

Submission to

**Inquiry into the Adequacy and Future
of Public Housing in Victoria**

February 2010

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The need for public housing

Housing system context

In order to make a proper assessment of the adequacy and future direction of public housing, the tenure must be considered in the broader housing system context. A narrow focus on the management of public housing prevents a full consideration of the purpose, potential and challenges faced by public and community housing in Victoria.

Public housing should be viewed as part of the housing tenure continuum, spanning from home ownership and purchase, the mainstream private rental market and marginal forms of private rental, through to the community and public rental sectors. In particular, public housing in Victoria cannot be considered in isolation from the component of the housing system which houses the vast majority of those households experiencing housing stress, namely the private rental market.¹ The demands faced by the social housing system and homelessness services sector point to the need to reform social housing and develop a much broader focus on other tenures. For this reason we have chosen to address our submission to the housing system context in which public housing exists.

Housing pathways

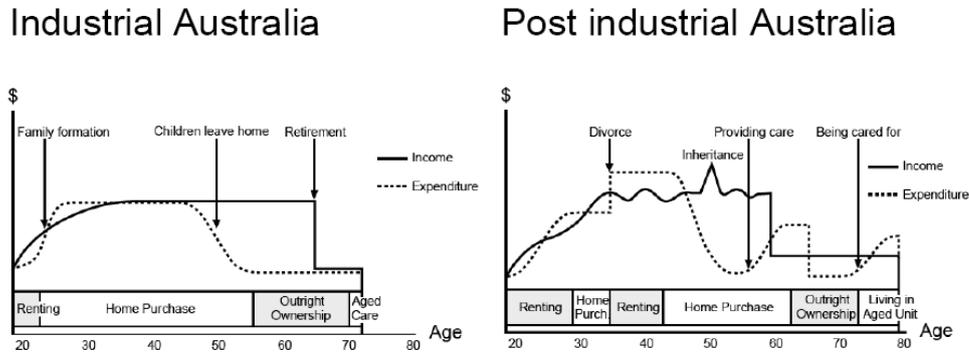
Several key developments in Australian society have driven the evolution of the Australian housing system over the past three decades, including:

- **Demographic change:** including trends toward delayed household formation, growth in single person households, the aging of the population.
- **Labour market changes:** including the growth of part time and casual work and increasingly short term and insecure employment.
- **Distribution of wealth:** including the growing disparity of wealth.
- **Social policy changes:** including changes to tax and transfer policy and the introduction of HECS and compulsory superannuation.

These four interrelated factors have contributed to significant change in the housing careers of Australians. Housing careers can no longer be understood as a simple progression from early adulthood through the process of family formation to retirement being associated with transitory renting, through home purchase and ownership to aged care. Rather, households housing experience is now much more complex and varied. As household formation is delayed, working lives extended beyond retirement age and many households increasingly passing through divorce and providing care for aged relatives, households are increasingly unlike to progress through housing tenures in a straightforward manner. This development is increasingly represented as housing pathways and transitions. Beer and Faulkner provide a representation of this shown in Figure 1.

¹ A household is experiencing housing stress if it is in the lowest 40 per cent of income distribution and spends 30 per cent or more of its weekly income directly on housing.

Figure 1: Changing housing careers



Source: Beer and Faulkner, 2009.

These developments have significant implications for social housing. They raise questions about the role and scale of social housing, how social housing will be allocated to aging and other disadvantaged households, physical accessibility and adaptability, service provision in social housing, and changes in other forms of housing assistance (such as changes to support for home ownership and rent assistance).

Non-housing outcomes

Housing is one critical element of many interlinked factors which contribute to alleviating socioeconomic disadvantage. Stable housing provides many social tenant households with the opportunity to address non-housing outcomes such as educational attainment, employment or health status. However, it should be noted that improvements in non-housing issues are unlikely to result solely from improvements in housing. This is especially so given the grounds for eligibility for most households relate to non-housing issues such as drug and alcohol issues, disability and mental illness.

The emergences of the social inclusion agenda and programs such as Neighbourhood Renewal have made some progress toward legitimising and developing the capacity of public tenants. However, tenants largely remain excluded from any meaningful participation in the governance framework of the Office of Housing and community housing providers. This undermines the potential for social housing to address non-housing outcomes through building the capacity of individuals and households.

There has been significant attention given to anti-social behaviour or illegal conduct of public tenants. While these issues are of concern to all, the prevalence of such conduct is to be expected given the tight targeting of public housing. Public debate has tended to reprise historical debates about the deserving and undeserving poor and has played a key role in furthering the stigma attached to public housing. In this context, we believe greater emphasis must be placed on integrating support services with housing than punitive tenancy management practices.

It is well recognised that stable housing provides is a vital element in ensuring individuals are able to access and maintain participation in the work force. Along with the taxation and social security systems, the management of social housing tenancies are a significant influence on social tenant's income and costs as they secure employment or seek higher wages. Eligibility and rent setting policies are a strong consideration for social tenants. While the relationship is complex, these factors often create disincentives to work. At the higher income level, the loss of eligibility for social housing poses a major disincentive to seek higher wages. This effectively limits tenants to jobs offering limited financial reward. Securing employment with higher wages means moving out of social housing and facing significantly higher costs that may consume the additional income received. This often placed severe constraints on where they can afford to live. At the other end of the spectrum, gaining employment may be less attractive to social tenants if this results in rent increases that consumer any additional income.

Recommendation: Removing work disincentives.

1. *The Office of Housing should ensure that eligibility reviews do not function as a disincentive for people to seek employment.*
2. *The Commonwealth and Victorian governments should review rent-setting structures in public housing to ensure that they do not function to trap people in poverty by removing any financial gain from income earned from employment.*

The private rental market

The private rental markets inability to provide affordable and secure housing is the overwhelming 'source' of applications for public housing. Australian housing policy is based on the assumption that the majority of households will be able to secure appropriate housing on the open market, either by purchasing or renting. However, a significant proportion of households will not be able to adequately house themselves in the private rental market and will require some other form of housing assistance either temporarily or permanently.

The private rental market arguably plays a more significant role now than at any other time in Australia's history as a property owning democracy. The Australian housing system has been based on majority home ownership, long term public rental housing for low income households and transitional private rental. The private rental market has always failed to provide enough affordable housing to those who need it. However, private rental is no longer a transitory tenure, becoming the forced choice for a growing number of low to moderate income households.

A number of drivers are at play. Aggregate housing demand has grown due to both economic and demographic factors. Real house prices have increased relative to income. The mismatch between household formation, incomes and prices is particularly evident in home ownership rates of younger households, which have declined significantly over a generation. Home ownership fell from

65 per cent in 1981 to 57 per cent in 2006 for people aged 25 to 39, with the 25 to 34 age group falling from 61 percent to just over 50 per cent.²

The decline of social housing stock as a proportion of total housing stock has also been significant. Public housing has declined by about 30,000 dwellings in the decade to 2006. Nearly 200,000 Australian households are now on waiting lists for public housing.³ Inadequate investment has resulted in increased targeting of high needs households reducing State Housing Authorities' capacity to provide housing to those on moderate income households.

The outcome of these processes is that the private rental market now accommodates approximately 1.7 million households and houses the overwhelming majority of low-income households, with the exception of home owning retirees. In Victoria, about 370,000 households or 21% of all households live in the private rental market.⁴

The overall growth in private rental stock has masked the fact there has been a contraction in the proportion of private rental properties affordable for low income households. In 2006, there was an overall shortage of affordable and available private rental housing suitable for low income households in Australia equal to 251,000 dwellings.⁵

The private rental market is significantly segmented. Some households with adequate income value the flexibility of private rental and commonly pay a premium to live in preferred locations. Many households live in private rental before transitioning to home purchase. However, there are a significant number of households who struggle to manage private rental, many forced into marginal tenures such as rooming houses and caravan parks or experience regular crises.

Figure 2 below shows the proportion of various household types in the private rental market compared to the household population overall. This data indicates is that single person rental households are more prevalent than in the population overall.

Figure 2: Household type in the Private Rental Market

Household Type	Percent of Households
Single	33.14%
Single + Child(ren)	18.72%
Couple	18.70%
Couple + Child(ren)	19.74%
Group	10.85%

Source: ABS, 2006 Census.

A significant number of low income single people living private rental are at greater risk than other household types of being unable to satisfy their housing needs in the private rental market, thus requiring a non-market intervention.

² J Yates, H Kendig et al (2008) Sustaining fair shares: the Australian housing system and intergenerational sustainability, Australian Housing and Urban Research Institute.

³ Australian Institute of Health and Welfare (2008), Public Rental Housing 2007-08.

⁴ ABS (2006) Census.

⁵ National Housing Supply Council (2009), State of Supply Report

Our clients who are single report significant difficulties securing private rental housing, particularly due to difficulty of meeting increased rents in recent years on a single income.

Rental market conditions

The private rental market is typified by historically low vacancy rates and significant annual median rent movements. Key drivers include increasing costs and a substantial supply gap both in the broad market and more importantly in low cost stock.

The generally accepted equilibrium point in the rental market is a 3 per cent vacancy rate. In Victoria, the vacancy rate has remained below 3 per cent since 2005. Industry data for December 2009 indicates vacancy rates below one per cent both in Melbourne's inner city and outer suburban areas as well as for some regional markets such as Bendigo and Ballarat.⁶ This indicates a chronic supply failure.

This has contributed to inflated rents, with the median real weekly rent for Melbourne rising from \$150 in March quarter 1995 to \$196 in December quarter 2007. This means that the cost of rental housing in Melbourne has increased by 31 per cent more than the general cost of living. However, the maximum rates of CRA remained relatively constant in real terms over the same period.⁷

Unsurprisingly, the impact is greatest on lower income households. Research by the Judith Yates has found 65 per cent of low income private renters or at least 600,000 households are currently experience housing stress.⁸ Just 9.2 percent of properties let in Melbourne during the September 2009 quarter were affordable for low income earners compared to 26.4 percent in 2005.⁹ Figure 3 below illustrates the greater burden of housing stress experienced by low income renters.

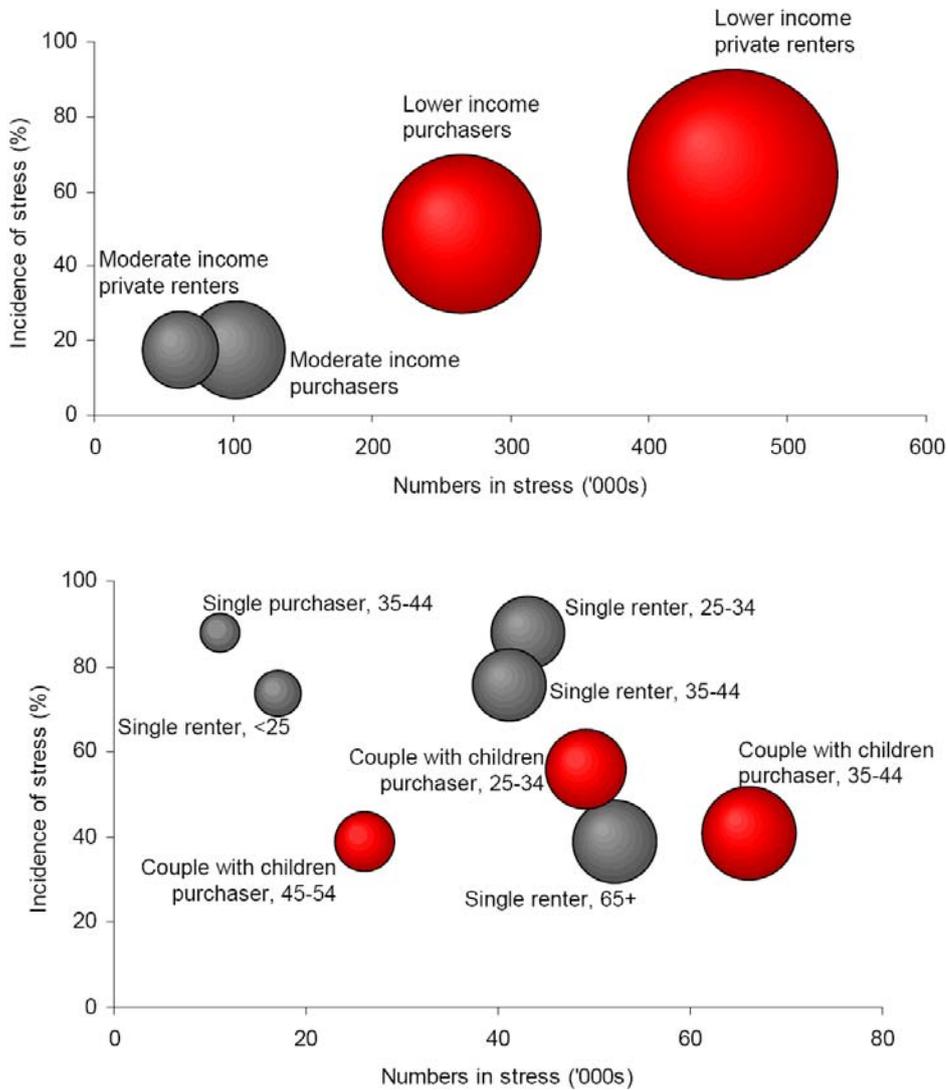
6 Real Estate Institute of Victoria (2009) Vacancy Rate data 11 April 2009, www.reiv.com.au accessed 15 April 2009.

7 RMIT University AHURI/NATSEM Research Centre (2009) Commonwealth Rent Assistance in the context of rising housing costs since 1995. Prepared for the Tenants Union of Victoria.

8 Yates et al (2007), *Housing Affordability: a 21st Century problem*, Australian Housing and Urban Research Institute.

9 Office of Housing Victoria (2009) Rental Report September Quarter, 2009.

Figure 3: Housing Stress by Tenure and by household type



Source: Yates et al, 2007.

Evidence cited above from the National Housing Supply Council on the supply gap and suggests that these market conditions are likely to continue well into the next decade. Many rental market commentators predict a bleak long term outlook, with poor investment trends.¹⁰ Modelling by Yates indicates that total number of households in private rental is expected to increase by 80 percent to 3.3 million in 2045. Worryingly, the number of lower income households in housing stress is projected to increase by 84 percent.¹¹ As the bottom segment of the market comes under increasing pressure to deliver affordable rents to low income households, the role of Commonwealth Rent Assistance (CRA) will become more important. Given that a third of households receiving CRA

¹⁰ Australian Financial Review (2009) Cloud of rental crisis not likely to life anytime soon, 16 April 2009.

¹¹ Yates et al (2007)

currently devote more than 30 per cent of income on rent, the need for government to act is clear.

The future of the Victorian social housing system must be assessed against the prevailing conditions in the housing market. Given the evidence discussed above, it is clear the Victorian social housing system is in need of significant reform. The developments in the private rental market provide strong evidence of the ongoing need for public housing. The scale of social housing is inadequate and poorly placed to respond to the level of demand likely to emanate from the private rental market in the foreseeable future.

Improving the private rental market

The TUV believes several key reforms of the *Residential Tenancies Act 1997* (RTA) will provide significant improvement to the experiences of low income tenants in the private rental market. Those on the public housing waiting list and others experiencing severe housing stress require greater protection from the harsh conditions in the bottom segment of the market. These should be considered as part of an integrated approach to housing vulnerability.

Firstly, there is a pressing need for the prompt introduction of regulation of residential tenancy databases. As it stands tenants are being listed for minor breaches or for simply asserting their rights, and as a result struggling to secure housing and often being rendered homeless. The Ministerial Council on Consumer Affairs is currently conducting consultation on national model legislation. We believe this legislation will provide greater protection for tenants without burdening industry.

Recommendation: Residential Tenancies Databases:

3. *The Victorian government seek the prompt passage of Victorian legislation once in-principle agreement has been reached on the model provisions by the Ministerial Council on Consumer Affairs.*

Secondly, the RTA currently allows landlords to increase rents every six months with the provision of 60 days notice (unless a fixed term tenancy is on foot). Given the magnitude of unmet need for social housing and likely market conditions in the foreseeable future, we believe there are sufficient grounds for restricting rent increases further.

Recommendation: Rent increases.

4. *The Victorian Government restrict rent increases to one every 12 months, extending notice periods and empowering VCAT to consider hardship in considering rent increases.*
5. *The Victorian Government monitor rents, rent increases and associated charges in non-mainstream forms of accommodation (such as caravan parks, rooming houses etc) to capture accurate data about rent levels in these sub-markets. Such data could be considered by VCAT when reviewing proposed rent increases.*

The state of social housing

Social housing in Victoria, and across Australia, has continued to decline as a consequence of considerable social and economic policy shifts since the 1980s. In particular, the decline of public housing has been driven by the reconceptualisation of public housing as welfare housing. Viewed as housing of last resort, Governments have largely viewed expenditure on public housing as a target for cost savings. This represents a significant departure from the earlier post war period in which public housing was seen as an importance adjunct to industry and economic development policy.

Atkinson and Jacobs identify two key markers of the decline of public housing in Australia as:

1. The overall scale of the sector, in relative and absolute terms, has declined significantly, thus compromising the ability of the sector to cope with problems of housing need and social vulnerability.
2. The social composition of the stock is now firmly comprised of low-income households. This it self is, in part, a function of the first condition, as fewer houses combined with targeted allocations policies will produce this result.¹²

Funding for public housing has been in decline since the early 1990s. Like virtually all Australian state housing authorities, the Office of Housing runs at or near a deficit and stock additions have virtually ceased.¹³ Successive governments have not invested in maintenance, and the increasingly targeted allocation of public housing to tenants with complex needs has led to increasing costs and diminishing returns. The financial position rather is precarious at best, and it is generally understood that the sector will not be sustainable long-term.¹⁴ Figure 4 below provides a representation of the investment trajectory of public housing in comparison with total housing starts.

The National Housing Supply Council found that if Australia maintained the proportion of social housing in 1996, there would need to be an additional 90,000 dwellings constructed.¹⁵ Victoria currently has the smallest market share for public housing in the Commonwealth. See Figure 5 below.

The tenant composition of a public housing system defined by scarcity and increasingly targeted allocations is unsurprising. Each of the indicators of disadvantage commonly noted about public housing tenants is the direct result of the highly constrained system which now exists. Lower work force participation should come as no surprise given public housing is targeted to those in greatest need, such as those with multiple special needs, disabilities, mental health and chronic homelessness. Given this, it is clearly unreasonable for policy makers to expect public housing to reflect the broader community. Concentrations of disadvantage and social problems on large estates are the direct consequence of disinvestment.

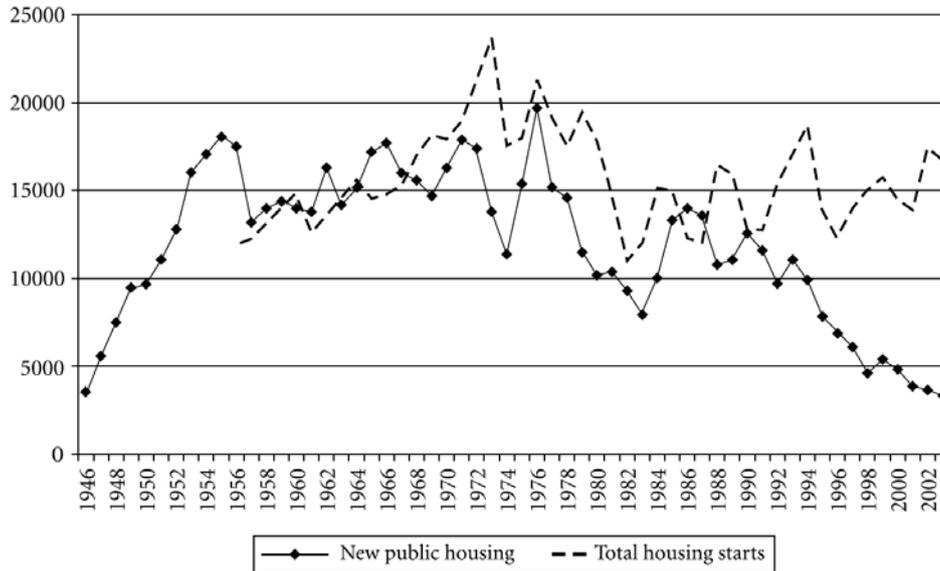
¹² Atkinson R and Jacobs K, (2008), *Public Housing in Australia: Stigma, Home and Opportunity*. Housing and Community Research Unit Paper No. 1, p. 11.

¹³ Hall and Berry (2004) *Sustainable financing for public housing authorities* AHURI research and policy bulletin.

¹⁴ Hall and Berry (2004).

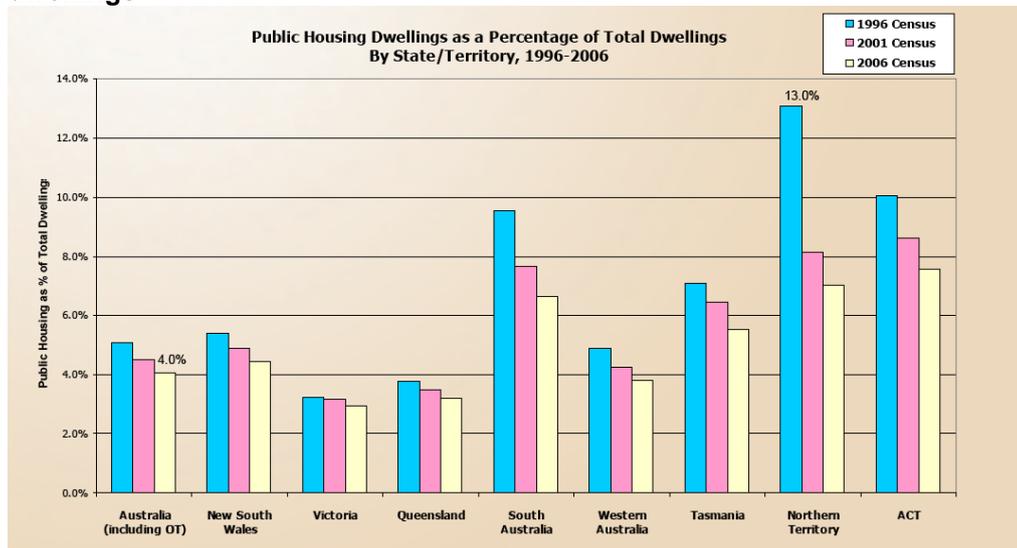
¹⁵ National Housing Supply Council (2009), *State of Supply Report*

Figure 4: New public housing construction



Source: Dalton 2009.

Figure 5: Public housing as percentage of total dwellings



Source: Atkinson and Jacobs, 2008.

The Victorian Community housing sector continues to evolve with the support of the Victorian government’s growth strategy. However, the community housing sector is not yet sufficiently well-established to accommodate the many thousands of low-income households struggling with their housing costs in the private rental market: currently, community housing makes up only small

percentage of Victorian housing stock. The TUV hopes that this sector will expand in the future to meet the increasing need for long-term, affordable accommodation options.

Community housing confronts significant challenges in attempting to expand its stock and deliver housing to those in need. The rent model is a particular barrier to growth. The low rental income provided to community housing organisations is inadequate to meet the costs of providing housing. This causes two interrelated difficulties.

Firstly, community housing providers have few incentives to provide housing to people with complex needs as these tenants require more intensive tenancy management and pose significant risk of non-payment of rent. We also continue to receive reports from homelessness services that they remain unsuccessful in their attempt to secure housing association provided housing for their clients. We regard this as prima facie evidence that the current rent model is detracting from the effectiveness of the community housing sector to provide housing to those in greatest need.

Secondly, variable rents and thus volatile income causes providers considerable difficulties when attempting to secure private finance at management interest rates. The requirement to contribute 25 per cent of development/construction costs compels community providers to take on debt which they can only service from rental income. The Community Housing Federation of Victoria has consistently argued for the revision of this requirement. Commonwealth Rent Assistance also plays a key role in this equation, but is viewed by community providers as inadequate and makes rent setting complicated.

Despite the decline of public housing and the slow growth of community housing, the demand for social housing in Victoria remains overwhelming. While the Office of Housing waiting list provides the minimum indicator of demand for public or social housing, the full extent of the need for public housing is best understood by examining key data on the private rental market as this tenure is the source of demand for public housing.

Key indicators of unmet demand for public and social housing are:

- 23,300 people homeless every night in Victoria¹⁶
- 39,076 applicants on the public housing waiting list (September 2009)¹⁷
- 41,800 affordable private rental dwellings shortfall for Melbourne and Geelong combined¹⁸
- 69,479 Victorians are spending more than 30% of their income on rent despite being on the maximum level of CRA¹⁹
- 210,740 Victorians receive Commonwealth Rent Assistance²⁰

16 C. Chamberlain & D. MacKenzie (2009) Counting the homeless 2006: Victoria, Australian Institute of Health and Welfare.

17 Office of Housing (2009), Public Housing Waiting and Transfer List September 2009. accessed 15 December 2009 at <http://www.housing.vic.gov.au/applying-for-housing/waiting-times>.

18 M. Wulff et al (2009), Australia's private rental market: changes (2001-2009) in the supply of and demand for low rent dwellings, AHURI.

19 Productivity Commission (2009) Report on Government Services.

- 251,000 properties supply shortfall nationally²¹

No matter which way demand is measured the current supply of public housing is simply inadequate. This does not mean demand and housing need cannot be profiled in order to inform the future development of the social housing system. There is little sophisticated qualitative and quantitative research on the current and future stock requirements for social housing. For example, while the need for more stock suitable for single person households has long been acknowledged, this has not been supported by well developed modelling which provides an indication of how many properties are required to meet the needs of this tenant group. A preferable approach is for the Office of Housing to undertake further research on the current and future need for direct housing assistance for key groups including singles, older Victorians currently in private rental and people with disabilities. It is precisely this forward planning approach housing associations are required to pursue to maintain a viable operation. Ultimately, we believe the Office of Housing should be able to quantify how many additional affordable housing units are required to meet prevailing demand and develop a long term plan to achieve the additional stock target.

Recommendation: Indicators of demand.

6. *The Commonwealth and Victorian governments should undertake more research and analysis of current and future demand for public and social housing, so that investment in the creation, maintenance and conversion of stock can be better targeted to need.*

Recent supply initiatives in context

Recent supply initiatives represent the largest investment in social housing in a generation. However, while supply of new public and community housing is to be welcomed the current increase in investment will not resolve the lack of supply. The Victorian Government's 2006/7 investments and the Nation Building economic stimulus package, will provide about 5,000 unit net increase in the stock of public and community housing. If this was efficiently allocated it would reduce the current public housing waiting list to about 35,000 households but will have a marginal impact on the overall number of low income renters in unaffordable housing.

Importantly, while Nation Building is a vital investment in social housing, it was initiated with economic stimulus as the primary motive rather than the imperative for increased social housing. Only \$400 million was allocated to new social housing construction as part of the National Affordable Housing Agreement in December 2008, only several months before the Nation Building announcement. Furthermore, social housing was the first element of the stimulus package to be reduced in September 2009 to be reallocated to other areas. There is a significant risk that once the stimulus benefit of the social housing

²⁰ Productivity Commission (2009) Report on Government Services

²¹ National Housing Supply Council (2009), State of Supply Report.

expenditure is exhausted we will return to the long term pattern of under investment.

The other recent supply initiative, the National Affordable Rental Scheme (NRAS), will provide rental housing at 80 per cent of the market rent. Victoria should get about 12,000 - 15,000 NRAS units over the next ten years if the scheme is successful and is fully implemented. We will need at least that level of new units to deal with a backlog of undersupply.

While the TUV supports the objectives of NRAS, we remain sceptical about the schemes capacity to deliver affordable rental to low income households. NRAS should always be thought of as making a small contribution amongst other efforts to boost affordable housing supply. The NRAS aims to attract greater private investment in the provision of affordable rental housing and produce 50,000 new dwellings nationally over ten years.

Given existing slow growth in the development of new affordable housing, more policy innovation is needed. Government is right to seek policies which are responsive to institutional investors.²² Institutional investors have the capacity to outlay large funds with the potential to make positive and more immediate inroads into the housing affordability problem. Rental housing is currently not viable for investment by large banks, insurance companies and the superannuation funds for reasons such as low rental yields, a high risk market, high management costs, illiquidity of property assets and a lack of reliable market information. Governments need to find more ways to reduce the gap between the required and actual rate of return facing these investors. As the Government has already admitted the NRAS is “no silver bullet”.²³ Many other detailed options for how to facilitate and channel large scale private debt and/or equity capital into affordable housing have already been identified and researched in Australia.²⁴ Commonwealth and State governments should act on this advice.

Importantly, since the NRAS cannot provide for full affordability and overcome housing stress, priority should be focussed on redressing this flaw. Even if Victoria gets its share of NRAS this is likely to have a limited effect on private market rents overall. NRAS follows the market it doesn't correct it.

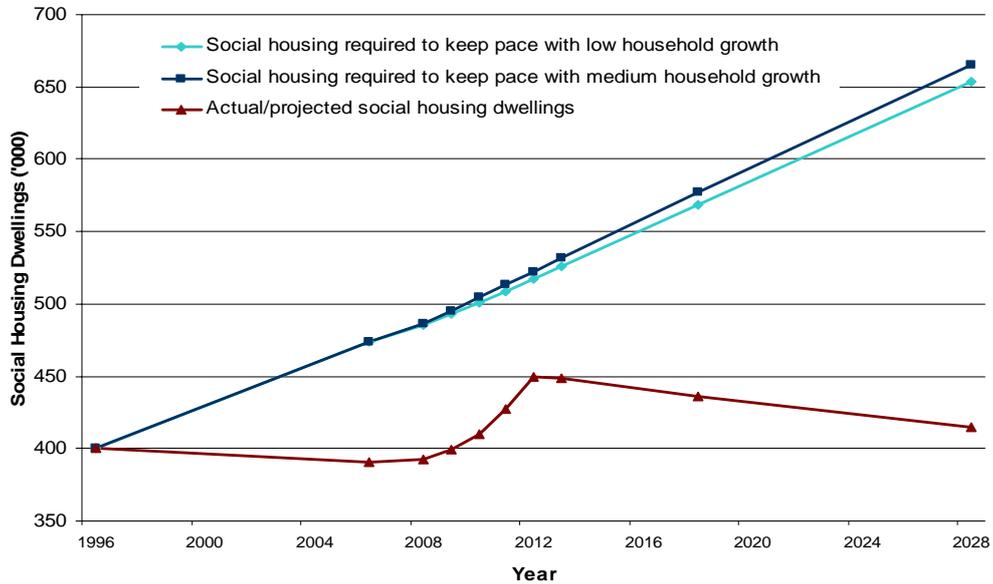
Figure 6 shows that recent funding initiatives will increase the supply of social housing up to 2013/14, but there will then be a significant decline in following years without continuous investment.

²² Berry, Mike. (2002) *New Approaches to expanding the supply of affordable housing in Australia: an increasing role for the private sector*, AHURI, p. 11.

²³ Australian Federal Government (2008) 'More people need affordable housing in Australia', egov monitor, retrieved 1st February 2008, <http://www.egovmonitor.com/node/16892>

²⁴ For example see Berry, Michael (2002) 'New Approaches to expanding the supply of affordable housing: an increasing role for the private sector', AHURI, and Lawson, J & V. Milligan (2008) 'What can Australia learn from international trends in housing and policy responses', AHURI.

Figure 6: Social housing demand and supply projections.



Source: DHS, 2009.

Recommendations: Long term investment.

7. *The Victorian Government should develop a state housing plan, consistent with the direction of national housing policy, which should be developed by the Victorian Government in consultation with key stakeholders in the housing and community sector. This plan should address all tenures and life stages with a particular focus on delivery of affordable and appropriate housing for low income and other marginalised groups.*
8. *The Victorian government should increase financing for social housing so that the sector can meet the real demand in Victoria. The TUV recommends the development of a ten year investment strategy designed to expand the overall stock of social housing, including an annual capital expenditure of \$500 million.*
9. *As an interim measure, Victorian governments should increase the supply of social housing in Victoria to match the national average by 2030.*
10. *All levels of government should implement policies encouraging private investment in the development and administration of social housing.*
11. *All levels of government should encourage appropriate partnerships with the private sector to provide social housing.*
12. *The Victorian Government should invest in more one-bedroom stock, given that it is likely that there will be increased demand for housing assistance by single person households in the future.*

13. *The Victorian Government should address the lack of appropriately sized stock for large families (often recently arrived migrant families) to reduce inappropriate allocations and subsequent transfer activity.*

Strategies for growth

Growing affordable housing

The TUV views the housing associations growth strategy as a means by which the Victorian government can achieve better tenant outcomes for low-income Victorian households who are reliant on the social housing system. It is an important initiative; however the potential for housing associations to radically impact the demand for affordable, appropriate housing should not be overstated.

Despite being in place for several years, the growth strategy is yet to yield significant results. The TUV believes this has occurred due to a number of factors, least of all the 25 per cent leveraging requirement. The capital funding provided to the growth associations by the Victorian Government and via Nation Building has provided considerable new stock growth. However, the Victorian community housing sector remains relatively small, even in comparison to other states. If the negligible rate of growth continues, social housing, both public and community managed will mean the sector can only continue to be defined by complex need and social dysfunction.

The TUV believes the growth of the sector beyond the current 5 per cent scale is an urgent priority requiring drastic action. We have reluctantly accepted that, in the absence of continuous growth funding, greater growth can only be achieved by stock transfers to community housing associations, both existing and newly established. The current growth strategy cannot achieve the growth of the community housing sector envisaged by the Housing Ministers Conference.²⁵ We suggest at least half of the existing Office of Housing stock should be transferred. This would provide associations with a greater capacity to leverage of an expanded asset base.

Remaining Office of Housing stock should be managed by decentralised regionally based management structures overseeing stock portfolios of up to 10,000 properties.

Recommendation: Stock transfers.

14. *The Victorian Government should develop a stock transfer program with the target of transferring 30,000 properties to housing associations by 2020.*

15. *The Office of Housing should develop an autonomous regionally based management model.*

²⁵ Department of Human Services (2009) Implementing the National Housing Reforms: A Progress Report to the Council of Australian Governments from Commonwealth, State and Territory Housing Ministers.

Planning for affordable housing

The relationship between land use planning and affordable housing remains poorly understood by policy makers and housing advocates. As noted by Gurran, in isolation, planning is neither the cause nor the answer to the shortage of affordable housing.²⁶ However, it does play a crucial role regulating the supply, type and location of newly constructed housing. Despite this, the Planning and Environment Act 1987 and Victoria’s planning system does not include the delivery of affordable or social housing as an objective. Several other jurisdictions have this as a key objective for their planning systems. Furthermore, the Victorian planning system provides no direct implementation processes or actions.

Recommendation: Planning.

16. *The Victorian Government should amend the Planning and Environment Act 1987 to include an objective to promote and retain affordable housing.*

17. *The Victorian Government should amend the planning system to provide for the creation AND retention of low-cost housing as a guiding principle. Such amendment should include both the individual and the cumulative effect of development on affordable housing supply.*

18. *The Victorian Government should amend the planning system to establish Inclusionary Zoning for affordable housing to be implemented by all local government authorities. As an interim measure, local governments should be empowered by the Minister for Planning to develop local inclusionary zoning policies in their planning schemes.*

19. *All local governments should have the option of imposing development levies to be used for the construction or purchase of affordable housing for all residential developments and any other development that results in a loss of low-cost housing.*

²⁶ Gurran N (2008) Affordable Housing National Leading Practice Guide and Tool Kit, p. 12.

The adequacy of public housing

Location

Location is an important aspect of appropriateness. Affordable private rental housing is commonly located on the fringe of capital cities, well away from business districts that offer greater employment opportunities. While many public housing units are well located, many are poorly located relative to social and economic opportunities including outer suburban Melbourne and the Latrobe Valley. Ironically, recent spot purchases as part of the Nation Building program may exacerbate locational disadvantage for some public tenants.

Many also consider concentrations of public housing stock to play a role in entrenching disadvantage.

The TUV believe governments should direct new investment in affordable housing to ensure adequate supply in areas of social and economic opportunity. Further, the location of public and social housing should be an explicit consideration for land use planning and infrastructure planning to ensure that households located in outlying metropolitan suburbs and regional areas have access to public transport, schools, health care services, and shopping facilities.

Standards

The lack of minimum rental housing standards is a key deficiency of Victoria's housing system. There is no defined minimum property standard for social housing properties or private rental properties. While this mainly affects private tenants, many public housing units fail to achieve thermal and energy efficiency standards adequate to protect public tenants from extremes in temperature. News reports indicate 74,000 public housing properties in Victoria, 56,351 fail to meet energy efficiency standards.²⁷ This summer has seen a number of public tenants complain about the thermal efficiency of their properties.²⁸

Improvements to energy and water efficiency, significantly reduce consumption of energy and water, cut greenhouse gas emissions and reduce utility bills. In rental properties, thermal efficiency and fixed appliance largely determine consumption levels.

Similarly, the link between housing and health outcomes is well established. Poor quality housing places inhabitants' health at risk. In the context of climate change, Victoria is likely to experience extreme temperatures. The impact of heat related illness and mortality is disproportionately felt by older people, children and those with chronic illness. Given the role the rental sector now plays in Australia's housing system, individuals and households with the markers of vulnerability are likely to be heavily concentrated in the low cost segment of the private rental market. Poor thermal performance places tenants at risk of illness and mortality in extreme weather. Social housing tenants should expect that the property they rent does not undermine their health.

²⁷ Sunday Herald Sun, 29 March 2009, Green Apartments Too Hot to Handle.

²⁸ See various local newspaper stories, eg Northcote Leader (2010) Plea from AMA Chief on free cooling, 22 January 2010.

The law regarding rental housing standards is complex and applies equally to social housing and private rental. The construction and thermal efficiency standards of new rental housing are governed by the Victorian Building Regulations and the Building Code of Australia. There are very few requirements on rental property that promote energy efficiency. While the Building Code of Australia (BCA) requires that all homes constructed after 1 July 2005 conform to a 5 star energy rating, the bulk of housing in the private rental market is not newly built, and there are no requirements around energy efficiency applicable. Properties in the rental market constructed before this date are not required to conform to any efficiency standards.

Research conducted on behalf of the Victorian Government by Ernst and Young indicated that there are no legal requirements for a number of basic dwelling standards such as heating and the provision of hot running water.²⁹ Housing (Standards of Habitation) Regulations that had governed the standard of all housing, including private rental dwellings, were allowed to lapse in the late 1990's.

Recommendation: Minimum rental housing standards.

20. The Victorian Government should institute legislated minimum standards to ensure rental properties are equipped with insulation, heating and hot water conforming to minimum energy efficiency standards and be furnished with window coverings to provide some level of insulation.

Importantly, instituting a minimum standard obligation for social housing providers will assist landlords establishing the cost of maintenance, repairs and renewal over the long term.

Recommendation: Office of Housing Retrofitting.

21. The office of housing should expand current efforts to retrofit poor quality stock and community housing providers should be provided with funding to support the retrofitting of their stock

Utilisation

The mismatch between the stock profile of public housing and the type of households on the waiting list is well documented. In particular a lot of the households who are in hardship in the private rental market and are unable to access home purchase are single-person households and single-parent households. Therefore, the social housing sector needs to develop a stock profile that is more focused down towards one and two-bedroom units rather than, at the other end of the spectrum, larger family homes.

²⁹ Ernst and Young (2007) Minimum Amenity Standards in Private Rental Accommodation, prepared for Department of Human Services.

There is some anecdotal evidence to suggest there are a significant number of older single person households living in properties which are now too large.³⁰ The TUV believes the Office of Housing requires a more subtle approach to addressing these instances of mismatched allocations.

Recommendation: Utilisation.

- 22. *The government should set stock profile targets to deliver more one and two-bedroom units.*
- 23. *Existing reallocation practice should be reviewed to ensure tenants over 65 year of age are not coerced into transferring to another property against their will.*

Public housing management

Targeting of public housing

Currently around 62,964 households live in public housing, while 370,000 households live in the private rental market in Victoria. Successive governments have not invested in public housing supply, simultaneously targeting the allocation of public housing to those applicants with complex needs. The consequences of these policy settings are varied.

Whilst the eligibility criteria for public housing are broad, policies relating to allocation often exclude households in need of this form of housing assistance unless they have multiple disadvantage. While targeting those households in ‘greatest need’ is a laudable and necessary objective, the practical outcome is that many households in significant need will miss out of this form of housing. The TUV assists a significant number of renters who have been on the waiting list for very long periods, despite facing great difficulties accessing or sustaining private rental accommodation and experiencing severe housing stress. Most recently, we provided assistance to a renter who has been on the wait turn list since 1996.

Office of Housing debt repayment requirements also often pose a barrier to allocation for some prospective public tenants. Increasingly, many of these individuals and households are forced in to the most marginal forms of private rental housing, including unregistered rooming houses and caravan parks.

Increased targeting has also contributed to the degradation of the sector’s income base and has jeopardised its long-term viability and potential for expansion. As a result, the financial position of public housing in Victoria remains precarious. While the growth strategy for community housing will provide additional dwellings, the sector is not sufficiently mature to provide

³⁰ These are commonly due to historical allocation to a family-sized home.

housing to meet the unmet supply for low rent housing. It should be noted the overall market share for public and community housing remains static and is yet to achieve similar levels to those of the 1980s. This emphasises the need to reform eligibility criteria.

Allocations and waiting lists

The separate waiting lists for public and community housing remains problematic. The TUV is concerned the remains a considerable lack of awareness and knowledge among applicants of the community housing and the distinction between community and public housing in terms of management and rent levels/model. We believe many eligible tenants make sub optimal decisions.

We also continue to receive reports from homelessness services that they remain unsuccessful in their attempt to secure housing association provided housing for their clients. We regard this as prima facie evidence of the rent model detracting from the effectiveness of the community housing sector to provide housing to those in greatest need.

We recommend a single entry point and waiting list as a preferable system. The waiting list and assessment processes developed under the Queensland Governments 'One Social Housing System' provide a suitable model. Key components:

- Single entry points for clients to access a range of housing assistance. Eligible clients can apply for all forms of social housing through one point of entry
- Single housing register replacing multiple waiting lists operated by housing providers
- Standard processes to assess clients' eligibility for a range of services

Recommendation: Waiting lists.

24. The Government should develop a common waiting list and entry point for community and public housing providers (as provided for in the National Affordable Housing Agreement by July 2011.

Current allocations policy places severe constraints on the capacity for eligible tenants to make choices about the housing they accept. The TUV believes the Office of Housing should allow applicants greater choice in regard to the location of their housing if the location is relevant to proximity to family and other support, or to maintain a child at a particular school. Furthermore, given many argue public housing poses a barrier to labour market participation, the Office of Housing should determine broad geographical areas for allocations according to the proximity of public transport links, job opportunities and other services

As part of the *Sustainable Communities: Homes for All* five-year housing plan, the UK Government is on track to implement choice based lettings on a national

basis by 2010. Basically, choice based letting (CBL) is an alternative to the current allocation practice of matching those on the waiting list to available properties as they become vacant.

Michael Newey, a key proponent of CBL, outlines the following key features of the system:

- Prioritisation of housing need based upon household circumstances
- Implementation of local letters policies within complex and high need communities to prevent ghettos of people with identical personal circumstances
- Prioritisation of households with local and regional connects through family circumstances and employment.³¹

In Victoria, CBL could allow those on the waiting list and internal transfers to apply for available vacancies which are publically advertised either in newspapers or the internet. Applicants can then assess the full range of available properties and can apply for any property they are eligible for. The vacant property would then be allocated to the applicant with the highest priority rating. Applicants would be provided with feedback to assist with future applications.³²

Newey cites the following benefits of CBL:

- Tenant choice over their neighbourhood and community
- Reduced void turnaround times
- Reduced refusals³³

Benefits of such an allocations practice would accrue to both tenants and authorities.

Recommendation: Allocations.

25. *The Government should introduce choice based lettings for community and public housing providers.*
26. *Social housing providers should allow applicants greater choice in regard to the location of their housing if the location is relevant to proximity to family and other support, or to maintain a child at a particular school.*
27. *Social housing providers should determine broad areas for allocations according to the proximity of public transport links, job opportunities and other services. New broadband areas should be introduced after consultation with local service providers to determine the location and accessibility of key services.*

³¹ Michael Newey (2009) Building on success. Observations on Victorian Community Housing at <http://www.broadlandhousing.org/files/BuildingOnSuccess.pdf> accessed 22 January 2010.

³² Further information is available at

<http://www.communities.gov.uk/housing/housingmanagementcare/choicebasedlettings/> accessed 22 January 2010.

³³ Newey (2009)p 11.

28. *Social housing providers should not allocate applicants who require mobility aids, housing in multi-level developments unless expressly requested by the applicant.*
29. *The Office of Housing debt repayment requirements for allocation should be reviewed to reduce access barriers, especially in cases where a debt derives from a bond loan.*
30. *The Office of Housing should abolish the policy of refusing to house applicants who have debts incurred outside the general statute of limitations (6 years).*

Measuring social housing performance

Currently, Victoria does not have a sophisticated methodology for measuring the performance of social housing. The Office of Housing reports some key performance elements publically, such as the waiting and transfer list data, however there is little data on the public record to gauge the performance of the Office of Housing. The Housing Registrar provides a greater level of detail on community housing providers, however significant progress is required particularly in relation to tenant outcome data.

The TUV considers the collection and reporting of data on housing management and tenant outcomes to be crucial to both assessing the performance of the social housing system and as a tool to manage the maturation of that sector. Given the community housing sector is in its infancy, good benchmarking from this point enables government and consumers to track the development of the sector, identify where it needs to improve and manage the maturation of the sector. Reporting also allows government to monitor its investment in community housing.

The United Kingdom Tenant Services Authority provides a key example of performance indicators as well as data collection and reporting. The TSA has recently established a quite fantastic resource providing comparisons of the tenant outcome and management indicators on a public website. It is envisaged that over time this will enable analysis of the strength and type of demand for social housing and allows assessment of how the stock is actually being managed.

Recommendation: Performance reporting.

31. *The Government should develop mandatory reporting system for social housing providers to monitor and report on tenant outcomes and satisfaction with their housing and any associated services provided.*
32. *The Government should develop key performance indicators including:*
- Housing management*
- *Void turnarounds*
 - *Repairs performance*
 - *Arrears performance*
 - *Overcrowding and occupancy*
 - *Dwelling-household profile*
 - *Tenant satisfaction with amenity, location and service.*
- Tenant outcomes*
- *Tenant profile changes, including labour market status, benefit receipt and educational attainment*
 - *Percentage of tenants existing to other tenures*
 - *Percentage of tenants entering community housing with indicators of high need*

Tenant participation

The TUV firmly believes both the Office of Housing and all community housing providers should offer a range of participatory mechanisms for their tenants. Public housing discourse over the past two decades has tended to view public tenants solely welfare recipients who should gratefully for the support the state provides them. While tenants should be recognised in policy and practice as the most important stakeholders, current practice focuses predominantly on asset management, anti-social behaviour and limited social inclusion initiatives.

In order for social housing to attain the potential non-housing benefits for tenants, it is essential for management authorities to allow tenants a strong influence over both the property they inhabit and the body that manages their property. There is considerable scope for improvement in this regard.

Housing associations and devolved public housing management structures provide the opportunity for developing genuine participation structures for tenants that move beyond the ‘committee model’ to a greater range of involvement. Housing managers should demonstrate effective involvement by tenants on three key levels:

- **Individual involvement:** including the opportunity to choose paint colours and floor coverings for the property;
- **Community involvement:** including the opportunity to participate in local projects initiated by, or in conjunction with, the housing association including employment projects, community arts projects, or other community development initiatives; and

- **Structural involvement:** including opportunities for tenants to participate in Boards and Board sub-committees of all forms of housing management bodies.

Recommendation: Tenant Participation.

33. *All providers, including Office of Housing should be required to demonstrate annually that tenants have been genuinely consulted on policy and procedure initiatives.*
34. *Boards of all housing associations and registered community providers should include a minimum number of tenant board members depending on the size of their portfolio.*

Regulating housing provision

The Office of Housing currently fulfils conflicting duties in policy development, housing and tenancy management and regulatory functions. The Housing Registrar is currently limited to the registration and regulation of ‘non-government rental housing agencies’.

The TUV believes a preferable model would be for the Office of Housing to become a policy development agency, with the management of public housing stock being devolved to autonomous regionally based management bodies (as detailed above in recommendations on growth/stock transfers).

We also believe the establishment of an independent housing ombudsman to be the more effective means to regulate and monitor all rental housing in Victoria. This would provide residential tenants with a body which receives, investigates and facilitates the resolution of complaints about landlords, regardless of ownership or tenure. Importantly this would provide a means to resolve non-legislative complaints made by social housing tenants – no such process currently exists.

Recommendation: Housing regulation.

35. *An independent housing ombudsman should be established to regulate and monitor the provision of public, social and private rental housing in Victoria. The Office of Housing, real estate agents, community housing providers and private landlords should be accountable to this body.*
36. *The Victorian Government should establish independent and transparent dispute resolution processes for non-legislative complaints made by social housing tenants.*
37. *Tenants of housing association properties should have the right to refer matters and complaints to the Housing Registrar or the proposed Housing Ombudsman.*

38. *The Housing Registrar, or the proposed Housing Ombudsman, should hold the 'best interests of tenants' as the most important principle in the decision making process.*
39. *The Victorian Government should amend the Housing Act 1983 to provide tenants with the right to apply for review of the Housing Registrar's decision*
40. *The Victorian Government should amend the Housing Act 1983 to subject housing associations that do not comply with s. 95 of that Act to a process of enforced compliance and to significant financial penalties.*
41. *The Victorian Government should amend the Housing Act 1983 to expressly permit tenant advocates to represent tenants unable or afraid to act on their own.*

Improving social housing management

Social housing management practices should provide both appropriate consumer protection and adequate support to tenants with diverse needs. Social tenants have a moral right to expect proper treatment and respect for their rights as consumers. The current lack of guidance for management practices often results in social tenants being treated as if they should be grateful for the assistance provided to them, regardless of the quality of the service.

Recommendation: Social housing management practice.

42. *Social housing providers should forge stronger links with other support agencies, including Department of Health and Safety agencies such as Child Protection and Disability Services through the establishment of formal referral protocols.*
43. *Social housing providers should establish formal referral protocols for the management of the ongoing support needs of particular tenants.*
44. *Social housing providers should undertake cross-cultural awareness training to ensure that particularly vulnerable classes of tenant are treated respectfully and are not subject to discrimination.*
45. *Social housing providers should undertake comprehensive and continuing training, particularly in regard to the management high-needs tenants who are now the target of allocations policies.*

Office of Housing policy requires significant improvement, particularly in relation to managing disputes and the objective of sustaining tenancies.

Recommendation: Office of Housing Management practices.

46. *The Office of Housing should enshrine the long-term maintenance of tenancies for low-income or otherwise disadvantaged households as the guiding principle of social housing policy and procedure.*

47. *The Office of Housing policies and procedures should be comprehensively reviewed to improve tenant outcomes.*
48. *The Office of Housing dispute resolution policies and procedures should be improved to ensure equity and consistency in decision-making.*
49. *The Office of Housing should ensure that its policies and procedures in regard to arrears and evictions operate equitably and be consistent with the overriding principle of sustaining tenancies.*
50. *The Office of Housing policy and procedure should make it clear that eviction should only occur in certain defined circumstances, and that it should not be used as a threat by housing services officers*

Conclusion

This submission has addressed the current challenges faced by social housing and made recommendations for the future of housing policy in Victoria. It is likely that the social housing system is likely to remain highly constrained without the broad based political support required to deliver significant ongoing investment in new stock. The private rental market will also continue to accommodate the overwhelming majority of low income households. Future housing policy in Victoria must be developed to ensure low income households are able to secure affordable housing in the market. The challenge for Victoria is to work with other levels of government to develop and implement an integrated plan for our housing sector which ensures the long term supply of affordable, appropriate and accessible housing options across the tenure spectrum.

Summary of recommendations

Recommendation: Removing work disincentives.

1. *The Office of Housing should ensure that eligibility reviews do not function as a disincentive for people to seek employment.*
2. *The Commonwealth and Victorian governments should review rent-setting structures in public housing to ensure that they do not function to trap people in poverty by removing any financial gain from income earned from employment.*

Recommendation: Residential Tenancies Databases:

3. *The Victorian government seek the prompt passage of Victorian legislation once in-principle agreement has been reached on the model provisions by the Ministerial Council on Consumer Affairs.*

Recommendation: Rent increases.

4. *The Victorian Government restrict rent increases to one every 12 months, extending notice periods and empowering VCAT to consider hardship in considering rent increases.*
5. *The Victorian Government monitor rents, rent increases and associated charges in non-mainstream forms of accommodation (such as caravan parks, rooming houses etc) to capture accurate data about rent levels in these sub-markets. Such data could be considered by VCAT when reviewing proposed rent increases.*

Recommendation: Indicators of demand.

6. *The Commonwealth and Victorian governments should undertake more research and analysis of current and future demand for public and social housing, so that investment in the creation, maintenance and conversion of stock can be better targeted to need.*

Recommendations: Long term investment.

7. *The Victorian Government should develop a state housing plan, consistent with the direction of national housing policy, which should be developed by the Victorian Government in consultation with key stakeholders in the housing and community sector. This plan should address all tenures and life stages with a particular focus on delivery of affordable and appropriate housing for low income and other marginalised groups.*
8. *The Victorian government should increase financing for social housing so that the sector can meet the real demand in Victoria. The TUV recommends the development of a ten year investment strategy designed to expand the overall stock of social housing, including an annual capital expenditure of \$500 million.*
9. *As an interim measure, Victorian governments should increase the supply of social housing in Victoria to match the national average by 2030.*
10. *All levels of government should implement policies encouraging private investment in the development and administration of social housing.*

11. *All levels of government should encourage appropriate partnerships with the private sector to provide social housing.*
12. *The Victorian Government should invest in more one-bedroom stock, given that it is likely that there will be increased demand for housing assistance by single person households in the future.*
13. *The Victorian Government should address the lack of appropriately sized stock for large families (often recently arrived migrant families) to reduce inappropriate allocations and subsequent transfer activity.*

Recommendation: Stock transfers.

14. *The Victorian Government should develop a stock transfer program with the target of transferring 30,000 properties to housing associations by 2020.*
15. *The Office of Housing should develop an autonomous regionally based management model.*

Recommendation: Planning.

16. *The Victorian Government should amend the Planning and Environment Act 1987 to include an objective to promote and retain affordable housing.*
17. *The Victorian Government should amend the planning system to provide for the creation AND retention of low-cost housing as a guiding principle. Such amendment should include both the individual and the cumulative effect of development on affordable housing supply.*
18. *The Victorian Government should amend the planning system to establish Inclusionary Zoning for affordable housing to be implemented by all local government authorities. As an interim measure, local governments should be empowered by the Minister for Planning to develop local inclusionary zoning policies in their planning schemes.*
19. *All local governments should have the option of imposing development levies to be used for the construction or purchase of affordable housing for all residential developments and any other development that results in a loss of low-cost housing.*

Recommendation: Minimum rental housing standards.

20. *The Victorian Government should institute legislated minimum standards to ensure rental properties are equipped with insulation, heating and hot water conforming to minimum energy efficiency standards and be furnished with window coverings to provide some level of insulation.*

Recommendation: Office of Housing Retrofitting.

21. *The office of housing should expand current efforts to retrofit poor quality stock and community housing providers should be provided with funding to support the retrofitting of their stock*

Recommendation: Utilisation.

22. *The government should set stock profile targets to deliver more one and two-bedroom units.*

23. *Existing reallocation practice should be reviewed to ensure tenants over 65 year of age are not coerced into transferring to another property against their will.*

Recommendation: Waiting lists.

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Recommendation: Allocations.

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29. *The Office of Housing debt repayment requirements for allocation should be reviewed to reduce access barriers, especially in cases where a debt derives from a bond loan.*
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