

# Australia's forgotten social housing sector?

**WITHOUT COORDINATED STRATEGIC ACTION BY THE PROVIDERS AND BY GOVERNMENTS, INDEPENDENT LIVING UNITS (ILUs) ARE NOT LIKELY TO REMAIN AN AFFORDABLE HOUSING OPTION FOR OLDER PEOPLE WITH FEW ASSETS, LEADING TO FURTHER PRESSURE ON STATE HOUSING AUTHORITIES AND THE LOW-COST PRIVATE RENTAL MARKET.**

## KEY POINTS

- ILUs remain an important social housing option for older people with relatively low assets and incomes. At around 34,700 units Australia-wide, they provide up to 27% of social housing for older people.
- ILU organisations received generous financial assistance through the Australian Government Aged Persons Housing Act (APHA) from 1954 to 1986, but this source of funding has stopped and they are now reliant mainly on private financing for renewing or refurbishing stock.
- Numerous challenges face ILU organisations today, mainly due to the changing context (financial, social and regulatory) in which they operate.
- A risk is that many ILU organisations will withdraw from the sector rather than meet these challenges, leaving a gap in the supply of affordable housing for aged people in need.
- ILU housing stock is ageing and often no longer meets older people's needs and expectations (the study estimates that 34% of ILU stock in Australia needs upgrading).
- Because they tend to strive to keep costs to tenants low, many ILU organisations have limited capacity to meet both short and longer-term costs, in particular the cost of upgrading their units.
- ILU organisations lack knowledge and strategic management skills or resources to address recent changes to the legal rights of older people.
- Most ILU organizations are small and are isolated from other ILUs, constraining their capacity to adopt best practice or to manage risks.
- As they age, ILU residents increasingly require home and community care and other support services. A requirement for them to be 'independent' now conflicts with rights of older people to 'age in place' when no longer independent.
- Coordinated strategic action by peak aged care organisations and the Federal and State Governments would ensure the continued relevance of this form of social housing. The report suggests a range of options that could be considered.

*Based on research by Sean McNelis, of the AHURI Swinburne-Monash Research Centre, this project is one of the few pieces of research about Independent Living Units (ILUs), which are a significant part of the Australian social housing scene and an important housing option for older people with few assets.*

## BACKGROUND

ILUs were formed in the post-war period with the object of providing accommodation to older people who live independently. An Independent Living Unit (ILU) is a self-contained dwelling:

- which is managed by a not-for-profit organisation that received subsidies under the Aged Persons' Homes Act 1954;
- where capital funds have not come from State Housing Authorities, but include a broad range of sources such as ingoing contributions from tenants, donations and internal sources;
- which is accessible to older people with low incomes and low value assets, thus the ingoing contribution is less than \$100,000.

Between 1954 and 1986 the Australian Government provided subsidies to eligible organisations under the Aged Persons' Homes Act to construct over 30,000 dwellings for older people.

Over the past two decades the social context for ILUs has changed significantly.

- Older people have different and higher expectations of their housing and living environment.
- There is a strong emphasis on older people 'ageing in place' in their own homes and communities.
- Community care programs are continuing to expand.
- Australian Government priorities have changed to focus on residential aged care and community care programs – ILUs are no longer a high priority.
- ILU organisations now face competition from private developers of rental villages for older people, for example, Village Life.

The organisational context has also changed:

- Some ILU organisations are now giving ILUs a lower priority in preference to residential aged care (most ILU organisations also provide residential care).
- The traditional three-tiered system of care – whereby older people 'graduated' from independent living, to hostel and then a nursing home – has broken down, with access to residential aged care now based on an aged care assessment rather than residency in an ILU.
- Extensive changes in legal responsibilities (occupational health and safety, the new taxation system, residential rights, privacy, corporate, financial and auditing requirements etc.) are complicating the management of ILUs.

## METHOD

This project sought to assess the significance and status of ILUs, fill an information gap, and identify current changes, issues and strategies for the sector. It included: a national survey of 172 not-for-profit organisations providing independent housing for older people (in around 14,500 units); an analysis and mapping of ILUs in Victoria on a municipality basis in relation to the location of public housing, the location of older people and the location of older people with low incomes; and finally, a series of interviews, workshops and case studies (three in Victoria and two in New South Wales), with key people from ILU organisations, aged care peak bodies and Australian Government and State officers.

## FINDINGS

### THE IMPORTANCE OF ILUS

With an estimated 34,700 units Australia-wide, ILUs make up approximately 27% of social housing specifically for older people (public housing 65% and community housing 8%). New South Wales is estimated to have the largest number of ILUs at 13,600, followed by Western Australia (6400), Victoria (6200), Queensland (4200), South Australia (3200), and Tasmania (1100). The number of ILUs per thousand older people ranges from 10 in Victoria to 32 in Western Australia.

At a local level, ILUs can be particularly important, for example in some Victorian municipalities they constitute more than half of the social housing for older people.

ILU organisations are mostly small in size (30% of those surveyed had only 20 units or less), but some are large (13% had more than 200 units). Despite their diversity, all are a community-delivered form of social housing, providing many of the benefits of 'retirement village' living such as a common meeting room, an emergency alarm in each unit, and an on-site caretaker/manager.

### KEY ISSUES

- ILU organisations vary considerably within and between states. But, generally, they face critical issues in five areas: matching their housing market to their target group; standards of housing stock; financial viability; management and governance; and linkages with support/community care services.

### Housing market/target group

- ILU organisations tend to accommodate 'gentle' older people. While 84% of ILUs in the survey had waiting lists for residents, some ILU organisations have experienced a drop in demand recently because older people now have higher housing expectations

and are remaining in their own homes longer. Others have seen a drop because their primary target group has diminished in numbers (for example, ex-servicemen and rural elderly).

### **Housing stock**

- Almost half of all ILU organisations surveyed reported that more than 75% of their housing stock was more than 20 years old, and 32% of ILU organisations rated their stock below current community standards.
- ILU organisations not only have to upgrade dwellings to contemporary building and technological standards, but also have to meet higher expectations in relation to size, design, facilities and use.
- ILU organisations with small housing portfolios have little capacity to manage property risks. Those with larger portfolios can spread their risks. Some organisations have not made provision for refurbishment or redevelopment of their stock.
- The condition of their stock is driving ILU organisations in different ways: 67% of surveyed ILU organisations plan to upgrade/refurbish over the next five years; 27% plan to demolish units in the next five years; 21% plan to reconfigure, and 23% plan to acquire new housing stock.

### **Financial viability**

- The major issue influencing the future directions of ILU organisations is access to capital finance. Some providers have withdrawn or are considering withdrawing from providing ILUs because they cannot access adequate capital finance.
- ILU organisations have traditionally kept rents very low and not adjusted them to take account of major changes in Commonwealth Rent Assistance (most ILU organisations are charging less than \$100 per week for a unit). This has been possible due to low debt levels – but the providers have not taken into account the long term costs of replacing or upgrading the assets.
- Consequently, ILU organisations feel caught between providing affordable housing and maintaining their long-term financial viability. Study workshops revealed that some ILU organisations believe the provision of ILUs is no longer financially viable – not only are there major demands for capital for their ILUs, but also for their residential aged care facilities.

### **Management and governance**

- Many ILU organisations have transformed themselves in response to the new cultural imperatives such as the rights of residents, respect for and promotion of their independence and a recognition that many older

people have active lives outside the retirement village. However, some are only slowly becoming aware that their current style of management is at odds with these cultural changes.

- While three quarters of all ILU organisations had a board of directors responsible for governance, others relied on individuals to 'keep the organisation going'. Some ILU organisations, especially the smaller ones reliant on volunteers, are struggling to manage their units properly; they lack a good knowledge of their primary legal framework, have difficulty in managing their broader legal responsibilities, and have inadequate written policies and procedures.
- Of surveyed ILU organisations, 54% manage less than 50 units and so do not necessarily have the expertise for strategic asset management. 37% of organisations employ less than one equivalent full-time worker. Consequently, many ILU organisations feel isolated and are not in touch with broader developments.

### **Linkages with community care and other support services**

- ILU residents are ageing and now require greater levels of assistance (42% are aged 80 or over).
- Most (81%) ILUs provide residential aged care to residents, and offer some priority to ILU residents, but only five per cent offer a guarantee of service, and where the ILU does not provide services, only three per cent have a formal arrangement with another provider for those services.

## **POLICY IMPLICATIONS**

Unless they meet the challenges facing them, the number of ILUs could decrease sharply, with important implications for federal and state programs for older people. Therefore it is in the interests of governments to assist ILU organisations to address the challenges and opportunities facing this form of social housing:

Perhaps the key challenge is to maintain financial viability while remaining affordable – and within this to upgrade existing housing stock. Given the desire to maintain affordability for residents, without capital from federal and state governments through low interest loans or joint ventures, ILU organisations may not be financially sustainable. They may have no option but to withdraw or move 'upmarket' and target older people with higher levels of assets.

ILU organisations that limit their intake to traditional sources, or do not adapt their housing stock to the expectations of new generations of older people will progressively lose clientele. However they may be able to reorient themselves around new target groups that

have shown stronger demand (for example, those with few resources of their own seeking more affordable housing options, including homeless people).

Many ILU organisations are also isolated from one another and from developments in the broader social housing sector – there is scope for ILUs to work collaboratively with Governments and to review the framework within which they manage their stock, including considering merging with other social housing organisations. For their continued development, they need a supportive infrastructure to share experiences, solutions, and strategies, and to provide education and training. They also require accreditation, shared policy and systems development.

With the advent of community care services, ILU organisations need to review their 'independent living' policies and clarify their role in relation to support and community care services for their residents.

ILU organisations own a valuable resource in areas of high amenity. They have the capacity to provide a very good housing option for older people, and many are already doing so. As a form of social housing run by the community sector for many years, ILUs might also be of value in informing further debate about other models of providing affordable housing.

Any extensive reduction in ILUs would have a major impact on the housing options of age pensioners, particularly those in the private rental market, and on the capacity of State Housing Authorities to meet the future demand for social housing from older people.

The Australian Government as part of the National Strategy for an Ageing Australia has taken few steps, as yet, to address the housing options of age pensioners in the private rental market. ILUs could play a major role in providing a stable and secure setting for the delivery of community aged care services. Coordinated strategic action by peak aged

care organisations and federal and state governments could help facilitate decisions by ILU organisations, link them with mainstream social housing and assist them to access the necessary capital funds.

## **FURTHER INFORMATION**

This bulletin is based on AHURI project 50138 entitled *Independent Living Units: clarifying their current and future role as an affordable housing option for older people with low assets and low incomes*. Reports from this project can be found on the AHURI website ([www.ahuri.edu.au](http://www.ahuri.edu.au)) by typing the project number into the search function.

The following documents are available:

- Positioning Paper;
- Final Report;
- Appendices to Final Report.

Other related reports are:

Howe, A., 'Housing Futures in an Ageing Australia' AHURI Research and Policy Bulletin Issue No 43, May, 2004.

Judd, B., Kavanagh, K. Morris, A. and Naidoo, Y. 'Housing Options and Independent Living: Sustainable Outcomes for Older People who are Homeless' Australian Housing and Urban Research Institute Final Report, June, 2004.

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