

Submission in response to

**Pathways to a Fair and
Sustainable Social Housing
System: Discussion Paper**

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1. What is the role of government?

a) What should the future of social housing look like?

Housing is a **basic human need** reflective of the physiological requirement for adequate shelter.

Decent housing is also a necessary condition for many other important social outcomes including health, family formation, and social and economic participation.

To serve its individual, familial and social purpose, housing should be affordable and appropriate to the needs of its occupiers.

This sentiment is reflected in the objectives of the Victorian *Housing Act 1983*:

*The objects of this Act are... to ensure that **every person in Victoria has adequate and appropriate housing at a price within his or her means ...***¹

In this context, the adequacy of housing can be assessed by three broad inter-related measures:

- **Accessibility:** the extent to which housing is available for the relevant household(s).
- **Affordability:** the extent to which the cost of housing enables the household(s) to have sufficient after-housing income for the other necessities of life or requirements for social and economic participation.
- **Appropriateness:** the extent to which the housing is suitable to the household(s)' needs including, for example, whether the tenure or occupancy is secure, the housing is well located in relation to jobs and services and the housing is of a decent standard and well maintained.

However, many Victorians, particularly those on low incomes or those who are experiencing other forms of social and economic disadvantage, are not able to access and maintain adequate housing through the private housing market, either through purchase or renting.

Average home purchase prices have increased relative to average incomes over the last decade (although there is some dispute about the quantum of the increase) resulting in declining affordability and deferred home purchase.²

For low incomes households, the private rented sector continues to be characterised by:

- A **general undersupply** of low cost dwellings relative to low income households resulting in access barriers;³

¹ *Housing Act 1983 (Vic)* s.6.

² Yates J, *Affordability and Access to Home Ownership: Past, Present and Future?* Australian Housing and Urban Research Institute (2007) p.9; Yates J, Wulff M and Reynolds M, *Changes in the Supply of and Need for Low Rent Dwellings in the Private Rental Market*, Australian Housing and Urban Research Institute (2004) p.6.

³ National Supply Council, *Housing Supply and Affordability – Key Indicators, 2012* (2012), p.28; National Supply Council, *State of Supply Report* (2010) p. 103.

- A **specific undersupply** of low cost dwellings in areas of employment opportunity and social services infrastructure;⁴
- Breakouts of **marginal forms of housing** such as long-stay caravan parks and informal rooming houses;⁵
- High levels of **housing stress** (nearly 40% of CRA recipients are in housing stress after receipt of CRA);⁶
- High levels of **forced evictions** (more than 23,200 applications for possession of rented premises in Victoria per annum mostly for rental arrears);⁷

Although these are not market failures in the classical economic sense of market failure they nevertheless constitute a failure of the private housing market to provide adequate housing to a large number and type of households.

The **core purpose** of **social housing** is to provide an alternative supply of housing to meet the needs of those who cannot secure nor maintain adequate housing in the private market.

Social housing encompasses a broad range of **housing supply** alternatives inadequately described by the two main management types:

- **Public housing** which is owned and managed by the Government.
- **Community housing** which is owned or managed by not for profit housing organisations.

These supply alternatives are part of a continuum of **housing assistance** provided or facilitated by Government. This is important as not all households whose needs are not currently met by the private housing market require a supply alternative.

However, social housing is a small but important part of the broader Australian **housing system**.

A key problem identified in the 2012 *Access to Public Housing* report by VAGO (the VAGO report) is the absence of a reliable evidence base about the future demand for public housing in particular and, by implication, social housing in general.⁸

The current public housing waiting list represents expressed demand for public housing but is a poor indicator of underlying demand for social housing.

⁴ Wulff M, Dharmalingam A, Reynolds M and Yates J, Australia's Private Rental Market: *Changes (2001-2006) in the Supply of, and Demand for, Low Rent Dwellings*. Australian Housing and Urban Research Institute (2009) p. 36-7.

⁵ Tenants Union of Victoria, *Private Rental Affordability Bulletin: Capital Cities (December Quarter) (2011)* p. 1; Chamberlain C, *Counting Boarding Houses: Reflections on Homelessness Research in Australia* (Paper Delivered to Homelessness Research Conference) (2012), p.18.

⁶ Productivity Commission, *Report on Government Services (2012)* table 16A.66.

⁷ Victorian Civil and Administrative Tribunal, *Annual Report 2010-2011 (2011)* p. 25.

⁸ Victorian Auditor-General's Office, *Access to Public Housing (2012)*.

The VAGO criticism is symptomatic of a broader problem, the absence of an evidence base for the range and nature of **housing assistance** required in Victoria including but not limited to supply requirements.

The absence of such evidence makes it impossible to properly establish a credible future for the social housing sector.

Recommendation: The Victorian Government should fund a broad based study to properly identify the current housing assistance needs of key segments of the Victorian population particularly focusing on low income and other disadvantaged households.

Such a study should have the following key elements:

- Identify the range and type of housing market failures in the Victorian housing system with a focus on problems affecting low income, vulnerable and disadvantaged Victorians;
- Identify the effect of such failures on specific groups and stages of household life cycles;
- Identify any gaps in current housing assistance programs including relevant supply gaps;
- Identify the best programmatic and supply options to address the identified gaps;

Some of this work has been done but has not been properly integrated into the planning and budget cycles of Government.

This approach would enable Government to be confident it has correctly diagnosed housing problems and that any proposed solutions are properly addressing the specific problems identified.

The benefits for Government of such a study include:

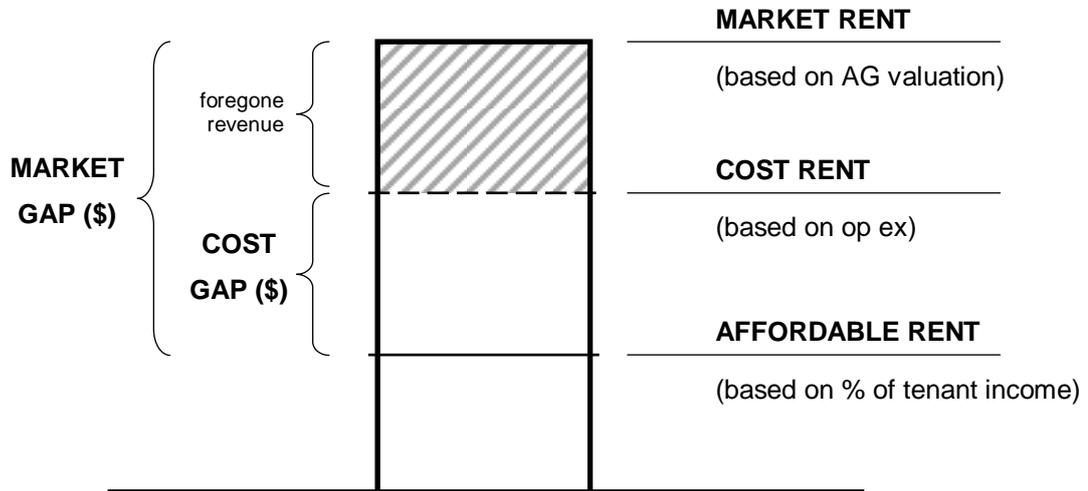
- A clearer and more credible evidence base for social housing demand;
- A clearer picture of broader housing assistance needs in Victoria, including future social housing supply requirements;
- Better assessment of what form of housing assistance would meet the needs of specific types of households at various life parts of their life cycle. For example, elderly Victorians on low or fixed incomes may require a supply form of housing assistance as no other forms of assistance will enable an adequate housing outcome in the private market;
- Identification of reforms that may limit demand for housing assistance. For example, reforms to Victorian tenancy law enabling private tenancies to be lawfully assigned to victims of domestic violence have in some instances replaced the need to find crisis or transitional housing for those affected;

Irrespective of the quantum of social housing supply required, a major role of Government will be to ensure the **sustainability** of the social housing sector by the provision of a stable operating subsidy that is sufficient to achieve the desired housing outcomes in terms of accessibility, affordability and appropriateness.

The problem identified by in the VAGO report, that income from rents does not cover the expense of delivering public housing, is not surprising.

Affordable rents will almost always be less than market rents and less than the operating costs associated with the cost of delivery. The figure below summarises this problem.

Figure 1: Social Housing Rent Gap



It should be noted that the cost gap could in fact be greater than the market gap in some instances. For example, where additional services or outcomes were delivered by the social housing provider.

This **rent gap** is addressed in all affordable housing systems by a subsidy of some form by Government. For example, the community housing sector has benefited from tenant access to Commonwealth Rent Assistance as a form of subsidy to enhance rental income to the sector.

The problem identified by VAGO is not necessarily that such an operating subsidy is required but rather the absence of any proper budgeting or accounting for such a subsidy in the current public housing system.

The net result of this absence is the retro-funding of operating costs through cannibalizing capital grants and maintenance budgets.

It is possible to cross subsidise the rent gap for lower income households from market rents within the same portfolio but the net quantum of subsidised rent dwellings would need to be maintained within the larger portfolio.

The **rent gap** cannot be properly addressed by increasing rents or reducing management standards. In fact, some of the reforms options contemplated in the Discussion Paper, such as a differential system of tenure security related to workforce participation, will exacerbate the operating gap by increasing the administrative cost of tenancies.

It is counterproductive to have a **sustainable** social housing sector that cannot deliver or reduces housing outcomes. This will not reduce the underlying demand for housing assistance and will simply result in a breakout of other forms of social assistance such as increased demand for financial counselling or homelessness services.

Recommendation: The Victorian Government should commit to recurrent operating subsidy to enable the achievement of clearly defined housing outcomes in the social housing sector.

This is the approach to a number of other areas of public expenditure such as transport, education and health services.

The operating subsidy may vary between products (different programs or different residency types) in the social housing sector but should be consistent and transparent.

The current operating deficit identified in the VAGO report gives a useful first impression of the scale of the subsidy that would be required for public housing given the current configuration of the sector. However, better identification of housing assistance needs and supply requirements would sharpen assessment of the subsidy required.

Government could also review the efficiency of operations, whilst maintaining housing outcomes, to further reduce the subsidy required.

This approach however only addresses the **operating sustainability** of the social housing sector. Funding requirements to facilitate **growth** would be in addition to any such subsidy and are the subject of the KPMG Discussion Paper.

b) Should the Victorian Government own and manage such a large housing portfolio?

c) Should community housing take on a greater ownership or management role?

All elements of the social housing sector, including ownership and management of assets, should be assessed against **housing outcomes** for tenants in the three broad measurement areas outlined above.

Recommendation: The Victorian Government should commit to assessing any social housing reform options specifically against the extent to which they improve housing (and other) outcomes for current and prospective residents.

Assessment of the relative merits of the different management types and levels of assistance should be based on what outcomes the respective public and community housing sectors deliver.

This applies to any prospective residents or to any residents that may be required or offered to transfer between the management types.

Unfortunately the discussion about transfer of stock between the management types has not given sufficient consideration to the extent to which residents may be transferred and what would be lost or gained in terms of housing outcomes during such a transfer.

In terms of housing outcomes, the current broad position is as follows:

	public housing	community housing
accessibility	central waiting list	discrete waiting lists
	standardised eligibility and allocation procedures	idiosyncratic allocation procedures
affordability	standardised rent setting	variable rent setting
	rent rebated to 25% of income with some income exempted	rent rebated to 30% of income (inclusive of CRA). some rents as a % of market rent
appropriateness	life time tenure	a range of tenure security related to different programmatic outcomes (e.g. transitional housing)
	older stock.	newer stock
	some well located to jobs and services, some not	some well located to jobs and services, some not
	maintenance backlog	variable maintenance arrangements
	standardised tenancy management standards	variable (and idiosyncratic) tenancy management standards
	subject to internal appeals process to review decision making.	no appeals process for review of decision making.

This is not to suggest that one management type is preferable to the other.

However, it must be acknowledged that the different sectors currently deliver different outcomes and their respective suitability for different households will vary.

The current approach could be reformed in a number of different ways.

However, the central objective of any reforms should be achievement of **improved** housing outcomes. For example, tenant transfers to community housing may be less problematic if community housing decision making was subject to an independent appeals or review process.

d) How can assistance be better targeted and better designed?

As noted, a major criticism identified in the VAGO report is the absence of a detailed demand forecast and an appropriate plan for asset management for public housing.

This problem is symptomatic of a broader problem with the lack of evidence for future demand and types of housing assistance required in Victoria.

Both problems would be enhanced by the broad based housing needs study proposed above.

e) How can the public housing sector interact more effectively with other sectors in the community to better meet the needs of tenants and the community?

The primary purpose of the social housing sector should be to deliver clearly specified housing outcomes.

The delivery of secondary or non-housing outcomes to social housing tenants should rightly be the financial and operational responsibility of other parts of Government.

2. How could the allocation of public housing be made fairer?

a) How can the allocation of finite public housing stock be made fairer?

In social policy, **fairness** is strongly associated with enhancing equality of opportunity.

Fairness is a problem in any system that requires governments to choose who gains access and who does not.

In general, fairness cannot be enhanced by reducing access to equality of opportunity or by reducing the effectiveness of the opportunity.

In the social housing context, fairness cannot be enhanced by reducing access for those households with supply needs or by reducing the effect of the outcomes achieved through social housing.

The focus in the Discussion Paper on tenure reviews and transition to private rental wrongly suggests that reforms to these areas can address the huge unmet demand for public housing and improve the 'fairness' of allocations.

It is important to consider that:

- Public housing is targeted to tenants with complex and multiple needs whose alternative housing options are severely restricted;
- There is a shortage of affordable and available private rental for low income households. This places pressure on the social housing system;
- Demand for private rental and social housing is likely to increase in future.

Poor allocations

There are significant problems with the quality, consistency and fairness of allocation decisions.

Tenants are under pressure to take an offer which arises regardless of the property's suitability rather than risk not getting another offer. The likelihood of an unsuitable offer increases as many tenants' physical capacities or other circumstances change during the waiting period.

*A single man in the Eastern Metropolitan Region was on the early housing waiting list for years. His mobility had decreased in that time. He got an offer for an upstairs property. He knew he'd struggle but felt like he had to take it because he'd been homeless all those years and realistically he might never get another offer.*⁹

The Office of Housing often ignores or misapplies its own policy regarding a tenant's right of refusal. Tenants are often not informed of their rights to refuse an offer, without penalty, based on Special Accommodation Requirements.

SHASP workers report that tenants who comply with the policy by supplying supporting documentation can still be penalized unless they pursue the matter themselves or through an advocate.

*A woman with safety concerns and severe mobility issues was offered an upstairs property. The woman relies on a zimmer frame for mobility. She had clearly documented her mobility restrictions and her application included approved exemptions on that basis. When she refused the property, Office of Housing initially said, 'tough luck, you said your situation was dire in terms of safety.' After strong advocacy on her behalf the offer was discounted and she retained early housing status although another property has not yet been offered.*¹⁰

Other case studies highlight the prescriptive nature and inflexible implementation of current allocation policies where tenants have compelling reasons for refusing an offer but those reasons either do not fit criteria under the *Matching Clients with Housing Policy* or are dismissed due to inflexible interpretation of that policy.

One policy response that would improve tenant choice and the matching of properties with clients is to abolish penalties for rejection of offers.

*One estate known as a hot spot has mainly single male tenants. On three separate occasions recently properties on that estate were offered to highly vulnerable single females who had a combination of mental health, intellectual disability and sexual abuse histories. One refused the property. Two moved in despite serious misgivings. One woman then had a rock thrown through her window. After a protracted advocacy process she was able to get her out and back on the early housing waiting list. During this time she attempted suicide. The other women were assaulted, fled the property, and have ended up in transitional housing.*¹¹

⁹ Interview with SHASP worker (2012).

¹⁰ Interview with SHASP worker (2012).

¹¹ Interview with SHASP worker (2012).

Poor allocations are much more pronounced in metropolitan areas where waiting lists are very long. Regional areas generally have higher turnovers, higher vacancy rates and consequently more options for allocations.

Common housing register

The Discussion Paper refers to improving connections between public and community housing but does not include discussion of a common housing register.

As eligible tenants are often unaware of housing options and application processes, a single entry point and waiting list is an important reform with potential to improve allocation processes.

Allocations by community housing associations should also be reviewed because these decisions are unregulated and associations regularly 'cherry-pick' preferred tenants, excluding the vast majority of those on the public housing waiting list from consideration.

Tenant choice

Allocation policy limits tenants' choice of housing and contributes to a range of allocation-related problems. The government should examine the feasibility of choice-based lettings in Victoria. Useful models exist in social housing systems overseas, including the UK and the Netherlands.¹² We also recommend:

- A review of Office of Housing policy and its implementation with a particular focus on policies contained in the Allocations Manual;
- Consistent and thorough training provided to HSOs;
- Services providing support and advocacy to vulnerable tenants be adequately funded and maintained.

b) Should tenure reviews be considered for public housing tenants?

TUV is not opposed to tenure reviews in principle. However, eligibility reviews will result in one of two outcomes:

1. A person is no longer eligible for public housing; or
2. A person is no longer eligible for a dwelling of the same size.

In relation to the first point, any review on the basis of current eligibility standards will likely demonstrate that the actual number of ineligible tenants is small. The outcomes of public housing eligibility reviews in NSW have identified a tiny (0.8%) number of ineligible tenants.¹³ The administrative burden and cost of implementing regular and systematic tenure reviews will

¹² Wiesel I, Easthope H and Liu E. *Pathways and Choice in a Diversifying Social Housing System* (2011) Australian Housing and Urban Research Institute, p.2.

¹³ Tenants Union of New South Wales, *Reshaping Public Housing and Work Disincentives* (2008) p.12.

significantly outweigh the gains made in this area and result in a negligible impact on the waiting list.

In relation to the second point, the outcome can be onerous on tenants as they age and their families leave home. The consequence of “downsizing” is that they are often forced to relocate to another area, causing dislocation from their community. This “downsizing” will also likely have a negative impact on the waiting list because the greatest demand is for smaller, not larger, dwellings.

We are also concerned by any policy that frames that public housing as essentially transitional for a large number of tenants.

Assuming that income and assets are part of any tenure reviews:

- There will be work disincentive effects of a review which uses income thresholds to determine ongoing eligibility for public housing.
- Tenants should have capacity to improve their financial situation and remain eligible for public housing. Income threshold ongoing eligibility should be higher than threshold for entry to allow such improvement.
- Income thresholds for ongoing eligibility should take into account the state of the private rental market. In NSW, reforms to eligibility and income threshold policies have resulted in tenants losing eligibility for public housing on incomes that are insufficient to afford the median rents for private rental housing in most local government areas in Sydney.¹⁴

Beyond identifying ineligible tenants, tenure reviews will not shed much light on ‘whether current tenants of public housing continue to be those most in need.’

Demand greatly exceeds supply and the existence of equally or more needy households on the waiting list should not have any role in the assessment of current tenants’ eligibility for public housing.

The TUV supports the aim of assisting those who have the capacity to build independence and move into other forms of housing. However, reducing security of tenure through tenure reviews and fixed term tenures is an ineffective way of achieving these aims.

The stated aim of using tenure reviews to improve utilization of housing stock, and match tenants to suitable housing, broadens the scope of the proposed tenure reviews again and raises questions about the applicable criteria.

Tenure reviews are a questionable tool to achieve the aim of utilizing finite housing stock.

¹⁴ Tenants Union of New South Wales, *Reshaping Public Housing and Work Disincentives* (2008) p.1.

c) How frequently should tenure be reviewed, taking into account the importance of housing stability for public housing tenants?

The frequency of tenure reviews must consider:

- The benefits of tenure security and conversely the detrimental effects of a reduction in tenure security for particular groups of tenants;
- The characteristics of individual households (age, disability, income, children, engagement in employment, education or training);
- The size and capacity of the community housing sector;
- The shortage of affordable and available private rental properties in metropolitan as well as regional centres;
- The administrative burden and costs of implementing reviews;

d) How should tenants continue to be supported to transition out of public housing in the event that tenure reviews result in them no longer being eligible?

Tenants regarded as ineligible should be offered household level support as well as system-wide support structures.

On a household level we recommend a case by case assessment of the support needed. Some models for support might include:

- A focus on 'transitional' assistance within current housing rather than a focus on forcing people to move;
- Relaxing income eligibility thresholds to allow tenants to remain in public housing for a period in order to consolidate employment experience and financial independence while still in public housing;
- Rent reductions or capping rent to allow tenants to build financial independence prior to any transition;
- Ongoing public tenancy options for households who demonstrate there are compelling reasons (current employment / training / childrens' education) to remain in an area where community and/or private rental housing would be unavailable or unaffordable;

It is important that households transitioning out of public housing are linked with advocacy and support services to assist in both securing and sustaining affordable and appropriate community and private rental housing.

Otherwise, tenants exit and re-enter public housing multiple times due to failed tenancies in the private rental market.

On a system-wide level we recommend that a state-wide affordable housing task force be tasked with developing solutions to the shortage of affordable housing for low income households.

3. How could the public housing system be made more flexible?

Greater flexibility and responsiveness are laudable if tenants' experiences dealing with the Office of Housing are improved and the system enhances individual housing outcomes. However, real gains require significant training and skills development for Office of Housing staff.

There is too little detail in the Discussion Paper concerning these statements to allow a more considered response.

a) How can incentives be created to transition individuals who are ready to exercise independence into the private market after a period of time (this can be for individuals and service providers)?

There are serious limits to the effectiveness of an incentive-based policy to enable tenants to successfully transition into the private rental market.

Private rental market conditions in both metropolitan and regional areas are characterised by severe shortages of affordable and available properties for low income households. Incentives might be effective where there are clear pathways for tenants to move from public to community housing.

Incentives might play a role in enabling some households to build capacities and independence.

Testing the effectiveness of an incentive-based policy response might be best done in combination with tenure reviews that assess a household's need for ongoing housing assistance. However, we caution against the use of incentives that are tied to reduced security of tenure.

In relation to incentives and fixed term tenancies, see our response to question 4.

b) If a tenant's personal circumstances change how do we facilitate their transition into suitable accommodation that better meets their changed needs?

There are numerous possibilities for changes in tenants' personal circumstances that might affect the suitability of their housing.

There should be a correspondingly broad range of options available to ensure housing is appropriate. In responding to this question we assume that it relates to tenants whose changed circumstances do not affect their eligibility for public or community housing.

The Government should consider options for tenants to transition in place as well as options for moving tenants to more suitable housing. An example of the success of such an approach is provided by the housing program *A Place to Call Home*.

Other examples of transitioning in place might involve modification to a current property or tenants moving within a particular geographic location to allow tenants to maintain connections they have developed with local communities.

Careful consideration must be given to balancing choice and constraint: tenants should be given genuine choice within the constraints of the social housing system.

Two cases provide a positive and a negative illustration of this point:

An elderly couple in a large property were very resistant to the idea of moving to a one bedroom property but felt very differently about a subsequent offer to move to a new complex of two bedroom properties. This meant they were able to have friends and relations visit and stay.

An elderly woman in a large property who was reluctant to relocate was effectively forced to move because ongoing lack of maintenance made the property uninhabitable.¹⁵

Current Office of Housing policy and practice regarding transfers should be reviewed and enhanced training provided to HSOs to ensure tenants are treated in a fair, consistent and flexible manner.

We've had elderly people in large properties wanting to downsize. The problem has been it doesn't really fit the early housing transfer category ... you feel like you have to scrape up some reason as to why they want to move to a smaller property that fits the policy. Or in some cases we might know of a family that wants to move into a bigger property so we might just ring the OoH and say can you make this happen? I think they call it a property management transfer. But that relies on our service having a detailed knowledge of what's happening in the local area. It's not a straightforward easy transparent thing to do. It doesn't really fit into a box.¹⁶

While case by case assessment is crucial, there is also a clear need for system-wide improvements to ensure housing stock can be better matched to current and future tenants' needs. This would include:

- Developing comprehensive data on the condition and utilization of housing stock;
- Capturing local and regional knowledge about housing demand and supply;
- Making medium and long-term forecasts of demand and supply;
- Investing in building, maintenance and conversion of stock that can be better targeted to need;
- Improving links between public and community housing;
- A review of policy and practice around transfers is needed to improve mobility within the system;
- Training for Housing Support Officers to ensure policy and practice is understood and implemented fairly and consistently;

¹⁵ Interview with SHASP worker (2012).

¹⁶ Interview with SHASP worker (2012).

c) Should the existing one-size fits all rent model (where tenants contribute a proportion of their income in rent) be retained?

The current income-based rent setting model is the best model for achieving affordability for tenants.

It is important to consider that:

- Rent-setting models should reflect the key objective for public housing: the provision of appropriate and affordable housing for eligible tenants;
- Rental revenue from a needs-based public housing system will not make the system financially sustainable. We oppose increasing public housing rents in pursuit of a financial sustainability;
- There is significant scope to improve the financial viability of public housing through improved efficiencies in tenancy, property and asset management and governments must commit to recurrent funding to support a viable public housing system into the future.

Rent setting and affordability

Public housing rents are currently set at the upper end of an affordable level. It should be noted that for households on low incomes, housing stress commences at rent payments equal to 30% of income.

Financial difficulties, including rent arrears, rate among the top 5 referral issues for public housing tenants seeking help from tenancy support services.¹⁷

The financial difficulties experienced by these tenants can very often be attributed to a lack of life skills characteristic of tenants with multiple and complex needs.

*People with rent arrears often have other things that they're paying off ... other debts, parking fines, loans ... so that's what signals to me that it's a broader financial issue than just rent arrears; it's not having the skills to manage a household budget.*¹⁸

The Government should continue to develop more holistic case management as well as integrating public housing with other cross-sector supports to assist those tenants with multiple and complex needs. While rent levels are considered generally affordable, single people renting in public housing were identified as a group that are most likely to have financial difficulties arising more from a lack of income rather than complex needs. Included in this group are aged pensioners and Newstart recipients, including single parents who have been moved onto Newstart.

¹⁷ Interview with SHASP worker (2012).

¹⁸ Interview with SHASP worker (2012).

*A single mother in public housing was moved onto the Newstart Allowance. Financially she's not managing at all. She's in rent arrears and she has other debts ... she's looking at bankruptcy. She says 'the only way I have to survive is not paying where I can avoid it.'*¹⁹

Government should join business leaders, economists and social welfare organizations in advocating for an increase to the Newstart allowance. Government should seek a review of Federal Government decision to shift sole parents onto Newstart after their youngest child reaches the age of eight.

Another group of tenants struggling to afford public housing rents. These are mostly single parents whose children have turned 18 and have found employment or who are eligible for Centrelink payments.²⁰

In these cases, current rent-setting policies result in the parent paying market rent based on the actual or imputed household income. Problems arise where other members of the household are not contributing to rent payments, leaving the single parent tenant struggling to pay higher rents as well as household expenses.

These cases are occurring, not infrequently, in families where there are high and complex needs and where the single parent tenant may not have the capacity to exercise control over other members in the household.

We see a lot of cases where a single parent is living with children in a household. The children turn 18, get employment and don't contribute to the rent so the single parent is paying a very high rent as well as utilities, food, perhaps looking after younger children based on the household income

*In some families the children are eligible for YA but they don't go to Centrelink with their details so there's an imputed rent payment based on them having YA. Then it becomes a matter of the parent trying to get this child to engage with Centrelink or get a job and they might go for a long period of time without doing either. By the time we see them there is likely to be a notice of rent arrears and significant debt.*²¹

Early intervention and holistic case management could assist vulnerable households to meet current income-based rent payments and sustain tenancies.

The Government should continue to develop more holistic case management and integrate public housing with other cross-sector supports to assist those tenants with multiple and complex needs.

Rent setting and tenure reviews

¹⁹ Interview with SHASP worker (2012).

²⁰ Interview with SHASP worker (2012).

²¹ Interview with SHASP worker (2012).

If regular tenure reviews are introduced:

- There should be capacity for tenants to improve their financial situation and remain eligible for social housing: income threshold for ongoing eligibility should be significantly higher than threshold for entry to social housing to allow scope for tenants to improve financial circumstances before they would be considered ineligible on income grounds.
- Income thresholds for ongoing eligibility should also take into account the state of the private rental market. In NSW, reforms to eligibility and income threshold policies have resulted in tenants losing eligibility for public housing on incomes that are insufficient to afford the median rents for private rental housing in most local government areas in Sydney.²²

4. How could tenure be made fairer?

- a) **Should those who are able to transition into other forms of housing be offered more limited social housing tenure arrangements?**
- b) **If fixed term tenure leases were introduced for public housing tenants who were well placed to transition into other forms of housing, what tenure terms should tenants be offered?**

Current public housing eligibility and allocation policies have created a housing system in which **most** occupants are in need of **long-term or permanent housing assistance**.

Given the profile of public tenants, and the inadequate housing stock, there is little scope for limited tenure arrangements to provide an appropriate level of housing assistance or to 'reframe some public housing as a time-limited intervention that responds to immediate need' however laudable such an aim might be.²³

We are not opposed in principle to limited social housing tenure arrangements for households that are likely to be able to move into community or private rental market after a period of time provided there is sufficient permanent tenancies for those with a long-term supply need.

We strongly oppose the proposal in the Discussion Paper for a 'new system of fixed term tenure for all new tenancies'.²⁴

The proposal raises a number of questions which the Discussion Paper fails to address including

- What process and criteria would be used to identify 'those who are able to transition into other forms of housing'?
- What process and criteria would be used to identify those who are assessed as unable or unlikely to transition into other forms of housing?

²² Tenants Union of New South Wales, *Reshaping Public Housing and Work Disincentives* (2008) p.1.

²³ Victorian Government, *Pathways to a Fair and Sustainable Social Housing System: Public Consultation Discussion Paper* (2012) p.39.

²⁴ Victorian Government, *Pathways to a Fair and Sustainable Social Housing System: Public Consultation Discussion Paper* (2012) p.39.

- What options would be available for ongoing housing assistance at the end of a fixed term lease in public housing? (lease renewal, community housing referrals, private rental assistance programs)?
- What process and criteria would be used to assess ongoing need for public housing assistance?
- What assistance would be offered to tenants at the end of a fixed term lease with no option for renewal?

In addition to these questions, government should consider other issues when evaluating the benefits of limited public housing tenure arrangements:

- The health and wellbeing benefits of housing security and conversely the negative health and wellbeing outcomes associated with reduced housing security;²⁵
- The high costs associated with transitional social housing (administrative costs of tenure reviews, turnover of vacant properties, relocation of people);
- The likely increase in pressures on other housing and homelessness services;
- The minimal benefits likely in terms of reducing public housing waiting lists.

A proposal for limited social housing tenure cannot be evaluated in any meaningful way without consideration being given to the availability and affordability of alternative housing in metropolitan and regional private housing markets.

5. How can public housing be made fairer for tenants?

The key elements in making public housing fairer for tenants are to ensure that the housing they rent is affordable, adequate and appropriate. Tenants' rights as consumers and citizens must also be respected.

a) What measures can be taken to ensure disincentives to work, education or training are avoided?

The links between rental rebates and work disincentives are overstated.

The most significant barriers to paid work are in fact non-financial. This is supported by AHURI research that sheds light on factors affecting work participation among public housing tenants²⁶ which include:

- Poor health, in particular mental health issues;
- Poor location and poor access to transport;
- Lack of educational qualifications;
- Casualisation of employment; and

²⁵ Hulse K, Milligan V and Easthope H, *Secure Occupancy in Rental Housing: Conceptual Foundations and Comparative Perspectives*. Australian Housing and Urban Research Institute (2011).

²⁶ Wood G, 'What Can be Done to Improve Employment Outcomes Among People Receiving Housing Assistance?' *Australian Housing and Urban Research Institute Research and Policy Bulletin* (2009) Issue 114, p.2.

- In relation to women's labour market decisions, their role as parents and the logistical difficulties of combining work and parenting.

These factors are pronounced in highly residualised public housing system where allocations are targeted to those with the greatest (high level and complex) needs.

While the Discussion Paper also asserts that other rental policies such as unlimited tenure act as disincentives to participation in work, education or training, in-fact:

- Security of tenure in public housing has been identified in research as likely to be of particular importance in facilitating economic participation, particularly for those tenants who have unstable and fractured family backgrounds, employment and housing histories;²⁷
- Fixed term tenancies may counter efforts to promote work participation by creating or reinforce links between income based rent setting and work disincentives by creating an incentive to remain below income eligibility thresholds in order to secure ongoing tenure;
- Fixed term tenancies and eligibility reviews in NSW have arguably created a strong incentive for tenants to remain below the income eligibility threshold;

Conditional tenancy agreements, limited tenure and rent setting are not effective instruments for reforming work participation and are likely to have a counter-productive effect.

Policies are required to address the longer-term issues about family instability, low education levels, poor physical and mental health, and combining paid work and parenting.

Continued efforts are required to better integrate housing and support services, including the current pilots to improve case management for vulnerable clients, represent a more effective tool for encouraging participation in work, education and training than changes to tenure and rent setting models.

b) Should public housing allocation and tenure consider tenants' short-term needs (such as education and training) in addition to their longer-term needs that are currently the focus of allocation arrangements?

We are strongly opposed to the introduction of 'public housing tenancy agreements that include study or training as condition of tenancy'.²⁸

As stated, security of tenure in public housing has been identified in research as likely to be of particular importance in facilitating economic participation, particularly for those tenants who have unstable and fractured family backgrounds, employment and housing histories.²⁹

²⁷ Wood G, 'What Can be Done to Improve Employment Outcomes Among People Receiving Housing Assistance?' *Australian Housing and Urban Research Institute Research and Policy Bulletin* (2009) Issue 114, p.2; Hulse K, Milligan V and Easthope H, *Secure Occupancy in Rental Housing: Conceptual Foundations and Comparative Perspectives*. Australian Housing and Urban Research Institute (2011).

²⁸ Victorian Government, *Pathways to a Fair and Sustainable Social Housing System: Public Consultation Discussion Paper* (2012) p.40.

There is scope for policy to consider education and training opportunities for tenants in allocation decisions. This might include expanding tenant choice in allocation decisions, abolishing penalties for rejection of offers and reviewing transfer policy to improve opportunities for mobility within the public housing system.

Consideration should be given to the education and training needs of the household, including children, rather than just the tenant.

Maintenance

Public housing could be fairer by introducing policies to address the deteriorating condition and lack of maintenance of housing stock.

The Discussion Paper focuses on maintenance as a financial burden rather than its acknowledging its impact on the tenants who pay to live in these dwellings.

Some consequences for tenants of the poor quality stock and inadequate maintenance regimes are:

- Negative impacts on individual and community health and wellbeing
- Increased costs and discomfort associated with an inability to regulate consumption of energy and water
- A disincentive and/or inability to carry out day to day maintenance of properties.

MCATs is another area requiring urgent review. MCATs are routinely imposed on tenants vacating a property without any attempt to quantify to what extent the tenant is genuinely liable for the costs and their use to recoup the costs of maintaining deteriorating properties is manifestly unfair on tenants.

One client had an MCAT bill up towards the \$10,000 mark. The property she'd left basically needed a whole refurb. So OoH itemized every single thing they did to that property from paint to new carpet replacing blinds – a whole fit out – and sent a letter in the mail saying you owe us this amount and you must pay by this date. It ended up at VCAT but before that we had a couple of meetings where the SHASP worker and the client met with the HSO and the HSO was actually just crossing things out and saying, 'OK we won't charge you for that.' So it was a process of just slashing off thousands of dollars in a meeting ... and it did seem that the OoH had done nothing previously to try to quantify to what extent the tenant was genuinely liable for the costs. In the end the bill got down to a couple of thousand dollars.³⁰

²⁹ Wood G, 'What Can be Done to Improve Employment Outcomes Among People Receiving Housing Assistance?' *Australian Housing and Urban Research Institute Research and Policy Bulletin* (2009) Issue 114, p.2.

³⁰ Interview with SHASP worker (2012).

If Government is genuinely seeking to make public housing fairer for tenants in respect of maintenance it should address these issues by:

- Committing to a recurrent operating budget that will enable the provision of a reasonable standard of housing;
- Conducting a comprehensive audit of properties and developing an effective short-term and long-term asset management plans;
- Conducting performance reviews of all maintenance contracts; and
- Reviewing the policy and practice of MCATs.

Tenant participation

Government is required under the *Housing Act 1983* (Vic) to seek tenant participation in the management of public housing as well as promote consultation with tenants on major policy issues.

The Discussion Paper only discusses such participation in terms of mutual obligations and the requirement for tenants to maintain positive behaviours in exchange for subsidised housing.

Genuine tenant participation could be structured on three basic levels:

1. **Individual involvement:** include opportunities where possible for tenants to make choices about such things as paint colours and floor coverings.
2. **Community involvement:** include opportunities for tenants to participate in neighbourhood renewal and other local employment and community development initiatives. Social procurement clauses in public housing contracts with commercial businesses and social enterprises offer a way of embedding tenant participation in the management of public housing and enhance tenants' employment opportunities and financial independence.
3. **Structural involvement:** including opportunities for tenants to participate in Boards and Board sub-committees of all forms of housing management bodies.

Research suggests substantial non-housing benefits to be gained for individual tenants and for local communities through ongoing, meaningful engagement in the management of their living environments including:

- Fostering a sense of ownership and personal investment in housing and neighbourhoods;
- Developing tenants' skills and providing support needed to participate in other work, education or training;
- Reducing isolation and contributing to more sustainable communities; and
- Fostering better communication between tenant and landlord.

6. How can public housing be made fairer for the Victorian community?

- a) **What obligations is it reasonable to expect tenants to meet in return for public housing?**
- b) **Are there financial or lease related barriers for tenants which restrict tenants' participation in education and training?**

The *Residential Tenancies Act 1997* (Vic) establishes a framework for tenants' and landlords' rights and responsibilities and provides remedies to a range of problems including payment of rent, property maintenance, behavior and illegal activity.

Office of Housing policies impose additional responsibilities on tenants.

Individuals who receive Commonwealth benefits are also required to meet obligations in relation to those payments.

The existing regulation provides sufficient recognition of tenants' responsibilities and obligations in return for public housing.

We see no value linking public housing tenure to obligations to participate in education, training and employment. Linking tenure to unachievable goals or obligations is also manifestly unfair.

Furthermore:

- Research strongly suggests that stability of housing is a necessary foundation to enable individuals to fully participate in these activities;³¹
- Public housing is overwhelmingly allocated to tenants with multiple and complex needs whose ability to participate in education, training and employment are severely restricted; and
- Tenants' daily maintenance of properties is affected by the systemic problems with maintenance and the deteriorating condition of much public housing stock.

7. How can good tenant behaviour and mutual obligation be incentivized?

- a) **What incentives could be implemented to encourage public housing tenants to maintain their properties to an acceptable standard and to act as a 'good neighbour?'**

Improved processes to deal with allocations, neighbourhood disputes and early housing transfer applications would provide tenants with the knowledge that there is an avenue of redress. These issues are closely related to poor allocations often rapidly leading to neighbourhood disputes and requests for early housing transfers.

³¹ Wood G, 'What Can be Done to Improve Employment Outcomes Among People Receiving Housing Assistance?' *Australian Housing and Urban Research Institute Research and Policy Bulletin* (2009) Issue 114, p.2; Hulse K, Milligan V and Easthope H, *Secure Occupancy in Rental Housing: Conceptual Foundations and Comparative Perspectives*. Australian Housing and Urban Research Institute (2011).

b) How can good behaviour, maintenance of property and participation in the community and social life be rewarded?

While a properly designed reward scheme may have some merit, a voluntary scheme is likely to be limited its ability to effect behavioural change because residents who voluntarily participate will probably not be those who are considered 'problem tenants'.

8. How can the supply of quality social housing be improved?

a) How can issues relating to the supply of quality social housing be addressed?

The KPMG Discussion Paper canvasses a number of options for increasing the supply of social housing.

A number of these options have been considered and tried with limited success without a substantial contribution to **capital funding** provided by Government.

Importantly, simply increasing the quantum of dwellings in the social housing sector is a secondary consideration to ensuring that each supply option is assessed against the extent to which that option maintains or improves housing outcomes for tenants in the three broad measurement areas of **accessibility, affordability** and **appropriateness**.

b) How can the supply of social housing be made more sustainable?

We have addressed this issue in the first section of our submission.

In short, the Victorian Government needs to provide a recurrent operating subsidy to enable the achievement of clearly defined housing outcomes in the social housing sector. The subsidy level may vary depending on the degree to which the specified outcomes are to be achieved for particular households type or in particular programs.

c) What are the appropriate measures to increase leverage to encourage and initiate investment in community housing?

d) What is the optimum mix of housing to best meet the demand and needs of tenants?

One of the key problems besetting the current social housing system is the mismatch between the expressed demand for smaller housing represented by the composition of households on the current public housing waiting list and the profile of social housing stock.

The broad based housing needs study proposed in the first section of our submission may further refine the extent of this mismatch.

This problem requires the reconfiguration of the stock profile both through new acquisitions and redevelopment of existing stock.

The redevelopment of existing stock would also enable the achievement of some important housing outcomes in the social housing sector, namely, an improvement in stock quality particularly in public housing.

However, the approach to redevelopment is subject to the same qualifications as outlined above - there should not be a reduction in the quantum of rebated rent dwellings and redevelopment options should be assessed against the extent to which they maintain or improve housing outcomes for tenants in the three broad measurement areas of **accessibility, affordability** and **appropriateness**.

e) How can the efficiency and sustainability of the community housing sector be enhanced?

Whilst the focus of the VAGO report was on the pressures on the public housing sector, a previous VAGO report identified the difficulty in establishing whether significant funding to the community housing sector had achieved the objectives that were intended.³²

It is difficult to assess the degree to which the community housing sector is maximising housing outcomes for tenants from the inadequate reporting available from the Housing Registrar.

Recommendation: The Victorian Government should significantly enhance the reporting from the Housing Registrar about housing outcomes for tenants in the social housing sector including public housing.

In particular, the reporting from the Housing Registrar should enable comparisons to be made by current and prospective community housing tenants about the relative performance of housing providers in relation to housing outcomes in the three broad measurement areas of accessibility, affordability and appropriateness.

A good model for the level of detail and accountability is the former Tenant Services Authority in the United Kingdom.

In addition, the community housing sector should be subject to an independent appeals process to enable administrative decision making to be reviewed. This would be akin to the current internal appeal process for public housing. However, it would be preferable for all social housing providers to be subject to a single independent appeal body.

³² Victorian Auditor-General's Office, *Access to Social Housing* (2010).