

A new framework for the Commonwealth-State Housing Agreement – National Consultation Summary Report

*What are the priority issues to be considered within the framework of a new Commonwealth-State Housing Agreement (CSHA)? To help answer this question the Australian Housing and Urban Research Institute (AHURI) was asked by the Housing Ministers' Advisory Committee to conduct national consultations with key stakeholders. The consultations were held over June and July 2002 in each of the State and Territory capital cities to obtain stakeholders' views on the broad shape and content of the next Commonwealth State Housing Agreement. **Owen Donald, Ian Winter and Debra Van Rooyen** consolidated responses to compile this national summary of stakeholders' views.*

KEY POINTS

ROLE OF GOVERNMENT

- Participants generally considered it important for the Commonwealth Government to retain direct involvement in the provision of social housing – providing national leadership and capital funding.
- There was also strong support for development of a comprehensive national policy framework for housing that would tie together the various strands of support for housing and co-ordinate the housing-related activities at national, state, territory and local government levels.

DESIGN OF HOUSING ASSISTANCE PROGRAMMES

- Rather than favour a one-size-fits-all solution, most participants consistently supported the retention and further development of specific programme responses to particular housing-related needs and priorities, including homelessness, market failure in the provision of housing for Indigenous people, and the development of a viable community housing sector.
- While participants generally recognised that “tied funding” reduces flexibility, most were loath to move away from current tied programmes which provide a guarantee of assistance for particular purposes.

SUSTAINABILITY OF SOCIAL HOUSING

- Increasingly stringent targeting is widely regarded as having undermined the financial and social sustainability of Australia's public housing systems and funding levels are generally considered inadequate.

- Many participants contended that present arrangements in the major capital cities – where private rental is expensive, social housing waiting lists are long and there are major backlogs for maintenance and refurbishment – are not sustainable and are on the verge of crisis.

PRIVATE SECTOR INVESTMENT IN AFFORDABLE HOUSING

- Participants would favour the injection of private investment into affordable housing in general and social housing in particular, but not at the expense of governments' existing housing programmes.
- Many participants consider that the scope for leverage of private investment may be limited to high value locations in the largest capital cities.

CONTEXT

The current CSHA expires at the end of June 2003. In 2000-2001, AHURI completed a first round of consultations in each State and Territory to help stimulate discussion about the context and direction of housing policy in Australia (a summary was published as AHURI Research and Policy Bulletin Number 3 in August, 2001). In May 2002, housing jurisdictions asked AHURI to undertake a second round of national consultations about a new CSHA. This second round of consultations focused on the priority issues to be addressed by a new CSHA. A discussion paper "A New Framework for the CSHA" set the context of the current negotiations and outlined the guiding principles that officials are using in the development of options for the new Agreement. Whilst informed by Ministers' discussions, the paper did not represent the position of any Minister or Government.

The key themes for discussion during the consultations were:

- a) roles and responsibilities of levels of government in providing housing assistance;
- b) the design of housing assistance programmes;
- c) sustainability of the social housing system;
- d) leveraging private sector investment to provide affordable housing.

Participants in the consultations were nominated by the housing authorities and typically included representatives of peak groups (including Shelter and State Councils of Social Service), community housing bodies, tenants' associations, the housing and development industries, State and Territory government departments and local

governments. The discussion paper was distributed to consultation participants several days in advance of the consultation meetings. AHURI facilitated the meetings, recorded participants' views and produced a summary report for each meeting.

The following national summary of findings identifies views that were expressed frequently and commonly held by the participants. Overall, it is evident that the majority of participants reacted rather negatively to perceived threats in the development and form of a new CSHA, rather than respond positively to the opportunities that a new CSHA might provide.

FINDINGS

ROLES AND RESPONSIBILITIES OF LEVELS OF GOVERNMENT IN PROVIDING HOUSING ASSISTANCE

Participants evinced considerable support for the Commonwealth having a continuing role in the provision of social and affordable housing. The consultations suggested that this role, and the responsibilities associated with it, should be coordinated with the housing roles and responsibilities of various government portfolios and those of other levels of government by means of an overarching national policy framework. This policy framework would enable strategic integration of housing assistance with the broader operations of the private housing market.

Through the CSHA the Commonwealth has provided capital funds to State and Territory governments to build public housing stock. The consultations demonstrated widespread support for this to continue as a primary role of the Commonwealth government alongside its responsibility for private rental assistance. Many participants considered that a continuing Commonwealth commitment is necessary to ensure continuation of the public housing 'safety net'.

While there was strong support for the present housing assistance "partnership" between the Commonwealth and States, the role and responsibilities of State and Territory governments in providing housing assistance attracted little direct comment. An underlying assumption appears to be that the roles of housing authorities will continue, although the expressed desire for the Commonwealth to retain a role in capital provision suggests some uncertainty about State and Territory governments ability and/or willingness to continue without Commonwealth support.

There is support for extending the housing assistance partnership to include local government. It is recognized that factors such as differences in size, social and economic mix, and scale of existing infrastructure of local government

areas affect capacity to provide social and affordable housing. Nonetheless, due to the opportunities to leverage private sector investment in affordable housing through the land use planning and development approvals processes, there is some support for the inclusion of local government within the CSHA partnership.

THE DESIGN OF HOUSING ASSISTANCE PROGRAMMES

The consultations identified a range of concerns with specific forms of housing assistance but did not evince enthusiasm for rationalisation of the various programmes. Most participants considered that a diversity of assistance programmes is necessary to address varying needs and local circumstances.

As the public housing system is increasingly targeted towards tenants with complex needs, there is a related need to provide integrated housing and support services. The community housing sector, particularly in the larger States, was identified as having the potential to develop further to meet the housing and support service needs of targeted groups, but would require a funding commitment from the Commonwealth, States and Territories to achieve this. Their smaller scale, and thus flexibility in service delivery, was thought to be a key feature that advantages providers of community housing in this regard. On the other hand, many community housing providers said they were wary of targeting initiatives that could threaten their rental income and hence financial viability.

Participants stated that Indigenous peoples have unique housing needs and circumstances that justify specific programmes. There is continuing support for housing assistance programmes tailored for and managed by Indigenous people. It was also submitted, particularly by representatives from the Indigenous housing sector, that these culturally-specific housing assistance needs exist across urban, rural and remote Australia and should be serviced as such, although there was strong support in some States and Territories for the continuing prioritisation of remote communities. Most consultation participants supported the continuation of Indigenous-specific tied programs to meet these housing assistance needs, in addition to the requirement for Indigenous needs to be properly addressed through “mainstream” housing assistance measures.

More generally in relation to the issue of “tying” funds to particular housing assistance programmes, most participants strongly supported the continuation of tied funding to meet priority needs while acknowledging the consequent reduction in flexibility to adapt to local needs and circumstances. Representatives of the beneficiaries of tied assistance for community housing, Indigenous rental

housing, housing assistance for people with disabilities and support for homeless people each supported the continuation of their tied programme.

While there was general recognition of the need for community renewal programmes to refurbish housing stock, rebuild economic viability and restore positive social fabric, some participants were ambivalent about the consequences. They stated that community renewal could reduce the supply of social housing and lead to further “gentrification”.

SUSTAINABILITY OF THE SOCIAL HOUSING SYSTEM

In considering the sustainability of the social housing system, many consultation participants preferred to consider not just financial viability but also environmental, social and community sustainability.

In relation to financial viability, many expressed the view that a housing system with growing needs and a declining funding base is neither viable nor sustainable.

Responding to the option of a recurrent funding model for social housing linked to the Commonwealth Rent Assistance programme, participants sought greater clarity of how such a funding mechanism would operate. Many were interested in a recurrent funding model that is demand led and indexed with clearly stated housing policy outcomes. However, concerns were expressed about grounding such a recurrent funding model in the current Commonwealth Rent Assistance (CRA) programme, because CRA is designed as an income support measure, does not explicitly address affordability or adequacy criteria, does not take account of regional differences in housing costs and is consequently less effective in addressing housing affordability in high rent areas such as the capital cities.

LEVERAGING PRIVATE SECTOR INVESTMENT TO PROVIDE AFFORDABLE HOUSING

Participants supported the development of a national housing policy framework, led by the Commonwealth, to leverage private sector investment in affordable housing. They said such a framework would need to include a regulatory regime covering the roles and obligations of the public and private sector partners as well as a range of incentives to attract private sector investment in affordable housing: government subsidies, tax credits, housing bonds, direct mortgage lending, and retail investment.

Participants also identified the States and Territories, as partners in such a national housing policy framework, playing a role through planning provisions and by re-evaluating

their stamp duty and land and property tax practices as levers available to State and Territory governments to attract private sector investment in affordable housing.

There is also some considerable caution about the capacity of the private sector to provide the funds needed to meet the demand for affordable housing. Many participants were wary of private investors willingness to commit resources to long-run high-risk ventures and that subsidy levels would be greater than required for direct government provision. They also said that there are few examples of successful practice, that leveraging private investment may only be effective in high value locations in some capital cities, and that attracting private sector investment in smaller capital cities, regional centres, and rural and remote areas would be difficult given the prospect of lower investment returns.

Most participants were emphatic about not wanting existing social housing funds being diverted to leverage private investment because, among other reasons, private investors would not favour tenants with the greatest needs.

POLICY IMPLICATIONS

In the lead-up to a new CSHA, various parties have expressed concern about the continuing viability of existing arrangements. Many have advanced options for rationalising existing housing assistance, attracting additional funds and increasing diversity and choice by varying the “product mix” and management arrangements for social housing. The consultation exercise presented here indicates, among other things:

- concern about the adequacy and sustainability of social housing at present funding levels;
- concern about the possible consequences about the

Commonwealth withdrawing from capital provision for social housing;

- a preference to retain tied funding, especially among those who could be affected by “untying” assistance;
- strong support for the development of a national housing policy framework that would integrate and coordinate housing policy and other social policy objectives across all levels of government;
- ambivalence about the possibility of a recurrent funding model based on parameters of Commonwealth rent assistance;
- enthusiasm for attracting additional funding from the private sector but scepticism about the levels of subsidy required; and
- aversion to any diversion of CSHA funds to leverage private investment.

FURTHER INFORMATION

For more information about this consultation exercise see: <http://www.ahuri.edu.au>

Other related documents:

AHURI (2002) Reports on CSHA Consultations,

Donald, O. (2001) *National Housing Policy Project*, AHURI Research and Policy Bulletin, Issue. 3, August 2001, AHURI, Melbourne.

PRWG (2002), *A New Framework for the CSHA: discussion paper*, Policy and Research Working Group (PRWG) of the Housing Ministers' Advisory Committee,

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