

EXECUTIVE SUMMARY

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Innovations in stock matching and allocations: the social housing challenge



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Executive summary

Key points

- In the context of very high demand for social housing against very low supply, this research has set out to explore the potential of innovative policies and practices around allocations and stock matching to reduce the gaps between need for and supply of social housing.
- State housing authorities and community housing providers have developed mechanisms to support the decision-making of allocation of social housing to people in greatest need, which is agreed as the most just approach in such a highly strained system.
- The social housing sector currently caters only for the ‘tip of the iceberg’ applicants, while those with less acute needs are not being housed.
- International and national innovative policies and practices can improve the way applicants are being allocated housing, but they are really only ‘tinkering at the edges’ and cannot address the major structural challenges the system is facing.
- Social Return on Investment (SROI) is an evaluation framework that allows governments to cost social housing across the ‘whole of government’. It is suitable for evaluating social housing, as it identifies relevant stakeholders and measures ‘intangible’ outcomes.
- Policy makers could consider expanding the definition of need for social housing, from the current limited administrative definition to a broader view of all housing needs.

- **Housing allocation practices could achieve results at greater scale in a broader system, through allocating tenancies beyond the social housing system and intersecting with other markets.**
- **The social housing sector could be considered as part of the wider housing market, with an understanding that it is not a separate system but one that is influenced by external conditions of the market.**

Australia's social housing sector remains under significant pressure. Demand for social housing properties remains high, waiting lists are long, and the sector is expected to meet the needs of an increasingly diverse current and prospective tenant population. Resulting from these pressures is an allocation and matching system that operates long waiting lists through a range of eligibility criteria and assessment and priority categories, aiming to achieve a fair and equitable allocation system of social housing. These processes have seen the sector increasingly targeted towards low-income households with complex needs, and to those experiencing multiple disadvantages and support needs.

This research has set out to explore whether innovative, flexible allocation, and matching policy and practice could reduce the gaps between the need for and the supply of social housing.

Key findings

Recent changes in allocation and matching policy and differences between SHAs and CHPs

Data drawn from policy review and stakeholder interviews revealed that almost all Australian jurisdictions—apart from the Northern Territory (NT)—have established a common housing register for applicants applying to both State Housing Authorities (SHAs) and Community Housing Providers (CHPs). Eligibility criteria to access the common register across jurisdictions are very similar, with little variations regarding the minimum age of applicants, or income and asset limits. Other differences between jurisdictions include the existence of a separate priority transfer list, and variations in priority categories as based on needs, which range between four priority categories and one.

Demand for social housing across jurisdictions has remained high over the last five years, while stock has not increased significantly to match demand—despite recent plans in some jurisdictions to build new stock as a response to the COVID-19 crisis. To allocate fairly, SHAs have developed complex structures of priority categories and definition of needs that enable and clarify decision-making around who should get housing and who should not. This results in the allocation of dwellings to applicants with the highest needs.

Because SHAs have been providing housing to tenants on very low incomes, they have been operating in a very tight fiscal environment, which means they have not been able to grow the housing stock. In contrast, CHPs can allocate housing to higher-income applicants (although still low income), and can also leverage their assets and revenue streams to build more housing stock as they have access to their tenants' Commonwealth Rent Assistance (CRA).

Availability gaps between current needs and supply of social housing

Based on a secondary analysis of available databases, the gaps analysis highlighted that, currently, social housing responds only partially to the most significant housing and assistance need in Australian society, with priority access granted according to strict and restrictive eligibility criteria. Social housing only responds to the 'tip of the iceberg'—to the most acute, high-need population groups at any time, with most households below the tip of the iceberg, where their housing needs are not met.

In 2020, the total number of eligible households on public housing waiting lists was 155,141 households:

- 58,511 priority applicants on the waiting list
- 96,630 non-priority but eligible applicants.

The report presents four select methods for assessing social housing gaps:

1. Adequacy of current provision.
2. Waiting list and eligibility data.
3. Housing options in alternative tenures, notably low-rent private rental or homelessness.
4. Long-run forecasts of future demand.

The scale and nature of 'gaps' identified vary, but the overall conclusion is similar: current social housing allocation is inadequate to meet need. Particularly, families with children (mostly single-parent households), single households and regional households display the highest unmet need.

The gaps analysis indicates that a wide approach to assessing social housing gaps, one that includes other tenures and housing assistance forms—those below the 'tip of the iceberg'—provides the most robust account of social housing gaps. A narrower gaps analysis based on a narrow definition of needs is flawed, as criteria are based on political and administrative views of the problem—and therefore do not reflect the breadth of housing need in Australian society.

Insights from international and national innovations

A review of international and national policy and academic literature showed that countries with similar housing markets (Canada, New Zealand), and countries with innovative allocation and matching policies and practices (the UK), have struggled, like Australia, with the appropriate balance of housing supply and demand, due to similar housing market conditions and global societal processes.

From the international literature, consultations and previous reports for AHURI, we have identified several innovative policies for consideration in Australia. (Although many of these initiatives are not 'new', they have been evaluated and are therefore included in our examination.) These include the common housing registers, choice-based letting (CBL), and local allocation plans. Although the common housing registers have been adapted to the Australian social housing context, CBLs and local allocation plans have been piloted locally in South Australia (SA) and New South Wales (NSW) recently, but without long-term plans to adopt them. There are plans to pilot them again in these jurisdictions, as well as in the Australian Capital Territory (ACT). Other innovative policies raised in policy review and interviews with stakeholders are responses to the issue of underutilisation and sustainable tenancy pilots that integrate support with housing for tenants with very high needs.

However, we argue that such manifestations of international and national innovations provide only incremental change and small-scale innovation. They are only 'tinkering at the edges' and cannot address the major challenges currently faced by housing providers in Australia.

The Social Return on Investment evaluation framework and its benefits

The development of an evaluation framework—the Social Return on Investment (SROI)—involves measuring expenditures and revenues across two domains: government departments and tenants.

For the government, a SROI framework allows state treasuries to cost social housing across the 'whole of government', with the benefits of social housing measured in terms of the direct financial contribution of tenants and government rent support, as well as the reduction in the cost of services when housing assistance becomes available.

For tenants, a SROI framework acknowledges the measurement of direct benefits they may receive from social housing—some of which are difficult to measure in financial terms, and are considered ‘intangible’.

The SROI framework is particularly suitable for evaluating social housing because of the emphasis on the identification of relevant stakeholders and measurement of ‘intangible’ outcomes. These characteristics allow the SROI framework to document the impact that social housing may have on tenants through identified costs and benefits. Despite some evidence finding limited improvements in a host of socio-economic outcomes for recipients of housing assistance—particularly when compared with households receiving other forms of government assistance—determining all outcomes of social housing tenants relevant to a given policy remains critically important as part of any evaluation program. However, we should caution that a properly conducted SROI is a time-intensive exercise and relies on assumptions that can be challenging to independently verify. While these assumptions are not necessarily stronger than alternative methods, they nonetheless require someone with experience to detail properly.

Policy development options

We present four interconnected policy development options below. Housing providers (SHAs and CHPs) can improve the system incrementally with various innovative policies, but major improvements can only happen through government commitment to genuine change.

Expanding the concept of need for social housing

Due to the narrow definition of need and the eligibility rules around access to social housing, many people in need of housing are excluded from ever getting housed within the system. Therefore, policy makers would do wisely to expand the way need for social housing is defined. This would change from the currently very narrow view that only includes people with very high needs, to a broader view that also includes people beyond the ‘tip of the iceberg’: low-income earners and other people with the need for housing assistance.

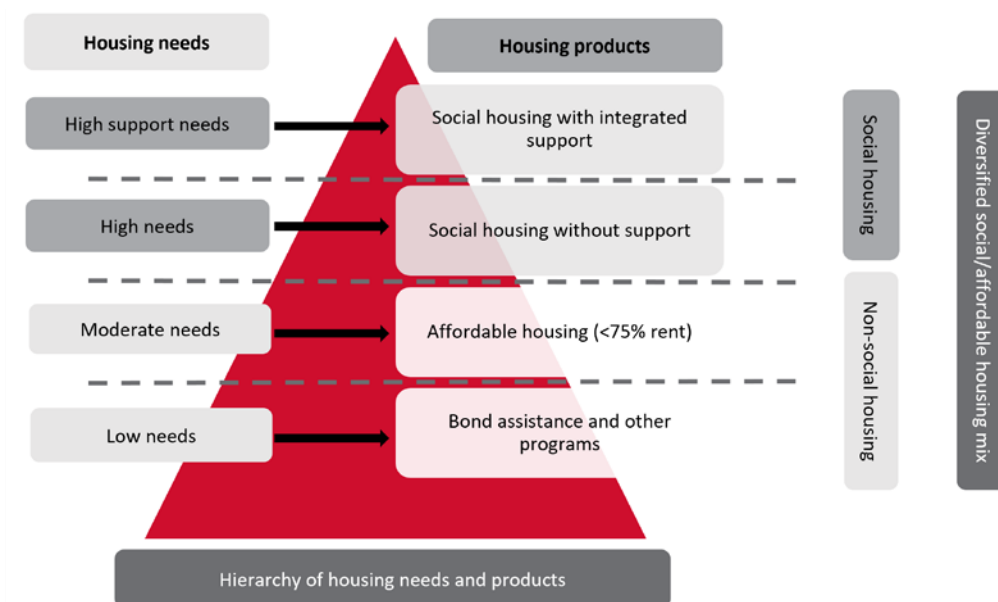
Defining need on the basis of who is on the waiting list is a very narrow concept. It misses all those who would be eligible according to current eligibility guidelines—unmet need—as well as those that are increasingly unable to access affordable housing. So the broader concept is capturing current and projected need. If this is not considered, then need can never be quantified and met through opportunities for appropriate planning and build programs.

The sector would benefit from expanding its limited target to include people on a spectrum that starts from tenants with highest need for housing integrated with other support, through to people with high need for housing but no need for other support, to people in need of affordable housing only in various forms.

The social housing system is part of the broader housing market

Governments should view the social housing sector as part of the larger housing market rather than as a separate, standalone system. The current situation of perceiving the social housing sector as a separate system means siloing responses rather than an integrated response with many available alternatives (Figure 1).

Figure 1: A diversified housing system catering for diverse housing needs



Source: Authors.

In contrast to the current situation, social housing should be perceived as only addressing the ‘tip of the iceberg’ of a range of people experiencing a range of housing needs, including—as discussed earlier—those who need housing assistance of different kinds. These cohorts comprise:

- people with greatest needs who require subsidised housing with varying levels of support
- people who need affordable housing
- people who need housing assistance in different forms.

Governments cannot continue to perceive the social housing sector as separate from the external housing market.

Innovative policies and practices can only do so much

Innovative policies and practices that target the efficiency and effectiveness of the allocation system can only have a small incremental change effect on the major issues that plague the social housing sector. They cannot significantly reduce the increasing gaps between need for social housing and the supply that is offered.

We propose a conceptual model of the social housing sector that shifts from a one-dimensional model to a multi-dimensional model. The current one-dimensional model identifies social housing as a solution only for those with greatest needs. It has administrative and political appeal, but also comes with a range of problems—and it is financially unsustainable.

Broadening and diversifying the social housing system

Consequently, governments are encouraged to integrate the social housing system within the wider housing market and create a more complex and nuanced social housing sector, through diversifying and broadening the system. The system should include a range of housing products to fit the changing needs of the population. These could include:

- public (or community) housing with integrated support offered to those in greatest need
- public housing without integrated support
- community housing for people on low and moderate incomes
- affordable housing headleased from the private rental market
- housing-related programs such as Commonwealth Rent Assistance (CRA) or Private Rental Assistance (PRA).

Such a system would be able to better respond to people's changing circumstances, without necessarily forcing people to move out of social housing. A household could be allocated one housing product, but could then be allocated a different housing product if their situation changes, without the need to change their physical housing arrangements (Figure 1). This approach recognises the emotional importance of housing.

The study

Through five stages of integrated yet distinct areas of exploration, the research addressed the overarching research question:

How can more flexible and innovative allocation and matching policy and practice reduce the gap between needs and supply and enhance matched outcomes?

- **Stage 1:** Interviews with stakeholders
- **Stage 2:** Needs and supply gaps analysis
- **Stage 3:** International and Australian policy review
- **Stage 4:** Evaluation framework for allocation strategies
- **Stage 5:** Policy development workshop.

Stage 1 included semi-structured interviews with 24 stakeholders, including State Housing Authority (SHA) senior managers and officers, Community Housing Provider (CHP) senior managers and officers, advocates and other NGO managers and officers from Queensland (QLD), Victoria (VIC), Tasmania (TAS) and South Australia (SA). Discussion points within interviews were around specific demand pressures, the needs and issues of diverse groups, and any initiatives providers have developed to balance increasing demands within budget constraints.

Stage 2 comprised a needs and supply gaps analysis, providing a national overview of existing and projected needs and existing supply of available stock of social housing for key populations out to 2036. The analysis used publicly available data from organisations such as the Australian Institute of Health and Welfare (AIHW), the Australian Bureau of Statistics (ABS), and the Productivity Commission, as well as previous reports for AHURI about social housing needs.

Stage 3 included a review of policy and practice documents and the limited academic literature on social housing allocations and matching, including previous AHURI reports. This stage aimed to understand current housing-stock allocation and matching policies and practices across all Australian jurisdictions, as well as innovative or best practice policies for housing-stock allocation and matching from countries with similar housing systems and history of housing reforms: Canada, the UK, New Zealand and the USA.

Two international advisers assisted with this stage of the review: Professor Tony Manzi, Sheffield Hallam University, UK and Adjunct Professor Steve Pomeroy, Carleton University, Canada. The international advisers were supported by an Australian adviser, Professor Emeritus Terry Burke, Swinburne University.

Stage 4 encompassed the development of a cost-benefit evaluation framework using a Social Return on Investment (SROI) methodology, as a means for providers to assess allocation strategies. The framework builds on previous work for AHURI, allowing many of the benefits of social housing to be measured through the lens of cost savings in the provision of other government services, while also acknowledging the direct benefits that may accrue to tenants. The framework considers broad economic and social outcomes influenced by allocation strategies, data requirements to quantify the outcomes, and analysis methods that will enable evaluation of existing and proposed strategies.

Finally, **Stage 5** involved a stakeholder workshop, which presented the findings of the previous four stages to 19 participants from organisations involved in the research in the four jurisdictions, most of whom had previously been interviewed for the research. The workshop allowed participants to engage critically with the emerging findings of the research, consider examples of innovative practices and policies, and discuss policy development and practice opportunities. The workshop involved an advisory panel who presented and reflected on allocation issues and innovations. The panel included Adjunct Professor Steve Pomeroy and Professor Emeritus Terry Burke.

Interviews with stakeholders have been transcribed and analysed through a thematic analysis. The four distinct component parts of the research have been integrated as a system-level assessment, with the stakeholder workshop forming a crucial step in the integration of the findings from the four separate stages.



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