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## 6 HOUSING ASSISTANCE

### 6.1 Introduction

Governments provide housing assistance to Australians who are unable to house themselves as a result of financial and/or non-financial (for example, disability and discrimination) reasons. This need is addressed by a number of housing assistance programs including: public rental housing; community housing and rent assistance. The focus in this Report is public rental housing. Government funded rent assistance is not included.

Performance indicators for this sector generally relate to rebated public housing tenants. Around 10 per cent of tenants in public rental housing do not receive a rebate and services to this group of public tenants are not reported.

*Public housing* is those dwellings owned or leased and operated by the State and Territory housing authorities, including those purchased through the Commonwealth–State Housing Agreement (CSHA) and, until 1988–89, Loans Council Funds.

*Community housing*, for the purpose of this Report includes dwellings where:

- funding (capital and/or recurrent) is provided fully or partly through the CSHA;
- the tenancy management functions are undertaken by a not–for–profit organisation or Local Government; and
- a principle of the community organisation is to provide long term housing tenure to tenants — that is six months or more duration.

The scope has been broadened in this Report to include a framework of performance indicators for community housing as well as public rental housing. However, data on community housing indicators have not been included.

Jurisdictional comparisons of public housing performance are included in the Report for the first time. These are in the areas of:

- customer satisfaction;
- the cost of building and acquiring dwellings; and
- the time taken to house new tenants in vacant properties (turnaround times).

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Moreover, the general quality of public housing data has improved through the development of a public housing data dictionary which allows refining of and more detailed checking of data quality. Counting rules will continue to be improved in the data dictionary to improve data quality.

### 6.2 Profile of the sector

There were just over 360 000 public rental housing dwellings in Australia in 1995–96 with an estimated total value of more than \$28.6 billion. The NT, ACT and SA had the highest proportion of public housing households relative to total households (Figure 6.1).

Figure 6.1: Proportion of households residing in public housing by State, 1994 (per cent)<sup>1</sup>

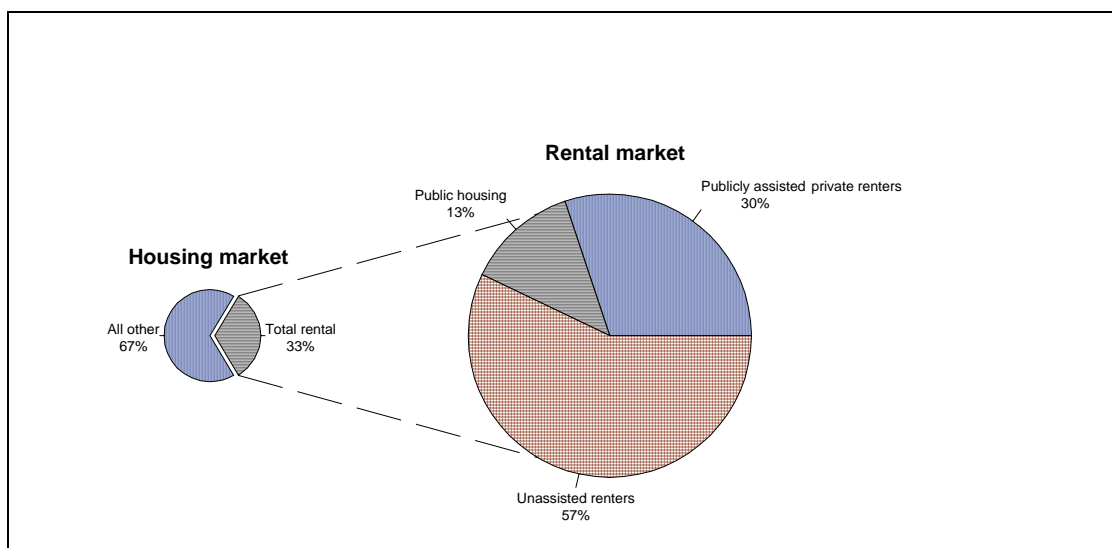


1 Includes households which were rebated or non-rebated public housing tenants.  
Source: ABS Cat. No. 4138.0

In 1994, public housing dwellings represented approximately 4 per cent of all household dwellings in Australia, and one in five renters was accommodated in a public rental housing dwelling (Figure 6.2).

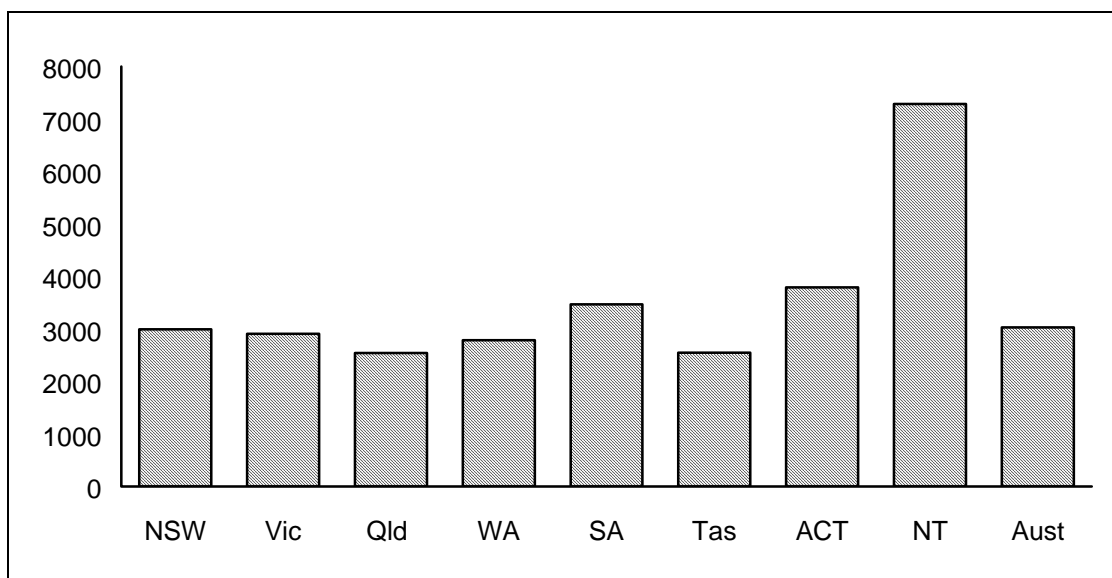
Total recurrent and capital expenditure on providing public rental housing services was about \$2.1 billion in 1995–96. Expenditure (recurrent and capital) per dwelling was highest in the NT (\$7288) and lowest in Queensland (\$2545) (Figure 6.3).

Figure 6.2: Australian rental market, 1994



Sources: ABS Cat. No. 6523.0, 1994–95 and DSS 1996

Figure 6.3: Expenditure per dwelling, 1995–96 (\$)¹



1 Recurrent and capital expenditure.

Source: Various tables Attachment 6A

Public housing is funded by the Commonwealth and State and Territory Governments through the CSHA. In 1994–95, the Commonwealth Government contributed about 68 per cent of new monies for public housing and the State and Territory Governments contributed the rest (DSS 1996).

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The CSHA is a multilateral agreement among the State Housing Authorities and the Commonwealth Government which commits them to providing housing assistance. The first CSHA was signed in 1945 and it has since undergone regular review.

### **6.3 Recent developments in the sector**

Public rental housing in Australia has undergone major reform in recent years. Policy developments and changes in this area have addressed:

- the clarification of the roles of governments;
- equity in assistance; and
- efficiency in housing stock management and allocation.

In the short term, these policy developments have led to the introduction of an interim CSHA (valid for up to three years from 1 July 1996).

COAG (Council of Australian Governments) is considering reforms which, in the long term, would significantly change the way in which housing assistance is provided in Australia. The proposed reforms include:

- the Commonwealth Government accepting responsibility for income support and housing affordability; and
- the State and Territory Governments being responsible for managing and delivering housing services.

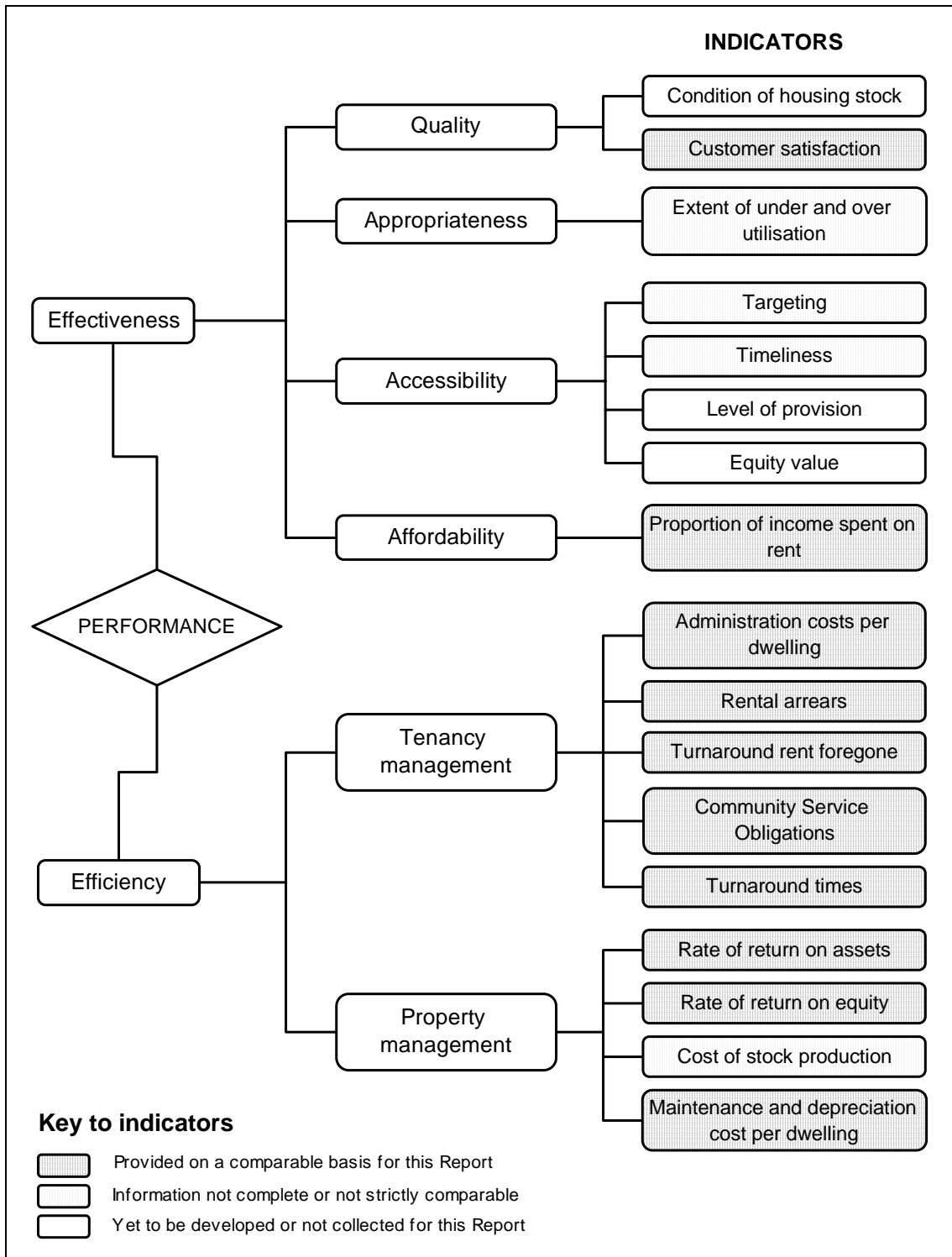
### **6.4 Framework of performance indicators**

The framework builds on the performance indicators for public housing from the 1995 Report, and introduces indicators for community housing.

#### **6.4.1 Public housing**

Included in the Report for the first time is performance information on: consumer satisfaction; the cost of stock production; and turnaround times. The condition of housing stock is still not reported on. The framework for public housing is described in Figure 6.4. A description of all indicators is provided in Attachment 6A.

Figure 6.4: Framework of performance indicators for public housing



Public housing and community housing data dictionaries were developed in 1996, incorporating standard methods and explicitly stating data inclusions and exclusions. Whilst data comparability still varies, the data dictionary has improved data consistency and comparability in this Report.

Over the past few years and in varying degrees jurisdictions have adopted accrual accounting, separated property and tenancy management and introduced a standard accounting framework (Table 6.1).

Table 6.1: The implementation of specific reforms

	<i>Accrual accounting</i>	<i>Separation of property and tenancy management</i>	<i>Standard accounting framework</i>
NSW	Yes	Yes	In progress
Vic	Yes	Yes	Yes
Qld	Yes	In progress	Yes
WA	Yes	Yes	Yes
SA	Yes	Yes	Yes
Tas	In part	Under review	In part
NT	Yes	Yes	In part
ACT	Yes	Yes	In progress

Source: State and Territory Governments unpublished

#### 6.4.2 Community housing

A draft framework of performance indicators has been developed for community housing although it may be subject to revision next year as a result of more detailed consideration (Figure 6.5)

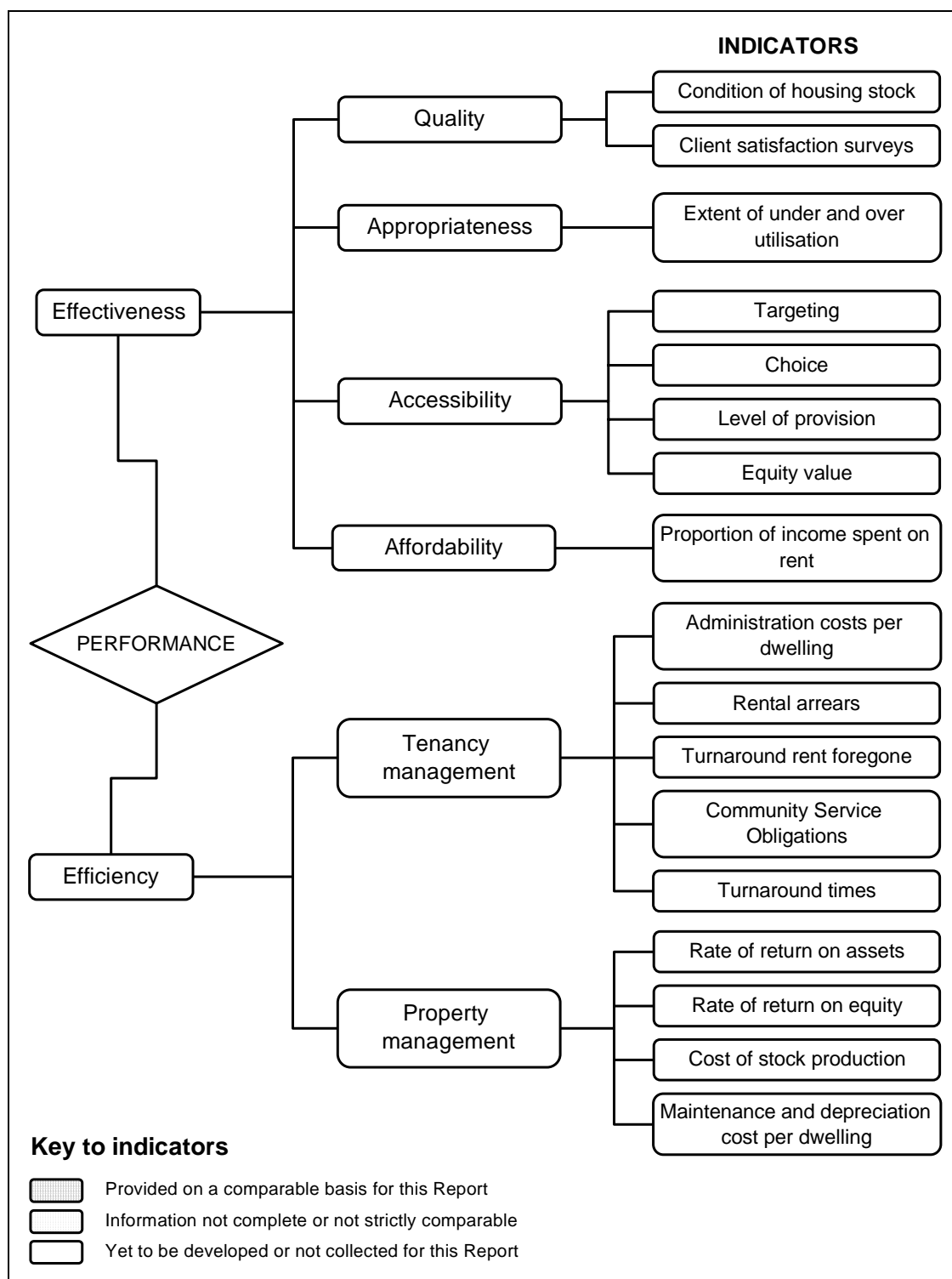
There was no data collection for this program area for the 1997 Report. It is anticipated that community housing performance information will be included in the next Report.

#### 6.5 Future directions

Further work is planned over the next year to:

- increase the coverage of housing assistance by including community housing;
- improve the quality (comparability and consistency) of data, particularly by refining the public housing and community housing data dictionaries; and
- ensure that the framework of performance indicators is robust and comprehensive — for example, by exploring ways in which non-rebated tenants can be incorporated into the data collection.

Figure 6.5: Draft framework of performance indicators for community housing



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### **6.5.1 Including community housing information**

A community housing data audit was undertaken in 1996 to determine what data, if any, were available. It indicated that little is known on a national scale about community housing providers, community housing tenants and even the size of the community housing sector.

It is anticipated that a subset of indicators for community housing will be included in the next Report. The collection of data will be based on the community housing data dictionary and the 1996 community housing data audit.

### **6.5.2 Progressing the findings of consultancies**

A number of consultancies were undertaken and completed during 1996. These are described below.<sup>1</sup>

#### *Condition of housing stock*

Based on the outcomes of a recent consultancy, the next Report will include an indicator of the condition of housing stock. It will operate in conjunction with the consumer satisfaction and asset value indicators in providing strategic measures of adequacy and amenity. It will particularly assist in objectively identifying the component of stock in poorest condition.

#### *Consumer satisfaction*

The consumer satisfaction consultancy also analysed the methodological issues and produced a manual containing guidelines. Survey administration and reporting protocols were recommended which will enable State and Territory Governments to undertake consumer satisfaction surveys in future years.

#### *Asset valuation*

Asset valuation and market rent determination are key variables for calculating rates of return and the value of rental subsidy community service obligations. The recommended asset valuation method will be incorporated into the public rental housing and community housing data dictionaries, which will improve data quality and comparability for the next Report.

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<sup>1</sup> More detailed discussion is contained in Attachment 6A.5.



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## *Accounting framework for community housing*

The implementation of an accounting framework awaits national agreement on performance measures for community housing. The framework provides a useful foundation for developmental work and for financial reporting once the measures are introduced.

## **6.6 Key performance indicator results**

### **6.6.1 Effectiveness**

The effectiveness of public housing services is determined by the quality, affordability, appropriateness and accessibility of services.

#### *Quality*

A national consumer satisfaction survey of public housing tenants was undertaken in 1996 for the first time, providing results which are generally comparable across jurisdictions.

The consumer satisfaction indexes aggregate the various aspects of tenant satisfaction. These indexes provide a useful summary measure of satisfaction in each state and territory, but they tend to simplify relationships among variables in the data set.<sup>2</sup> To overcome this limitation and provide a more informative assessment of consumer satisfaction with the delivery of public housing products and services, key measures can be used in conjunction with the three indexes of product, service and overall satisfaction.

The national weighted averages are:

- a product index of 69;
- a service index of 62; and
- an overall consumer satisfaction index of 65.<sup>3</sup>

Queensland, WA and SA scored above the national average for all three indexes but the maximum deviation of any jurisdiction from the national average was

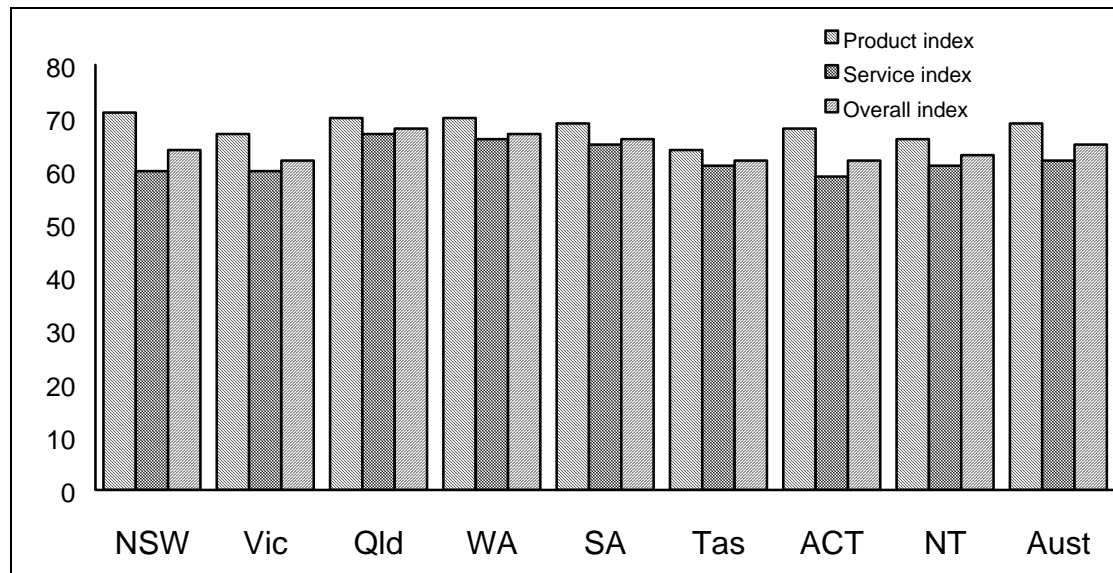
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<sup>2</sup> Indexes were calculated by determining the proportion of tenants in each satisfaction level, then weighting the score against the relative importance to the tenant of the key components that make up the overall/product/service satisfaction.

<sup>3</sup> The scale of the index was from 0 — completely unsatisfied, to 100 — completely satisfied.

less than 4 percentage points. In all states and territories the product index was higher, in some cases significantly, than in the service index (Figure 6.6).

Figure 6.6: Consumer satisfaction indexes, 1996 (per cent)



Source: Table 6A.1

### *Appropriateness*

Indicators of appropriateness — how well the stock matches the household size — are overcrowding and under-use. The match of dwelling to household size for any given household will change, for example, as children grow up and move in and out of home. Security of tenure also contributes to a mismatch of household to dwelling size.

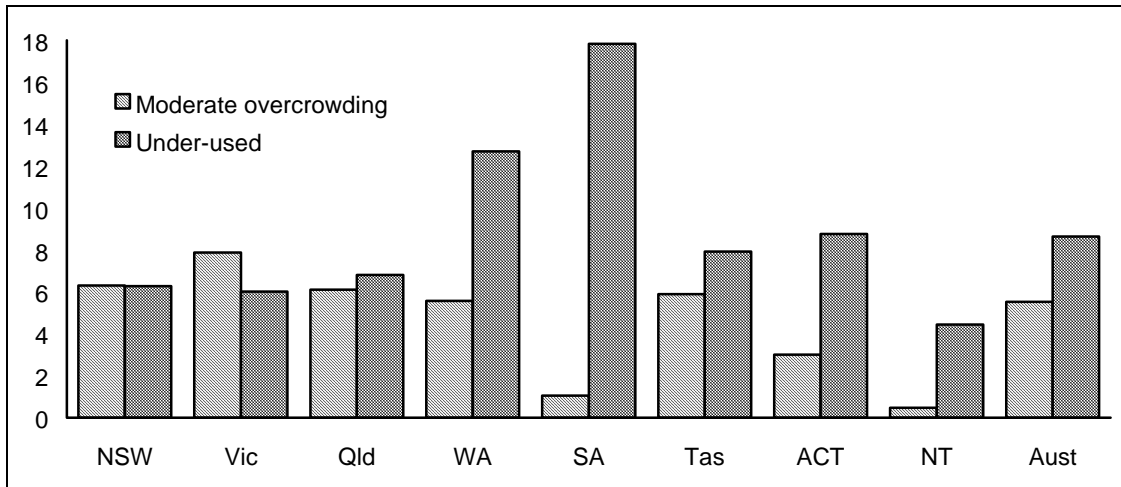
In 1995–96, the NT had the best match of household to dwelling size and Victoria had the most dwellings which were moderately overcrowded. SA had the highest percentage of dwellings under-used (Figure 6.7).

### *Accessibility*

Waiting lists reflect the responsiveness of housing authorities to the demand for housing assistance. They may also reflect applicants' willingness to wait to gain access to public housing dwellings in particular locations and differing eligibility criteria. Therefore results should be interpreted with care.

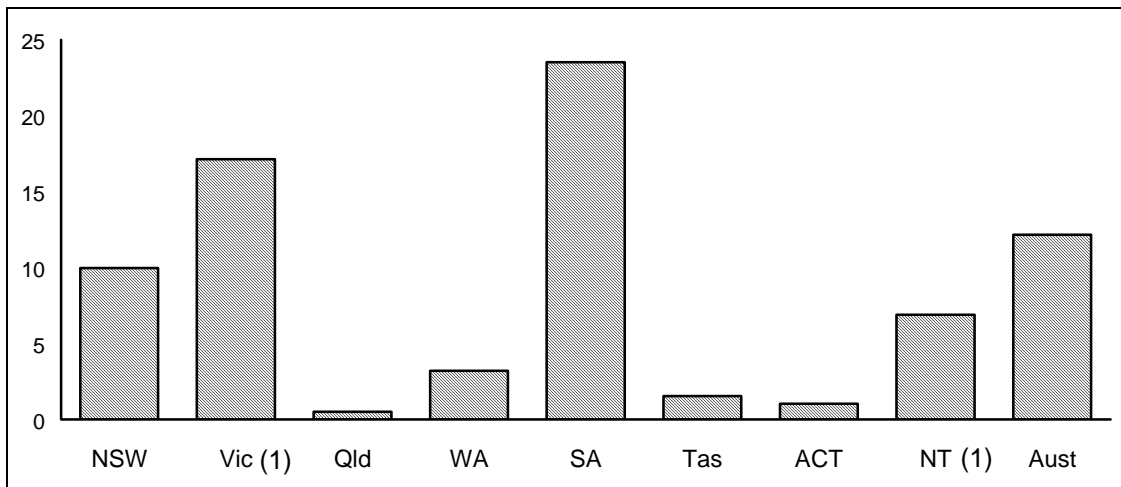
Of households in SA seeking to be housed in public housing in 1995–96, 24 per cent of households had been waiting five or more years. In Queensland, less than 1 per cent of such households had been waiting (Figure 6.8).

Figure 6.7: Proportion of public housing dwellings moderately overcrowded or under-used, 1995–96 (per cent)



Source: Various tables Attachment 6A

Figure 6.8: Proportion of public housing applicants waiting for five or more years, 30 June 1996 (per cent)



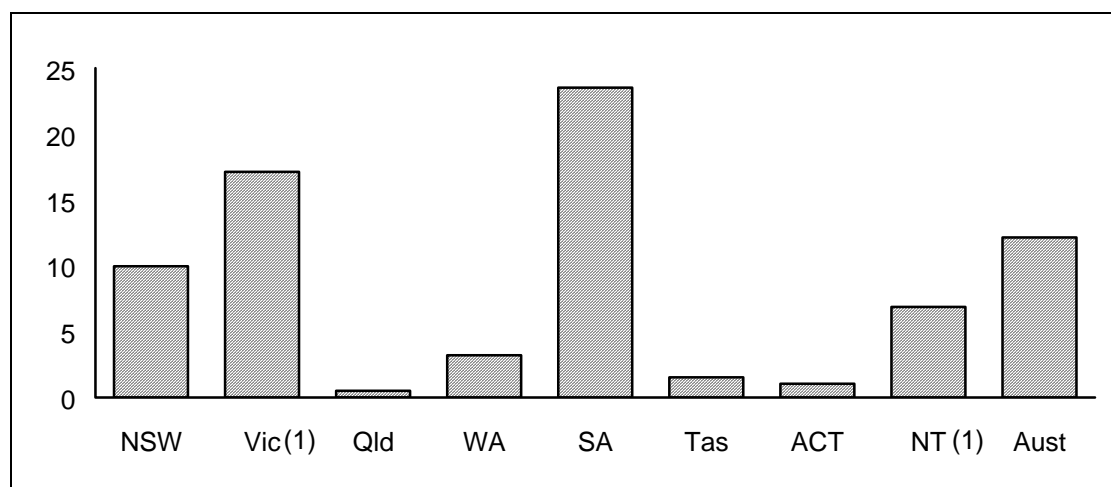
1 These jurisdictions had not reviewed their waiting lists for some time.

Source: Various tables Attachment 6A

### Affordability

A public housing principle is that its tenants should pay no more than 25 per cent of their assessable income on rent. Currently, all rebated households in Australia pay less than or equal to 25 per cent of their assessable income on rent; in fact, in all jurisdictions, at least 30 per cent of rebated tenants pay less than or equal to 20 per cent (Figure 6.9).

Figure 6.9: Households paying no more than 20 per cent of their assessable income on rent 1995–96 (per cent)



Source: Various tables Attachment 6A

## 6.6.2 Efficiency

The efficiency of public housing services is determined by the efficiency of managers in administering both tenancies and properties.

### *Administration costs*

Some jurisdictions have had difficulty in separating housing administration costs for public housing from other housing assistance activities. Thus care should be taken in comparing data across jurisdictions. It is anticipated that this shortcoming will be overcome in future data collections as the scope of housing assistance widens and as counting rules are refined. On average, administration costs per dwelling were higher in 1995–96 (\$1106) than in 1994–95 (\$875).

Between 1994–95 and 1995–96, administration costs per dwelling fell in Tasmania from \$1270 to \$1066, and increased in NSW from \$955 to \$1666.<sup>4</sup> Costs in 1995–96 were lowest in Victoria and Queensland and highest in NSW and Tasmania (Figure 6.10).

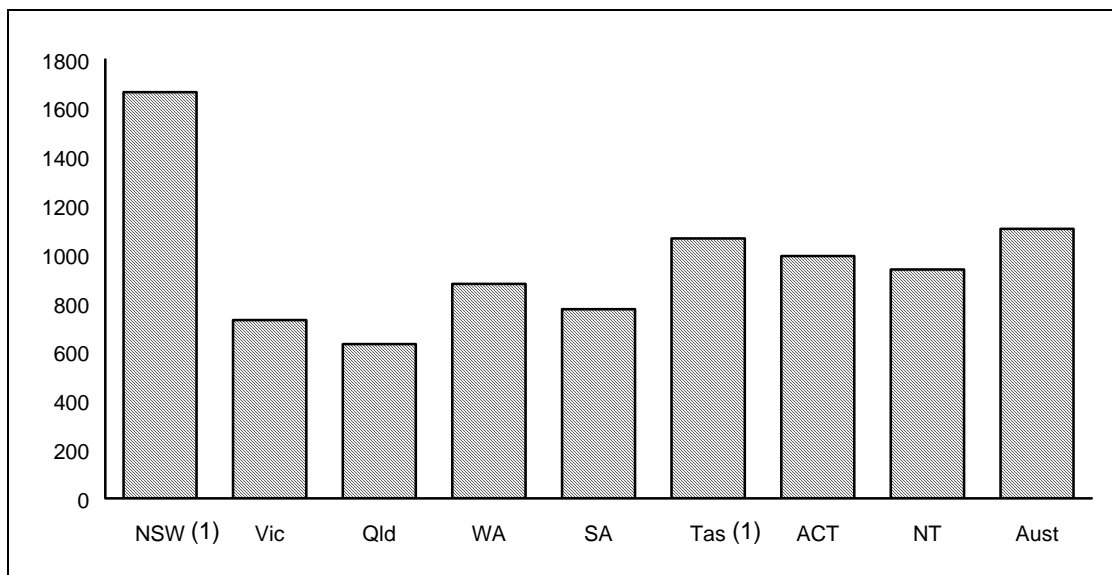
### *Rental arrears*

Rent in arrears represents a financial burden to State Housing Authorities. The ACT continued to have rent in arrears for the longest periods but all

<sup>4</sup> Valuation methodology between 1994–95 and 1995–96 differed.

jurisdictions collected more than 98 per cent of rent charged (Figure 6.11). Rental arrears were higher in 1995–96 than they were in 1994–95.

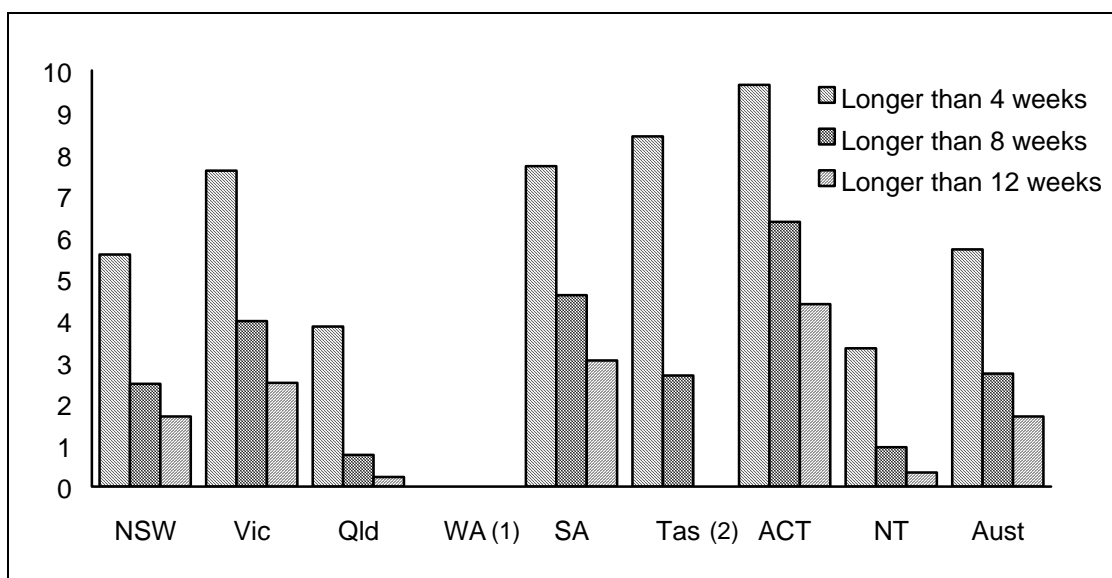
Figure 6.10: Administration costs per dwelling, 1995–96 (\$)



1 Administration costs cover all housing programs, not just public housing.

Source: Various tables Attachment 6A

Figure 6.11: Rent in arrears, 30 June 1996 (per cent)



1 Data were not available. See Attachment 6A for non-comparable rental arrear data.

2 Data were not available for rent arrears of more than 12 weeks.

Source: Various tables Attachment 6A

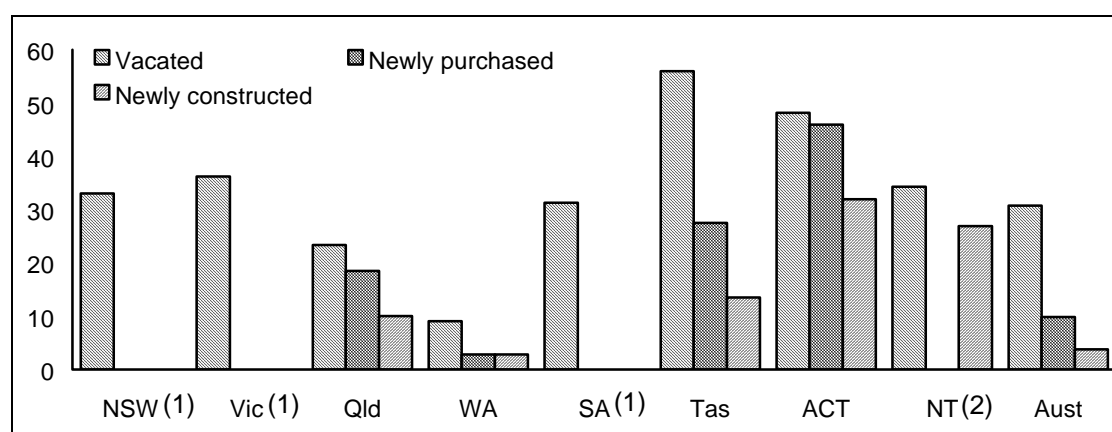
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## Turnaround

The speed with which jurisdictions re-let vacant housing stock has an impact on waiting lists. It also affects the rent foregone as a result of stock being untenanted. Therefore, while standards differ across jurisdictions — partially due to maintenance standards and allocation practices across jurisdictions — an objective of all State Housing Authorities is to minimise turnaround times.

Tenants moving into newly constructed dwellings in 1995–96 generally moved more quickly than did those moving into newly purchased or vacated stock. Although, on average all tenants moved in within two months of the dwelling becoming vacant. The longest average turnaround time was in Tasmania (56 days) (Figure 6.12). WA had the fastest turnaround of all types of stock.

Figure 6.12: Turnaround times, 30 June 1996 (days vacant)



1 Unable to provide data.

2 Purchased one dwelling in 1995–96 for which there were no vacant days.

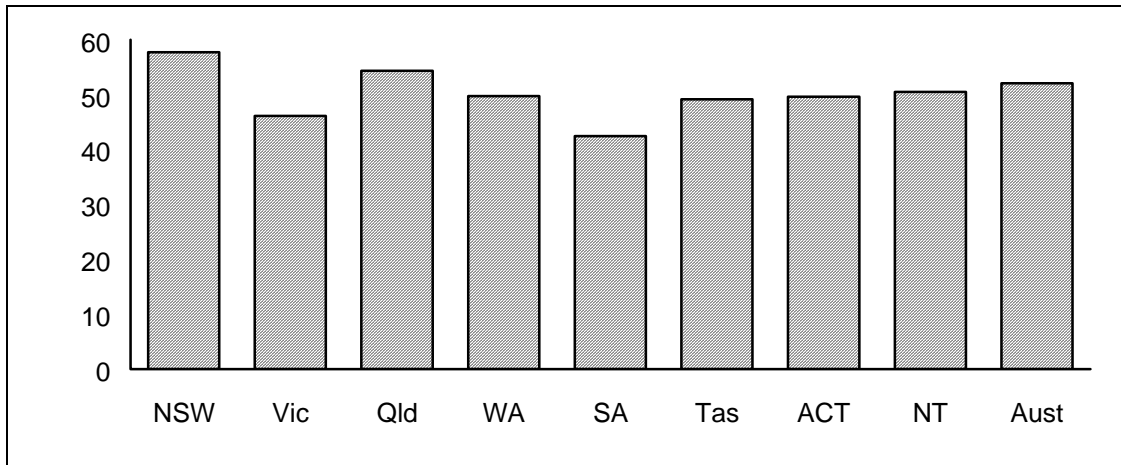
Source: Various tables Attachment 6A

## Community service obligations

Community service obligations indicate the extent to which governments subsidise tenants in public rental housing. The community service obligation has been defined as the difference between market rent and rent charged, as a percentage of market rent.

The community service obligation varied from 42 per cent of market rent in SA to 58 per cent of market rent in NSW (Figure 6.13). The high percentage in NSW reflected in part, high market rents in Sydney. Variations among jurisdictions were also a result of varying rent setting policies which were partly reflected in the proportion of households spending below 20 per cent of their assessable income on rent (Figure 6.9).

Figure 6.13: Community service obligations 1995–96 (per cent)<sup>1</sup>



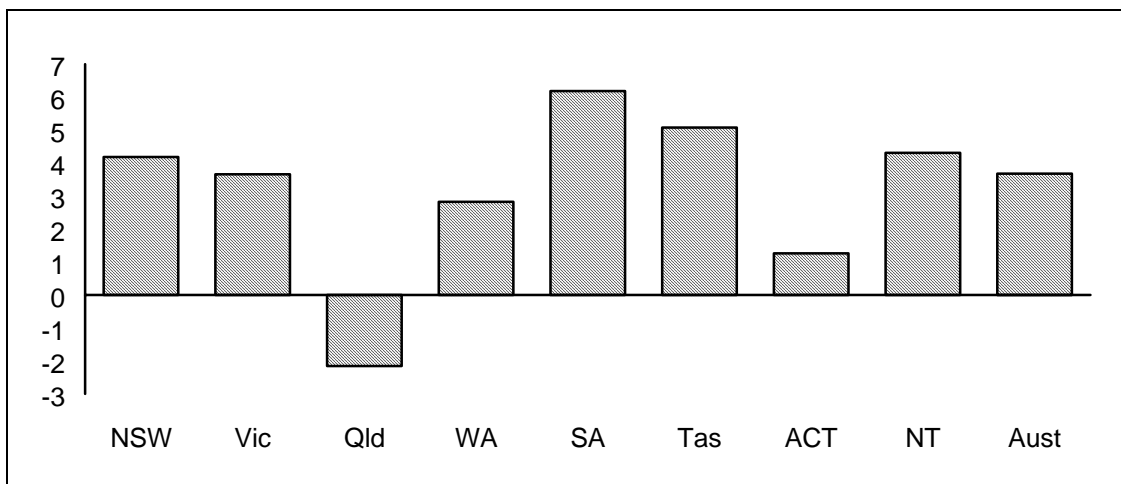
<sup>1</sup> Community service obligations are direct subsidies to tenants.

Source: Various tables Attachment 6A

### Rate of return

Community service obligations reduce the rate of return to government on their equity in public housing. All jurisdictions have reported on rate of return on equity but discrepancies have emerged in the comparative information, indicating that results should be interpreted with caution. The national average rate of return on equity was 4 per cent in 1995–96 and most jurisdictions were within 4 percentage points of this rate. SA received the highest rate of return on equity and Queensland received the lowest (Figure 6.14).

Figure 6.14: Average rate of return on equity, 1995–96 (per cent)<sup>1</sup>



<sup>1</sup> Policies for depreciation vary between jurisdictions. The low rate of return on equity for the ACT for 1995–96 was the result of an increase in costs for depreciation and repairs and maintenance.

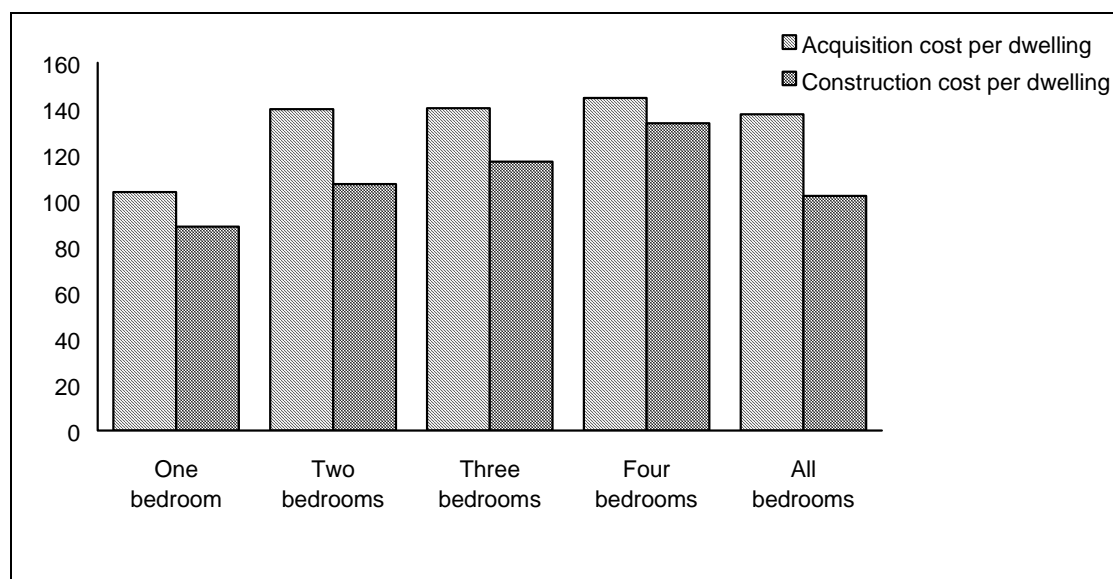
Source: Various tables Attachment 6A

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### Cost of stock production

State housing authorities either construct or purchase public housing dwellings. Nationally, the average cost of construction appeared to be lower than the average cost of acquisition (Figure 6.15).

Figure 6.15: Average cost of construction and purchase, 1995–96 (\$'000)



Source: Various tables Attachment 6A

At this stage it is not possible to compare construction and purchase costs across jurisdictions as different jurisdictions have different methods for valuing land. It is anticipated that data comparability will improve as uniform asset valuation methods are implemented.