



## **Submission to the Productivity Commission Preliminary Findings Report:**

# **Introducing Competition and Informed User Choice into Human Services Identifying Sectors for Reform**

October 2016

Thanks to Shelter Tasmania for their contribution



## Introduction

National Shelter welcomes the opportunity to respond to the preliminary findings report and specifically the key points in the report.

This paper draws on contributions across the National Shelter network especially Shelter Tasmania and Shelter WA.

The paper is in three sections. Section one makes some general observations about the approach and the preliminary report.

Section two responds to the key points and section three raises particular concerns about the application of reform to the provision of Specialist Homelessness Services.

## Observations about the preliminary findings report

National Shelter is concerned the preliminary findings report does not properly identify the extent of the shortfall of housing in considering it's appropriateness for reform or the extent to which informed user choice may be exercised.

In 2012 the National Housing Supply Council estimated a shortfall of approximately 228,000 dwellings, with this shortfall projected to increase to 369,000 in 2016-17 if nothing changes in our housing market.<sup>1</sup> However for low income renters the situation is worse, with a shortfall of 539,000 rental properties affordable and available to low income renters.<sup>2</sup>

The underlying issue regarding housing in Australia is high dwelling price relative to income. Australia ranks very high by international comparisons.

National Shelter contends that our house prices are inflated due to a number of factors including:

- population growth outstripping dwelling supply;
- financial deregulation and insufficient prudential regulation
- poor planning leading to insufficient supply and often the wrong kind or poorly located dwellings, all amplified by;
- poor Commonwealth tax settings (deductibility of loss and costs against any source of income and capital gains tax exemptions for both principal residence at 100% and for investment properties at 50%);
- At the state level state stamp duties add an additional inflationary pressure, discourage labour mobility and create volatility in revenues for state governments;
- These encourage over investment in high priced property, fuelling demand without encouraging sufficient commensurate supply.

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<sup>1</sup> National Housing Supply Council, *Housing Supply and Affordability – Key Indicators*, 2012, p22-27

<sup>2</sup> Ibid, p47. The figure of 539,000 is arrived at as follows. In 2009-10 there were 857,000 renter households in the bottom 40% of the income distribution, and 1,256,000 dwellings rented at an affordable price for these households. However, 937,000 of these dwellings were rented by households in higher income groups, leaving only 319,000 available for rent by low income households – a shortfall of 539,000.

National Shelter recognizes that recent building approvals and completions numbers indicate some catch up on overall supply is being generated but is also concerned that much of this new supply is not affordable to low income households and is increasingly used as an asset for capital gain, rather than contributing to a reduction in supply shortfalls.<sup>3</sup> The result may be additional new dwellings which don't help our shortfalls because properties remain vacant.

We lament the absence of a profound understanding of the operation and intricacies of the housing markets of Australia, a task briefly addressed by the National Housing Supply Council. We do not see how our housing issues may be properly addressed without adequate data to inform the discussion about the ways to address the shortfall of housing, especially for low and moderate income households. This is more important now given the variance being experienced between our capital cities.

Our first recommendation to the inquiry is therefore: **National Shelter recommends that the P.C. inquiry request governments to develop a national housing strategy.**

As a key part of that process and to ensure any strategy is informed by accurate data and information about our housing markets and needs we recommend: **The Inquiry also recommends the re-establishment of a National Housing Supply Council to address the data and information shortcomings in Australia's housing markets.**

The level of social and affordable housing in Australia is inadequate to meet need and the lack of social housing operates to limit informed consumer choice. Social housing becomes housing of last resort and destination instead of transitional. This is due to the insecurity of the private rental market and the relative security of social housing as a tenure.

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<sup>3</sup> <http://www.smh.com.au/nsw/thousands-of-empty-homes-adding-to-sydneys-housing-crisis-experts-say-20160323-gnpc52.html>

## 2 Response to key Points

### Key Points

- \_Greater competition, contestability and informed user choice could improve outcomes in many, *but not all*, human services.
- \_The Commission’s preliminary finding is that there are six priority areas where introducing greater competition, contestability and informed user choice could improve outcomes for people who use human services, and the community as a whole.
  - \_The Commission’s view is that reform could offer the greatest improvements in outcomes for people who use social housing, public hospitals, specialist palliative care, public dental services, services in remote Indigenous communities, and grant-based family and community services.
  - \_Well-designed reform, underpinned by strong government stewardship, could improve the quality of services, increase access to services, and help people have a greater say over the services they use and who provides them.
  - \_The purpose of this report is to seek participant feedback on the Commission’s findings before the public release of its study report in November 2016.
- \_Introducing greater competition, contestability and informed user choice can improve the effectiveness of human services.
  - \_Informed user choice puts users at the heart of service delivery and recognises that, in general, the service user is best-placed to make decisions about the services that meet their needs and preferences.
  - \_Competition between service providers can drive innovation and create incentives for providers to be more responsive to the needs and preferences of users. Creating contestable arrangements amongst providers can achieve many of the benefits of effective competition.
  - \_For some services, and in some settings, direct government provision of services will be the best way to improve the wellbeing of individuals and families.

### Key points responses

We agree there may be benefits for social housing provision but doubt any merit for specialist homelessness services

We would like to see specialist homelessness services removed from consideration

Maybe, but currently informed consumer choice would not be possible given the rationing of scarce social housing. Need to recognise the constraints of limited supply. We also have concerns about this application to Indigenous Community Housing Organisations given their current status regarding registration

Possible but unlikely in the current supply constrained provision of social housing. We stress the need for multiple providers operating in the same jurisdictions has the potential to provide improved services and consumer choice but not in the current monopoly supply models

Welcome and we look forward to further engagement

When they have genuine choice of dwellings, locations, amenity and choice between providers we may agree but don’t currently see this as possible.

Agree and we would like to see a future where sufficient supply and provider competition provides for informed consumer choice.

Agree and question any universal application of competition. Risks include ability to collaborate, form consortia and respond to specific needs.

Access to good quality housing underpins all other human activity and wellbeing.

Potentially

The current situation in social housing sees government as principal provider, regulator, funder, allocator and arbiter of social housing provision. Government may maintain a role as provider in a multi-provider system, but cannot maintain the

- Access to high-quality human services, such as health and education, underpins economic and social participation.
- The enhanced equity and social cohesion this delivers improves community welfare.
- Government stewardship is critical. This includes ensuring human services meet standards of quality, suitability and accessibility, giving people the support they need to make choices, ensuring that appropriate consumer safeguards are in place, and encouraging and adopting ongoing improvements to service provision.
- High quality data are central to improving the effectiveness of human services.
- User-oriented information allows people to make choices about the services they want.
- Data improves the transparency of service provision, making it easier for users to access the services they need, and increases accountability to those who fund the services.
- Governments are better able to identify community needs and expectations, and make funding and policy decisions that are more likely to achieve intended outcomes.

multiple roles it currently has. Will always have a role as steward.

Agree and recommend reinstatement of National Housing Supply Council or something like it to collect accurate data on our housing systems and markets.

Agree and would like to see properly established user owned and controlled participation and engagement, independent of providers.

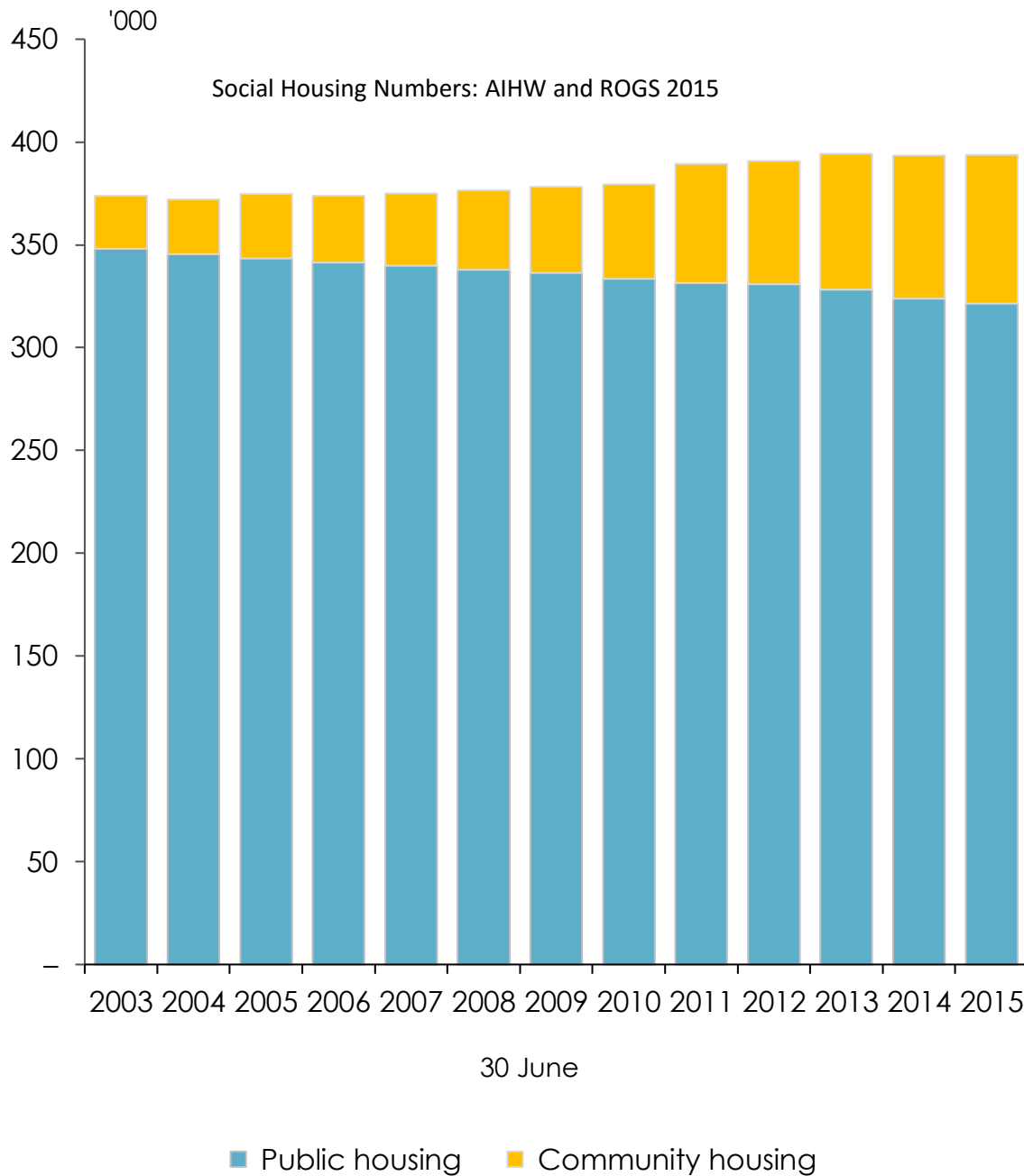
Need to establish base lines of existing supply and services and the ability to transparently monitor additions and subtractions.

Agreed and preferably across party lines so long term programs with agreed outcomes, processes and programs are established.

## Architecture of the Housing System

The National Affordable Housing Agreement (NAHA) has a number of flaws which have always inhibited its effectiveness. The absence of matching funding from states which was introduced with the NAHA in favour of states meeting outcome measures, exacerbates tensions between the commonwealth and states around transparency and accountability. Indeed despite the additional funding through Nation Building Stimulus housing package funding an additional 19,800 properties, which were delivered, there hasn't been the net increase in social housing properties which would have been commensurate with that additional boost.

States may well have divested themselves of similar levels of property, but whatever the reasons it is impossible to know there was a net additional increase in social housing numbers. While much additional housing provided via the stimulus boosted growth in the community housing sector, the overall increase in dwelling numbers from the stimulus appears modest and not clearly defined.



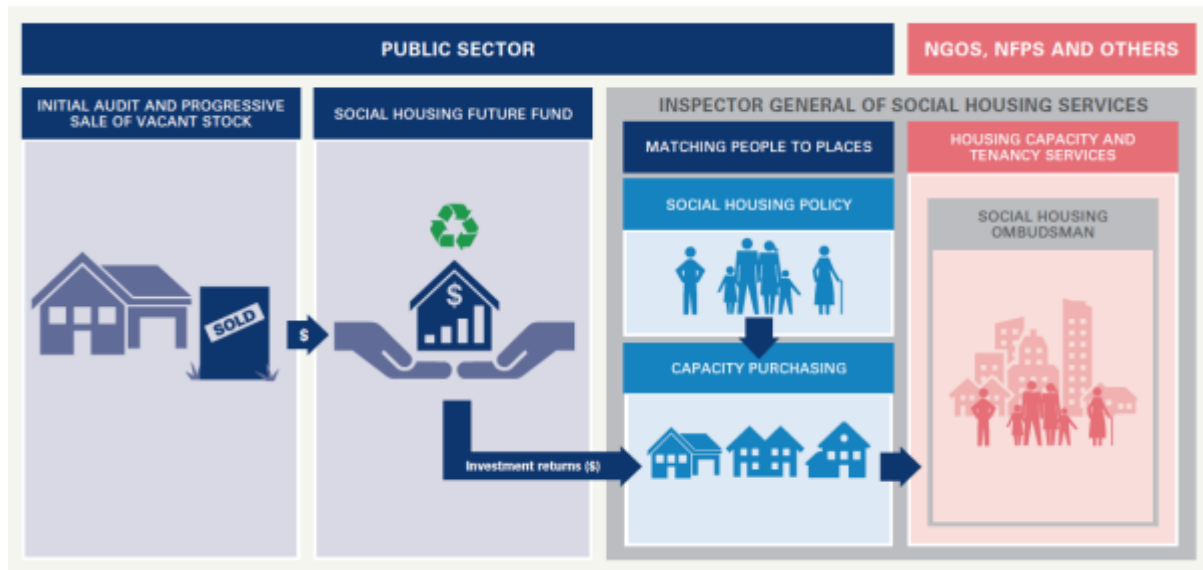
Any revised NAHA should insist on a national audit of dwellings in the system to establish a baseline from which dwelling levels may be assessed in future with mechanisms to identify net additional or lost dwellings.

Other features of a redesigned system should articulate clear roles for the commonwealth, states, CHPs, regulators and allied service providers to avoid the current overlap of roles by state governments. States are currently providers, administrators, regulators and legislators.

Infrastructure Partnerships Australia, commissioned KPMG to propose a new way to grow social housing thru a future fund development to capture a return on investment of 'turnover' property in the social housing system. Whilst we are skeptical about the claimed increase in social housing and have no clear way to evaluate the claims, there are aspects of the proposal we like.

The notion of an Inspector General of Social Housing Services and a Social Housing Ombudsman, are welcome suggestions.

If States move out of direct service provision, or even if they continue to maintain a role as a provider as a community service obligation, as Queensland appears determined to be, we should equalize the cost base, operational subsidy, reporting mechanisms and evaluations to enable judgements about efficiency, effectiveness, fairness to be made by fair comparison.



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## A reform Agenda

A number of common elements have emerged between a range of proposals to improve housing outcomes for low income households in Australia. National Shelter has been examining a variety of proposals since the Affordable Housing Summit Group proposals of the early 2000s. These aspects appear to be common to all those supported by the community sector and with some exceptions by private sector peaks:

1. The need for a government subsidy/incentive to either support specific development targets (NRAS e.g.) or to attract private investment
2. Scale private investment to grow social housing utilizing Community Housing Providers backed by government incentive/s could be both C'wealth and State
3. Portfolio transfer from States to NfP CHPs with long term leases or title to enable leverage and growth
4. Tax reform to reduce inflationary pressures cause by investor/owner occupier competition for limited supply
5. Switching states from stamp duties on property which are inefficient and inflationary, to land taxes appropriately modified, to encourage scale investment and reduce inflationary pressures in markets and accommodate more fluid ownership (downsizing, appropriate design)
6. Reforming NAHA to equalize regulations and operational cost of public and community housing.

<sup>4</sup> From Housing Assets to housing people: Fixing Australia's Social Housing System.

7. Reestablish a National Housing Data Agency like the NHSC
8. Focus on outcomes for occupants and informed user choice
9. With some dispute utilizing inclusionary zoning and value capture of rezoning to support affordable housing via CHPs

Additionally, any use of tendering should explicitly avoid cost based tenders which are likely to attract scale low bids from providers which may be unable to be met and expose states to rising costs over time. Any use of competitive tendering should focus on outcomes for people not low cost bids which may compromise housing, financial and user choice outcomes.

### 3 Report Re: Homelessness Services

Specialist homelessness services (SHS) support people who are experiencing homelessness or who are at risk of homelessness. They focus on transitional support helping people to find, establish and sustain stable accommodation (including providing personal, family, medical, advocacy and other support). The intention is to help people become independently housed, and where ongoing support is needed, to connect them with appropriate mainstream services to help keep them housed (such as education and training, mental health or disability services and community facilities).

#### Addressing Supply Related Inefficiencies

The greatest inefficiency in the homelessness services system is the lack of affordable and appropriate housing to enable people to move from homelessness into secure housing – instead, many consumers are forced to cycle back through the system. The main reasons for this inefficiency are:

- the failure of the market to deliver appropriate and affordable housing for people on low incomes<sup>5</sup>;
- the failure of the market to deliver crisis and emergency housing<sup>6</sup>; and
- the lack of jobs and declining household incomes.

**The Stage 1 report fails to provide any evidence that introducing competition, contestability or user informed choice will address the most pressing inefficiency caused by inadequate supply.**

#### Informed decision making

Informed choice applies equally to system designers as it does to system users. While we are aware that there may be scope for improvement in current service delivery arrangements, it is not clear what the inefficiencies are that the Productivity Commission seeks to address through reform. While generalised reference is made to the lack of planned or co-ordinated services across the whole of the spectrum of family and community services (S8.2), there is considerable variation in how different service areas function. The Report does not investigate the arrangements for homelessness services. Because of this, it does not recognise how service co-ordination underpins the delivery of homelessness services or to innovative consumer engagement practices that are emerging in the sector (for example, through recently adopted Outcomes Reporting framework in Tasmania or Victoria's Peer Education Support Program). Nor does the Report consider the strengths that could be built on or the range of options for reform.

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<sup>5</sup> A commonly cited reason for people seeking homelessness support is the inability to secure appropriate and affordable housing. Homelessness Australia (2016). *Homelessness in Australia*. Fact Sheet. Jan 2016.

<sup>6</sup> The supply of crisis accommodation is primarily reliant on government and charitable organisations.



Deciding a path of action before establishing a sound understanding of the problem, assessing available options, or consulting meaningfully with service providers and consumers is at odds with informed choice.

**National Shelter calls on the Productivity Commission to clearly define the homelessness services inefficiencies it is trying to address. It also calls for an evidence-based rationale to be provided for the Commissioner's conclusion that a market based approach would improve consumer outcomes. To be sound, any analysis should be informed by consultation with the SHS sector and consumers.**

Risks to Quality of Outcomes for Consumers

**Eroding co-ordination and co-operation** - research consistently reports the importance of co-ordination between the homelessness service agencies in responding to consumer needs<sup>7</sup>. This system requirement was also noted in the Australian Government's major report into homelessness, *The Road Home*<sup>8</sup>. Pre-requisites for specialist homelessness services include: the need to know who provides what kind of service in a local community; strong professional relationships that facilitate co-ordinated case planning and management; shared learning and information; and co-operative problem-solving.

There is a real risk that requiring collaborators to compete will be counterproductive to effective service outcomes for consumers. For example, Tasmania's recently restructured homelessness service delivery system (Housing Connect) is based on a collaborative model of delivery between 5 different agencies. It is working effectively and is building a stronger sector response to homelessness. The introduction of competition and contestability could seriously undermine these co-operative arrangements and the 'joined up' service delivery they are achieving, risking their willingness to share information and work together because of commercial interests.

In NSW, the introduction of competitive tendering led to considerable disruption within the sector, including a loss of staff continuity, resource instability and a reduction in service access for clients, identifying the risks associated with introducing major change<sup>9</sup>.

**Price cutting** – specialist homelessness services operate on tight budgets. There is no capacity to reduce costs without reducing service reach and / or quality. Introducing competition and contestability risks leading to a drop in service quality through price competition. It would be a retrograde step to reduce service quality by returning to a reliance on inappropriately skilled staff or volunteers, or inadequate staffing levels with inherent risks to staff and consumer safety. With 17,845 homeless people in Australia being children under 10 years<sup>10</sup>, safety is an important consideration.

**National Shelter calls on the Productivity Commission to provide evidence to show how the introduction of competition and contestability would strengthen existing co-operative relationships underpinning the homelessness service system and enhance the quality of outcomes for consumers.**

Capacity for Informed User Choice

People who are homeless or at risk of homelessness are in crisis – their need is often immediate. A large proportion of people seeking help are escaping domestic violence, or children and young people, or people with mental health issues. Moreover, choice assumes there is capacity in the system as well

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<sup>7</sup> Nichols, N (2014). *A Systems Approach to Homelessness*. Web-based research report. The Homelessness Hub. Research Matters. Finding Solutions to Homelessness website. <http://www.homelesshub.ca/solutions/systems-approach-homelessness> (accessed 23/6/14)

<sup>8</sup> Commonwealth of Australia (2008). *The Road Home. A National Approach to Reducing Homelessness*. Commonwealth of Australia. Canberra.

<sup>9</sup> KPMG (2015) *Going Home Staying Home Post-Implementation Review. 2015 Final Report*. Prepared for Department of Family and Community Services

<sup>10</sup> Homelessness Australia Fact Sheet. 2011. <http://www.homelessnessaustralia.org.au/index.php/about-homelessness/fact-sheets>

as access to a range of different services. This is not the case - existing services are unable to meet demand. The data shows that there are 328 unmet requests for assistance on average each day in Australia<sup>11</sup>. When there is not enough supply, the reality is that choice does not exist and people regularly remain homeless.

Section 3 of the Stage 1 Report recognises that user informed choice is not always appropriate, and yet seems to disregard this observation in relation to homelessness services.

**National Shelter considers that user informed choice is not a justifiable rationale for adopting market based approaches to homelessness services delivery as the ability for consumers to exercise informed choice is limited by both personal and system capacity.**

Guaranteeing no Reduction in Outcomes for Consumers

National Shelter welcomes reforms that will lead to better consumer outcomes. However, where essential services that provide a lifeline to vulnerable people are concerned, it is crucial that we are confident that any changes can demonstrate an improvement in consumer outcomes.

To date the Productivity Commission has failed to provide evidence that a market based system would improve outcomes for consumers. Nor did we find considered reference in the Report that drew on submitters' views on the potential benefits and risks associated with proposed reform to homelessness services. National Shelter is deeply concerned that the proposed inclusion of specialist homelessness services in broader reforms carries the risk of creating detrimental outcomes for some of our most vulnerable Australians.

**National Shelter urges the Productivity Commission to reverse its decision in relation to homelessness services, and instead to exclude these services from further consideration for human services reform.**

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<sup>11</sup> AIHW SHS Data CubeTables, 2014-15: National Unmet.4