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Australia's multi-provider social housing system: contest or growth?

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Rebecca Pinkstone	Chief Executive, Homes NSW

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Acronyms and abbreviations used in this report

ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
ACCC	Australian Competition and Consumer Commission
AHURI	Australian Housing and Urban Research Institute Limited
AP	Availability payment
AP PPP	Availability payment public-private partnership
ARA	Housing Finance and Development Centre of Finland (now Centre for State-subsidised Housing Construction, Finland)
AS	Accommodation Supplement
CDC	Caisse des Dépôts (French national public development bank)
CHO	Community Housing Organisation
CHP	Community Housing Provider
CRA	Commonwealth Rent Assistance
CSHA	Commonwealth-State Housing Agreements
COVID-19	Coronavirus disease
ECA	European Court of Auditors
EIB	European Investment Bank
GST	Goods and Services Tax
HAFF	Housing Australia Future Fund
IRRS	Income Related Rents Subsidy (Aotearoa New Zealand)
LLC	Limited liability company
MAIHI	Māori and Īwi Housing Innovation (Aotearoa New Zealand)
MHC	Municipal housing corporation (Finland)
MPS	Multi-provider system
MSD	Ministry of Social Development (Aotearoa New Zealand)
NDIS	National Disability Insurance Scheme
NFP	Not for profit
NHFIC	National Housing Finance and Investment Corporation (now Housing Australia)
NRAS	National Rental Affordability Scheme
NRSCH	National Regulatory System for Community Housing
OECD	Organization for Economic Cooperation and Development
PAC	Public Accounts Committee
PPP	Public-private partnership
REIT	Real estate investment trust
RMIT	Royal Melbourne Institute of Technology
ROGS	Report of Government Services
SA4	Statistical Area Level 4 (an ABS area)
SHA	State housing authority
SHL	Social Housing List (Aotearoa New Zealand)
SOMIH	State-Owned and Managed Indigenous Housing
UNECE	United Nations Economic Commission for Europe
VARKE	Centre for Subsidised Housing Construction (Valtion tukeman asuntorakentamisen keskus, Finland)

Glossary

A list of definitions for terms commonly used by AHURI is available on the AHURI website ahuri.edu.au/glossary.

Executive summary

Key points

- Australia's social housing declined from 5.2 per cent of housing stock in 1997 to 3.9 per cent in 2023. This is partly due to changes in how such housing is planned for, funded and provided.
- The study demonstrates that there are no long-term growth models within Australia's social housing policy landscape: there are only sporadic project models.
- Subsidies supporting housing outcomes vary considerably. This leads to an antagonistic relationship between provider systems, and highly inefficient outcomes.
- Over 80 per cent of Commonwealth subsidies to housing flow to the private rental housing sector, with little public accountability.
- Models of social housing provision do not cater for the needs of low- to moderate-income households—which are increasingly experiencing rental stress.
- Tenant experiences and accountability of social housing are declining at the same time as the provider systems become more complex.
- However, housing systems can be designed to strengthen communities and cultural belonging, and to respond to local needs. Land rights and strategic investment are vital in this process.
- Circuits of investment can sustain good growth, while improving access to funds, leading to self-sustaining systems. However, this requires good regulation and prevention of extractive practices.

- **Social housing systems accommodate vulnerable households whose voices should be heard directly through good governance, or indirectly through advocacy, in order to enforce high standards of service delivery and public accountability.**
- **Capable social housing providers require strong institutional foundations evidenced by high and continuously improved service standards, a highly and suitably qualified workforce, and accreditation for both workers and providers.**

Multi-provider systems: shaping social housing growth and decline

This paper examines Australia's social housing multi-provider system (MPS), in which government funds housing services provided by a range of public, private and not-for-profit organisations. It explores the changes over time to social housing delivery at the federal, state and territory level, and provides a systematic review of the different types of social housing providers of this MPS. Our focus is on reviewing the changes that influence the trajectory of growth of the system and its specific forms of governance.

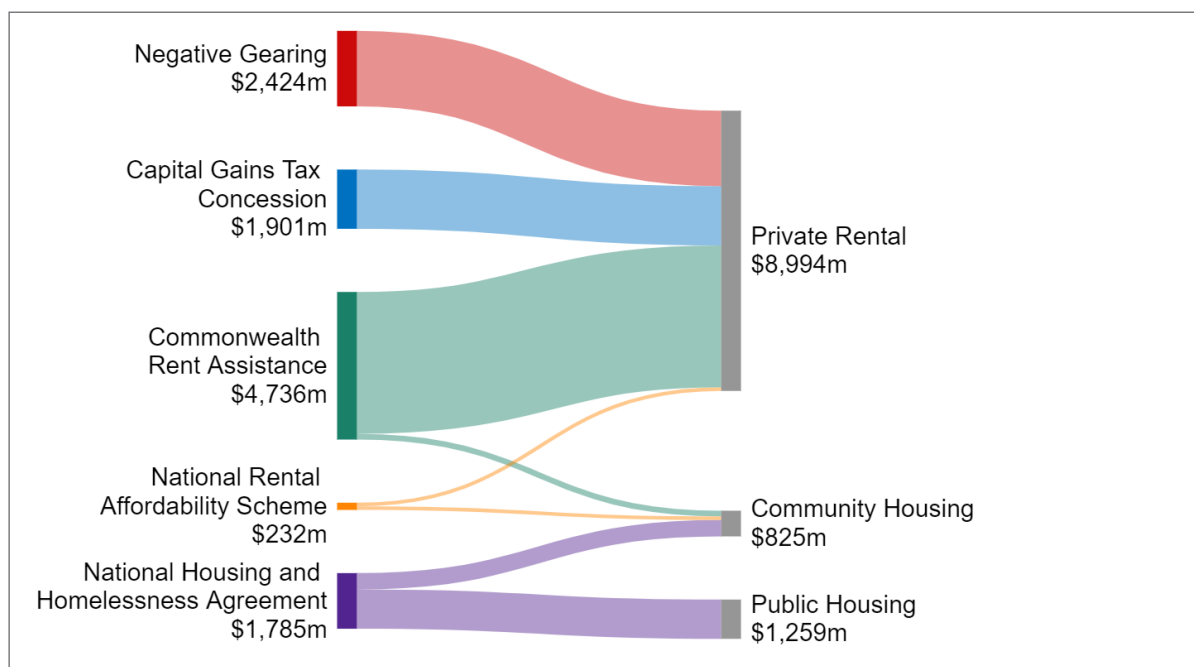
Australia's social housing MPS includes:

- public housing—managed by state housing authorities
- community housing—regulated by a state/territory registrar
- some dwellings that are part of the National Disability Insurance Scheme (NDIS) or National Rental Affordability Scheme (NRAS).

The contribution of Australia's social housing to overall housing supply has declined in recent decades, partly due to changes in how such housing is planned for, funded and provided. Competition and choice have not driven optimal outcomes. This major research project makes extensive use of qualitative and quantitative data, as well as industry reports and material submitted to public service inquiries, in a contrastive multi-method approach. It considers national, state and territory developments, as well as relevant international experiences of social housing MPSs, and the care and education sectors in Australia.

Social housing is just one segment of the Australian rental system, and it receives a relatively small allocation of government funding. This research investigates the impact of limited public support and shifting provider models, in response to need, and examines the growth pathways and consumer perspectives of a variety of MPSs.

Figure 1: Where Commonwealth housing expenditure flowed, 2021–2022



Source: Authors, using data and methods of Davies (2023).

Key findings

Our research investigated five research questions. The findings are outlined below.

1: The current state of the Australian multi-provider social housing system

Over the past three decades, Australia's social housing MPS has emerged through a series of ad hoc policy decisions. The intent of those decisions was to replace a monopoly-provider model based on public housing with a new system involving a declining stock of public housing sitting alongside an expanding stock of community housing. The conceptual driver has been a policy desire to increase consumer choice by increasing the range of providers from whom tenants can rent a dwelling.

This new system has generated very little overall growth. Community housing has grown substantially—but this is largely due to stock transfers from public housing. This growth in community housing has been concentrated among the largest providers, with over half the stock managed by the largest 36 organisations. Despite this aggregate growth, the social housing stock has declined in proportionate terms from 5.2 per cent of dwellings in 1997, to 3.9 per cent of dwellings in 2023.

In contrast, unmet need for social housing has grown. This has led to an evermore complex web of rules and regulations that seek to tightly target the available stock to cohorts with progressively higher needs. Existing social housing policies and regulations govern eligibility, access, security and affordability; they are highly variable and inconsistent across states, territories and sectors.

The chaotic and inconsistent nature of regulation underlies the differential treatment and operating contexts for different providers within the social housing system—and likely confusion for tenants trying to access social housing. Eligibility criteria have tended to favour smaller households, despite demographic evidence that larger families are most in need of support.

2: Growth pathways shaping social housing missions, scale and growth models

Australia has no real long-term social housing growth models, and short-term and medium-term project financing of development models have dominated. Approaches to development are largely ad hoc and fragmented, with the sector in search of a sustainable, long-term economic foundation. Fragmented access to funding streams—which vary between public housing and community housing—creates perverse incentives for partnerships and collaborations that do not always provide good outcomes. There are no reliably funded targets to increase the rate of social housing provision, given recent sharp increases in housing costs.

Growth models reflect the allocation policies of the social housing waiting list and project feasibility models of housing providers, rather than a broader demographically defined assessment of housing needs. Models of social housing provision do not cater for the needs of low- to moderate-income households, which are increasingly finding themselves in rent stress.

Development models are increasingly becoming costly and complex, drawing on infrastructure financing public-private partnership (PPP) availability payment approaches. Rents collected from tenants are insufficient to cover the full costs of delivering housing services and covering development and capital costs, with a new rent model required to cover this gap. An availability payment in PPP deals is a payment mechanism where the government compensates the private partner for making an infrastructure asset available for use, regardless of actual usage levels. Payments are predetermined or based on a formula, ensuring financial stability for the private partner (ITPI 2018).

There are overlooked and underutilised opportunities for cost recovery and revolving funds that would enable local government and housing co-operatives to play a larger role in Australia's social housing MPS.

3: Provider perceptions on growth, policy support and risks in provision of social housing rentals in different contexts

Regulators and academics have mixed views on the wisdom of finance-driven rather than needs-based approaches to social housing investment. This has been demonstrated through extensive interviews, submissions and research with consumer advocates, housing providers and policy makers.

These mixed views are because Australia's approach to financing social housing fundamentally differs from more resilient and long-term European systems that have built up, protected and revolved equity investment over generations. The European approaches are built on solidarity and revolving funds, rather than transfer of public equity and contests of evermore complex deal-making in the interests of securing increased, but expensive, private financing. More sustainable approaches accumulate equity towards a self-sustaining and growing social housing system, premised on a commitment to continuous improvement in supply, management and maintenance.

Tenant experiences of social housing are declining, as is accountability across both public and community sectors, as providers focus their efforts on maximising rental income to service the increasing cost of debt. Financial feasibility is impacting the allocation of housing to tenants on the lowest incomes, such as youth allowances, or the highest accommodation supplement. Regulation within the community sector focuses on financial risk—and this has led to a disconnect and lack of accountability for tenant outcomes.

There is a lack of solidarity across sectors, based on the experience of transfers, sales and exclusion of public housing, but a desire and willingness for healthy and co-operative competition.

4: International insights from other multi-provider social housing systems

More productive social housing systems are well integrated with urban plans and land instruments. They benefit from long-term land banking, disposal and asset use that prioritises and supports the growth of social housing. In selected European countries such as the Netherlands, France, and Austria, publicly led land strategies are efficient in providing dedicated opportunities for social housing development. In these countries (re)zoning and development usually require social housing as a condition of development rights, typically of 25–30 per cent. This provides opportunities to address needs and improve project viability through pre-sales.

In Australia, financial surpluses are only generated through public subsidy—which means that margins on private finance, private equity and for-profit delivery are coming directly from public expenditure. As in many European models, revolving fund regulation can require that any surpluses from operations and asset management must be reinvested in the growth of new social and affordable supply. In this way, public investment in the social housing system can be seen as sustaining and growing valuable assets rather than a recurrent purchase of services on a long-term payment basis.

The cost rental model of social housing is a system where rents are set based on the actual costs of providing and maintaining housing, rather than being linked to market rates. This approach ensures affordable, stable, and long-term rental options for tenants, particularly those on moderate incomes. Cost-rental models have proven resilient in Europe, but they need co-investment to be affordable in the early stages. This is especially the case for high-cost locations, and for the poorest households, including income assistance (Byrne 2024; Housing Europe 2021; Norris and Byrne 2022). Over time, cost-recovery models can also be self-sufficient, as in Denmark (Interviews, national Danish experts 2024), and propel new growth, as in France (Schaefer 2023; Interview 2024).

In Aotearoa New Zealand, the Māori-led experience shows that land (and Treaty) rights and strategic investment are vital in this process.

5: Insights from non-housing Australian MPSs

Capable social housing providers require strong institutional foundations that incorporate standards for provision, qualified human resources, accreditation, monitoring and accountability. Importantly, circuits of investment can sustain good growth, improve access to funds and continually invest to become self-sustaining—but this requires good regulation to build up equity and to prevent extractive practices.

Social housing systems accommodate vulnerable households, and must act to enhance the power of users, enforcing good standards, ensuring voice, requiring accountability and active advocacy.

Typically, social housing involves affordable rental housing allocated to people in need. Social and affordable housing can be developed, financed, constructed and managed by a variety of entities, including public, non-government, co-operative and private sector entities.

Over the decades, policy shifts and trade-offs have shaped the scale, purpose, composition, and growth trajectories of Australia's social housing sector. While public housing accounted for 95 per cent of all social housing in Australia in 1997, by 2023 its share had fallen to 67 per cent. There has been very little real growth in the stock of social housing in Australia over the past three decades, which has consequently declined as a share of the total dwelling stock and annual new dwelling supply.

Policy development options

Despite the decline in social housing over the last three decades, there are options for policies that would reverse this trend. These are outlined below.

Planning for growth

Mission-focused policies are needed to reverse the decline in social housing. Such policies require long-term investment strategies that are focused on achieving area-based growth targets and are also able to address existing needs and the backlog in social housing. A long-term (30-year) investment strategy, linked to funded needs-based targets and realistic performance indicators and outcomes reported to parliament, would greatly strengthen social housing development, direction and innovation. Joined-up public policy strategies can also deliver innovations—such as energy-efficient low-carbon design, modern methods of construction, and resident voice.

Key recommendations

1. Articulate a long-term vision coupled with a coherent operating model that enables all regulated providers to address the need for social housing.
2. State-based urban planning should ensure local urban plans integrate needed social housing. This can be done through relevant land policy actions—such as acquisition, lease, sales, rezoning and inclusionary zoning—and taking a more active role in partnering with regulated providers for co-development of social housing.
3. All providers receiving some form of public support must be registered, operate on efficient cost rents, and submit to auditing to promote best practice, efficiency and grow supply. This would apply to providers receiving land, grants, favourable financing or tax concessions.
4. Ensure and maintain administrative capability to establish effective policies, strategies and programs to implement successful systems of social housing provision. This would apply at all levels of government, and for all providers and relevant consumer advocacy bodies.
5. Improve the range and scale of data on the MPS, including the number, type and scale of providers, as well as their output, financial performance and effectiveness in meeting tenant housing needs.

Funding multi-provider social housing

To ensure benefits for operating surpluses are maximised, Australia's social housing MPS would be advanced by developing frameworks for cost efficiency, equity and effectiveness. Surpluses should be used to fund long-term growth, not pay for high-cost private finance.

Such frameworks would consider land, finance, construction, maintenance and management costs, with reference to international best practice to drive innovation and efficiency. It is not uncommon for Australian social housing providers to make a surplus, particularly when the stock they are managing is free from debt and in good condition. This is also common in Europe. Resilient systems protect these surpluses from extraction, and lead to investment in quality and growth via dedicated revolving funds.

Circuits of investment can sustain good growth, improve access to funds and continually invest to become self-sufficient. Yet this requires a coherent vision, good regulation and prevention of extractive practices, as in European best practice (Organization for Economic Cooperation and Development [OECD] 2023; UN 2021). Critically, a surplus from the operation of social housing provision can contribute equity that can be used to grow new social housing stock—but only if regulation requires this. When organisations are operated appropriately and efficiently, and when auditing is effective—as featured in the Finnish case—sustainable growth can occur. The regulator should play a key role in benchmarking and auditing, to drive efficiency and value for money through yearly cost-rental calculations.

Procurement frameworks should also be designed to support and improve efficiency and decent housing standards. Competition frameworks solely focusing on cost efficiency in procurement should not undermine decent dwelling standards, social return on investment or value-for-money principles. The cost of meeting decent standards should be spread over long periods and not cause an excessive burden on tenants.

Key recommendations

6. Cost-recovery principles and processes must be effectively enshrined in regulation, monitored and audited. This would enable a sustainable model, ensure value for money and a decent standard of affordable housing supply for tenants. Such a sustainable system would require the following.
 - a. Ensuring that key social obligations of social housing are built into the core of the operating model of provision—for example, in its rent-setting and allocation policy. These obligations must be sustained over time, beyond any financing or lease contract or duration of subsidies, as successfully done in Denmark and Austria.
 - b. Ensuring circuits of investment support regulated housing providers that serve a range of policy goals—from improving access to adequate rental housing to decarbonising rental housing stock.
 - c. Harmonising supports to social housing providers so that public and community housing sectors have the same funding and tax supports. This would level the playing field and promote healthy and co-operative competition.
 - d. Reforming the rent model for social housing, providing sufficient subsidies to fund the gap between what is paid under an income-based rent-setting and the cost rent of delivering that housing.
 - e. Ensuring value for money for tenants and the public purse by monitoring cost-rent calculations and ensuring assets and surpluses are used to grow the investments over generations.
 - f. Enabling a wide range of equity can be used to grow social housing, in the form of land, provider equity, planning contributions and conditional grants. This must be protected from extraction, such as discounted sales or transfers. Both Austria and Finland have clearly legislated models that could be followed.
 - g. Ensuring the build up of equity and reinvestment over time.
 - h. Reducing reliance on costly or inefficient financing and strive to pay down outstanding debt
 - i. Following OECD (2020) and European Court of Auditors (ECA) (2018) advice to avoid promoting PPP deals that:
 - impose a long-term financial burden on the state
 - are too complex and inflexible to govern well and innovate
 - that involve high transaction costs and pose uncertainties of renegotiation
 - impede public accountability
 - do not grow social housing assets over time.

Addressing tenant outcomes

Successful social housing MPSs define the operating principles of housing providers, their social task, and needs-based allocation. Such systems ensure that public investment is directed to entities operating according to the public purpose with a dedicated mission to supply and manage social and affordable housing primarily to assist people in housing need.

Key recommendations

7. Providers should be enabled to cater for a broader allocation of tenants, respond to actual demographic needs and social and economic development priorities, and move towards a sustainable economic model.
8. Develop a more robust and purposeful focus on tenants and their housing outcomes. A very strong regulator should be focused on the interests of tenants as its overarching objective; this involves listening to tenants (both current and prospective) to identify and set service standards that can be measured. Once service standards are determined and agreed nationally, state-based regulators could undertake on-site reviews of service providers; such review teams could include tenants chosen from skilled-up panels.
9. Establish state-based tenant advocacy services that can provide support and education and training for tenants, so they can genuinely exercise a voice in how their social housing provider delivers services to meet tenant needs and expectations. Tenants should have the option to be engaged in the management of their own dwellings and the right to monitor its service quality.

Regulating the MPS

Social housing tenants are relatively powerless. So it is essential that the social housing MPS is designed to respond to tenant voices and needs, rather than those of the providers or funders. A useful model to consider is that of the school education MPS, in which government is able to effectively regulate all aspects of delivery with an overarching focus on student outcomes. The foremost requirement is a highly qualified, educated and paid workforce that is registered and accredited, with staff development programs a core expectation.

Good regulation is an integral part of an effective social housing MPS, as it helps to enhance its mission, growth potential and sustainability. Capable social housing providers benefit from strong and stable principles that incorporate standards for provision, qualified human resources, accreditation of providers, monitoring and accountability. Regulation is also a work in progress. The evolution of Australia's regulatory system has stalled and is now primarily focused on the financial viability of providers, which is bedded down in contract-based PPPs, often far from public review. This can change with dedicated political support and sustained policy attention.

Good regulation provides for a fit-for-purpose framework for rent-setting that is based on cost-recovery principles, and allows for more inclusive allocation policies that work for communities and the financial health of providers.

Good regulation of a social housing MPS also sets and ensures decent housing standards across all providers—and ensures that they reinvest operating surpluses and receipts from the sales of assets in continuous improvement and growth. Adherence to a well-defined framework enables providers to be eligible for, and revolve, various forms of public support, from direct public investment to tax concessions.

Key recommendation

10. Regulated providers should publicly report movement of tenants, bonds held, evictions and exits, tribunal actions, property data, tenant-derived income (i.e. rent), repairs responses, and the number of tenants re-entering social housing.

The study

This study defines social housing as part of a MPS and examines the influences shaping the development and housing outcomes of this system. It provides a snapshot of Australia's MPS and the supply of social housing, and also maps the need for it. It examines the many different growth models influencing supply and the role of different stakeholders, including providers and tenants, in setting growth and consumer standards. The study looks beyond Australian social housing to provide international and non-housing service contrasts from New Zealand's indigenous housing model, a wide range of experiences in MPS from Europe, as well as lessons from Australia's care economy and education system. It provides 10 key policy development options concerning planning for growth, funding, monitoring tenant outcomes and regulation.

The project involved five phases of research involving data and document analysis, interviews and international and cross-sector case studies. This process was informed by an expert working group, which included senior representatives from across the housing provision sector (public, community and private), and experts with detailed knowledge of industry development strategies, as well as experience with analysis of needs-based data and indigenous housing policy. Advocates for consumers in the rental housing sector were also involved. RMIT ethics approval was obtained (approval number 2024-27692-2024), ensuring strong research standards, sensitivity and expertise.

1. Multi-provider systems: shaping social housing outcomes

- **Today, social housing is provided by public and private entities as part of a multi-provider system (MPS). Australia's social housing supply has steadily declined in recent decades.**
- **This research investigates the impacts of changes to how social housing is planned, funded and provided, focusing on how these changes have addressed social housing need, their growth pathways, and consumer perspectives.**
- **It considers developments in the national, state and territorial jurisdictions, as well as relevant international experiences of MPS in the social housing, care and education sectors.**

In many OECD countries over the last decade, welfare and public service policies have shifted away from a single public provider model to one in which government funds services provided by a range of public, private and not-for-profit organisations. These are referred to as multi-provider systems (MPSs).

This paper examines Australia's social housing MPS. It explores the changes to social housing delivery at the federal, state and territory level, and provides a systematic review of the different types of social housing providers of this MPS. Our focus is on reviewing the changes that influence the trajectory of growth of the system and its specific forms of governance.

Australia's social housing MPS includes:

- public housing—managed by state housing authorities
- community housing—regulated by a state/territory registrar
- some dwellings that are part of the National Disability Insurance Scheme (NDIS) or National Rental Affordability Scheme (NRAS).

Although the role of the following is recognised, this social housing study does *not* include:

- market affordable housing
- private dwellings rented by recipients of Commonwealth Rent Assistance (CRA).

A defining feature of Australia's social housing system is that it is heavily targeted to clients on low incomes who, typically, must also have other unmet needs to gain access to accommodation. This is a major contributing factor to the limited revenue and high costs in social housing provision. Social housing provision in the MPS has been ad hoc and sporadic, with outcomes not systematically recorded or evaluated. Current evidence on the status of the Australian social housing MPS is fragmented and partial.

Drawing on policy review, analysis of growth models, interviews with Australian providers, investors and consumer advocates—as well as international comparisons—policy development options are offered to improve Australia's social housing MPS.

The report considers the roles of different types of providers in the system, as well as the role of competition in various Australian jurisdictions, and also in the EU and the UK (Blessing 2012; Bloom 2023; Chen, Stephens et al. 2013; Murie 2013).

More coherent knowledge of Australia's social housing MPS is urgently needed. This research attempts to fill this gap.

Research questions and structure of this study

The research addresses the following questions:

1. What is the current state of the Australian MPS in terms of size, composition, mission, subsidisation, and access to investment, regulation and growth?
2. What growth pathways have shaped social housing missions, scale and growth models in each jurisdiction and how do they reflect local contexts?
3. What are the provider perceptions on effectiveness in a) facilitating growth in housing stock generally, and b) supporting growth in social housing rentals specifically? What are the gaps in provision and risk factors for providers in developing new social and affordable housing in different market contexts?
4. What relevant insights can be gained for Australian jurisdictions and from other international MPSs?
5. What relevant insights, including funding and regulations, can be gained for social housing from other non-housing Australian multi-provider systems?

The study is structured as follows:

Chapter 1 defines social housing as part of a multi-provider social housing system and examines the influences and ideas shaping the development of this system. It also outlines the research approach and methods in this project.

Chapter 2 provides a snapshot of Australia's social housing MPS and the supply of social housing, and maps the need for it. It considers the nature of and implications of a mismatch in needs and supply.

Chapter 3 examines the many different growth models influencing supply and considers underutilised stakeholders. The views of housing providers are also featured, along with reflections on their effectiveness and efficiency.

Chapter 4 looks at the needs, experience of and outcomes for tenants of social housing, especially their views on growth and consumer standards.

Chapter 5 turns beyond Australian social housing to provide international and non-housing service contrasts from Aotearoa New Zealand's indigenous housing model, a wide range of experiences in MPS from Europe, as well as cautionary and inspiring lessons from MPS in Australia's care economy and education system.

Chapter 6 rounds up the study, answering the research questions and outlining key policy development options.

1.1 What is social housing?

Typically, social housing involves affordable rental housing that is allocated to people based on social criteria rather than their ability to pay. There are many different definitions of social housing, and frameworks influencing provision, such as policies on allocation, mission of providers, rules governing rent-setting and standards.

Such frameworks vary significantly depending on the country, region or local community; they also vary over time (OECD 2021). Some examples are outlined below.

1. **Purpose:** Social housing systems can be founded on long-term principles designed to ensure that the system is self-sustaining and able to grow through internally generated surpluses. This approach is common in European countries. Other systems have a short-term focus on allocating the available dwelling stock to those most in need. This is the Australian approach.
2. **Target group:** Social housing aims to deliver affordable, good quality housing to those who cannot afford market-provided housing. However, the specific target groups can vary. European countries tend to have broader eligibility criteria that reflects a commitment to universal policy principles. Other countries including Australia, the USA, Canada and Aotearoa New Zealand target social housing to low-income families with multiple unmet needs.
3. **Ownership and management:** Social housing can be owned and managed by various entities, including government agencies, non-profit organisations, co-operatives—or even private companies (under certain regulations).
4. **Funding and subsidies:** The funding of social housing differs. Some models rely heavily on government subsidies, while others may involve a mix of public and private funding; others are even self-financing.
5. **Legal and policy frameworks:** Different countries have different legal and policy frameworks that define and regulate social housing. For example, in some European countries, social housing is considered a service of general economic interest (SGEI), which means it is recognised as essential for the wellbeing of society. (see also UN Habitat, 2023)
6. **Quality and standards:** The standards for what constitutes acceptable social housing can also vary. This includes the quality of the housing, the services provided, and the rights and responsibilities of tenants.

Social housing systems emerge from unique political and economic contexts that shape the norms of housing provision. This has led to variations of land policy and investment instruments, as well as eligibility, rent-setting policies, subsidies and supervision. A generalised understanding of affordable social rental housing provided in Figure 2 (UN 2021) is a good starting point for appreciating the many varieties of provision, and their differing operating models, which are later elaborated in Chapter 3 of this report.

Figure 2: Generalised affordable social rental housing

Capital for housing provision (supply side)		Revenue from housing (demand side)	
Generally social landlords are public bodies or charities which do not generate profits to tax. May also be exempt from value added tax.	Tax subsidies	Operating subsidies	Government may provide operating subsidies to social housing landlords often in the form of subsidies towards the interest on loans.
Social landlords may invest their own equity in housing provision or use tenants or private investors' equity. Government grants are also often provided.	Equity investment	Rent subsidies	Government rent subsidies may be paid to either the tenant or the social housing landlord.
Loans from government, banks, bond markets or non-profit lenders, or household savings schemes also fund the capital costs of housing provision. Government guarantees, guaranteed funds and also regulation of social housing landlords can help reduce the interest rates.	Loans	Rent paid by tenants	Tenants' rents are not usually linked to market developments. Rather they are linked to tenants' incomes, dwelling size, quality, or cost of housing provision.
Low cost or free land may be provided for social housing developments. This can be provided by a dedicated land banking agency, via the planning system, conditional title transfer, lease arrangements and land trusts.	Land costs		

Source: Lawson, Pawson et al. 2018, cited in UN (2021).

The definition of social housing in Australia has evolved significantly over the years, which reflects changes in public administration, urbanisation, social policy and economic conditions. Over time, the definition has expanded from a focus on public housing that is available to a wide range of income groups, to a more diversified provider approach, heavily targeted to households on low incomes and with other unmet social needs.

Some of the key points in the evolution of social housing in Australia are outlined below.

- **Post-World War II era:** Social housing in Australia began in earnest after World War II with the introduction of the Commonwealth-State Housing Agreement (CSHA) in 1945 to finance public housing and the establishment of state housing authorities to build and operate public housing. This period saw the construction of large-scale public housing projects aimed at providing affordable housing for low-to-moderate-income earners, often on estates adjoining new manufacturing plants. Most of these dwellings were sold to sitting tenants on generous terms, helping to boost Australia's home ownership rate.
- **1970s–1980s:** During this time, social housing began to target low-income renters. The government started to emphasise the need for housing that catered to specific groups, such as the elderly, people with disabilities and the homeless. This period also saw the introduction of community housing and the involvement of local government, which encouraged non-profit organisations to provide housing services.
- **1990s–present:** This period has been characterised by a policy shift towards privatisation and competition. Not-for-profit (NFP) community housing providers (CHPs) have grown in size and as a share of the social housing stock, at the expense of public housing. This has increased the role of private finance and reliance on recurrent rent subsidies in the sector. The focus continued to be on providing housing for those with the greatest need, including those experiencing homelessness.

- **Recent trends:** Policy interest has shifted toward the national regulatory framework used to oversight non-government providers—but efforts to progress this have faltered. There has also been some recognition that social housing is essential infrastructure that improves fairer access to adequate supply. Infrastructure agencies have integrated social housing into audits and advice, but this effort has been sporadic and fragmented. Evermore complex forms of private finance have been explored as a means of boosting supply at minimal cost to taxpayers. The system has struggled to grow, and social housing stock has shrunk as a proportion of the total stock, while waiting lists have grown.

One of the challenges facing social housing policy is that it can play a broader role in social and economic development. Sometimes the core housing goals have been overlooked while pursuing these broader objectives. Some of these objectives are outlined below.

- Reviving collapsed construction sectors following economic depression and destruction of war (Bernt 2022; Lawson and Ruanovaara 2023; UN Economic Commission for Europe [UNECE] 1951).
- Generating employment for construction workers and an additional market for private construction firms (NHFIC, 2020).
- Ensuring social harmony and promoting green growth following financial crises and COVID-19 (Agrawala, Dussaux et al. 2020).
- Sustaining long-term dwelling production targets, as in France (Schaefer 2015).
- Promoting urbanisation in an inclusive way, as in Finland (Ruonavaara 2017).

Social housing can also become part of a broader policy agenda intended to deliver high quality, affordable housing for all, as in Denmark and Austria (Noring, Struthers et al. 2022; Skovgaard, Nielsen and Deichmann Haagerup 2017).

1.2 What is a multi-provider system (MPS)?

Social and affordable housing can be developed, financed, constructed and managed by a variety of entities, including public, non-government, co-operative and private sector entities. These entities differ in terms of their mission, legal status and operating models (van Bortel, Gruis et al. 2019; Whitehead 2015).

Multi-provider systems exist where more than one type of entity is involved in the provision of a service, such as public, co-operative and non-profit providers. This report is focused on social housing but also reflects on MPS in childcare and education services. Increasingly, the actors involved in a MPS extend beyond those whose mission is strictly housing, including private financial and legal companies involved in PPPs.

MPS operations evolve over time and operate in different ways. Providers may:

- coordinate their efforts around shared goals
- engage in joint planning
- integrate their services to improve the coherence and efficiency of the system.

On the other hand, they may also:

- compete for scarce resources, such as land and grants for social housing
- form cartels to maximise funding opportunities
- engage in monopolistic behaviour when few alternative providers exist.

Different types of entities may work together, operate in parallel or even in competition to accommodate different types of households. How consumers experience social housing MPSs is unclear. The market position of those seeking housing is weak.

Ensuring optimal outcomes and accountability is essential in a MPS. This requires clear guidelines and oversight mechanisms by government to maintain standards, grow resources and protect consumer interests. This report focuses on how different systems work, which type of providers are favoured in this process, and the housing outcomes this delivers for those seeking housing services.

1.3 Australia's multi-provider journey in a nutshell

Over the decades, policy shifts and trade-offs have shaped the scale, purpose, composition, and growth trajectories of Australia's social housing sector. Ultimately, supply has declined, despite strong evidence of need.

The factors that have influenced the MPS in Australia include the following:

- The introduction of National Competition Policy (NCP) in the 1990s, which aimed to promote microeconomic reform, competition and efficiency across sectors. The NCP influenced public housing provision, encouraging a more diversified approach involving both public and non-profit sectors. However, a major component of that approach has seen a large proportion of public housing being transferred to community housing organisations (CHOs).
- State-level pragmatism driven by federal restrictions on Commonwealth Rent Assistance (CRA) for public housing tenants further encouraged the transfer of stock to community housing agencies as a means of increasing rent revenue.
- Contested evidence regarding the efficiency, service quality, and choice in social housing MPS across national and regional jurisdictions.
- The struggles of the social housing sector to grow due to fragmented funding and increasingly complex public-private partnership (PPP) arrangements.
- Exclusion of many providers from new PPPs, with the regulatory system failing to keep up with evolving changes.

While public housing accounted for 95 per cent of all social housing in Australia in 1997, by 2023 its share had fallen to 67 per cent. This is mainly because of the transfer of stock to CHOs.

From 1945 to 2008, a series of CSHAs delineated federal, state and territory responsibilities. The earlier CSHAs provided a framework where the Commonwealth Government provided very long-term debt for the construction of public housing, with rents designed to recoup the costs of debt as well as cover operating costs (Davies 2023; Hayward 1996; Kemeny 1983; Troy 2012). This facilitated a long period of mass housing production. The 1970s saw a series of reforms, including:

- the introduction of market rent—discounted for those unable to afford it
- increased targeting of public housing to the neediest (Davies 2023; Hayward 1996; Kemeny 1983; Troy 2012).

The expansion of public housing was accompanied by a commitment to spread home ownership as widely as possible. This was achieved in part by enabling public housing tenants to buy their homes at significantly discounted prices, and 70 per cent of the public housing stock was transferred into home ownership through sales programs.

The Australian MPS is relatively new, with non-profit organisations playing a major role. This contrasts with more resilient and growing models in Europe. European MPSs comprise municipal, NFP and co-operative rental housing. They have existed since the early twentieth century and came to the fore in the immediate post-World-War II period to aid recovery efforts.

The formation of the community housing sector in Australia began in 1977, with the establishment of the Fitzroy-Collingwood Rental Housing Association (Burke 1988; Carter 1988). It was founded partly because activists had become increasingly concerned about the Housing Commission of Victoria's authoritarian, controlling and moralistic approach to tenants in these suburbs (Burke 1988; Hayward 1996; Henderson 1975; Howe 1988). Community housing was viewed as a method of democratising social housing by making it more responsive to tenant needs, wants and desires (Burke 1988; Carter 1988).

Further changes to the CSHA occurred in the mid-1980s, which formalised funding mechanisms for community housing, co-operative housing and local government housing (Davies 2023). From the 1990s, all growth in social housing has been in the community housing sector (Davies 2023).

Since the 1990s, Australian housing policy efforts have relied more on the:

- transfer of public housing to non-government providers
- densification and part-privatisation of large public estates
- private-financing mechanisms coupled with demand-side assistance (Davies and Engels 2021; Troy 2012; Pawson, Milligan et al. 2013).

As part of a broader reorientation of housing policy during the 1980s, the federal government substantially increased the funding of subsidies to private tenants in the form of CRA—while at the same time reducing funding for public housing. By the early 1990s, public expenditure on CRA exceeded that on public housing. Crucially, while tenants in community housing were eligible for CRA, public housing tenants were not.

These shifting policy approaches have shaped circuits of investment and subsidy, and directed public resources to some providers over others (Davies 2023; Lawson, Legacy et al. 2016; Lawson, Pawson et al. 2018). It has also opened the door to new approaches—most recently, availability payments for public-private partnership solutions (AP PPP) and the Ground Lease Model in Victoria (ITPI 2018; Lawson, Milligan et al. 2022).

The outcome is a much more complex system that is unable to sustain itself without additional annual government subsidy, and lacks the internally generated surpluses that would enable it to grow. Among other developments:

- Tenants have become more costly to house because of increased targeting to high-need households.
- The expansion of stock has stalled because of funding cutbacks.
- Pressure on operating costs has increased because of the loss of economies of scale arising from the transfer of stock to multiple players.
- Providers have become dependent on government programs, which are sporadic and often lack robust land policy and investment efforts.
- Providers are increasingly dependent on the proceeds of managed investment funds, rather than long-term dedicated programs of public investment (Lawson, Milligan et al. 2022; Martin, Lawson et al. 2023).

In its current form, the social housing MPS is not sustainable. It can only break even with increased government subsidy, and can only grow with injections of capital from government or expensive private sources (which require increased operating subsidies). Decades of policy reform have not left a system geared to grow, but instead have broadened the number and range of providers operating in a static system funded and financed through a wide variety of increasingly complex mechanisms—sometimes involving multiple subsidies from different levels of government. Australia's social housing MPS is increasingly opaque.

1.4 Shaping multi-provider systems

The intent and norms that shape social housing provision have shifted over time. Originally, the purpose was to ensure workers and those returning from World War II had access to affordable and secure housing. More recently, the intent has focused on consumer choice, competition, and a preference for private over public investment, which underpin the rationale for recurrent subsidisation of the private rental sector. This shift has taken place since the early 1970s, alongside limits on capital spending that have redefined the role of public investment and seen the rise of public expenditures, such as CRA.

1.4.1 A demand-side drift

With direct investment in public housing waning over a prolonged period, there has been a parallel increase in emphasis on indirect subsidy through income support payments. In 1983, the incoming Labor government committed to expand the stock of public housing, but the initial substantial increase in funding was short-lived (Troy 2012). To address increasing numbers of low-income families residing in private rental housing, eligibility for CRA payments was greatly expanded in the 1980s to cover most of these households on income support payments (Prosser and Leeper 1994). However, also in 1982, tenants of public housing authorities ceased to be eligible for CRA. By 1992, total funding for CRA exceeded that of direct housing subsidy (Davies 2023; Prosser and Leeper 1994). The expansion of CRA reflects a wider shift in government policy, to an emphasis on demand-side support measures and a reduction in direct supply-side provision (Pawson, Martin et al. 2022).

A second critical shift in the 1980s involved public housing allocation policy, with a substantial impact on the funding landscape for public housing (Davies 2023; Troy 2012). Public housing allocation policies were increasingly targeted to those 'in need', instead of being available to those who wanted it, which pushed a decline in stock. This meant that only highly disadvantaged and very low-income households could now get access to public housing, excluding a broader spectrum of potential households.

The changing policy undermined the ability of public housing agencies to collect rents that reflect the true cost of operating and maintaining stock to a decent standard—let alone accumulate a surplus that could be invested into the development of new stock. Income-based rents charged to a tenant base on very low incomes meant that rental income could barely cover day-to-day operating costs. This led to a growing maintenance backlog and the loss of any capacity to generate a surplus that could be reinvested into new stock. It was during this period that policy started to shift at a federal level, towards facilitating the creation of a non-government NFP housing sector in place of government-delivered housing. (However, there were considerable variations in impact across different states and territories, related to the role of government in housing delivery more broadly.)

Rent assistance payments have become integral to the provision of community housing. CRA payments to CHO tenants were maximised in 2009, as part of efforts to transfer housing stock from public to community housing sectors.¹ CRA increased cashflow and this became the foundation of a CHOs' capacity to leverage private finance (Rowley, James et al. 2017). As noted by Ong Viforl, Pawson et al. (2024), this change to CRA created policy tension between the wider income support system and the adequacy of the financial supports for housing systems.

¹ See the training course offered by NSW Family and Community Services (FACS) and the Federation of Housing Association NSW, where CHPs learn how to maximise CRA revenue from the Commonwealth Government: [Community Housing GOLDVIL LMS](#).

CRA payments largely flow through to tenants in private rental housing and have been criticised for being poorly targeted and structurally incapable of taking account of differences in rental cost across Australia's diverse housing markets (Ong ViforJ, Pawson et al. 2024). While the expansion of CRA in the 1980s was partly driven by housing affordability challenges and thought of as a housing assistance payment, it practically operates as an income support payment with eligibility essentially tied to status as an income support recipient. Due to constitutional limitations on Commonwealth expenditure, reconfiguring CRA as a housing payment that reflects the housing costs of households in unaffordable rentals is limited (Ong ViforJ, Pawson et al. 2024).

From the perspective of a social housing MPS, there are two dimensions to CRA that are relevant.

First, given the acute shortage of social housing, most people eligible for housing support live in private rentals rather than in public housing or community housing. Those private tenants simply have no choice in where they live.

Second, because CRA is only available to community housing tenants—and not those living in public housing—there is an in-built mechanism ensuring that growth of community housing is likely to be the main way in which the social housing system expands. This mechanism is effectively an operating subsidy. It certainly makes sense for the states to transfer stock to CHOs, for once that happens the very same dwellings—even with the very same tenants—suddenly become eligible for a Commonwealth subsidy. Seen in this way, the idea that choice plays a key role in social and affordable housing outcomes is mistaken.

1.4.2 Land policy is vital

One of the most powerful policy levers influencing the growth of social housing concerns land. Land policies are critical to making social housing financially feasible (Randolph, Troy et al. 2018). Without low-cost land, greater subsidies are needed, or the result is weaker social outcomes, such as more market-rate housing. Land costs are particularly high in constrained areas, which worsens affordability issues (Lawson, Troy et al. 2022).

Land policy instruments may involve land acquisition, development and allocation for social housing development (Lawson and Ruonavaara, 2020), done via land banking corporations, such as Australia's land development corporations, a role exemplified by the cities of Helsinki, Munich and Vienna (UN, 2021). Such entities can plan for and ensure access to adequate sites on which to grow social housing.

Planning regulations can be a tool to implement mandatory social housing provisions. In Victoria, this is currently implemented on a voluntary basis. This is similar to the UK, whereby the 'Section 106' contributions system allows for negotiated planning gains, where developers contribute to affordable housing provisions as part of their development agreements. In Europe, this policy tool is commonplace, with variations. For example, Finland encourages municipalities to plan for housing needs and ensure sites are available to address them, while France mandates a proportion of social housing in local areas. The Netherlands also requires new developments to include social housing, making it part of the urban fabric from the start. Land tax is another instrument, as in many US cities where rising land taxes are directed towards affordable rental housing and revenue from vacancy taxes funds affordable housing programs (Lawson and Ruonavaara 2020, UNECE 2021).

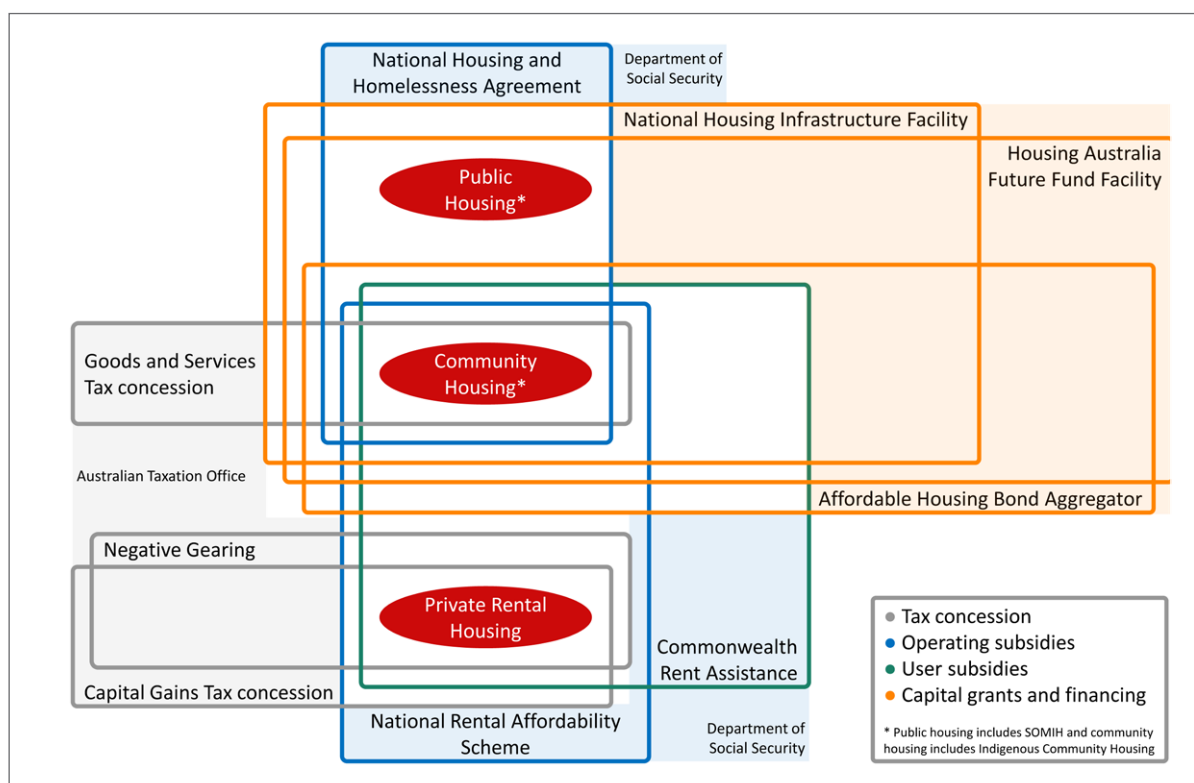
1.4.3 Differing access to resources

The fiscal and funding environment affects housing providers differently across Australia's social housing MPS. Capital grants, user subsidies, tax concessions and operating subsidies shape both the social housing and private rental sectors.

The greatest volume of subsidies benefits the private rental sector, while subsidies available to the public housing sector are few and constrained. The community housing sector has access to the greatest number of these subsidies and concessions.

Figure 3 shows the various funding sources at the Commonwealth level, and which housing segments can access them. Public housing is mainly supported by the National Housing and Homelessness Agreement with limited access to the Housing Australia Future Fund (HAFF).² Community housing further benefits from tax concessions, the Affordable Housing Bond Aggregator, and tenant eligibility for CRA.

Figure 3: Fiscal and funding environment shaping the social housing MPS, 2024



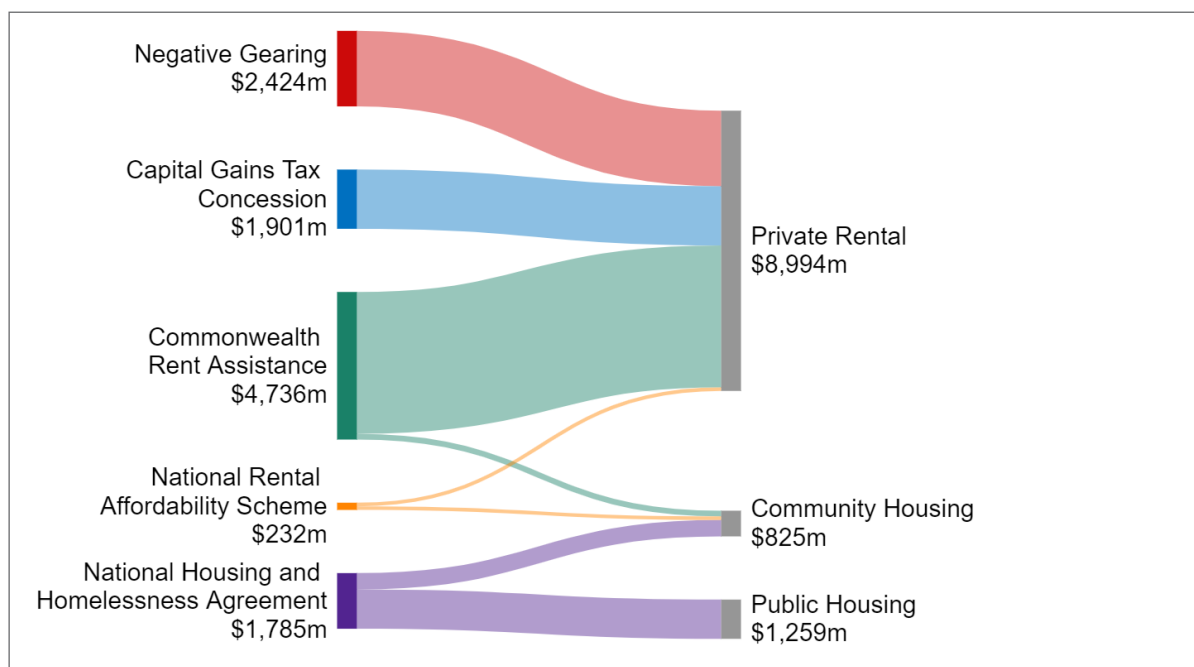
Source: Authors. Note: *Public housing etc.

These forms of support are also uneven, flowing to different providers and households. The flow of Commonwealth housing expenditure (in 2021 Australian dollars) to the private rental, community housing and public housing sectors is shown in Figure 4. Over 80 per cent of Commonwealth subsidies flow to the private rental sector. This is regulated at state/territory levels, with few controls on rent, and generally offering short-term lease protections to renters.

Only around 19 per cent of Commonwealth expenditure flows to the social housing sector. This demonstrates a lack of funding support for social housing relative to other housing sectors.

² Public housing is eligible for Housing Australia National Housing Infrastructure Facility funding and is eligible to apply for the Housing Australia Future Fund. However, public housing is not eligible for Affordable Housing Bond Aggregator bonds.

Figure 4: Where Commonwealth housing expenditure flows, 2021–22



Source: Authors, using data and methods of Davies (2023).

These sources of investment and flows of expenditure impact the growth models used by different social housing providers.

Conceptually, there are four inputs to a growth model:

- capital—including land, equity, upfront grants
- subsidies—operating grants
- rent—payments from tenants
- financing—debt (Troy and van den Nouwelant 2023).

These four inputs must be balanced to ensure successful delivery of dwellings. More capital reduces the reliance on debt finance, while higher rents can decrease the need for grants, particularly for ongoing operations. Financing is employed when capital is insufficient, but it increases operating costs—which in turn requires higher concessions or rents. This framework aids in mapping and comparing different growth models, highlighting their advantages, disadvantages, and inherent tensions.

1.4.4 Transfer of assets for growth

The Rudd Labor government (2007-2010) placed policy emphasis on the expansion of the community housing sector to address housing problems. Asset transfer programs were implemented across Australia to expand the capacity of the community sector to deliver housing and strengthen its financial base. While much of the debate focused on property title, in practice, access to rental income streams was key to leveraging private finance. The program relied on CRA payments, which provided additional revenue unavailable to state housing agencies and created the potential for surplus rental income to secure private debt. A CRA maximisation policy was introduced. This policy allowed CHPs to access the full CRA entitlement by setting tenant rents at 25–30 per cent of their pre-CRA income, plus the CRA entitlement.

A key argument for the asset-vesting program was using existing stock to access finance for new housing. Stock increases were primarily achieved through a limited number of new properties vested to CHPs via the social housing initiative, which was part of the nation-building stimulus during the global financial crisis (GFC) (Rowley, James et al. 2017; KPMG, 2012). These new dwellings, free of debt and needing no refurbishment, were leveraged to deliver additional stock. CHPs used increased income from the asset-vesting program to refurbish existing poor-quality stock.

However, leveraging CRA through the asset transfer program did not directly lead to stock growth. It was the direct stimulus investment and leveraging of new stock that produced modest increases. The ability to leverage income was only possible because CHO tenants were eligible for CRA, while public housing tenants were not, which created an arbitrary advantage for CHOs over public providers.

1.4.5 CHOs, maturing assets and PPPs

In theory, if rents are set at a cost-recovery level that covers operating, maintenance and financing costs, then mature social housing assets free of debt can enable providers to accumulate equity, as tenants continue to pay rent after these costs are deducted. Income from operations—such as fees, rent from debt-free stock, and sales receipts—can be reinvested in major renovations or new housing. Some countries—like Austria, Denmark, France and Finland—regulate this process through dedicated revolving funds at the project, estate, organisation and sector levels, which fuels growth (OECD 2023a; Lawson, Shaefer et al. 2025).

Australia lacks such an engine for growth, a challenge highlighted by McNelis (2005, 2006), who identified the difficulty Australian public housing providers face in balancing financial viability with affordability since the 1970s. McNelis called for a more stable social housing finance system, with an accepted and agreed budget standard across the Commonwealth, States and Territories, to ensure social housing providers could operate with a stable revenue base regardless of changes to the income profile of tenants (2005: 21).

Reinvestment is crucial for maintaining the quality and availability of public housing, as seen in the more resilient cost-recovery and revolving fund models in France, Austria, Denmark, and Finland (Housing Europe 2021; Norris and Byrne 2022; OECD 2023a). However, in Australia, surpluses have not been ring-fenced for growth in decades (Davies 2023; Hall and Berry 2004; McNelis 2006). As a result, mature social housing assets have not only declined as a share of housing stock but also in absolute numbers—due to demolition and sale. While capital investment has decreased, recurrent expenditures, such as CRA, have grown. Recently, new recurrent expenditures have emerged in the form of availability payments via PPPs supported by HAFF.

These varying circuits of investment and expenditure continue to shape Australia's housing system, with calls to accelerate them.

It is timely to examine Australian pathways, as well as alternative pathways demonstrated internationally—especially those in asset-based services, such as education and the care economy.

As previously researched by AHURI (Lawson, Gilmour et al. 2010), national affordable and social housing systems are shaped by a wide range of financing, revenue and asset-management regimes, as well as by different rules and practices. Traditionally, public grants and long-term loans were the primary, cost-effective financing mechanisms for social housing. However, financing has become more complex, with public borrowing constraints and greater access to private capital markets.

When public finance is no longer the primary source of funding, governments must ensure alternative investments are both appropriate and cost-effective (Lawson, Pawson et al. 2018; Lawson, Troy et al. 2022; Lawson, van den Nouwelant et al. 2023). Australia's National Housing Finance and Investment Corporation (NHFIC) aimed to achieve this by transforming expensive short-term commercial loans into long-term, lower-cost government-backed arrangements (Lawson 2013; Lawson, Berry et al. 2014). This financing model was to be complemented by public equity investments in grants, soft loans³ and land (Affordable Housing Task Force 2016).

However, over time, public investment has declined, while recurrent expenses on finance, lease and revenue payments have increased, amid ongoing national social-housing regulatory reforms. Treasury departments and the private finance sector have increasingly driven policy reform, promoting customised public-private partnerships (PPPs) that rely on long-term availability payments, a form of recurrent government subsidy (Lawson, Milligan et al. 2022; Harrington 2023). These partnerships, involving special purpose vehicles—which are legal entities specifically made for each project—have bypassed public housing authorities, which are excluded from this new investment model (Lawson, Legacy et al. 2016; Martin, Lawson et al. 2023). Research on Australian PPPs has shown that treasury departments are the primary agenda-setters and evaluators, while the rationale for such partnerships remains contested (English 2006; Hodge and Greve 2021).

PPP approaches in Australia have emerged from the US and UK, gaining traction as governments reduce direct investment in housing. However, public administration groups like In the Public Interest argue that PPPs are often misunderstood as 'free money,' when, in fact, financing arrangements or equity contributions must be repaid through taxes, tolls, or user fees—which are often simply called 'availability payments' (In The Public Interest,[ITPI] 2018).

Australia's comprehensive privatisation strategy has reshaped its public sector, particularly in housing, aligning with global trends in countries with mature public housing systems, such as the USA and the UK. These countries, facing aging assets and larger mortgage markets, have turned to complex private-financing models. Australia has aggressively pursued such models, including the Ground Lease Model and Housing Affordability Fund, which dominate public housing renewal and replacement strategies. As a result, traditional public grant/loan models, like the Social Housing Initiative, have seen reduced government involvement in housing finance, with public housing following a similar trend.

³ A soft loan in the context of social housing is a loan provided at below-market interest rates to support the development or acquisition of affordable housing. These loans are typically offered by government agencies, non-profits, or financial institutions with the goal of making housing more accessible to low- and moderate-income households.

1.4.6 Contested economic logic

The role of the state in providing goods and services, including housing, has been the subject of heated debate. There are those who believe that the state's role should be limited, so that more efficient private markets are able to thrive. On the other hand, there are those who believe that private markets do not work very well in delivering services to those on low or insecure incomes, and that direct state delivery is the only effective solution. International evidence is mixed (Hodge and Greve 2007), and key controversies remain unresolved (European Court of Auditors 2018; Hodge and Greve 2021; Lawson, van der Nouwelant et al. 2022; Reeves 2013).⁴

PPPs in affordable and social housing have been touted as an alternative solution, involving private delivery and financing made possible by state funding. PPPs have well and truly taken root in Australia. They have primarily emerged from experiments in the UK and Ireland (NAO 2018; Reeves 2013), such as the sale and leaseback of Defence Force homes in the UK. Recent evaluations continue to show mixed results and, in some cases, governments are attempting to buy back sold or leased homes.⁵ In Portugal, lengthy PPP transactions have failed to bear fruit, and in Ireland, questions continue to arise regarding the lack of public accountability and rising recurrent costs of housing assistance to support PPP deals (Canelas and Alves 2024; Public Accounts Committee [PAC] 2024a, 2024b). Issues relating to the securitisation of welfare payments, such as rent assistance, disability support payments or other forms of availability payments, has also emerged in UK, France and South Africa.⁶

Alternative means of delivering assets like housing *without* formal PPPs involve real estate investment trusts (REITs), which have recently been promoted by some advisors at the European Investment Bank (EIB).⁷ A REIT aggregates individual investments from private actors, and purchases assets that are made available for public use in return for rent.

According to research by Aveline-Dubach (2022a), investors in housing REITs are attracted to countries where there has been significant state disengagement in the provision of housing and finance. Lease and service contracts from governments guarantee regular, long-term income flows to private fund managers. REIT-friendly regulations facilitate these arrangements in nursing homes, disability care and childcare in France, Japan and the UK (Aveline-Dubach 2022a). Australian REITs have also begun to specialise in housing for the aged and disability care, as well as real estate accommodating childcare services and Defence personnel—for example, REITS Synergis, Sentinel, Defence Housing Australia.

⁴ The European Court of Auditors (ECA 2018) has critically evaluated PPPs in the European Union (EU). Here are some key points from their findings:

- 1. Widespread shortcomings:** The ECA found that many PPP projects suffered from widespread shortcomings and did not always provide adequate value for money. Issues such as delays, cost increases, and under-utilisation were common.
- 2. Limited benefits:** The potential benefits of PPPs, such as faster policy implementation and good maintenance standards, were often not achieved. The ECA identified €1.5 billion in ineffective spending, including €0.4 billion of EU funds.
- 3. Lack of adequate analyses:** The ECA highlighted the lack of adequate analyses and strategic approaches towards the use of PPPs. This included insufficient institutional and legal frameworks to support successful implementation.
- 4. High risk:** The ECA noted that only a few member states had consolidated experience and expertise in implementing successful PPP projects. This increased the risk that PPPs would not contribute as expected to the aim of implementing a greater part of EU funds through blended projects.
- 5. Inefficiencies:** The ECA found that the majority of PPPs audited were subject to considerable inefficiencies during their construction, with significant delays and major cost increases.

⁵ Follow the long-term struggle over the sale and lease back of Defence Force homes in the UK, where the government is attempting to buy back the dwellings. <https://www.theguardian.com/uk-news/2018/jan/30/mod-lost-up-to-42bn-through-sale-of-military-homes-says-audit-office>, <https://www.theguardian.com/uk-news/2022/nov/07/firm-backed-by-billionaire-withdraws-105m-offer-to-repair-military-homes-it-owns>, <https://www.theguardian.com/media/2024/sep/19/billionaire-guy-hands-property-firm-takes-housing-reforms-to-european-court>

⁶ See review by South Africa's Treasury of PPP experience here: <https://www.treasury.gov.za/documents/national%20budget/2022/review/Annexure%20E.pdf>

⁷ The EIB held a symposium in November 2024 to define the term 'affordable and social housing', in preparation for a new wave of investment as part of the proposed European Housing Finance Platform. Mr Julian Chebbo, Head of Investment Advisory, opened this event with a rapid overview of REIT and concession-based PPP arrangements, with no reference to EU best practices (UN, 2021) or evaluations of social housing PPPs (ECA, 2018; PAC, 2024; Reeves, 201) or recent guidance (OECD, 2020).

Research on the governance of social and affordable housing suggests that these arrangements have introduced a level of complexity, cost and risk not previously seen in Australia (Lawson, Milligan et al. 2022). A lack of transparency has also made it difficult to evaluate these new programs because of commercial in-confidence arrangements, as found by the Victorian Housing Registrar. Also, the Irish Parliament, through its Public Accounts Committee, faced many obstacles when investigating public expenditures underpinning AP PPP arrangements (PAC 2024). Commercial-in-confidence makes it difficult to assess any efficiency gains for the public budget. Furthermore, re-negotiations of contracts, which is common to PPPs, may also erode intended public benefits, such as affordability, social equity, public participation and environmental sustainability (Fell and Mattsson 2021).

Hodge and Greve (2021) point to several weaknesses in the public policy case for PPPs. These stem from unresolved conflicts in the economics of public welfare and private finance and concern the following.

- The size and importance of the private finance premium relative to the cost of public investment (Boardman and Hellowell 2017; Boardman, Siemiatycki et al. 2016; Lawson, et al. 2018).
- The contested choice of any discount rate applied, which greatly influences cost comparisons with the public sector.
- The underestimation of transaction costs and risk transfers, which can be easily manipulated in value-for-money assessments to favour PPPs incorrectly.
- The strong likelihood of PPP contract renegotiation—which typically favours private stakeholders—is highly dependent on the quality of governance and capability of stakeholders involved (Spiller 2011, cited in Hodge and Greve 2021).

Despite these unresolved economic debates, the political appeal of PPPs has persisted. Under these arrangements, public scrutiny is minimised, and CHPs become contracted managers, rather than owners able to build up equity and grow housing assets. This trend is clear to be seen in NSW Social and Affordable Housing Fund (SAHF) contracts (NSW Government 2025), new HAFF contracts and by this research. CHPs collaborate with developers through financing, land leasing, and construction agreements. Developers form a special purpose vehicle (SPV) with a registered CHP, a charitable entity, or a government body to be eligible for HAFF funding. CHP role is structured through contractual arrangements that define their responsibilities and funding mechanisms, often via performance agreements involving Availability Payments.

Availability payment PPP (or the AP approach) is a very different concept to the cost-recovery and revolving fund models operating in Europe. In Denmark, for example, the principle of cost recovery and cost rents is enshrined in legislation. Equity is accumulated on maturity of loans and surpluses are invested in renovation and expansion. Several models deliver returns for their owners—such as national and local governments. Later in this report we look more closely at operating models in Europe and how they build up equity to grow social housing assets (see Section 5.2).⁸

⁸ For example, the Danish model builds up equity to grow social housing and improve quality over time. It is similar to the TBS Polish model, as well as the Finnish, French and Austrian cost-recovery models, which must recover costs and revolve surpluses to grow. These types of social housing are the most resilient and efficient systems in Europe. <https://www.bbc.com/storyworks/building-communities/rent-that-goes-back-into-the-community>

1.4.7 Power of choice

The term 'choice' encapsulates the positive values of freedom and empowerment. It has provided a powerful rationale for the emergence of MPSs in Australia, where governments that have played a dominant role must make room for other players. With reference to the National Disability Insurance Scheme (NDIS), Miller and Hayward (2017) describe the logic of consumer choice like this:

Once people with disabilities become consumers who are free to choose, the market will drive innovation and provide individuals with value for money, much more effectively than so-called quality systems, which really are form-filling exercises. Individual choice and the market are the best ways for people to maximise their well-being. (2017: 4).

The Productivity Commission has been a strong advocate of consumer choice, claiming that a 'market system can lead to greater levels of competition than when government is the sole provider of services, and in markets for many products, competition creates an incentive to offer a high-quality product to increase an organisation's customer base, and the prices that they are willing to pay' (Productivity Commission 2017: 98).

In pursuing a 'choice' agenda, governments have favoured some providers over others to increase the number of players in the emerging 'market'. By so doing, they have effectively moulded household choices at least in the short run and have intentionally diminished the role of public housing.

1.5 Research methods

Drawing on policy review and analysis methods, expert interviews and international comparisons, this research offers policy development options to improve Australia's social housing MPS.

1.5.1 A contrastive multi-method approach

The project's key research questions and structure are outlined below.

The project comprises five phases of research involving data and document analysis, along with interviews and international and cross-sector case studies. The process was informed by an expert working group, which included senior representatives from across the housing provision sector (public, community and private), and experts with detailed knowledge of industry development strategies, as well as experience with analysis of needs-based data and Indigenous housing policy. Advocates for consumers in the rental housing sector were also involved. RMIT ethics approval was obtained on 4 June 2024 (approval number 2024-27692-2024), addressing sensitivities associated with cultural relevance and local expertise.

1.5.2 Mapping the needs and growth pathways

Research questions 1, 2 and 3 focus on expanding our understanding of Australia's social housing MPS, and how growth trajectories reflect housing needs and gaps in provision. A needs analysis produced by van den Nouwelant, Troy et al. (2022) was compared against estimates of the existing system or stock. The system-mapping drew on a compilation of different secondary sources to understand both stock and profile of operators. This enabled the production of maps that disaggregate the analysis by household type and income quintile, which have not previously been published in that form. In addition, recent growth trajectories by SA4 are compared against required growth trajectories.

The following data sources were used in this mapping exercise:

- Australian Bureau of Statistics (ABS) Census data to map social housing across Australia in 2006, 2011, 2016 and 2021. This data was used to identify areas where stock levels have increased, and the numbers of additional dwellings.
- Report of Government Services (ROGS) data to track changes in social housing, per state/territory, per sector, over time, and also as a ratio of all housing/all rentals.
- Mapping the policy context across the sectors and states/territories—for example, eligibility, tenure, rent-setting (ROGS).
- Tenant satisfaction across the sectors, and over time (ROGS/Australian Institute of Health and Welfare [AIHW]/Regulator). This data differentiated between public and community housing, and by state/territory, where possible.
- Using Regulator (national, Victorian and Western Australian) data to map the composition of the community housing sector across Australia.
- Map need at SA4 level. (SA4 refers to Statistical Area Level 4, an ABS geography which covers a region assumed to be a labour market.) This data had been previously produced, but was not sufficiently presented graphically on this level.
- Map public and community housing change 2011–2021 from the Census at SA4 level.
- Current public/community housing from the 2021 Census.
- Growth requirement—the proportion of all housing growth needed to be social/affordable housing.
- Growth deficit—the current rate of growth, compared with required rate of growth.

1.5.3 Documentary evidence

Documentary analysis of annual reports, policy papers, submissions to public inquiries and wider scholarly literature was completed to inform our understanding of the systemic growth pathways available to providers.

1.5.4 Interviews

To capture perceptions of the growth pathways of housing providers, regulators and households, a selection of providers was interviewed, along with regulators and consumer advocates who have an internal and external perspective on growth pathways. The jurisdictional and geographic location of participants is important, as there are significant differences:

- in policy between states and territories
- in context between urban and regional providers.

The sampling strategy ensured that providers from most populous states were represented, and that at least one provider operating in a regional context was also included. While accounting for only small numbers of dwellings, marginal social housing providers such as local governments and co-operatives are included in the sample. This was to identify if they have any strategies for growth and, if so, what the strategies are and how they might be supported. To understand the views and experiences of other stakeholders—such as households and industry regulators in Australia's social housing MPS—cross-jurisdictional advocates for tenants were interviewed, as well as representatives from industry regulators and tenant organisations in New South Wales and Victoria. In total, 17 interviews were conducted in Australia.

- **Research question 4:** What relevant insights can be gained for Australian jurisdictions from other social housing MPS internationally?

From Aotearoa New Zealand, the focus is on Māori housing, revealing insights for how social housing systems can be flexibly provided in a way that is also economically empowering for indigenous communities.

Five international investigations of MPS were undertaken through literature review and expert interviews, featuring potential mechanisms to inspire and inform efforts to address challenges facing the development of Australia's social housing MPS.

The study begins with a brief update on European and UK policy developments, followed by contextual reviews of resilient and growing social housing MPSs in France, Denmark, Finland and Austria. It also examines Germany's experience of recovery from market collapse and shrinkage through eight key expert interviews. These systems highlight key mechanisms for sustainable growth that address local housing needs and revolving funds, while also revealing the challenges of maintaining growth, particularly as dedicated social housing assets have diminished in Germany. In total, nine international interviews were conducted to provide relevant and contrastive insights for Australian perspectives.

- **Research question 5:** What relevant insights, including funding and regulations, can be gained for social housing from other non-housing Australian MPSs?

Returning to Australia, the paper examines the impact of federal government policy, which has encouraged competition and market-based approaches to service provision. These systems have their own features and contexts. We review the impact on the care economy and contrast this with the provision of educational services. There have been numerous reviews of these systems and their impact on service quality for consumers and workforce standards. These insights can inform the social housing MPS in Australia.

2. The current state of Australian social housing MPS

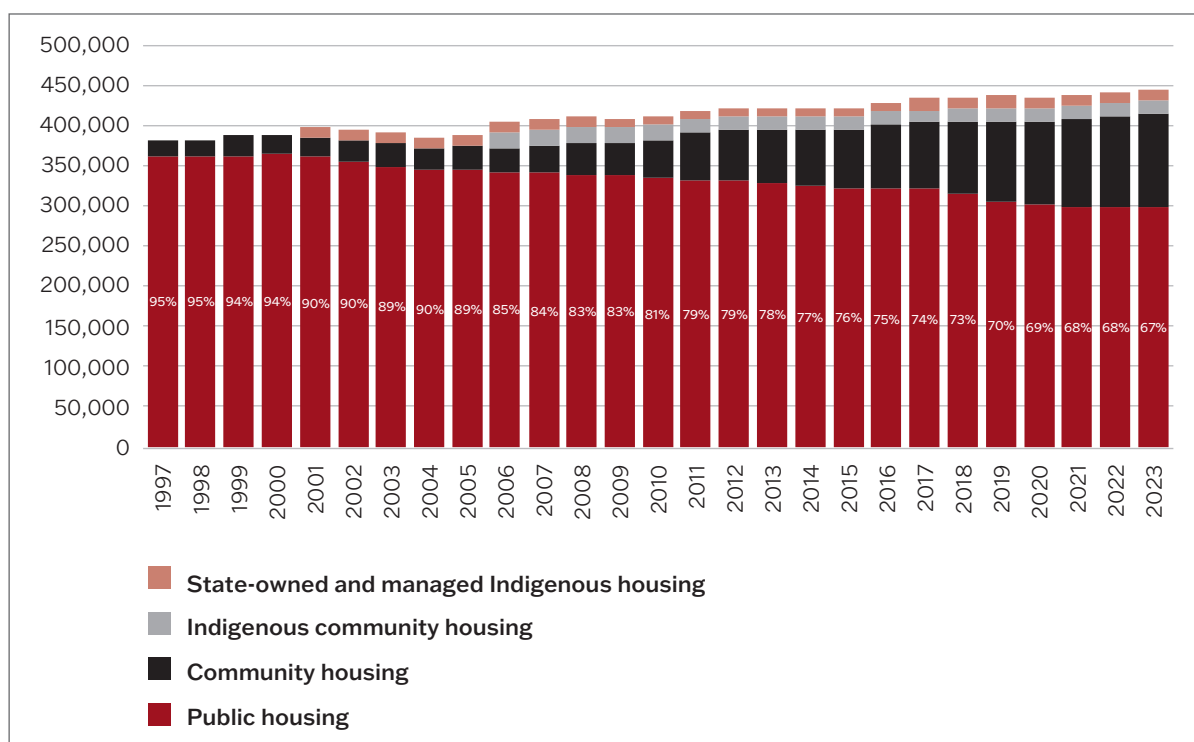
- This chapter addresses the current state of the Australian social housing MPS in terms of size, composition, mission, subsidisation and access to investment, regulation and growth.
- There has been minimal growth in social housing stock in Australia over the past three decades. This has led to a decline in the share of the total dwelling stock and annual new dwelling supply.
- This decline has been masked by significant growth in community housing, which has largely resulted from stock transfers from public housing.
- The number of community housing providers (CHPs) has been in decline since 2001, largely as a result of increasing industry concentration. The largest 22 providers account for 52 per cent of community housing stock, and the largest 36 providers account for 71 per cent.
- Policy for new housing delivery prioritises smaller dwellings for singles and couples, which reflects the needs of the social housing waiting list. However, this is inconsistent with demographic trends, as families represent the largest share of those in need.
- Substantial changes to the MPSs—driven by a shift of internal resources from public housing to CHPs—has not been tracked adequately by the agencies collecting data on the system. There are substantial data gaps that urgently need to be filled.

2.1 Australia's current social housing MPS

Public housing agencies and CHOs are the main providers of the MPS, and they operate in every state and territory. State-owned and managed Indigenous housing (SOMIH) organisations also operate in New South Wales, Queensland, South Australia, Tasmania and the Northern Territory.

The total number of social housing dwellings in Australia, segmented by type of provider, is shown in Figure 5 (sourced from Productivity Commission Reports on Government Services [ROGS]).⁹ Figure 5 shows that public housing remains the largest single source of stock. However, over the last 25 years, the public housing sector has declined in total number, and as a proportion of all social housing dwellings. In 1997, 95 per cent of all social housing was public housing, falling to 67 per cent by 2023.

Figure 5: Social housing in Australia by type, 1997–2023



Source: Authors, compiled from ROGS data.

Note: The percentage of social housing that is public housing is shown as a label on each bar.

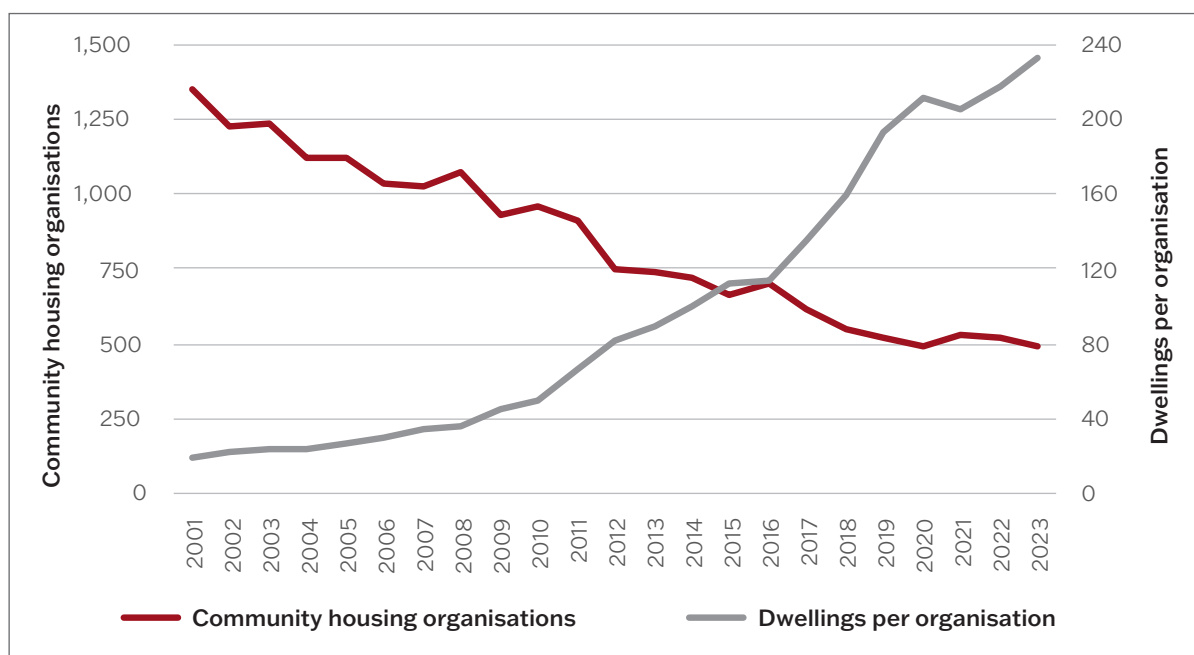
By way of contrast, the community housing sector has grown substantially from 17,554 dwellings in 1997 to over 120,000 dwellings in 2023 (including Indigenous community housing). Overall, the social housing stock has grown from 379,753 dwellings in 1997 to 442,884 in 2023. However, analysis using ROGS and ABS Census data shows that the modest growth in the overall social housing stock has not kept pace with Australia's population growth.

The proportion of social housing dwellings contracted from 5.2 per cent in 1997 to 3.9 per cent in 2023.

⁹ ROGS data contain some inaccuracies and can sometimes be difficult to compare across jurisdictions. Despite these limitations, they provide the most comprehensive longitudinal dataset on Australian social housing and reveal the long-term trends of Australia's social housing sectors.

While the stock of community housing has grown substantially, the number of CHOs has fallen, which in turn has led to a marked increase in dwellings per organisation, as shown in Figure 6. In 2001, there were 1,350 CHOs, with an average of 19 dwellings per organisation. By 2023 the number of organisations had fallen to 492, with an average of 232 dwellings per organisation.¹⁰

Figure 6: Number of CHOs in Australian states and territories, 2001–2023



Source: Authors, compiled from ROGS data.

Note: The data aggregates state and territory figures. This means that organisations that operate across multiple jurisdictions will be counted more than once.

Australia's multi-provider system in 2024

Figure 7 provides a snapshot of the social housing MPS, distinguishing long-term, medium-term and short-term community housing stock, as well as accommodation for specialist clients—including those in crisis accommodation, boarding or rooming houses, and disability accommodation.

Due to data limitations, it is unclear if all specialist accommodation is provided by CHPs. It is assumed that it is, as there are rooming houses and disability accommodation that are privately provided.

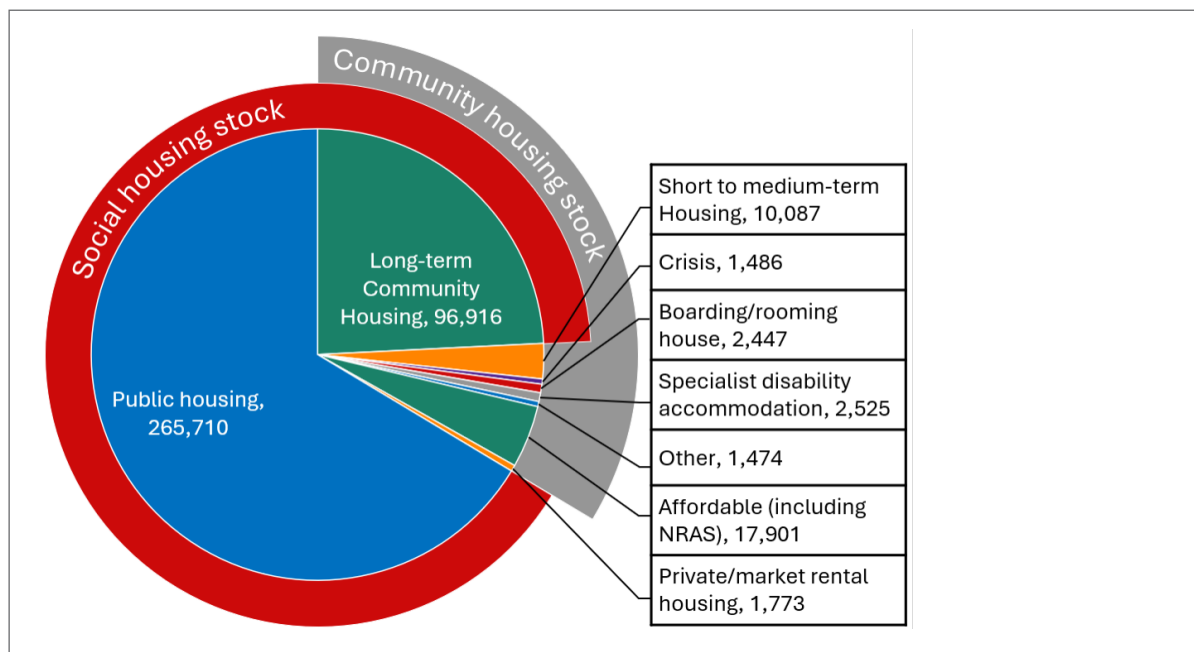
The figure shows that most of the community housing sector's stock is for long-term rental (96,916 dwellings). However, the sector is diverse, with a significant number of dwellings provided to those:

- in crisis: 1,486 dwellings
- requiring supported housing: 2,447 dwellings
- requiring specialist disability housing: 2,525 dwellings

Affordable housing accounts for an additional 17,901 dwellings.

¹⁰ ROGS do not have full participation from all CHOs, which means that there are likely to be organisations excluded from this data as they failed to report. However, this does not affect the overall trend towards fewer CHOs with increased portfolio sizes.

Figure 7: Australia's social housing MPS, 2024



Source: Authors, compiled from ROGS, NRSCH and Housing Registrar data.

Note: Private/market rental housing is housing owned or managed by a CHO, which is let out to the tenant at market rates.

MPS policy context

There is significant variation in social housing policy for public and community housing across Australian states and territories. This variation includes eligibility criteria, waiting-list rules, rent-setting, tenure conditions and tenure lengths, as well as the complexities of different funding regimes and housing provider rules, as shown in Table 1.

The main reason for this variation is that the Australian social housing MPS is designed to target those most in need, amid a severe shortage of housing. As a result, access to accommodation is tightly regulated through these criteria and regulations. Over time, these rules became increasingly complex, to ensure that housing is prioritised for the households with the greatest need.

There are significant differences in eligibility and waiting-list criteria between states and territories. At one end, the weekly income limit in Western Australia is \$502, while in the Northern Territory it is \$955. This means that someone on an age pension¹¹ may not be eligible for housing in Western Australia, but would be eligible in the Northern Territory. Asset tests also vary significantly, from around \$35,000 in Victoria and Tasmania to \$116,375 in Queensland. The greatest variations are in probationary periods, between and within states and territories. For example, probationary periods apply to public housing in New South Wales, South Australia, Tasmania and the Northern Territory, but not in other states or territories. In contrast, community housing in New South Wales has no probation, while it is at CHO discretion in Victoria, Queensland and Tasmania. This results in different probation conditions, depending on the provider.

¹¹ As of November 2024, the age pension is \$572.20 per week, including supplements. <https://www.servicesaustralia.gov.au/how-much-age-pension-you-can-get?context=22526#a1>

Table 1: Social housing policy context across Australia

Conditions	NSW			Vic		Qld			WA		SA			Tas			ACT		NT			
	Public housing	SOMIH	Community housing	Public housing	Community housing	Public housing	SOMIH	Community housing	Public housing	Community housing	Public housing	SOMIH	Community housing	Public housing	SOMIH	Community housing	Public housing	Community housing	Public housing	SOMIH	Community housing	
Eligibility (Income and other asset limits vary depending on household type [number of people in the household])																						
Income limit per week (\$)	690 (gross) [1]			619 [1]		609 [1]			502 [1]		766 [1]			702 [1]			826 [1]		955 [1]		-	N/A
Other asset limits (\$)	By assessment of household circumstances			14,364 (Priority) 36,340 (ROI)		116,375 [1] 148,625 [>=2]			38,400 [1]		50,450 [1] 64,350 [>=2]			35,000			40,000		74,649 [1]		-	N/A
Minimum age (years)	18			15		None			16		None			16			16		16		N/A	
Waiting list																						
Segment by	Single list of approved clients			Six priority segments and a register of interest		Need (four segments)			Need (four segments)		Need (four segments)			Three levels: Priority (Exiting); Priority; General			Need (three segments)		Two segments: Priority; General		-	N/A
Tenure																						
Probation period	12 months		Nil	None	CHO policy	None	CHO policy	None	12 months	12 months std up to 24 months	6 months	CHO policy	None		6 months		N/A					
Fixed term	2, 5 or 10 years		Continu-ous	None		3 years (new tenancies)	Duration of need (policy)	3 and 6 months	1, 2, 5 and 10 years	Up to 10 years	Variable length (2-4 years)		Specific cases	None	Offered as a probationary agreement only		N/A					
Ongoing	Tenants housed before 1 July 2005	Yes		Yes		Yes		Ongoing	Tenants housed before 1 October 2010		N/A		Yes		Yes		N/A					
Tenancy review	Yes		No	None		Yes		Annual and at end of lease term	At end of probation / lease term		Annual		Limited	None	Annual and at end of lease term	Scheduled review based on income	N/A					
Rebated rent-setting																						
Rent to income ratio (%)	25-30			25	< = 30 (CHO policy)	25			25		25-30			25			25		23-25		25 (max)	N/A

Source: Authors, from ROGS data.

The largest variations are in tenure conditions. These conditions vary not only between states and territories, but also within states and territories. Probationary periods apply in some sectors, but not others.

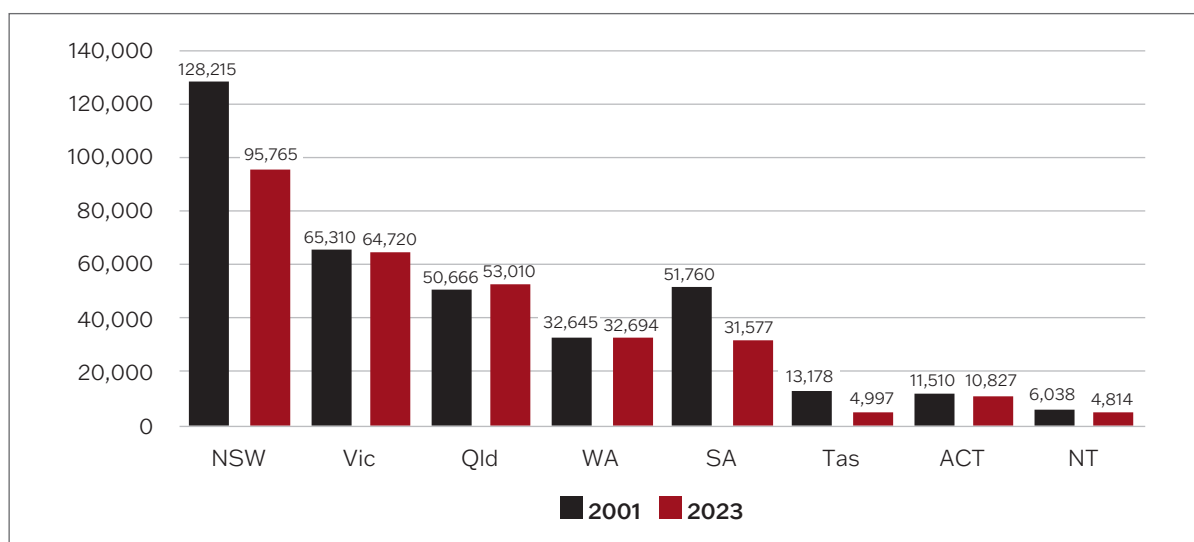
There is also significant variation in tenure lengths. Public housing in Victoria, Queensland, Western Australia, the ACT and the Northern Territory is ongoing, while all other contexts either have fixed term, or can have fixed term. There are also regular tenancy reviews for public housing in New South Wales, Queensland and Tasmania (and to some extent in other contexts). This means that those who no longer meet tenancy eligibility may lose social housing—which potentially places them in a situation where they have to trade off the merits of increased income against the merits of secure housing.

The outcome of all this is a complex bureaucratic system, as demonstrated by the data in Table 1. Adding to the complexity is the existence of different rent-setting rules for public and community housing, and even within community housing, reflecting the different funding regimes used over time to acquire stock. This is a by-product of the MPS being dependent on government willingness to fund new acquisitions, rather than being self-sustaining.

Public housing across Australia

Earlier in this section it was pointed out that public housing stock in Australia has fallen over the last 25 years, both absolutely and as a percentage of the total stock. Figure 8 shows that this fall has not been uniform across the country. Queensland and Western Australia are the only jurisdictions that have more public housing in 2023 than in 2001. Victoria and the ACT have a slight decrease, while New South Wales, South Australia, Tasmania and the Northern Territory have substantial decreases. These decreases are largely due to stock transfers from the public housing system to CHOs.

Figure 8: Public housing stock levels in Australia, 2001 and 2023



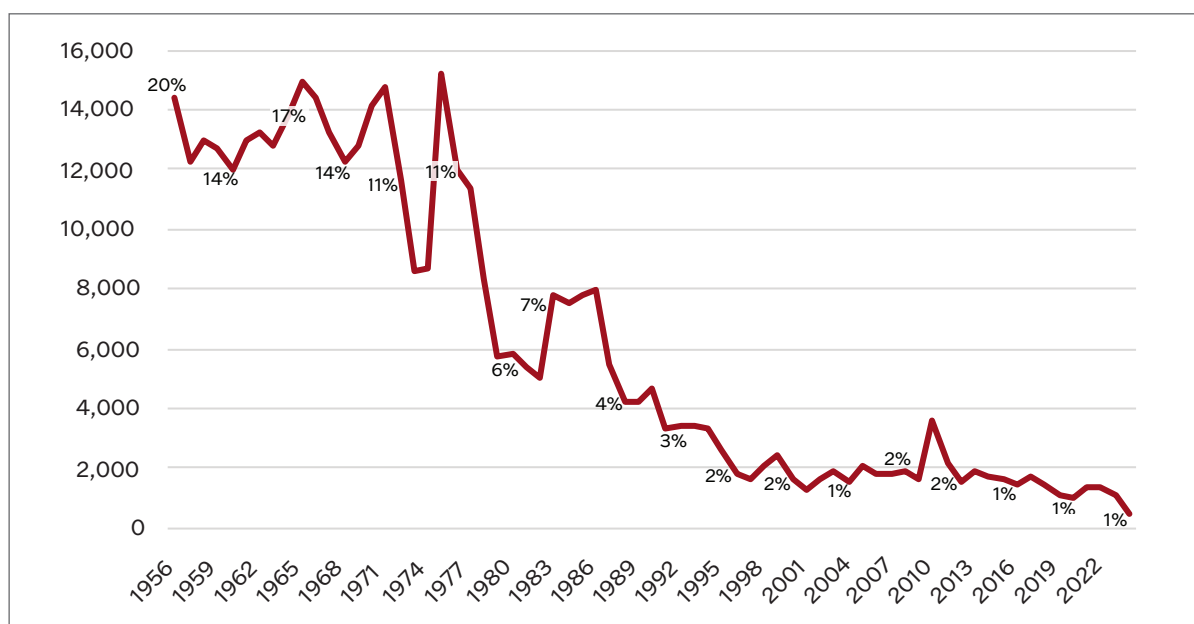
Source: ROGS data.

No data is available on the total number of new dwellings in the community housing sector. This is not very high, for most of the growth in community housing has been stock transfers from public housing.

Figure 9 shows that the number of public housing completions decreased significantly from the 1970s, to a few thousand dwellings per year. Public housing completions fell as a percentage of total new dwellings from 20 per cent in 1956 to barely 1 per cent today.

Importantly, public and community housing sector completions need to be at around 4.5 per cent of dwelling completions to maintain the social housing sector's share of the total stock. The very low level of public housing completions means that the social housing stock will continue to fall as a percentage of the total.

Figure 9: Annual public-sector housing completions, 1956–2024



Source: ABS (2024).

Note: Percentages represent the percentage of all completions that were public housing. Data for 2024 is incomplete.

2.1.1 Regulating the MPS

Unlike other sectors, there is no single regulator for the social housing MPS. Public housing agencies lack independent oversight, while CHOs are regulated by state-based bodies. Most jurisdictions—including New South Wales, Queensland, South Australia and both territories—follow the National Regulatory System for Community Housing (NRSCH). Victoria and Western Australia have their own systems. Victoria's Housing Registrar focuses on compliance and growth, aligning with NRSCH where possible, while Western Australia uses a risk-based approach to regulation.

CHOs: the National Regulatory System for Community Housing

Under the NRSCH, all CHOs are registered in a primary jurisdiction, with each participating state or territory having a registrar. The system began in 2012 when New South Wales passed the *Community Housing Providers (Adoption of National Law) Act 2012*, which serves as the national law for all participating jurisdictions.

The NRSCH has three tiers of regulation, with greater risk attracting greater oversight and regulation:

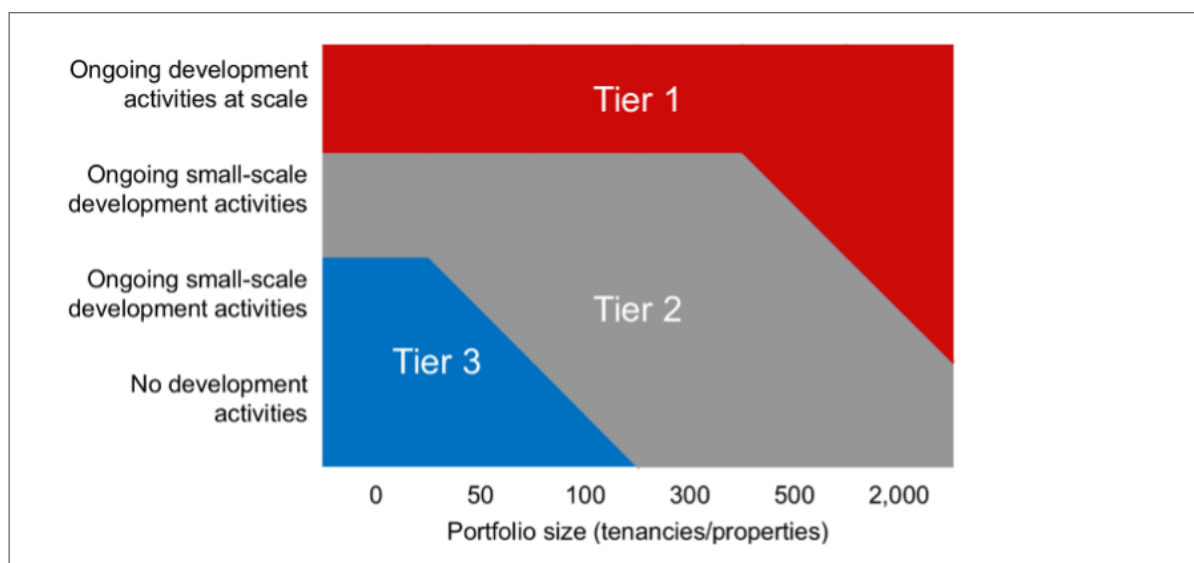
Tier 1: These providers face the highest level of performance requirements and regulatory engagement, reflecting that these providers are involved in activities that necessitate management of a higher level of risk

Tier 2: These providers face an intermediate level of performance requirements and regulatory engagement—reflecting that these providers are involved in activities that necessitate management of a level of risk that is lower than Tier 1 but greater than Tier 3

Tier 3: These providers face a lower level of performance requirements and engagement—reflecting that these providers are involved in activities that necessitate management of a lower level of risk. (NRSCH 2022a)

Within the NRSCH, risk is considered as a combination of the size of the CHO and its scale of development, as shown in Figure 10. Different tiers are allowed different governance structures, with all Tier 1 organisations required to be a company under the Corporations Act (NRSCH 2024a). The NRSCH allows CHOs to be either for-profit or NFP (2024b).

Figure 10: Tiers of NRSCH regulation in relation to portfolio size and development scale



Source: Authors, adapted from NRSCH (2024a).

The New South Wales Government reviewed the NRSCH in 2018–2019, receiving 45 submissions. There were no submissions from key stakeholders involved with funding and financing community housing or assessing housing standards. Further consultations were conducted by AHURI and with NHFIC, but were not made public. A detailed review of publicly available submissions was produced by RMIT (Lawson 2019: 144) and revealed sector concerns about where the NRSCH applies (NSW, QLD, NT, SA). The submissions to the NRCSH revealed the need for reforms to:

- improve the governance of the regulator to ensure independence and accountability
- adequately resource the regulator with relevant skills and experience, including strong senior industry experience
- provide greater clarity in the definition of NFP business models; many submissions argue that the regulator should cover public housing agencies

- engage tenants in the regulator's board, with clearer lines of protection and appeal
- dedicate more resources in the field via in-depth assessment and regulatory engagement, and raise profile to visibly improve enforce standards, and improve capacity and public confidence
- streamline data collection, and better use of data to identify thematic areas for industry improvement (Lawson 2019).

The final report (EY 2019) presented options to Housing Ministers to enhance the efficiency, effectiveness and transparency of the regulatory system by adopting a more risk-based approach. Victoria and Western Australia have their own registrar systems.

However, state regulators have expressed disappointment with the process and outcomes of the NSW review of the National Regulatory System for Community Housing Providers, particularly regarding the lack of transparency, limited consultation, and failure to engage effectively with tenants. This has undermined trust in the review process which is seen as industry-friendly rather than tenant-focused and has not fostered inter-state collaboration towards a national system.

In Europe and the UK, consumer standards have gradually improved, with a growing focus on quality and energy efficiency. The International Union of Tenants has focused on rent-setting and security of tenure issues.¹² In the UK, health and safety protection has only recently become a mandated priority for the English regulator, almost 10 years after the tragic Grenfell fire.

Registrar of Housing Agencies, Victoria

The Housing Registrar in Victoria has regulated community housing since 2005, focusing on compliance, performance monitoring and supporting growth (Housing Registrar 2024). It aligns its standards with the NRSCH where possible, to reduce regulatory burden on agencies. The system has two tiers of larger and smaller providers as follows:

- Tier 1: housing associations that develop and manage properties
- Tier 2 and 3: housing providers that manage properties owned by others.

An independent review of the Housing Registrar in 2021 recommended reforms, including creating a tenant advocacy function by expanding the role of the current Public Tenant Union Association or creating a new body (Engage 2022).

Registrar of Community Housing, Western Australia

Western Australia commenced its Community Housing Regulatory Framework on 1 April 2017. While not part of the NRSCH, Western Australia aligns with the NRSCH. In contrast to all other states and territories, Western Australia's community housing regulation operates through a policy-based framework, rather than a legislative system.

¹² See new consumer standards in the UK, finally adopted by the government in 2024 following the atrocity of the Grenfell fire in 2017: <https://www.gov.uk/government/news/rsh-sets-new-standards-to-drive-improvements-in-social-housing>. See also the advice of the International Union of Tenants for European social housing providers: <https://www.iut.nu/wp-content/uploads/2018/07/IUT-position-paper-for-the-EU-Partnership-for-Housing-040518FINAL.pdf> and since 2014 the European Code of Conduct, which was co-produced by Housing Europe, the International Union of Tenants, DELPHIS and the European Responsible Housing Stakeholder Forum in line with the 2014 Brussels European Declaration on Responsible Housing: https://www.responsiblehousing.eu/_files/ugd/8ac5c3_404e5f9897a247309697addd702340b6.pdf.

2.1.2 A snapshot of community housing in 2024

There are 492 CHOs operating across Australian states and territories, but some of these are subsidiaries of a larger entity operating across multiple state or territories. As noted earlier, the number of CHOs has been falling over the last few decades (as shown in Figure 6). As of 2024 there were:

- 345 organisations regulated under the NRSCH, 22 of which 36 had operations in other NRSCH states and territories
- 50 organisations registered by the Victorian Housing Registrar
- 35 organisations regulated under the Western Australian Registrar of Community Housing.¹³

There are also several CHOs operating across multiple jurisdictions.

The snapshot in Table 2 shows that across Australia there are 63 CHOs registered in the highest tier. Together, these organisations have 105,285 tenancies, or about 75 per cent of the regulated community housing stock (for which data is available).¹⁴

Table 2 and Figure 11 reveal that New South Wales, Tasmania, South Australia and Victoria have the highest proportion of community housing tenancies within the Tier 1 registration category. This largely reflects stock transfers (particularly in New South Wales, Tasmania and South Australia) and policy initiatives such as the Big Housing Build in Victoria, which is focused on larger entities.

Table 2: Number of registered CHOs by tier and number of dwellings in 2024

Tier	NRSCH			Western Australia	Victoria		
	Orgs	Tenancies	Average tenancies per org	Orgs	Orgs	Tenancies	Average tenancies per org
Tier 1	49	88,261	1,801	4	10 (HAs)	17,024	1,702
Tier 2	50	15,249	305	8	40 (HPs)	7,229	181
Tier 3	246	11,994	49	23			

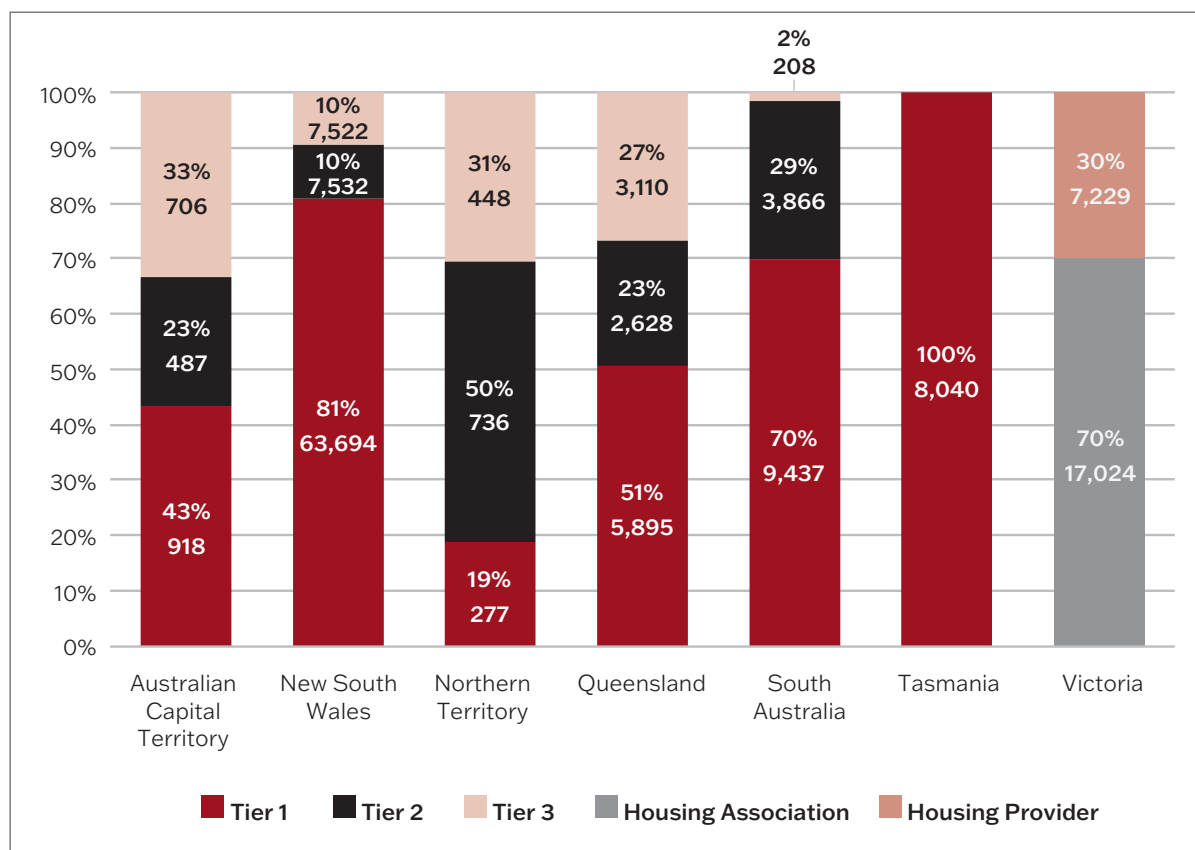
Source: Authors, from NRSCH and Housing Registrar data.

Note: org = organisation; HA = Housing Association; HP = Housing Provider.

¹³ This analysis is broadly consistent with the CHIA Australia's *Community Housing Industry in Profile* series, while using different methods.

¹⁴ The Western Australian Community Housing Registration Office does not release data about regulated CHOs.

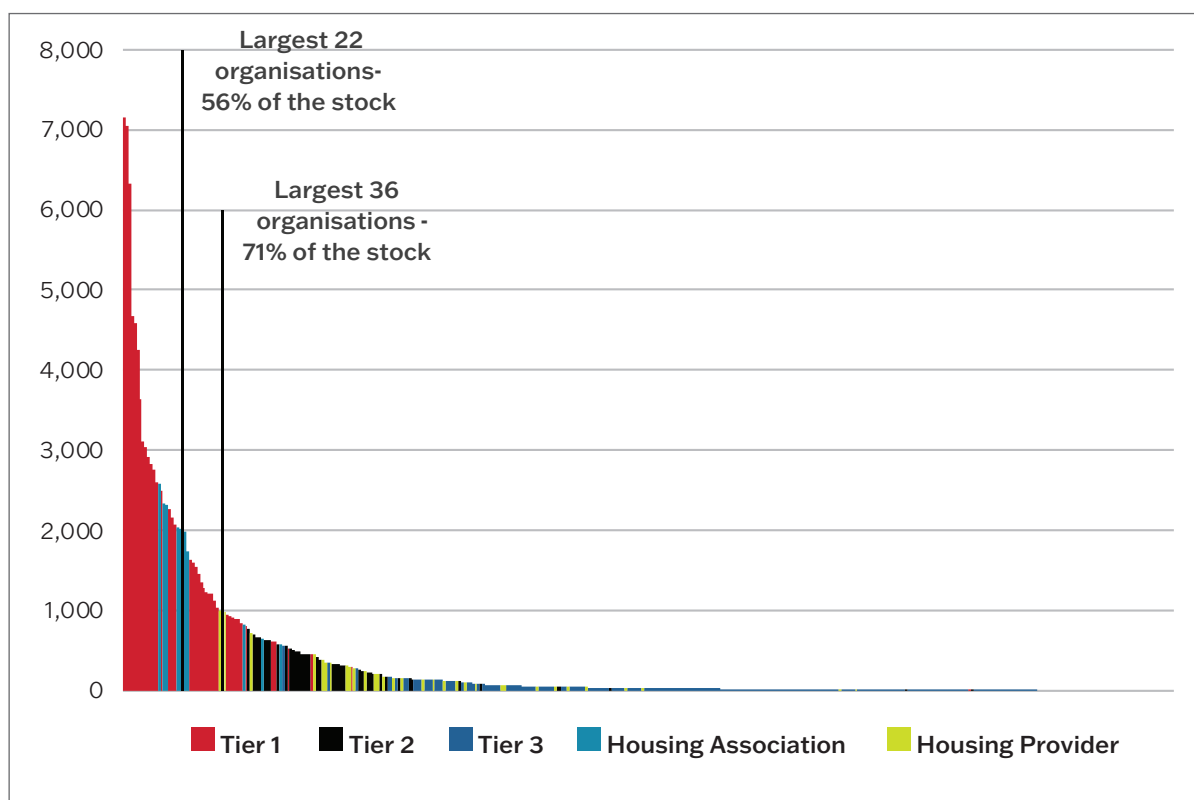
Figure 11: Community housing tenancies by state/territory and category of registration in 2024



Source: Authors, from NRSCH and Housing Registrar data.

Figure 12 shows that the 22 CHOs with over 2,000 dwellings make up just 6 per cent of all CHOs—but hold 56 per cent of the total stock. Similarly, the 36 CHOs with over 1,000 dwellings control 71 per cent of the community housing stock. This concentration suggests that while many CHOs exist, the sector is dominated by a few large organisations, which could impact community engagement and service delivery, as explored in Chapter 4.

Figure 12: CHOs by number of tenancies in 2024



Source: Authors, from NRSCH and Housing Registrar data.

Most registered entities are companies limited by guarantee, with 191 entities managing 98,683 tenancies (see Table 3). Nearly all Tier 1 entities are companies, as required by the NRSCH. However, while the majority of Tier 2 and 3 entities are also companies, many use other governance structures, including:

- 78 incorporated entities, which have significantly smaller portfolios
- 26 Aboriginal Corporations
- 11 co-operatives
- several church and charitable entities.

All of these models have different approaches to tenant voice, and expectations of their role in service quality and asset management.

Table 3: Registered entity by governance structure and portfolio size in 2024

Governance structure	Tier 1	Tier 2	Tier 3	Total
Company limited by guarantee	44 (83,209)	37 (10,470)	110 (5,004)	191 (98,683)
Company incorporated with shares	4 (4,030)	1 (213)	18 (876)	23 (5,119)
Church entity by an act of Parliament	1 (1,022)	2 (1,327)	8 (442)	11 (2,791)
Aboriginal Corporation	0 (0)	5 (1,502)	21 (3,047)	26 (4,549)
Incorporated association	0 (0)	2 (771)	76 (2,303)	78 (3,074)
Co-operative	0 (0)	1 (419)	10 (307)	11 (726)
Charitable trust	0 (0)	1 (547)	2 (7)	3 (554)
Unincorporated association	0 (0)	0 (0)	1 (8)	1 (8)

Source: Authors, from NRSCH data.

Note: Numbers in brackets show number of tenancies.

Across Australia, 72 per cent of the stock is long-term social housing, with variations across jurisdictions (see Table 4). New South Wales, South Australia, Tasmania and Victoria all have above 70 per cent of the stock being long-term, while ACT has less than one-third.

Affordable housing (including NRAS) comprises about 14 per cent of the national stock. Again, this varies by jurisdiction. Victoria has the lowest percentage, with the Housing Registrar reporting only 1 per cent of the stock is affordable, while 37 per cent of the stock in ACT is affordable.

Table 4: Registered agency housing by state/territory and type in 2024

	Long-term community	Short- to medium- term	Crisis	Boarding / rooming	NRAS	Affordable	SDA	Other	Private / market rental
ACT	528 (32%)	151 (9%)	45 (3%)	73 (4%)	260 (16%)	348 (21%)	19 (1%)	14 (1%)	196 (12%)
NSW	54,451 (72%)	3,222 (4%)	616 (1%)	152 (0%)	6,313 (8%)	6,427 (9%)	1,615 (2%)	940 (1%)	1,455 (2%)
NT	790 (58%)	132 (10%)	1 (0%)	77 (6%)	206 (15%)	123 (9%)	4 (0%)	28 (2%)	7 (1%)
QLD	6,644 (57%)	1,694 (15%)	434 (4%)	26 (0%)	165 (1%)	2,142 (18%)	86 (1%)	375 (3%)	81 (1%)
SA	9,875 (79%)	611 (5%)	89 (1%)	6 (0%)	597 (5%)	682 (5%)	516 (4%)	42 (0%)	4 (0%)
Tas	7,236 (89%)	294 (4%)	53 (1%)	0 (0%)	189 (2%)	228 (3%)	19 (0%)	75 (1%)	0 (0%)
Vic	17,392 (72%)	3,983 (16%)	248 (1%)	2,113 (9%)	N/A	221 (1%)	266 (1%)	N/A	30 (0%)
Total	96,916 (72%)	10,087 (7%)	1,486 (1%)	2,447 (2%)	7,730 (6%)	10,171 (8%)	2,525 (2%)	1,474 (1%)	1,773 (1%)

Source: Authors, from NRSCH and Housing Registrar data.

For-profit organisations

For-profit entities are permitted to be registered under the NRSCH, while the Victorian regulations limit registration to NFPs. There are currently 14 for-profit entities registered through NRSCH—all registered in New South Wales. These 14 organisations are relatively small and account for only 355 dwellings—all of which are affordable housing. One of these organisations owns 87 dwellings and manages four. The other 13 do not own any dwellings and are only managers. All for-profit organisations are companies: 13 are incorporated with shares; the remaining organisation is limited by guarantee.

2.1.3 Consolidation of community housing

The consolidation of the community housing sector in the 2000s was driven by policy reforms and funding decisions, particularly following the global financial crisis. The Nation Building and Jobs Plan Social Housing Initiative directed 75 per cent of funding towards community housing, aiming for it to comprise 35 per cent of all social housing (Davies 2023; Housing Ministers' Conference 2009). This growth primarily benefitted larger providers—for example, Victoria's housing associations held 61 per cent of long-term stock in 2009–10; this had risen to 85 per cent by 2017–18 (Davies 2023). Larger providers received significant government support through direct funding, stock transfers, operational subsidies and favourable tax treatments (Ferrer and Crawford 2014; Pawson, Martin et al. 2016; Troy 2012).

These policy shifts have redirected public resources, benefitted certain providers and created opportunities for new ones—particularly through availability payment PPPs. Despite strong need, supply outcomes remain modest compared to post-war efforts, with providers increasingly reliant on sporadic government programs and managed investment funds rather than sustained public equity (Lawson, Milligan et al. 2022; Lawson, Pawson et al. 2018; Martin, Lawson et al. 2023).

The expansion of large CHOs has shifted their operations, with many growing from small, community-rooted organisations into larger, geographically dispersed entities. While this scale provides operational efficiencies, it also introduces risks.

Many larger organisations now have more dispersed stock and are detached from the communities they originally sought to serve.

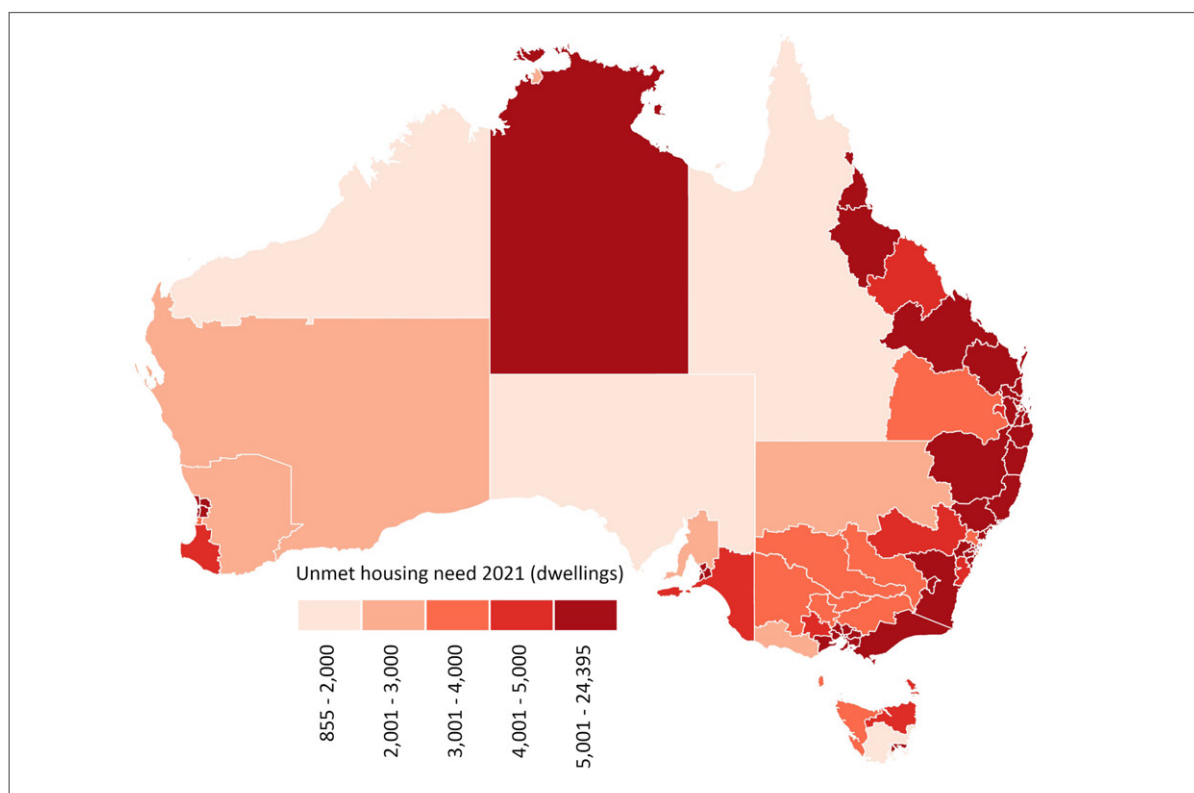
The recent trend towards national providers, including those operating across borders, may reduce responsiveness to tenants, potentially leading to reduced service quality and tenant focus. This mirrors the rise of the community housing sector in Victoria, which emerged as a response to the unresponsive and bureaucratic state-run Housing Commission, criticised for its lack of tenant focus (Burke 1988). However, without tenant-focused regulation and protections, there is a risk that large-scale CHOs could replicate the issues of the organisation they were initially created to improve.

2.2 Mapping Australia's housing need

Unmet housing need is estimated to total approximately 435,000 dwellings for the poorest 20 per cent of the population, and over 600,000 dwellings for the next poorest 20 per cent of the population (Lawson, Pawson et al. 2018; Troy and van den Nouwelant 2023).

Figure 13 shows that unmet housing need is largely concentrated in Australia's large metropolitan regions—especially in higher socio-economic areas, which have historically lower rates of provision. It is also notable that many regional areas, including almost all of the Northern Territory, have large amounts of housing with unmet need.

Figure 13: Unmet housing need, 2021

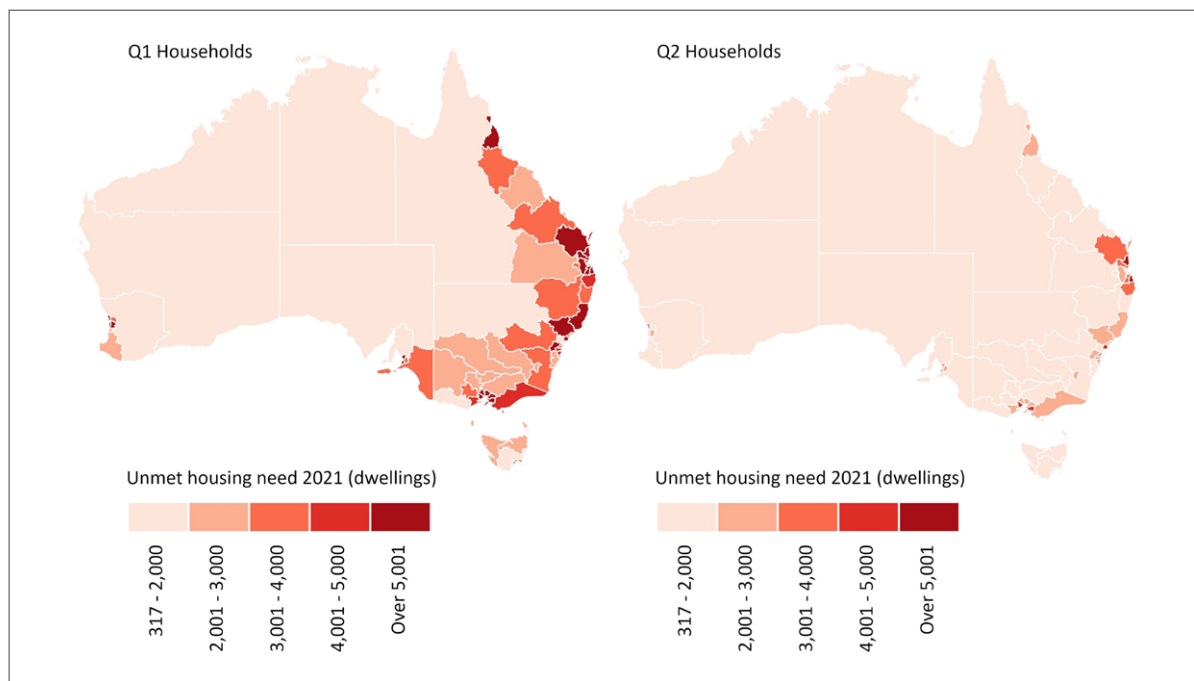


Source: Data from van den Nouwelant, Troy et al. (2023), image produced by authors.

Shown in Figure 14, Quintile 1 (Q1) households, the poorest 20 per cent, are largely reliant on government welfare payments, and have unmet needs across metropolitan and regional areas. Quintile 2 (Q2), the next poorest 20 per cent, are more likely to be in low-paid employment, and can generally afford housing in regional and the lowest-cost housing markets, but cannot afford to rent privately in high-cost metropolitan centres.

The shortage of social housing raises concerns about whether the available dwellings meet the needs of different household types. Historically, public housing favoured larger family homes, with fewer options for smaller households. Recently, programs like Communities Plus (NSW) and the Public Housing Renewal Program (Victoria) have focused on smaller dwellings, reflecting the dominance of smaller households on waiting lists. However, strict access rules may distort the true picture of housing demand.

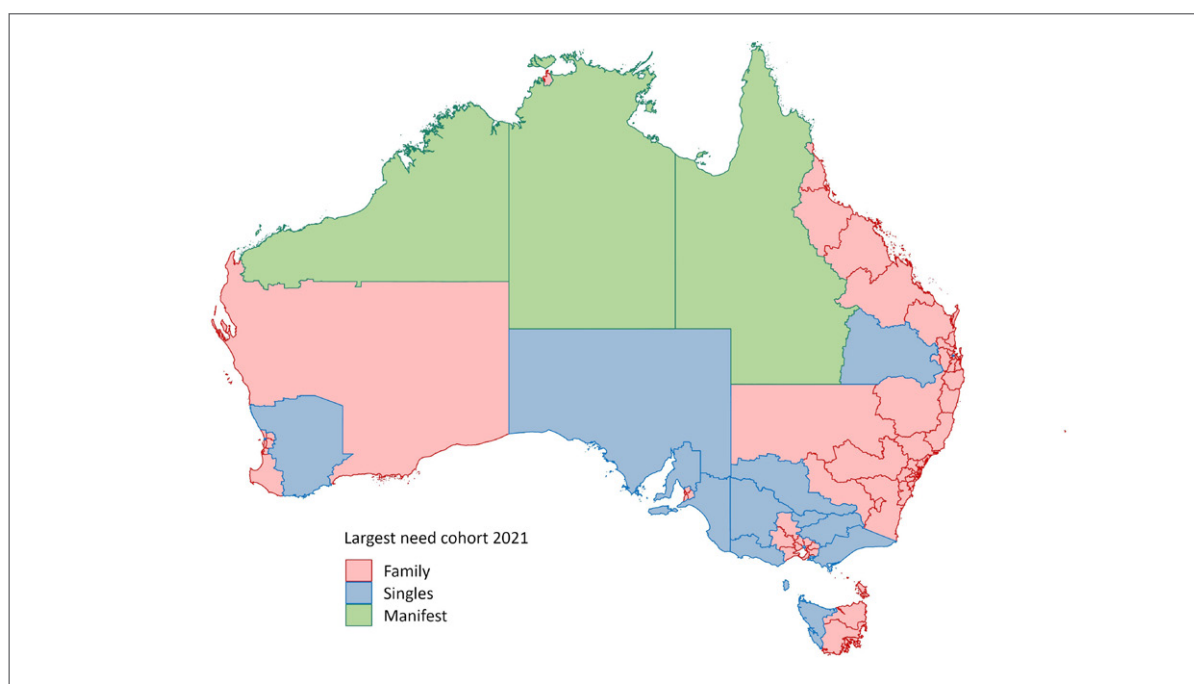
Figure 14: Unmet Q1 (social) and Q2 (affordable) housing need, 2021



Source: data from van den Nouwelant, Troy et al. (2023), image produced by authors.

Figure 15 shows that different geographies in Australia have varying largest need cohorts. In Central Australia and the Top End, manifest need—in other words, homelessness—is the largest cohort, while in metropolitan areas it is mostly families in need. Regional areas have a mixture of unmet need, mainly among families and singles.

Figure 15: Largest need cohort, 2021



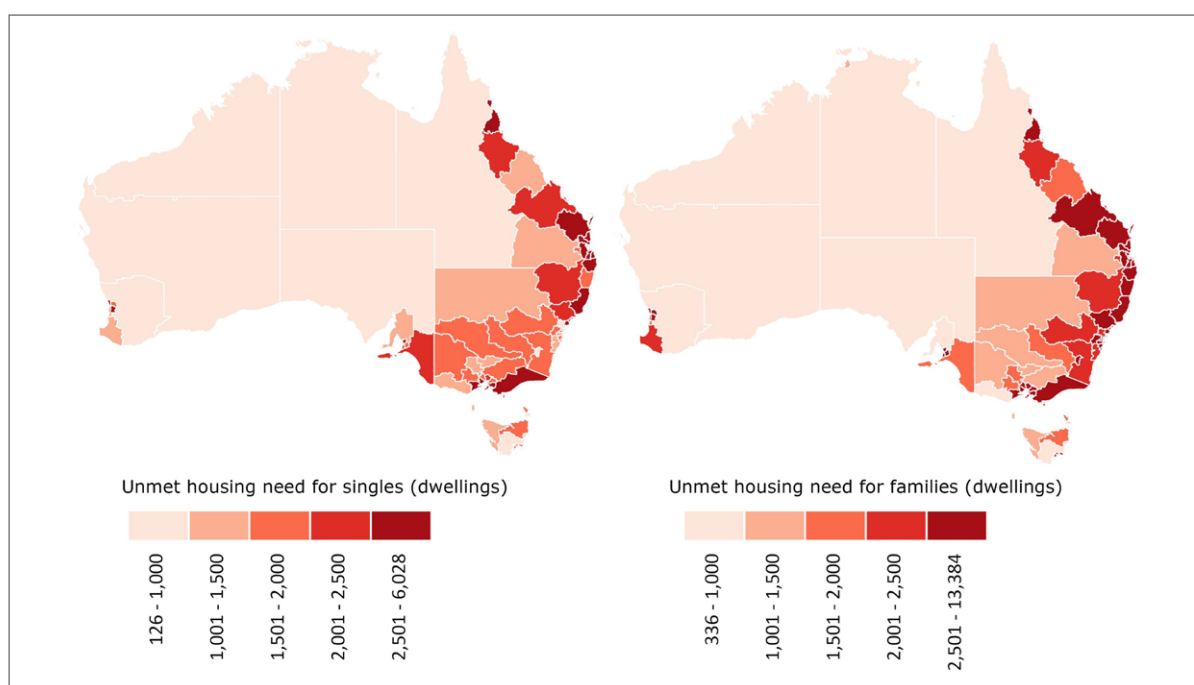
Source: Data from van den Nouwelant, Troy et al. (2023), image produced by authors.

Figure 16 shows that single households have greater unmet need in urban areas, and also in regional areas—particularly along the east coast. There is a similar distribution of families with children with unmet need and singles. There is a lower number of couples without children who have unmet need concentrated in urban areas.

Figure 16 also reveals that unmet need is much broader than the level targeted by current allocation policies. Families are being underserved.

Expanding allocation policies to cover all unmet need would likely increase waiting lists, especially for families. Currently, allocation policies artificially reduce visible demand. To address this, social housing needs a diverse range of dwelling types, distributed across Australia.

Figure 16: Unmet housing need for singles (left) and family with children (right), 2021



Source: Data from van den Nouwelant, Troy et al. (2023), image produced by authors.

2.3 Insights and implications

Over the past three decades, Australia's social housing MPS has emerged through a web of policy decisions. These decisions have intentionally replaced a monopoly-provider model based on public housing with a new system involving a declining stock of public housing sitting alongside an expanding stock of community housing. The conceptual driver of this policy has been a desire to increase consumer choice by increasing the range of providers from whom tenants can rent a dwelling.

This new system has involved very little growth. Community housing has grown substantially, but this is primarily due to stock transfers from public housing. This growth in community housing has been concentrated among the largest providers, with over half the stock managed by the largest 36 organisations.

In contrast, unmet need for social housing has grown, leading to an evermore complex web of rules and regulations that seek to tightly target the available stock to progressively higher-need cohorts.

Social housing policies and regulations governing eligibility, access, security and affordability are highly variable and inconsistent across states, territories and sectors. The chaotic and inconsistent nature of regulation underlies the differential treatment and operating contexts for different providers within the social housing system, and likely confusion for tenants trying to access housing.

Eligibility criteria have tended to favour smaller households, despite demographic evidence that larger families are most in need of support.

There is a need to:

- establish a long-term vision and coherent operating model that enables growth to address the need for social housing
- develop a more robust and purposeful national MPS policy position premised on the need for growth, improved accountability and a stronger focus on tenant outcomes
- create a more coherent and consistent regulatory framework for social housing that is national in scope and inclusive of all providers
- rebalance social-housing supply strategies and mechanisms to reflect future patterns of demographically defined need, rather than reflect the composition of social housing waiting lists
- improve the range and scale of data on the MPS, including the number, type and scale of providers, as well as their output, financial performance and effectiveness in meeting tenant need.

3. Growth models shaping social housing

- This chapter explores the growth pathways that have shaped social housing objectives, scale and growth models in each jurisdiction, and how they reflect local contexts.
- Australia lacks long-term, sustainable social-housing growth models. There have only been sporadic programs to boost social housing. These programs are often customised, complex and opaque.
- Subsidies vary across systems of provision, leading to inefficiencies and an antagonistic relationship between provider systems.

3.1 Operating for growth?

The issue of operational sustainability has long been recognised by researchers as being fundamental to the growth and maintenance of public housing (Hall and Berry 2004; McNelis 2006).

Public housing made up most of the social housing before the 2000s. But since the 1970s, new allocations of public housing have increasingly been targeted toward low-income households, focusing on those most in need (Davies 2023; Hayward 1996). Alongside this, there was a move from economic rents—which resembled cost rents with rebates—to market-based rents (Hayward 1996; McNelis 2006; Troy 2012). Currently, rent is set as a proportion of household income, usually 25 per cent, up to a maximum of market rent, which reflects the private market value of the property (McNelis 2006) (see Table 1). However, market rent is not the same as cost rent, as it may be higher or lower than the costs of providing housing and capital (McNelis 2006).

Increased targeting may have improved the allocation efficiency of social housing by matching new allocations to those most in need—but it has also resulted in a significant reduction in rent received by social housing providers.

Davies (2023) found that rent rebates (discounts to tenants' rents below market rent) in Victoria's social housing increased from 29 per cent of market rent in 1983 to 50 per cent in 2018–19, reducing the rent received by the state housing authority (SHA). This means that in 1983 the public housing authority received 71 cents out of every dollar of market rent, but only 50 cents out of every dollar of market rent in 2019. This reduction reflects a broader decline in rent relative to cost rent.

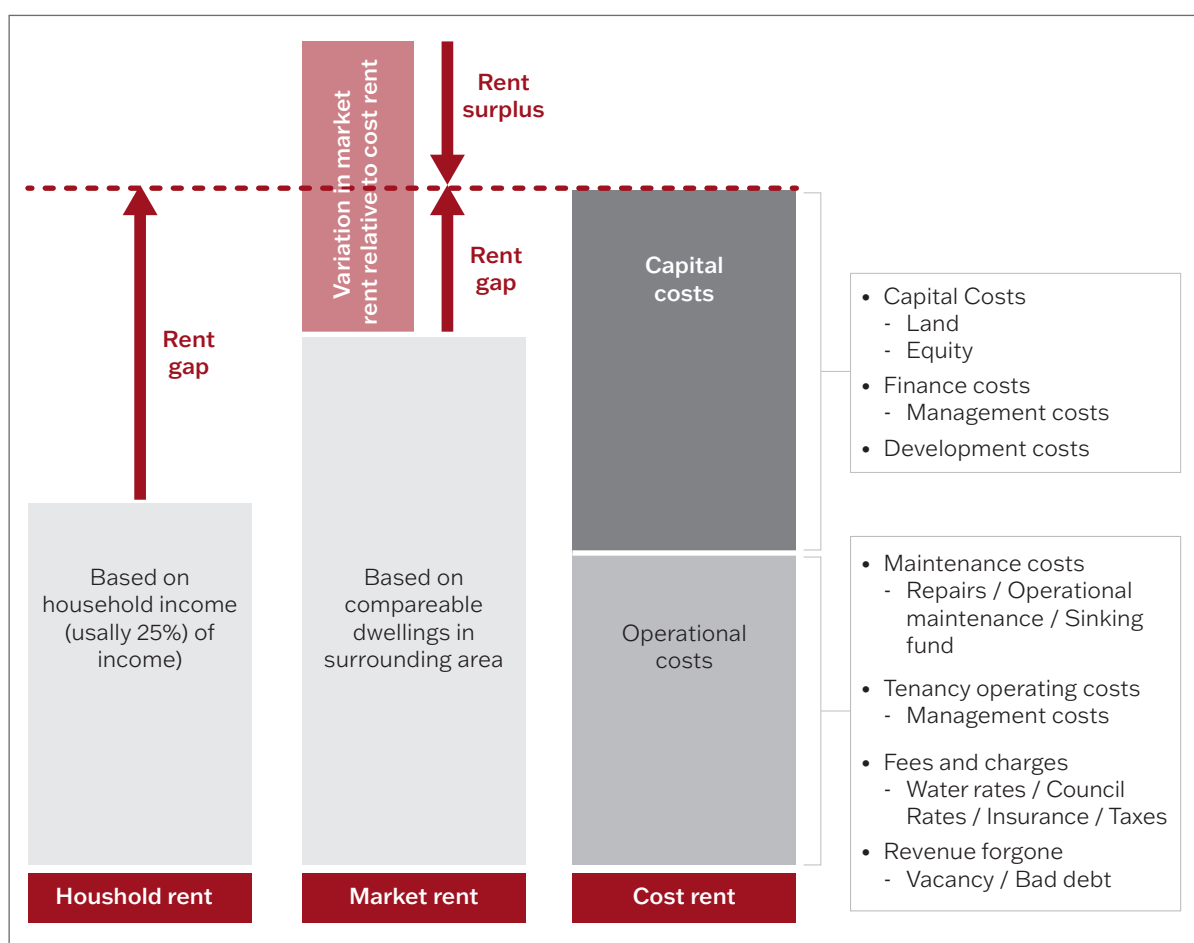
Targeting and income-based rent-setting have led to very low rental incomes for SHAs, with the Victorian SHA receiving an average of \$7,550 per dwelling in 2019, well below the median market rent of \$370 per week or \$19,240 per year in 2021 (ABS 2022). Community housing rents were slightly higher, averaging \$10,150 per year, mostly due to CRA (Davies 2023). Neither rental income is sufficient to cover all costs, with public and community housing in Victoria breaking even—only covering administrative, operational and maintenance costs (Davies 2023). This low rent intake can lead to poor maintenance, which is a factor driving estate redevelopments (Porter, Davies et al. 2023).

Figure 17 conceptualises the relationship between household rent, market rent and cost rent. Household rents, based on income, fall short of covering capital costs, which creates a 'gap' between tenant payments and the full cost of providing housing.

As long as this 'gap' remains unfunded, the rent model will not support the growth of the social housing system.

Rather, growth becomes dependent on funding models and programs that bridge the capital 'gap'.

Figure 17: Conceptualisation of rent models



Source: Authors.

An additional issue is the lack of regulation and transparency about how rent money is used. Davies' (2023) analysis of public housing annual reports reveals that the Victorian SHA received more rent between 1983 and 2019 than was expended on operating costs and maintenance (but not a debt). However, this analysis was only possible because rent goes to the SHA, which is not always the case. In some jurisdictions, public housing rent goes to consolidated revenue. One government participant interviewed for this research was particularly critical of this, stating that: *'It has always been very opaque in state and territory governments what is done with the rent that is received from public housing renters.'* (Government official)

This is a concern, as it effectively further deprives the SHA of scarce financial resources, while also acting towards their tenants in an extractive way. One participant likened this to taxing public housing tenants:

I say this generally about any public housing agency: if someone who is on low income is paying you rent, then the first thing you do with that rent is provide high-quality services to that person before you start using it to fund, for example, other services.

Obviously paying for hospitals is a kind of an extreme version; paying for family violence services, paying for homelessness services—and should public housing renters pay for homelessness services? All those things are quite opaque in the way certain territories account for things. There is quite a lot of opacity about it and there shouldn't be. (Government official)

These practices are in sharp contrast to what is seen in well-functioning social housing MPSs such as those in Europe. In those cases (which are discussed further in Chapter 5), rent is protected through regulation, ensuring that what tenants pay is first used to maintain dwelling stock, to renovate it over time and then to facilitate growth. These systems also have protections around equity, ensuring that there is little to no leakage from social housing systems. In both these regards, Australian MPSs have significant room for improvement.

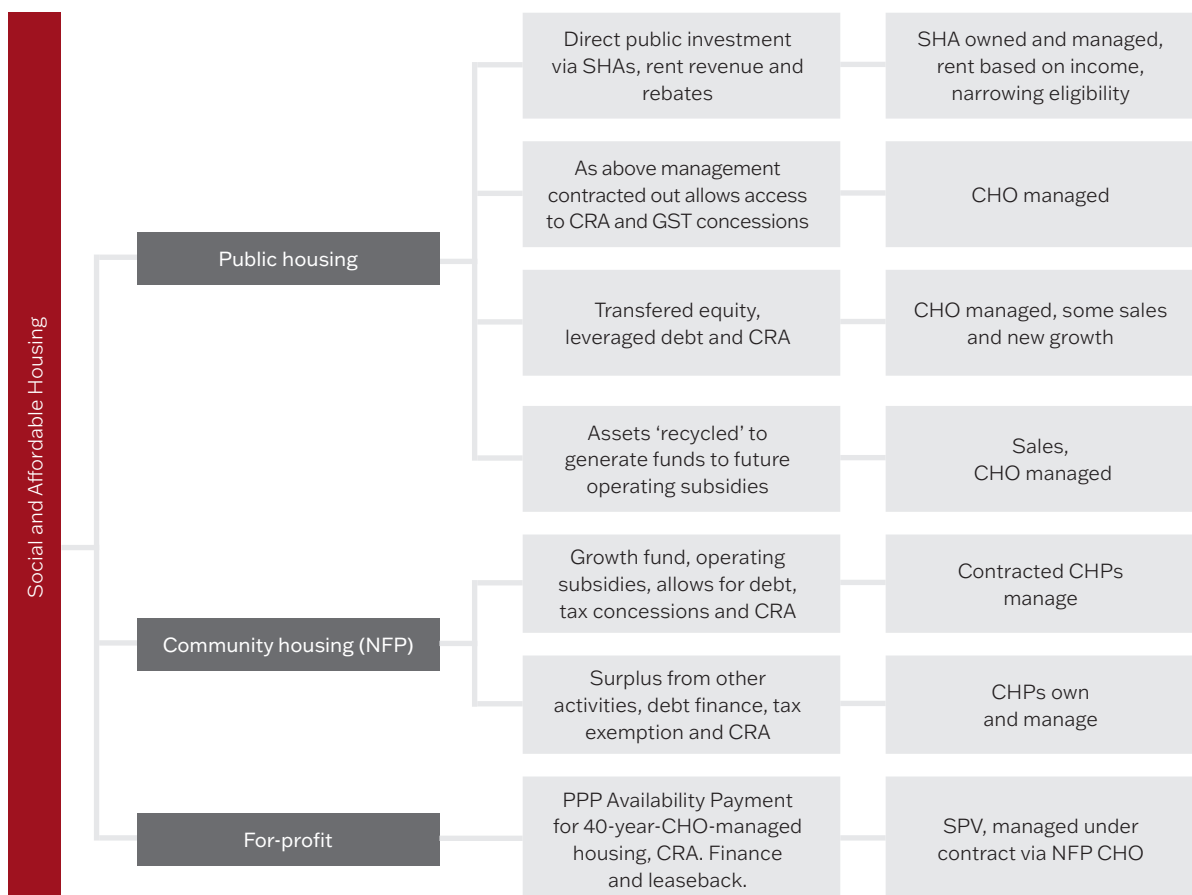
Australian MPSs cater for high-needs, low-income tenants—but the system is unable to generate the revenues needed to cover running costs and maintenance, while also delivering a surplus that can be invested into an expanded stock. This means it is heavily dependent on new government (or private) funding programs for growth. Without this, growth is not possible.

Figure 18 illustrates several recurrent Commonwealth funding streams in Australia, including:

- capital grants—such as HAFF
- user subsidies—such as CRA
- operational subsidies—such as NRAS and the Ground Lease Model.

These subsidies vary in structure, from project-based funding (HAFF) to flat payments (NRAS). CHOs often combine multiple funding sources, including state programs, to create complex funding models—although this process is time-consuming and not always long-term.

Figure 18: Circuits of investment impacting social housing outcomes



Source: Updated from Lawson, Pawson et al. 2018.

Note: SPV = Special purpose vehicle.

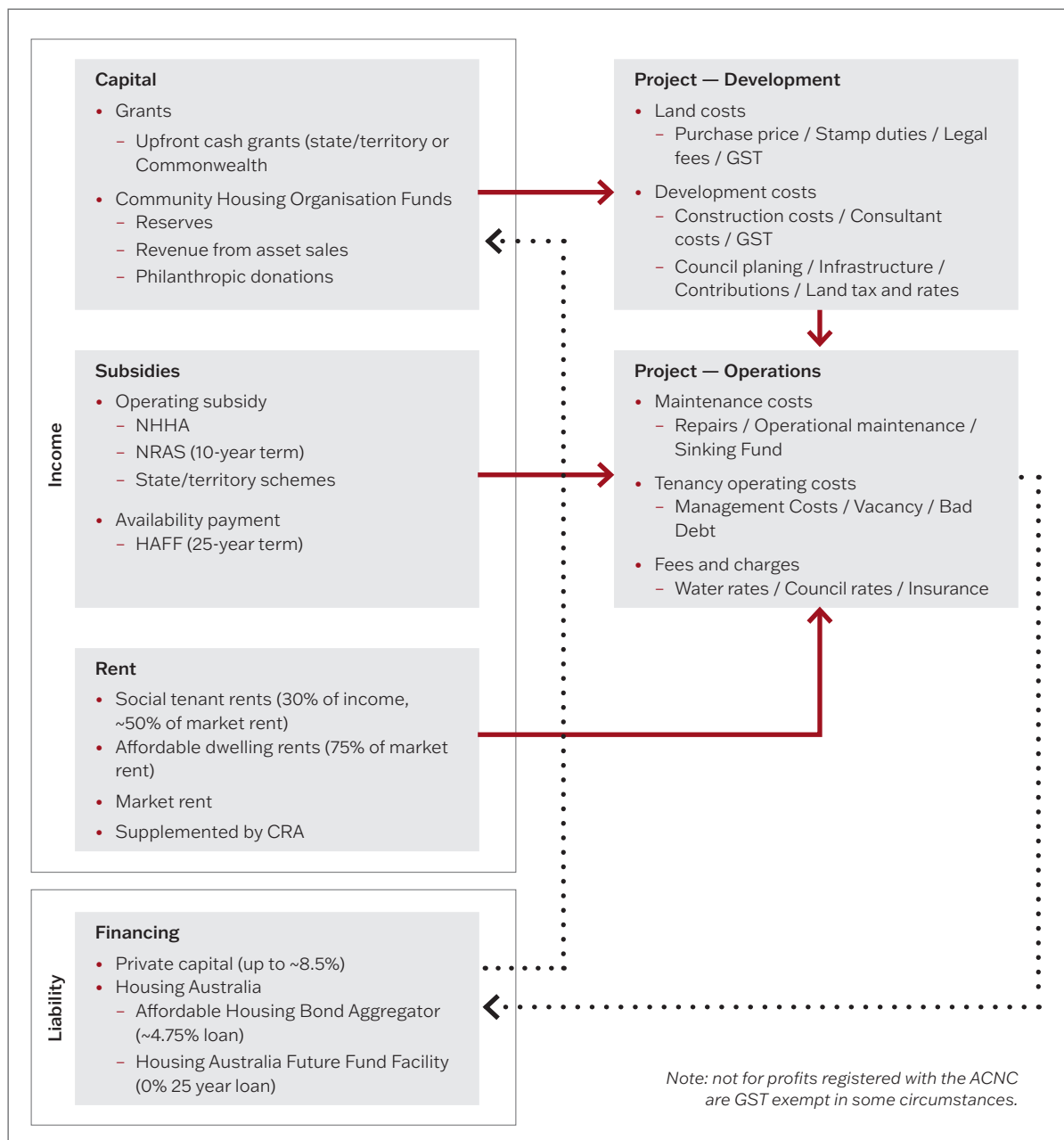
3.2 An overview of growth models

This section examines several community housing growth models using the framework shown in Figure 19. Each social housing model involves four key inputs:

1. Capital or equity: this is typically in the form of cash or land.
2. Concessions: ongoing government support to cover the gap between operating costs and rent.
3. Rent: paid by tenants, often supplemented by the CRA.
4. Financing: unlike the other inputs, financing carries the added cost of interest (Troy and van den Nouwelant 2023).

Each project must cover both the development costs and the ongoing operational expenses (Troy and van den Nouwelant 2023).

Figure 19: Elements of social housing development models



Source: Authors, updated and adapted from Troy and van den Nouwelant (2023).

Note: ACNC = Australian Charities and Not-for-profits Commission.

Social housing development projects are thus a balance between four inputs: capital, subsidies, rent and financing (Troy and van den Nouwelant 2023):

- Higher capital will decrease the size of a project 'gap', therefore decreasing the required subsidy payments.
- Higher subsidy payments allow for a larger project 'gap', and therefore lower capital requirements.
- Higher rents decrease the project 'gap', allowing for lower subsidies.
- Higher financing decreases required capital but increases required subsidies, as finance has interest costs.

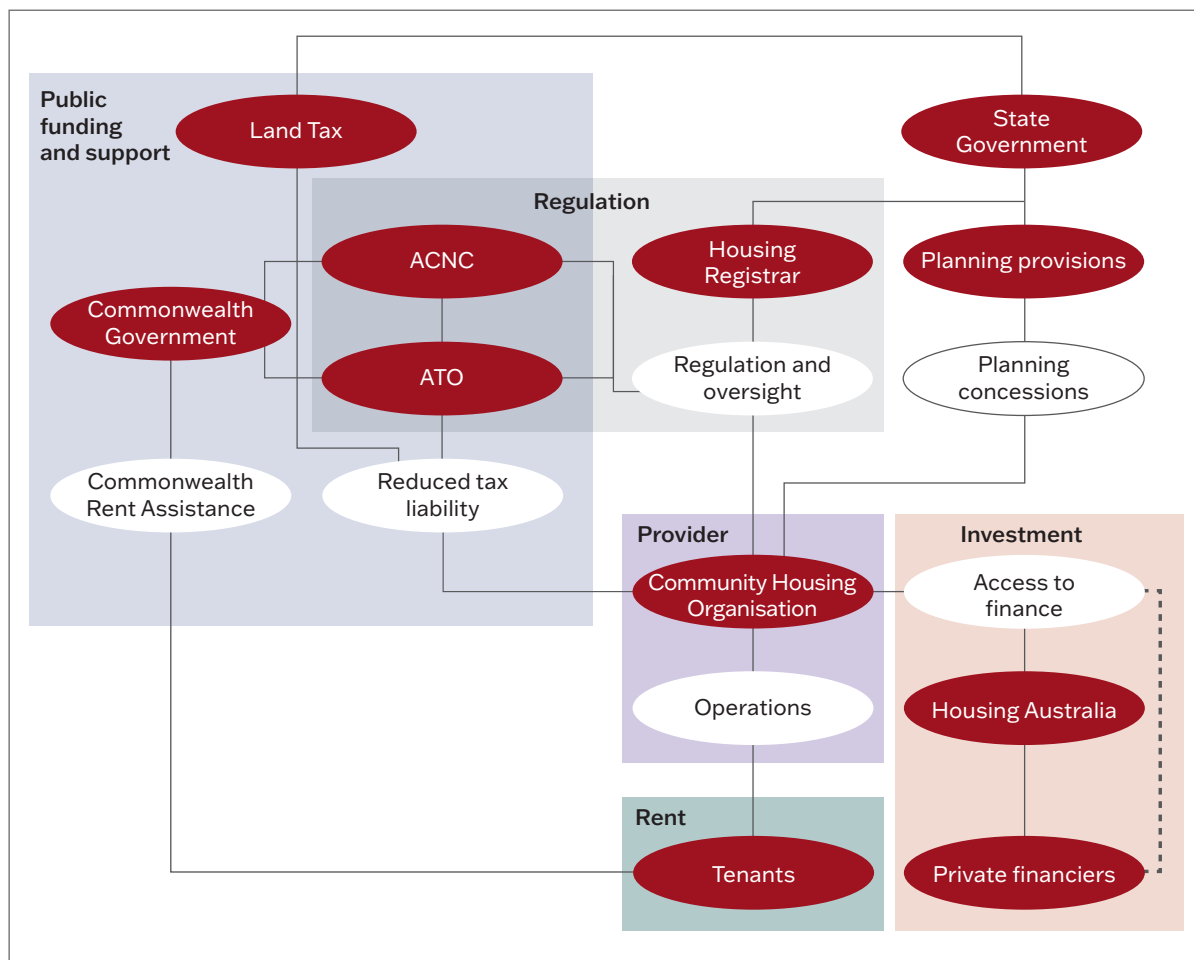
Government policy has a limited impact on development and operational costs in community housing models. Development costs are mainly driven by land and construction, with planning regulations having a smaller effect. While GST concessions for NFP CHOs can help, operational costs are largely fixed, focusing on maintenance and tenancy operations (Troy and van den Nouwelant 2023).

A key challenge for Australian social housing growth is the unresolved issue of cost recovery and sustainability. Unlike European models, Australia lacks clear specification, audit and monitoring of cost-recovery principles, requirements for building equity, or the use of revolving funds for renovation and growth. Key costs like land and finance are not capped or reduced. The link between efficient operations and value for money in tenant rents is unclear, as rents are not tied to operating or financing costs—unlike cost based or utility-based systems in countries like Austria, Finland, Denmark or The Netherlands (OECD 2022; UN 2021).¹⁵ Instead, rents are capped by tenant income and reliant on recurrent subsidies, which are politically vulnerable and place long-term viability and growth at risk.

The following sections explore the four growth models outlined by Troy and van den Nouwelant (2023), with concrete examples. Common elements in all models, as shown in Figure 20, include rent being set at 25 per cent of household income (up to market rent) and the passing on of CRA to CHOs. While there are no strict regulations on rent usage, it generally supports the organisation's social housing services.

¹⁵ In the Netherlands, a point system applies to the private rental sector and has recently been strengthened. There is a useful outline here: <https://huurteamnederland.nl/en/puntensysteem-huur/>

Figure 20: Common elements of CHO growth models



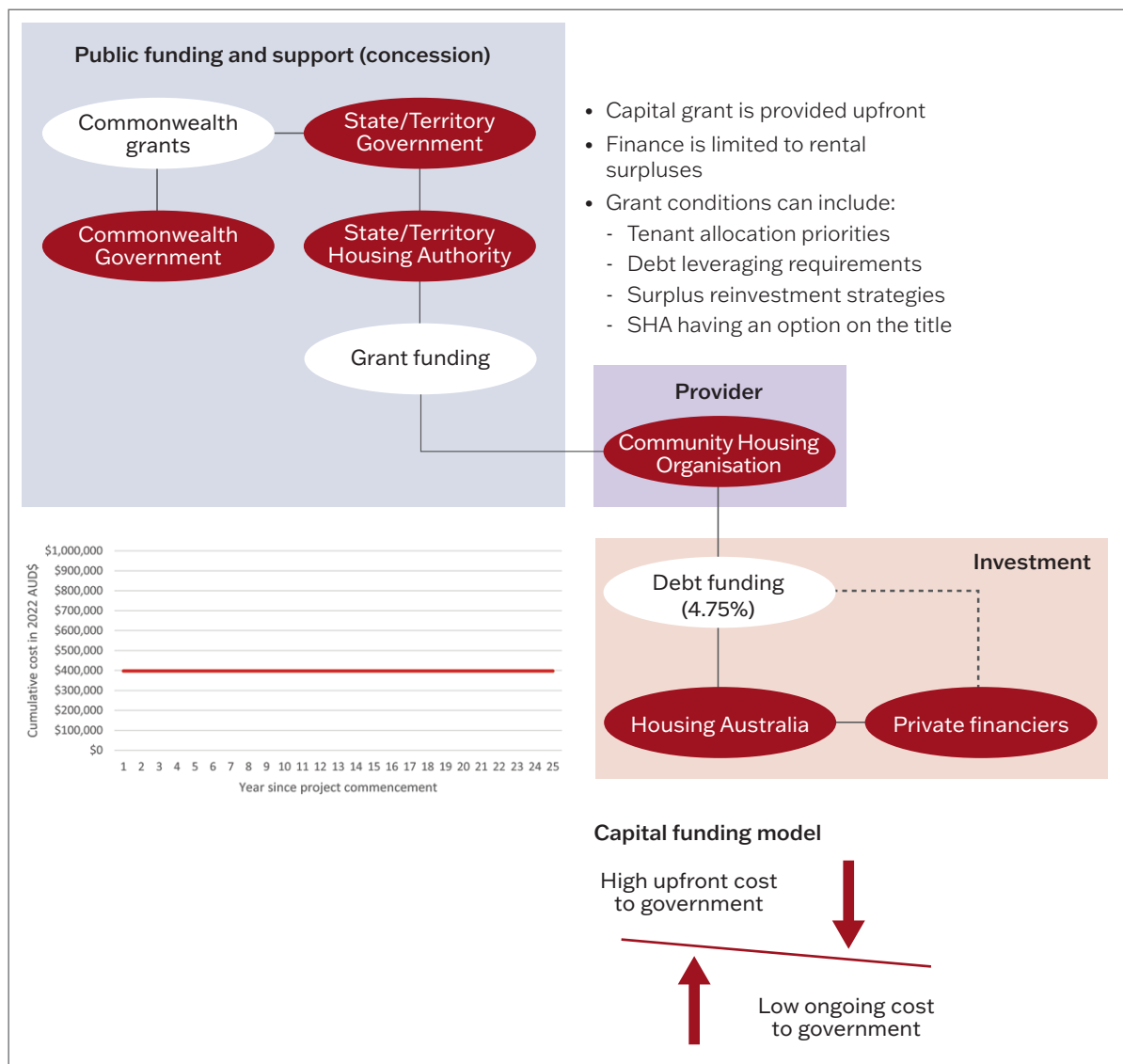
Source: Authors, adapted from Lawson, Milligan et al. (2022).

Note: ACNC = Australian Charities and Not-for-profits Commission

3.2.1 Capital funding model

The capital funding model, shown in Figure 21, relies on an upfront capital grant with minimal finance and no operating subsidy. Based on Troy and van den Nouweland (2023), this model assumes delivery by a NFP CHO with financing from Housing Australia. The grant could take the form of money, land or proceeds from property sales—which could occur either before or during development. According to Troy and van den Nouweland (2023), Lawson, Pawson et al. (2018) and Lawson, Milligan et al (2022), this model incurs the lowest overall cost to the government but requires the highest upfront investment with no ongoing operating subsidies.

Figure 21: Capital funding model



Source: Authors, adapted from Troy and van den Nouwelant (2023).

The capital grant model used in Victoria, shown in Figure A32 (see Appendix 1), provides a practical example. It includes a 25 per cent debt requirement and highlights the need for regulatory oversight (Lawson, Milligan et al. 2022). In Victoria, CHOs receiving capital grants must house tenants from the single waiting list and reinvest any operating surpluses into maintenance and growth, rather than extracting profits or using funds for non-housing purposes (Lawson, Milligan et al. 2022).

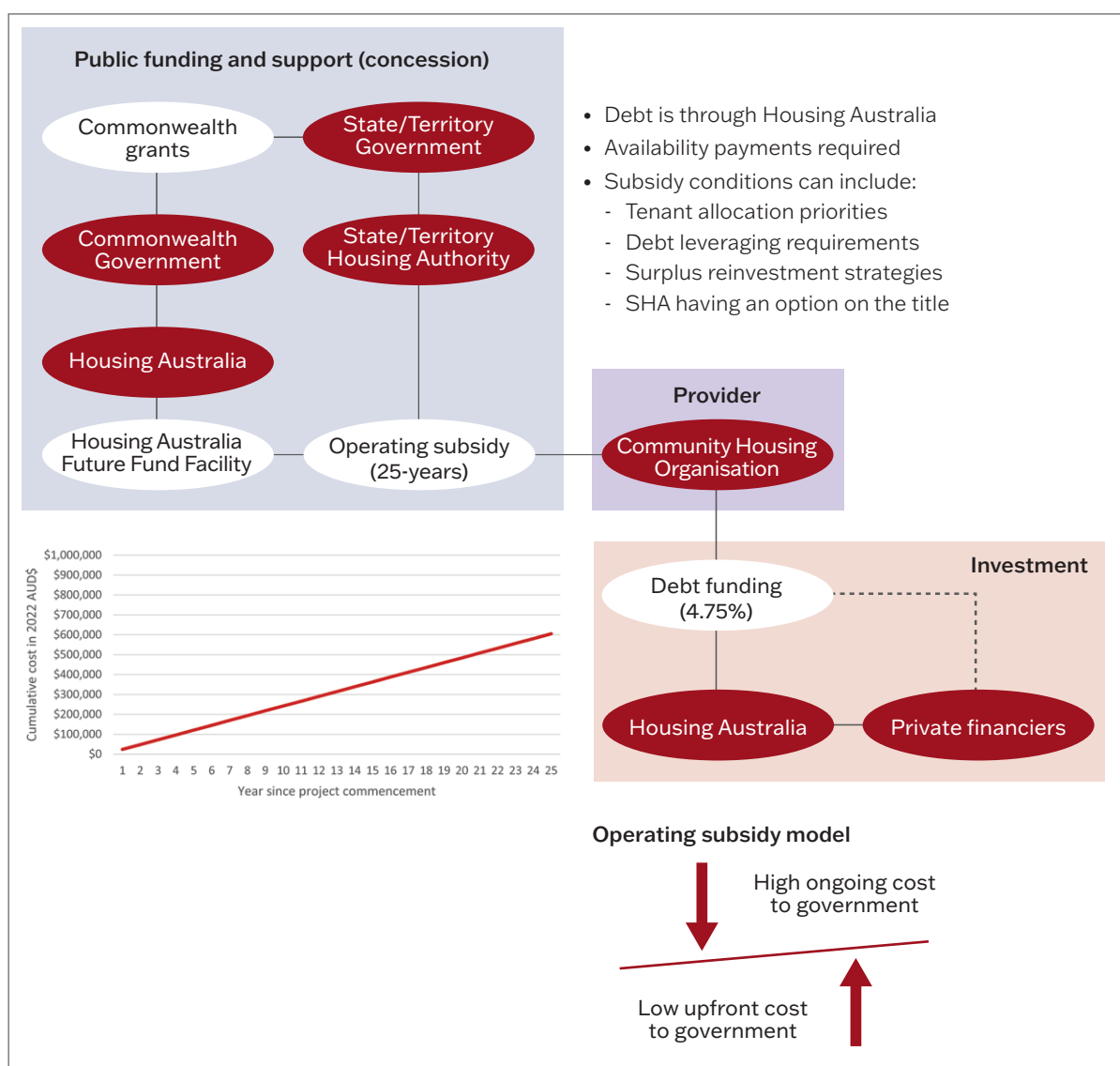
3.2.2 Operating subsidy model

Operating subsidy models have been proposed as a key funding mechanism for expanding community housing in Australia. NRAS was the first such scheme, providing a rental top-up to housing providers for 10 years to support debt repayment for capital works. While NRAS was discontinued by the Abbott government, it has been reintroduced as an 'availability payment' under the HAFF.

An availability payment in the context of Housing Australia Future Fund (HAFF) contracts refers to a regular payment made to housing providers over a 25-year operating term once properties are tenanted for social or affordable housing. These payments cover the difference between operating balances generated from rents and the debt servicing required for stock acquisitions. Since private finance is more expensive than public finance, the required amount varies depending on geographic and institutional factors. The capital needed for projects—and the associated debt financing—depends on housing types, construction costs (affected by remoteness), and land prices, which are significantly higher in high-value housing markets.

The operating subsidy model, depicted in Figure 22, relies on an ongoing subsidy to service debt used for upfront capital. Based on Troy and van den Nouwelant (2023), it assumes delivery by a not-for-profit CHO, financing from Housing Australia, and annual operating subsidies over 25 years. Unlike an upfront grant, this model uses financing, increasing project costs but lowering initial expenses. It is considered more expensive for the government than an upfront capital grant (Troy and van den Nouwelant 2023; Lawson, Denham et al. 2019).

Figure 22: Operating subsidy model



Source: Authors, adapted from Troy and van den Nouwelant (2023).

There are a wide variety of models based on operating subsidies. Two models from New South Wales and Victoria are shown in Figure A33 and Figure A34 (in Appendix 1). These models vary in significant ways, including:

- length of subsidy
- permitted delivery models
- overarching regulatory settings.

However, they also have significant similarities, with both including capital grant components and ongoing operating subsidies (Lawson, Milligan et al. 2022).

Both models also have significant financing requirements, which may be drawn from Housing Australia or the private debt market. Where this finance is drawn from the private debt market, interest rates will be higher, and the amount of operating subsidy—and therefore cost to government—will be higher over the lifespan of the project (Troy and van den Nouwelant 2023). The cost of debt is variable, related principally to the institutional origins of the funding and how the risks are shared across the different actors.

Essentially, there are two debt-financing options in play in Australia:

1. Debt financing provided through Housing Australia's bond aggregator loan facility, which provides finance to CHOs at much lower rates than private sector debt financing.
2. Private sector debt, typically provided through the major banks in Australia which offer commercial debt-financing options—although at higher interest rates and often less secure terms than through Housing Australia.

An alternative to debt financing is the use of equity, with superannuation funds often being the source. The cost of this equity is usually higher than that of private debt, largely because the equity is usually subordinated to other forms of debt and therefore perceived to be of higher risk to the funders. For this reason, the returns on the investment are expected to be much higher.

Various institutional issues also impact the ability of organisations to generate sufficient revenue to pay operating costs and have enough left over to pay debt interest. Social housing tenants are almost all dependent on government pensions and benefits, which do not vary by location. As the rents that are charged are based on a percentage of the household's income, it is in the interests of CHOs to allocate stock to tenants on higher pensions and benefits. Requirements to reinvest rent and any surpluses will vary from scheme to scheme. NRAS, for example, was explicitly profit-driven, with private investors permitted to participate in the scheme and extract profits.

Conversely, state models can have rent-reinvestment requirements. The Ground Lease Model requires that the CHO reinvest rents and surpluses sufficient to service debt and meet property maintenance requirements. The Ground Lease Model also has different tenant cohorts, with:

- some social housing tenants paying income-based rent
- some affordable tenants paying rent reduced from market rents
- some tenants paying market rates.

In theory, this model should provide a cross-subsidy across the project, with market rents defraying some of the cost burdens of discounting rents for social housing tenants.

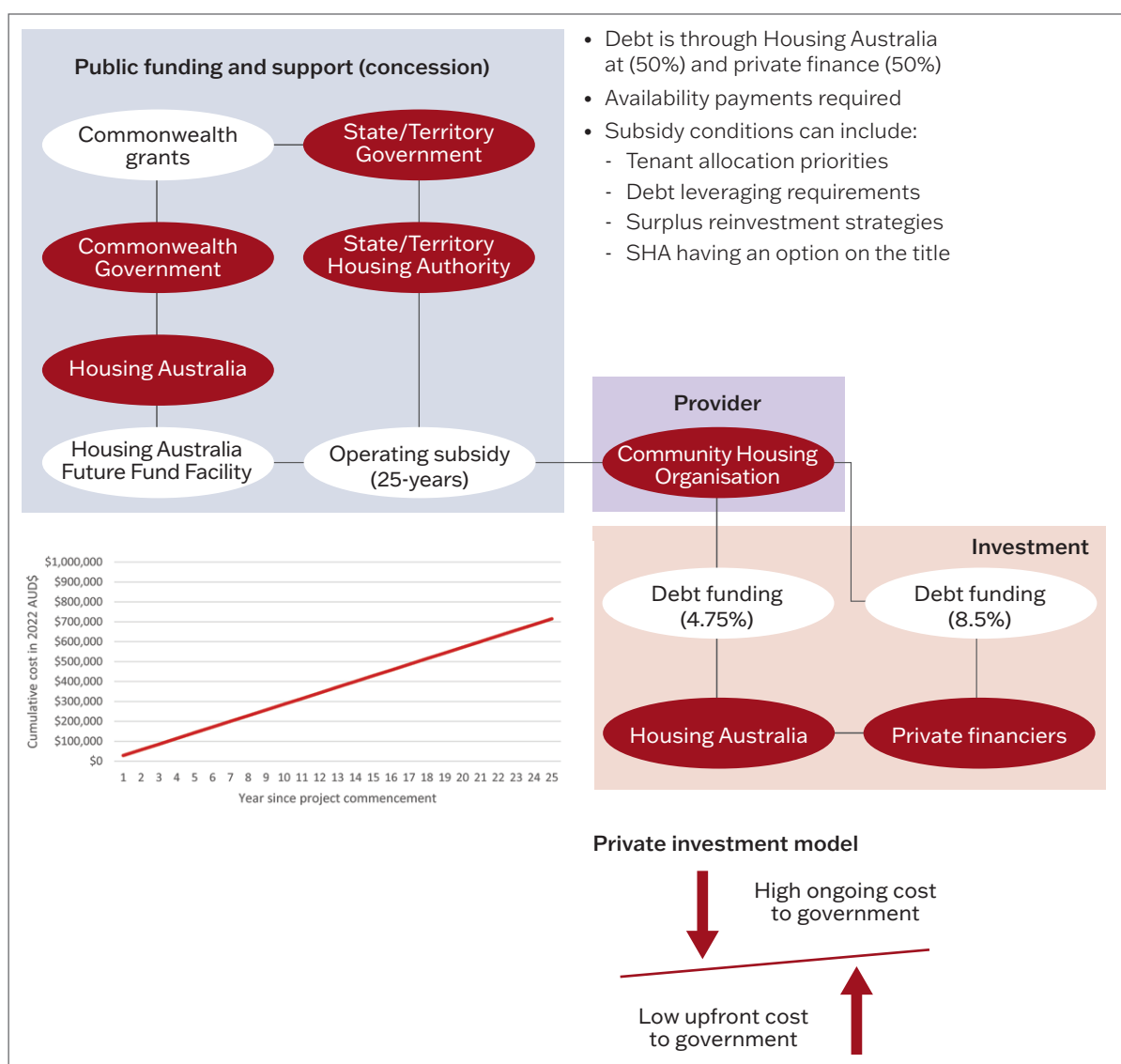
Operating costs can also vary, as economies of scale and scope are available to providers that grow. Those CHOs with larger stocks can be expected to have lower operating costs per dwelling compared to smaller competitors. Similarly, maintenance costs will grow with the age of the stock. Providers with an older age-profile stock will face higher costs per dwelling than those with younger profile stock.

3.2.3 Private investment model

The private investment model is like the operating subsidy model but involves private finance alongside (or instead of) government-backed finance such as Housing Australia (Troy and van den Nouwelant 2023). Like the operating subsidy model, it requires an ongoing subsidy to service debt, assuming the organisation is a not-for-profit CHO with financing from both Housing Australia and private markets, and annual operating payments over 25 years. While the initial costs are lower, this model increases overall project costs due to higher private market finance and interest rates, making it more expensive for the government than upfront capital grants or the operating subsidy model (Lawson, Denham et al. 2019; Troy and van den Nouwelant 2023).

This model is conceptually shown in Figure 23.

Figure 23: Private investment model



Source: Authors, adapted from Troy and van den Nouwelant (2023).

Detailed financial modelling (Lawson, Pawson et al. 2018) shows that commercially financed social housing developments, funded through rents, operating subsidies and CRA, are significantly more expensive for governments over time. In the first year alone, privately financed subsidy models increase costs by 24 per cent. Private equity alternatives, such as those proposed by industry super funds (ISA 2017), demand high returns (8%+), which further drive up operating costs and require either sales or higher government subsidies.

Higher interest costs, like those faced by mortgage holders, lead to increased repayments, and governments must fill this funding gap. The timing of costs is a key issue, as capital funding impacts budgets immediately, while availability payments stretch debt payments over 25 years, pushing costs outside the three-year forward-estimates window.

From the provider's perspective, higher funding costs lead to pressures to maximise rental income streams, which:

- reduces reinvestment in social housing
- increases costs.

This pressure drives projects to cater to households that can afford higher rents, shifting the focus from needs-based allocation to project feasibility. Low-income households, particularly those not qualifying for social housing but still facing affordability issues in the private rental market, are likely to be excluded.

A combined approach using cost-effective, needs-based capital (NBC) and more efficient Housing Australia finance can better meet the needs of those who are priced out of the private rental market (Lawson, Denham et al. 2019: 65).

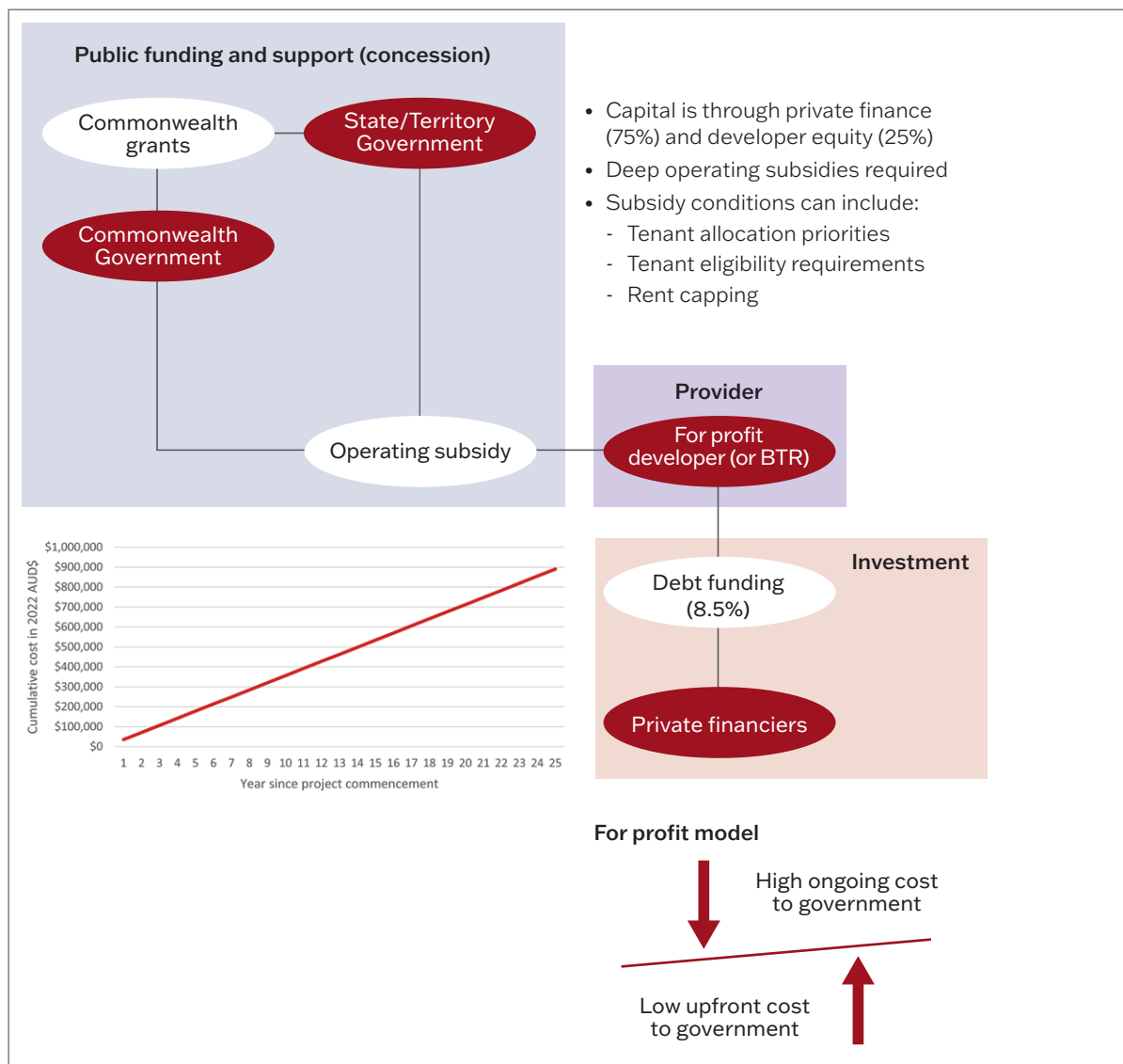
Ultimately, the goal is to minimise the total cost to government and society of providing housing. It's not just about lowering costs for one tier of government, but understanding the total government subsidy or investment required. For example, federal and state governments may adjust their contributions in ways that balance costs while maintaining overall affordability. The focus should be on keeping the total cost per dwelling as low as possible, including all funding streams and financial structures involved.

3.2.4 For-profit model

The for-profit model differs from the first three models by relying on developer profit, which is achieved through ongoing subsidies or stock sales (Troy and van den Nouwelant 2023). It often requires an operating subsidy to service debt, with financing from private debt markets, developer capital investment, and annual operating payments over 25 years. While the initial cost is lower, overall project costs are higher due to private finance with higher interest rates and returns on developer equity. This model has the highest cost to government of all models assessed (Lawson, Denham et al. 2019; Troy and van den Nouwelant 2023).

This model is conceptually shown in Figure 24.

Figure 24: For-profit model



Source: Authors, adapted from Troy and van den Nouwelant (2023).

For-profit housing delivery models vary, with two key examples being the Victorian Government's PPP estate renewals and the Commonwealth NRAS, shown in Figure A35 and Figure A36 (see Appendix 1):

- In PPP estate renewals, developers can sell some dwellings to fund redevelopment and generate profit (Davies 2023; Lawson, Milligan et al. 2022).
- The NRAS model offers operating subsidies to investors (both for-profit and not-for-profit) over 10 years (Davies 2023).

Both models increase costs per dwelling or reduce the total number of dwellings due to the profit motive. Davies and Engels (2021) found that for-profit PPPs yield the fewest social housing dwellings compared to state-driven or NFP-led developments. In NRAS, CHOs used incentives to deliver more dwellings, while for-profit investors absorbed the profit, leading to higher rents and reduced potential revenue for social housing.

3.2.5 Implications

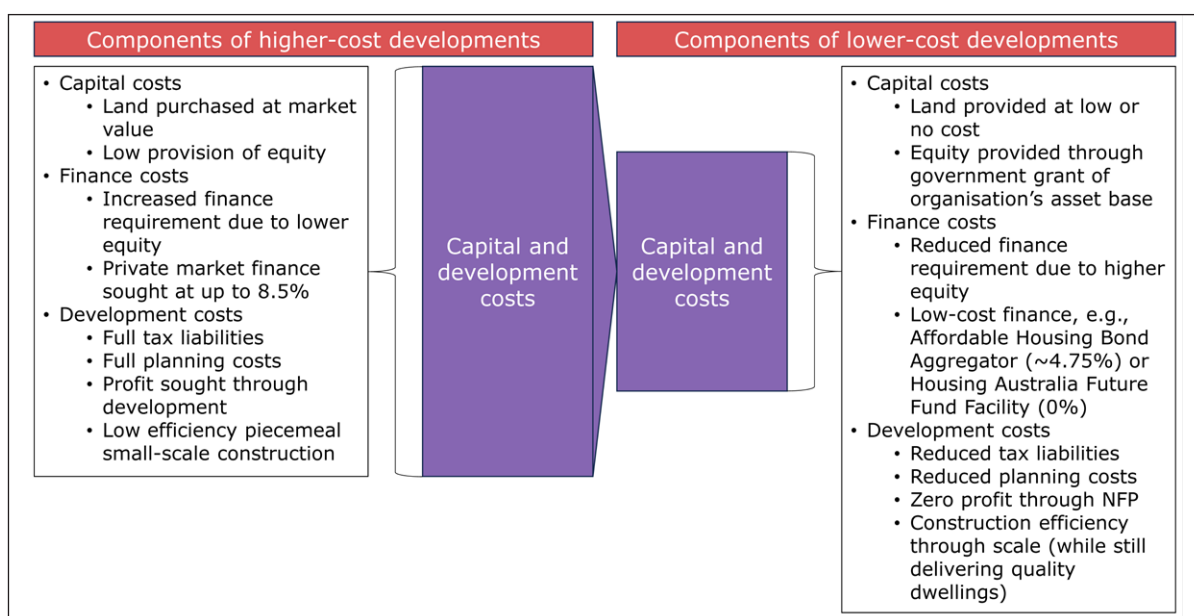
Subsections 3.2.1–3.2.4 have provided an overview of four different conceptual growth models, with concrete examples of each. Growth models must also be viewed within the context of the operating model which, as discussed earlier, collects barely enough rent to sustain operations, let alone grow. Under this context, the above models become critical to the actual expansion of Australia's social housing system.

This analysis has several clear implications for a future integrated model that supports operational costs and permits expansion of the stock in a sustainable way:

1. Low rental takings relative to costs mean that Australian social housing providers require a 'gap' payment in order to meet full cost rents and to grow. This would adapt rent models operating in Europe for an Australian context (see discussion in Chapter 5).
2. Operating costs of social housing are already lean, with housing being efficiently provided by non-profit bodies. This means there is limited scope to reduce operating costs.
3. Different development models have different requirements for upfront and ongoing payments. Reducing development costs is the key pathway to efficient delivery of social housing, without increasing ongoing costs. There are several ways in which government and other stakeholders can reduce development costs, as shown conceptually in Figure 25.

To place social housing on a sustainable growth footing, there need to be development models that bring the cost rent of new social dwellings below market rents, and then for there to be rent models that help fund the gap between household income rent and cost rent.

Figure 25: Components of higher-cost and lower-cost developments



Source: Authors, informed by Lawson, Norris et al. 2018 in UN (2021) (see Figure 2); Troy and van den Nouwelant (2023); UNECE (2006).

3.3 Underutilised stakeholders: local government and co-operative housing

Australia's social housing MPS includes organisations in the local government and co-operative housing sector. Though they currently provide a comparatively low number of dwellings (Armstrong 2007; Seaborne 2024), there are voices within these sectors seeking to raise their profile and attract government funding for housing (see Grimstad, Seaborn et al. 2024; Morris, Beer et al. 2020).

According to an advocate for co-operative housing (quoted below), housing co-operatives and local governments could form productive partnerships to provide housing, with local governments typically providing land and planning services, and co-operatives contributing the ability to apply for government funding, similar to partnerships between local governments and CHPs (Housing First 2024; Lawson, Denham et al. 2019).

The local government and co-operative sectors are introduced in greater detail below, followed by the views of participants both within and outside each sector.

3.3.1 Local government

In Australia, the structure, powers and responsibilities of the federal and state governments were established in 1901 at Federation, while local government frameworks are separately governed by states and territories. This has created legal, regulatory and geographical differences. The Australian Government defines local governments' roles as governance, planning, community development, service delivery, asset management, and regulation, with councils determining service provision based on local needs and state or territory legislation (Department of Infrastructure 2022).

Given the differences in local governments, from small rural areas to large capital cities, it is logical for councils to determine the types and quality of services they provide. Internationally, local governments often play roles in land-use planning, building regulations and housing provision. For example, UK councils have variously partnered with housing associations to develop affordable housing, managed housing through arms length organisations or directly provided housing themselves (Boughton 2018; Paris, Beer et al. 2020).

While few Australian local governments have been involved in housing provision, nearly half the councils in Queensland either provide housing directly or hold shares in a social housing provider (Paris, Beer et al. 2020). In 2022, local governments spent 9.9 per cent of their funds on housing and community amenities, with Queensland allocating the highest amount (13 per cent) (Department of Infrastructure 2022). Councils are concerned about housing affordability and recognise their role in housing policy, as highlighted in the 2022 Housing Accord, which commits local governments to collaborate on housing supply and reform (Australian Government 2022).

Stakeholder views

Participants interviewed as part of this research held the view that local governments were in a strong position to be able to support the growth of the social housing MPS through the provision of capital and land—either through leases, sale, or while retaining ownership and equity in projects. Local government staff interviewed as part of this research also pointed out that additional support from other levels of government is needed:

What we haven't had, is the same level of support as the community housing sector has had both from here at state and from federal ... support to do that feasibility work. (Local government official)

This criticism was mirrored by others who felt that the support provided to Tier 1 CHPs should also be extended to other organisations such as local governments. The control local governments have over zoning, planning and development decisions—when these have not been taken over by planning panels or state governments—is thought to put them in an advantageous position to facilitate social and affordable housing development:

With housing, almost nothing can be done which doesn't involve local government, right? The local government has to be involved in some way, either as the plan-maker through other parts of the planning system or providing the community infrastructure or approving some part of the development or providing expertise even when that power is taken away by the state government for the planning. Local council has all the expertise and knowledge and detailed studies ... it definitely means that it should be acknowledging its responsibility to do it. (Local government official)

While the role of local government is well established in Queensland (Paris, Beer et al. 2020), other councils, especially in non-metropolitan areas, are less clear on their role in housing provision (Morris, Beer et al. 2020). Greater dissemination of successful Australian council-housing examples and council-housing provider partnerships could boost confidence in participation.

An emerging opportunity for local government lies in inclusionary zoning mechanisms, which capture land value increases for affordable housing (Gurran, Gilbert et al. 2018). The scale of contributions varies based on land values, but the principle remains the same: to require affordable housing through zoning and development. While inclusionary zoning supports housing growth, developers often opt for cash or land contributions instead of dwellings, which presents both an opportunity and a challenge for local governments.

The *opportunity* is that inclusive zoning can be a source of capital (including land) that is tied to development and gentrification processes in high-value property markets where displacement of low-income households is more likely to occur.

The *challenge* is that many areas lack an effective vehicle to convert monetary contributions into dwellings. For example, the City of Sydney established the CHP City West Housing (CWH) to develop affordable housing from inclusionary zoning contributions. While successful, this model has been limited by planning legislation. As inclusionary zoning policies spread to other councils, a policy gap has emerged, where councils lack mechanisms to utilise the contributions. Some councils have opted to purchase market housing and lease it through a CHO, but a more effective approach would be to leverage this capital for development projects, channelling funds through a dedicated local provider, as in many European capitals such as Amsterdam, Helsinki, Paris, Barcelona and most notably, Vienna.

3.3.2 Co-operative housing

Affordable rental housing co-operatives (ARHCs) make up just 0.03 per cent of Australian housing stock (Crabtree-Hayes, Ayres et al. 2024), but are highly valued by advocates and gaining attention from researchers and policy makers (Grimstad, Seaborn et al. 2024). As of 2024, there were 3,732 ARHC dwellings, many of which were established in the 1980s through the Local Government Community Housing Program (Crabtree-Hayes, Ayres et al. 2024: 20).

These member-based organisations operate under seven international co-operative principles, including democratic control and autonomy (Crabtree-Hayes, Ayres et al. 2024: 22).

The Business Council of Co-operatives and Mutuals identifies four types of housing co-operatives nationally:

- Common Equity Rental Co-operatives (157)
- Independent Rental Co-operatives (34)
- First Nations Rental Co-operatives (45)
- Equity Co-operatives (30, but data collection method may underestimate actual) (Seaborne 2024).

Stakeholder views

Participants from the co-operative housing sector interviewed for this study were keen to explain ways they could work with all levels of government, including local government, to grow their housing stock:

But we can't buy land, so it's built on having a lease for land, which actually fits really well with local government who want to bring housing into their area but don't necessarily want to dispose of their land permanently. So, they can go into a lease. They can make that lease quite affordable because they're interested in housing their population as well. (Advocate for co-operative housing)

In addition to opportunities to work with local governments under current legislative and regulatory frameworks, interviewees emphasised the role of government in past support for the co-operative sector:

So the pathways to growth ... In the 1980s, there was a deliberate decision by the government of the day, which is the Hawke-Keating Labor government, to grow a housing co-operative sector ... It was seen as a sort of alternative to public housing, but it was particularly around student housing, artist housing and single mothers ... So the Local Government and Community Housing Program came out and that was tied to funds through the Commonwealth-State Housing Agreement ... So in that time, we grew a housing co-operative sector in Australia and we had resourcing bodies in each state. (Advocate for co-operative housing)

While some participants suggested that governments should provide housing as public housing, others suggested that a broader variety of organisations should be supported to provide housing.

In supporting different organisations, their specific ways of operating need to be considered. For example, local governments have requirements to ensure there is competition for partnerships in housing provision. As a local government officer noted:

There's also stuff in relation to procurement and competition rules around partnership-forming. It's not necessarily straightforward for us to say, "We like that community housing provider, or we like that charity, let's all get together and do this project." Those processes matter and, in many cases, we have to put out EOIs [expressions of interest]. (Local government official)

Allowing local governments more time in their applications for federal funds would allow them to progress through the processes that ensure probity in the context of local government.

3.4 Australian stakeholders' views on growth

Interviews conducted with numerous providers across urban and rural Australia for this study examined the influence of a range of approaches to social housing growth. This effort has built on earlier research undertaken in Victoria as part of the social housing regulatory review (Lawson, Milligan et al. 2022).

This study sought provider views from consumer advocates, public funders, regulators, providers and investors.

3.4.1 Summary of provider views

Insights from the interviews are summarised as follows.

- **Views on good growth:** Providers emphasise the importance of long-term stability and growth in the social housing sector. They advocate for a steady, well-regulated pipeline of development to ensure sustainable growth. There is also a strong focus on maintaining the sector's NFP mission while meeting tenant needs.
- **Views on past growth:** Providers reflect on past growth as being inconsistent, often hindered by fluctuating government funding and policy changes. They note that past models of growth have been overly complex and sometimes lacked long-term planning. There is a shared concern about the sustainability of growth without more strategic, coordinated effort from the government.
- **Views on policy influence on MPS:** Providers express concern about the impact of inconsistent policy frameworks on maintenance and performance standards. They feel that unclear or shifting policies often hinder their ability to maintain housing quality. Providers call for clearer, more consistent policies that are aligned with long-term housing goals.
- **Views on emerging models:** Providers are divided on emerging models, with some concerned about the increasing reliance on private finance and the risk of privatising public housing. They highlight the growing use of special purpose vehicles (SPVs) and availability payments (AP), which can introduce complexity and risks to small providers. While some providers see potential in these models, there are concerns about the social mission being overshadowed by profit motives.
- **Views on adaptation and reform:** Providers advocate for reforms that ensure a steady, predictable funding stream for social housing development. They emphasise the need for a long-term strategy that supports NFP models and addresses the challenges of affordability and sustainability. Providers also call for a regulatory system that fosters growth while ensuring quality, accountability and responsiveness to tenant needs.

3.5 Insights and implications

The views of stakeholders interviewed across the social housing sector largely align with the OECD's policy advice (2023) on the effective management and monitoring of affordable housing finance schemes to ensure the following:

- The dwellings produced through the scheme effectively target and are allocated to households in need of support.
- Rent levels balance the need to sufficiently contribute to the costs of developing and operating the dwelling, while also remaining affordable to households.
- The dwellings produced through the scheme are well managed and maintained.
- Effective systems are in place to monitor progress and ensure compliance, including by collecting data that help track progress and adjust course.
- There are mechanisms to address tenant demands and possible complaints (OECD 2023a).

However, insights from stakeholder interviews also reveal that effective and efficient social-housing growth models require diversified funding sources to improve resilience and reduce political and economic risks.

Key sources of funding include:

- rent revenues
- long-term public loans from state, municipal or development institutions
- commercial debt through long-term loans or bonds
- equity contributions from governments, providers and tenants.

Stakeholder insights into funding revealed the following:

- Approaches to date have been ad hoc and fragmented, with no long-term, sustainable economic foundation.
- Solidarity is lacking across sectors, differentiating access to capital, asset transfers and sales. This is to the detriment of public housing.
- Australia lacks comprehensive social housing growth models, relying increasingly on project-based private-financing models.
- The emerging HAFF model is seen as costly and complex, requiring long-term contracts for PPP availability payments.
- Interviewees pointed out missed opportunities, such as cost recovery and build up of equity, revolving funds, closer involvement of local government involvement, and formation of rental co-operatives.
- Simpler and more inclusive models could be more acceptable politically and embraced by the communities they serve.

4. Tenant experiences of MPS

- This chapter focuses on tenant outcomes and consumer experiences of different growth models across sectors.
- Growth models are shaped by social housing waiting-list policies and project feasibility models, rather than a broader demographically defined assessment of housing needs. They fail to address the needs of low- to moderate-income households facing rental stress.
- As the provider system becomes more complex, there is growing concern over the decline in tenant experiences and levels of public accountability.
- In the community sector, regulation is primarily focused on financial risk, leading to a disconnect from tenant outcomes.

4.1 Pathways in a social housing MPS

Policies supporting social housing provision aim to improve access to adequate housing for people in need, and to provide options that promote mobility and independence. However, these public-interest goals face challenges due to systemic issues and resource constraints. Recent research by Flanagan, Levin et al. (2020) provides a useful framework to think about the issues that shape a tenant's experiences of social housing, as outlined below.

- **Eligibility and priority:** The pathways into social housing are governed by policies that determine who is eligible and who gets priority. This often involves assessing applicants' level of need and urgency.
- **Deservingness and rationing:** The extreme rationing of social housing means that decisions about who gets housing often involve judgments about who is most deserving. This can create a challenging environment for both providers and tenants.
- **Continued rights to occupancy:** Policies also regulate the continued rights to occupancy. This includes ensuring that tenants meet certain conditions to remain in their homes, such as paying rent on time and adhering to tenancy agreements.
- **Internal transfers:** Within the social housing system, there are processes for internal transfers. These are meant to help tenants move to different properties that better suit their needs, such as moving to a larger home for a growing family or a smaller one for an elderly person.

- **Support services:** Effective pathways require comprehensive support services to help tenants maintain their housing and transition out of social housing if possible. This includes access to affordable housing, secure employment, and appropriate social services.

Intersection of growth models with tenant outcomes

Delivering pathways for choice and mobility requires significant resources, coordination, and a holistic approach to support tenants (Flanagan, Levin et al. 2020). However, this is hindered by limited resources, which is evident in growing social housing waiting lists. These waiting lists reflect restrictive eligibility policies, exacerbated by long-term underinvestment in new housing development.

4.1.1 Targets to address housing need

Demographic-based estimates of social housing shortfall suggest that around 435,000 additional dwellings are currently needed, compared with a cumulative 164,000 households on waiting lists (van den Nouwelant, Troy et al. 2023).

However, despite clear evidence of a significant shortfall in social housing dwellings across Australia, there are no commitments to fund broad housing growth targets.

In announcing the HAFF, the current Australian Government estimated that this would deliver 30,000 new dwellings over a five-year period, which is about 6,000 new dwellings per year. Even though this might represent a significant improvement on the approximately 3,000 new dwellings delivered each year, it is still less than is required to maintain the share of social housing. Underlying this anaemic growth and ambition is a complete lack of targets that would address the backlog of a future aspiration. The lack of formal targets for growth is generally viewed as problematic:

Do we understand why we keep failing? ... I'm disappointed because Infrastructure Victoria is still meant to be independent of government and give independent advice. A few years ago, in the 30-year plan, they were pushing hard for targets in relation to social and affordable housing, and it was put in there ... they've backed away from that now. (Local government official)

Underlying these figures on the backlog of housing needs and requirements for growth is the reality of the wider housing delivery system. Social housing would be required to grow at an average of 6 per cent per annum for 20 years to address the current shortage, which is about 47,000 dwellings per year (van den Nouwelant, Troy et al. 2023). The National Housing Accord sets a target of 1.2 million dwellings to be built over 5 years, which suggests that 20 per cent of new housing produced annually should be social and affordable housing—which is currently produced at a rate of 1 per cent of supply output. This would require a substantial recalibration of the housing supply model, which is entirely dependent on the for-profit build-to-sell sector.

4.1.2 Need is broad but not eligible

Discussions around social housing necessarily focus on those at the very bottom of the income spectrum. However, it is increasingly noted that housing problems leading to homelessness are not limited to this group. A Victorian tenant's advocate explains:

One of the things we're seeing here in Victoria is that huge numbers of people hitting homelessness services for the first time have been in employment and they've been living in private rentals. (Tenant advocate)

People on higher incomes are also increasingly struggling with housing stress, even though their income is above the threshold of eligibility for public or social housing.

Advocates highlighted that renters in the private market are trapped by high rents, unable to save for a home deposit, and forced into marginal housing. A co-operative housing advocate noted that homeownership is unattainable without low-income support or family support. Both private and public rental housing standards were considered low, and short tenancy agreements create insecurity.

Participants acknowledged that they were aware of housing stress and homelessness statistics, with advocates urging up-to-date evaluations of new housing programs to increase social housing provision. High housing costs and a lack of nearby rentals contribute to homelessness, even among higher-income groups such as nurses, who struggle to find affordable accommodation close to work. This issue also impacts recruitment for new hospitals:

There's a brand new \$750m hospital here at Kingscliff [NSW], which is only half-open because they can't recruit people, because there's nowhere for them to live. They can't access permanent housing, so they are on a merry-go-round of temporary contracts. [...] The hospital pays for people to live in the local resorts, money that should be going into frontline services, but instead is going to pay for accommodation for temporary staff because they can't fill permanent positions because there's nowhere for people to live. (Advocate for nurses and midwives)

This data illustrates that housing needs are affecting a broader range of households, and this can impact entire sectors, including the health sector—not just individuals.

Social housing policies often overlook income groups assumed to manage housing through private rental or sale markets. In contrast, successful European systems, discussed in Chapter 5, offer greater choice, allowing moderate-income households to select their housing sector, which helps grow the system by attracting higher rent-paying tenants.

4.1.3 Mismatch of rent policy and policy expectations

The focus on maximising rental income from low-income tenants arises due to the need to fund projects through debt (Randolph, Troy et al. 2018). Tenant profiles are influenced by ad hoc policies and funding, with deeper subsidies allowing providers to accommodate more households. This prioritisation of rental income is a response to inadequate policy support.

The following section explores tenants' views on these policies and their expectations for growth.

4.2 Tenant perspectives on social-housing MPS and growth

Recent research (Flanagan, Levin et al. 2020; Lawson, Milligan et al. 2022) and submissions to the National Regulatory System of Community Housing review (NRSCH, 2019) are complemented by interviews conducted for this study.

Submissions to the NRSCH (2019) highlight that tenant outcomes should be integral to a broader policy framework, aligning housing investment, support services, and community development. Effective tenant outcomes enhance well-being through safer, well-maintained homes, improving health, social inclusion, and quality of life. Many suggest giving tenants more say in decisions, using mechanisms for regular feedback and involvement to improve service quality and accountability. Clear metrics and monitored benchmarks like tenant satisfaction surveys are essential. Emphasizing data collection can track improvements in maintenance response times, community engagement, and satisfaction. Respondents stress tenant outcomes must include long-term tenancy security and protecting renters from displacement, ensuring affordable and stable housing.

Interview responses on 'good growth' are summarized below.

What would good growth look like?

Consumer advocates argue that 'good growth' in social housing requires sufficient supply to meet needs, alignment with the Victorian Human Rights Charter, and adherence to a Social Housing Charter for consistent rights across sectors. Growth should focus on non-profit, public purpose providers, professionally managed by qualified staff. There are concerns about the rise of for-profit providers and the need for stringent regulations to protect tenant outcomes.

- **MPS favours some providers**
Advocates expressed concerns over the government's favouritism toward CHPs for new growth, neglecting public housing, and the shift away from a safety-net role due to commercialisation.
- **MPS influences quality**
There is a tension between the limited rent from low-income tenants and the financial sustainability of providers, leading to reduced maintenance and declining service quality. The growing reliance on CHPs has raised concerns about bureaucracy and the disconnect from tenant needs.
- **MPS influences allocation**
Allocation policies prioritise high-need tenants, leaving others—such as youth on low allowances—without adequate housing. Advocates stress the need for greater transparency in the allocation process and tenant choice in providers.
- **MPS influences security and mobility**
Tenant advocates raised concerns about weak tenant protections, limited appeals processes, and insufficient transparency in CHPs' policies, undermining tenant security and mobility.
- **MPS influences accountability**
There is widespread concern about the lack of accountability in the sector, with inadequate data and reporting on tenant experiences. Advocates call for better performance monitoring and increased tenant involvement in regulatory processes.

4.3 Insights and implications

Models of social housing provision do not cater to the needs of low- to moderate-income households, which are increasingly facing rent stress. Nor do they cater to all households deemed eligible, despite the highly restrictive and selective criteria for access. For some groups, such as tenants on the lowest statutory incomes—such as youth allowances—there is a structural disincentive to provide housing driven by financial logic, as affordable rents do not cover basic operating costs (van den Nouwelant, R., Aminpour, et al, 2024). The highly restrictive nature of social housing access undermines the long-term financial sustainability of the sector and limits opportunities for growth.

Growth models thus reflect the allocation policies of the social housing waiting list and the project feasibility models of housing providers, rather than a broader, demographically defined assessment of housing needs. It is this deep financial pragmatism that has created an environment where sector growth is virtually impossible without substantial subsidy. Participants identified the need to set funded targets calibrated to demographic housing needs in order to increase the rate of social housing provision, given the recent sharp rise in housing costs.

There is a perception of decline in tenant experiences and a lack of accountability across both the public and community sectors as the provider system becomes more complex. CHPs must maximise rental income to service the increasing cost of debt.

Regulation within the community sector focuses almost exclusively on financial risk, leading to a disconnect and lack of accountability for tenant outcomes. Advocates suggest that regulated providers across all sectors should publicly report tenant outcomes, such as tenant movement, bonds held, evictions and exits, tribunal actions, property data, tenant-derived income (i.e., rent), repair responses, and the number of tenants re-entering social housing after 12 months or 5 years.

Overall, this implies that social housing and policy for social housing should:

- offer clear targets for the delivery of social housing linked to a demographically defined concept of housing need
- cater for a broader allocation of tenants, focus on actual demographic needs and move towards cost-based rents, with user rents differentiated to promote affordability
- offer greater regulation of tenant outcomes—not just financial performance and financial risk.

5. Inspiration for reform

- **This chapter draws on insights from outside Australia's social housing MPS. It examines:**
 - indigenous housing in Aotearoa New Zealand
 - resilient social housing systems in Europe
 - consumer care and education services in Australia.
- **It finds that social housing systems have the possibility to strengthen communities and cultural belonging, respond to local needs, and promote self-determination. In Aotearoa New Zealand, land (and Treaty) rights and strategic investment are vital in this process.**
- **Social housing providers require strong institutional foundations, incorporating standards for provision, qualified human resources, accreditation of providers, monitoring and accountability.**
- **Social housing systems accommodate vulnerable households. It is important to ensure their voices are heard, while holding providers accountable, advocating for continuous improvement and preventing exploitative practices.**

5.1 MPS and Māori-led housing provision in Aotearoa New Zealand

Systems of housing provision can empower communities. The experience of Aotearoa New Zealand provides important insights for Australia, as it demonstrates how an evolving system of housing provision intersects with a dynamic political relationship between indigenous and colonial-settler societies. Aotearoa offers a contrast to Australia's¹⁶ social housing and rental system, as a colonial society in which the settler Crown has established a process to redress failures to meet its obligations to indigenous Māori agreed as conditions of settlement via Te Tiriti o Waitangi (Treaty of Waitangi), signed by iwi (tribal) representatives in 1840.¹⁷

For much of the period following Te Tiriti, Māori experienced sustained dispossession of land and discrimination in economic and social conditions due to Crown policies. Many Māori experience serious and ongoing housing-mediated social and economic disadvantage. Māori homeownership is lower than the rate for the Aotearoa New Zealand population overall, with only 47.3 per cent of Māori living in owner-occupied dwellings (Stats NZ 2021). Māori also experience worse housing affordability than the overall population and are more likely to be exposed to dwelling-related health risks such as mould (Stats NZ 2021).

A series of settlements of grievances for Crown ill-treatment have been struck, often involving transfers of land and other economic assets, such as fisheries or forests, to iwi (Mutu 2019). Some iwi now possess sizeable economic portfolios governed through a range of structures (Crib and Mika 2023),¹⁸ providing them with a degree of economic power. Nine iwi hold assets worth more than NZ\$100m, and three iwi hold more than NZ\$1bn in assets (see Table 5).

Table 5: Summary of 10 largest iwi assets and investment strategies, 2023

Largest iwi	Total assets \$m	Asset classes	Largest asset class	Capital allocated to this class	Management approach	Gearing ratio of its debt to equity
Ngāi Tahu	2,214	6	Property	39%	Largely active	16
Ngāpuhi	88	5	Fishing	38%	Largely passive	3
Ngāti Awa	180	6	Primary industries	44%	Mixed	6
Ngāti Pāhauwera	101	5	Forestry	58%	Largely active	19
Ngati Porou	298	6	Financial assets	51%	Largely passive	7
Ngāti Toa	795	5	Property	78%	Largely active	46
Ngāti Whātua Ōrākei	1,573	2	Property	97%	Active	12
Raukawa	238	6	Property	32%	Mixed	0
Tūhoe	406	7	Financial assets	51%	Largely passive	0
Waikato-Tainui	2,207	6	Property	66%	Largely active	10

Source: TDB Advisory (2023: 9).

¹⁶ The researchers in this research are not Māori and observe the Aotearoa New Zealand case from an international position that does not claim to represent Māori experience. The research draws on interviews with Māori housing professionals across state and community sectors, and from a range of material published by iwi and Māori-led organisations, as well as government, civil society and other documentary material.

¹⁷ This report does not offer an extended discussion of Te Tiriti and its principles as a foundational constitutional document within the government and politics of Aotearoa New Zealand. It is noted that ongoing interpretation of Te Tiriti has led recent Māori-Crown relations towards co-governance and partnership models based on greater recognition by the Crown of iwi sovereignty.

¹⁸ The diversity of particular asset-governance structures is reflected in the increasingly used term *post-settlement governance entities* (PSGE) (Crib and Mika 2023). However, in this research iwi is referenced as the principal actors or the specific housing-focused PSGE.

Te Tiriti also provides authority to iwi organisations, with most iwi in Aotearoa New Zealand incorporating a rūnanga (tribal authority) governing a rōhe (territory), often via a trust organisation that owns and governs iwi assets for the benefit of whānau (extended family group) and hapū (subtribe or clan)—especially land. Some iwi operate large multi-organisational trust structures that combine health, welfare and educational service delivery to their whānau and hapū via combinations of charitable trusts, land trusts and commercial corporate arrangements, often through contractual relationships with the Crown.¹⁹

Not all iwi or hapū enjoy the scale or extent of social or commercial activity of Ngai Tahu or Ngāti Whatua Ōrakei, nor have landholdings in economically thriving regions. However, most have a strong interest in the provision of safe, secure and affordable housing to their whānau, including rental housing.

We now examine the broader housing policy settings influencing rental housing in Aotearoa New Zealand and affecting Māori.

In addition to asset-based economic redress, Māori-Crown relations have evolved over the past four decades toward notions of co-partnership and co-governance that recognise the distinctive status of Māori as sovereign political agents via Te Tiriti (Jones 2023). Such developments can involve establishing dedicated Māori perspectives within government policy development and dedicated delivery to Māori clients via Māori-led organisations, including in housing. For example, some iwi authorities operate agencies that provide a range of crisis and longer-term housing services to their people via contractual agreements with the Crown. The following subsection discusses Māori-led provision of rental housing.

5.1.1 Rental housing policy in Aotearoa New Zealand and kaupapa Māori (Māori-centred philosophy)

Contemporary housing provision in Aotearoa New Zealand is divided across three main tenure types:

- *Home ownership*—the largest tenure category, with around 64.5 per cent of the population occupying this tenure in 2018 and 31.9 per cent of the population renting (Stats NZ 2020: 27, 37).
- *Renter households*—83.5 per cent of renters access housing via the private sector, while 12 per cent rent from the state housing agency Housing New Zealand Corporation, known as Kāinga Ora (Stats NZ 2020: 37).
- *'Other providers'*—comprising municipal councils, iwi, hapū, or Māori land trusts, other CHPs, and other state-owned providers (Stats NZ 2020).²⁰ A small remainder of renter households access these providers.

State rental housing was established in the 1930s and now operates over 70,600 rental dwellings. The majority of Kāinga Ora tenants pay income-related rents to a maximum of 25 per cent of income, with fewer than 1400 tenants paying market rents. Kāinga Ora undertakes a mix of procurement approaches, including large-scale urban social housing developments.

¹⁹ For example, the Ngai Tahu Charitable Trust provides services to its whānau and hapu via its charitable trust, funded in part from the proceeds generated by its commercial enterprises under its Ngai Tahu Holdings investment company, which include fisheries, farming, property development and tourism. Similarly, Ngāti Whātua o Ōrakei hapu operates an overarching trust overseeing a social and community services trust Whai Maia, which supports whānau health, education, small business and employment, as well as operating a commercial enterprise and investment trust Whai Rawa, which is closely involved in real estate development. However, there is wide variation in iwi organisational scale and resource capacity.

²⁰ While not the focus here, the state in Aotearoa New Zealand has historically operated a wide array of housing schemes beyond rental provision, including home ownership support.

Historically, community housing operated in Aotearoa New Zealand outside a formal state framework, and comprised a mix of largely small-scale charitable, religious and other organisations, as well as some Māori providers. A formal framework for community housing was established via *Public and Community Housing Management Act 1992* (PCHCA) to provide social and affordable housing as a complement to Kainga Ora, with further policy refinement via the *Public and Community Housing Management (PCHMA) (Community Housing Provider) Regulations 2014*. In addition, local government councils in Aotearoa New Zealand have historically provided modest levels of housing for aged persons, with some more generalised social housing provided by larger councils in Wellington and Auckland, but local councils are generally excluded from the PCHMA arrangements.

Local government providers are excluded from the community housing income-related rent supplement (IRRS) framework, except where they transfer stock to an independent authority (Reid 2022).

Contemporary community rental housing providers in Aotearoa New Zealand are typically non-profit or charitable organisations, but can be surplus-making. The community housing regulatory framework requires CHPs to meet governance and operational performance standards. CHPs are also required to operate under the *Residential Tenancies Act 1986*, which regulates rental tenancy agreements and enforcement. The CHP sector is overseen by the Community Housing Regulatory Authority which registers, monitors and reports on performance of CHPs and the sector, and addresses complaints about their performance. As of 2024, CHPs provided approximately 19,300 dwellings (Community Housing Aotearoa 2024).

5.1.2 Subsidies and selective contestability

Government subsidies to CHPs are mainly through the income-related rents subsidy (IRRS) from the Ministry of Social Development (MSD). The IRRS caps tenant contributions to 25 per cent of their income, with the MSD covering the difference between this amount and the market rent through a service agreement. CHPs must allocate tenancies from the Social Housing List to access the IRRS, and market rents are set based on comparable private housing. CHPs may set their own rent and allocation policies—but lose IRRS eligibility if they do.

Additionally, CHPs may receive an Operating Supplement (OS) to support new community housing. This covers the rent gap between 25 per cent of tenant income and market rent, at 90 per cent for larger cities and 100 per cent elsewhere. The Minister for Housing is exploring further funding mechanisms, including capitalisation of the OS, risk adjustments, lending guarantees, and government-backed finance.

The MSD also provides an accommodation supplement (AS) to assist low-income households with private rental costs, which can be used by tenants in both market and community housing. Non-registered CHPs can set their own rents, with tenants potentially qualifying for the AS to cover the rent difference.

5.1.3 Housing policy and Māori-led rental housing provision

Housing policy in Aotearoa New Zealand has increasingly addressed kaupapa Māori (Māori-centred philosophy).²¹ Historically, most state provision of rental housing to Māori has been through Kāinga Ora and its prior organisational forms.

²¹ This research focuses on rental housing; however, it is recognised that an array of schemes has operated historically to support Māori collective and private housing ownership.

However, the state facilitation of a community rental housing regime outside the main state housing agency has provided opportunity for iwi to lead in housing provision and assistance based on their self-determined objectives and delivery preferences. For some iwi this agenda has been aided by the return of assets under Te Tiriti settlements with the Crown. Iwi across the motu (country) offer a wide and diverse array of housing services and supports to their whānau, including pathways to home ownership, kaumatua (elder) housing, dwelling improvement services, savings and financial literacy and competency and rental assistance.

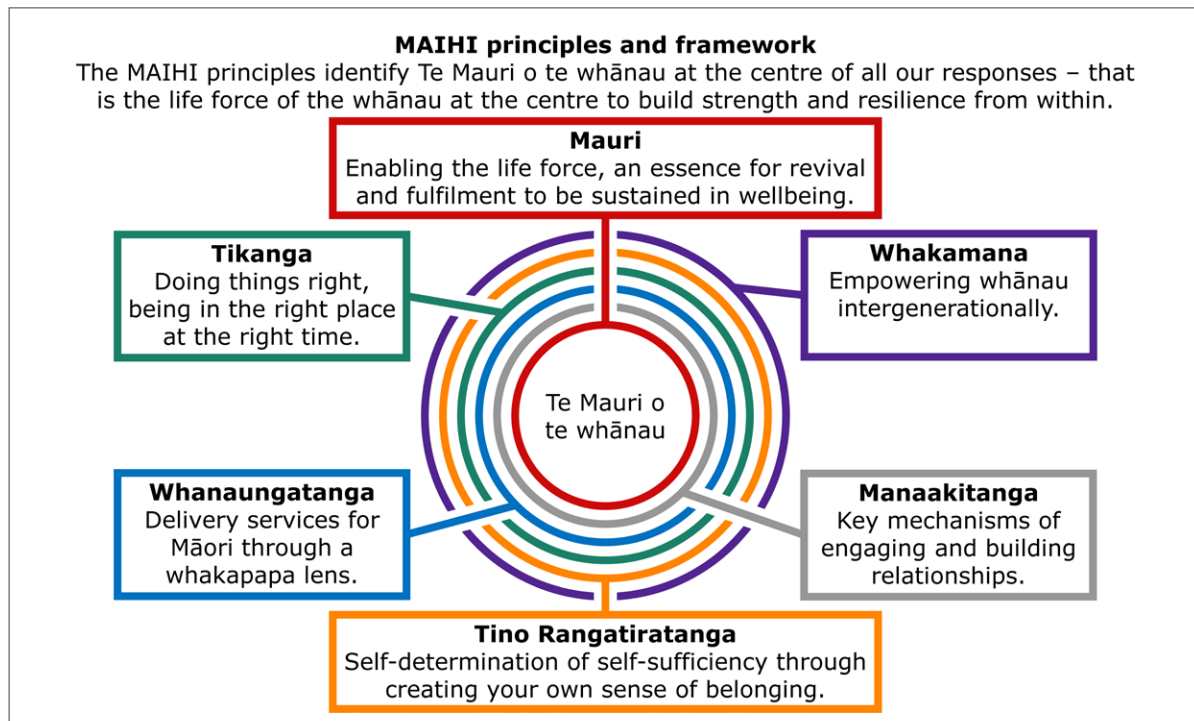
Iwi provision of housing typically operates according to kaupapa Māori, albeit via Crown administrative regulations and practices. While kaupapa Māori in relation to housing is not codified in legislative frameworks, various policy efforts have sought to articulate a Māori perspective on housing. The most recent such national effort is the *Te Maihi o te Whare Māori* (Māori and Iwi Housing Innovation, or MAIHI) prepared by the Ministry of Housing and Urban Development following extensive nationwide consultation with iwi.

The MAIHI strategy has three main principles:

- partnering with Māori on housing responses
- taking a system approach to a pipeline of initiatives
- applying kaupapa Māori to ensure responses and initiatives consider wellbeing and cultural values.

In addition, it reflects a further set of Māori kaupapa, encompassing customary and spiritual knowledge, values and practices (see Figure 26).

Figure 26: The MAIHI principles and framework



Source: Ministry of Housing and Urban Development (2023: 6).

CHPs do not specifically provide for kaupapa Māori. However, the basic framework of CHP governance and regulation provides flexibility for Māori organisations to establish and operate social rental housing to address the needs of their people.

In 2011, Te Matapihi He Tirohanga Mo Te Īwi Trust (Te Matapihi) was established as a national peak body for Māori housing organisations, advocating for Māori housing outcomes and supporting the growth of the sector through policy development, training and resources. Te Matapihi also assists Īwi with CHP registration applications. Many Īwi have developed initiatives that blend social and commercial objectives to benefit their communities and achieve broader goals.

There is no specific Māori-led CHP program, and the number of Māori-led registered CHPs is not easily accessible from public datasets, as the Community Housing Regulation Authority does not distinguish between Māori and non-Māori providers. In 2019, it was estimated that 10 Māori housing providers managed 277 dwellings (2.3% of total community housing stock). By 2020, this had grown to 463 dwellings managed by 15 Māori CHPs (3.5% of total stock) (see Table 6). Given the increasing demand, the current number is likely higher, with examples like Ngāti Toa's Te Āhuru Mōwai receiving 950 dwellings from Kāinga Ora in 2022.

A further recent innovation is the recently established Māori-led housing 'prototypes' model being jointly developed by Īwi in partnership with Te Puni Kokiri and Te Tūāpapa Kura Kāinga under the Whai Kāinga Whai Oranga scheme. This scheme provides for expansion of existing Māori housing programs to meet immediate need as well as for *'īwi-led regional housing delivery to enable new delivery models and partnerships that sustainably increase Māori-led housing delivery in the medium to long-term'* (Te Puni Kokiri 2022). These prototype arrangements may include rental housing, and can encompass financial literacy training, papakainga housing, loans, construction finance, provider capability development, and other measures developed to meet the needs as determined by the Īwi (or other Māori entity) partner. Funding of \$730m has been provided to support the scheme with four Māori organisations having developed a Whai Kāinga Whai Oranga (WKWO) program as of 2024. Notably one such organisation, Ka Ururoa is a consortium of 11 Īwi from across the Taranaki and Te Taihū regions, indicating an institutional and territorial upscaling of Māori-led housing provision.

Table 6: Māori community housing providers, 2020

Māori CHPs	Location	Dwellings	IRRS tenancies
Kāhui Tū Kaha Limited	Auckland	194	180
Kahungunu Executive ki te Wairoa Charitable Trust	Wairoa	18	0
Mahitahi Kāinga Trust	Auckland	0	0
Manawa Community Housing Trust	Bay of Plenty	6	0
Mangatawa Papamoa Blocks Incorporated	Bay of Plenty	31	S
Ngā Hau E Whā National Marae Charitable Trust Incorporated	Christchurch	6	0
Ngā Rau Tātangi - Māori Housing Foundation	Waikato	15	13
Porirua Whānau	Greater Wellington	17	15
Te Hau Ora o Ngāpuhi Ltd	Kaikohe Northland	0	0
Te Runanganui O Ngati Porou Trustee Limited	Gisborne East Cape	7	11
Te Taiwhenua o Heretaunga Trust	Hawkes Bay	19	S
Te Whānau o Waipareira Trust	Auckland	0	0
Waiohiki Community Charitable Trust	Hawkes Bay	14	S
Whai Maia Charitable Trust 1	Auckland	136	33
Te Rūnanga o Kirikiriroa Charitable Trust	Hamilton	0	0
Total for 15 Māori CHPs	Total	463	266
Total for all 52 CHPs	Total	13,111	7281
Percentage of total supplied by Māori CHPs		3.53%	3.65%

Source: Ministry of Justice (2020: 4).

Note: 'S' denotes data of a small volume suppressed for tenant privacy. See original source for further notes.

The four main models for Māori-led housing provision in Aotearoa New Zealand under Māori Community Housing practices are:

- Īwi provision to whānau outside the CHP and IRRS schemes
- Īwi provision to whānau within the CHP or IRRS scheme
- Īwi provision under special agreements with the Crown
- Īwi provision under multiple, hybrid and innovation arrangements.

These models are discussed in detail below.

1. Direct Īwi provision of housing outside the IRRS framework

Under direct Īwi housing provision arrangements, individual Īwi own and operate rental housing that is leased to members under eligibility and allocation arrangements determined by the Īwi trust or its administering organisation. Under such arrangements, the Īwi may subsidise rents paid by tenant members on terms that it specifies, either in full or in part, with the operating costs covered by other elements within the overall trust organisation. As the letting arrangements sit outside the CHP and national IRRS framework, the tenants are not eligible for income-related rents and the Īwi provider would not have any gap between the rent paid by the tenant and the economic rent, or market rent, paid by the government. However, within such arrangements, tenants may be eligible for AS payments depending on their circumstances—with the level of AS payment affected by the rent set by the provider.

Īwi rental housing arrangements may also be coordinated or integrated with other housing and social services provide by Īwi. For example, many Īwi operate papakainga schemes (**Māori-led housing developments**), home ownership access schemes, kaumatua housing, among others, and may manage stock according to local circumstances and whānau needs.

Given the diversity of Īwi, the wide range of governance and asset-holding arrangements and levels of direct housing provision based on strategic kaupapa for whānau and hapū, it is difficult to ascertain how many dwellings are provided by Māori providers outside the community housing sector. Of Īwi that have registered as CHPs, a minority of dwellings sit under the IRRS arrangements, both within individual CHPs and across the scheme overall (Table 6). This implies that many Īwi are absorbing the cost of housing provision within their wider operational arrangements, although the extent of access to the AS by tenants is unknown. The increasing number of CHPs registered by Māori authorities implies that access to the IRRS is an attractive arrangement.

2. Īwi housing provision within the CHP and IRRS frameworks

Īwi that operate a high proportion of their stock under the CHP and IRRS frameworks tend to have larger portfolios, perhaps reflecting greater institutional capability to manage both the assets and the administrative requirements of registration, as well as institutional longevity. The largest Māori CHP provider in 2020, Kāhui Tū Kaha Ltd, was established in the 1970s, while the Whai Maia Charitable Trust is a subsidiary of Ngati Whatua o Orakei, one of the largest asset-holding hapū, which operates a large property development program.

One of the disadvantages for Māori housing providers of operating under the CHP and IRRS frameworks is that they are required to take tenancies from the Social Housing List, rather than via their own allocation mechanisms. However, participants in this research observed that this was not necessarily a barrier to Māori CHPs allocating stock to their whānau compared to taking general Social Housing List (SHL) applicants in list rank order.

Factors that assisted such alignment include:

- the territorial nature of Māori CHPs operating to rohe (district, region) boundaries
- the disproportionate share of local SHL applicants who are Māori, which means that many applicants are likely to whakapapa (genealogy, lineage) to the provider
- knowledge of their whānau and hapū and their particular circumstances
- informal coordination with the Ministry of Social Development
- the small numbers of stock available relative to the overall social housing stock in the rohe.

In addition, SHL applicants were not always offered individually to CHPs with vacant dwellings, but rather presented as tranches with similar levels of housing need from which CHPs could select applicants that best matched the CHP's target client and stock profile. Thus, in many cases Māori CHPs are able to allocate new SHL tenancies to their whānau without requiring special arrangements. This arrangement is justifiable given one of the intentions of community housing generally is to provide better matching of provider objectives with tenant characteristics, rather than universal models of provision. Given the wider social support arrangements offered by many Īwi, there is an advantage in having those who whakapapa to an Īwi being housed and supported with wider services by providers associated with that Īwi. This would also seem to align with the kaupapa Māori objectives under the MAIHI strategy. However, transparency and reporting would also be needed to ensure the wider community objectives of SHL-based allocation are achieved.

3. Leasing of state housing stock to Māori CHPs

A third model that is very recent and only operating in one context is the leasing of Kāinga Ora housing stock to a Māori CHP for provision to Īwi members, and to SHL applicants overall. This is the case with Te Āhuru Mōwai, which is the largest Māori CHP in Aotearoa New Zealand (see Box 1). While the Te Āhuru Mōwai arrangement is unusual and specific in the context of the historical development of Māori CHPs in Aotearoa New Zealand, similar arrangements might be established in future iterations of social housing policy.

Box 1: Te Āhuru Mōwai

- The case of the Māori housing provider Te Āhuru Mōwai illustrates the intersection of asset settlements under Te Tiriti o Waitangi, the development of Māori-led CHPs and the evolution of wider state housing policy.
- Te Āhuru Mōwai is the housing provider for the Ngāti Toa iwi, whose rohe covers the lower southwest of Te Ika a Maui (North Island). As part of the settlement of its Te Tiriti grievances with the Crown, Ngāti Toa were offered ownership of state housing stock within their rohe. However direct handover of this stock was not favoured by Ngāti Toa, given the state of the stock. Instead, the Crown has leased 900 state housing dwellings to Te Āhuru Mōwai as a Ngāti Toa CHP, which operates these as social housing under a commercial housing services contract with the Crown, covering rental tenancy management plus maintenance and upgrade costs.
- This arrangement results in a hybrid set of practices of dwelling and tenant combinations. As many whānau in need of housing assistance who whakapapa to Ngāti Toa appear on the local SHL, they are often accommodated by Te Āhuru Mōwai through the general social housing system—but are serviced by their own iwi. But Māori from other iwi, plus non-Māori, are also tenants of the Te Āhuru Mōwai stock. Thus, a Māori CHP is the lead local operator of Crown social housing stock, while serving a combination of its own iwi whānau and non-iwi whānau plus non-Māori social tenants, while receiving a commercial return.
- This arrangement allows the Crown to meet its Treaty settlement obligations to Ngāti Toa while providing social housing in Ngāti Toa's rohe. Ngāti Toa benefits by exercising indirect authority over its rohe as mana whenua (responsibility for the locality) while holding a commercial contract with the Crown for housing services provision that effectively generates a rent from the land, despite continued ownership by the Crown. There is sufficient flexibility in these arrangements that Ngāti Toa can simultaneously provide for the housing of their own whānau, while extending a wider Māori kaupapa of manaakitanga (hospitality) and mana whenua—and thus differs in culturally appropriate ways from the kind of service that would otherwise be delivered by the Crown provider Kainga Ora.

4. Mixed, hybrid and innovation models

A fourth model is that of hybrid arrangements, whereby an iwi undertakes a mix of housing provision through direct, CHP or Crown partnership and other arrangements. There is no universal template for such arrangements, as each iwi would pursue arrangements that best suit its strategic objectives relative to the needs of its whānau and hapū and the mix of institutional, asset and financial resources available to it, including in various forms of partnership with the Crown. The Whai Kāinga Whai Oranga scheme appears to deliberately provide for both flexibility and innovation in models and programs of Māori-led housing delivery. As iwi develop the scope and scale of their organisational competency, it can be envisaged that further innovation in multi-modal rental housing provision will develop.

The four categories outlined above are not exclusive. There is no policy limitation on an iwi providing housing directly to its tenants without being registering as a CHP, while also operating IRSS-supported stock allocated via the SHL, and also where the option arises of entering more complex asset property arrangements with the Crown to own and deliver (or deliver under leasehold) Crown or former Crown housing stock. The Aotearoa New Zealand arrangements provide the flexibility for Māori to act as housing providers to meet their own wider community and corporate aspirations and objectives given the resources available to them, in conjunction with other asset and investment activities.

The Crown benefits from these arrangements through the presence of Māori-led organisations that are able to provide appropriate housing stock and tenancy management to Māori, while maintaining consistency of legislative and institutional structures across Māori and non-Māori providers via a largely equal subsidy regime.

5.1.4 Summary: Māori-led rental housing provision

The discussion in subsection 5.1.3 demonstrates both continuities and contrasts between Māori-led rental housing providers compared to mainstream CHPs and state providers. The Māori-led housing sector is still at an early stage of development and provides a small proportion of the total social housing stock in Aotearoa. New Zealand. In the main, Māori housing providers focus on housing provision to meet the housing needs of their whanau within the wider context of iwi social and economic development. While the legal structures through which Māori-led housing providers deliver housing are often the same as those for non-Māori-led providers, the Māori-led governance entities providing housing typically do so with closer attention to their whanau or according to elements of tikanga (customary values, practices, and protocols), such as manaakitanga (hospitality, kindness, care for others), that involve more relational engagement with tenants.

Māori-led housing providers offer iwi opportunities for self-determination in:

- the identification of housing needs among their whanau and hapū
- the delivery of housing in ways that support tikanga and whakapapa
- the governance of the provider organisations.

While some Māori-led housing providers have resources to operate capably at scale, many are small operators that do not necessarily have the financial or administrative resources or the staffing capability to rapidly develop new housing to meet needs. Such challenges are not unique to Māori-led housing providers, with many CHPs in similar capital and operational positions.

Aotearoa New Zealand's public housing regulatory and subsidy system offers flexibility for a range of CHP strategies, including Māori-led CHPs. This enables greater clarity of subsidy mechanisms and parity in subsidy levels across providers and social categories.

However, the Aotearoa New Zealand subsidy and assistance system tends to focus on housing as a service, and gives less attention to longer-term creation and expansion of the social housing stock. Thus, ensuring sustained and sustainable stock growth models is a challenge for Māori-led providers—just as it is for non-Māori providers. Indeed, for iwi the challenge is perhaps greater than for other proponents of community housing, given the relatively low level of existing Māori-led provider stock relative to Māori housing needs.

The evolution of iwi-Crown relationships under Te Tiriti is allowing new models of rental housing provision to emerge, which may sit outside the standard CHP model. This includes:

- arrangements for the bundling of housing stock within Te Tiriti settlements
- opportunity for more deliberately iwi-led frameworks and mechanisms for housing provision within a more holistic framing of housing need at the individual and community scale.

However, there is emerging complexity in the system as bespoke arrangements overlap with mainstream arrangements, and the development of new Māori governance entities that are not specific to individual iwi potentially widens the range and distribution of Māori-led organisations that can provide housing. Future attention to the balance between particularity and complexity of provider models relative to total stock volumes may be needed. Policy direction is generally positive, but more focus on accelerating stock expansion and ensuring sustainable funding models would be beneficial.

Importantly, Māori housing disadvantage—partly stemming from dispossession in the 19th and 20th centuries—cannot be addressed solely through rental housing models or subsidies without broader redress mechanisms.

5.2 MPS and European social housing

There is growing political recognition across Europe of the need for structural reforms to address declining access to adequate affordable housing, as expressed in declarations by various European networks, organizations, and non-state actors in collaboration with government bodies and climate-focused institutions over the past decade.²² The European Commission's role in addressing these housing challenges has been raised in a critical report to the EU parliament in 2020 (Van Sparrentak 2020), which resulted in a resolution to improve access to decent and affordable housing for all. Competition policy has sometimes been viewed as an obstacle to investment in social housing, particularly in the European Union (EU). The main concerns arise from state aid rules, market regulations, and funding limitations.

The EU's experience in providing effective coordination of vaccines and subsequent Covid-19 recovery plans enhanced its active stance on many issues, from raising revenue from carbon tax to the regulation of the digital economy and artificial intelligence (EU Parliament, 2023a, 2023b). The EU is now making forays into housing affordability. Ongoing cost of living and housing affordability crises led to the inclusion of housing reforms in the platforms of numerous EU political blocks during the 2024 elections. Today, access to affordable housing is firmly on the EU 2024–2027 agenda, as indicated by this comment from key Brussels thinktank, the Jacques de Lors Institute:

While housing policy falls within the purview of Member States, the EU possesses a range of instruments and policies that have a direct or indirect impact on the housing markets across the EU. There is a need to revise these different EU rules and tools to make sure that they incentivise socially inclusive and sustainable housing systems rather than exacerbate the current housing crisis. (Jacques de Lors Institute 2024: 94)

Access to affordable housing was also mentioned by EC President Ursula von der Leyen:

Prices and rents are soaring ... People are struggling to find affordable homes. I want this Commission to support people where it matters most, and if it matters to Europeans, it matters to Europe. (President von der Leyen 2024)

Intention to develop a European Housing Plan was announced by European Commission President Ursula von der Leyen in July 2024, as part of her commitment to addressing housing access and affordability. She appointed Dan Jørgensen (Denmark, Social Democrat) as the Commissioner for Energy and Housing, marking the first time the EU has had a commissioner with direct responsibility for housing to prepare a European Housing Plan in 2026, revise public accounting rules and create a new investment platform for affordable and social housing to increase affordable supply.²³ But how, with so many varieties of housing provision across different member states?

Europe has grown many approaches to social housing, which can be grouped in different ways.

- *Narrow allocation to vulnerable groups*, based on rent geared to very low incomes. These models are more common in central and eastern European countries (CEE), where most public housing has been privatised, and subsequent EU policies have promoted rationing of a much narrower model.
- *Accommodating households with low and moderate incomes*. These are well established and broad-based models, with their roots in post-war recovery. These programs are large and economically strong, as in France, Germany, the Netherlands and Finland.

²² See for example the Liège Declaration (2024), Nice Declaration (2022), Gijón Declaration (2023) and La Hulpe Declaration (2024).

²³ Details on the mission of the new Commission are outlined here: [commission.europa.eu/document/download/1c203799-0137-482e-bd18-4f6813535986_en?filename=Mission letter - JORGENSEN.pdf](https://commission.europa.eu/document/download/1c203799-0137-482e-bd18-4f6813535986_en?filename=Mission%20letter%20-%20JORGENSEN.pdf)

- *Broad and inclusive approaches.* These are exemplified by Denmark, with its housing-for-all commitment and strong tenant-management role; and Austria, with its economically viable and growing limited-profit housing sector, serving 60–80 per cent of the income spectrum. Both models have a robust business operating model, aim to be self-sufficient—and even provide a modest return on investment for equity holders. Notably, Austria’s limited-profit housing providers (LPHA) offer some of the best maintained and energy-efficient housing stock in Europe.

Most providers in Europe are public bodies or charities, such as municipal housing companies, non-profit associations and also co-operatives, often originating from solidarity movements from the 20th century with roots in social reform, labour and charitable movements. Providers typically offer affordable, secure and decent quality housing, and are enabled to do so via land and other equity contributions, favourable long-term financing, tax discounts, and revenue support via rent assistance or operating subsidies.

Some European housing models, particularly in Austria, Finland, France and Denmark, are resilient, self-sustaining and can provide returns for investors.

Why different models of social housing are growing or shrinking is explained below.

5.2.1 The impact of competition policy on public-interest housing providers

In many European countries, competition policies and public accounting norms have limited public investment in housing and narrowed eligibility for public, co-operative, and non-profit providers, focusing mainly on vulnerable households (OECD 2021). This has led to de-municipalisation, increased involvement of non-government actors, and reduced access to housing. It has also contributed to rising poverty concentration and socio-tenorial polarisation, growing the divide between different housing tenures, particularly between homeownership and social renting, exacerbating broader social and economic inequalities. (van Bortel, Gruis et al. 2019; OECD 2019).

European Competition Policy is overseen by the European Commission (EC), which enforces EU competition rules to ensure fair market practices across member states. The EC’s Directorate-General for Competition (DG COMP) is responsible for implementing and regulating competition policy within the European Union (EU). It has promoted a view of social housing as a rationed service, for individuals who are unable to access the market, thereby safeguarding private interests and concentrating poverty within public housing. This contrasts with other public services such as education or healthcare, where more universal access is advocated.

An EC review (Krapp and Vaché 2022) included an assessment of the impact of EU Competition Policy on public investments in social housing—with a very mixed report card.

Services of general economic interest (SGEI), which allow public authorities to support essential services like social housing, are crucial for maintaining affordable housing supply—particularly in high-cost urban areas (EU Urban Agenda, 2017)

However, the European Parliament Report on Competition Policy (2022) found that State aid rules have constrained direct public investment in social housing, requiring strict justification to avoid market distortion, leading to a decline in publicly funded housing projects. One of the challenges has been restricting target groups for social housing to vulnerable households, which have concentrated poverty in this tenure and undermined political and investor support.

EU Competition Policy has significantly limited formerly extensive public housing approaches, as evidenced in Sweden and the Netherlands (Krapp and Vaché 2022).

According to the report commissioned by the EC Institute for Housing and the Environment (IWU), Krapp and Vaché (2022) find:

In the Netherlands, the prohibition of state aid had the largest impact on housing among all EU regulations. According to the country experts, EU state aid regulation led to broad reform concerning the provision and regulation of social housing in 2015. Social housing after the reform is strongly focused on low-income households. This currently creates a gap in the housing supply in the moderately priced housing segment, which is produced in large numbers neither by housing associations (which are focused on low-income housing) nor by private housing companies (which are focused on upper-priced housing). housing associations are now selling off moderately priced units in order to comply with the regulation. Groups which are most affected by the reform are 'young starters' who do not have sufficient resources (yet) to buy or build a home but who are also not eligible for social housing, specifically as the reform limited access on the basis of new income limits for social housing. (2022: 174)

Nevertheless, social housing has been used by governments as an economic stabiliser sporadically and during multiple economic, financial and health crises. In the 20th century, public and non-profit housing programs played a vital role, reinvigorating and reforming housing supply post-1930s depression and to aid WWII-reconstruction efforts. Much later, social housing production has been used for economic stimulus following the 2008 global financial crisis and in the EU Recovery Plans post-COVID-19. These stimulus efforts integrated affordable housing supply with renovation and retrofitting programs, as part of the EU Green Deal and Just Transition (European Commission 2025).

However, despite the perceived value of social housing as an economic stabiliser, the overall trend has been one of declining public capital investment and reliance on recurrent demand-side subsidies to ensure access in the private market.

According to the OECD (2021):

Over the past two decades, public investment in housing construction has dropped by more than one-half on average across the OECD. In particular, direct public investment in dwellings has plummeted since the Global Financial Crisis, amounting to less than 0.01% of [Gross Domestic Product] in 2018 ... In parallel, relative to the total dwelling stock, the share of social housing has declined in all but six OECD countries since 2010, further reducing the affordable housing supply for low-income households. (2021: 20)

A return to direct investment, partly to stimulate innovation, was recommended by OECD in the report *Brick by Brick* (2021) to support both near-term affordability and long-term supply while aligning with environmental-transition goals. The European Economic and Social Committee (2024) also argued that investment should be more mission focussed. To address the lack of investment in social and affordable housing, the EU competition rules must be designed to promote housing for a broader section of the population, the EU's economic governance framework must facilitate long-term public investment in social housing, and EU funds and EIB financing must be channelled directly and more specifically into cities (ibid, 2024).

The EU's entry into housing policy in 2024 sparked debates on the types of provider systems to support (Responsible Housing Finance Summit 2024). This led the EIB to propose a new definition of affordable and social housing (closed session, November 2024) to guide future investments. Several schemes were discussed—including REITs, concessions and PPPs—which raised concerns about the impact of these schemes on the sustainability of existing systems in member states. Advocates warned that a narrow EIB definition could undermine both structural reforms and culturally relevant models like co-operative and cost-rental housing (Housing Europe 2021).

5.2.2 England: fragile revival of local authority housing

Trends in the shift from capital investment to recurrent demand side support have been more extreme in the UK than Europe (Gibb, 2024). Following the lifting of borrowing constraints in 2018 and leveraging housing funds of Local Authorities (Housing Revenue Accounts) a diverse range of approaches have been pursued (Morphet and Clifford 2021). Since 2020, UK local authority housing is making a modest comeback (Morrison 2019). Some local authorities have:

- returned to direct housing promotion to address needs
- engaged in land developments to increase revenue
- formed partnership companies to promote quality.

The fragile revival of local authority planning and housing development is supported by policy and practice advice from key professional bodies, advocating for a more active and direct role for local government in addressing housing needs. These professional bodies include the Royal Town Planning Institute,²⁴ the Royal Institute of Architects,²⁵ the Association of Local Government²⁶ and local development organisations,²⁷ as well as non-government consumer advocacy bodies.

5.2.3 Investment in affordable housing in Europe

In continental Europe, municipal housing companies continue to exist despite the constraints on public borrowing limits and diversion of support to non-government stakeholders. Some municipal housing companies have:

- thrived to varying degrees—France and Finland
- revised their legal entities to become publicly owned limited-profit private entities—Austria
- worked closely with municipalities—Denmark.

Beyond direct provision, municipalities remain influential promoters of affordable housing outcomes, especially through their land policy tools: acquisition, conditional leasing, regulating use rights and proactive and integrated planning.

The recent ‘housing turn’ in EU policy is likely to enable much greater direct public investment in social housing, as part of the revised services of general economic interest (SGEI) rules and European Housing Plan (von der Leyen 2024).²⁸

The research highlights several European housing systems that have performed well over a sustained period. These resilient systems incorporate long-term systemic approaches to planning and provision, with well established investment pathways—which aim to grow and improve housing assets over generations. Such investment approaches rely on:

- stable laws
- mission-driven providers
- efficient financing
- accountable monitoring.

²⁴ See recent advice of the UK planning profession here: https://www.rtpi.org.uk/media/2035/local_authority_housebuilding_practice_advice.pdf.

²⁵ See recent advice of the UK architectural profession here: https://www.rtpi.org.uk/media/2035/local_authority_housebuilding_practice_advice.pdf.

²⁶ See recent advice of the UK local government profession here: <https://www.local.gov.uk/delivery-council-housing-our-recommendations>.

²⁷ See recent advice of the UK urban development profession here: <https://localpartnerships.gov.uk/resources/housing-delivery-vehicles-toolkit/>.

²⁸ See key snippets of von der Leyen's speech on inclusion of housing: <https://www.youtube.com/watch?v=dBD77CcVsxA>.

These housing systems provide affordable housing to a broader population—including those excluded by market-based mechanisms. Involving both public and community ownership, these systems focus on limited profit and cost recovery, using efficient financing to grow assets and accumulate equity for renovation and expansion. They are self-financing over time, as seen in Denmark, and offer valuable insights for reforming Australia's social housing MPS.

5.2.4 France: building up equity to grow

In France, social housing (logement social) makes up around 17% of all dwellings, with approximately 5.9 million low-rent social housing units. France has a social housing MPS, which includes various organisations:

- *HLM organisations*: The majority of social housing in France is managed by HLM (Habitations à Loyer Modéré) organisations. These are public or private non-profit entities that provide affordable housing to low-income individuals and families.
- *Semi-public enterprises (SEM)*: These are mixed-economy companies that involve both public and private stakeholders. They play a significant role in the social housing sector by developing and managing social housing projects.
- *Non-profit associations*: Some social housing is managed by non-profit associations that focus on providing housing for specific groups, such as the elderly, disabled or homeless.
- *Municipalities*: Local governments also play a role in the provision of social housing, often working in partnership with HLM organisations and other providers to meet the housing needs of their communities.

All providers are subject to strict regulations that ensure rents remain affordable for those in need, such as the Housing and Construction Code via the Ministry of Housing and Finance. All French social landlords are governed by regulations over rents and allocations. Their capital investments are also closely regulated, and they are subject to a housing construction code and inspection regime that specifically concerns the construction and management of housing for low-income households.

According to a leading French national housing expert we interviewed as part of our research:

[The] social rental sector, managed by a powerful network of public and private [NFP] companies, has greatly increased its housing production thanks to the use of a financial mechanism that is independent of mainstream finance. (French housing expert, 2024)

Caisse des Dépôts (CDC) is considered a unique financial institution in France. It operates as a public financial institution with a dual role: managing public savings and investing in long-term projects that serve the public interest. Unlike traditional banks, it is state-owned and plays a crucial role in social housing, infrastructure, and economic development. All forms of social housing supply are financed by the off-budget, off-market circuit of the CDC. It collects the tax-free savings deposits of French citizens—up to a maximum of €22,950—and reinvests them in a wide range of social housing companies by providing long-term and soft loans (€12 billion per year) (Caisse des Dépôts, 2025).

Social housing providers, such as HLM, apply for loans from the CDC to finance the construction, renovation or acquisition of social housing units. The terms of the CDC loans depend on the affordability of the social housing stock, with the most favourable terms provided on a progressive basis.

The French social housing system offers a range of affordable housing options, with long-loan terms of up to 50 years and low interest rates. CDC partners with development banks like the Council of Europe Development Bank and the EIB to reduce costs and boost funding for social housing projects.

Housing providers must be cost-covering and build equity. They fund housing through their own equity (16%), central and municipal grants (8%), other loans (6%), long-term CDC loans (70%), and a low VAT rate. Building equity drives growth. Additionally, they construct homes counter-cyclically to stimulate the economy, including retrofitting homes for energy efficiency.

The French state also plays a strong regulatory role to determine the overall supply needs per social housing product—very social, intermediate, social rent-to-own scheme, and many other schemes—which it regulates via the Housing and Construction Code. Municipalities are closely engaged in planning social housing through:

- determination of local social housing policy
- planning and land-use instruments
- owning their own social housing companies.

National law also requires that 25 per cent of all dwellings in a local community be social housing.

Both the state and local municipalities extend grants to different social housing companies operating in specific areas—depending on the nature of the social housing to be provided and the level of need. Thus each form of social housing has its own financing model comprising soft loans, national or municipal grants, and VAT exemptions. As one French housing expert put it:

New social housing accounts for 20 per cent of residential construction, funded by strategic investments in national agreements, the CDC and housing providers leveraging equity from existing stock plus revenue. (French national housing expert, 2024)

However, there are some threats to this growth mode. The government is obliging social organisations to concentrate more on poorer households and to also reduce some rents, which will allow the central government to reduce expenditure on housing allowances. This will impact the equilibrium and potential for building up equity to grow in the future (Schaefer 2017). As one French housing expert interviewed for this research stated:

The financial equilibrium of social landlords has been sound enough to provide equity for the last 20 years. Equity has fuelled a high pace of new construction, which has helped social landlords to provide a greater supply of homes and thus fulfil their social mission. But in the meantime, the housing needs of very poor households are increasing, and social rents are still too high for them. The government is obliging social organisations to reduce some rents, which will save housing allowances, paid on the national budget. The issue is whether/how to reduce rents, which will have the effect of saving expenditures on housing allowances, and that will reduce demand-side subsidies paid from the national budget? (French national expert, 2024)

The financial situation of the social housing sector should switch from a robust position in 2022 to a much weaker situation from 2030 until 2050. [This is due to] the reduction of rents for very low-income tenants and due to the high level of investments since 2005. (Schaefer 2023)

5.2.5 Denmark: revolving funds for solidarity

Our review extends research undertaken by Lawson and Davies (2021) on Danish co-operatives or non-profit tenant associations. In Denmark, non-profit housing associations own around 20% of the total housing stock, providing approximately 600,000 housing units. These associations operate independently but are regulated by municipalities, which can allocate up to 25% of available units for social housing needs. Tenant associations operate within both municipal-owned and tenant-owned housing sectors.

These organisations have their roots in the union movement of the late 19th century and grew rapidly post-1919. Legislation on public housing was introduced into Denmark after WWII, and placed tenant associations as the main force to grow affordable housing. Today almost a quarter of the population resides in a tenant-managed housing association. This housing is not viewed as social housing for vulnerable groups, but as public housing for all. Access to Danish tenant associations is formally universal but means-testing has become more entrenched since the 1980s (Blackwell and Bengtsson 2021: 6). Nevertheless, tenant associations are widely accepted, and their housing is not socially stigmatised.

Denmark has a long-standing tradition of resident democracy in social housing, allowing residents significant influence over their housing conditions. Recent developments, such as the introduction of new boards of directors for social masterplans and the parallel societies legislation, have reduced residents' influence, particularly in deprived areas (Lilius and Nielson, 2023).

Local tenants elect the boards of individual estates, and their representatives elect a board for the entire organisation (Blackwell and Bengtsson 2021: 6). These associations not only build and manage homes, but also support the development of social infrastructure such as schools and community facilities, operate support services and provide for special needs (of the aged, youth, disabled). Non-profit housing plays an active role in energy-efficiency efforts and counter-cyclical economic policy, as in France. Currently a large retrofitting program is underway to improve housing quality, reduce energy consumption and promote decarbonisation.

Denmark has a unique housing finance system, where non-profit housing associations operate under a revolving fund model, meaning that rents are reinvested into maintenance and new housing developments rather than generating private profit. This approach helps share risks and rewards across the sector, ensuring long-term affordability and financial sustainability.

The construction of new social housing is typically financed thus:

- 2 per cent by tenant deposit
- 10 per cent by a municipal grant
- 88 per cent by mortgage finance.

Cost-dependent rent levels are set for each housing estate and based on real costs. They are unattached to the local market of private rentals. Rent is also based on a '*balancing principle*' where rents cover '*operating and maintenance costs, as well as capital expenditure*' and therefore must balance, without surplus (Blackwell and Bengtsson 2021: 11). There is a cap on the size of social housing units, with the maximum floor area being 110 square metres. This size limit does not attract middle- and higher-income households.

However, cost rents do not ensure that housing is affordable to all income levels. Cost rents can actually be very high, as land costs are high in Copenhagen, and cost rents for public housing are above market rents in more isolated rural areas. Tenants unable to pay cost rents are able to receive generous municipal housing allowances.

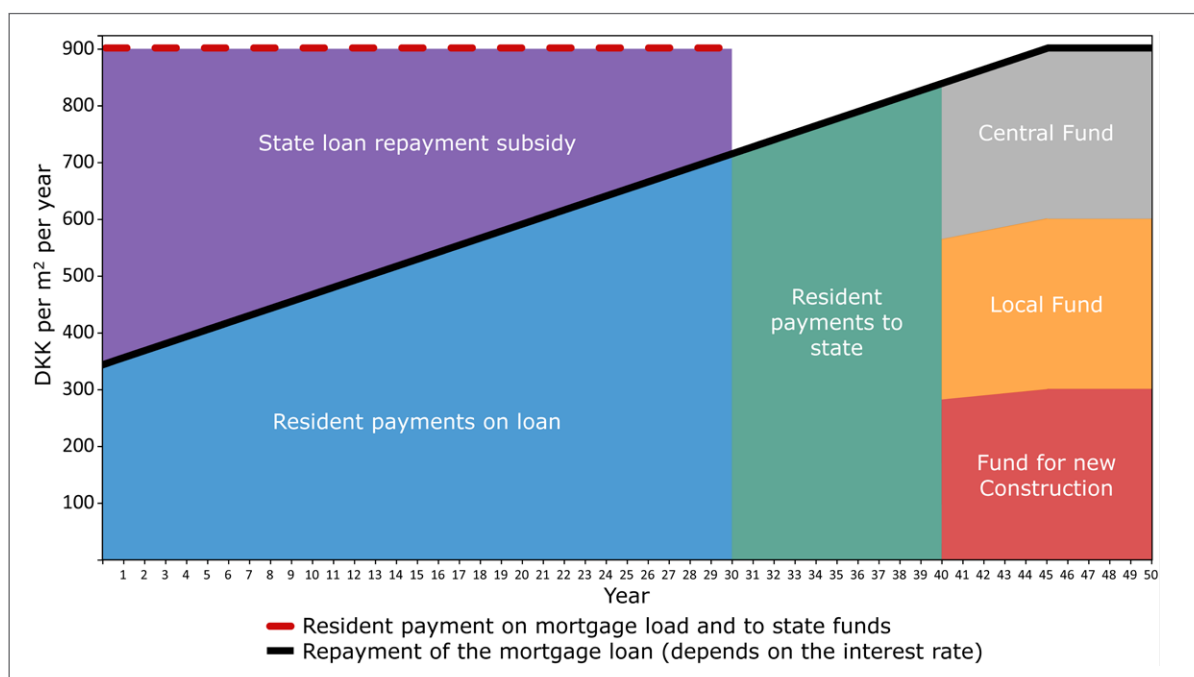
Since the 1960s, tenant associations have established their own revolving funds, reinvesting surpluses after financing costs (see Figure 27). When financing for construction is repaid, rent levels are maintained and 50–60 per cent of the surplus rent is pooled in a National Building Fund BL, and the remainder into a local fund. The BL is used for renovations, repairs, addressing faults and, lately, strategic economic stimulus. BL is a large fund, and also makes a healthy return to the state budget.

The state also decides the types of mortgage loans to be used; this ensures efficiency and also makes sure that the provider builds up equity and contributes to two funds.

- the tenant-owned National Building Foundation (Landsbyggefonden)
- the Danish Building Defects Fund (Byggeskadefonden).

The National Building Foundation was established in 1967 through an act of parliament. Consequently, Danish parliament exerts authority over the Foundation and according to Noring, Struthers et al. (2022: 6) 'revenues are kept within the system and are only spent on items and activities directly related to the private non-profit housing system.'

Figure 27: The Danish revolving fund builds up equity and makes a return to the government



Source: National Building Fund [Landsbyggefonden or LBF]: <https://lbfdk/>.

There are challenges. Despite growth and resilience, the sector faces funding constraints, especially in areas of high land value and in the context of inflated building costs. There is a need for:

- continuous improvement in management practices
- efforts to promote social harmony on estates
- mediated policies requiring a different social mix in housing areas.

The cost rent housing sector is closely intertwined with both national and municipal government, which means that it is:

- influenced by politics and shifts in political priorities
- vulnerable to sudden, unpredictable changes in governance and financing aspects of its operations (Noring, Struthers et al. 2022: 11).

Today, social housing in Denmark is mainly provided by non-profit housing associations, but it is planned for and approved by municipalities. Much depends on the political will and land costs of different municipalities. Where municipalities provide equity and funds, they also have 25 per cent allocation rights. One Danish housing expert interviewed for this research explained how this works:

The individual municipality decides what is being built, its size, how many units and where in the municipality. It also decides, in cooperation with the social housing associations, which of the tools have to be employed: flexible allocation, combined allocation, and municipal nomination above 25 per cent. (Danish housing expert 2024)

Rents are cost-related and not driven by profit motives. Land prices are capped, but are expensive in the cities:

We all have to operate according to the balanced rent principle, it's in the law. The cost of living in an estate is calculated based on the land, the construction cost and over 30 years [duration of construction loan]. We have to cover costs and pay out the mortgage. All is in the cost-rent calculation, plus running costs, which are also increased by the inflation. (Danish housing expert 2024)

Affordable cost rents are a challenge in cities where there is a lack of land cheap enough, as there is a maximum price per square metre. A new housing agreement is under way in parliament, and the main concern is raising the maximum cap in the city. It is just not possible to build in the city, as [it is] too expensive. Yet, we can't lower the land cost, as the EU Competition Policy of Margaret Vestager opposed this. (Danish housing expert 2024)

The Ministry of Finance has taken a keen interest in increasing the efficiency of the social housing sector, by reducing rents as well as the budget for housing allowances (Skovgaard Nielsen and Deichmann Haagerup 2017: 154.)

Denmark's system is designed to be inclusive by catering for diverse groups—including low-income families, students, the elderly, and people with special needs.

There has been increased targeting of those unable to afford home ownership, and dispersal of socio-economic disadvantage through renewal, which has been subject to controversy, in part due to 'parallel societies legislation'. (Nielsson, Nordberg, et al. 2023)

Municipalities pay 10 per cent of construction costs in return for the right to use social housing to house those in immediate need of housing, including refugees. This also increases the share of residents who are deprived or have limited resources.

The system provides for a strong role for municipalities and tenants: the state sets the general frames for the sector, while the municipalities manage the local housing policy and decide whether to approve new constructions or not. The housing associations run the housing estates and can decide to build new estates if the municipalities approve. The tenants have a democratic influence on the day-to-day running of the housing estates, but not on the assessment of the rent to be paid. (Skovgaard Nielsen and Deichmann Haagerup 2017: 143)

Housing associations operate across municipalities and may own both old social housing estates and newly built areas, but there can be no cross-subsidisation between these housing estates because of the principle of the balanced rent.

An informative film on the role of tenant rents in building up equity is provided in the footnotes below.²⁹

²⁹ <https://www.bbc.com/storyworks/building-communities/rent-that-goes-back-into-the-community>

5.2.6 Finland: municipal companies and nonprofit housing providers adhere to cost recovery

Lawson and Davies (2021) note that the constitution of Finland requires that ‘public authorities shall promote the right of everyone to housing and the opportunity to arrange their own’. Finnish housing policy has supported both renting and home ownership through supply-side and demand-side subsidies, as well as tax incentives. In Finland, social housing is referred to as state-subsidised rental housing. It receives state support in the form of guarantees on loans, grants and also interest subsidies to social housing.

Most of Finland's social housing stock is owned by municipal companies. The Finnish Act on the Interest Subsidy for Rental Housing Loans and Right-of-Occupancy Housing Loans (604/2001) (hereafter referred to as the Interest Subsidy Act) provides for the general conditions for granting interest-subsidy loans and the content of the public service obligation to borrowers; they must be municipal providers rather than for-profit housing providers. In 2008, a decree on the selection of tenants ensured their focus on local housing needs. The share of government-supported housing production in Finland is currently 22 per cent, but has been much larger in the past—it was 58 per cent in the 1990s.

Finnish social housing contributes around 410,000 dwellings—or 16 per cent of all Finnish housing. It has increasingly become needs-based and targeted, a trend that is expected to continue with the introduction of income limits in 2025.

In response to EU Competition Policy, in 2008 the Finnish government passed a Decree on the Selection of Tenants for State-Subsidized (ARAVA) and Interest-Subsidy Rental Dwellings (2008/166), which affected allocation of support towards both rental and ownership-supported tenures. Housing need had to be more overtly considered—although there were certain households in need of support, youth, students and elderly people were in particular need of support. Their needs should be integrated into the planning and development of all housing, with social housing sites offered well-located areas, next to and indistinguishable from other forms of housing, to avoid segregation. Eligibility policies must be publicly available, and applications assessed according to an agreed criterion. Tenancies are indefinite, and changes in income or household status do not affect security of tenure over time.

Finland now has a social housing MPS, which comprises three categories of corporation or company, each with a distinct role:

1. Local authorities or other public corporations (principally municipalities).
2. Corporations that fulfil certain conditions on the activity, solvency, risk-taking and profit distribution of the corporation laid down in regulations. This may include various specialist organisations focusing on the needs of students and older people.
3. Limited liability companies (LLCs) of various types in which one or more of the organisations mentioned above have direct dominant authority.

All these organisations are engaged in providing social housing, and they work within legislative framework as defined by the Interest Subsidy Act. They are subject to monitoring and auditing by the Finnish social housing regulator.

Housing opportunities are allocated by municipal-owned companies (60%) or designated non-profit organisations (around 40%). According to a Finnish housing policy expert interviewed as part of this research:

Every single municipality has had their own municipal housing company [MHC] since the 1970s. This has offered standard rental housing for their own population. Since 2001, Finland has launched an investment grant for special groups.

In the beginning, the MHCs were not separate companies; later, they became semi-autonomous actors, and legislation about NFP providers came later. (National housing expert, Finland)

The most difficult organisations to regulate are the private non-profit LLCs, which have been created by private for-profit companies that have non-profit subsidiaries. Due to conflicts of mission, commercial interests and risks of corruption, Finnish experts do not recommend this approach.

A municipality or other public entity is directly eligible for subsidies and favourable financing from the National Housing Finance and Development Centre ARA (now called Centre for State-subsidised Housing Construction, or in Finnish: Valtion tukeman asuntorakentamisen keskus, VARKE).

There are about 800 providers of subsidised housing in Finland. The largest, HEKA, is a municipal housing company with over 50,000 apartments, and the smallest companies have only a few apartments.

According to a national housing expert we spoke to for this research:

Municipal housing corporations [MHCs] and non-profit organisations [NPOs] tend to serve different households ... MHCs focus on standard rental housing—that is, basic apartments and basic houses for normal households. While not-for-profits [NFPs] may do the same, they are also often focused on certain special groups, so they offer housing for elderly and students, or people with a mental disability. They may also be more ideological—for example, they may have an idea of who and how they want to assist, be it more welfare-focused or more care-focused. (National housing expert, Finland)

An entity designated as non-profit by ARA can receive state-supported loans if it meets the statutory requirements. There are about 525 registered ARA entities in Finland. The company's line of business must be the construction or acquisition of rental housing and offering them for rent 'based on social criteria and at reasonable costs, with the aim of providing residents with good and safe living conditions' according to the Finnish law.³⁰ An auditor must be appointed for the entity.

Among the statutory requirements, an ARA housing entity:

- must be a limited-profit entity—meaning it can only distribute a permitted dividend
- must have a mission that aligns with its operations, and must not be profit-seeking
- can only distribute a reasonable return of up to 4 per cent on the owner's invested funds. No other profits can be distributed.

ARA annually confirms the calculation basis for the return and the acceptable amount of return for each entity. Profit distribution does not apply to associations and foundations designated as non-profit, as these entities do not have an owner to whom profit could be distributed. Thus, they cannot pay out profits; the profit remains within the entity.³¹

This housing is subsidised under certain restrictions for a minimum of 40 years, and after this is free to set rents and sell assets. For the duration of the interest-subsidised loan, the housing must be subject to need-based tenant selection, based on a clear local policy on the need for housing, related to income and wealth, as well as current living conditions. All rents are determined by cost price—that is, covering the building loan and also maintenance costs—but these costs can be levelled across a portfolio of subsidised dwellings. Tenancies are managed just as in the private rental sector, under the same rights and conditions.

³⁰ See Act on interest subsidy for rental housing loans a Section 13 <https://www.finlex.fi/fi/lainsaadanto/2001/604#L2P13>

³¹ There is a Government Decree on Profit Distribution (1371/2016, especially Section 4): <https://www.finlex.fi/fi/laki/alkup/2016/20161371#Pidm46111190966992> See all guidelines: <https://ohjeet.ara.fi/fi/yleishyodyllisyys/v1/tuoton-tuloutus>

There are also dedicated dwellings for groups with special needs, such as students, youth, disabled, homeless, and persons with memory disorders. Different ARA state grants apply for additional special needs housing (Interview, senior Finnish housing policy expert).

All subsidised providers must adhere to the cost-recovery principle and profit payout restriction.³² Municipal housing companies are internally regulated, while non-profit organisations (NPOs) are regulated by the independent regulator. A national housing expert we spoke to as part of this research stated:

In Finland, we have thought that MHC don't need so many restrictions as public-interest companies and we trust them. They don't need so much external regulation. NPOs do need to follow special criteria and risk reduction to get the loan. It's a guarantee for the state as well. There are less risks when a Municipal Owned Company, and just a small risk. Non Profit Organisations are more of a risk, especially if [they are] closer to private companies and may have plans to do things that are not okay for the state and have to follow the restrictions. (National housing expert, Finland)

The cost-recovery principle in rent-setting means that tenants can be charged rent for residential units up to an amount that covers financing costs for the apartments and related residential service facilities, in addition to other income.

Rent determination based on the cost-recovery principle ensures that government support is directed towards residents and that rents remain at a reasonable level.

Whether the cost-recovery principle has been applied is demonstrated through a performance-based cashflow statement called a 'post-calculation'. A post-calculation is prepared at the end of the financial year based on rental income, other income, and expenses covered by income. The purpose of the post-calculation is to:

- demonstrate whether rental revenues for the year have been sufficient to cover expenses.
- show that rents have covered only those expenses that comply with the regulations regarding cost-recovery rents.

Post-calculations are prepared at the end of the financial year when compiling the financial statements. The community-level post-calculation is an attachment to the official financial statements.

Part of the effective regulation of Finnish social housing is appropriate monitoring and enforcement of the cost-rent principle. When there are doubts about the reasonable rents, ARA may require the owner to provide a new report or calculation. ARA may:

- order a certain action
- set a deadline for the task
- impose a conditional fine to enforce compliance
- revoke the entity's non-profit status
- discontinue the payment of interest subsidies. In such case, the owner must pay a guaranteed fee to the state (1% annually).

³² See: <https://www.finlex.fi/fi/laki/ajantasa/2001/20010604>

Another important stakeholder shaping the Finnish social housing MPS is the municipality, its land policy and housing company. For example, the City of Helsinki plays a strong role in promoting the growth of social housing in the city. The City of Helsinki:

- owns land (64% of land inside the city boundaries) which it leases out for various goals, including the promotion of a good housing mix (Haapanen, 2022)
- has a significant (18% of homes in Helsinki) state-subsidised rental sector, such that every seventh resident in lives in City-owned rental housing (Interviews with City of Helsinki officials, 2024)
- owns 67,500 dwellings that are managed through City-owned real estate companies
- owns a housing developer, The Helsinki Housing Production Department (Att), which produces high-quality rental homes, Hitas owner-occupied homes and right-of-occupancy housing. Production was about 8,000 dwellings per year in 2023 (Interviews with City of Helsinki officials, 2024, see also Haapanen, 2022)

Municipalities effectively use their zoning monopoly to ensure plots of needed housing types and market segments are supplied. All housing tenures are of similar, high standard appearance, including affordable and social housing. They incorporate features such as common courtyards, walkability, auto-free areas and promote social mix, a range of tenures, price categories and energy efficiency. A Finnish housing expert we spoke to as part of this research stated:

Municipal housing company and non-profits may both be able to access municipal land sites, due to social-mixing targets. They may have a well-honed planning that tries to allocate via the tenure mix plans. They may be strict in larger city; a smaller city takes what it can get. Negotiation over the price of the land, the variety of housing and the architectural quality and energy efficiency, materials, low-carbon emission. Many topics they can negotiate, and mix is very important, especially in larger city. (National Housing expert Finland)

The success of Finland's social housing MPS also lies in the active role of the National Agency, now called Centre for Subsidised Housing and part of the Ministry of the Environment, whereby municipalities maintain strong autonomy in planning and providing social housing through municipal companies and registered providers. The cost-rent principle and limited profit on equity are central to the Finnish model, which is closely monitored with proactive regulatory guidance.

5.2.7 Germany: temporary obligations eroded dedicated social housing

To stimulate post-WWI housing production, when inflation was high and mortgage finance costly, a system of public subsidies was introduced in the 1920s that involved mission-focused suppliers. Housing researcher Bernt writes:

The German government(s) started covering, or at least subsidising, the calculated deficit on the normal profitability of private construction measure (Unrentierliche Kosten, Aufwendungszuschuss) in return for more affordable rents and occupational rights. To ensure these subsidies were efficiently and well spent (Bernt 2020: 80) new institutions were founded to collect money, reduce buildings costs or provide cheap credit. These institutions included non-profit housing companies (Gemeinnützige Wohnungsbaugesellschaften) and also various forms of public development banks, which were owned by governments or organised as member-owned building societies (Bausparkassen) of diverse socio-political origins. This was the birth of social housing in Germany in the form in which it has survived until today. (Bernt 2022: 79).

The German system supported all types of providers: *'subsidies did not discriminate between public, non-profit and commercial providers in Germany, but were given to all applicants'*, which engaged the support of the commercial sector. Furthermore, social obligations were intended to be temporary: *'the money spent did not result in a decommodified housing stock managed by public authorities; the regulations were seen as the price to be paid by an investor for public support and, thus, expired after a while'* (Bernt 2022: 79). Thus, commercially orientated providers reverted to commodified practices and market rents, while public-interest providers, such as municipal housing and non-profit providers did not, and tended to provide affordable rental housing as a right.

A major shift in German social housing promotion came about in the 1980s: *'The Kohl government turned off the tap of public investment into social housing ... subsidies for social housing were reduced from 2.29 billion DM (1983) to 450 million DM (1988) within five years. ... Non-profit housing was abolished by the Tax Reform Act of 1990.'*

The construction of social housing as a temporary subsidy led to a subsequent shrinkage of the sector. The abolition of tax privileges pushed companies toward the market, leading to rent increases, stock sales, and a marketisation of the sector. (Bernt 2022: 87)

Consequently, since the 1990s Germany has experienced a continued *'decline in the social housing stock ...'* (OECD 2018). Kofner (2017: 69-70) argues that this shrinkage relates to deregulation, and points out the following reasons for the decline in social housing provision:

- The temporary nature of the subsidisation, which always generates a replacement requirement.
- The shortening of allocation and rent-setting commitment periods, which originated in the mid-1960s and are expiring.
- The overall reduction in federal subsidies for housing supply.
- The importance of home ownership subsidies among funding priorities.
- The vulnerability of large social rental housing stock from the point of view of privatisation advocates.

The OECD Germany Policy Brief on Housing in 2018 recommended that the Government carry out planned investments in public social housing and increase the social rental housing stock of good quality. Based on the experience of Germany's shrinking system, Kofner (2017: 69-70) recommends the following:

1. A focus on the construction of rented housing (not only ownership).
2. Low-priced building land for this purpose.
3. Cost-effective construction.
4. A limitation of social rents via narrow ceilings for the production costs and the application of a reformed cost-recovery rent.
5. A check on the individual rent burden of social tenants by an income orientation of the subsidy programmes (20% net basic rent burden per household as a guideline, and possibly differentiation according to income strata).
6. Socially mixed population structures via small-scale distribution of social dwellings.
7. A certain share of social housing required in new housing developments (e.g. 30% as in Munich).

There were several significant changes in social housing policy in 2024, restoring some of the regulations affecting social housing obligations. The German Government reintroduced non-profit housing as part of the 2024 Annual Tax Act (Federal Ministry for Housing, Urban Development and Building 2024). The then Federal Minister for Housing, Klara Geywitz, announced:

Non-profit housing is back! ... Social enterprises, associations and foundations will be able to provide subsidized housing in the future and benefit from the comprehensive tax relief offered by non-profit organizations. The prerequisite: the rent offered must be below the market rent. The income limits are set so that around 60% of households in Germany can benefit from the new non-profit housing. This is a good day for all tenants. (Geywitz, quoted in Kingston, 2024)

However, this reform has not satisfied all policy analysts, with some considering that the new model is too narrowly targeted and concentrated in the welfare sector. It potentially lacks the broad appeal of more inclusive models in Austria, France, Denmark and Finland (Interview with German Housing Policy Expert 2024; see also Housing Europe 2021).

5.2.8 European best practice in Austria's federation

Whereas Germany abolished its non-profit housing legislation in the 1980s, Austria retained its legislation, which was similar. The Austrian model of limited-profit housing associations protected their equity and continued to grow, innovating and evolving to embrace publicly owned limited-profit housing providers (LPHA), such as 'Gesiba'.

The Austrian model has been of interest to many housing policy researchers, including Australian policy researchers since 2008 (Lawson and Milligan 2008; Deutsch and Lawson 2012; Lawson, Legacy et al. 2016; Werner 2021, 2024; Martin, Lawson et al. 2023). In recent years the Austrian model has inspired major reforms in Ireland's social housing sector (Housing Commission 2023) and been the subject of adaptation for Ukraine (Amann, Anisimov et al. 2024).

Unlike Australia, Austria has a well-defined cost-rent system and requires auditing of cost-capped resources—including land costs, financing and management costs, and size of dwellings, which must be less than 150sqm—and cost-covering approaches to rent-setting and indexing. Equity and assets must be dedicated towards affordable housing.

The Austrian legislation permits modest surpluses for new supply, maintenance and renovations, while limiting profits for equity investors and prohibiting equity extraction. This is well-regulated, with no failures or liquidations.

The Austrian regulatory system provides an interesting and potentially useful approach to the development of regulation of social housing by Australian NFP providers (Deutsch and Lawson 2012). Like Australia, it operates in a federalist setting. The legislative framework is national (under the Ministry of Economic Affairs), while housing subsidy programs are developed and implemented by state governments, co-funded from federal transfers (which were formerly under tied long-term agreements). Industry regulation takes place under a strong legal framework and is constructively implemented on a regional basis (using auditors funded by member fees). Audit reports are provided to state governments who in turn determine providers' eligibility to access ongoing capital subsidies. Furthermore, development proposals must address local housing needs and land policies, and require municipal approval for developments, land allocations and, in turn, access to subsidies.

Overall, the Austrian regulatory approach is designed to drive effective, mission-focused housing outcomes via public or private NFP providers that employ resources appropriately, efficiently and transparently. It also promotes affordability through efficiency and reinvestment of own equity, to deliver quality well-maintained housing and growth through changing economic and political circumstances.

5.3 MPS and the care economy: Lessons for social and affordable housing

This section draws on housing examples of MPSs in other parts of Australia's care economy, where private, NFP and public providers are involved in delivering services. Consumers of those services pay fees, which are heavily subsidised by the federal government. In some cases, the federal government tops these subsidies up with other payments made to providers to pay for specific services, but the main form of federal financial support is through subsidies paid to consumers.³³ Regulators provide oversight of quality as well as information to help consumers make choices, with the intent of driving the system toward more efficient and effective levels of service delivery.

These MPSs pose the following questions:

- What can we learn from these systems?
- Do they provide a model for the social and community housing system to follow?
- What can we learn from them, including successes and areas for improvement?

5.3.1 The care economy defined

Although widely used in North America and Europe, the concept of *care economy* is a relatively recent addition to the Australian policy literature.³⁴ It can be defined as the labour and resources used in the production, distribution and consumption of care for others, both paid and unpaid.

The care economy accounts for a substantial part of the labour force. It includes aged care, early childhood education, disability, family services (including family violence and child protection), and according to some, services for veterans. To the extent that it involves care and support services for tenants, social housing is also part of the care economy.

5.3.2 MPS and the care economy

Unpaid labour by women was central to the care economy until relatively recently. To the extent that it involved paid employment, this was delivered through government agencies at federal, state and local levels, and also NFP agencies. Over the last three decades this has changed dramatically, as a result of:

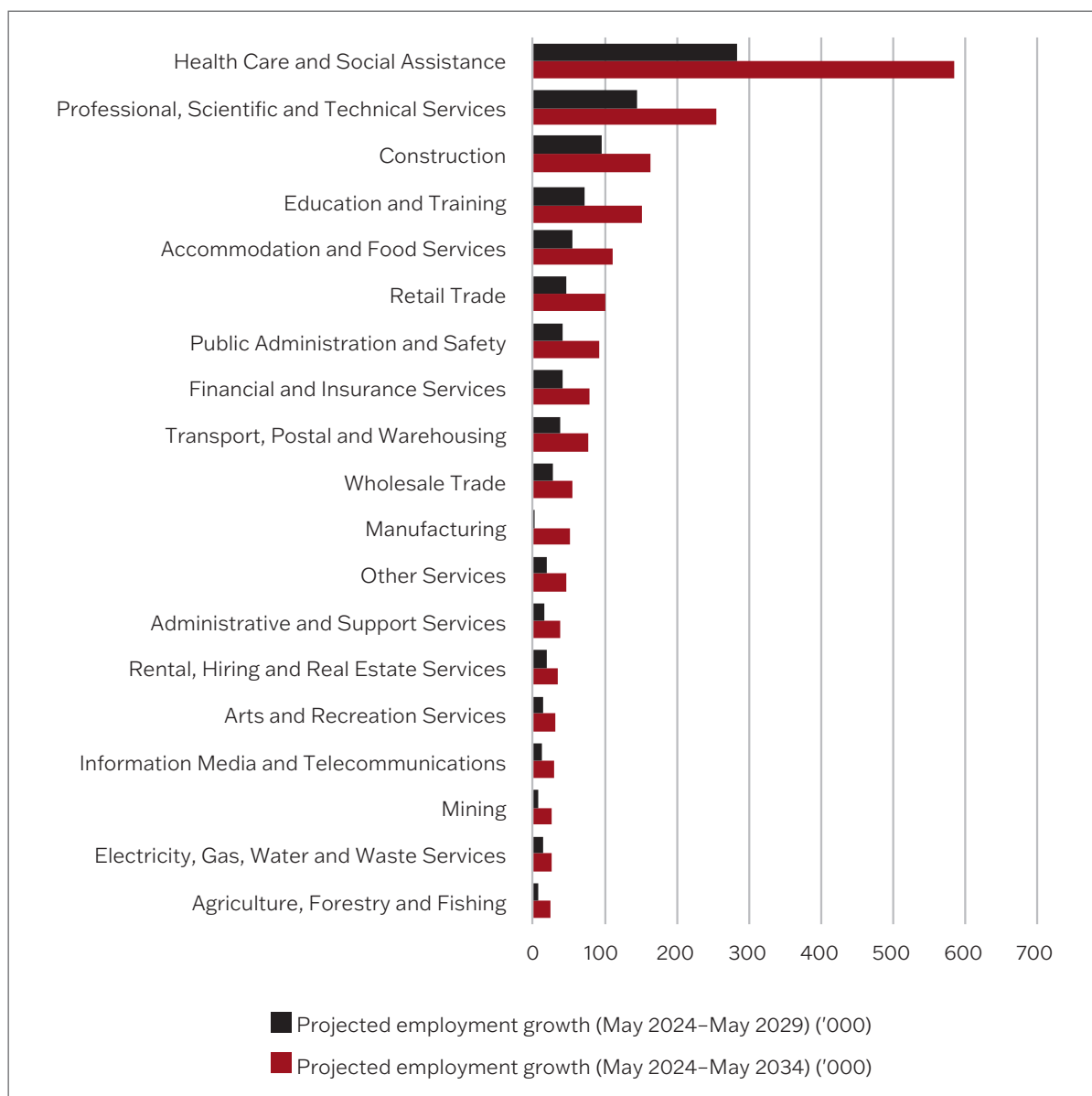
- large increases in government funding
- major policy changes associated with the development and implementation of National Competition Policy (1995–2005) in its various forms.

These reforms have resulted in large increases in the care economy's paid workforce, which is still dominated by women (see Figure 28). This growth is projected to continue at a rapid pace over the next decade.

³³ In August, 2024, the Commonwealth announced a major departure from this policy by agreeing to pay \$3.6b to childcare providers to fund a 15% pay increase for workers: (<https://www.pm.gov.au/media/pay-rise-early-educators-while-keeping-fees-down-families>).

³⁴ From being rarely (if ever) referred to in major documents like budget papers and white papers, it is now quite commonplace to see the 'care economy' referenced in policy work on skills and employment. See for example: <https://www.pmc.gov.au/domestic-policy/care-and-support-economy>; <https://treasury.gov.au/sites/default/files/2023-10/p2023-447996-working-future.pdf> p.3; and <https://www.vic.gov.au/skills-victorias-growing-economy>.

Figure 28: Growth in employment by industry, Australia 2023–2033



Source: <https://www.jobsandskills.gov.au/data/employment-projections>, accessed 6 December 2024.

What role has National Competition Policy and related reforms played in driving the MPS in the care economy?

In 1995, the federal, state and territory governments reached agreement on policy principles intended to develop, strengthen and grow markets in areas traditionally delivered solely by government. They also agreed on a mechanism to monitor progress in implementing these reforms. For each of the nine years until 2005/06, the Commonwealth paid the states and territories individually as a reward for implementing the agreed principles, with over \$5.5b in payments made in total.³⁵

³⁵ <http://ncp.ncc.gov.au/pages/about>, accessed on 11 November 2024.

While the care economy did not feature specifically in the first wave of competition policy reforms, it was called out in Reviews of National Competition Policy by the Productivity Commission in 2005³⁶ and an independent Review for the Treasury undertaken in 2015 (Australian Government Competition Policy Review 2015: Chapter 12). This was given added impetus by a Productivity Commission Inquiry into Human Services in 2017 (Productivity Commission 2017). The Productivity Commission report, like the other reports, recommended the use of managed markets in which consumers would be given choice and providers would be required to compete for business:

The Commission's starting point is that users should have choice over the human services they access and who provides them ... Competition (as an adjunct to user choice) delivers strong incentives for providers to be more focused on people who use services. (Productivity Commission 2017: 6)

As part of these reforms, government funding has increasingly switched from predominantly block payment to service agencies, to subsidies being paid to end users, who are able to buy services from providers in managed 'markets'.³⁷ Regulations restricting entry to these markets by private providers were restructured to encourage increased competition which, it was felt, would lead to greater consumer choice. This shift enabled private provision of care services in all parts of the care economy to balloon (see for example Tables 7 and 8). It also resulted in government service delivery shrinking dramatically as a share of the total. Indeed, the disability MPS is completely private, with government playing no role in service provision, in line with federal government policy at the time. The most reliable estimate available is that around 70 per cent of providers are private and 30 per cent are NFP (National Disability Services 2023).

Table 7: MPS in early childhood education and care

Providers 17,461 services approved to operate under the National Quality Framework as at Q4 2023						
Private, for-profit	Private, NFP (community managed)	Private, NFP (other orgs)	State / territory / local government managed	State / territory government schools	Independent schools	Catholic schools
9,171 (53%) services	3,396 (19%) services	2,321 (13%) services	1,180 (7%) services	672 (4%) services	495 (3%) services	209 (1%) services

Source: Productivity Commission 2024.

Notes: NFP = not for profit.

³⁶ Productivity Commission, 2005, Review of National Competition Policy Arrangements, Productivity Commission Inquiry Report No. 33, 28 February, accessed 11 November 2024: <https://www.pc.gov.au/inquiries/completed/national-competition-policy/report/ncp.pdf>.

³⁷ The 1997/98 Commonwealth Budget was the last one to fund block-operating grants and capital subsidies to childcare providers (see https://archive.budget.gov.au/1997-98/bp1/bp1_1997-98.pdf, pp. 4–58). That same budget announced changes to the funding of aged care designed to streamline payments for hostels and nursing homes, and the introduction of aged-care bonds, which were to replace capital grants. Residents were expected to pay for their accommodation using a mixture of their own money and means-tested subsidies. Providers were no longer required to provide detailed acquittals of their expenditures, nor information on nurse–resident ratios. The result was a managed market for residential aged care, see: https://www.aph.gov.au/-/media/wopapub/senate/committee/clac_ctte/completed_inquiries/1996_99/aged/aged_care_report.pdf?la=en&hash=25A4241603790F04E3408007D840112C51C24BF8.

Table 8: MPS in aged care services

Program	For-profit	Not-for-profit	State, territory or local government	Total
Residential	288	488	97	873
Home Care Packages (at 30 June 2019)	355	479	114	928
Commonwealth Home Support Program	102	1,006	350	1,458

Sources: Royal Commission into Aged Care Quality and Safety 2021b: 31.

This shift in funding was accompanied by a substantial lift in the amount being spent. Part and parcel of this approach has been the establishment of regulators to monitor the quality of service delivery and provide information to end users so that they can choose the best option for them.

5.3.3 Outcomes

The MPSs that have developed in each of the core parts of the care economy have proven to be expensive. Disability, aged care and childcare payments now account for 13 per cent of the Commonwealth budget, and are among the fastest growing expenditures (see Table 9). As the Australian Competition and Consumer Commission (ACCC) has pointed out, in the case of childcare, the rapid increase in subsidies has been accompanied by equally rapid increases in the payments made by end users; large increases in subsidies are being swallowed by higher fees. Despite mounting subsidies, childcare costs in Australia are high by international standards (Australian Competition and Consumer Commission 2023: 35, 207).

Table 9: Major Australian Government care-economy payments, 2023/24–2027/28

	Estimates (\$m)		
	2023/4	2027/8	% change
NDIS	\$42,902	\$60,111	40.1%
Aged care services	\$32,305	\$43,542	34.8%
Childcare subsidy	\$13,738	\$16,818	22.4%
Sub-total	\$88,945	\$120,471	35.4%
Total payments	\$682,961	\$826,157	21.0%

Source: Commonwealth Government, Budget 2024/5, Budget Paper No. 1, pp. 209–212.

Across the care economy, and despite rising subsidisation, levels of service quality remain mixed. We know this because of a series of Royal Commissions and Committees of Review that have been established to examine systematic failures. Included here are the Royal Commission into Aged Care Quality and Safety (2021a), and the Disability Royal Commission (2022; see in particular Chapter 2 of Volume 10). Both Royal Commissions found startling levels of abuse, neglect, sexual assault and exploitation, which the Aged Care Royal Commission concluded was: *‘a disgrace and should be a source of national shame’* (2021a: 68). Both Royal Commissions pointed to grave failings with the regulators, with the Aged Care Royal Commission again being very blunt in its assessment: *‘Overall, the system has failed ... it is not fit for purpose’* (2021a: 53).

The Disability Royal Commission drew attention to a staggering level of incidents being reported to the regulator, which was in turn unable to manage all this work. For example, in 2021–22, the NDIS Quality and Safeguards Commission received 1,438,931 notifications of reportable incidents (up from 915,80 the year before). These notifications included:

- 1,921 deaths
- 2,443 allegedly unlawful physical or sexual contacts
- 4,178 serious injuries
- 1,422,295 uses of unauthorised restrictive practices (Disability Royal Commission 2022: 256).

Given this workload, it is not surprising that the Royal Commission found the Quality and Safeguards Commission had inadequate systems to enable complaints to be made easily, and for them to be dealt with in a timely fashion. Its redress efforts were almost non-existent. It also called out a deeply flawed registration and auditing process, in which the overwhelming majority of providers were not registered; and those that were registered were not subjected to careful, regular audit, with several providers identified as being responsible for seriously unsafe practices being given a near clean bill of health (Disability Royal Commission 2022: 317–322).

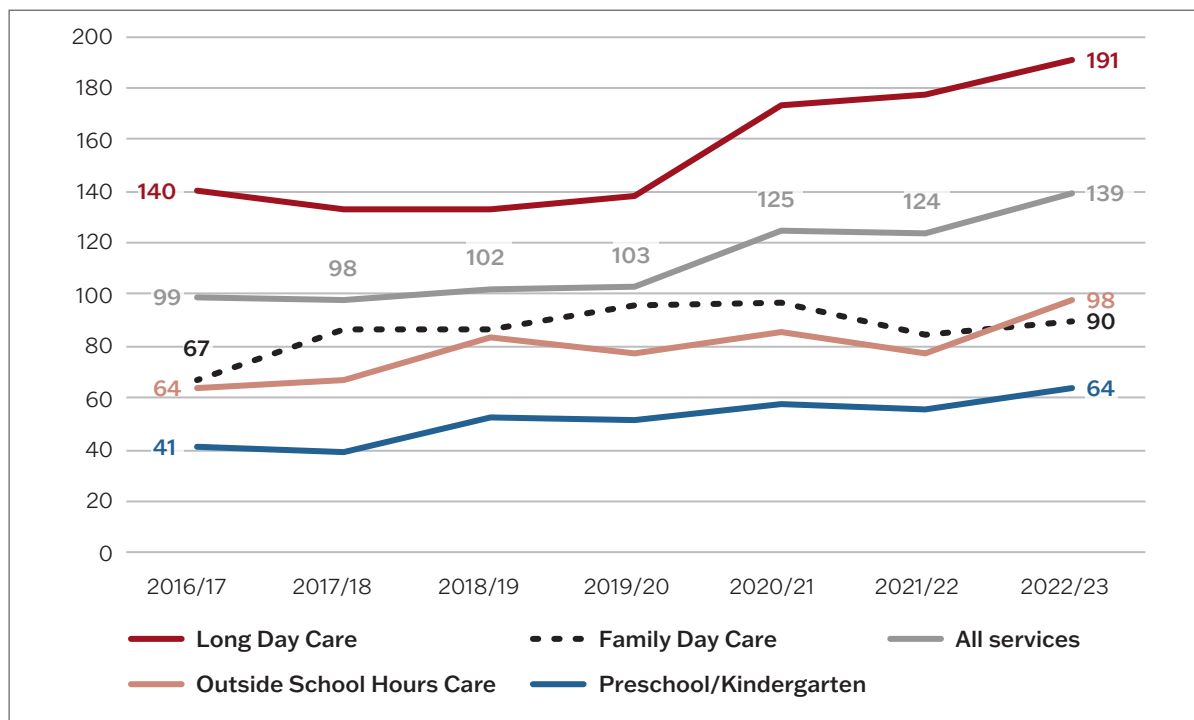
Childcare (specifically long day care) also has mixed results.³⁸ On the one hand, the percentage of services given a quality rating of ‘meets or exceeds the acceptable standard’ has increased over the last 15 years to reach 92 per cent in the latest year for which data are available (2023).

On the other hand, all of this increase is accounted for by services that meet rather than exceed the standard. The percentage exceeding the standard has fallen over the last five years to the lowest levels since records began to be assembled in 2014—they are down to below 30 per cent for all quality standards, with three standards below 20 per cent (Australian Children’s Education and Care Quality Authority [ACECQA] 2023: 10, Figure 3).³⁹ Further, almost 10 per cent of providers have been given an exemption from meeting the standards. While the percentage of providers that meet the standards has increased to high levels, a large proportion of these have had that rating for four or more years—and a lot can change in that time period. Finally, there has been an alarming increase in the rate of reported serious incidents and breaches of regulations over the last five years, which shows no sign of reversing despite very substantial increases in funding (see Figure 29 and Figure 30).

³⁸ See for example the review by Alan Fels (2024) on Inquiry into Price Gouging and Unfair Pricing Practices, where it is found that five major cartels dominate the childcare industry and are able to fix higher prices and offer lower wages to staff: https://www.actu.org.au/wp-content/uploads/2024/02/InquiryIntoPriceGouging_Report_web9-1.pdf.

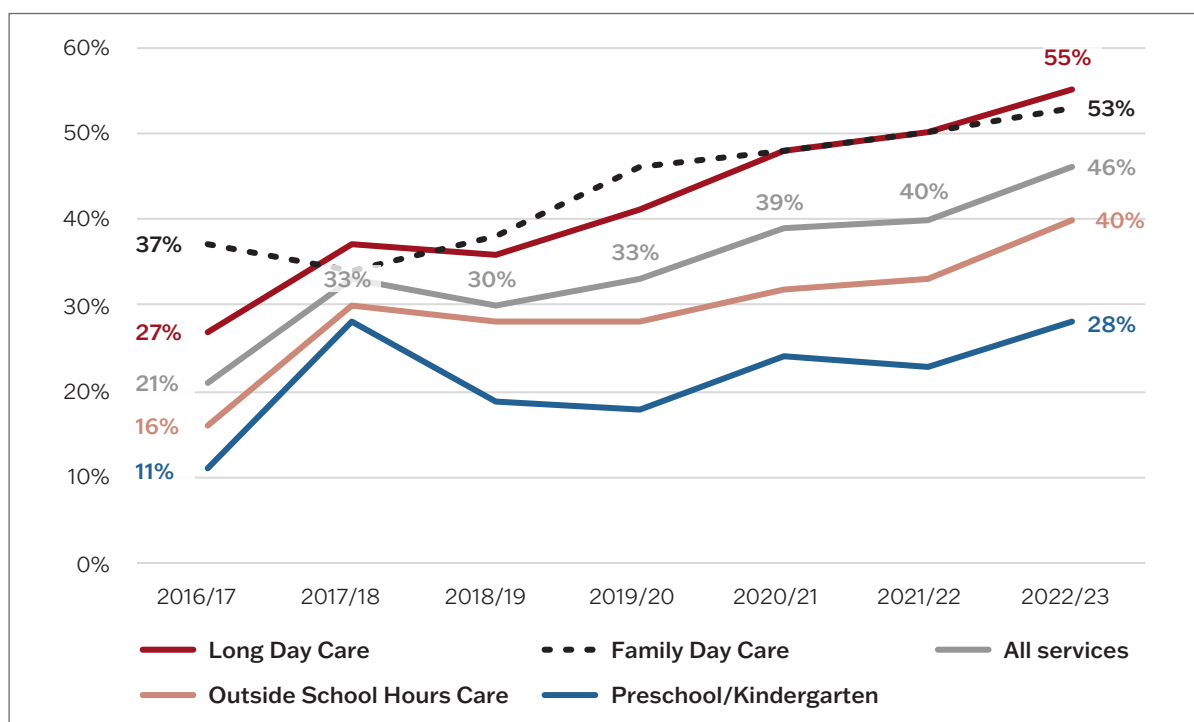
³⁹ This decline may partly be attributable to new standards introduced in 2018, which are harder to score well on.

Figure 29: Rate of reported serious incidents per 100 approved services



Source: Australian Children's Education and Care Quality Authority, *National Quality Framework Annual Performance Report 2023*: 20, Figure 1.5.

Figure 30: Proportion of services with one or more confirmed breaches of regulations



Source: Australian Children's Education and Care Quality Authority, *National Quality Framework Annual Performance Report, 2023*: 23, Figure 1.8.

5.3.4 Choice in care-economy MPS: real or illusory?

The various reviews of the care economy have two other findings in common.

- The client groups are not good candidates for a system based on competition and choice.
- Workforce shortages were compounded by poor pay, poor conditions, and high rates of casualisation.

Client groups, competition and choice

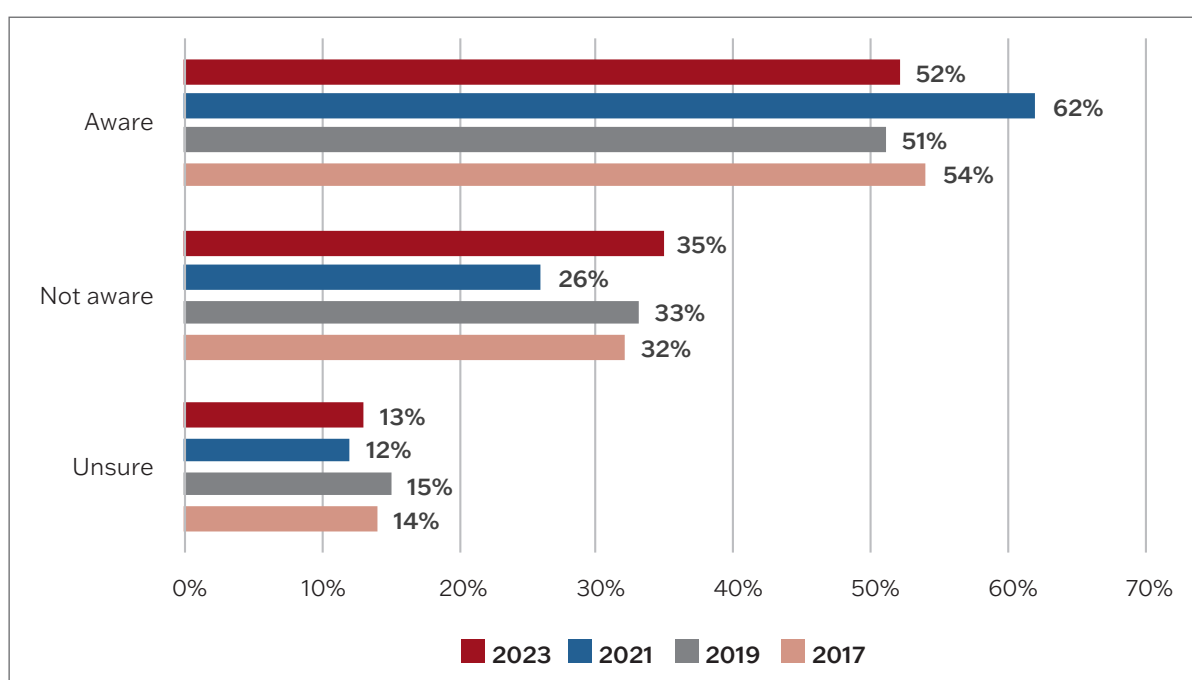
The reviews all point out that the client groups were never good candidates for a system based on competition and choice because of their age, frailty or disability. In all cases, the end users were not well-placed to assess the adequacy, quality or appropriateness of the services being offered, and all were open to being deceived through misleading marketing and sales pitches—including having excellent facilities but providing inferior care services, which led to fraud and large amounts of waste. In all cases, once an end user has made a decision about a service provider, there is a high cost associated with finding an alternative.

The ACCC's discussion of the difficulty parents face in exercising genuine choice when searching for childcare is instructive:

Childcare is inherently an 'experience good', given many consumers are unable to properly assess its quality until after their child is enrolled and begins attending a service. Childcare also has characteristics of a 'credence good'. Even after some time using a service, many parents and guardians may never fully determine its quality as it is the child using the service ... Relatedly, the importance parents and guardians place on established relationships with the service and between their child and educators, can create a high cost of changing services. (2023: 21)

Interestingly, the ACCC found that in 2023 barely half the parents that they interviewed were aware of the quality ratings in childcare (see Figure 31 below), and only one-third of parents discussed the quality ratings with their service provider (Australian Children's Education and Care Quality Authority 2023: 48, Figure 5.6).

Figure 31: Survey respondents' knowledge of individual service quality ratings in childcare: 2017, 2019, 2021 and 2023



Source: Australian Children's Education and Care Quality Authority, National Quality Framework Annual Performance Report, 2023: 46, Figure 5.4.

Note: 2017 (n) = 1,010; 2019 (n) = 1,530; 2021 (n) = 2,206; 2023 (n) = 1,691.

Parents were also highly susceptible to manipulative sales practices, made possible by the absence of clear information on service provider quality. A quick glance at providers' websites about aged care, childcare and disability demonstrates that the goal is not to provide useful, distinctive information that might help inform good choices. They are remarkably similar in content—even in names—with few providers even bothering to declare ownership, including large providers that operate under multiple brands.

One Aged Care Royal Commissioners made her view of the managed market in aged care very clear:

In many ways, this largely Government-funded system has grown topsy-turvy without enough Government attention—leading to increasing commercialisation of the sector, growth in the market share of large-scale for-profit providers and a loss of focus on the sector's social mission to provide high-quality and safe care for older people ... The aged care system has suffered from sequential attempts by government to define it as a market in its own right ... these 'market-based reforms' that redefine the people who use aged care as 'consumers' who 'direct' their own care by purchasing services from businesses in a competitive market have resulted in more confusion than before and certainly not improved quality or transparency. (Royal Commission into Aged Care Quality and Safety 2021a: 26).

Workforce shortages, conditions and casualisation

The second feature the care-economy sectors share in common is severe workforce shortages, compounded by poor pay and conditions, high rates of casualisation and poor career prospects. Also troubling is a largely out-of-date set of qualifications that are typically at the vocational end of the spectrum. In the case of the NDIS, the system was designed specifically so that end users could employ anyone they wished, irrespective of their qualifications. Yet as the Royal Commissions, the Productivity Commission and the ACCC all agree, a professional, highly qualified and well-paid workforce is crucial to high-quality service provision.

The available evidence suggests that social and affordable housing should avoid emulating aged care, disability and childcare MPSs.

MPS in the care economy have proven to be very costly. They have struggled to deliver quality outcomes, partly because the funding has not flowed to a well-credentialed staff with genuine career prospects and a sense of professional identity to match. And, most importantly, while they have been championed as systems that deliver choice and competition, their failure to do so has left end users in a highly vulnerable position.

5.3.5 School education: a better MPS model?

Another social service MPS that may serve as a model for social housing is the school education system in Australia, which includes public, NFP and for-profit providers.⁴⁰ The Australian school education system is large, complex and funded via a federal set of financial agreements as well as private school fees, not to mention donations and bequests. In 2024, there were over 9,650 primary and secondary schools and over 4.1 million students, of which around 63 per cent were public and the balance were private. The private schools were primarily not-for-profit.⁴¹

⁴⁰ For a history of school education in Australia, see Heffernan (2021)

⁴¹ The National Schools Statistics Collection (NSSC) is sourced from Commonwealth, state and territory education departments, for 2024 statistics see Australia Bureau of Statistics (2025)

The core part of the system is the state education departments and related quality and curriculum units that report to Education Ministers, and which have learners and learning as their core objectives. The system is a national one, with the federal government binding the state-based systems together through the National School Reform Agreement (Council of Australian Governments 2021) that includes funding provisions and an agreement on a national curriculum, and measured in terms of outcomes. States and territories undertake periodic reviews of national school agreements between the Commonwealth and the states and territories (see for example Productivity Commission 2022). The education outcomes are sufficiently broad to enable a national system to be delivered, while enabling providers to have creative space to work out how they might best meet those outcomes, thereby giving the system diversity.

The state education departments were formed in the latter third of the nineteenth century (1872-1895) as a result of Education Acts in all of the colonies that introduced free, compulsory and secular education for children of certain ages (Shorten 1996). These new parts of the emerging state system had three main tasks: train and educate children; establish and reproduce a teaching profession as a new and expanding segment of the labour force; and develop and implement an age-specific curriculum. All of these tasks were contested and have continued to be contested since their inception (see for example Miller 1984).

Questions of what should be taught, who should be taught and by whom have been thoroughly explored and reviewed over that time, culminating in the national system that exists today, the performance of which is able to be compared internationally. The result is a deeply embedded education culture oversighted and maintained by state education departments, each with a rich history that stretches back over a century.

Collectively the states employ almost 195,000 equivalent full-time teachers, the equivalent of 62.6 per cent of all teachers in Australia.⁴²

The state education departments by default help determine the curriculum for the teachers' colleges and universities that are preparing the next generation of teachers. They also set the standards required to be a registered teacher and school, as well as the career paths open to teachers to follow.

Schools and their school councils are the core part of the service delivery model. Councils have some degree of responsibility for the performance of the school. This is at a high level in the case of non-public schools, and a lesser level for public schools, with budgets at the school level basically set by the education departments (the bulk of a school's budget is accounted for by the salaries of teachers) but with some flexibility built in (see for example Centre for Education Statistics and Evaluation 2020).

There is variation across the states in the degree to which school councils in the public system are constituted as well as the degree of autonomy they enjoy from the state education departments. There has been a move in recent years to enable councils to choose new members based on skills rather than elections amongst parents.

In addition to teachers and teacher training, there is one other crucial way in which education departments keep control over the education system as a whole: the curriculum. Each state has their own curriculum, which must incorporate elements of the national system. All schools, public and private, are required to teach to that curriculum, with some flexibility being permitted as to precisely how that plays out from school to school.⁴³

⁴² School education today remains a significant item of state government budgets. In 2022/3, \$64.7 billion was spent by the states on public school education. See for example, with regards to expenditure on schools, Australian Curriculum Assessment and Reporting Authority (2024a) and staffing Australian Curriculum Assessment and Reporting Authority (2024b).

⁴³ See for example Victorian Curriculum and Assessment Authority (nd) and NSW Education Standards Authority (2025).

The school curriculum is linked to international measures of educational attainment, ensuring that it is possible to measure the outcomes from school education with those in other OECD nations. Australia consistently ranks well on these measures, although levels of performance have been in decline over the last 20 years and there remains a significant gap in performance between those who do well in the tests and those who do not, with socioeconomic background a key determinant of success (De Bortoli 2023; OECD 2023b).

States and territories plan for the delivery of new schools to meet demographic needs. In Victoria this historically was done through the Victorian Planning Authority, which took into consideration not only the need for more government schools, but non-government ones as well. Not all school resourcing needs are met despite planning intentions. Nonetheless, such a long-term planning approach to deliver social housing services commensurate with need would be an advance in the provision of social and affordable housing in Australia.

School education is relatively well-funded, with spending on primary and secondary education in Australia above the OECD average in 2024 (OECD 2024). School policy and funding arrangements expect that government schools are provided with revenue (operating and capital) to ensure a good quality education and in a way that ensures the system is able to be universal as well as for it to plan for growth. This is not to suggest the system is perfect or that it is not open to improvement or that there is no need for more resources to flow to it, especially to disadvantaged communities. Nevertheless, the system appears robust, is broadly sustainable, and is regulated sufficiently well to ensure the multi-provider system is able to operate at scale with reasonably tight oversight of performance while giving some degree of flexibility at the local level.

5.4 Insights and implications

We conclude this chapter with key insights for Australia's multi-provider social housing system from different Indigenous-led housing approaches, European cost recovery models, and examples of care economy and education MPSs.

Experience from the social housing MPS in Aotearoa New Zealand demonstrates the following:

- The Māori-led social housing sector is emerging as an important means for Māori to meet housing needs in Aotearoa New Zealand, among other mechanisms and approaches.
- The subsidy and assistance mechanisms for social housing in Aotearoa New Zealand provide scope for Māori-led housing providers to establish and deliver housing in ways that address community cultural and housing needs, and support development aspirations.
- There is growing appetite for innovation in housing provider approaches outside the mainstream social housing frameworks as the relationship between Māori and the Crown as treaty partners evolves.
- There is a continued task to ensure sufficient capital inputs to achieve long-term growth in the social housing stock for Māori-led CHPs as well as the community housing sector in general, while avoiding capital leakage from the sector.

Experience from Europe provides insights into integrated planning, socially inclusive allocation and cost-rental approaches to ensure the sustainability and growth of social housing MPS. Resilient and growing models suggest that it is important to do the following:

- Ensure and maintain administrative capability to establish and improve policies, strategies and programs to implement successful systems of social housing provision.
- Ensure that key social obligations of social housing are built into the core of the mission and operating model of provision—for example, in the providers' statutes, rent-setting and allocation policies. These obligations must be sustained over time, beyond any financing or lease contract or committed subsidies, as successfully achieved in Denmark and Austria.

- Mandatory planning agreements coupled with long-term public investment are required to ensure an efficient and effective pathway for needed housing and development sites for new supply, as done in France, Finland and Denmark. These supply strategies prioritise, facilitate and support development of social housing.
- Regulation via a clear legislative framework is required to ensure efficient and good practice across all providers dedicated to adequate affordable housing supply. Such regulation should incorporate cost-recovery principles, and be effectively implemented, monitored and audited. All providers receiving some form of public support—land, grants, favourable financing or tax concessions—are regulated and audited to promote best practice.
- Maintain long-term circuits of investment to support regulated housing providers and ensure they serve a broad range of policy goals—from improving access to adequate housing to decarbonising housing stock and renewal. Mission-focused circuits must incorporate rules to ensure equity is grown to serve social housing purposes over generations, as is done in France with savings and loans via the CDC, in Denmark with the revolving fund, and Finland with cost-rent calculations.
- Equity in the form of land, provider equity, planning contributions and conditional grants must be protected from extractive practices such as excessive profit extraction, discounted sales or transfers of public assets. Threats to mature housing assets—which may generate surpluses for their owner—must be prevented, as they erode both the balance sheet and the capacity to invest further.
- Reduce reliance on costly or inefficient financing and require the paydown of outstanding debt. This ensures the build up of equity, which enables its reinvestment over time. Don't promote PPP deals that are too complex to govern well, involve high transaction costs, offer low public transparency, pose potential project delays and threaten re-negotiations. Rigorously evaluate and compare alternatives (see OECD 2020 for legal advice about this).
- Tenants should have the option to be engaged in the management of their own dwellings and the right to monitor its service quality.

Experience from the MPS in Australia's care economy, where the end user is often in a weak market position, demonstrates the following:

- The path of choice and competition has not delivered the expected successes, as the recent and quite harrowing Royal Commissions and committees of inquiry demonstrate.
- As in disability care, aged care and childcare, the end user of social housing is in a weak position to gather the information needed to make and then exercise choice over the providers—as a consequence, providers remain the powerful agents in the system. The power imbalance in MPS systems is often embedded and not reversed.
- In social housing the concept of customer choice is largely redundant because of the acute shortage of social and affordable housing, the long waiting lists, and the highly vulnerable condition of new tenants who manage to get to the front of the queue. The choice is effectively 'take what is given' or return to a highly vulnerable and more expensive position in the private rental sector, or to homelessness. That stark choice makes the very idea of, for example, lodging a complaint, deeply problematic.
- Social housing tenants are relatively powerless, so it is essential that the social housing MPS includes attributes that are to be found in better functioning MPS, such as school education. Foremost is a highly qualified, educated and paid workforce able to care for and support tenants, and a needs-based approach to planning, funding and maintaining school assets and service quality. And just like the teaching sector, the social-housing workforce should be registered and accredited, with staff development programs and continuous training a core expectation.

- A very strong regulator should have the interests of tenants as its overarching objective, which is the equivalent of a school placing students and learning at the centre. The regulator's goal should be to listen to tenants (both current and prospective), and to identify and set service standards that can be measured. Once service standards are determined and agreed nationally, state-based regulators can play a role undertaking on-site reviews of service providers. These on-site reviews must include tenants with sufficient skills to communicate resident issues and concerns.
- Related to this is the establishment of state-based tenant advocacy services that can provide support, education and training for tenants. This would allow tenants to genuinely exercise a voice in how their social housing provider delivers services to meet their needs and expectations. More effective resident advocacy was also a key finding of the Victorian regulatory review of social housing (Engage 2022) and a recommendation of researchers Martin, Lawson et al. (2023), based on international best practice in Scotland and Canada.
- The school education system may provide a helpful way forward. It successfully manages to provide oversight and control of a large, nation-wide system of which close to two thirds is public and the balance not-for-profit. Core funding is sufficient to enable public education systems to be sustainable while allowing private schools to top-up public subsidies with private fees. Importantly, the oversight system is national, yet it allows states some autonomy, and with each state in turn developing systems that allow some discretion to private schools. Equally important is the control state-based education departments enjoy over teacher qualifications and career progression. Teaching as a profession is one of the lasting important legacies of the national education system, which has a long history stretching back to the late nineteenth century.

6. A social housing system for good growth

Social housing systems can be designed to strengthen communities and respond to local needs. Dedicated land-use rights, strategic circuits of investment as well as governance to maintain decent standards and deliver good outcome for tenants are hallmarks of a high-quality social housing system.

However, when these instruments of public policy are poorly designed, they undermine their own goals. If a provider narrows the target group and suppresses investment and revenue in order to extract value, then quality and growth is unlikely. When social housing is reliant on uncertain and costly market mechanisms, sustaining and growing the stock has become an even more distant and costly prospect. Approaches to provision are not only fragmented, but outcomes are also more scarce and costly than in earlier periods. Reliance on competition for choice has been an illusion, as the concept of customer choice is largely redundant for tenants. The choice is effectively ‘take what is given’ or return to a vulnerable and more expensive position in the private rental sector—or even homelessness.

The existence of social housing has come to depend on the public subsidisation of private forms of provision, with little emphasis on efficiency and value for money. PPP availability payments funded by the dividends of a growth fund may seem like the latest game in town—or, at best, pragmatic—but the consequences for empowered, socially inclusive communities with healthy public finances are less than rosy. Collaborative partnerships with communities could be little more than convenient contractual arrangements for state governments and commercial builders.

This project has examined Australia’s social housing MPS and explored changes affecting provision of social housing at the federal, state and territory level. It has provided a systematic review of the varieties of social housing providers, focusing on factors that influence the trajectory of growth of the system and its specific form. This project was informed by five research questions (see Chapter 1). Drawing on the findings in chapters 2 to 4, each research question is addressed in turn below. The final section of this chapter details a series of policy development options that would go a long way to improving Australia’s social housing MPS.

6.1 Exploring the social housing MPS

Good regulation is an integral part of an effective MPS, as it enhances its mission, growth potential and sustainability. Australia’s social housing MPS can be far more resilient and self-sustaining. Yet this requires a broader mission and resident focus, efficient long-term investment in cost-recovery operations, and the build up of equity and reinvestment—rather than extraction—of surpluses, as is best practice (OECD 2023a; UN 2021).

Research question 1: The current state of the Australian multi-provider social housing system

Over the past three decades, Australia's social housing MPS has emerged through a web of policy decisions that have intentionally replaced a monopoly-provider model based on public housing with a new system involving a declining stock of public housing sitting alongside an expanding stock of community housing. The conceptual driver of this has been a policy desire to increase consumer choice by increasing the range of providers from whom tenants can rent a dwelling.

This new system has generated very little overall growth. Community housing has grown substantially—but this is largely due to stock transfers from public housing. This growth in community housing has been concentrated among the largest providers, with over half the stock managed by the largest 36 organisations. Despite this aggregate growth, social housing stock has declined in proportional terms from 5.2 per cent of dwellings in 1997 to 3.9 per cent of dwellings in 2023. In contrast, unmet need for social housing has grown, leading to an evermore complex web of rules and regulations that seek to increasingly target the available stock to progressively higher-need cohorts.

Social housing policies and regulations governing eligibility, access, security and affordability are highly variable and inconsistent across states, territories and sectors. The chaotic and inconsistent nature of regulation underlies the differential treatment and operating contexts for different providers within the social housing system—as well as likely confusion for tenants trying to access social housing. Eligibility criteria have tended to favour smaller households, despite demographic evidence that larger families are most in need of support.

Research question 2: Growth pathways shaping social housing missions, scale and growth models

Australia has no real social growth models, only project financing of development models. Approaches to development are largely ad hoc and fragmented, with the sector in search of a long-term and sustainable economic foundation. Fragmented access to funding streams—which vary between public and community housing—creates perverse incentives for partnerships and collaborations that do not always provide good outcomes. There are no reliably funded targets to increase the rate of social housing provision, given recent sharp increases in housing costs.

Growth models reflect the allocation policies of the social housing waiting list and project feasibility models of housing providers, rather than a broader demographically defined assessment of housing needs. Models of social housing provision do not cater for the needs of low-income to moderate-income households, which are increasingly finding themselves in rent stress.

Development models are increasingly becoming costly and complex, drawing on infrastructure financing PPP availability payment approaches. Rents collected from tenants are insufficient to cover the full costs of delivery housing services and covering development and capital costs, with a new rent model required to cover this gap. There are overlooked and underutilised opportunities for cost-recovery, revolving funds, local government and co-operatives to play a larger role in Australia's social housing MPS.

Research question 3: Provider perceptions on growth, policy support and risks in provision of social housing rentals in different contexts

As demonstrated by extensive interviews, submissions and research, consumer advocates, housing providers, policy makers, regulators and academics have mixed views on the wisdom of finance-driven rather than needs-based approaches to social housing investment. They have good reason, as Australia's approach to social housing financing fundamentally differs from more resilient, long-term European systems that have built up, protected and revolved equity investment over generations. These approaches are built on solidarity and revolving funds, rather than transfer of public equity and contests of deal-making. More sustainable approaches accumulate equity towards continuous improvement in supply, management and maintenance.

As providers need to maximise rental income to service the increasing cost of debt, there is a perception of decline in tenant experiences and lack of accountability across both public and community sectors. Financial feasibility is impacting the allocation of housing to tenants on the lowest statutory incomes, such as youth allowances or the highest accommodation supplement. Regulation within the community sector focuses almost exclusively on financial risk, which has led to a disconnect and lack of accountability of tenant outcomes.

There is a lack of solidarity across sectors, based on the experience of transfers, sales and exclusion of public housing, but a desire and willingness for healthy and co-operative competition.

Research question 4: International insights from other multi-provider social housing systems

More productive social housing systems are well integrated with urban plans and land instruments. They benefit from long-term land banking, disposal and asset use that prioritises and supports the growth of social housing. As in Finland, France, Denmark and Austria, publicly led land strategies are efficient in providing dedicated opportunities for social housing development. In these countries (re)zoning and development usually requires social housing as a condition of development rights, typically of 25–30 per cent—this provides opportunities to improve project viability through pre-sales, and also to address needs.

In Australia, present surpluses are only generated through public subsidy. In other words, margins on private finance, private equity and for-profit delivery are coming directly from public expenditure. As in many European models, revolving fund regulation can require that any surpluses from operations and asset management must be reinvested in the growth of new social and affordable supply. In this way, public investment in the social housing system can be seen as sustaining and growing valuable assets rather than merely a recurrent purchase of services on a long-term payment basis.

Cost-rental models have proven resilient in Europe, but they need co-investment and to be affordable in the early stages; they also need income assistance in high-cost locations and for the poorest households (Byrne 2024; Housing Europe 2021; Norris and Byrne 2022). Over time, cost-recovery models can also be self-sufficient, as in Denmark (Interviews, national Danish experts 2024) and propel new growth, as in France (Schaefer 2023; Interview with Schaefer 2024).

This experience demonstrates that housing systems can be designed to strengthen communities and cultural belonging, respond to local needs, and promote self-determination. In Aotearoa New Zealand, the Māori-led experience shows that land (and treaty) rights and strategic investment are vital in this process.

Research question 5: Insights from non-housing Australian multi-provider systems

Capable social housing providers require strong institutional foundations that incorporate:

- standards for provision
- qualified human resources
- accredited providers, monitoring performance and compliance with standards
- accountability.

Importantly, circuits of investment can sustain good growth, improve access to funds and continually invest to become self-sustaining—but this requires good regulation to build up equity and to prevent extractive practices.

Social housing systems accommodate vulnerable households and must act to enhance the power of users by enforcing good standards, ensuring voice and requiring accountability and active advocacy.

6.2 Policy development options for a social housing system for good growth

MPSs are also embedded in broader housing sectors and are thus affected by changes in prices such as construction costs, labour costs, debt-financing costs etc. However, as shown by case studies in this report, governments can regulate the extent to which the social provision sector is exposed to the extractive practices that operate in the private sector. Through targeted policies and regulation, governments can reduce the costs of social housing provision so it can attain self-sufficiency over time (see Section 5.2). Such policies and regulation include:

- discounted or free allocation of land
- low-cost finance
- mandatory reinvestment of surpluses
- favourable tax settings
- internal development capacity.

In Australia, tax settings and discounts favouring speculative property investment have contributed to high housing costs, making the formation of self-sustaining social housing sectors more difficult. However, international case studies show how self-sufficient MPSs can be constructed over time through visionary policy design and careful regulation.

Building on our research findings, these are our recommendations to improve the outcomes of Australia's social housing system.

Planning for growth

Needed in action are mission-focused policies with long-term investment strategies. These policies should be focused on:

- achieving area-based growth targets
- addressing needs
- addressing the backlog in social housing.

A long-term (30-year) investment strategy would greatly strengthen social housing development, direction and innovation, provided it is linked to funded needs-based targets and realistic performance indicators and outcomes reported to parliament. Joined-up public policy strategies can also deliver innovations, such as energy-efficient, low-carbon design, modern methods of construction and resident voice.

Key recommendations

1. Articulate a long-term vision that is coupled with a coherent operating model, which enables all regulated providers to address the need for social housing.
2. State-based urban planning should ensure local urban plans integrate needed social housing through relevant land policy actions—acquisition, lease, sales, rezoning, inclusionary zoning—and also take a more active role in partnering with regulated providers for co-development of social housing.
3. All providers receiving some form of public support—land, grants, favourable financing or tax concessions—must be registered, operate on efficient cost rents, and submit to auditing to promote best practice, efficiency and grow supply.
4. Ensure and maintain administrative capability to establish effective policies, strategies and programs to implement successful systems of social housing provision. This applies at all levels of government, and for all providers and relevant consumer advocacy bodies.
5. Improve the range and scale of data on the social housing MPS, including the number, type and scale of providers, as well as their output, financial performance and effectiveness in meeting tenant housing needs.

Funding social housing MPS

Australia's social housing MPS would be advanced by developing frameworks for cost efficiency, equity and effectiveness to ensure benefits for operating surpluses are maximised. Such frameworks would consider land, finance, construction, maintenance, and management costs, with reference to international best practice to drive innovation and efficiency. It is not uncommon for Australian social housing providers to make a surplus—particularly when the stock they are managing is free from debt and in good condition. This is also common in Europe. Resilient systems protect these surpluses from extraction and invest them in quality and growth via dedicated revolving funds.

Circuits of investment can sustain good growth, improve access to funds and continually invest to become self-sustaining. Yet this requires a coherent vision, good regulation and prevention of extractive practices, as in European best practice (OECD 2023a; UN 2021). Critically, a surplus from the operation of social housing provision can contribute equity that can be used to grow new social housing stock—but only if regulation requires this. When organisations are operated appropriately and efficiently, and auditing is effective—as featured in the Finnish case—sustainable growth can occur. The regulator should play a key role in benchmarking and auditing—this would help to drive efficiency and value for money through yearly cost-rental calculations.

Procurement frameworks should also be designed to support and improve efficiency and decent housing standards. Competition frameworks that focus solely on cost efficiency in procurement should not undermine decent standards, social return on investment or value-for-money principles. The cost of meeting decent standards should be spread over long periods, and not cause an excessive burden on tenants.

Key recommendations

6. Cost-recovery principles and processes must be effectively enshrined in regulation, monitored and audited. This would enable a sustainable model, ensure value for money and ensure a decent standard of affordable housing supply for tenants. Such a sustainable model would also involve:
 - a. Ensuring that key social obligations of social housing are built into the core of the operating model of provision—for example, in its rent-setting and allocation policy. These obligations must be sustained over time, beyond any financing or lease contract or duration of subsidies, as is done successfully in Denmark and Austria.
 - b. Ensuring circuits of investment support regulated housing providers which serve a range of policy goals—from improving access, to adequate rental housing, to decarbonising rental housing stock.
 - c. Harmonising supports to social housing providers, to provide public and community housing sectors with the same funding and tax supports. This would level the playing field and promote healthy, co-operative competition.
 - d. Reforming the rent model for social housing by providing sufficient subsidies to fund the gap between what is paid under an income-based rent-setting and the actual cost rent of delivering housing.
 - e. Ensuring value for money for tenants and the public purse by monitoring cost-rent calculations and ensuring assets and surpluses are used to grow the investments over generations.
 - f. Enabling a wide range of equity to be used to grow social housing, in the form of land, provider equity, planning contributions and conditional grants. This must be protected from extraction, such as discounted sales or transfers. Both Austria and Finland have clearly legislated models to follow.
 - g. Ensuring the build up of equity and reinvestment over time
 - h. Reducing reliance on costly or inefficient financing and strive to pay down outstanding debt
 - i. Following OECD (2020) and ECA (2018) advice to avoid promoting PPP deals that:
 - impose a long-term financial burden on the state
 - are too complex and inflexible to govern well and innovate
 - involve high transaction costs and pose uncertainties of renegotiation
 - impede public accountability
 - do not grow social housing assets over time.

Addressing tenant outcomes

Successful social housing MPSs define the operating principles of housing providers, their social task, and needs-based allocation. Such systems ensure that public investment is directed to entities operating according to the public purpose with a dedicated mission to supply and manage social and affordable housing primarily to assist people in housing need.

Key recommendations

7. Providers should cater for a broader allocation of tenants, respond to actual demographic needs and social and economic development priorities, and move towards a sustainable economic model (as outlined in Recommendation 9, below).
8. Develop a more robust and purposeful focus on tenants and their housing outcomes. This requires a very strong regulator with an overarching objective to listen to tenants—both current and prospective—in order to identify and set service standards that can be measured. Once service standards are determined and agreed nationally, state-based regulators can play a role by undertaking on-site reviews of service providers, including using teams of skilled-up tenants in the review process.

9. Establish state-based tenant advocacy services that can provide support and education and training for tenants, so that they can genuinely exercise a voice in how their social housing provider delivers services to meet their needs and expectations. Tenants should have the option to be engaged in the management of their own dwellings and the right to monitor its service quality.

Regulating the MPS

The relative powerlessness of social housing tenants means that it is essential that the social housing MPS includes attributes that are to be found, for example, in the school education MPS. Foremost is a highly qualified, educated and paid workforce able to care for and support tenants. That workforce should be registered and accredited, with staff development programs a core expectation. Also crucial is a strong commitment to tenant voice in system and agency governance—similar to the key roles parents play on school councils.

Good regulation is an integral part of an effective social housing MPS, as it helps to enhance its mission, growth potential and sustainability. Capable social housing providers benefit from strong and stable principles, which incorporate:

- standards for provision
- qualified human resources
- accreditation of providers
- monitoring and accountability.

Regulation is a work in progress. The evolution of Australia's regulatory system has stalled and is now primarily focused on the financial viability of providers, bedded down in contract-based PPPs, which are often far from public review. This can change with dedicated political support and sustained policy attention.

Good regulation provides for a fit-for-purpose framework for rent-setting, based on cost-recovery principles, and which also allows for more inclusive allocation policies that work for communities and the financial health of providers.

Good regulation of a social housing MPS also sets and ensures decent housing standards across all providers, and ensures that they reinvest any operating surpluses in continuous improvement and growth. Adherence to a well-defined framework enables providers to be eligible for and revolve various forms of public support, from direct public investment to tax concessions.

Key recommendation

In addition to operational effectiveness, tenant outcomes are an important focus of the regulatory system. Tenant involvement as key stakeholder (and co funder) helps to protect against unlawful or exploitative management practices and business strategies. Providers should submit detailed tenant outcome reports to the designated government or regulatory bodies responsible for overseeing social housing. This allows for external accountability and ensures compliance with quality standards. Reporting to tenant associations or representative bodies such as an ombudsman or tenant association would also strengthen accountability.

10. Regulated providers should publicly report movement of tenants, bonds held, evictions and exits, tribunal actions, property data, tenant-derived income (i.e. rent), repairs responses, and the number of tenants re-entering social housing.

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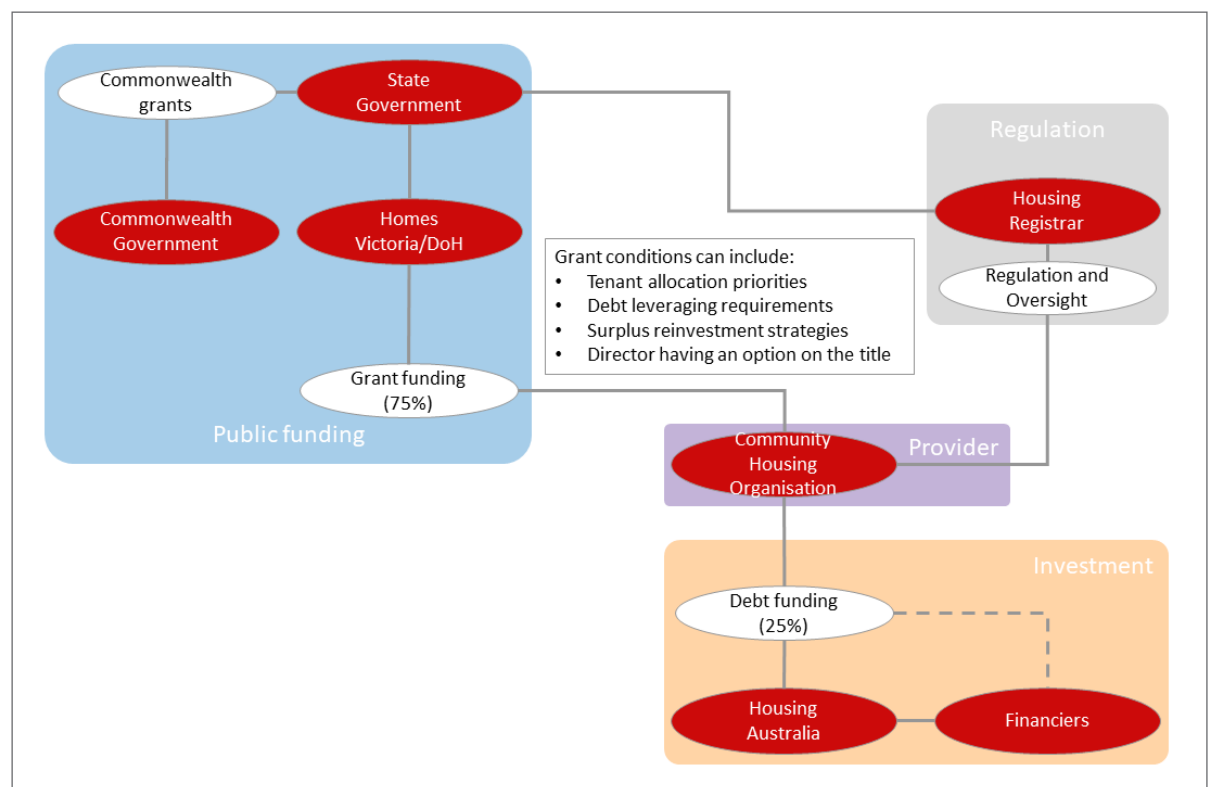
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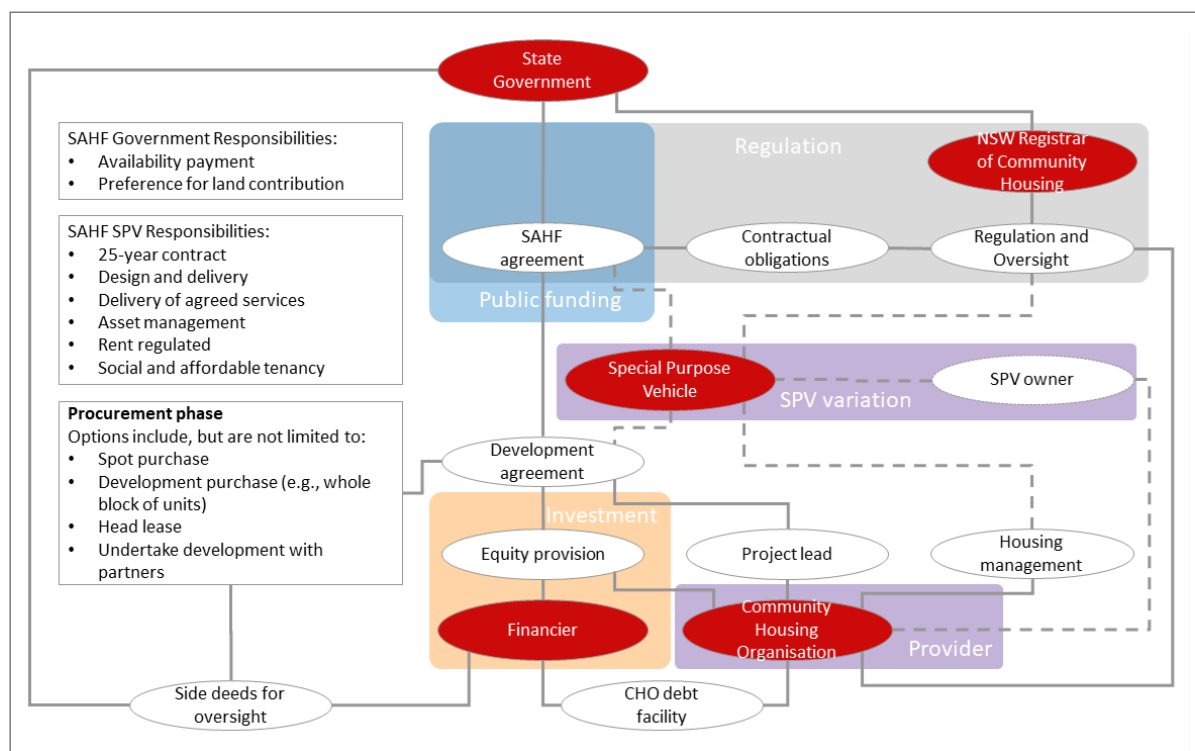
Appendix 1: Growth models

Figure A32: Capital grant model, Victoria



Source: Authors, adapted from Lawson, Milligan and Davies (2022).

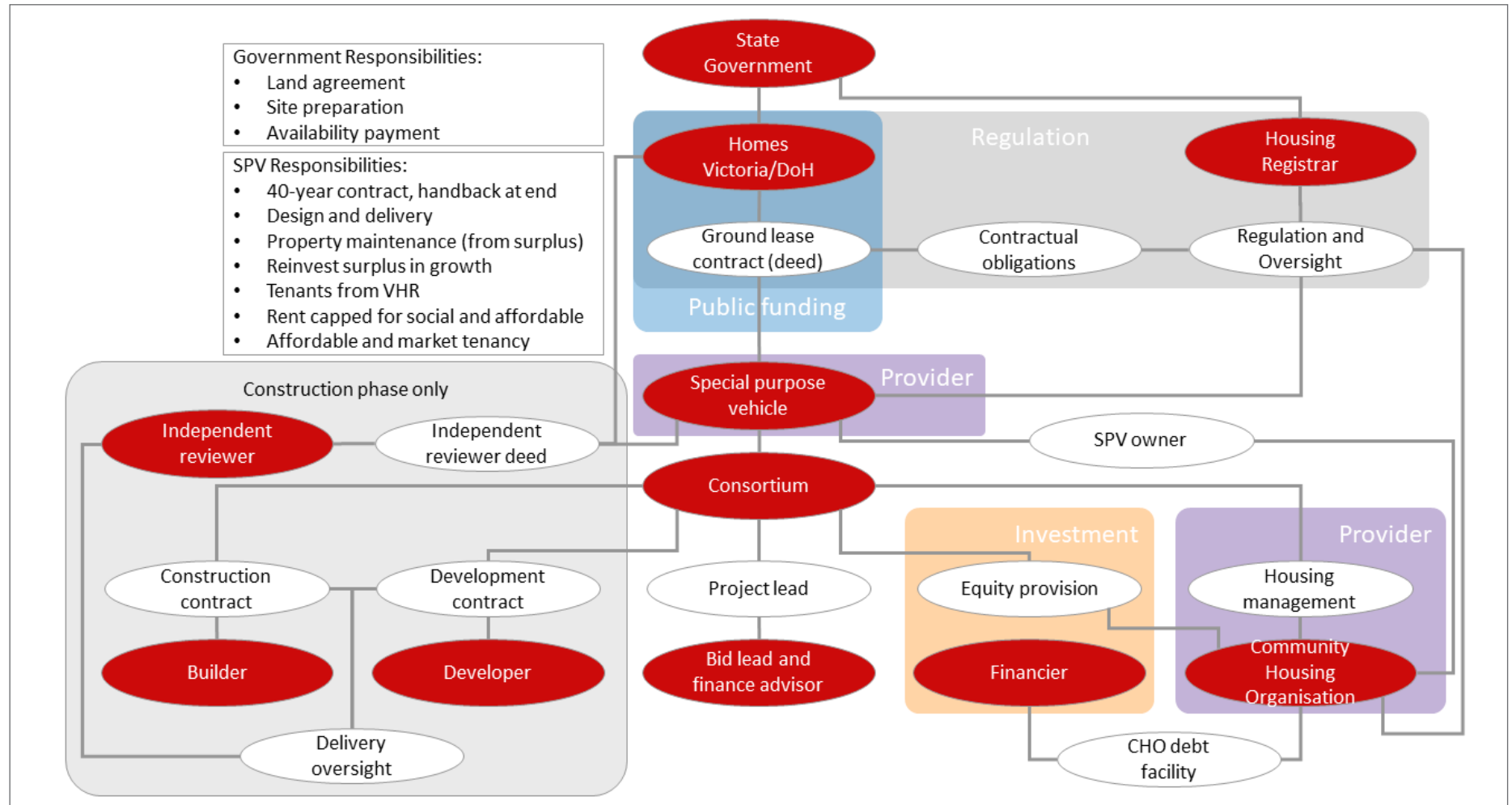
Figure A33: Operating subsidy model, NSW social and affordable housing PPP model



Source: Authors, adapted from Lawson, Milligan and Davies (2022).

Note: SAHF = social and affordable housing; SPV = Special purpose vehicle.

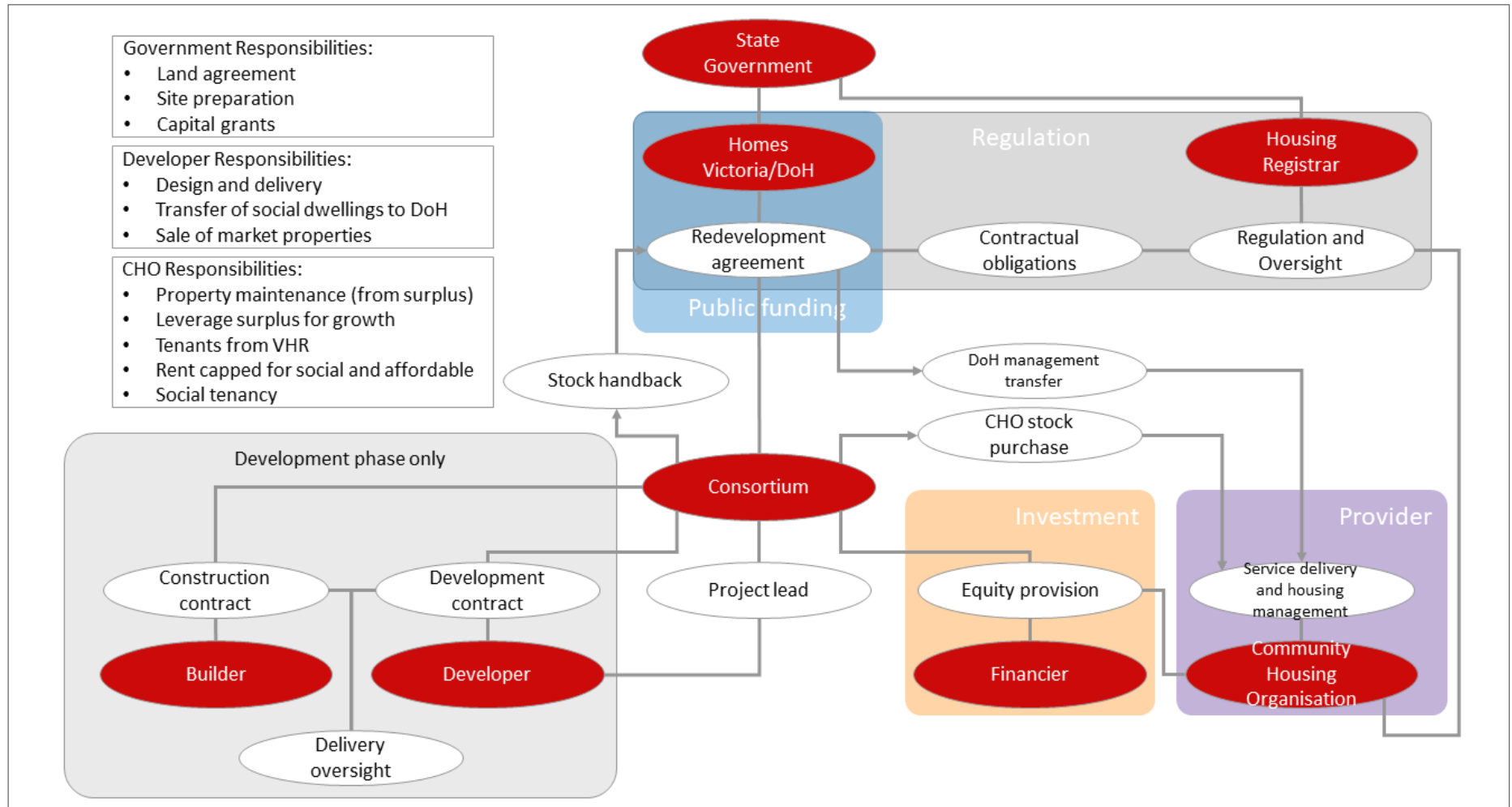
Figure A34: Operating subsidy model, Victorian Ground Lease Model



Source: Authors, adapted from Lawson, Milligan et al. (2022).

Note: SPV = Special purpose vehicle; VHR = Victorian Housing Registrar

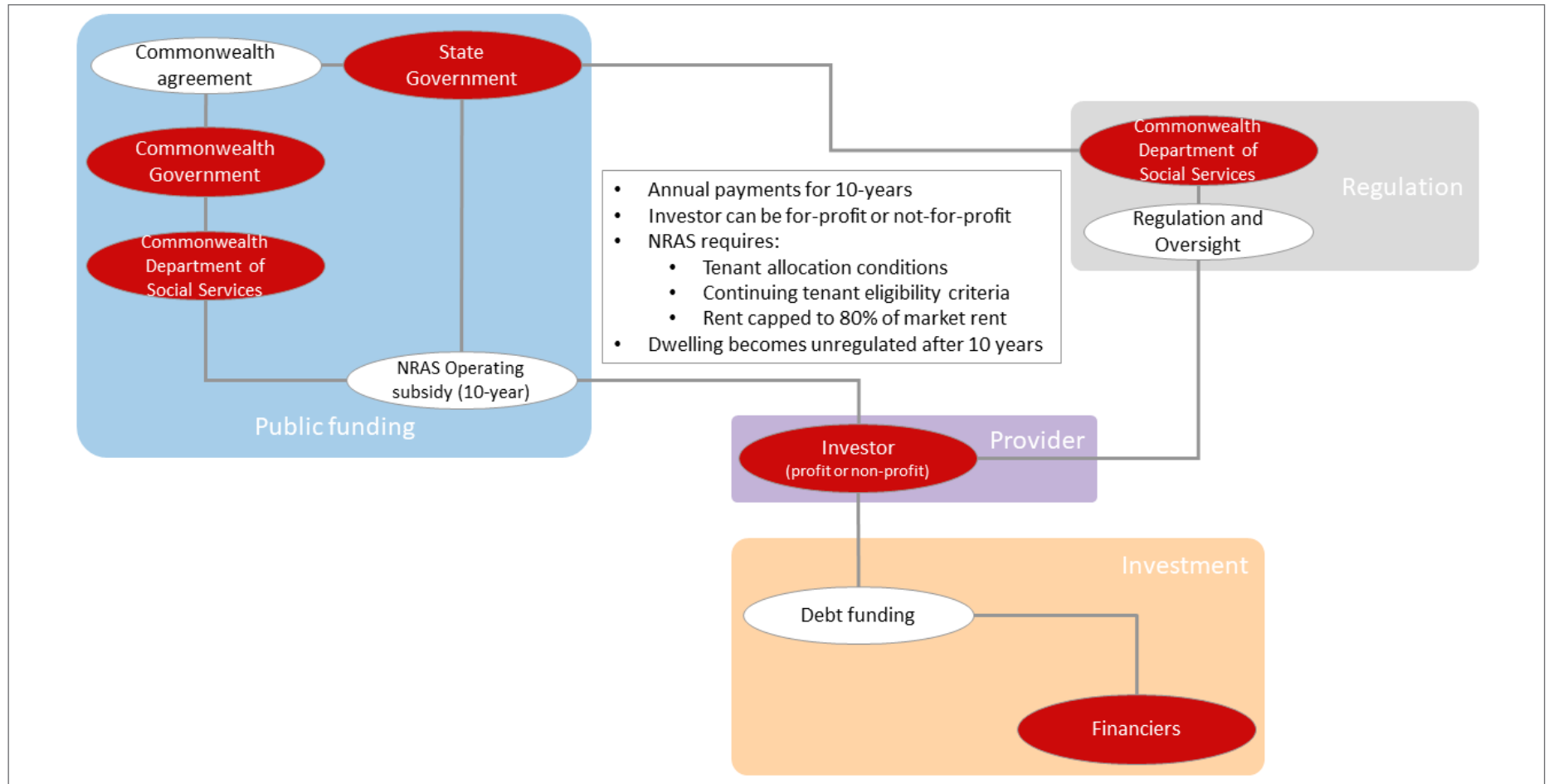
Figure A35: For-profit model, Victorian estate renewal PPP



Source: Authors, adapted from Lawson, Milligan et al. (2022).

Note: DoH = Department of Housing; VHR = Victorian Housing Registrar

Figure A36: For-profit model, NRAS



Source: Authors.



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