and provide incentives for both new investment and reinvestment through asset recycling.

## **3. Improve transparency and accountability of NHA outcomes**

Despite aspirations for better output and outcome measures under the NHA, we have observed very few, if any, improvements in data quality and transparency (for example, in new and total social housing supply).

Priority should be given to nationally consistent data quality and to adoption of more specific (quantitative) performance measures and benchmarks that relate to actual activities under the Agreement (net supply of social housing homes, dwellings meeting property standards, tenancy sustainability levels, affordable housing supply, etc).

An audited register of social housing assets and tracking their realisation and recycling is also critical to effective long term monitoring of the social housing system, particularly during active asset recycling periods and as more providers using public funds become involved. The register, which could be maintained under the national regulatory system for community housing, would contain details of housing assets such as ownership, debt, obligations related to use, building condition and maintenance plans, and tenancy and current occupancy commitments.

To improve financial transparency, annual housing budgets should clearly identify the source and allocation of all funds (from budget and revenue sources and from asset realisations) for housing assistance programs.

## **4. Strengthen governance and policy development**

Active housing policy development and review has been in decline at all levels of government over the last decade, at least, and mechanisms for strategic multi government engagement (e.g. COAG and Housing Ministers Advisory Council) have been dropped. Recently published state housing strategies responding to the welcome NHA requirement for such documents have been disappointing. Even if delivered to a higher standard, state-only strategies are inherently highly constrained in their effectiveness because most of the key housing policy levers are held at federal level.

Integrated and effective housing governance and policymaking should involve:

- A shared national policy vision and strategic framework, under which state and (potentially) local housing plans are formulated.

- Recognising housing as a senior cabinet level portfolio in both national and state and territory governments.
- Having a permanent dedicated national housing authority with sufficient resources and skills to provide policy leadership and market intelligence.
- A National Cabinet-driven coordinating mechanism to promote intergovernmental coordination and collaboration.
- A strategic housing advisory group to facilitate wider stakeholder participation in housing policy making and to offer specialist advice in priority areas and on emerging issues. This mechanism must effectively embrace the voice of First Nations peoples.

##### **5. More specifically define state/territory homelessness strategy remit**

It is appropriate that the NHHA provides more specific guidance on the legislated obligation for state/territory governments to produce homelessness strategies. The next edition of the Agreement should be much more directive on the remit and content of these. They should be substantially focused on prevention. Logically, this calls for a prime analytical focus on new homelessness cases arising from distinct immediate causes (e.g. natural disasters, institutional discharge, private rental eviction, domestic violence). Informed as such, a homelessness strategy would formulate interventions targeted to reduce the flow of new homelessness cases resulting from each significant identified cause. Trends over time in people becoming homeless due to each such cause would be performance measures.

##### **6. Housing supply – focus more narrowly on social and affordable rental housing**

The interaction between dwelling supply and demand is complex and requires a holistic understanding and integrated policy response. In the context of a complex housing system with many interdependencies, it seems unrealistic that the NHHA, as currently framed, should be expected to impact wider land use and housing supply issues. Rather, the NHHA should focus on aspects of dwelling supply that relate more directly to the delivery of social and affordable housing and homelessness accommodation. Consequently, housing supply indicators included in the NHHA should also include metrics that monitor social and affordable housing outcomes delivered by both housing and land-use planning policies.

##### **7. Commit to a multigovernmental national approach and reform priorities**

It is indisputable that housing is a central national economic and social concern and that there is strong policy interdependency across the roles and responsibilities assumed by each level of government. Logically therefore any future NHHA should be not only consistent with, but a component of, a national housing strategy. The 2023 Agreement could be explicitly framed as an interim Agreement to be reviewed and recast when a national strategy has been formulated.

Explicit commitments to reform directions and priorities in housing policy arenas that currently lie largely outside the NHHA, such as housing and land taxation, the design and allocation of rent assistance, residential tenancy regulation, and management of housing supply and planning and development processes could be identified in the interim agreement.

## 1. Our approach

Established in 2005, the City Futures Research Centre (CFRC) is Australia's leading urban policy research centre and a founding member of the AHURI housing research network. For its entire existence, the Centre has been deeply involved in researching issues relevant to the terms of reference for the review of the National Housing and Homelessness Agreement (NHHA). Moreover, the individual contributors to this submission – Professors Vivienne Milligan, Hal Pawson and Bill Randolph – each have decades of experience analysing and advising on housing and homelessness issues in Australia and internationally.

This submission, therefore, draws on both CFRC's extensive research record and the authors' expertise in housing especially as that relates to housing market dynamics, housing tenures, housing and homelessness policy matters, comparative housing systems, affordable housing financing models, housing assistance delivery models and practices, and housing analytics. A full list of the material we have drawn on for the submission is given in the references included. This covers our own CFRC-led work, collegiate work, and other seminal evidence in support of our arguments.

## 2. Purpose and objectives of the NHHA

The Productivity Commission has been tasked to consider whether the NHHA is an effective long-term arrangement for government cooperation in the funding and delivery of housing and homelessness services. This focus notwithstanding, the topics and questions raised for consideration in the Commission's Issues Paper for the review have cast a very wide net. This inclusive approach is welcome given the scope, complexity and interconnectedness of the housing issues facing Australia. It is, however, arguably idealistic and over-ambitious given that the scale of funds included within the NHHA is extremely small in relation to the scale of housing need (e.g. the cost of maintaining the current social housing portfolio, providing emergency services to homeless people and investing in new social housing provision to match population growth).

Moreover, recent federal governments have shown little appetite for housing policy leadership and reform. Australia lacks a national housing policy and the vast bulk of Australia's housing policy settings derive from paths laid down decades ago, when the housing issues we faced were very different.

The NHHA itself is to a considerable extent a legacy of past Commonwealth State Housing Agreements dating from 1945. The CSHA – and now NHHA – structure is necessarily framed by the Australian Constitution. As further discussed in Section 5, this gives rise to considerable debate on the relative responsibilities of our two main levels of government in relation to housing. Also of critical importance in justifying the creation and continued existence of such an Agreement is Australia's very marked vertical fiscal imbalance. This refers to the mismatch between the service delivery responsibilities constitutionally assigned to the national and state/territory governments, on the one hand, and the respective tax raising and borrowing powers of the two levels of government, on the other. Thus, in contemporary Australia the Commonwealth raises over 80% of total tax revenue – compared, for instance, with Canada where the comparable proportion is 45% (Australian Government 2015).

It is also notable that numerous and regular past Inquiries and reviews in the housing domain have remained to a large extent unimplemented or have given rise to reforms that have failed to endure (see Attachment 1). As argued in this submission, we believe that, as currently configured, the NHHA is inadequate both in relation to its specific goals on housing assistance (related to social housing and homelessness services), and its wider aspirations to help redress the deepening economic challenges arising from Australia's housing system performance (see MacLennan et al 2019; 2021). Rather than attempting a lengthy response addressing the full array of topics and questions in the Issues Paper, this submission instead responds strategically by highlighting what we consider as the key matters that should inform the NHHA Review. We have kept our responses brief but would be happy to answer further questions or provide additional information.

As multiple reports and reviews evidence in detail, housing access and affordability in Australia have been deteriorating for much of the past decade, a trajectory compounded by the COVID-19 pandemic (Pawson et al 2021a). Home ownership rates have continued their steady decline among younger generations in the face of record house prices, stagnant wages, and more insecure work (and despite historic low interest rates). Resultant rental demand has increased pressure on rents and vacancy rates in many suburban and regional sub-markets, intensifying housing stress and housing-related poverty among lower income renter households particularly. And access to social housing is in long term decline, contributing to homeless numbers at record levels.

Necessary action to address the serious housing challenges facing Australia would extend far beyond the scope and focus of the current NHHA and other prevailing policies in this realm. Indeed, any



credible attempt to tackle housing unaffordability and housing related inequality must be centred on reconfiguration of Australia's tax and transfer system across the various levels of government, especially in relation to housing and land. However, as both recent and earlier experience in policy reform have demonstrated, housing has become a 'wicked problem' not readily amenable to the political consensus required for major reform, much like climate policy. This partly reflects the complex nature of the housing challenge and its entanglement with other policy domains, whereby housing policy actions (or inactions) have much wider economic and social consequences – as dramatically evidenced by the housing system failures in the US that triggered the 2007 GFC.

Equally, policy actions in other arenas can have major unforeseen and unintended consequences for housing outcomes, as seen most recently in the impact of the COVID pandemic and its management on for instance, house price inflation and building materials shortages in Australia. In addition, dominant commercial interests in property development ensure that little policy reform is considered politically feasible if it challenges property (and hence land) price appreciation.

Therefore, while we strongly advocate for the need to urgently develop a comprehensive national housing strategy agreed by all levels of government, we recognise that this will not be easily achieved, and certainly not before the expiry of the present NHHA in 2023.

Nevertheless, this situation should not hinder significant reform of the NHHA even if, in the first instance, this is primarily within its present (narrow) scope. Indeed, the Commonwealth and states and territories (hereafter states) working together to achieve a sustainable social housing system going forward as a priority (see below) would deliver a crucial and long overdue component of any prospective national housing strategy.

Elsewhere we have made the case in more detail for housing system reform as part of a comprehensive national housing policy (Pawson et al 2020a pp. 339-358; Maclennan et al 2021; Pawson and Milligan forthcoming). In the remainder of this submission, we concentrate on enhancement of the NHHA as one critical component of a future national housing strategy and as a means for the Commonwealth and states to better fulfill their shared responsibilities for housing affordability and housing assistance.

### 3. Financial arrangements and social housing financial viability

#### Historical context

In 2021/22, \$1.684b of Commonwealth funding for housing and homelessness services is provided under the NHHA. Of this, a minimum of \$125m is specified for homelessness services to be matched by the states.

The current real value of the Commonwealth's untied contribution (i.e. \$1.559b) has its origins in the base funding level plus supplementary funding for (formerly) 'tied' programs<sup>1</sup> within the 1996/97 CSHA and the then Supported Accommodation Assistance Program, which funded homelessness services<sup>2</sup>. At that time there was a 24% cut in real terms compared to the 1989 CSHA funding level (Pawson et al 2020a). To defend this dramatic funding cut the Commonwealth abandoned an existing requirement for states to invest 75% of Commonwealth CSHA funding in new social housing supply, thereby jettisoning a long-term national objective of the Agreement.

While additional funding for social housing supply was reinstated in 2008 under several national partnership agreements – especially the Social Housing Initiative (2008-12), the Social Housing Partnership (2009-10) and the National Partnership agreement for Remote Indigenous Housing (2008-2018) – all of these programs have since ceased. Coupled with the 2008 abandonment of requirements for states to match Commonwealth housing expenditure and to reinvest the value of any CSHA derived asset realisations, the result has been almost no growth in social housing. From 1996 to 2021, Australia's social housing provision grew by 5% while overall population increased by 41% (SCRGSP various years, ABS 2021a).

The current funding regime is thus an historic relic. It bears no relationship to the level of unmet housing needs (either within the low-income cohort or measured across a wider income spectrum) or to the costs of service provision, let alone the costs of additional supply. In the main, funds are currently allocated to the recurrent costs of homelessness services, public housing operating deficits (especially maintenance, backlog maintenance and stock upgrades) and to various band aid programs (themselves legacies of past tied funding) that help to deflect demand for social housing in the short term (e.g. fixed term private rent assistance). There is also continuing leakage of annual funds (\$62m in 2021) to repayments of historic loans under past CSHAs (before 1989!) (Australian Government, Budget Paper no3 2021, appendix D).

#### The adequacy of social housing system funding

Numerous independent reports have affirmed that the total funds being provided by the Commonwealth and states/territories are insufficient for even the current level of social housing to be financially sustainable. Official reports concerning the situation of the largest social housing landlord, NSW Land and Housing Corporation (LAHC) are revelatory<sup>3</sup>.

- In 2013, the NSW Audit Office found that the funding arrangements for LAHC did not enable it to meet public housing need. It reported that, with constraints on rental and grant funding,

---

<sup>1</sup> Tied programs comprised the Pensioner Rental Housing Program, the Aboriginal Rental Housing program, the Crisis Accommodation Program, the Community Housing Program and the Mortgage and Rent Assistance Program.

<sup>2</sup> The Supported Accommodation Assistance Program was collapsed into the 2008 National Affordable Housing Agreement that preceded NHHA.

<sup>3</sup> Similar assessments are reported in other jurisdictions- see for example, VAG (2017); PWC (2018)

and assets requiring increased maintenance expenditure, the impact on the condition and levels of stock was negative and financially unsustainable (NSW Auditor-General 2013)

- In its 2017 report, the NSW Independent Pricing and Regulatory Tribunal identified a funding shortfall of \$950 million for social and affordable housing in 2015/16 in that jurisdiction alone. As noted by IPART, this had resulted in deferred maintenance and underfunded depreciation, asset sales to offset revenue shortfalls and little net growth in supply (IPART 2017).
- In 2019 Infrastructure NSW found that 'LAHC is far below the industry benchmark ratio for capital maintenance expenditure of 2-3%, with LAHC's ratio sitting at 0.4%.' (NSW Government 2021, p.22).
- In 2021 LAHC reported that '*it must sell over \$150 million worth of properties every year (around 200 homes) [their emphasis] to help fund capital maintenance...This funding model decreases social housing to meet demand and leaves a capital funding gap which becomes even larger as the portfolio ages*' (ibid).

The present funding level also makes the addition of new public housing unviable because each additional unit requires additional subsidy, but the NHHA funding level is fixed. Hence the 'failure' of public housing continues to grow (Milligan 2018).

#### Social housing: functionality of an under-funded system

With annual additions to the social housing stock having declined to historically low levels, new tenancy allocations are nowadays almost wholly dependent on the diminishing turnover of existing dwellings. Overall system capacity is now at its lowest level in thirty years: in 2021 new social housing tenancies fell to under 30,000 compared to 52,000 in 1991 (Pawson et al. 2020a; SCRGSP 2022). This is largely attributable to the changing profile of social renters, now overwhelmingly involving very low income households (including a high proportion of single person households receiving the aged or disability pension who have long term housing needs), and to the collapse of historic pathways into private housing.

A once common trajectory from social housing into home ownership has virtually disappeared because of a combination of the poorer circumstances of most tenants, higher housing prices and less public assistance targeted to low income potential buyers (Pawson et al. 2020a). It should also be noted that the reduced flow of social housing has emerged despite adoption by several jurisdictions of tenancy review policies aimed at moving 'ineligible' households out – a policy we consider both unworkable and in conflict with the objective of providing secure and stable housing as a key platform for improving economic and social inclusion (Fitzpatrick and Pawson 2014; Hulse and Milligan 2014).

Nevertheless, there have been some recent improvements in the operating position of social housing in parts of the system. One improvement has been brought about by the transfer of large tranches of public housing to community housing, especially in South Australia, NSW and Tasmania. Financial modelling indicates that transfers, especially when based on long-term leases or title transfer, may be a pragmatic means *under existing policy settings* for reducing the public housing operating subsidy shortfall (Pawson et al 2016). The additional revenue received by community housing providers (CHPs) via CRA payments to tenants also allows for modest growth in community housing utilising debt financing and the National Housing Finance Investment Corporation's guarantee, provided that land or other funding support can also be obtained (Randolph et al 2018).

A public housing transfer strategy could be taken further, at least to achieve the 2014 target of 35% of social housing being delivered by CHPs in all jurisdictions or increased to say 50% or more of all social housing. Presently only NSW and SA have approached that target, while Tasmania has exceeded it. The 2017 AHURI-funded comprehensive inquiry into capacity in the CHP sector supported the efficacy and desirability of expanding non-profit housing by this and other means, on grounds that included service contestability, user choice, financial leverage for growth and potential for innovation (Milligan et al 2017). If such a pragmatic approach to using rent assistance to support the community housing sector was encouraged it would need to be followed up by more in-depth work on social housing financing, as discussed below. Without that, the long-term problem of system sustainability may just be shifted to the transfer recipient entities.

There has also been more proactive asset management to replace, or upgrade aged or inappropriate public housing stock, albeit partly financed through stock depletion or land privatisation. However, as the LAHC example makes clear (see above), funding shortages slow this process and add to inefficiency as unsuitable dwellings at the end of their economic life must still be maintained. Similarly, underoccupancy cannot be addressed without the investment resources needed to restructure the social housing portfolio.

Finally, NSW and Victoria have trialled private provision models using a 'future fund' style approach (e.g. the 2016 NSW Social and Affordable Housing Fund). These kinds of programs are supported by a sizeable recurrent government subsidy, but details are shrouded in commercial secrecy and the model's long-term cost effectiveness, replicability and durability have not been independently assessed.

#### Data deficiencies

Overall, how funds and revenue are allocated, and services costed in the social housing system remains highly opaque (Pawson et al. 2015). States present their housing budgets and performance measurement in diverse ways using different data standards, so it is difficult to aggregate and readily compare how much they each contribute. In-kind contributions of land and sales of existing social housing add to the complexity and lack of transparency. There are no agreed cost benchmarks or service standards by which service provision costs can be assessed for adequacy or value for money. Expenditure data collected for the Report on Government Services is often not comparable across jurisdictions or consistently defined over time.

Even the scale of 'expressed demand' for social housing is difficult to gauge when published waiting list statistics are restricted to point in time totals, with no information about flows onto and off such lists that would expose the scale of (a) newly arising need, and (b) deleted registrations other than resulting from being accommodated in social housing.

The simple dynamics of social housing portfolio size are likewise hidden from view. Social housing construction can be derived from ABS construction statistics only indirectly by the odd process of deducting 'private sector' from 'total' commencements and completions. And there are no routinely published statistics on public housing property sales or demolitions.

#### Addressing financial unsustainability: potential reforms

##### a) Cost recovery

It is fundamental that social housing providers can recover their costs and operate on a financially sustainable basis. This requires governments to recognise the need for operating subsidy payments calibrated to meet the gap between what are unavoidably highly constrained rent revenues, on the

one hand, and the efficient cost of social landlord services including - in addition to normal tenancy and property management functions - requirements for life cycle asset upkeep and tenancy sustainment, on the other.

We note in this context that the IPART estimate of the funding shortfall in NSW (quoted above) was based on the gap between total rent revenue and total assessed market rents. While this estimate is likely to be indicative, we would argue that logically a transparent and 'fit for purpose' approach to calibrating an adequate level of operating subsidy should be based on cost recovery rather than achieving private market rent levels, which are determined under a different pricing, profit and tax regime. In this regard, we take a different position to that of the Productivity Commission previously, and we consider there should be a full and open debate on the most appropriate basis for social housing rent policy before any policy change. This includes whether any future financial assistance should be paid to tenants or to providers in the social housing system.

b) Transparency on portfolio condition and the cost of outstanding repairs

It is now decades since state and territory governments have committed adequate investment to the maintenance and modernisation of the public housing stock according to standard real estate management practice. The extent to which the portfolio remains compliant with reasonable minimum standards of repair and functionality may be known to governments themselves but, if so, such information remains very largely hidden. In a rare glimpse of the true situation, the NSW Audit Office reported in 2013 that '30-40%' of the State's public housing had fallen below the NSW Government's minimum acceptable property standard (NSW Audit Office 2013). To provide a basis for rational policymaking in this area it is essential that the NHHA requires state/territory governments to: (i) Publish minimum acceptable social housing condition standards (including in relation to, for example, freedom from dampness, energy efficiency; maximum age of amenities); (ii) Enumerate, for publication, social housing properties non-compliant with these standards; and (iii) Cost, for publication, the works required to remedy non-compliance.

c) Growth

A reformed NHHA funding model must contemplate the target level of new social and affordable housing supply that is desirable to reduce unmet need and the optimal way to incentivise this.

Much has been written in Australia and elsewhere on innovative financing models (for a summary see Pawson et al 2020a: Ch 8), but essentially governments have three main ways (not mutually exclusive) of funding new supply:

- a) Leverage off past investments, especially increased land values and densification opportunities where these exist and 'stack up' financially.
- b) Pay an additional subsidy (to the operating subsidy described above) to cover the cost of private equity or debt financing of additional supply. This cost can be reduced through credit enhancements such as provided through the National Housing Finance Investment Corporation (NHFIC) at present.
- c) Provide public equity and/or public land for the construction of additional housing.

Ancillary strategies include leveraging co-contributions from philanthropic and ethical sources, cross subsidisation (e.g. through projects including market sales or market rent properties) and developer contributions raised through the planning system.

All the above strategies operate to some extent to finance the current very modest pipeline of new social and affordable housing projects in Australia (Pawson et al 2020a: Ch 8; Pawson et al 2021a: Ch 6) but in a piecemeal and stop start fashion rather than being tied to any target to increase supply with assured and predictable funding. As officially recognised by Australian Treasurers in 2017 no innovative financing models will close the yield gap without public subsidy (AHWG 2017). Moreover, recent initiatives, such as NHFIC's bond aggregator and planning system changes in support of affordable housing, are being hampered by a lack of capital funding and land bank to enable development at scale.

The opportunity exists under the NHHA, using Federal Financial Relations Act architecture, to create an ongoing National Partnership Agreement that is dedicated to new social and affordable housing supply (National Partnership Agreement for Social and Affordable Housing Supply - NPASAHS). Learnings from similar programs in the recent past, especially the Social Housing Initiative and the National Rental Affordability Scheme, and the body of AHURI research to which we have contributed (see especially Randolph et al 2018; Lawson et al 2019; Troy et al 2019) should inform the design of this initiative.

However formulated, a NPASAHS program should aim to reverse the declining representation of social housing provision seen over the last three decades and to enable accelerated restructuring and upgrading of the existing portfolio of social housing. Once such backlogs are overcome, ongoing funding for new construction should be determined on an annual basis at a level sufficient to maintain future social housing supply *at least* proportionate to household growth. Resources within program should be allocated in accord with state and regional/local housing needs assessments.

#### 4. Outcomes and outputs of the Agreement

The NHHA introduced a requirement for states to develop their own publicly available housing strategies<sup>4</sup>. These are required to be broadly scoped to encompass diverse dimensions of housing including private rental regulation and home ownership support, as well as social housing provision and to detail how ‘planning and zoning reform and initiatives’ will ‘contribute towards ... [NHHA] housing priority policy areas’ (Council on Federal Financial Relations 2017, p. 17).

The strategies published so far vary considerably in ambition, style, form, and content. Taking the NSW Government strategy, *Housing 2041*, as one example, we have opined elsewhere that it entirely fails to fulfil basic criteria for strategic utility including an absence of (a) analysis of problems to be tackled, (b) clear and measurable goals, (c) identified actions to achieve goals, and (d) a costed and resourced action plan (Pawson and Milligan 2021). As such, *Housing 2041* represents a wasted opportunity.

Even if they were worthwhile, state-only plans will be inherently highly constrained in their effectiveness because most of the key housing policy levers are held at federal level (see below). As we argue elsewhere, this only goes to emphasize the logical case for a national housing strategy, not least as an overarching framework for state-specific plans (Pawson and Milligan, forthcoming).

A national strategy under which respective roles and responsibilities are exercised would help to:

- Provide a unifying framework for the action of governments all levels
- Provide more clarity around roles and responsibilities and hence help to promote accountability
- Promote cooperation and collaboration between levels and agencies of government
- Publicise reform directions and priorities of governments and engage stakeholders in their further development (see also UNECE 2021).

Regular reviews of any such national strategy should be required to ensure it remains relevant and responsive.

Logically, the NHHA should be not only consistent with, but a component of, the national strategy. On this basis we argue that the 2023 Agreement should be explicitly framed as an interim Agreement to be reviewed and recast when a national strategy has been formulated (on the assumption that this might take 2-3 years following a commitment being entered into in 2022).

---

<sup>4</sup>The concept is similar to the Housing Plans tried in the 1989 CSHA but dropped after 1996.

## 5. Roles and responsibilities of government

Structural changes in the housing system including changed demand propensities, deepening housing market failure, and outdated housing policy settings have all contributed to Australia's intensifying housing policy challenge. It is surely indisputable that housing is a key national economic and social concern and that there is strong policy interdependency across the roles and responsibilities assumed by each level of government (Maclennan et al 2021).

This underlines the case for more active national housing policy leadership, and a robust governance framework that seeks to achieve greater cooperation/collaboration between governments. The limited financial resources of states and territories also mean that the significant financial shortfall in the social housing system cannot reasonably be met by states alone, at least under present tax powers and revenue raising arrangements.

Critical in any consideration of housing policy in Australia is the nation's federal governance structure as underpinned by the Australian Constitution. Given that the specified areas of national government competence (Section 51) designate no powers in relation to housing or urban issues, the nation's founding charter is conventionally understood as devolving responsibility for housing and urban-related decision making and (any necessary) intervention to state governments.

On this understanding, therefore, whatever housing priorities (if any) might be favoured at the national level, directly relevant interventions or regulations can be implemented only by the lower tier of government. However, there is no legal bar to the Commonwealth's active interest in the housing system, including an interest in (although not control over) the direct delivery of housing services. Indeed, as argued by Winter (2015), there is in fact a range of constitutionally-prescribed Commonwealth policy responsibilities that impact on the housing system. Most importantly these include banking (e.g. housing finance regulation), taxation (including property-associated tax settings), social security (e.g. housing-related transfer payments) and immigration (a crucial component of housing demand). In other words, under a holistic conception of 'housing policy', many of the key levers are held at the national level, and not by the states.

The Commonwealth's primary responsibility for ensuring that low-income Australians can afford suitable housing is also integral to reform considerations for both the NHHA and, prospectively, Commonwealth Rent Assistance.

Even taking a narrower view of Commonwealth's responsibilities generates arguments for the Commonwealth taking a stronger role in housing policy making – for example, to address the housing needs of key cohorts for whom the Commonwealth has responsibility such as the aged and people with disabilities. Moreover, on the current tenure trajectory (of falling home ownership and increasing private renting), the Commonwealth will face growing exposure to the impacts of rental dependency, especially in old age, on social security budget outlays.

In any event, considering that the appropriate division of housing responsibilities across the two levels of government is such an intractable issue, a crucial benefit of the NHHA is its explicit acknowledgement that 'The Commonwealth and the States agree to be jointly responsible for ... housing, homelessness and housing affordability policy...' (NHHA p7).



## 6. Performance monitoring and reporting

A clear weakness of the outcomes and performance measures included in the NHHA is that they are non-specific about the progressive quantum of improvement in the indicator that is desired.

While there are numerous stated aspirations ‘more’ or ‘improved’ levels of activity, these are empty pledges without specifying (a) what would it be more than, (b) how much more, and (c) by when the increased or enhanced activity will be achieved? Only if defined as such would it be possible to assess future policy impact. For example, what is the current level of affordable and social housing supply across the system against which improvements will be judged? What proportion of such housing falls short of acceptable standards and how much will this cost to fix? What is the target for reducing social housing waiting lists? How many Indigenous home buyers will governments aim to assist?

More generally, relying only on aspirational goals ‘to do better’ means that governments cannot be held to account specifically for the adequacy of their investment in housing assistance. (Under previous arrangements (before 2008) minimum expenditure levels were fixed to match the Commonwealth.)

Moreover, there are no incentives to optimise future social outcomes from public housing being sold for redevelopment and replacement. Typically – as illustrated by NSW’s estate renewal program, Communities Plus – the social and affordable housing outputs initially advanced remain unachieved (Morton 2022). Audited registers of social housing assets and tracking their realisation and recycling would greatly enhance transparency and further accountability in this regard.

We provide additional comments on specific housing supply indicators in Section 12 below.

## 7. Governing the Agreement

The NHHA requirements for the ongoing governance of the agreement are largely limited to specific administrative obligations on states for reporting and review. Past overarching governance arrangements that supported an active policy development and reform agenda, such as COAG and the COAG Reform Council, an active Housing Ministers Advisory Council, and the Housing Supply Council have been abandoned. The post NHHA foundation of NHFIC has provided some welcome new institutional capacity (e.g. for housing market review) but this entity is not aligned with the NHHA and does not formally involve the states. An early suggestion that the 2020-founded National Cabinet may take an active interest in housing, has not materialised.

To drive adequate, integrated, and responsive housing policymaking, in keeping with international best practice, we have argued elsewhere for a set of institutional reforms (Pawson et al 2020a).

These include:

- Overall responsibility for housing allocated to a Cabinet-level housing minister both at Commonwealth level and in each state/territory government.
- At the national level, the responsible Minister being supported by a permanent dedicated national housing authority with sufficient resources and skills to provide policy leadership and market intelligence.
- A National Cabinet-driven coordinating mechanism, like the Housing Ministers Advisory Council that operated under COAG, to promote intergovernmental coordination and cooperation.
- A strategic housing advisory group to facilitate wider stakeholder participation in housing policy making and to offer specialist advice in priority areas and on emerging issues.

We also support further activating the role of local government in housing, such as is occurring in some jurisdictions through the development of local affordable housing strategies. However, to be more effective this will require supportive national and state policies and capacity building in local government itself, as well as effective mechanisms for actually delivering such strategies on the ground. A vision for cascading national, state and local/regional housing plans could be floated.

## 8. Homelessness

As acknowledged in the Commission's Issues Paper, the past decade has seen rising homelessness in Australia. This is true in both nominal terms and pro rata to overall national population. The factors triggering homelessness for any individual are, of course, often related to personal social or health misfortunes. But the risk that such issues result in the actual loss of accommodation (and inability to secure a new home) is also influenced by housing market conditions. Hence, rising homelessness in the most recent inter-censal period was generally most pronounced in those capital cities and states with the most pressured housing situations (especially Sydney and NSW).

We would expect a similar pattern to be revealed by the 2021 census statistics when these become available – i.e. change in the incidence of homelessness correlating with the geography of housing market stress. Relevant here is the observation that the pandemic has seen particularly notable escalation in rents and house prices in many of Australia's regional areas (Pawson et al. 2021). Even in the period 2014-19, analysis based on AIHW SHS data suggested that it was in 'inner regional' areas where homelessness was rising fastest (Pawson et al. 2020b Figure 5.11). There can be little doubt that the recent flood emergencies in Queensland and NSW will only have added to the pressure on scarce rental housing in those areas affected, further aggravating an already stressed situation. If nothing else, this emergency has brought the need to a nationally integrated response to homelessness into sharp relief.

The NHHA designates a minimum specified annual portion of its overall funding (\$120 million) for homelessness services. However, the Agreement's requirement that state governments at least match these contributions has become somewhat laughable, considering that the Commonwealth's specifically nominated contribution to annual national homelessness services expenditure (\$1.22 billion – ROGS 2022) has now diminished to under 10%. Of course, it may well be that state/territory governments are nowadays needing to draw much more heavily on remaining (non-homelessness-designated) NHHA funds to help them meet the ballooning cost of homelessness services.

The growing inadequacy of the Commonwealth's contribution to the cost of all state/territory housing and homelessness services reflects the inappropriate retention of an annual up-rating formula based on the wage cost index rather than gauged to actual need. This is starkly illustrated with respect to homelessness services – where actual expenditure increased by an annual rate of 9.25% over the past four years (ROGS 2022), while the recent annual rate of increase in Commonwealth NHHA funding has been only 1.75%.

To the extent that it specifies homelessness 'priority policy reform areas' (p17), the terms of the current Agreement are also very weak. These are no more than motherhood statements so bland as to be essentially meaningless.

The Agreement does, however, refer to the legislated obligation for state governments to produce homelessness strategies (Federal Financial Relations Act 2009 S15C 6). At the same time, we would argue that the next edition of the Agreement should be much more directive on the remit and content of such strategies. These should be substantially focused on the prevention of homelessness. Logically, this calls for an analytical focus much more oriented towards the flow of new homelessness cases, rather than (or in addition to) the number of persons being assisted via homelessness services during any given period (month, quarter, year). Crucially, state governments need to be monitoring more assiduously new homelessness cases arising from distinct immediate causes (e.g. natural disasters, institutional discharge, private rental eviction, domestic violence). Informed as such, a homelessness strategy would formulate interventions targeted to reduce the

flow of new homelessness cases resulting from each significant identified cause. Trends over time in people becoming homeless due to each such cause would be performance measures.

The homelessness-generating scenarios that should form the first priority target for state homelessness strategies are those involving the departure from institutions under direct government control, whether state or federal. This would include, in particular, young people leaving the out of home care system, and those being discharged from prisons and the armed forces. A crucial principle here is that the discharging institution should be accorded responsibility for minimising the incidence of homelessness that results.

Efforts to more effectively prevent homelessness, and/or to enhance the quality of homelessness services can only go so far in easing the situation. More fundamentally, rising homelessness pressures reflect wider housing market dynamics that call for much more far-reaching policy reforms – especially in relation to inadequate social security benefit rates and social housing provision.

## 9. Private rental housing

### Rental housing affordability

The Productivity Commission has previously noted that more than a million low income households rent from a private landlord (2019 p4) – far in excess of Australia’s approximately 400,000 social renter households. Accordingly, it can be stated that this is the part of the housing market where low income people predominantly live. However, the stock of private rental dwellings being let at rents affordable to this cohort is small and diminishing. In their analysis, as cited in the Issues Paper, Hulse et al. (2019) estimated that the national deficit in private rental homes affordable to low income private renters had increased from 138,000 to 212,000 dwellings in the ten years to 2016. Since this appears to reflect an ongoing and long term market restructuring process, it is hard to imagine that the equivalent 2021 census-generated statistics will reveal anything other than further deterioration in this situation.

Perhaps the simplest and most obvious ways to ease this problem would be to enhance incomes for rent-stressed tenants – through higher rates of Commonwealth Rent Assistance – or to expand provision of social (or affordable rental) housing. Recent research evidence demonstrates that the current CRA regime, in fact, fails to optimally target its limited resources in relation to the incidence of rental stress (Ong-Viforj 2020). However, the scope for consequential reform is complicated by Constitutional limitations on Commonwealth expenditure powers. Otherwise, it must be acknowledged that significantly enhancing CRA payments or expanding social/affordable housing development would be costly. Nevertheless, there is modest scope<sup>5</sup> for boosting the supply of affordable rental housing at no cost to the taxpayer through mandating affordable housing development contributions via the land-use planning system – or ‘inclusionary zoning’ (IZ).

IZ-type mechanisms operate at scale in some comparator countries such as the United States and the UK (Pawson et al. 2020a pp322-326). Fundamentally, IZ mechanisms capture for the public good a proportion of historic land value appreciation. As a form of geographically targeted land tax, IZ is a type of revenue generation that appeals to economists in preference to taxes on incomes or on property transactions (stamp duty), since the latter (but not the former) are seen as problematically distorting economic behaviour. From a practical perspective, however, the introduction of an IZ regime needs to incorporate a substantial lead-in time. This is to accommodate the interests of developers already having purchased land at pre-IZ prices and needing to build this out under the pre-IZ regime.

However, while IZ is tentatively floated among the NHHA’s ‘housing policy priority areas’, there has been little recent progress towards its wider adoption by state governments (notwithstanding the Victorian Government’s recent failed attempt to legislate an affordable housing development contribution mechanism in 2022). This is despite the success of several earlier IZ initiatives, for example, the NSW Government’s City West Affordable Housing Scheme initiated in 1997 (Spiller 2021a) and various developments instigated under the now abolished Urban Land and Development Authority in Queensland (Davison, et al 2012). If the Commonwealth Government was enthusiastic about this, it could incorporate a financial incentive into the Agreement to encourage take-up of IZ. It could, for example, commit to co-funding policy design work, perhaps based on a common base model. More ambitiously, there could be a commitment to match-fund the value of affordable

---

<sup>5</sup> This does not obviate the need for a funded supply program; moreover, IZ affordable housing mandates may be more easily implemented where mandated developer contributions are directed to affordable rental or even low cost home ownership dwellings.

housing development contributions generated in the first (say) three years of a new scheme to help embed the mechanism into development control processes.

#### Rental housing security

As acknowledged in the Issues Paper, security of tenure is fundamentally weaker for tenants than for owner occupiers, although in Australia it remains generally stronger for social renters compared with private renters (even in jurisdictions with fixed-term social tenancies)<sup>6</sup>. Unmentioned in the Paper is the fact that private tenants' security of tenure has been notably enhanced in one major Australian jurisdiction – namely Victoria – in recent years. Emulating recent moves in many comparator countries, Victoria's 2021 regime outlaws 'no grounds evictions', meaning that a landlord may end a tenancy only in defined circumstances. For tenants, the result is a significant enhancement to tenure security.

Notably, the type of reform implemented in Victoria is consistent with the NHHA's advocacy for 'tenancy reform that encourages security of tenure in the private rental market', as included in the document's list of 'housing priority policy areas'. We recommend that support for such reform – perhaps phrased in stronger terms – should be retained in the successor Agreement.

---

<sup>6</sup> Even under systems such as that applicable to public housing in New South Wales, the minimum initial length of tenancy is two years – rather than six months, as common in the private rental market.

## 10. Home ownership

Since the promotion of home ownership remains the predominant housing policy objective for Australian governments it might seem odd if this aspiration was unmentioned in the Agreement. Indeed, 'home ownership including support for first home buyers' is (albeit blandly) listed among the housing policy priority areas in the current NHHA. At the same time, in response to the Issues Paper question 'to what extent does the NHHA support home ownership?' the answer would have to be 'materially, hardly at all'.

The Issues Paper also asks 'Are there policies and programs that work against home ownership or housing affordability more generally?' To which one would have to answer, yes, via the generous tax incentives for residential property ownership and the exemption of the family home from the pension assets test. These policies assist existing homeowners at the expense of the next generation of buyers who face consequent higher prices. In that regard they can be viewed as anti-home ownership.

The past few years have, in any case, seen the Commonwealth Government becoming directly involved in facilitating access to home ownership through NHFIC's First Home Loan Deposit Guarantee Scheme and associated programs. While schemes that have a similar effect (enabling low deposit mortgages) are also operated by two state governments, it is not clear that state-run programs have advantages that would justify Commonwealth measures to encourage more such initiatives in preference to expanding NHFIC activity in this area.

It is, in any case, important to recognise that schemes of this kind are mainly effective in bringing forward access to home ownership for those who would otherwise reach the same goal at a later date, rather than significantly lowering the first home ownership income threshold. This comment is (almost) equally true for shared equity schemes where the purchaser (as in most Australian models) is still expected to take out a mortgage for at least 70% of property purchase price, unless they are able to contribute significant equity.

## 11. Housing outcomes for Aboriginal and Torres Strait Islander people

We have written elsewhere about the severe and unique housing problems that face a significant number of Australia's First Nations peoples in remote, regional *and* urban setting and the implications of this situation for national ambitions to close-the-gap (CTG) in Indigenous disadvantage in health, education, wellbeing and economic outcomes (Pawson et al 2020a: Ch 7).

Successive changes over the last two decades have resulted in housing responsibilities for Indigenous Australians being almost entirely devolved to the states, except for the Northern Territory where a partnership arrangement continues until 2024.<sup>7</sup> As a consequence, Commonwealth funding for housing for this group – previously additional to the base level of funding of the NHHA - has been discontinued. In some jurisdictions, housing for Aboriginal and Torres Strait Islander households funded under past tied program arrangements has also been absorbed into mainstream social housing portfolios without compensation.

We acknowledge that devolution has the benefit of encouraging states to make more localised and tailored responses to the vast diversity of Indigenous circumstances and can help to promote partnerships with local communities and services. However, we consider that full devolution of responsibility since 2018 has jeopardised progress in addressing Indigenous housing disadvantage.

Contributing factors that risk continuous improvement in outcomes for Indigenous Australians include the following:

- States (especially NSW, Queensland, SA and WA) are now required to address housing needs in remote areas (for which they were not previously responsible) from an unchanged and already inadequate funding pool, or to provide additional funding which may or may not be forthcoming, especially without a national commitment and incentive.
- The significantly higher costs of service provision, and the specific challenges of maintaining properties and housing management in remote areas, have not been fully acknowledged and funded accordingly.<sup>8</sup> As one result, past investments in housing in many remote areas continue to be diminished by underspending on maintenance, and ICHOs face ongoing viability issues (Milligan et al. 2017).
- Because the national interest in Indigenous housing outcomes is not included in the NHHA, there is a loss of visibility, focus and accountability for Indigenous housing expenditure and outcomes. The only specific objective is to promote Indigenous home ownership. Transparency is limited to reporting on homelessness numbers and numbers of Indigenous households assisted. As one instance of the loss of information, overcrowding data has not been provided since 2016 (Productivity Commission CTG dashboard).
- Indigenous households in urban and regional areas are overrepresented in mainstream social housing (and this trend is intensifying as that needs group's evident priority for assistance is being met). As currently configured, however, much of the available housing is not locationally suited or culturally adapted to Indigenous needs and cultural preferences, as well as generally being undermaintained or of a low standard. The lack of new supply or

---

<sup>7</sup> The small Indigenous Business Australia program of home ownership assistance, funded from an historic revolving fund, should also be noted in this context.

<sup>8</sup> The 2017 Nous Group report, provides strong evidence of the substantially higher costs associated with providing social housing in remote areas.



even funding for simple dwelling improvements (such as bedroom enlargements) is a further barrier to more appropriate housing offers (Milligan et al 2011).

- Culturally appropriate housing services are not necessarily prioritised, with only some jurisdictions meaningfully adapting their mainstream operating policies and/or supporting Indigenous Community Housing Organisations (ICHOs).
- There is no requirement for ‘an Indigenous voice’ in housing policymaking.

These issues could be addressed in a future NHHA through a set of general and specific reforms.

- a) Indigenous applicants and tenants would be beneficiaries of putting social housing on a cost recovery basis (including a loading for remote area housing) and a national partnership on social housing supply that gives specific recognition to Indigenous patterns of unmet housing need.
- b) Additionally, the NHHA could incorporate a specific commitment and set of principles for the provision of culturally appropriate housing services and the involvement of First Nations representatives in housing planning and decision making at all levels of government.
- c) State housing strategies could be required to detail specific measures and actions to address Indigenous housing needs and cultural preferences, in keeping with these high-level principles.
- d) Specific recognition of the ICHO sector and growth plans and capacity building strategies for that sector could be required, in keeping with a principle of utilising community-controlled services and promoting local service integration.
- e) The recently added housing target of ‘reduced overcrowding’ in the CTG Partnership Agreement could be reflected in the NHHA along with a range of additional performance measures and targets.

## 12. The supply side of the housing market

Perhaps there is no part of the housing policy more contested than in the assertion that housing supply is the primary factor in housing costs and unaffordability, and the corollary: that land use planning is the prime factor impacting dwelling prices and rents through restricting supply. As the Issues Paper points out, some commentators argue that planning practices constrain housing development below the level at which the market would willingly supply under a less prescriptive regime. The logic here is underpinned by a belief that house prices are a simple function of the balance between supply and demand. Restricting supply, for example by planning zoning regulations, increases prices. Others contest this, arguing that housing supply and price, is subject to a much wider range of drivers than just planning, including the wide range of influences on effective demand propensities. Further, it is observed that the rate of supply is highly dependent on market cycles, development finance availability and developer behaviour, including practices such as land-banking that are motivated by rational impulses for maintaining price levels and profitability (Rowley et al 2020).

Overseas, these issues have also been subject to scrutiny. For example, the UK Government's Letwin Review concluded that slow buildout rates were heavily constrained by market absorption levels rather than initial land release rates, where the market itself carefully manages supply to ensure sales values can be maintained (Letwin 2018).

As an indication of the difficulty in understanding what is clearly a complex relationship, while Australian housing supply has been highly buoyant in the past two years largely due to government stimulus (NHFIC 2022; ABS 2022), prices have escalated to unprecedented levels despite the cessation of international immigration (CoreLogic 2022). Received economic theory would have predicted exactly the opposite.

Significantly in relation to the Issues Paper, there is little hard empirical evidence from Australia or from overseas that increased housing supply has much impact on housing prices, and therefore affordability, over the longer term. Furthermore, it can be argued that in comparison with similar countries, Australia has maintained a high level of supply in relation to population growth in recent years, yet the outcomes in terms of price inflation have been broadly comparable. For example, Australia has averaged housing starts of around 220,000 over the 2015 - 2019 period<sup>9</sup>, prior to the pandemic disruptions, for a population of 26m. The equivalent figures for the UK were 157,000 and a population of 68m<sup>10</sup>. Both countries have seen double digit house price inflation during 2021, peaking at 13.5% in the UK<sup>11</sup> and 22% in Australia<sup>12</sup>. Similar comments have been made by Williams (2021) in comparing to housing output and prices in Sydney and London.

Moreover, a focus on the supply side as the key to improving housing affordability begs the obvious question as to how much *additional* supply would be required to materially affect house prices. The Grattan Institute has estimated that expanding Australian's housing construction by 25 per cent would lead to national house prices being 1-2 per cent lower than otherwise (Daley et al. 2018). Meanwhile, UK modelling found that expanding private housebuilding by 50% would reduce real annual house price inflation from 2.4% to 1.8%. '[M]ore ambitiously, to reduce the trend in real

---

<sup>9</sup> <https://www.statista.com/statistics/1051836/australia-new-home-buildings-starts/>

<sup>10</sup> <https://www.nhbc.co.uk/binaries/content/assets/nhbc/media-centre/stats/2020-new-home-statistics-review.pdf>

<sup>11</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/december2021>

<sup>12</sup> CoreLogic Monthly Housing Chart Pack February 2022.

house prices to 1.1 per cent, an additional 120,000 private sector homes per annum would be required' (Barker 2004 p5). More recently, a leading UK economic commentator has reflected that:

*'On typical assumptions about price sensitivity, and [official] projections of household growth, hitting the [UK] government's target of 300,000 houses per year (approximately double current rates) might cut prices by around 10%, in today's money, by the mid-2030s' (Mulheirn 2021).*

These observations indicate the limited impact even significant increases in new housing supply would have on property prices overall. This is because the price of new dwellings is influenced by the wider market for existing housing, which constitutes the vast majority of housing transactions. In this context, developers are price takers, not price makers – development is not a 'cost-plus' business (Spiller 2021b). It also follows that, as we noted above, a substantial increase in new supply, even if the house building industry had the capacity to achieve this, would be needed to impact overall price levels in the secondary property market where prices are determined.

It should be clear from very this brief summary that there is no simple translation of housing supply levels to price and affordability. But it is an incontestable reality that there is a deficient supply of *affordable housing for low income* Australians, whether for sale or rental (Troy et al 2019). The factors here are also complex, but no doubt the affordability crisis in this part of the market reflects the constrained income capacities among both low income working and non-working Australian households.

We would argue that, in its focus on housing supply and constraints that the planning system inevitable imposes on developer activity, the NHHA misses a critical point. Dwelling prices and rents reflect an interplay between the many factors that impact both the supply *and* demand for housing, a position supported by many of Australia's leading economists (e.g. Eslake 2013; Daley et al. 2018) and economic commentators (e.g. Janda 2015; Irvine 2021). Moreover, as shown by our own research, the balance of opinion among Australia's leading economists rejects any explanation of housing unaffordability that fails to account for key demand-side factors (Pawson et al 2021b).<sup>13</sup> If this is the case, then it would be sensible for the NHHA to consider additional indicators that monitor the demand side of the housing market, such as tracking income and wealth capacities among lower income households, or indeed affordability for this group.

In this complex context, the role of the NHHA in impacting wider housing supply has been inevitably limited. It may have been reflected in State level programs for the redevelopment of public housing estates, although it is doubtful that such initiatives were actually stimulated by the NHHA provisions themselves. It is not obvious that the NHHA has had any direct impact on wider planning reforms beyond these specific examples. More broadly, there is little evidence to date that the NHHA has had any significant impact on raising housing supply levels.

Indeed, it could be argued that it should not be expected to have such an impact, but it should proceed with a clear emphasis on social and affordable housing supply and addressing homelessness. Although we have argued above that the housing is a highly integrated system in which its various components interact, we have also argued that the NHHA should be considered as a specific component of a broader national housing strategy in which issue of housing supply can be better tackled holistically. In absence of convincing evidence that simply turning on the housing

---

<sup>13</sup> We offer more evidence on this issue in our recent submission to the Parliamentary Inquiry into Housing Affordability and Supply in Australia (City Futures Research Centre 2021).

supply tap, even if this could be achieved, will significantly impact affordability problems, this is where the NHHA should concentrate its focus.

### **Housing supply indicators**

In relation to the NHHA Performance Indicator on 'total number of dwellings relative to the population', we suggest this is far too general a metric to really understand how housing markets are performing in relation to housing demand propensities. At the aggregate level, such an indicator is likely to move only very marginally year on year. Moreover, if as argued above, the focus on overall housing supply is misplaced, then a much more relevant metric would be the 'total number of social or affordable dwellings relative to household population', or even the 'total number of social or affordable dwellings relative to the population in low to medium income households'. This would provide a much more relevant focus for NHHA supply monitoring. Furthermore, it needs to be spatially disaggregated, at least to local government area level if not to Statistical Area 2 level to match the new tranche of housing supply indicators being generated by the ABS for the Housing and Homelessness Data Working Group (ABS 2021b).

With regard to the indicators on the number of dwellings permitted by zoning, again it is not clear to us how far this has relevance for the NHHA. We noted above several options for incorporation in the NHHA to encourage take up of Inclusionary Zoning approaches in local planning frameworks to generate more affordable housing outcomes. A more relevant indicator would therefore be the number of social and affordable dwellings delivered within locations rezoned for development (both greenfield and infill) which would directly relate to this ambition. In this way progress towards increased supply of affordable housing from the re-zoning process could be more directly assessed.

Finally, the performance measure on the time taken to decide development applications is again only marginally relevant to an agreement focusing on affordable housing and homelessness. It is obviously important that the planning process takes the absolute minimum time needed to process development applications, including those seeking rezoning (which will always take longer to consider), and planning authorities need to be able to demonstrate this. However, we would suggest that a much more relevant measure for the NHHA would be to monitor the number and time taken to progress social and affordable housing development applications, including those proposed in major estate renewal schemes, such as under the Communities Plus policy in NSW. In this way, approval times for development proposals directly relevant to the production of social and affordable housing sector would be more accurately assessed.

## Attachment 1: National housing-related reviews and their outcomes 1989-2022

<b>Key national housing reviews</b>	<b>Outcomes</b>
National Housing Policy Review 1989	Some financial and administrative enhancements to CSHA
National Housing Strategy 1990-1992	Minor adjustments to CSHA
Industry Commission Inquiry into Public Housing 1992-93	Recommendations referred to COAG
COAG led CSHA reform Mark 1 1994-1995	Not implemented after in principle intergovernmental undertaking to reform housing agreement
Senate Community Affairs Reference Group, Inquiry into Housing Assistance 1997	No direct outcomes
COAG led housing reform Mark 2 2002/3	Abandoned
Senate Economics References Committee (SERC) Inquiry into affordable housing 2007	Minor action aligned with findings
Council of Federal Financial Relations, Reform of intergovernmental agreements 2008	New form of agreement, NAHA replaced CSHA
Henry Review of taxes and transfers 2010	Proposed housing reforms not taken up
Reform of the Federation White paper 2014 – incl. options for housing and homelessness roles and responsibilities	Abandoned
McClure Review into Australia's Welfare System Report 2015	Recommendations on housing assistance reforms not acted on
Review of the National Partnership Agreement on Remote Indigenous Housing (NPARIH) and the Remote Housing Strategy 2017	Recommendations not taken up. C/W devolved responsibility, except NT.
Council of Federal Financial Relations Affordable Housing Working Group Report 2017	Partially implemented
Review of National Regulatory System Community Housing 2020	Pending. No Commonwealth role
Review of National Finance and Investment Corporation 2021	Pending
House of Representatives Standing Committee on Social Policy and Legal Affairs Inquiry into Homelessness 2021	Limited response so far
House of Representatives Standing Committee on Tax and Revenue, Inquiry into Housing Affordability and Supply in Australia 2021-22	In progress

Source: compiled by the authors,

Note; Not all reviews with housing references covered. There have also been many additional individual jurisdictional reviews and inquiries in the housing realm over a similar period.

## References

- ABS (2021a) National, state and territory population  
<https://www.abs.gov.au/statistics/people/population/national-state-and-territory-population/latest-release>
- ABS (2021b) *Indicators of land-use regulation and housing supply: Proposed indicators and evaluations of feasibility*. Australian Bureau of Statistics.
- ABS (2022) <https://www.abs.gov.au/statistics/industry/building-and-construction/building-approvals-australia/latest-release>
- AHWG (2017) *Supporting the implementation of an affordable housing bond aggregator*. Affordable Housing Working Group Report to Heads of Treasuries. Canberra: Council on Federal Financial Relations
- Australian Government, 2015. Reform of the Federation Paper: Discussion Paper. Available from: <https://apo.org.au/node/55457>
- City Futures Research Centre (2021) *Submission to the Parliamentary Inquiry into Housing Affordability and Supply in Australia*, City Futures Research Centre UNSW.
- Council on Federal Financial Relations (CFFR), 2017. Supporting the implementation of an affordable housing bond aggregator. Affordable Housing Working Group Report to Heads of Treasuries. Canberra: Council on Federal Financial Relations
- Daley, J., Coates, B. and Wiltshire, T. (2018) *Housing affordability: re-imagining the Australian dream*. Melbourne: Grattan Institute
- Davison, G., Gurrán, N., van den Nouweland, R., Pinnegar, S., Randolph, B. (2012) Affordable housing, urban renewal and planning: emerging practice in Queensland, South Australia and New South Wales, AHURI Final Report 195. Australian Housing and Urban Research Institute, Melbourne
- Eslake, S. (2013) *Australian Housing Policy: Fifty Years of Failure* [Internet], Submission to Senate Economic References Committee Inquiry on Housing Affordability.
- Fitzpatrick, S. and Pawson, H. (2014) Ending security of tenure for social renters: transitioning to 'ambulance service' social housing? *Housing Studies*, 29 (5) pp.597-615.
- Hulse, K. and Milligan, V. (2014) Secure Occupancy: a new framework for analysing security in rental housing, *Housing Studies*, 29(5) pp. 638-656
- Hulse, K., Reynolds, M, Parkinson, S., Nygaard, A. and Yates, J. (2019) The supply of affordable private rental housing in Australian cities: short and longer term changes. Final Report no 323; AHURI: Melbourne
- IPART (2017) *Review of Rent Models for Social and Affordable Housing (Final Report)*; Sydney: Independent Pricing and Regulatory Tribunal
- Irvine, J. (2021) It's madness, but here's a way to stop home prices rising so fast; Sydney Morning Herald, 18 February <https://www.smh.com.au/business/the-economy/it-s-madness-but-here-s-a-way-to-stop-home-prices-rising-so-fast-20210217-p573f3.html>
- Janda, M. (2015) Housing shortage not as certain as we think; ABC News 15 April <https://www.abc.net.au/news/2015-04-15/housing-shortage-not-as-certain-as-we-think/6395326>

Lawson, J., Denham, T., Dodson, D., Flanagan, K., Jacobs, K., Martin, C., van den Nouwelant, R., Pawson, H. and Troy, L. (2019) Social housing as infrastructure: rationale, prioritisation and investment pathway. AHURI Final Report no. 315. Melbourne: AHURI.

Leishman, C. (2017) Is Australian housing supply adequate? in Committee for Economic Development of Australia (CEDA) [Housing Australia](#); Melbourne: CEDA

Letwin, Sir O. (2018) *Independent Review of Build Out Final Report*. London: HMSO.

Maclennan, D., with Randolph, B., Crommelin L., Witte, E., Klestov, P., Scealy, B., & Brown, S. (2019). Strengthening Economic Cases for Housing Policies; City Futures Research Report; Sydney: UNSW. [https://cityfutures.be.unsw.edu.au/documents/515/Full\\_Report\\_Final\\_edited\\_logos.pdf](https://cityfutures.be.unsw.edu.au/documents/515/Full_Report_Final_edited_logos.pdf)

Maclennan, D., Long, J., Pawson, H., Randolph, B., Aminpour, F. and Leishman, C. (2021) Housing: Taming the elephant in the economy; Sydney: UNSW City Futures Research Centre <https://cityfutures.be.unsw.edu.au/research/projects/housing-and-economy-scenarios-australia-2025-and-2045/>

Milligan V (2021) Boasting about budget expenditure numbers does not make for a housing policy, Pearls and Irrigations Public Policy Journal, post 16 August.

Milligan, V. (2018) The new national housing agreement won't achieve its goals without enough funding, City Futures Blog, blog post, 17 July.

Milligan, V., Pawson, H., Phillips, R. and Martin, C. with Elton Consulting (2017) Developing the scale and capacity of Australia's affordable housing industry, Final Report No. 278, Australian Housing and Urban Research Institute Limited, Melbourne.

Milligan, V., Phillips, R. Easthope, H., Liu, E. and Memmott, P. (2011) Urban social housing for Aboriginal people and Torres Strait Islanders: respecting culture and adapting services, Final Report no. 172. Melbourne: AHURI.

Morton, R. (2022) Leaked documents show public housing plan halved, The Saturday Paper No 389, 5 March

NSW Auditor-General (2013) Performance Audit: Making the Best Use of Public Housing; NSW Auditor General's Report, Performance Audit; Sydney: Audit Office of New South Wales

NSW Government (2021) Submission number 86, Committee on Community Services Inquiry - Options to Improve Access to Existing and Alternate Accommodation to Address the Social Housing Shortage, August

Ong Viforj, R., Pawson, H., Singh, R. and Martin, C. (2020) Demand side assistance in Australia's rental housing market: exploring reform options, AHURI Final Report No. 342, Melbourne: AHURI <https://www.ahuri.edu.au/research/finalreports/342>

Pawson, H. and Milligan, V. (forthcoming) Towards a national housing policy for the 2020s, in Freestone, R., Randolph, B. and Steele, W. (eds.) Australian urban policy, ANU Press

Pawson, H. and Milligan, V. (2021) A Housing Strategy for NSW: a good idea, but Housing 2041 falls short. The Fifth Estate, 5 May 2021 <https://thefifthestate.com.au/columns/spinifex/a-housing-strategy-for-nsw-a-good-idea-but-housing-2041-falls-short/>

- Pawson, H., Martin, C., Thompson, S., Aminpour, F. (2021a) 'COVID-19: Rental housing and homelessness policy impacts' ACOSS/UNSW Poverty and Inequality Partnership Report No. 12, Sydney
- Pawson, H., Milligan, V. and Yates, J. (2020a) Housing Policy in Australia: A case for system reform; Singapore: Palgrave
- Pawson, H., Parsell, C., Liu, E., Hartley, C. and Thompson, S. (2020b) Australian Homelessness Monitor 2020; Melbourne: Launch Housing  
[https://cityfutures.be.unsw.edu.au/documents/619/Australian\\_Homelessness\\_Monitor\\_2020.pdf](https://cityfutures.be.unsw.edu.au/documents/619/Australian_Homelessness_Monitor_2020.pdf)
- Pawson, H., Martin, C., Flanagan, K. and Phillips, R. (2016) Recent housing transfer experience in Australia: implications for affordable housing industry development. AHURI Final Report no. 273. Melbourne: AHURI
- Pawson, H., Milligan, V., Liu, E., Phibbs, P. and Rowley, S. (2015) Assessing management costs and tenant outcomes in social housing: recommended methods and future directions, Final Report 257, Melbourne: AHURI
- Pawson, H., Randolph, B., Aminpour, F. and Maclennan, D. (2021b) Housing and the Economy: Interrogating Australian Experts' Views; Sydney: UNSW City Futures Research Centre
- PWC (2018) Triennial Review 2013-14 to 2016-17, South Australian Housing Trust, Price Waterhouse Coopers Consulting, Adelaide
- Randolph, B., Troy, Milligan, V. and van den Nouwelant, R. (2018) Paying for affordable housing in different market contexts, Final Report 293. Melbourne: AHURI
- Rowley, S. *et al* (2020) The uneven distribution of housing supply, 2006-2016; Final Report 334; Melbourne: AHURI <https://www.ahuri.edu.au/research/final-reports/334>
- Spiller, M. (2021a) The affordable housing beacon we have sailed past; Sourceable, 2 February <https://sourceable.net/the-affordable-housing-beacon-we-sailed-past/>
- Spiller, M. (2021b) Windfall tax backlash misunderstands property rights; Sourceable, 15 June <https://sourceable.net/windfall-tax-backlash-misunderstands-property-rights/>
- Steering Committee for the Review of Government Service Provision (2021) Report on Government Services, Part G: Housing and homelessness, Canberra: Productivity Commission
- Troy, L., van den Nouwelant, R. & Randolph, B. (2019) Estimating need and costs of social and affordable housing delivery; Sydney: UNSW City Futures Research Centre  
[https://cityfutures.be.unsw.edu.au/documents/522/Modelling\\_costs\\_of\\_housing\\_provision\\_FINAL.pdf](https://cityfutures.be.unsw.edu.au/documents/522/Modelling_costs_of_housing_provision_FINAL.pdf)
- UNECE (United Nations Economic Commission for Europe) (2021) Housing 2030, Geneva: United Nations.
- VAG (2017) Managing Victoria's Public Housing, Report, Victorian Auditor General, Melbourne
- Williams, T. (2021) The reasons behind our housing crisis are clear...if we care to look. *The Fifth Estate*, 18 August.
- Winter, I. (2015) The Federation Review, housing policy and the national interest. Presentation to The Brotherhood of St Laurence, 6 August



[http://www.nwhn.net.au/admin/file/content9/c14/Presentation\\_to\\_Brotherhood\\_of\\_St\\_Laurence\\_seminar.pdf](http://www.nwhn.net.au/admin/file/content9/c14/Presentation_to_Brotherhood_of_St_Laurence_seminar.pdf)