

# IPART Review of rent models for social and affordable housing: NCOSS Submission

12 May 2017

## 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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NCOSS can be found at:

3/52 William St, WOOLLOOMOOLOO NSW 2011

phone: (02) 9211 2599

email: [info@ncoss.org.au](mailto:info@ncoss.org.au)

website: [www.ncoss.org.au](http://www.ncoss.org.au)

facebook: [on.fb.me/ncoss](https://on.fb.me/ncoss)

twitter: [@ncoss](https://twitter.com/ncoss)

## Introduction

Thank you for the opportunity to comment on the Draft Report of the Review of rent models for social and affordable housing.

NCOSS welcomes the draft findings that:

1. An income-based tenant rent contribution is the best option to ensure affordability for tenants.
2. The current rates for tenant rent contributions (25% - 30% of income) and thresholds at which they apply are appropriate. The threshold at which tenants are no longer eligible for a subsidy is appropriate.

As advocates for people on low incomes, we fully endorse the draft findings linking the rent contribution to tenant income and IPART's acknowledgment that the percentage used to calculate tenant rents is appropriate.

NCOSS and its members hold access to secure and affordable housing as one of the most important issues in our community today. Apart from the obvious need for shelter, the impacts of a range of social services are markedly enhanced where people accessing those services have safe and secure housing. Additionally, with the introduction of the NDIS and shifts in the provision of aged care, the home is an important site for service provision.

Our submission focusses on the impact some of the changes proposed in the Draft Report would have on people. We consider that some of the recommendations would be appropriate if there was an accessible, secure and affordable supply of rental properties outside of the social housing system for people to move to. Sadly, this is not the case. We urge the NSW Government to consider this, and other structural barriers outlined in this submission, when making decisions on whether or how to implement IPART's recommendations.

## Summary of recommendations

### Recommendation 1

NCOSS recommends the NSW Government develop a whole-of-government Social and Affordable Housing Strategy that responds to the housing needs of people on very low to moderate incomes.

### Recommendation 2

The NSW Government deliver at least 5000 additional units of social and affordable housing by rolling out Phase 2 of the Social and Affordable Housing Fund (the SAHF) targeting the needs of priority groups.

### Recommendation 3

The NSW Government invest \$3 million over two years in a Social and Affordable Housing (SAHF) Readiness Program to build the capacity of Aboriginal Organisations to be active partners in the future production of social and affordable housing.

## Recommendation 4

FACS does not revise its Tenancy Charges and Account Management Policy Supplement so that social housing tenants above the subsidy eligibility threshold pay market rent plus 5% to reflect security of tenure.

## Recommendation 5

FACS considers expanding head leasing programs to provide incentives for people to exit social housing where their income exceeds the eligibility threshold.

## Recommendation 6

The NSW Government does not adopt IPART's Recommendation 2 to:

- assess Family Tax Benefits Parts A and B at 25% in the calculation of rent payable for social housing (instead of 15%)
- include the Pension Supplement in the calculation of rent payable for social housing, and
- include any benefits or allowances that are regular, ongoing and provided for general living expenses in the calculation of rent payable for social housing.

## Recommendation 7

IPART uses its final report and any interactions with Government to clarify that it considers NDIS transport funding as a payment that is for a specific purpose and should be permanently exempt from income assessments.

## Recommendation 8

NCOSS recommends that tenants aged over 50, people with disability and those with mental health conditions retain their original application date for five years after a positive exit from Social Housing.

## Recommendation 9

Any process to consider tenant relocation should strongly consider people's connection to community as a form of informal support, the fact that disability and aged care supports are increasingly being offered in people's homes and the impact a move may have on people's mental and physical health, and wellbeing.

Any household that is required to move as a result of a review should not be required to move again for the term of their continuous lease unless they self identify.

## Recommendation 10

Any redesign of the waiting list prioritization and allocation process should give precedence to the needs of people who are eligible for priority housing.

## Recommendation 11

Funding be made available for independent tenant support and advocacy should the system change as a result of this review. This funding could be targeted at Tenant Advice Services and consumer organisations representing key cohorts effected by any changes.

## Affordable housing is integral to a sustainable social housing system

In outlining its findings, IPART has stated:

In order to assist those most in need, we consider that the government should focus available funding on social housing and alternative assistance for households in the lowest income groups.

We have therefore not developed a recommendation for a rent model for affordable housing.<sup>1</sup>

NCOSS can see the logic behind IPART's rationale to focus constrained Government funding largely on social housing in order to respond to those most in need. However, we believe that access to affordable housing is integral to the long-term sustainability of the social housing system. We see that there is a need for a pathway of options between social housing, affordable housing and the private market. Without these options, those most in need outside of the social housing system will struggle to enter while those in social housing whose income increases make the rational decision to stay because there is nowhere secure, accessible or affordable to go.

Rather than focusing on a Social Housing Strategy as per Recommendation 8, NCOSS supports the introduction of a whole-of-government Social and Affordable Housing Strategy for NSW that responds to the housing needs of people on very low to moderate incomes. Important elements of this strategy would be:

- a sustainable and responsive social housing system across NSW:
  - including methods to address the waiting list through new stock; and
  - fostering a portfolio of stock that reflects current and emerging tenant profiles;
- affordable housing options that remain in the system in perpetuity (ie not limited to a ten-year lifespan);
- shared home ownership,
- inclusionary zoning and other methods of fostering affordable rental housing in rural and regional areas;
- better alternatives to temporary accommodation;
- methods to promote security of tenure;

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<sup>1</sup> IPART, 2017, *Review of rent models for social and affordable housing: Draft Report*, p 2.

- innovative funding and financing models; including
  - including subsequent rounds of the Social and Affordable Housing Fund<sup>2</sup>; and
  - a range of additional ways to leverage the value of community and government-owned land;
- other payments, rental subsidies and head leasing options;
- options to provide housing for people with disability or mobility issues for whom private rental subsidies have less impact due to low stock of affordable and accessible property;
- a distinct plan for rural, regional and remote social and affordable housing; and
- a relationship with the NSW Homelessness Strategy currently in development.

The Strategy should recognise variations in the market, including costs of supply in remote areas, local planning laws and instruments; and cohorts of need in each area. Any methods to provide education and training opportunities related to the production of new stock should also be explored.

In keeping with IPART's recommendations 9 and 10, NCOSS supports annual reporting on the Strategy against a set of performance indicators. This will be useful in reporting outcomes as will be required in the newly announced National Housing and Homelessness Agreement. We also support broad consultation in developing the Strategy to elicit a diverse range of views from tenants themselves; and the community and private sectors.

NCOSS understands that there are a range of policy levers that can assist in promoting the production of social and affordable housing that are beyond the jurisdiction of the NSW Government. We therefore see the NSW Social and Affordable Housing Strategy as useful in informing, but not replacing the need for, a broader National Housing Plan supported by a number of national peak bodies such as ACOSS and National Shelter.<sup>3</sup>

## Recommendation 1

*NCOSS recommends the NSW Government develop a whole-of-government Social and Affordable Housing Strategy that responds to the housing needs of people on very low to moderate incomes.*

## The Social and Affordable Housing Fund

NCOSS acknowledges the urgent need for new social and affordable housing stock. Indeed, the recommendations included in IPART's Draft Report reflect the tension between trying to make the system efficient and sustainable with a significant lack of stock to enable this to happen. We see this particularly in

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<sup>2</sup> NCOSS has recommended some adjustments to the process for the Social and Affordable Housing Fund including ways to increase opportunities for Aboriginal Organisations to benefit. Please see;

<https://www.ncoss.org.au/sites/default/files/public/policy/161012%20NCOSS%20SAHF%202%20Positioning%20Paper.pdf>

<sup>3</sup> ACOSS and National Shelter, 2017, Federal Government must not let us down – ACOSS and National Shelter release 6 point National Housing Affordability Plan. [http://www.acoss.org.au/media\\_release/federal-government-must-not-let-us-down-acoss-and-national-shelter-release-6-point-national-housing-affordability-plan/](http://www.acoss.org.au/media_release/federal-government-must-not-let-us-down-acoss-and-national-shelter-release-6-point-national-housing-affordability-plan/)

IPART's recommendation to prioritise existing tenants in unsuitable housing over people in the priority category<sup>4</sup> an issue we will return to later in this submission.

The need for significant funding injection, as IPART proposes in Recommendation 4, creates an interconnected nature to the recommendations in the Draft Report. Neither IPART nor NCOSS can predict the extent to which the NSW Government will adopt its recommendations, or the timeframe for new stock to be delivered as a result of this Review.

NCOSS therefore urges the NSW Government to announce the second phase of the Social and Affordable Housing Fund as a matter of priority. In doing so, we refer the Government to our Position Paper<sup>5</sup> outlining a number of improvements that could increase the effectiveness of the SAHF. In particular, a \$3 million investment in a SAHF Readiness Program could build the capacity of Aboriginal organisations to be active partners in SAHF (and other innovative financing model processes) and unlock the value of their land holdings in order to meet housing needs in their communities.<sup>6</sup>

NCOSS proposes future phases of the SAHF target the needs of priority groups, especially Aboriginal communities, people with disability, older women and women, children and young people escaping domestic and family violence. We also note that announcements on successful SAHF projects should report on alignment with these target groups and the ratio of social housing to affordable housing.

## **Recommendation 2**

*The NSW Government deliver at least 5000 additional units of social and affordable housing by rolling out Phase 2 of the Social and Affordable Housing Fund (the SAHF) targeting the needs of priority groups.*

## **Recommendation 3**

*The NSW Government invest \$3 million over two years in a Social and Affordable Housing (SAHF) Readiness Program to build the capacity of Aboriginal Organisations to be active partners in the future production of social and affordable housing.*

## **Support for a sustainably funded social housing system**

One of the challenges of responding to this Draft Report is striking the right balance between being supportive of the draft findings while remaining mindful that some of the recommendations, seen in isolation or implemented without a large injection of funding as proposed in recommendation 4, have the potential to impact negatively on tenants and those seeking social housing.

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<sup>4</sup> IPART, 2017, Review of rent models for social and affordable housing, p 57.

<sup>5</sup> <https://www.ncoss.org.au/sites/default/files/public/policy/161012%20NCOSS%20SAHF%202%20Positioning%20Paper.pdf>

<sup>6</sup> <https://www.ncoss.org.au/sites/default/files/public/policy/NCOSS%20SAHF%20Readiness%20Program.pdf>

NCOSS supports the sustainable funding of social housing. We understand the economic sense of what IPART is proposing in recommendation 4, to pay a subsidy of the difference between the tenant rent contribution and market rent. However, we are unclear about the potential success of gaining annual Government funding where it is linked to a private market that is unpredictable and includes the generation of wealth for investors that is uncapped.

We therefore caution the Government about ‘cherry picking’ from this report without making the commitment to provide the funds needed to make the system sustainable.

## Options to charge market rent plus 5%

NCOSS does not support the proposal to charge tenants an additional 5% charge as a premium for security of tenure where their income has surpassed the eligibility threshold. We note that the current Anglicare Rental Affordability Snapshot 2017 highlights a range of barriers to entering the private rental market including a lack of affordable stock, discrimination and competition. This is certainly consistent with feedback we have received from members citing discrimination and other barriers faced particularly by young people and Aboriginal people in gaining access to the private rental market.

A review of the Snapshot shows an extremely tight rental market in most, if not all, areas of NSW. For example, less than 1% of properties in Greater Sydney or Northern NSW were affordable for single people with or without children on a minimum wage.<sup>7</sup> The Snapshot also showed that many people receiving Newstart or Youth Allowance had no options for affordable or appropriate housing in their region even where share housing was considered.<sup>8</sup> In most regions of NSW, there was a distinct lack of affordable and appropriate housing for people receiving the Disability Support Pension with numbers of available properties ranging from 0% (n=0) in Greater Sydney and Illawarra to 6% (n=26) in the Northern Inland Region of NSW.<sup>9</sup>

Given this extremely tight market, we see this 5% premium as punishing tenants who may not have any real options to exit. We are also concerned that the 5% premium may act as workforce disincentive for one or more members of a household especially where that work is casual, or offered on a time-limited contract.

For tenants who are in the later years of their career, the private rental market offers potential insecurity and an increased risk of poverty for the rest of their life. This coupled with growing evidence of age discrimination for older people in the workforce,<sup>10</sup> leads NCOSS to the view that the people being asked to pay this premium are faced with systemic barriers that they cannot solve through their own actions. While this is the case, people who should not be asked to pay a premium for making what can only be categorised as an extremely rational choice.

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<sup>7</sup> Anglicare Australia, 2017, Rental Affordability Snapshot, p 67 Greater Sydney and p 46 Northern NSW, <http://www.anglicare.asn.au/docs/default-source/default-document-library/rental-affordability-snapshot-2017.pdf?sfvrsn=4>

<sup>8</sup> Ibid, see Northern Inland NSW p. 52, Western NSW p.62 and Central Coast p 57.

<sup>9</sup> Ibid p 67 and 52.

<sup>10</sup> Australian Human Rights Commission, National prevalence survey of age discrimination in the workplace (2015) 1



Having said this, NCOSS supports the offering of incentives to assist people move into the private rental market as outlined in Recommendation 20. We also believes that an expansion of head-leasing programs could assist people to transition to the private rental market in some circumstance. However, we believe that these options should be offered as incentives only without the coercive effect that a 5% premium would provide.

Until government policies or other dynamics improve the affordability, accessibility and security of the private rental market, NCOSS cannot support a premium for security.

#### **Recommendation 4**

*FACS does not revise its Tenancy Charges and Account Management Policy Supplement so that social housing tenants above the subsidy eligibility threshold pay market rent plus 5% to reflect security of tenure.*

#### **Recommendation 5**

*FACS considers expanding head leasing programs to provide incentives for people to exit social housing where their income exceeds the eligibility threshold.*

## **Changes to assessable income**

NCOSS understands that IPART has looked at a variety of ways to boost funding to make the social housing system sustainable and welcomes the fact that it has considered ways to mitigate hardship through a \$10 per week cap per year for households facing subsequent rent increases.

We welcome IPART's acknowledgement that the assessable income of a household member aged 18-20 (who is not the tenant or their partner) should continue to be assessed at the concessional rate of 15%. As stated in our earlier submission and cited in the Draft Report, NCOSS continues to believe an increase could be a catalyst for young people disengaging from work or study.

We remain opposed to assessing Family Tax Benefit A and B at 25% rather than the 15% concessional rate that currently applies. NCOSS understands that IPART considers this to be reasonable because Family Tax Payments are to assist with the cost of raising children, including the provision of housing. However, we believe that the risk of further disadvantaging vulnerable families is too high to implement this recommendation.

IPART has provided some useful data on the likely rent increases for a variety of family types who receive Family Tax Benefits. However, we note that the incomes of people receiving Family Tax Benefit A and B could vary substantially as could their capacity to absorb a \$10 per week rent increase. For example, a single parent receiving Newstart Allowance receives \$579.30 per fortnight while a single parent receiving Parenting Payment with a child aged under eight receives \$748.10 a fortnight including the Pension Supplement.<sup>11</sup> In both cases, these households have very little capacity to absorb increases to non-discretionary costs such as housing leaving children and families without adequate funds for other essentials.

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<sup>11</sup> <https://www.humanservices.gov.au/customer/services/centrelink/parenting-payment> and <https://www.humanservices.gov.au/customer/services/centrelink/newstart-allowance/how-much-you-can-get>

Similarly, we do not support the recommendation to include the Pension Supplement as assessable income. This payment is an amalgamation of payments made to assist with the cost of essential services such as communications, utilities and medications. NCOSS does not see this as different to other payments that IPART agrees should remain exempt because they are for a particular purpose.<sup>12</sup> We understand that these payments are generally paid direct to the service provider but do not believe that social housing tenants should receive 25% less because the Commonwealth method of delivery is simple to administer.

With research by the Australian Council of Social Service (ACOSS) on social security payment adequacy acknowledging that many Age Pension recipients are 'forced to live frugally' and people receiving Newstart/Youth Allowance, Parenting Payment and the Disability Support Pension 'struggling to a far greater extent',<sup>13</sup> NCOSS is unable to support any move that will further reduce their income.

Furthermore, we caution against a blanket application of the inclusion of regular, ongoing payments being included as assessable income as outlined in Recommendation 2. This may lead to the unintended consequence of transport payments made directly to NDIS participants being included in this category. Unlike many other NDIS supports, transport funding is paid fortnightly directly to the person with disability. The funding for transport is capped and many advocates, including NCOSS believe the level of funding to be inadequate in the face of high transport costs faced by people with disability. A statement that this funding will be permanently exempt from any income assessment would be appreciated.

## Recommendation 6

*The NSW Government does not adopt IPART's Recommendation 2 to:*

- *assess Family Tax Benefits Parts A and B at 25% in the calculation of rent payable for social housing (instead of 15%)*
- *include the Pension Supplement in the calculation of rent payable for social housing, and*
- *include any benefits or allowances that are regular, ongoing and provided for general living expenses in the calculation of rent payable for social housing.*

## Recommendation 7

*IPART uses its final report and any interactions with Government to clarify that it considers NDIS transport funding as a payment that is for a specific purpose and should be permanently exempt from income assessments.*

## Safety-nets for social housing tenants

NCOSS welcomes IPART's Recommendation 18 that tenants should have the right to retain their original application date for two years after a positive exit from social housing. While we support this recommendation, we ask that it be extended to a five-year period for tenants who are aged over 50, people with disability and those with mental health conditions.

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<sup>12</sup> IPART p 28.

<sup>13</sup> [http://www.acoss.org.au/images/uploads/COSS\\_Network\\_Payment\\_Adequacy\\_Report.pdf](http://www.acoss.org.au/images/uploads/COSS_Network_Payment_Adequacy_Report.pdf) p 7.

Even with Commonwealth Rent Assistance, the Age Pension rate is not sufficient to pay rent in most NSW private rental markets. Added to this, there is growing acknowledgment that the employment market is less secure for older people. For example, the Human Rights Commission found that over 25% of Australians over 50 had experienced some form of age discrimination in the workforce.<sup>14</sup>

Given these factors, prioritising staying in social housing is a supremely rational choice for a person approaching retirement. NCOSS believes the capacity for tenants over 50 to retain their original application date for five years would give people more opportunities to explore a range of options while maintaining an adequate safety net should circumstances change.

NCOSS also considers that an extended right to return period should be available to people with mental health conditions and people with disability. Our recommendation recognizes the episodic nature of mental health conditions and non-linear quality of recovery periods as well as the challenges faced by people with disability securing employment and accessible housing in the private rental market.<sup>15</sup>

## **Recommendation 8**

*NCOSS recommends that tenants aged over 50, people with disability and those with mental health conditions retain their original application date for five years after a positive exit from Social Housing.*

NCOSS believes that the six-month delay in assessing additional income once someone takes on their first job or re-enters the workforce is appropriate. We support IPART's Recommendation 19 outlining this timeframe.

## **Continuous leases and review**

NCOSS supports IPART's recommendation that leases for social housing properties be offered on a continuous basis. We believe that setting the review period to at least every three years is an appropriate timeframe. However, we have some concerns about the review process outlined in section 6.3 of the Draft Report and the process for relocation of tenants in certain circumstances. While we are generally supportive of the need to assess that the dwelling continues to meet the tenant's needs and characteristics, we see the need for some explicit safeguards in this process to ensure people are not disadvantaged.

IPART has outlined a process to move existing tenants to reduce mismatch between tenant need and property type.<sup>16</sup> It states that;

prioritisation and allocation processes need to provide for existing tenants to be moved;

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<sup>14</sup> Australian Human Rights Commission, National prevalence survey of age discrimination in the workplace (2015) 1

<sup>15</sup> According to ABS 2015, Disability and Labour Force Participation, 2012, people with disability aged 15-64 have much higher rates of unemployment than those without disability at 9.4% and 4.9% respectively. Of people who were unemployed, 19.3% had no disability-related employment restriction. This points to systemic factors impacting on access to employment for people with disability.

<sup>16</sup> IPART p 52.

- to properties with access to amenities and opportunities they require from unsuitable properties, and
- from properties with access to amenities and opportunities they do not require to other suitable properties.<sup>17</sup>

NCOSS has some concerns that a process guided by the second of the points above could result in some cohorts being expected to move more than is reasonable. In saying this, we note that the Report does not exclude the possibility of multiple moves, rather it states that;

households that have moved to a more suitable dwelling should not have their suitability reviewed (unless they self-identify) for three years.<sup>18</sup>

We understand that a number of property and household characteristics, such as proximity to employment and healthcare and the workforce status of household members, will be weighed in considering relocation. However, we believe there is a need to ensure that tenants outside of the workforce, such as older people and those with disability who do not work, are not expected to move from their communities and support networks to relocate because they no longer require access to employment or training opportunities. This may be a very low risk if people's capacity to demonstrate a need for a specific location takes regard to people's connection to community as a form of informal support, the fact that disability and aged care supports are increasingly being offered in people's homes and the destabilising impact of moving on people's wellbeing.

Furthermore, NCOSS asserts that any process to review whether a property continues to meet the tenant's needs and characteristics should not result in a tenant relocating more than once unless they self-identify.

## **Recommendation 9**

*Any process to consider tenant relocation should strongly consider people's connection to community as a form of informal support, the fact that disability and aged care supports are increasingly being offered in people's homes and the impact a move may have on people's mental and physical health, and wellbeing.*

*Any household that is required to move as a result of a review should not be required to move again for the term of their continuous lease unless they self identify.*

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<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

## Prioritisation and allocation processes

IPART has outlined three main categories of priority status for social housing. In order, these are;

1. existing tenants in unsuitable housing
2. applicants in the priority category
3. those in the general category on the waiting list.<sup>19</sup>

IPART's rationale for this order of priority is that it will create better matching of stock with tenants. While this may be the case over time, NCOSS believes that applicants in the priority category must be given precedence. To do otherwise would be to place people with housing at a higher priority than those in urgent need without.

In setting the order of priority, IPART has stated that FACS would need to respond to people in urgent need with temporary accommodation or other assistance<sup>20</sup> which may be rent subsidies. NCOSS does not support this course of action as the key strategy for responding to people in urgent need for housing. Apart from the obvious additional pressures it would place on homelessness services, there is substantial recognition in the Sector that temporary accommodation is a sub-optimal response. For example, a Homelessness NSW report on temporary accommodation highlights issues such as:

- safety for women and children escaping domestic violence.
- inability to prepare and store food;
- challenges storing or transporting belongings between temporary accommodation sites; and
- distance between accommodation and support services.<sup>21</sup>

NCOSS takes the view that it is impractical, unfair and inefficient to house people in temporary accommodation in the form of caravan parks, motels or backpacker lodges for any longer than is absolutely necessary. As such, we believe people in the priority category should have first priority for social housing.

### **Recommendation 10**

*Any redesign of the waiting list prioritization and allocation process should give precedence to the needs of people who are eligible for priority housing.*

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<sup>19</sup> IPART, p 57.

<sup>20</sup> Ibid.

<sup>21</sup> Homelessness NSW, 2016, Temporary Accommodation Program - A Review, p 2.

## Supporting tenants to navigate change

The Draft Report has outlined a range of changes to the social housing system, including continuous leases with reviews, the possibility of relocation and choice based letting. IPART has usefully stated that households may require support to view and express interest in a choice based letting system.

NCOSS agrees that existing and future tenants should be supported to understand and navigate any parts of the system that have changed. We therefore recommend that funding be made available for independent tenant support and advocacy should the system change as a result of this review.

### **Recommendation 11**

*Funding be made available for independent tenant support and advocacy should the system change as a result of this review. This funding could be targeted at Tenant Advice Services and consumer organisations representing key cohorts effected by any changes.*