

Review of Rent Models for Social and Affordable Housing

NCOSS Submission to IPART

December 2016

About NCOSS

The NSW Council of Social Service (NCOSS) works with and for people experiencing poverty and disadvantage to see positive change in our communities.

When rates of poverty and inequality are low, everyone in NSW benefits. With 80 years of knowledge and experience informing our vision, NCOSS is uniquely placed to bring together civil society to work with government and business to ensure communities in NSW are strong for everyone.

As the peak body for health and community services in NSW we support the sector to deliver innovative services that grow and evolve as needs and circumstances evolve.

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Executive summary:

This submission responds to the Independent Pricing and Regulatory Tribunal (IPART) review of rent models for social and affordable housing in NSW.

NCOSS strongly believes that the fundamental problem with our social housing system is the long-term erosion of funding for social housing and the gap between demand for social and affordable housing and its supply. Rent reform will not compensate for this erosion nor bridge the gap between supply and demand.

Most of the issues posed in the IPART Issues Paper cannot be fully considered without access to robust modelling, however NCOSS has provided some general comments and welcomes the opportunity to participate in further consultation as the details of rent model options are developed.

In summary our key comments are:

- We welcome a recognition in a future social housing rent model that some people will need long-term social housing.
- We believe an effective homelessness service system responds to diverse needs through person-centred responses and by having a range of housing and support options available to meet different needs.
- We welcome the approach of having transparent assessment criteria and broadly support most of those proposed by IPART. While we acknowledge the social housing system challenges related to financial sustainability and increasing demand, we don't believe these can be addressed through a rent model framework
- NCOSS is concerned about any further rationing of social housing eligibility and prioritisation. Instead, we support investment in more housing assistance options to better tailor assistance to need.
- NCOSS believes that for people living in poverty, income-based models are the most likely to deliver housing affordability with the residual income model appearing to be most promising but not without risks such as intrusiveness on clients and the administration burden on providers.
- The review should also consider interrelated legislative and policy change, such as the Residential Tenancies Act 2010 reviews and the proposed Social Housing Rental Bonds.
- The review timeframe and process does not adequately reflect its complexity.

NCOSS recommends:

1. That IPART consider recent advocacy by NCOSS to increase investment in social and affordable housing and as outlined in the [Investing in Communities: NCOSS 2017/18 Pre-](#)

[Budget Submission](#); [NCOSS submission on Foundations for Change, Homelessness in NSW](#); [SAHF Readiness Program proposal: producing social and affordable housing for and with Aboriginal People](#); and [Social and Affordable Housing Fund: Phase 2 NCOSS Positioning Paper](#). We also recommend considering the strategic policy and funding role of the Commonwealth Government (refer to recommendation 3).

2. That a strengths and person-centred approach to eligibility, prioritisation and tenure review is applied building on people's abilities, aspirations and potential. This includes preparing people to transition to private market housing and supporting them to access education, training, employment and support services.
3. That stronger housing and homelessness strategic policy, and funding certainty and stability is provided by the Commonwealth Government.
4. A holistic approach to increasing workforce participation of social housing tenants linking housing assistance to support, training, mentoring and other assistance to find and keep employment.
5. Models where tenants who exit social housing due to improved income can have a right of return within an agreed period (eg. 2-3 years) if their economic circumstances deteriorate.
6. That IPART identify the system level subsidy required to meet the shortfall between rent revenue and the operational, delivery and maintenance cost of social housing.
7. That IPART review the 30:40 affordability rule in relation to its impact on the lowest income households.
8. That IPART review the impact of rent model options on social mix.
9. That IPART consult with Aboriginal tenants, Aboriginal housing providers and other organisations working with Aboriginal tenants and people in housing stress.
10. Broadening the housing assistance offer to provide more choice along a continuum of housing need.
11. That tenure reviews consider the security of a tenant's income and the availability and affordability of alternative housing in the private market.
12. That transfer policies also consider tenant choice, connection to community and access to family and other support services.
13. That review of tenant circumstances enable identification of tenants who are having difficulties to sustain their tenancies and may be at risk of eviction and refer these tenants to supports to prevent eviction.
14. That the social housing system continues to recognise the diversity of need within one cohort of clients. We propose continuing to offer a suite of products and services for specific cohorts including survivors of domestic and family violence and young people; and expand this 'suite' approach to other cohorts.
15. That rent model options be informed by modelling and analysis on the impact of each model on current groups of tenants, applicants and people who may require social housing in the future.

16. That rent models continue to exempt allowances such as the pension supplement, clean energy supplement and other allowances provided to people with a disability, war veterans, and foster carers from assessable income.
17. That rent models retain the current concessions that apply to Family Tax Benefits Part A and B (which is assessed at 15%).
18. That rent models continue to apply the current concession to assessable income for young people 18-10 years of age.
19. That rent models continue to promote social mix by not considering 'location' as an additional amenity.
20. That the review of the Residential Tenancies Act 2010, increase protection for tenants in the private rental market.
21. That Social Housing Rental Bonds are put on hold until a decision on future rent levels is made.
22. That the timeframe for this review is extended to allow modelling, active consultation with peak bodies and tenants and applicants.
23. That the review is staged with a focus on eligibility and prioritisation first, followed by rent models.
24. That a specific and tailored consultation process is conducted with Aboriginal organisations and tenants.
25. That a panel of experts is established to provide advice and inform the review.

Introduction

NCOSS welcomes the opportunity to provide input into the Independent Pricing and Regulatory Tribunal's (IPART) Issue Paper on the Review of Rent Models for Social and Affordable Housing. The purpose, methodology, issues and preliminary rent model option are discussed in the *Review of rent models for social and affordable housing - Issues Paper* released in November 2016.

NCOSS advocates for a fair and equitable housing system where low income families and individuals have access to safe, secure and affordable housing. As an organisation representing the interests of people experiencing poverty in NSW, NCOSS is particularly focused in this submission on improving access to safe and affordable housing to vulnerable families and individuals. We therefore welcome the aim of the Review to ensure the housing assistance is affordable and easy to understand for clients, and allocations of assistance are needs-based, efficient and equitable.

Some of our members, including tenant, housing and homelessness peak bodies, will be making their own submissions to IPART on this review. We have collaborated in the preparation of our individual responses and share issues and concerns and in some cases have made similar recommendations.

Supply is the underlying problem

NCOSS recommends:

1. that IPART consider recent advocacy by NCOSS to increase investment in social and affordable housing and as outlined in the [Investing in Communities: NCOSS 2017/18 Pre-Budget Submission](#); [NCOSS submission on Foundations for Change, Homelessness in NSW; SAHF Readiness Program proposal: producing social and affordable housing for and with Aboriginal People](#); and [Social and Affordable Housing Fund: Phase 2 NCOSS Positioning Paper](#). We also recommend considering the strategic policy and funding role of the Commonwealth Government (refer to recommendation 3).

More than 28,000 people reported as being homeless in NSW on census night in 2011 and there are now about 60,000 people waiting for social housing. In 2015/16 almost 70,000 people in NSW were assisted by Specialist Homelessness Services (SHS)¹ because they were homeless or at risk of

¹ Australian Institute of Health and Welfare (2016), *Specialist Homelessness Services 2015-16*, NSW Supplementary tables, Table 1 and Table 13 accessed on 15 December 2016 at <http://www.aihw.gov.au/homelessness/specialist-homelessness-services-2015-16/supplementary-tables/>

homelessness. This is an increase from 52,000 in 2012/13. Of those who sought help from SHS, 65.6% said the reason for their homelessness or risk of homelessness was the need for accommodation. This included people in housing crisis, people in inadequate or inappropriate dwelling condition and due to their previous accommodation ending.

On the supply side, social housing as a proportion of all housing in NSW and Australia is only about 4.5%. This is very small when compared to some European countries where social rental as a proportion of all housing is significantly higher for example, 35% in the Netherlands, 25% in Austria, 21% in Denmark, 20% in Sweden, 18% in England and 17% in France.²

Furthermore, the development of new social housing in Australia has been steadily falling since 1970. While there have been fluctuations with a spike in 2010 due to the Nation Building stimulus package, the annual public sector dwelling commencements in Australia has fallen from about 17,000 in 1970 to just over 4000 in 2011.³

The gap between social housing supply and demand has resulted in a highly rationed system with very few people housed who would be classified as having 'opportunity' to transition out of social housing to the private market. In 2014/15 of the 6,864 new households housed in Public and Aboriginal Housing, only 200 had a household head with wages as their main source of income⁴.

At the same time, housing affordability in NSW continues to worsen creating a high proportion of private renters classified as in housing stress. Sydney and regional NSW are now the least affordable metropolitan and regional areas in Australia. In NSW, 43.3% of low-income households are in rental stress (where rent accounts for 30% or more of a low-income household's expenses). The situation is even worse in Sydney where 54.4% of low-income households are in rental stress, and 50.4% of households receiving Commonwealth Rent Assistance (CRA) continue to experience rental stress despite this assistance⁵.

Given the current housing affordability crisis and the gap between social and affordable housing supply and demand, it is no surprise that housing and homelessness consistently ranked as the number one priority through our pre-budget submission consultations. We heard about barriers people face when accessing social and private housing. We also heard concerns about additional barriers to securing affordable housing faced by Aboriginal people, young people, women and children escaping DV, people with disability, older women, people from culturally and linguistically diverse backgrounds, and people in the western regions of NSW. Without access to safe and

² Whitehead, C., Scanlon, K., (2007), *Social Housing in Europe*, LSE London, London School of Economics and Political Science, p9.

³ Groenhart, L. and Burke, T. (2014) *Thirty years of public housing supply and consumption: 1981-2011*, Final Report No.231. Melbourne: Australia Housing and Urban Research Institute, p13.

⁴ FACS Statistics, *Households housed in Public and Aboriginal Housing by main source of income for household head during the year*, data is for 2014/15 accessed at: <https://www.facs.nsw.gov.au/facs-statistics/objective-3> on 12 December 2016.

⁵ SCRGSP (Steering Committee for the Review of Government Service Provision), *Report on Government Services 2016*, vol. G, Housing and Homelessness, Productivity Commission, Canberra, Table GA.29, p1.

affordable housing, service providers struggle to support their clients to access health, education and employment.

With this backdrop, social housing rent reform alone cannot ensure housing assistance is affordable, needs-based and equitable. Inequities between social and private renters need to be addressed by increasing access to affordable housing for private renters in housing stress, rather than increasing the cost of social housing.

The unmet social housing need and the number of low income social housing renters in housing stress is too great to be addressed without a significant additional investment in social and affordable housing and in private rent assistance, as well as an increase in the level of Commonwealth Rent Assistance.

Additional revenue and vacancies that may be generated through rent reform are likely to be too small to make any meaningful difference to bridging the gap between social and affordable housing supply and demand.

NCOSS acknowledges NSW Government efforts to transform the current social housing system to break the cycle of disadvantage as articulated in its recent housing strategy: Future Directions for Social Housing in NSW. This Strategy tackles social and affordable housing through several integrated actions including this rent reform, the Social and Affordable Housing Fund (SAHF) and expanding the community housing sector through more property management transfers. NCOSS has previously proposed several measures to increase the supply of affordable housing, particularly expanding the SAHF to enable an additional 5000 affordable housing dwellings, investing in capacity building to increase participation of Aboriginal organisations in future development partnerships and more widely implementing inclusionary zoning⁶. We recommend that these are implemented.

Definition of tenant cohorts

NCOSS Recommends:

2. a strengths and person-centred approach to eligibility, prioritisation and tenure review is applied building on people's abilities, aspirations and potential (this includes preparing people to transition to private market housing and supporting them to access education, training, employment and support services).

⁶ These are outlined in NCOSS 2017/18 Pre-Budget Submission, November 2016; NCOSS submission on Foundations for Change, Homelessness in NSW, November 2016, SAHF Readiness Program: producing social and affordable housing for and with Aboriginal People and Social and Affordable Housing Fund: Phase 2 NCOSS Positioning Paper.

The IPART Issues Paper defines a ‘safety net group’ as people who require support for an extended period (for example, the elderly, people with disability or severe and chronic mental illness, carers with long-term caring responsibilities). It defines an ‘opportunity group’ as people who can be helped to become more independent so they no longer require social housing and government assistance (for example, families with children, young people and job seekers).

We welcome a system that identifies, supports and prepares people to transition to private market housing if they can afford it and can access the support they need to sustain it.

NCOSS supports a needs-based approach to housing tenure but we caution against generalisations about housing need based on belonging to one of two cohorts. We advocate for a needs-based approach considering characteristics such as income, safety, support needs and ability to meet housing need in the private market. We also believe the aspirations and choices of people should be paramount in decisions about the type of housing assistance provided. For example, a person may be classified outside the ‘opportunity’ group but may prefer not to live in social housing and instead be supported to access and sustain private rental.

NCOSS is concerned about the ‘deficit’ connotations of the proposed ‘safety net’ and ‘opportunity’ groups. We advocate for a strengths based approach that builds on everyone’s abilities and strengthens and allows people choice to decide if they are ready and willing to participate in the labour market rather than labeling particular group as permanently outside the labour market. For example, people with a disability have varying degrees of abilities and potential for workforce participation.

NCOSS recommends that in defining cohorts for the purpose of social housing eligibility, prioritisation and rent models, a strengths and person-centered approach is applied to identify people with potential and aspirations to transition to private market housing. This approach should be combined with access to affordable housing solutions, programs to help connect people to education, training, employment and support services.

In our submission to FACS on Foundations for Change - Homelessness in NSW Discussion Paper, we referred to a matrix developed by the Calgary Homeless Foundation in Canada⁷ which provides one lens for understanding the different levels of homelessness need. This approach recognises that some people will require long-term and maybe permanent housing assistance and support, while others will need shorter-term or less intensive interventions. Assessment criteria in this model focus on whether need is less acute or more acute and whether it is transitional or chronic.

⁷ Calgary Homeless Foundation (2015), Calgary’s Updated Plan to End Homelessness: People First in Housing First.

Issues relevant to eligibility criteria and rent setting

NCOSS recommends:

3. that stronger housing and homelessness strategic policy, and funding certainty and stability is provided by the Commonwealth Government;
4. a holistic approach to increasing workforce participation of social housing tenants linking housing assistance to support, training, mentoring and other assistance to find and keep employment; and
5. models where tenants who exit social housing due to improved income can have a right of return within an agreed period (eg. 2-3 years) if their economic circumstances deteriorate.

The IPART Issues Paper discussed several issues relevant to eligibility, prioritisation and rent setting. These include:

- considering the people who need housing assistance;
- the issues with the current social and affordable housing system;
- incentives for workforce participation;
- inequities in the current system;
- imbalance in demand for and supply of social housing;
- gap between social and affordable housing and private rental market;
- financial sustainability of the social housing system; and
- Commonwealth-State roles and responsibilities.

The system has already become highly rationed due to lack of adequate social and affordable housing supply. Change to eligibility criteria and rental models without additional supply would risk further rationing the system resulting in many more people in housing stress unable to access social and affordable housing.

Workforce participation

NCOSS supports building workforce participation incentives in the social housing system, but agree with the Productivity Commission and National Shelter who made similar conclusions that it's the characteristics of individuals and not the social housing assistance that matter to participation in employment⁸.

⁸ IPART (2016), Review of rent models for social and affordable housing, Issues Paper, p24.

According to a recent Australasian Housing and Urban Research Institute (AHURI) report, ‘programs which focus on demand are less effective if they do not attend to the often complex reasons for a person’s long-term unemployment and social exclusion’⁹ The report sighted an example of a Dutch programs which intended to create vacancies in housing associations by introducing rent increases for middle-income social housing tenants to move out of social housing were undermined by the lack of affordable housing options in the private sector and inadvertently risked stigmatising those households who remain¹⁰.

A holistic approach to increasing workforce participation of social housing tenants is needed. This would link housing assistance to support, training, mentoring and other assistance to find and keep employment. A holistic approach would also work at the individual and system level to address other barriers to employment such as discrimination and access to transport. Initiatives such as the *Start Work Bonus* are also important as they assist tenants to become established at work and adjust their budget before rent is increased based on the increase in income.

The Transitional Housing Plus model is an example of housing assistance linked to support and assistance to access education, training, and employment and this could offer a social housing model that provides a workforce incentive for some client cohort. Early feedback on this model indicates some success in tapering the subsidy, but NCOSS supports Yfoundation’s recommendation to fully evaluate this model before broader implementation of the rent model approach¹¹.

For many people the tenure security of social housing is precious, especially if they waited years on the housing waitlist before they were housed. Consideration should be given to tenure models where tenants who exit social housing due to improved income can have a right of return within an agreed period of time (such as 2-3 years) if their economic circumstances deteriorate.

NCOSS believes that the level of Commonwealth Rent Assistance is not adequate, especially in high cost housing markets. This leaves low income private renters in significant housing stress often leading to homelessness. We share the horizontal equity concern raised in the paper where people in social housing and private rental in similar circumstances receive significantly different levels of assistance. NCOSS continues to advocate for an increase in social and affordable housing to help more people in housing stress access this form of assistance. We also acknowledge and welcome the growth in private rental assistance in NSW and advocate for more private rental assistance and subsidies. Models such as Start Safely and other private rental subsidies can provide a diversion from social housing for people who need time-limited assistance.

9 Jacobs et al (2015) Individualised and market-based housing assistance: evidence and policy options, Australian Housing and Research Institute, p2

10 Ibid (p17).

11 Yfoundations (2016) Review of Rent Models for Social and Affordable Housing, Yfoundation Submission, p28.

Another key issue that compounds the gap between social and affordable housing supply and demand is that the exiting property portfolio is often the wrong configuration when compared to need. As noted in the Issues Paper, the current housing mix results in about 30% of properties having two or more spare bedrooms¹². While an income-based rent model can provide a disincentive for tenants to transfer from larger to smaller properties more suited their needs, such smaller properties are often not available where they are needed. The Issues Paper notes that the ‘vacant bedroom charge’ which FACS introduced in 2013 has only been applied to 225 tenancies on average per quarter due to the lack of suitable smaller properties to transfer tenants into.

The IPART social housing rent review terms of reference also require consideration of the potential impacts of any change to the National Affordable Housing Agreement (NAHA) and CRA. NCOSS believes that stronger strategic policy as well as funding certainty and stability from the Commonwealth Government is critical for the social housing system. In a joint response to the Federal Financial Relations Affordable Housing Working Group, NCOSS and other Councils of Social Services in Australia recommended a national affordable housing strategy. We recommended that this strategy *‘is underpinned by targets to halve homelessness by 2020, to halve the shortfall in affordable housing available and affordable to the bottom 40% of households by 2025; and to meet this shortfall by 2035’*. We also recommended tax reform, increasing CRA and providing a long-term funding commitment to the National Partnership Agreement on Homelessness¹³.

Proposed assessment criteria

NCOSS recommends:

6. That IPART identify the system level subsidy required to meet the shortfall between rent revenue and the operational, delivery and maintenance cost of social housing;
7. That IPART review the 30:40 affordability rule in relation to its impact on the lowest income households;
8. That IPART review the impact of rent model options on social mix; and
9. That IPART consult with Aboriginal tenants, Aboriginal housing providers and other organisations working with Aboriginal tenants and people in housing stress.

¹² IPART (2016), Review of rent models for social and affordable housing, Issues Paper, p27.

¹³ ACOSS (2016), Joint response to the Federal Financial Relations Affordable Housing Working Group – Innovative financing models issues paper, accessed at <http://www.acoss.org.au/wp-content/uploads/2016/04/Joint-COSS-letter-to-housing-finance-working-group-11-3-2016-final.pdf> on 5 December 2016.

IPART has developed a set of criteria for assessing each of the identified rent model options. These are designed to inform recommendations on a rent-setting framework for social and affordable housing and the eligibility criteria for this and other subsidised housing assistance.

NCOSS welcomes the rent review being guided by transparent assessment criteria and provides the following comments on the proposed criteria:

- ***Incentives for workforce participation*** – We support assessment of the impact of various options on incentives for workforce participation. As indicated above, rent models need to be complemented by access to support, training, mentoring, transport and other assistance to help people access and settle into employment.
- ***Affordability for tenants*** – This is paramount and NCOSS supports detailed modelling and assessment of options for their impact on affordability of social housing for different groups of tenants. While housing is usually considered affordable if it costs less than 30% of a household's income, this measure is not adequate for very low income households. Accepting a certain level of unaffordability is not acceptable, especially at the lowest income scale.
- ***Simplicity for tenants*** – We agree that the system must be easy for tenants to understand and administratively simple for providers. We also advocate for a system that is not intrusive on the personal lives of tenants.
- ***Horizontal and vertical equity*** – We agree that people with similar income and circumstances being treated equally and people in greater need receiving more assistance than households in better circumstances. We also support a system that responds to different levels of need for assistance. This requires assessment of not only income, but other indicators of housing need such as (but not limited to) risk of domestic and family violence, disability, complex needs and capacity to meet housing need through the private market. Eligibility and prioritisation criteria need to be clearly defined and determined in consultation with the sector.
- ***Flexibility and choice for tenants*** – We believe tenants applying for social housing should continue to be able to nominate areas where they would prefer to live. We agree that it is important to consider how each option might impact on tenant's ability to choose the location, type of housing and housing assistance they receive at different stages. We are concerned however, about the impact on social mix if a rental premium is applied to higher value areas. We propose that the impact on social mix be assessed.
- ***Circumstances and needs of Aboriginal people living in social housing*** – We agree with considering the circumstances, needs and impacts on Aboriginal people living in social

housing through consultation and analysis of tenant impacts of different rent models. Considering the impacts on Aboriginal tenants in different forms of social housing is also supported. We propose an active consultation approach targeting Aboriginal tenants, Aboriginal housing providers and other organisations working with Aboriginal tenants and people in housing stress.

- ***Allocative, productive and dynamic efficiency*** – We support ensuring that social housing addresses the needs of the community and tenants, and delivers assistance to the households that need it most. In terms of the outcome *‘delivering assistance to those who benefit from it most’*, this needs to be approached with caution and requires further clarification and discussion.
- ***Impact on future demand for social housing and tenure products*** – We don’t believe this criterion will aid in the development of affordable and needs-based rent models. We do support considering models that allow for better flow between different types of housing assistance such as social and affordable housing and private rent assistance. We also support models that enable people to be assisted more quickly by being diverted from a very long housing waitlist. For example, this may include private rental subsidies and other forms of private rent assistance. However, models that reward transition out of social housing will be difficult to achieve without addressing the affordable housing shortage.
- ***Impact on financial sustainability of the social housing system*** – We acknowledge that the social housing system is not financially sustainable due a shortfall between the rent revenue and the cost of operation, maintenance and replacement of stock. This has become increasingly worse as the system has become more rationed reducing the proportion of tenants paying market rent. According to a Shelter Queensland report *‘Australia is unique among developed nations where this shortfall is expected to be covered from within the social housing system itself¹⁴’*. NCOSS believe that the objective of working towards a financially sustainable social housing system needs to be challenged and that the scope of this review needs to consider the size of the shortfall and options for funding it.
- ***Impact on concentration of disadvantage*** – We support this criterion and believe that promoting social mix and reducing the concentration of disadvantage must be a key objective of the social housing system. We recognise the difficulties of achieving this in the context of soaring housing prices in some parts of NSW. Increasing the supply of affordable housing through initiatives such as the *Social and Affordable Housing Fund (SAHF)* and Inclusionary Zoning policies can facilitate housing people in need close to jobs, transport and opportunities and increase social mix.

¹⁴ 99Consulting (2012), Rent Setting for Social Housing – A Discussion Paper on Options and Implications, prepared for Tenants Queensland Inc. p19.

Eligibility criteria and prioritisation policies

NCOSS recommends:

10. broadening the housing assistance offer to provide more choice along a continuum of housing need;
11. that tenure reviews consider the security of a tenant's income and the availability and affordability of alternative housing in the private market;
12. that transfer policies also consider tenant choice, connection to community and access to family and other support services; and
13. that review of tenant circumstances enable identification of tenants who are having difficulties to sustain their tenancies and may be at risk of eviction and refer these tenants to supports to prevent eviction.

IPART identified some aspects of social and affordable housing eligibility criteria and prioritisation policies for further analysis. These include:

- the entry eligibility criteria for social housing;
- what social housing clients are 'eligible for what';
- the eligibility criteria, particularly the income threshold, for renewal of fixed-term leases;
- the priority order in which social housing clients are housed; and
- the range of other subsidised housing assistance products and services provided to divert or transition people from social housing.

A broader range of assistance

As discussed above, the social housing system has already become extremely rationed. Given the gap between supply and demand for housing assistance, many people in housing need and stress are not able to access the housing assistance they need. Any further narrowing of eligibility criteria could exclude more people in need from accessing safe and affordable housing.

Instead, NCOSS proposes broadening the housing assistance offer to provide more choice along a continuum of housing need. These should include options from a deep long-term social housing or private rental subsidy, to a tapering subsidy where housing need is time-limited, to an intermediate subsidy or lower level private rental assistance where housing need is medium or short term.

This includes retaining and expanding some of the current housing assistance products as well as increasing the housing assistance offer. For example the range of assistance should include:

- increasing supported housing models such as ‘Housing First’ which provides housing linked to support to people who are homeless and wraps support around the person to enable them to live independently;
- expanding models and partnerships for specific cohorts (for example older women, young people, women and children escaping domestic and family violence, people leaving prison, and people with disability);
- Invest in partnerships that integrate housing assistance with education and training and lead to employment outcomes;
- increasing the range of private rental subsidies;
- continuing other products and services that help more people access private rental such as bond loans, private rental brokerage and Tenancy Guarantees;
- providing support and training to help people sustain tenancies building on the *Rent It Keep It* program; and
- investing in schemes that help people into homeownership or shared homeownership.

NCOSS welcomes the NSW Government commitment to increase the use of private rental assistance products by 60% by 2025 to help households avoid or leave social housing. A range of new private rental assistance products are also needed to help people in need of short term assistance or lower level assistance. For example, different levels and duration of private rental subsidies and share accommodation models which may be suited for some cohorts. There is also a need to explore the potential of community based models such as Homeshare or Homestay which may also be suited for some young people who are studying, single people in training or new to the workforce, and recently arrived migrants and refugees in need of community connections.

Review after entry to social housing

NCOSS supports reviewing the on-going suitability and changing circumstances of tenants after entry into social housing. This assessment should not be limited to their eligibility to renew their current lease at the point of lease review, but also assessment of the suitability of the dwelling for their needs and how their needs apart from housing can be met. A robust assessment process must be complemented by a housing supply and support response to meet identified needs. As discussed above, people in social housing often remain in under occupied dwellings due to the lack of supply of smaller properties.

A review of tenant circumstances must also enable identification of tenants who are having difficulties to sustain their tenancies and may be at risk of eviction. A recent Homelessness NSW report into social housing tenant debt found that ‘many people experiencing homelessness developed debt in situations where they were the victim of domestic and family violence or after having their income support payments restricted by Centrelink’¹⁵. FACS Housing has trialled many

¹⁵ Homelessness NSW (2016), Debt Set Unfair, Social Housing Debt and Homelessness.

localised partnerships and approaches to identify and address eviction risk; but an effective state-wide system has not been implemented.

IPART proposes to review the income threshold for eligibility for public housing lease renewal to ensure it is set at an appropriate level. Currently for a single adult household, the gross weekly assessable income limit is \$595 at entry compared to \$944 at review¹⁶. While not opposed to considering the income threshold at lease review, NCOSS proposes considering the security of the tenant's income not just the income level and considering the availability and affordability of alternative housing in the private market. Incentives and other forms of private rental assistance are needed to help tenants who are no longer eligible for public housing at lease review to access and sustain private market housing.

Transfer policy

The Issue Paper discusses the current challenge in the system where lack of supply limits the ability to move tenants to different properties as their needs change. NCOSS supports a flexible system where tenants can have better access to move between social housing properties as their needs change but notes the challenge in achieving this without adequate supply. In addition to criteria related to equity and the cost-benefits of transfers, transfer policies must also consider:

- tenant choice, recognising a person's connection to their 'home';
- connection to community engagement opportunities to prevent isolation; and
- access to family and other support services to promote independence

For example, an older retired person may no longer need to live close to the job opportunities their current social housing location offers, but may already have relationships with medical and other services and with family and community support networks in that location. Severing these links could cause deterioration in their health and well-being.

Flexibility within the rent setting framework

NCOSS Recommends:

14. That the social housing system continue to recognition of the diversity of need within one cohort of clients. We propose continuing to offer a suite of products and services for specific cohorts including survivors of domestic and family violence and young people and expand this 'suite' approach to other cohorts.

The Issues Paper states that one objective in designing a new rent setting framework is to increase its flexibility to respond to the characteristics of different tenant cohorts and changes in their

¹⁶ IPART (2016) Review of rent models for social and affordable housing, Issues Paper, p42.

circumstances over time. NCOSS supports an objective of increased flexibility and tailoring housing assistance and products to different needs.

Applying different rent models for different tenant cohorts has the benefit of tailoring the model to specific needs and circumstances but risks treating cohorts as homogenous groups with the same needs. As an example, women and children escaping domestic and family violence have diverse needs and circumstances and need a range of options to meet these needs. The range of current housing assistance options available for this group include social housing, Start Safety Private Rental Subsidy and Transitional Housing Plus. Other private rent assistance can also be provided to facilitate a Staying Home Leaving Violence approach or leaving to alternative private rental.

NCOSS supports retaining this approach for people escaping domestic and family violence and advocates for applying a similar approach for other cohorts that recognises the diversity of need within one cohort of clients.

The other area of flexibility proposed in the Issues Paper is having different rent models and tenure for the same property over time. This would enable social housing and affordable housing rent models to apply to the same property at different times. NCOSS recognises the benefits of this approach, especially allowing tenants who move from social to affordable housing to retain their place in the social housing system. We also share the concerns noted in the paper about the potential loss of social housing stock. NCOSS supports flexibility between social and affordable housing stock rent and tenure models subject to strategies that ensure there is no loss of social housing properties.

Preliminary options for rent setting framework

NCOSS recommends:

15. that rent model options be informed by modelling and analysis on the impact of each model on current groups of tenants, applicants and people who may require social housing in the future;
16. that rent models continue to exempt allowances such the pension supplement, clean energy supplement and other allowances provided to people with a disability, war veterans, and foster carers from assessable income;
17. that rent models retain the current concessions that apply to Family Tax Benefits Part A and B (which is assessed at 15%)
18. that rent models continue to apply the current concession to assessable income for young people 18-10 years of age; and
19. that rent models continue to promote social mix by not considering 'location' as an additional amenity.

The current NSW social housing system has an income-based rent model. Rent paid by social housing tenants is usually set at 25% of the assessable household income or the market rent whichever is lower.

The Issues Paper outlines eight rental models for consideration, where rent could be based on the characteristics of the tenant's household, the property, or a combination of both. The Issues rental models fall in three different categories as follows:

- household rental models where rent is based on the characteristics of the tenant's household, such as its income or composition;
- hybrid household-property rental models where rent is based both on the characteristics of the household and characteristics of the property, and
- property rental models where rent is based on characteristics of the dwelling and movements in the rental market.

Rent model options must be informed by modeling and analysis of the impact of each model on current groups of tenants, applicants and people who may require social housing in the future. Assessing the financial impact of the different rent model options is also needed before they can be fully considered. We need to understand which groups will be better/worse off to ensure the social housing system continues to provide low income families and individuals with access to safe, secure and affordable housing.

NCOSS offers the following general comments in relation to the benefits and risks of each model category for people experiencing poverty in NSW.

- **Household rental models where rent is based on the characteristics of the tenant's household, such as its income or composition**

This model is like the current income-based model used in NSW and other jurisdictions in Australia but with some variations discussed in the issues paper. These are:

- varying the percentage of income used to calculate rent; and
- changing what is included in assessable household income.

NCOSS believes that for people living in poverty, income-based models are the most likely to deliver housing affordability. National Shelter recently examined different options for social housing rent policy by applying them to six different "typical" social housing tenant households in eight different locations which have significant stocks of social housing. It concluded that:

'the current dominant means of charging rent in social housing, via income related rents, is the only one of the four options to consistently deliver affordability for tenants, particularly those on the lowest incomes. None of the other options either in use or under discussion

*have the capacity to come close to the success of income-based rents in delivering affordability*¹⁷,

The IPART Issues Paper raises a question about household income that is currently not assessed at all or assessed at a lower level when determining social housing eligibility and subsidy level. NCOSS is concerned about including allowances such as the pension supplement, clean energy supplement and other allowances provided to people with a disability, war veterans, and foster carers as assessable income. These allowances are provided for specific purposes and in recognition of additional resources needed, for example for managing a disability or caring for others. People receiving these allowance are already experiencing poverty. Capturing 25% of these allowances in rent could push people further into poverty or impact on the quality of the service and care these allowances are provided to secure. As an example, a recent NCOSS survey found that carers who were receiving a Carers Allowance were less likely than other low income people surveyed to afford health care such as medical treatment and medication and other healthy living items such as food for a balance diet and activities or equipment to stay active¹⁸.

IPART is also considering whether the current concessions that apply to Family Tax Benefits Part A and B (which is assessed at 15%) should be changed. Modelling is needed to understand the impact of reducing or removing this concession on affordability. These allowances are provided in recognition of the additional costs in caring for a family and factoring this income as assessable income could further disadvantage already vulnerable families.

A similar concession currently also applies to the income of a young person 18-20 who is not the tenant or their partner, which is assessed at 15%. NCOSS is concerned about the impact of increasing this threshold on young people in social housing who are mostly on very low Centrelink benefits or if they are in the workforce, they are likely to be in low paid jobs. This could put young people at risk of disengaging from work or study and could contribute to family conflict.

As mentioned above, while an income-based rent model can provide a disincentive for tenants to transfer from larger to smaller properties more suited their needs, such smaller properties are often not available where they are needed. The Issues Paper notes that the 'vacant bedroom charge' which FACS introduced in 2013 has only been applied to 225 tenancies due to the lack of suitable smaller properties to transfer tenant into.

Of the two income-based model options discussed in the Issues Paper, the 'residual income based rent model', which calculates rent based on a tenant's residual income after a low-cost

¹⁷ Eastgate, J. (2015), Equity, Efficiency and Employment: Setting Social Housing Rents, report written by Jon Eastgate of 99 consulting on behalf of National Shelter

¹⁸ NCOSS (2016) Poor health: the cost of living in NSW.

budget standard is subtracted, appears to have some benefits for low income people. This model factors in the budget requirements of different households, for example additional medical and transport costs. It can also address the limitations of the 30:40 affordability indicator which can understate the residual income after rent for people on very low incomes. The risks with this model are that it can be intrusive as it requires tenants to disclose details about their budget requirements to their landlord. It can also be resource intensive to administer for social housing providers. The intrusiveness and administration risk could be minimised by having a budget standard with built in assumptions related to different household characteristics.

- **Hybrid household-property rental models where rent is based both on the characteristics of the household and characteristics of the property**

The Issues Paper proposes two hybrid household-property rental models. The first is where a social housing subsidy is calculated based on income and household type. Tenants with similar incomes in the same household category would receive the same fixed subsidy. The residual difference between this subsidy and market rent is then the tenant rent. The second is where additional property based charges could be added to the income-based rent to reflect a dwelling's relative amenity and features such as size, location and quality. The current vacant bedroom charge is an example of an amenity charge.

One of the flaws with these models is the assumption that social housing tenants can afford to pay more in rent if they want better amenities such as size, location and quality. This is not the reality. As noted in the Issues Paper,¹⁹ the vast majority of social housing head tenants rely on a Centrelink benefit as their main source of income and only between 5-9% have wages as their main source of income.

All social housing tenants should expect to live in a 'quality' property that is fit for purpose and well maintained. Tenants should not be expected to pay more for such a standard. If 'quality' is intended to refer to non-standard features such as views, these are very rare in social housing and do not justify consideration in a rent model review.

In relation to household size, the number of household members determines the number of bedrooms it requires. One of the current barriers to a match between household size and property size is the supply of smaller social housing properties. This results in the large number of households living in under occupied dwellings as noted in the Issues Paper. As indicated above, FACS already has an additional bedroom charge which has not been able to be fully implemented due to the limited supply of smaller properties to transfer tenants to.

¹⁹ IPART (2016) Review of rent models in social and affordable housing – Issues Paper, p13. Data is based on FACS internal data. The 5-9% range for wages as the main source of income was broken down as follows: Public Housing 5.2%; Aboriginal Housing 7.2% and Community Housing 9%.

Most concerning about the additional amenities identified in the Paper is the one related to location. Applying an additional charge based on location will inevitably reduce demand for social housing in higher cost markets as tenants will not be able to afford them. This could trigger further sales of social housing in these areas and negatively impact on social mix, further concentrating social housing in lower cost and disadvantage communities.

- **Property rental models where rent is based on characteristics of the dwelling and movements in the rental market.**

Four different models have been identified in the Issues Paper based on property market value as the key driver of the rent setting. These include a full market rent with subsidy model, a discounted market rent with subsidy model, an approximated market rent with a subsidy model and a cost rent model.

As these rent model are driven by the market value of properties, they are most likely to reduce affordability and increase housing stress for social housing tenants given the high cost private rental in NSW. This depends largely on how the subsidy is calculated and the extent that it considers requirements for different types of housing in different locations.

While both the Henry and the McClure reviews recommended the market rent with subsidy model, they also recommended that all social housing tenants be eligible for CRA and that the level of CRA be increased. Without access to an adequate CRA, a property rental model with subsidy would put more people in affordability stress and at risk of homelessness.

Other Issues

NCOSS recommends:

20. that the review of the Residential Tenancies Act 2010, increase protection for tenants in the private rental market; and
21. that the Social Housing Rental Bonds are put on hold until a decision on future rent levels is made.

Stronger legal protection for tenants

In addition to increasing social and affordable housing supply, social housing rent models cannot be considered in isolation of improving access to and security of private rental.

We need stronger protections for disadvantaged private rental tenants, especially from unreasonable and frequent rent increases, by removing no grounds termination and by providing better lease protection and flexibility for victims of domestic and family violence.

The Residential Tenancies Act 2010 review which is currently underway, is an opportunity to increase protection for tenants including, considering affordability of rent increases and addressing the barriers caused by tenant databases.

NCOSS supports the recommendation made by the Tenants Union of NSW to the Statutory Review of the Residential Tenancies Act 2010 that:

In order to adapt to the changing profile of the rental market, our renting laws must promote stability, liveability and affordability for tenants. Changes must be made to ensure tenants are more secure within their homes, so that they may make informed choices about where they will live, and for how long. Indeed, for those renters who have no legal protection, such as those living in a shared house without a written sub-tenancy agreement, the law offers no security at all. This must change²⁰.

In our submission to the Foundations for Change Homelessness in NSW Discussion Paper, we also proposed a review of the Residential Tenancies Act 2010 and regulation to provide more protection for people disadvantaged in the private rental market due to unfair listing on tenant databases such as TICA²¹.

Social Housing Rental Bonds

Another issue that needs to be considered in the IPART rent review is the proposed Social Housing Rental Bonds. NCOSS has advocated for a reconsideration of this proposed policy due to its potential impact on people already disproportionately disadvantaged in the community to access social housing and private rental.

To be eligible for social housing, applicants must demonstrate not only financial hardship but often other special or complex needs. A policy that requires people in these circumstances to pay a sizable bond up-front or in instalments could put tenants in further financial stress and expose them to potential rental arrears or tenant debt they are unable to pay. This would risk their tenancies and put them at risk of eviction and homelessness.

We support the Future Directions' objective of reinforcing tenant responsibility in regard to rent arrears and tenant damage, but we are not convinced that introducing Social Housing Rental Bonds is the most effective way of achieving this objective.

²⁰ Tenants Union of NSW (2016), Response to Fair Trading New South Wales discussion paper "Statutory Review of the Residential Tenancies Act 2010"

²¹ NCOSS (2016), NCOSS submission to Foundations for Change, Homelessness in NSW, p17

NCOSS is also concerned about the introduction of Social Housing Rental Bonds in isolation of this rent model review. The impact of bond payments on individuals and families is highly sensitive to the level of rent they will be required to pay in future.

Review Timeframe and Consultation Process

NCOSS recommends:

22. that the timeframe is extended to allow modelling, active consultation with peak bodies and tenants and applicants;
23. that the review is staged with a focus on eligibility and prioritisation first, followed by rent models;
24. that a specific and tailored consultation process is conducted with Aboriginal organisations and tenants; and
25. that a panel of experts is established to provide advice and inform the review.

The scope of the IPART review is very broad and goes well beyond pricing. In addition to rent models, it includes consideration of eligibility and prioritisation for social and affordable housing and private rental assistance. These are interconnected policy questions but add to the complexity of this review. The review process and timeframe does not seem to adequately reflect this complexity.

NCOSS proposes considering staging the review with eligibility and prioritisation addressed first then rent models.

Adequate time is also needed to undertake robust modelling on the proposed options to enable informed discussion and consideration of the impact on different cohorts and the benefits and risks of each options.

NCOSS also proposes more time for consultation to allow time to work through the various issues and options. The consultation process should include active consultation with peak bodies including those representing tenants as well as consultations/surveys of current social housing tenants and people on the social housing waitlist.

An Aboriginal specific and tailored consultation approach is also supported to ensure the needs of Aboriginal people are fully considered.

A panel of experts should be established and made up of representatives of peak bodies, academics with expertise in social and affordable housing rent models and relevant government agencies. This panel could provide advice and work with IPART to explore issues, risks and options.

The review timeframe and its timing should also be considered in light of other reforms. For example, changes in rent policy could have a significant impact on the assumptions that underpin Management Transfer Program modelling.

Conclusion

NCOSS thanks the Tribunal for the opportunity to comment on this review. The Issues Paper raises some good questions, but most cannot be fully addressed without robust modeling. While NCOSS sees the benefit in retaining an income-based model, especially the residual income model, we believe determining a preferred option requires more time, data, analysis and expert advice to fully explore.

NCOSS welcomes the opportunity to continue to participate in the consultation process for this review and will continue to advocate to ensure vulnerable people have access to affordable housing and support that meets their needs.