



**ACT**  
Government

# ACT Government Submission

to the Productivity Commission's Review of  
the National Housing and Homelessness  
Agreement

April 2022

The ACT Government welcomes the Productivity Commission’s review of the National Housing and Homelessness Agreement (NHHA).

The contribution to an individual’s life outcomes by having a stable home cannot be overstated – a home is fundamental for people to be included and participate in our community and economy. In many ways, improving outcomes across the housing spectrum has never been as important as it is now. Across Australia community need around social and affordable housing is growing – in size and complexity. This brings the importance of a national agreement such as the NHHA into sharp relief and underlines why it is vital to get the next agreement right and appropriately funded.

The ACT values the NHHA as an important source of funding and a means for sharing information and working collectively in areas of shared interest and mutual benefit. Being a signatory to the NHHA aligns strongly with the ACT Government’s policy priority of better housing and homelessness outcomes. This priority is backed by an ACT Housing Strategy<sup>1</sup> and initiatives exceeding \$1.2 billion over the 10 years from 2015-25, to increase the availability of public housing for low income Canberrans and those at risk of homelessness. The ACT Government has also committed \$18 million to expand the capacity of the specialist homelessness sector as part of this priority. This is in addition to over \$27 million funding for 2021-22 already being provided to the sector to better focus on outcomes and balance between early support and crisis response for those most vulnerable in our community.

The Commonwealth has an important role in supporting the NHHA in terms of leadership, funding and the use of its policy leavers. The Agreement’s purpose makes clear the mutual interest and shared responsibility of the Commonwealth, states, and territories in improving outcomes across the housing spectrum, including for those who are currently, or at risk of, homelessness. This fundamentally important principle recognises the vital role of housing for the broader economic prosperity and social wellbeing of all Australians; and that Commonwealth, states, and territories must work together to secure this outcome. The sort of opportunities that flow from a strong national housing agreement are important for everyone.

As a party to the NHHA, the ACT Government submission will focus on our experience of its implementation and functioning, especially the adequacy of and approach to funding; the relative roles of jurisdictions and the Commonwealth across the housing market as a whole that influence demand for social housing and homelessness services; the absence of a formal governance structure to support collaborative implementation; the importance of investment in data infrastructure; and alignment on reporting mechanisms that are proportional to the quantum of funding; and future considerations in light of growing demand.

In response to the inclusion of Australia’s Disability Strategy in the Terms of Reference, given it is not a negotiated part of the NHHA, see [Appendix A](#).

---

<sup>1</sup> [ACT Housing Strategy](#)

## Funding for improved social housing and homelessness outcomes

The ACT Government recommends that the Productivity Commission draws on the evidence of significant increased need in relation to homelessness and social housing across the community in recent years, to determine an adequate quantum of funding to support our most vulnerable and develop a funding model that enables jurisdictions to respond to current and emerging needs.

Funding allocated to the ACT over the five years of the NHHA totals \$130 million. This is a welcome addition to the significant territory-own investment in social housing and homelessness services. The ACT Government spends around \$150 million each year on social housing, and approximately twice the national average on a per person basis<sup>2</sup>. This is in addition to \$149 million provided each year in rental rebates for public housing. We manage over 11,500 social housing properties with a value of over \$6.7 billion. Nationally, the total NHHA funding of \$1.6 billion per annum for five years represents about 30 per cent of total state and territory expenditure on housing and homelessness services<sup>3</sup>. The ACT share of NHHA funding equates to 23 per cent of annual territory spending. The Commonwealth also contributes about \$4.7 million annually (2019-20) in Commonwealth Rent Assistance.

Despite all this investment in social housing and homelessness services, the ACT is not alone in experiencing a considerable gap between demand and supply of services and waiting times which are longer than ideal. A recent report into the costs of community service provision in the ACT found that 'Data attests to population changes and increased complexity of need in Canberra which have compounded pressure on community services in recent years, including rising housing and living costs and the mental health and economic impacts of the COVID-19 pandemic. In addition, employment pressures and employment costs have grown'.<sup>4</sup> The current injection of funding by the Commonwealth through NHHA is not enough to facilitate significant inroads being made to alleviate the scope of unmet need. This is further exacerbated by Commonwealth inaction on policy levers which could be used to improve this situation.

In addition, as Commonwealth funding is indexed to wage growth, it could be considered that in real terms there has been a reduction in funding over the duration of the agreement due to rising demand and the costs of providing services, alongside stagnant wage growth. As the cost-of-service provision in this sector is impacted by overall housing market costs, rising housing industry costs present a significant challenge to jurisdictions implementing this agreement. Alongside these growing costs, demand for social housing and homelessness services has risen and the complexity of need increased. Indexation methodologies which do not keep pace with changing costs of service provision depletes both the real value of funding and sector capacity.<sup>5</sup> **The ACT recommends the Productivity Commission determine a model of indexation which is better able to reflect the real costs of service provision under the NHHA and future agreements.**

---

<sup>2</sup> [Report on Government Services 2022](#), Table 18A.1

<sup>3</sup> [National Housing and Homelessness Agreement 2018-2023](#)

<sup>4</sup> [Counting the costs: sustainable funding for the ACT community services sector \(2022\)](#) ACTOSS and ACT Government p.1

<sup>5</sup> [Counting the costs: sustainable funding for the ACT community services sector \(2022\)](#) ACTOSS and ACT Government p.26

Any future funding model should reflect the Federation Funding Agreements Framework, providing funding certainty, including equitable remuneration, as well as flexibility. Each jurisdiction faces distinct sets of issues in relation to housing and homelessness – flexibility within a NHHA funding model provides jurisdictions autonomy within their budgets to delivery on agreement outcomes. A future funding model for NHHA would also reflect responsiveness to future demand, which is projected to continue to grow and may be amplified by the medium and long- term impacts of the COVID-19 pandemic which are yet to unfold<sup>6</sup>.

Other foundational considerations for a future funding model include the exposure of service delivery to overall housing and construction market pressures, the combined resourcing for sustainable service delivery across both infrastructure and support service domains, and the Equal Remuneration Order, which has brought this female dominated workforce closer to pay parity with similar jobs in the government sector. Given the transition period granted to adapt to these higher wages ended in December 2020, they should now be factored in as the normal cost of doing business and overall funding adjusted accordingly.

The current Agreement was expanded by the Commonwealth to include housing affordability in addition to the focus of previous agreements on social housing and homelessness. ACT notes there was no comparative increase in funding and recommends future funding models consider appropriate funding across the scope of the agreement. Without significant Commonwealth action in this area, the ACT government questions the validity of including it in the Agreement

Future funding models, as well as relevant Commonwealth policy, should also ensure funding outcomes are equitable across jurisdictions and diverse urban, regional, and remote areas. Territory-own investment has resulted in the ACT having the highest number of public housing dwellings relative to population.<sup>7</sup> While the ACT has high average income levels, the proportion of low-income households tends to be masked by area-based data which does not reflect the socio-economic diversity of neighbourhoods in the territory compared with other cities. Around 18 per cent of the population in the ACT are in the lowest income quartile<sup>8</sup>. In 2017-18 around 43 per cent of lower-income households in the ACT were in rental stress<sup>9</sup>.

Further, the cost of properties for both purchase and rent have increased significantly in the ACT since the NHHA was introduced in 2018. Average rents have increased by 20 per cent, and property prices by 19 per cent. By January 2022, the ACT became the most expensive city in Australia to rent

---

<sup>6</sup> [COVID-19 effects on housing and homelessness: the story to mid-2021](#), AIHW, p138

<sup>7</sup> This conclusion is taken by considering the total number of public housing properties by jurisdiction at 30 June 2021 (ROGS data table 18A.3, <https://www.pc.gov.au/research/ongoing/report-on-government-services>) and the ABS population estimates at 30 June 2021:

<https://www.abs.gov.au/statistics/people/population/national-state-and-territory-population/jun-2021>. This shows that the ACT has 25.1 public housing dwellings per 1000 people compared to a national average of 11.6. The next closest jurisdiction is the Northern Territory with 20.0 public housing dwellings per 1000 people.

<sup>8</sup> ABS Personal Income in Australia, 2014-15 to 2018-19, <https://www.abs.gov.au/statistics/labour/earnings-and-work-hours/personal-income-australia/latest-release>

<sup>9</sup> ROGS 2021, Table GA.2

in and the second most expensive to buy a house<sup>10</sup>. Financial stress associated with high housing costs increases demand on the social housing sector. These higher costs also limit the ACT government's capacity to provide these services in the quantity needed.

It should be noted in the funding context that all states and territories, except Tasmania and Victoria, owe housing debts to the Commonwealth, which at 30 June 2020 totalled approximately \$1.7 billion. The ACT Government has previously requested the waiver of this historical housing debt, so debt payments can be redirected to strengthen our capacity to provide vulnerable members of our community with housing stability. Servicing these historic debts diverts resources that could otherwise be invested in new or expanded housing or homelessness services. **The ACT recommends that the Productivity Commission quantify the impact of these debts on jurisdictions' ability to invest in new or expanded services in a time of widespread housing affordability issues and growing demand for social housing and homelessness services.**

### **The role of the Commonwealth in improving housing outcomes**

The current housing affordability crisis for people on low incomes is a national issue and requires national leadership. The Commonwealth has economic drivers at its disposal to provide for investment and policy changes that impact housing outcomes across the spectrum. These policy drivers, including income support, affordable housing and rental support, disability, aged care, immigration, capital gains tax and others can have a much greater effect on social housing and homelessness service demand than any action of individual states or territories. Effective Commonwealth action in these areas could enable more households to access or remain in the private housing market and may mitigate forecast demand in the social housing sector. **The ACT recommends that future agreements include reporting from the Commonwealth on the policy and funding actions it is taking to address NHHHA objectives.**

Commonwealth income support policies have a significant impact on demand for the services covered by the NHHHA. The most significant living standard impacted by the low rate of the Commonwealth Jobseeker payment is housing. As included in the August 2019 ACT Government Submission into the House of Representatives Standing Committee on Social Policy and Legal Affairs Inquiry into Homelessness in Australia, the ACT continues to be in favour of raising the rate of Jobseeker (formerly Newstart)<sup>11</sup>. Ensuring adequate living standards for Jobseeker recipients cannot be delivered by state and territory governments alone. The Federal Government must do more to provide adequate income support for those on Jobseeker struggling to make ends meet. **The ACT recommends the Productivity Commission consider other government actions which impact on NHHHA objectives and provide a mechanism for recognising these policies and programs, measuring their impact on the ability to achieve NHHHA objectives, and progress towards positive change.**

The experience during the beginning of the COVID-19 epidemic in Australia demonstrates the importance of adequate income support. Australian Institute of Health and Welfare (AIHW) data shows homelessness fell when the Coronavirus Supplement was available between April 2020 to

---

<sup>10</sup> Domain Rental Report December 2021 and House Price Report September 2021 – sited on 14/1/22 at [www.domain.com.au/research](http://www.domain.com.au/research)

<sup>11</sup> Inquiry into housing affordability and supply in Australia, House of Representatives, [ACT Submission #150](#)

August 2020 and increased again as the additional income support was gradually removed<sup>12</sup>. While jurisdictions also enacted a range of responses to the pandemic across this time period, the effect of doubling the rate of income support on low-income households' capacity to sustain tenancies and meet their basic needs should not be underestimated. It is noted a range of pandemic-related supports including for households in the private market have now ended, and in the absence of these protections the ongoing economic impacts from the pandemic are likely to continue to create demand.

The ACT would support a review into Commonwealth Rent Assistance (CRA) given its impact on achieving NHHa objectives. It is noted that an independent review of CRA was a recommendation arising from the aforementioned inquiry into Homelessness<sup>13</sup>. A report from the Productivity Commission shows almost half of all private renters received some form of income support payment, suggesting a significant linkage between private rental and need for income support<sup>14</sup>.

The Productivity Commission in its Vulnerable Private Renters: Evidence and Options paper identified increases to CRA is the clearest path to improving affordability. "Over time... the CRA maximum payment amount has not kept pace with the rise in rents, which has outpaced inflation. As a result, the average share of rents covered by CRA has fallen. Further, the share of CRA recipients who received the maximum payment has steadily increased from around 57 per cent (representing about 566 000 recipients) in 2001 to 80 per cent (representing just over one million recipients) in 2018."<sup>15</sup>

The ACT notes the 2017 Federal Budget contained a specific measure aimed at improving housing affordability that was passed in 2019. This measure, which increases the capital gains tax discount for affordable housing, is confined to registered community housing providers. Consideration could be given to whether opening this to the broader community which would facilitate greater investment in affordable housing and a net benefit to community outcomes.

The Commonwealth also has a role to ensure consistency between the NHHa and other national arrangements. In recent years there has been important work in the areas of housing affordability, disability, mental health and the NDIS, amongst others. While progress against these remains the responsibility of the respective Commonwealth Ministers, funding and governance mechanisms should be established under these agreements to allow effective working relationships with housing portfolios in order to achieve objectives consistent with those of NHHa. The ACT would welcome a strengthened and effective leadership role from the Commonwealth to facilitate collaboration and achievement of outcomes in these areas.

---

<sup>12</sup> <https://homelessnessaustralia.org.au/we-can-and-did-dramatically-reduce-homelessness-with-increased-income-support-new-data-shows/> 2021 - analysis from Homelessness Australia

<sup>13</sup> Inquiry into housing affordability and supply in Australia, House of Representatives, [ACT Submission #150](#)

<sup>14</sup> Vulnerable Private Renters: Evidence and Options. Productivity Commission Research Paper 25 September 2019, p15 <https://www.pc.gov.au/research/completed/renters>

<sup>15</sup> [Vulnerable Private Renters: Evidence and Options](#). Productivity Commission Research Paper 25 September 2019, p15

## **NHHA governance and objectives**

Under the NHHA, the Commonwealth has a role to lead, and all parties share a responsibility to collaborate and reach agreements by consensus. A formal governance structure, which currently does not exist for the NHHA, is needed to facilitate consultation and discussion in keeping with a multilateral agreement. In the absence of a formal governance mechanism, ACT's experience is limited engagement from the Commonwealth on NHHA-related matters; a bilateral rather than collective approach is taken to raising issues, and on occasion the Commonwealth takes unilateral action which impacts all parties. **The ACT recommends the Productivity Commission investigate an appropriate governance structure for the NHHA – one that facilitates collective discussion and decision making; is transparent; and is not onerous to administer.**

The ACT Government is also concerned by the approach taken by the Commonwealth in legislating NHHA requirements and the precedent this sets in the negotiation of other funding agreements. Jurisdictions hold the view it is not appropriate for the Commonwealth to stipulate state and territory spending on homelessness services via Commonwealth legislation. As indicated above, the ACT values funding provided flexibly for policy and budget autonomy and would welcome the Productivity Commission's review of the utility of prescriptive funding, performance conditions, and appropriate and proportionate governance structures for this agreement, with consideration of the varied drivers of housing and homelessness issues.

Regarding the definition of the NHHA objectives offered in Box two of the Productivity Commission's background paper, the ACT Government agrees it could be useful to have more mutual understanding between the parties to the agreement of what they mean and the implications for addressing them. We make the following observations:

- Housing affordability is influenced strongly by Commonwealth policy settings; however, this is not currently reported against.
- The definition of 'safe' housing offered by the Productivity Commission requires strong alignment and linkages with other areas of government including disability, domestic and family violence, justice, and health related services.
- The definition offered for 'sustainable' housing is broad and encompasses a range of government portfolios and would entail additional costs. For example, environmentally sustainable housing can have larger upfront costs even though generating longer term savings; fiscal sustainability is subject to government priorities; access to other supports is subject to levels of funding and priorities in different portfolios; etc.

## **Data and information frameworks: NHHA reporting/Statement of Assurance**

The NHHA focus on agreed objectives and the cross-jurisdiction communication it facilitates, which along with the funding contributed, have clearly led to the outcomes highlighted on page 6 of the Productivity Commission's background paper. However, it is currently not possible to garner a detailed understanding of what areas, to what extent and what possible flow on effects the Agreement might have had in addressing social housing and homelessness issues in jurisdictions. While reporting requirements demand this type of detail, **the ACT Government questions the utility of this given the small portion of total funding available through NHHA, relative to state and territories' total spending, and the extent of unmet demand.**

The nature of current reporting requirements under the NHHA is not proportionate to the total funding provided through the agreement nor relative to total expenditure by states and territories. In addition, the ACT questions the way in which performance metrics are applied to complex policy problems under the NHHA. Further, the Agreement provides little incentive to investigate novel and local solutions to complex issues. ACT notes in addition to the required reporting agreed by parties to the NHHA, the Statements of Assurance seek further reporting from states and territories. Reporting has also been affected by delays to the release of public data<sup>16</sup> associated with the impact of the COVID-19 pandemic. This means many performance items cannot be accurately measured and compared at present.

In relation to reporting on expenditure, the ACT applies NHHA funding flexibly, as intended by the agreement, and do not distinguish between the bulk of the NHHA funding from ACT-own resourcing. As indicated above, given the Commonwealth's responsibilities for policies which directly impact housing affordability and the demand for the social housing and homelessness services, **the ACT Government believes it is reasonable within the existing NHHA scope<sup>17</sup> to expect the Commonwealth to also report annually on how it has contributed to better outcomes under NHHA.** This should include, but not be limited to, housing affordability and income support.

#### **Data and information frameworks: Data improvement**

The ACT has consistently contributed to ongoing collection and transparent reporting of agreed data, and to data improvement goals. ACT notes progress on the Data Improvement Plan (DIP) will require further action from the Commonwealth. The nature of this work is truly multilateral, requiring Commonwealth leadership and investment to be successful. **The ACT recommends funding for data infrastructure be included as a distinct and additional to service funding under the NHHA to ensure this work can be effectively completed.** It would be disproportionately expensive to change systems at a state level given the relatively small amount of NHHA funding and the extent to which such work would divert resources away from other more immediate needs.

The stalled progress in the NHHA data improvement work has contributed to the inability to understand the achievements beyond the gross dollar amount and improve transparency and accountability. Jurisdictions still collect different information and report it differently. This will continue until improvements to data infrastructure to provide for alignment are fully resourced and resolved.

States and territories have been cooperating with AIHW to progress work on the DIP. In early January 2021, the DIP and plan schedule were progressing for final clearances from jurisdictions' housing and homelessness ministers, with state and territories' funding already provided to AIHW. The identified DIP priority activities for 2020-21 were improving community housing data – an indicator for people at risk of homelessness, improved alignment between ABS Census and Specialist Homelessness

---

<sup>16</sup> Includes Census (expected mid 2022), client satisfaction surveys (expected late Jan 2022), Report on Government services (late Jan 2022).

<sup>17</sup> Page 10, Figure 1, PC background paper



Services (SHS) data definitions, and measures of repeat homelessness outside the SHS data collection, among others.

Initial DIP documentation from the Commonwealth considerably increased the scope of new data development work required, without associated budget increases to cover higher costs. Disagreements around budget negotiation led to development of both a public and non-public version of the DIP, with states not committing to deliver on data development work that could involve more expenditure than would be provided.

A national casual client data collection for homelessness has not been flagged under the current NHHA. Data improvements to support this agreement reflect the concerns of a pre-COVID-19 environment. In assessing the impact of COVID-19 on our national agreements, it is vital consideration be given to emerging data needs, particularly where information will allow early detection of client vulnerability and service demand.<sup>18</sup>

The Community Housing Data Collection is an example where there have been several challenges in providing nationally consistent data, but progress is being made.

### **Future considerations**

In addition to the ACT's recommendations and suggestions throughout this submission, ACT would welcome the Productivity Commission's exploration of how the NHHA overall could be better adapted to future market changes and forecasted increases in demand for social housing and homelessness services.

The ACT Government would like the Productivity Commission to investigate the socio-economic environment projected for the period of the next Agreement and how the NHHA can be effective in that environment. The ongoing COVID-19 pandemic (and the lessons learnt from it), the increasing impacts of climate change, and housing affordability are some of the issues the ACT Government foresees as being important. Increasingly too, upstream early intervention and prevention services which avert people being at risk of homelessness are becoming a focus. The linkages between having a safe, affordable and sustainable home on the one hand, and better outcomes across health, education, justice and employment on the other, are strong. In the ACT alone it has been estimated that the 'benefit cost ratio suggests that for every dollar the government spends on a new house that is low cost, the government would recoup 57 cents through benefits in welfare offsets, while they would recoup around 30 cents in every dollar spent on higher cost housing.'<sup>19</sup>

The specific NHHA objective to 'improve access to affordable, safe, and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation', is ambitious and aspirational. The scope of this objective embraces different portfolio areas and all levels of government. It allows for investment across the housing spectrum and in accordance with local conditions and priorities. If fully funded and implemented, it would lead to:

---

<sup>18</sup> Inquiry into housing affordability and supply in Australia, House of Representatives, [ACT Submission #150](#), p. 16

<sup>19</sup> [Executive summary - Return on investment for social housing in the ACT Stage 2 report](#) p.4 AHURI and ACT Shelter (2021)

- improved housing and rental affordability;
- reduced demand for social housing and homelessness services; and
- better outcomes for people using social housing and homelessness services.

The ACT Government supports outcomes and outputs which provide flexibility to meet the unique needs of each state and territory through their respective housing strategies and NHHA bilateral agreements.

The NHHA also makes clear the Commonwealth, state, and territory governments have *shared responsibility* for housing and homelessness services. Broadly, the Commonwealth controls policy levers which create the conditions that influence demand, supply, and affordability. It also has the largest portion of tax revenue at its disposal. States and territories respond to demand in their jurisdictions by providing appropriate services and capital investment. They also invest in upstream initiatives which try and reduce demand. Importantly, in its current state the NHHA provides a whole of government framework that could, if jurisdictions' shared responsibilities were fully implemented, lead to the outcomes listed above.

All parties to the NHHA influence the supply and cost of housing across the continuum, and we need to continue to consider how we work together to collectively leverage our efforts. To that end, the ACT would welcome the development and implementation of a coordinated national housing strategy, which incorporates homelessness but has contributions and tangible commitments from all stakeholders. The funding partnership under any national strategy should be indexed and proportionate to the scope of expectations under the agreement.

An agreement such as the NHHA needs to be evidence informed. Affordable, safe, and sustainable housing is pivotal for an individual's wellbeing and engagement in economic activity. It can also be the foundation to stop intergenerational trauma. In these ways it benefits the whole community and economy.

## **Appendix A**

### **Australia's Disability Strategy**

The ACT Government is committed to improving the lives of people with a disability and therefore welcomes Australia's Disability Strategy. Disability appropriate housing and accommodation is an important aspect of this Strategy. However, this Strategy (and its equivalent predecessor) has never been an agreed, negotiated, component of the NHHA.

The ACT Government position is achieving the housing components of this Strategy should remain the responsibility of Disability Ministers. Funding and other mechanisms under Australia's Disability Strategy should facilitate working together with housing agencies to achieve objectives.

END