

Submission to the Productivity Commission National Housing and Homelessness Agreement Review

Homelessness Australia welcomes the opportunity to provide this submission to the Productivity Commission review of the **National Housing and Homelessness Agreement (NHHA)**.

We wish to emphasise a number of key points in our response.

1. The NHHA and the agreements that precede it have been successful in initially creating, and more recently maintaining the stock of social housing, and in providing critical resources to homelessness services.
2. The key problem with the NHHA is that the current level of funding is completely inadequate to generate enough social housing to address Australia's growing problem of declining rental affordability and needs to be significantly increased to meet social housing demand.
3. A new Agreement needs to separate the funding needed to maintain the existing stock of housing, and the funding necessary for social housing growth to provide:
 - a. An operational fund paid on a per-dwelling basis to providers (State and Territory housing authorities and community housing providers) to provide adequate resources for maintenance, tenancy support and other operational costs
 - b. A growth fund to be provided to State and Territory governments on a per capita basis.
4. Commonwealth and state/ territory governments need to strengthen their cooperation and shared accountability by:
 - a. Specifying matching arrangements for co-contributions from federal and state governments in the Agreement, particularly funding for social housing growth
 - b. Developing incentives for additional funding commitments from either the States or Commonwealth, such as matching of additional commitments
 - c. Providing targets for net growth in social housing stock in the Agreement
 - d. Having regular meetings to foster cooperation between the responsible Ministers at State and Federal Government, and representatives of local Government.
5. The purported scope of the NHHA, and the performance indicators, exceed the scale and scope of funding in the Agreement and need to be realigned.

6. The NHHA needs to sit within the context of a 10-year National Housing Strategy and National Homelessness Strategy, and complementary state and territory housing strategies and homelessness strategies.
7. The Federal Government needs to develop a 10-year National Aboriginal Housing Strategy in partnership with Aboriginal and Torres Strait Islander Community Controlled Housing Organisations and their peak organisations and provide the necessary investment to deliver on Closing the Gap targets.
8. The funding for specialist homelessness services needs to be more clearly identifiable within the NHHA, and needs to be significantly increased to meet the growing demand for assistance and support with homelessness. Funding must continue to include the Equal Remuneration Order (ERO) supplementation to meet the increased wages costs arising from the 2012 Fair Work Commission Equal Remuneration Order.
9. The NHHA needs to create a supportive housing system, including funding Housing First models, and supported accommodation whilst continuing to fund the existing crisis system.

Adequacy of funding in NHHA

Over the past decade, funding in the NHHA has been adequate to achieve only 2.7% growth in public and community housing stockⁱ, while Australia's population has grown by 13.2%ⁱⁱ. Consequently, the proportion of social housing in the overall stock of housing has declined.

Recent research by the Australian Housing and Urban Research Institute (AHURI) identified the current shortfall of social housing at 433,400 properties, growing to 727,200 by 2026.ⁱⁱⁱ

Since this AHURI research was published, the rate of increase in rents in the private market has escalated further exacerbating the problem of rental affordability. In 2021, 45.7 per cent of people receiving Commonwealth Rent Assistance spent more than 30 per cent of their income on housing up from 40.5 per cent in 2019.^{iv}

The evidence is clear that increased government investment is needed to significantly increase growth in social housing to meet the shortfall of dwellings and provide affordable housing options for people unable to afford private rental housing.

Structure of funding in the NHHA

Change in the Agreement is also needed to enhance cooperation between state and federal governments, which is currently hampered by blame shifting, lack of incentives for either party to increase their funding contribution, and by the inadequate transparency and accountability of the current arrangements.

By separating the funding needed to maintain the existing stock of housing, and the funding necessary for social housing growth, more transparency and accountability will be achieved in relation to the costs of maintaining existing stock.

Allocating an operational fund on a per-dwelling basis to providers (state and territory housing authorities and community housing providers) to provide adequate resources for maintenance, tenancy support and other operational costs would also remove the incentive inherent in allocating resources on a population basis for States to reduce their social housing portfolios, and reduce the incentive to underinvest in maintenance and other costs that improve both the quality of housing and tenants' experience of living in social housing.

A separate allocation of resources for growth provided to state and territory governments on a per capita basis would enable clear targets and accountability for achieving net social housing growth.

Improved cooperation and clear accountability between state and federal governments would also be enhanced by specifying matching arrangements for co-contributions from federal and state governments in the Agreement, particularly in relation to social housing growth. The removal of specified matching for the housing component of the Agreement has seemingly contributed to decreased cooperation, with at least some states reducing their matching contributions once they were no longer mandated.

Developing incentives for additional funding commitments from either the States or Commonwealth, such as matching of any additional commitments, would further enhance cooperation and shared responsibility for outcomes.

State and Federal cooperation and a national housing strategy

Achieving improved cooperation between state and federal governments requires both ongoing dialogue and an agreed national strategy to address issues in the housing system and the drivers of homelessness.

Since the Housing and Homelessness Ministers Forum was discontinued by the current Government, there has not been a regular forum for dialogue on housing and homelessness issues between state and federal government. A new forum for dialogue is needed that includes federal and state housing and homelessness ministers, as well as representatives of local Government.

Federal leadership is also needed to develop a **10-year National Housing Strategy and complementary state/territory housing strategies to provide a policy architecture to align the many policy levers of Government that influence housing outcomes.**

This needs to be complemented by a National Homelessness Strategy that addresses the key drivers of homelessness, including access to affordable housing, adequacy of incomes, domestic and family violence, and poor access to mental health and other services. This must create a framework to end homelessness with the appropriate resources and evidence-based programs to effectively prevent homelessness and support enduring pathways out of homelessness.^v

There should also be a linked 10-year National Aboriginal Housing Strategy developed in partnership with Aboriginal and Torres Strait Islander Community Controlled Housing Organisations and their peak organisations and the necessary investment to deliver on Closing the Gap targets.

A National Housing Strategy should be overseen by a Cabinet-level Minister, with work conducted in a central agency, such as Treasury, or through the establishment of a dedicated statutory agency.

A national housing strategy will need to be accompanied with sufficient funding and funding mechanisms for its successful implementation. A revised National Housing and Homelessness Agreement to reflect the scope and goals of the new strategy will need to be negotiated as part of this process. A viable strategy requires a new partnership between federal and state governments, community housing providers and the private sector.

To guide responsible policy and funding decisions, an independent body is required with extended functions similar to the **National Housing Supply Council (NHSC)**. The NHSC was established in 2008, and regrettably abolished six years later. It provided an evidence base for decision making about housing matters. An independent body can provide essential data and reliable national modelling to quantify existing and projected housing supply. The body could advise governments at all levels. It could develop the national housing strategy independently, based on the evidence and distribution of need.

Homelessness investments in the NHHA

The NHHA includes funding for crisis and transitional housing, and homelessness support programs. Since the Agreement was created, worsening affordability of private rentals, declining access to social housing, and increased insecurity and inadequacy of income support have resulted increased homelessness in the Australian community. The ABS Census reveals that homelessness increased 22% between 2006 and 2016.

Despite this increasing need for support, homelessness funding within the NHHA has not increased in line with demand. This has put more pressure on existing services, which lack the staff, accommodation options, and other resources to respond to more people. The consequence is more people approaching services who are unable to be assisted. Between 2016-17 and 2020-21, people unable to be assisted increased by 20 per cent, from 95,392 in 2016-17 to 114,026 in 2020-21.

A new NHHA should provide funding of at least an additional 20 per cent for specialist homelessness services, to meet the growing demand for assistance with homelessness. A continuation of the Equal Remuneration Order supplementation funding is also needed to meet increased wage costs arising from the 2012 Fair Work Commission Equal Remuneration Order.

Housing First models

The NHHA includes funding that was previously in the National Partnership on Homelessness to provide intensive outreach and supportive housing to people experiencing long term homelessness. This model of homelessness intervention has now achieved international recognition as a best practice model called Housing First. However, the level of funding for the approach has not ever been increased beyond the initial small pilots. A new NHHA needs to create a supportive housing system to provide comprehensive support to people experiencing long term homelessness, including funding Housing First models, and supported accommodation, while continuing to fund the existing crisis system.

ⁱ Productivity Commission, Report on Government Services 2022, Housing data tables, Table 18A.3

ⁱⁱ Australian Bureau of Statistics, 3101.0 National, state and territory population, ERP Figures for Jun 2012 & June 2021

ⁱⁱⁱ Lawson, J., Pawson, H., Troy, L., van den Nouwelant, R. and Hamilton, C. (2018) Social housing as infrastructure: an investment pathway, AHURI Final Report 306, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/306>, doi:10.18408/ahuri-5314301.

^{iv} Productivity Commission, Report on Government Services 2022, Sector overview tables, Table GA.13

^v Homelessness Australia (2020). Submission to Parliament Australia, House of Representatives Standing Committee on Social Policy and Legal Affairs Inquiry into Homelessness in Australia.