



SUBMISSION TO THE PRODUCTIVITY COMMISSION'S
NATIONAL HOUSING AND HOMELESSNESS AGREEMENT REVIEW

FROM: NATIONAL SHELTER

C/- PO Box 6207 Halifax Street Adelaide SA 5000

NATIONAL SHELTER RECOMMENDATIONS

1. The Australian Government to commission the development of a national housing strategy with an emphasis on meeting the housing needs of low and moderate income households and increasing the supply of non-market housing available to them.
2. The strategy to look at establishing targets for homeownership, rental housing and non-market (social, affordable, specialist) housing.
3. The national housing strategy to include a plan to lift the national level of social housing to 10% of all housing by 2036.
4. The strategy progressively lifts the role of community housing providers to owning and managing 50% of all social and affordable housing by 2036.
5. Create an independent statutory authority to oversee the development of the strategy, establish data and reporting processes, and ensure inputs from all levels of government are commensurate with the national strategy.
6. Social housing to be developed within a mixed tenure approach, appropriate to locations and within jurisdictional capability.
7. A minimum of a net increase of 20,000 net new social housing dwellings to be added to the total social housing dwelling supply each year in the absence of a national housing strategy.
8. Current national housing and homelessness payments to be separated into two streams:
 - An operational fund paid on a per-dwelling basis to providers (State and Territory housing authorities and community housing providers); this could be preserved for structural maintenance, and clarify the homelessness payments being quarantined out. Payments should be sufficient to cover operational costs and Commonwealth Rent Assistance. Need to be identified on a per capita basis of each State and Territory,
 - A growth fund to be provided to State and Territory governments on a per capita basis.
9. The Commonwealth Government to establish an affordable housing infrastructure booster (the boost) with a variable subsidy based on land and housing cost, regional variation, a variety of contributory inputs (planning, land, equity).
10. That First People's Housing organisations have specific components of future agreements to consider how systems (regulatory, financial) can facilitate their participation and registration within a National Regulatory Framework.
11. That future agreements include rapid response strategies to assist recovery from climate induced disasters¹.
12. That future agreements provide funding for the peak body (National Shelter) and Industry body (CHIA) to provide a consultative process and structures to inform the development of future agreements.

¹ Meeting national standards should not be at the cost of losing any affordability in housing and incur no net loss of housing by community housing providers or State housing authorities.

Introduction

National Shelter welcomes the opportunity to provide a submission to the Productivity Commission's review of the National Housing and Homelessness Agreement (NHHA).

We welcome the review as we consider the current NHHA inadequate to address the growing shortfall of social and affordable housing and homelessness services which it was established to address. The agreement also lacks transparent and accountable data and reporting to enable it to properly perform, and has poorly defined responsibilities which limit the capacity of the agreement to meet its objectives.

About National Shelter

National Shelter is a non-government peak organisation that aims to improve housing access, affordability, appropriateness, safety and security for people on low incomes.

Since 1976, National Shelter has worked towards this goal by influencing government policy and action, and by raising public awareness about housing issues.

National Shelter's aim is to work towards every Australian having access to housing that is:

- **affordable** — people should not be left in poverty after they have met their housing costs
- **adequate** — everybody is entitled to housing that meets basic standards of decency and their own basic needs
- **secure** — people should not live under threat of loss of home and shelter
- **accessible** — access to housing should be free from discrimination and conform with universal design principles at a minimum.
- **in the right place** — housing should be located close to transport, services and support networks, job opportunities, and social and leisure activities
- **able to meet their lifecycle needs** — people have different housing needs at different stages of their lives, and housing should be available to meet these changing needs.

National Shelter draws on, and is supported by, the work of State and Territory Shelters and members in all jurisdictions and its national member organisations, sponsors and associate members.

National Shelter draws on its existing [policy platform](#) and the ongoing development of its policy and program responses to housing and homelessness in Australia. These include the publication of the [Rental Affordability Index](#) (RAI) annually since 2017, The [National Survey of Renters](#) conducted with CHOICE and the National Association of Tenant Organisations (NATO). National Shelter policies and views are evidence based, drawing on a range of academic, industry and sector informed sources.

Where does the NHHA Fit?

The NHAA is the latest iteration of agreements between the Commonwealth and States and Territories beginning in 1945. The original Commonwealth State Housing Agreement (CSHA) was a response to a major shortfall in housing supply and allowed the states to build 'public housing' to be both rented and sold to occupants. A major difference between the original intent of the CSHA and the NHHA is that the CSHA operated a broader rental model to working and non-working households. However, residulisation of the agreement has seen the NHHA shift from a broad housing agreement to only providing housing to the lowest income, highest need applicants. The inclusion of homelessness since 2009 has further entrenched the actual objective as a welfare housing agreement as opposed to its original intent as a broad housing agreement.

The approach of the past 30 years, while well-intentioned, has undermined the financial ability of the State Housing Authorities, and concentrated disadvantage in social (public and community) housing. This has increased the stigma of social housing and made its subsidisation requirement deeper. National Shelter argues future agreements should be restructured as broader housing agreements, operating across tenure types and move away from a welfare housing system to a broad social housing system.

The agreement would then form one element of a national housing strategy with a goal of ensuring the provision of sufficient housing to allow all households in Australia to live with dignity.

Sufficiency is the major issue

A major issue with the current agreement is that there is insufficient funding, dwelling provision, maintenance, and the total recurrent cost. National Shelter accepts that the PC is reliant on the States to provide information about the total cost of social housing provision, and that state budgets are not transparent about the true cost of social housing. We have some scepticism that the true cost to states is fully reflected in the Report on Government Services (RoGS).

The NSW Independent Pricing and Regulatory Tribunal (IPART) used a comparison to market rent methodology to estimate the funding gap of social housing in NSW in 2017. It found that the funding gap in NSW was \$945m per annum². This is at least twice the level of funding provided by the NSW government to support social housing than it receives from the Commonwealth.

Based on the RoGs and IPART reports National Shelter contends the Commonwealth contribution to the existing NHHA should be increased 2-3 times its current level to at least match state contributions if no other changes were to be made.

How could it be adjusted?

A principal problem of the approach to the NHHA, and also previous agreements, is that payments are made on a per capita basis. This results in rewarding States (such as Queensland and Victoria) that have higher populations, higher population growth but comparatively lower provision of social housing. This approach punishes States (such as South Australia, Tasmania and the Australian Capital Territory that have historically had a more generous social housing policy, but have lower populations, and lower rates of population growth.

As an example the sell-off of social housing in SA 2000-2020 has seen the loss of over 20,000 properties as they strive to have national average numbers of social housing. In the decade between 2006-2016 over 5,000 properties were sold³

National Shelter recommends addressing the negative incentive through the addition of a growth fund to the agreement (equivalent to the current imbalance in Commonwealth contributions) and change the payment of the existing NHHA to a per dwelling payment.

This would encourage States to increase social housing levels rather than decrease, while still accounting for population differences, the use of NHHA funds for private rental and other programs, as well as adjusting for population movements between jurisdictions.

2 <https://www.ipart.nsw.gov.au/sites/default/files/documents/final-report-review-of-rent-models-for-social-and-affordable-housing-july-2017-%5Bw172737%5D.pdf> figure 4.2

3 https://www.ahuri.edu.au/sites/default/files/migration/documents/Audit-of-South-Australia-current-housing-assets-and-mapping-of-future-demand_pfr.pdf

A National Housing Strategy

While the housing affordability crisis has worsened in Australia, there has not been a commensurate Commonwealth strategy to address the growing numbers of people experiencing housing stress and homelessness.

Homeownership is on the decline, fewer households are achieving mortgage-free homes before retirement, the private rental market cannot provide affordable homes for people living on low incomes, and the social housing system is not meeting the needs of our citizens. Inadequate social security payment levels, unemployment, and a poorly targeted and insufficient Commonwealth Rent Assistance (CRA) leave more than one million Australians living with housing stress in private rental.

Globally, housing affordability has emerged as a major contributor to increasing inequality.ⁱ Nations that recognise this issue have developed national housing strategies to combat the problem. Twenty-five of thirty-six Organisation for Economic Cooperation and Development (OECD) nations have housing strategies targeting a range of objectives.ⁱⁱ

The development of a national housing strategy has never been more critical given the importance of housing to health, social and economic outcomes. The COVID pandemic has provided a stark illustration of the importance of housing in people's lives as a place of safety and increasingly as an employment and economic platform.

COVID is producing a shift in the balance of regional and capital housing markets which have a profound impact on affordability and availability of housing in regional areas. A revised agreement will need to consider how states and community providers meet the increased need for social and affordable housing in Australia's regions.

A national strategy is also required to respond to climate related disasters, such as bushfires and flooding. Such a strategy should consider how it will trigger housing responses as and when required to meet the housing needs of displaced households as the nation faces the increasing frequency and intensity of climate induced disasters.

Commonwealth and State Responsibilities

A key issue affecting the operation of the NHHA and the interaction of the states with the commonwealth is the current insistence by the Commonwealth that social housing and homelessness, among other joint responsibilities, are the responsibility of states. This is despite the long history of joint action on housing and homelessness through the CSHA, Supported Accommodation and Assistance programme (SAAP), the National Affordable Housing Agreement (NAHA) and NHHA.

The current agreement fails to recognise the significant influence the Commonwealth currently exerts over housing in relation to tax concessions (Capital Gains Tax, negative gearing, the non-taxation of imputed rent), the establishment of the National Housing Finance and Investment Corporation (NHFIC), the First Home Deposit and Savers Schemes, the Home Equity Access Scheme, Commonwealth Rent Assistance, and more recently Homebuilder.

All of these measures influence the operation of housing markets and systems and demonstrate a Commonwealth responsibility for housing. National Shelter argues that the Commonwealth has an even greater responsibility towards social housing and homelessness because of the negative impact of some of these other housing levers on housing affordability, housing availability, and the increasing number of people requiring social housing compared with the decreasing level of social housing availability relative to population.

A revised agreement would have clear ongoing commitments by all levels of government.

Data, Accountability and Transparency

Most of the current performance indicators for the NHAA cannot be achieved within the parameters of the existing agreement structure or level of financial support. Many of the indicators do not apply methods to measure them, are outside the parameters of the current agreement, or are meaningless. Examples are provided below:

Performance Indicators

- the total number of dwellings relative to the population
- the stock of affordable rental housing relative to the population
- the stock of social housing dwellings relative to the target population for social housing

None of these indicators measure or analyse if the current level is adequate, what level would be desirable, or have any targets attached to them.

Performance Indicator

- an increase in the proportion of social housing occupants that are housed in homes that match their needs

There is not a current housing needs analysis that could assess the extent to which current housing relative to occupants match need. It is difficult to assess whether housing has increased to matched need, with the exception of a proxy measurement such housing occupancy standard, which does not take into account the allocation policy of a specific State.

Performance Indicators

- a decrease in the number of people experiencing homelessness
- a decrease in the proportion of people who are at risk of homelessness that receive assistance to avoid homelessness
- an increase in the proportion of people who are homeless that are assisted to achieve housing

Given the measurement of the homelessness population only occurs at every Census and is then only a snapshot on a particular night we cannot measure the number of people experiencing homelessness. The Australian Institute of Health and Welfare (AIHW)⁴ do measure homelessness service delivery use and outcomes but this has consistently recorded that unmet need continues to rise highlighting the inadequacy of funding.

Most of the rise in homelessness is attributed to people living in overcrowded dwellings indicating that social housing levels are inadequate, or that people are having to share to make housing affordable in the private market. The level of unmet need reported by Specialist Homelessness Services continues to rise⁵ meaning a failure to meet the performance indicators.

It is unrealistic that these performance indicators adequately report on the programs, services, or the agreements' performance in relation to decreasing homelessness, or people assisting to achieve housing. This is particularly the case when the current funding levels are not adequate to meet the needs of the increasing number of households unable to obtain adequate housing within the current housing market and systems functioning.

Performance Indicators

⁴ <https://www.aihw.gov.au/reports/australias-welfare/homelessness-and-homelessness-services>

⁵ <https://www.aihw.gov.au/reports/homelessness-services/specialist-homelessness-services-annual-report/contents/unmet-demand-for-specialist-homelessness-services>

- an increase in the number of dwellings that are permitted by zoning in cities or urban areas
- a reduction in the average time taken to decide the outcomes of a development application or residential building permit in cities or urban areas
- a decrease in the proportion of rental households with household income in the bottom two quintiles that spend more than 30 per cent of their income on rent
- an increase in the proportion of Indigenous Australians purchasing or owning their own home.

These indicators are simply outside the operational capacity of the NHHA.

There could be scope to bring these or other related measures into the NHHA but there is currently no incentive to encourage States to consider planning, decreasing the proportion of private renters in housing stress,⁶ or the levels of Indigenous home ownership within the NHHA multilateral or their own bilateral agreements.

To bring measures like these or to potentially tackle other pernicious issues in our housing systems would require significant additional Commonwealth contribution, at least matching the current additional cost States cover and the new spending States have announced over the next 5-10 years.

To go back to our first principle on NHHA this could be achieved by splitting the agreement into a per dwelling component (equivalent to the existing NHHA payment) and establishing a new per capita growth or capital payment in the NHHA and making that conditional on state matching across a range of measures and indicators.

This would best be achieved within an overarching National Housing Strategy and managed by a National Housing Authority, probably incorporating and replacing the NHFIC with an expanded brief. Such an authority could look across the various interacting measures (such as the NHHA, CRA, tax concessions, City Deals, other major infrastructure investment⁷, home ownership, private rental) within the process of establishing a national housing strategy with targets (bandwidths for home ownership, private rental, social housing), and consider the respective roles of the Commonwealth and States. It should also include the role of local government.

In terms of accountability and transparency, a new agreement should include clear targets and clear proportions of funding responsibility for dwellings, programs and outcomes. A new agreement should include an ability to track net dwelling additions or losses in each jurisdiction, based on a national audit or process to identify and track all social and affordable housing dwellings nationally and in each state.

The current agreement has no incentive for States to provide accurate information on their dwelling numbers, condition, maintenance requirements, energy performance, or long-term asset management. This should be a requirement of a national regulatory system applied to all forms of subsidised housing, including state owned and managed social housing, community housing, Indigenous community housing, and any private housing receiving forms of subsidy (such as capital gains discounts, negative gearing, or covered by other tax concessional arrangements).

The Productivity Commission's own RoGS⁸ shows that all social housing recurrent costs are \$4.489b in 2021. The Commonwealth contribution to that is \$1.6b or approx. 35.7% demonstrating the states contribute 64.3% of current social housing and homelessness costs.

Other considerations

The level of payment distributed to jurisdictions should include a needs-based formula component for jurisdictions where the unmet needs is impossible to meet within current resource allocations. This payment

⁶ This is the bottom 40% of income paying more than 30% of gross income on rent

⁷ Including the Olympic and Paralympic Games

⁸ <https://www.pc.gov.au/research/ongoing/report-on-government-services/2022/housing-and-homelessness/housing>

should be made **without** reducing payments from current levels in any jurisdiction. This would mostly benefit the Northern Territory where the level of homelessness in the Northern Territory is similar to that in Western Australia, but the funding allocated to it is only a tiny fraction of what is required to address the need for services.

Community Sector

The NHHA is an intergovernmental agreement primarily between States, Territories and the Commonwealth. However the growing role of the community sector cannot be ignored in the future development of housing and homelessness agreements. This includes consideration of several inter-linked factors:

The NHHA has no specified representative or consultative role for the not for profit community sector built into it. A future NHHA would specify minimum funding levels for the peak body (National Shelter) and Industry body (CHIA) to provide a consultative mechanism to inform the development of future agreements.

The development of a national regulatory system which covers a range of housing providers (State Housing Authorities, community housing providers, local government, as well as private sector operators within the social and affordable housing space). Currently State Housing Authorities operate as providers, funders, regulators and with oversight of how the community housing sector and individual community housing providers operate.

The increasingly delivery of social housing through community housing, particularly leveraging growth opportunities through entities such as NHFIC has resulted in one-third of all social housing properties under the management of the community housing sector, and with increasing levels of ownership. Community housing providers or an intermediary organization (such as National Shelter) should be representing the sector in the development of ongoing agreements.

Indigenous (First Peoples) Community Housing Organisations (ICHOs) have been treated in a diametrically opposed fashion to other community housing providers. Following the abolition of ATSIC in 2005, the operational responsibility of ICHOs was transferred to state housing systems in 2008-09, along with a one-off funding allocation. While many organisations participated in this arrangement, and are registered housing providers under the NRSCH, a number of Indigenous providers elected not enter into arrangements with States, and remained bound by legacy Commonwealth contractual arrangements which are no longer being administered. This means that in practice, these organisations are operating with complete independence. The outcome of this is that these providers (who have land and assets) were not able to take advantage of programs at the Commonwealth or State levels⁹.

While all jurisdictions were growing their community housing programs and organisations to some extent, with the exception of Victoria and to some degree New South Wales, ICHOs were forced into compliance or left un-registered.

Disaster Planning

National Shelter has been monitoring the recent spate of climate disasters Australia has experienced related to our changing climate, including the 2019 bushfires and 2022 floods. These catastrophes have left tens of thousands of households in need of temporary and permanent housing solutions. Our regional areas and cities have been hit with a new level of climate induced homelessness which requires temporary and permanent solutions and contingency planning.

⁹ This includes including the National Rental Affordability Scheme, the Nation Building Economic Stimulus Plan – Social Housing, growth funding, or capacity building grants.

A revised NHHA should consider the additional requirements needed to respond to the increasing frequency and intensity of climate induced disasters to enable it to trigger additional resourcing and plan temporary and permanent housing solutions that can quickly be put in place to enable recovery as quickly as possible.

Conclusion

National Shelter finds the current National Housing and Homelessness Agreement inadequate and not fit for purpose. The submission argues for a new formula for distributing NHAA payments split into an operational payment per dwelling and a capital or growth component per capita.

There needs to be significantly more funding to allow the NHHA to consider other helpful conditions which could be included in it. The joint and collective responsibility for social housing and specialist homelessness services requires specifying to avoid abrogation of responsibility by any party.

A reformed NHHA should sit within an overarching National Housing Strategy with the ability to operate across the various threads of housing system policy and programs.

A reformed NHHA will deliberately involve the broad community housing sector and relevant peaks in the development of future national agreements, including dedicated resources to First Nation's people organisations.

ⁱ<https://theconversation.com/rising-inequality-in-australia-isnt-about-incomes-its-almost-all-about-housing-119872>

ⁱⁱ <https://www.oecd.org/els/family/PH1-2-Housing-policy-objectives-and-obstacles.pdf>