

24 February 2006

The Committee Manager
Public Bodies Review Committee
Parliament House
Macquarie Street
SYDNEY 2000

Dear Ms Watson

Thank you for your invitation to provide comments to the Inquiry being conducted by the Public Bodies Review Committee into the Allocation of Social Housing.

The key point we wish to impress upon the Committee is that policy dilemmas surrounding allocation systems cannot be disconnected from the funding situation the Department finds itself in. The current crisis of ageing and poorly maintained stock, repeated large operating deficits and lack of capital funding for new stock creates the situation in which the government is forced into choosing between poor policy options. There can be no real solution without additional funding.

Our recommendations are explained in detail below. Here is a summary:

1. Develop a sustainable financial plan for the Department of Housing, which takes account of the trend towards increasing operating losses and the likely deterioration in overall rents received as a result of the Reshaping Public Housing Reforms.
2. Develop targets for a meaningful increase in social housing stock for the next ten years in order to serve the increasing numbers of people in need and maintain a diverse social mix.
3. Make a significant upgrade to the Commonwealth-State Housing Agreement a public priority for the NSW Government in COAG negotiations.
4. Reverse the changes to eligibility criteria in the Reshaping Public Housing reforms.
If this is not possible, define separate eligibility criteria for public housing estates and other public housing. For estates, reverse the recent changes so that some element of social mix is still possible in areas where concentrated disadvantage is a significant problem.
5. Ensure that community housing associations are able to determine their own eligibility criteria, independent of the public housing eligibility tests.
6. Discontinue the planned policy of creating short-term leases.

Yours sincerely



REV. HARRY J. HERBERT
Executive Director

About UnitingCare NSW.ACT

UnitingCare NSW.ACT is the peak body for all community services, chaplaincy, and social justice and advocacy activities of the Uniting Church in the New South Wales Synod. It also has a large group of human services under its own management, with a turnover of \$350 million per annum. UnitingCare NSW.ACT is one of the Boards within the New South Wales Synod and is part of the national network of UnitingCare Australia.

Our view of social justice is guided by the Christian scriptures, theological reflection, insights of social, political and economic analysis, the statements of the NSW Synod and National Assembly, and our encounters with people and their life experiences in our work. In our policy submissions we seek to provide a voice for those people experiencing disadvantage and marginalisation in the community.

Through major agencies such as UnitingCare Burnside and Wesley Mission, as well as services such as the Western Sydney Tenancy Service (WESTS) and church congregations in public housing estates, the Uniting Church has extensive contact and service provision experience with people living in social housing. This submission is specifically informed by a consultation held with service providers and ministers which considered each of the questions before the Committee, as well as broader policy research.

In deliberations on housing policy, UnitingCare NSW.ACT is guided by Article 11 of the International Covenant on Economic, Social and Cultural Rights, which states that everyone has the right adequate housing in order to live in peace, security and dignity, irrespective of income or access to economic resources.

1. Current levels of funding for the development of new stock

The financial situation faced by the Department of Housing is stark. In 2004/05 the Department of Housing made an operating loss of \$79 million, or approximately \$541 per dwelling, after receiving nearly \$400 million in combined Commonwealth-State funding under the CHSA. This loss is part of a trend of deteriorating financial performance over the last fifteen years, from a time in which the Department's finances were sustainable under the funding arrangements made in the CHSA and the rents received.

The main drivers of the change from regular operating profits in the 90s are

- increased numbers of rebated tenants leading to reduced rental income
- increased salary costs due to greater client needs associated with tighter targeting
- increased maintenance costs and depreciation associated with ageing stock and maintenance backlogs.

The first two of these drivers are tied to the current allocations policy that emphasises strict targeting, which will be further tightened under the recent Reshaping Public Housing reforms. Increased targeting will mean even more people receiving rebated rents and requiring greater service assistance, further continuing the downward financial trend.

To address this, the Reshaping Public Housing reforms include income generators involving increased cost sharing by tenants the Department has allocated properties to on the basis of significant financial hardship. These measures include water charges for existing tenants, higher rent for so-called moderate income

tenants, increased claw-back of family payments and more frequent adjustment of market rents. These reforms are listed as generating an additional \$64 million per year in revenue, meaning there will continue to be yearly operating losses. If the Government insists on running such a tightly targeted allocations policy, it must increase its financial commitment to the Department in order to keep it viable.

In a Budget briefing to peak housing NGOs on 24 May 2005, the Department of Housing indicated it had no plans for increasing the total supply of social housing over the next ten years. Given its financial situation, we fear the opposite is likely to happen unless there is a significant commitment to social housing on the part of the NSW and/or Commonwealth Government. Without increased funding, the only option available to the Department is to sell off its assets, which is neither sustainable nor in keeping with its basic reason for existence.

All of this is happening while the NSW population continues to grow and in particular the number of people needing housing support grows. The waiting list itself has shrunk by 25% in the last five years due to changes in eligibility criteria rather than improved conditions among low-income and at-risk households. Even so, over 69,000 people were waiting to be allocated a dwelling at the end of 2005. Our service providers told of people waiting over ten years to be offered a home.

We acknowledge a large part of the funding shortfall lies with the Commonwealth. Nevertheless, there are ways the NSW Government could improve the funding base for social housing, such as by linking housing and land taxes to social housing investment. In this context we welcome the commitment to address the \$650 million maintenance backlog in the 'Reshaping' plan and will be watching the 2006-07 Budget with interest to see this made concrete.

We support the NCOSS 2006 pre-budget submission, which proposes a commitment to increase social housing stock by 3000 dwellings per annum for a number of years, at an estimated cost of \$420 million. Increasing the number of dwellings will enable the Department to widen the eligibility criteria again to include low-income households in serious housing stress, with the effect of increasing the social mix of social housing tenants.

Recommendations

1. Develop a sustainable financial plan for the Department of Housing which takes account of the trend towards increasing operating losses and the likely deterioration in rents received as a result of the Reshaping Public Housing Reforms.
2. Develop targets for a meaningful increase in social housing stock for the next ten years in order to serve the increasing numbers of people in need and maintain a diverse social mix.
3. Make a significant upgrade to the Commonwealth-State Housing Agreement a public priority for the NSW Government in COAG negotiations.

2. The effectiveness and appropriateness of housing allocations

Allocation systems are the basic policy settings in the social housing system. They determine who can apply, whether and to what extent a priority system is in place for applicants in greatest need, and how suitable dwellings are match to applicants. But as we have already noted, allocation systems also impact on other questions, including funding and capacity for capital works. Allocation systems also affect communities because they determine the social mix of people in social housing, with particular consequences in public housing estates.

Over the last twenty years, there has been a consistent trend throughout Australia towards ever tighter eligibility criteria. This has been a management and political response to a number of factors, including: increasing waiting lists and greater diversity of need; a decline in real funding and a static social housing stock; a reduction in the number of units available for allocations; the need to provide exit points for people in various forms of emergency, temporary and transitional housing; and governments' requirements for accountability in terms of who is being housed for the social housing dollar.¹

The NSW Government, after the introduction of the 'Reshaping' reforms, has a highly targeted eligibility criteria for public housing applicants, under the banners of 'income' and 'need'. The income test is simply a maximum amount of gross income that can be earned by a household in order to be eligible. In March 2005 this ranged from \$395/week for a single person household to \$775/week for a 6-person household, representing one of the more stringent income tests in the nation.² These figures have not changed in over a decade, with the effect of decreasing the limits in real terms as a way of continually tightening the eligibility criteria.

The recent reforms added 'social needs' criteria which appear to roughly correspond to previous definitions of 'special needs' and 'greatest need' priority applicants. That is, only applicants who previously met the 'priority access' criteria are able to even apply for social housing. This is one way to dramatically reduce the waiting list, but it is not a way we support. Simply changing the goalposts to make the figures look better will not change the underlying fact that thousands of low-income households desperately need housing assistance but are not able to get it.

The changes to eligibility criteria will also change the social mix of tenants into the future. Already 91% of new tenants receive Centrelink benefits as their primary source of income.³ This figure will naturally increase under these changes. We have already referred to the financial implications of this in terms of threatening the sustainability of the social housing system. Another impact that greatly concerns us is their effects on the communities in which tenants find themselves.

Allocation systems are not abstract: they are about real people, with real life problems, hopes, dreams and opportunities. An allocation policy which places only people facing chronic, multiple disadvantage into public housing estates (i.e. where more than 75% of housing in an area is public housing) concentrates disadvantage locationally.

¹ Hulse, K & Burke, T. 'The Changing Role of Allocation Systems in Social Housing', AHURI, Melbourne, March 2005, page 1

² Department of Housing, 'Policy ALL0030A: Eligibility for public housing', August 2004

³ Department of Housing, *Annual Report 2004-05*, 2005, p21

It is now recognised by both the government and non-government sector that concentrated disadvantage is both the most destructive and the hardest to resolve, and often leads to the breakdown of social cohesion within the local community. The redevelopment of certain public housing estates to increase the social mix, which we support, is in part a recognition of the problems of concentrated disadvantage.

However, the new allocations policy runs counter to this wisdom. It means that people assisted into housing are being placed into unsustainable communities, which is to say the very assistance has the potential to create other problems for people already facing significant hardship. NCOSS is correct to refer to these alternate policies demonstrating an incoherent vision on the part of the NSW Government.⁴

We support the government's desire to ensure it is assisting those most in need in its allocations policy. However, as just discussed, in the context of public housing estates this policy does not necessarily lead to the best outcomes for these people. In dwellings which are located in a 'salt and pepper' configuration in the broader community, the social mix is already present and thus tight targeting is not inappropriate.

Specific concerns raised in our consultation with service providers and ministers

Our consultation with service providers and ministers who work in disadvantaged communities, including public housing estates, generated much discussion around specific concerns with the allocation system.

The first and primary concern was that the government must accept that increased targeting of eligible tenants will necessarily create greater demands on human services (government and non-government), especially in public housing estates. These additional services must be adequately funded as part of the process. To this end, they welcomed the commitment to the Housing and Human Services Accords, which we understand are still being drafted, as a sign that the Department of Housing is taking this issue seriously.

Another key concern is the introduction of short-term leases under the Reshaping Public Housing reforms. Short-term leases create a disincentive to maintain, beautify and generally invest in and connect with the community. They also form a strong disincentive for people to take on paid employment by creating extremely high effective marginal tax rates – with the loss of tenancy, this could indeed be over 100%. The effect of these disincentives will be to trap families in a cycle of poverty and increase problems of dislocation and community breakdown – thus contradicting the government's own strategic priority of creating sustainable 'living communities'.

It also appears that the new leasing arrangements are being applied to existing tenants who transfer to a new property. This leads to people being afraid to request transfers despite safety and medical concerns, and affects the Department's capacity to keep people in appropriate housing, another of its priorities in its allocation policy.

⁴ NCOSS, *Closing the Gap*, pre-budget submission to the NSW Government, 2006, p55

In short, there does not seem to have been serious consideration of the effect of these changes on tenants, leading to a situation which may undermine the initial intent of the reforms. Policies can often look sensible on paper until they intersect with the real world. In this context, it would have been far preferable if the Department had consulted with the non-government sector before finalising its Reshaping Public Housing reforms.

Some other concerns were also raised, including continuing complaints about families being allocated inappropriate dwellings, leading to problems such as overcrowding and access difficulties for mobility-impaired tenants.

This is coupled with an allocation policy in which applicants may only refuse one property without jeopardising their place on the waiting list. We appreciate that departmental staff have a difficult task with matching appropriate dwelling and generally do this very well, but this is an ongoing problem that requires regular monitoring.

Lastly, concern was expressed that community housing may be forced to adopt the restricted eligibility criteria of public housing. It was strongly felt that this would be a poor policy decision if it were to happen, as it would restrict the community housing sector's ability to meet diverse client needs, restrict the social mix of community housing tenants, and undermine the financial viability of community housing associations.

Recommendations

The Department of Housing needs a coherent social housing strategy in which its allocations policy and community development strategies do not contradict each other. To achieve this, we recommend the Department

4. Reverse the changes to eligibility criteria in the Reshaping Public Housing reforms.
If this is not possible, define separate eligibility criteria for public housing estates and other public housing. For estates, reverse the recent changes so that some element of social mix is still possible in areas where concentrated disadvantage is a significant problem.
5. Ensure that community housing associations are able to determine their own eligibility criteria, independent of the public housing eligibility tests.
6. Discontinue the planned policy of creating short-term leases of less than ten years.

3. The role of community housing in meeting the demand for social housing

Community housing represents a small but growing part of the social housing system. According to the Department of Housing, community housing represents just over 9% of social housing (13,665 dwellings) in NSW and involves the work of over 400 not-for-profit organisations.⁵

Community housing is provided by housing associations, cooperatives, charities, churches and other community groups, and covers situations ranging from tenancies that are almost identical to public housing, through Aboriginal housing, to crisis accommodation. These organisations are overseen and (partly or fully) funded by the Office of Community Housing within the Department of Housing.

Feedback from our service providers suggests that community housing has a very important place in the social housing system. Community housing associations were identified as being highly responsive to local needs, and the diversity of allocation policies and organisational models is able to meet the diverse needs of tenants. Community housing is especially appropriate for people who are unable to be satisfactorily accommodated by the largely 'one size fits all' model the public housing system necessarily operates under. For this reason, we support the continuation and even expansion of community housing within the social housing system, while recognising that public housing should remain the primary setting within which the government delivers housing assistance.

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⁵ Department of Housing, *Annual Report 2004-05*, 2005, p19