The Federation Review, housing policy and the national interest

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Purpose and structure

- **Purpose:** is it in the national interest for the Federal Government to have a role(s) in housing policy?

- **Structure**
  - Housing and Homelessness Issues Paper – summary and critique
  - Draft Discussion Paper – summary and critique
  - The national interest in housing policy – articulate the responsibilities and define the roles
Context

- Federation Review
  - Within existing Constitution
  - Commonwealth just national interest matters as per Section 51
  - Reduce overlap in responsibilities and roles
  - Agree mutually exclusive responsibilities and funding sources
  - Equity and sustainability in shared funding

- Williams High Court judgement

- Tax Review

- Commission of Audit, McClure Report

- Forrest Report

- Senate Inquiry into Affordable Housing
Reform of the Federation

WHITE PAPER

Roles and Responsibilities in Housing and Homelessness

ISSUES PAPER 2
December 2014
## Roles

<table>
<thead>
<tr>
<th></th>
<th>States and Territories</th>
<th>Australian Government</th>
<th>Overlaps</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy</strong></td>
<td>Shared lead</td>
<td>Shared lead</td>
<td>High</td>
</tr>
<tr>
<td><strong>Funding</strong></td>
<td>Shared lead</td>
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<td>High</td>
</tr>
<tr>
<td><strong>Service delivery</strong></td>
<td>Lead</td>
<td>Secondary</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Regulation</strong></td>
<td>Lead</td>
<td>Secondary</td>
<td>Low</td>
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Funding shares

Commonwealth
($5,439 million)

67%: Commonwealth Rent Assistance ($3,628 million)

6%: NPA on Remote Indigenous Housing ($303 million)

19%: National Affordable Housing (NAH) SPP ($1,014 million)

States and Territories
($4,092 million)

2%: NRAS ($87 million)

1%: NRAS ($29 million)

1%: NRAS ($29 million)

95%: Social housing ($3,878 million)

5%: Homelessness services ($185 million)

Social housing
($5,194 million)

Commonwealth Rent Assistance
($3,628 million)

National Rental Affordability Scheme (NRAS)
($117 million)

Homelessness services ($591 million)

Source: Roles and responsibilities in housing and homelessness, Issues Paper 2 2014
Criteria to assess responsibilities and roles

- Accountability – would a change in roles improve it?
- Subsidiarity – any benefit/cost from assigning full responsibility for a function (e.g. policy) to one level?
- National interest – what is the national interest in housing and homelessness outcomes?
- Equity, efficiency, effectiveness – do these outcomes demand the involvement of one level of government over another?
- Politically durable and fiscally sustainable?
Critique

- ‘Responsibilities’ and ‘roles’ conflated
- Narrow focus on housing assistance and homelessness
Discussion paper

- Option 1 – split system manager
- Option 2 – shared system manager
- Option 3 – States and Territories full responsibility
- Not option 4 – Commonwealth full responsibility
Option 1 – split system

- States and Territories full responsibility for policy, funding, service delivery and regulation of social housing and homelessness
- Commonwealth ceases National Affordable Housing Agreement (NAHA) and National Partnership Agreement on Homelessness (NPAH) payments
- Commonwealth retains Commonwealth Rental Assistance (CRA) and extends to public tenants
- Could include joint national housing framework and collaboration on broader supply and affordability
Option 2 – shared system

- States and Territories continue policy, service delivery and regulation of **social housing and homelessness**
- No change to expenditure responsibilities
- Commonwealth retains CRA
- Joint national priorities and reforms to integrate and innovate housing assistance and homelessness and create pathways out
- Joint strategies to address causes of supply and affordability problems
Option 3 – States and Territories only

- States and Territories have full responsibility for policy, funding, service delivery and regulation of housing assistance and homelessness
- Commonwealth ceases CRA, NAHA and NPAH payments
- Could include joint national housing framework on broader supply and affordability
# Options – pros and cons

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Option 1</th>
<th>Options 2</th>
<th>Option 3</th>
<th>Not Option 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarify responsibilities</td>
<td>Clarifies narrow responsibilities</td>
<td>Each has policy responsibilities. Does not clarify these but seeks to improve co-operation</td>
<td>Yes, but no because still cost shifting between income support and housing assistance</td>
<td>Yes, but no because still cost shifting from possible failure to address supply and affordability</td>
</tr>
<tr>
<td>Sustainable housing assistance and homelessness</td>
<td>Maybe (social housing maybe more viable but tenants pay more?)</td>
<td>Relies upon robust co-operative governance</td>
<td>No, different levels of support for people in same circumstances; some CRA recipients could be worse off</td>
<td>Ownership of public housing would need to be transferred to Commonwealth. State and Territory balance sheets?</td>
</tr>
<tr>
<td>Sustainable housing affordability</td>
<td>No</td>
<td>No, but acknowledges the context</td>
<td>No, but incentive for States and Territories to get it right as bears full housing assistance costs if it doesn’t</td>
<td>No</td>
</tr>
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Critique

- Do not address broader housing supply and affordability
- Lack of clarity on responsibilities and roles leads to nonsensical options
<table>
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<tr>
<th>Commonwealth Constitution Section 51 Responsibilities</th>
<th>Housing system interests</th>
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| Trade and commerce with other countries and among the States and Territories | Foreign residential investment  
Efficient market conditions across the States and Territories for housing development  
Nationally consistent regulation of ‘housing commerce’ to ensure no geographic barriers to capital or labour |
| Taxation | Income tax – negative gearing  
Capital gains tax |
| Banking – financial stability | Mortgage lending, mortgage interest rates, household debt levels, bank stability, guarantee of bank deposits |
| Invalid and old-age pensions | Rate of outright home ownership – aged pension – CRA for eligible renters – ageing in place – residential aged care programs |
| Maternity allowances, widows’ pensions, child endowment, unemployment, pharmaceutical, sickness and hospital benefits, student benefits, family allowances | Housing costs, housing affordability stress, poverty alleviation, CRA |
| Immigration and emigration | Population growth, housing demand, settlement patterns |
| External affairs | UN Human Rights Treaty, right to shelter |
Housing – national benefits

- More productive urban economies
- Economic growth through property and construction
- Positive household consumption and wealth effects
- Cost effective base informal/formal service delivery
- Better individual and household well-being, and social cohesion
Yet...disruptions

- Geographic dislocation of housing supply and jobs
- Rising housing affordability stress
- Rentier culture displacing entrepreneurial culture
- Increased costs and reduced effectiveness in service delivery
- Less individual well-being
- Less social cohesion
Federal Budget risks

- Rising CRA costs
- Rising aged pension costs
- Rising aged care costs
- Rising negative gearing tax concessions
- Rising capital gains tax concessions
- Slower growth in tax revenues
- Increased formal service costs
Housing policy in the national interest

- Commonwealth has Constitutional responsibilities that demand a role(s) in housing
- An efficient and effective housing system can deliver multiple benefits to the Commonwealth given its responsibilities
- These benefits are being disrupted by structural changes in housing – causes of which are multiple but include Commonwealth policies
- These disruptions will become manifest in increased Commonwealth Budget costs
Policy objectives

- Maintain a high home ownership rate, enable access for moderate income earners, prevent fall outs
- New housing supply targets to maintain parity with population growth rates
- New dedicated affordable supply targets to maintain parity with need growth rates
- Reduce homelessness
Policy means

- Framing social and affordable supply as critical public infrastructure to recognise its economic and social dimensions
- Competitive payments from Commonwealth to the States on the basis of achievement of negotiated supply targets rather than per capita
- Certainty on demand subsidies (CRA), tax subsidies, national regulation of affordable sector and government guarantee to assist in attracting institutional investment
- Investing in transport infrastructure that connects new housing supply to areas of employment (UK City Deals)