



THE ACT MINISTERIAL HOUSING SUMMIT

Submission to the Department of Disability, Housing and
Community Services' Information Papers

April 2006



About ACTCOSS

ACTCOSS acknowledges Canberra has been built on the traditional lands of the Ngunnawal people. We pay our respects to their elders and recognise the displacement and disadvantage traditional owners have suffered since European settlement. ACTCOSS celebrates the Ngunnawal's living culture and valuable contribution to the ACT community.

The ACT Council of Social Service Inc. (ACTCOSS) is the peak representative body for not-for-profit community organisations, people living with disadvantage and low-income citizens of the Territory. ACTCOSS is a member of the nationwide COSS network, made up of each of the state and territory Councils and the national body, the Australian Council of Social Service (ACOSS).

ACTCOSS' objectives are representation of people living with disadvantage, the promotion of equitable social policy, and the development of a professional, cohesive and effective community sector.

The membership of the Council includes the majority of community based service providers in the social welfare area, a range of community associations and networks, self-help and consumer groups and interested individuals.

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ACTCOSS advises that this document may be publicly distributed, including by placing a copy on our website.

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INTRODUCTION

The ACT Council of Social Service (ACTCOSS) welcomes this opportunity to provide feedback on the ACT Ministerial Housing Summit and the Information Papers that accompanied the event.

ACTCOSS expresses concern over the low levels of housing affordability in Canberra, which are affecting service provision across the community sector. ACTCOSS member organisations report that the lack of access to affordable housing, whether in the public, community or private sectors, is a barrier to improving individual well-being in a variety of service delivery contexts, including homelessness, domestic violence, drug and alcohol dependence, mental health and financial difficulties.

Access to appropriate and affordable housing forms the foundation of an individual's well-being and without it other problems in their lives are more difficult to address. ACTCOSS is a participant in the *Housing is a Human Right* project, which highlights personal stories that demonstrate the need for the provision and protection of access to affordable housing.

Housing affordability also has effects in a wider policy context. For instance, the Federal Government has recently passed its Welfare-to-Work legislation, which ACTCOSS believes is likely to increase demand for and reliance upon public and community housing assistance as Commonwealth Government support is withdrawn. Reducing access to affordable housing at the same time as reducing income payments will mean disadvantaged Canberrans will face a 'double-whammy': their living expenses will increase at the same time their incomes are being cut.

In February 2006, ACTCOSS and ACT Shelter released the research paper *The Wealth of Home*, which researched a variety of methods of addressing the issue of housing affordability. ACTCOSS attaches a copy of the Report to this submission, and considers it a substantial contribution to this process. ACTCOSS also makes the following additional comments in relation to the information papers.

CO-ORDINATED HOUSING POLICY

ACTCOSS is concerned that the ACT Government does not currently have the capacity to develop and implement housing policy on a systemic basis. While the bulk of housing policy development is located within the Department of Disability, Housing and Community Services, the policy focus in that Department is on public and community housing while many of the housing policy levers lie elsewhere in Government, particularly for the private market.

This lack of integration is reflected in the Information Papers. For instance, they state that Housing ACT “has no capacity to influence the private market directly”¹. While this is largely true, it does not follow that this principle extends to the ACT Government more generally.

ACTCOSS understood that the Housing Summit was an attempt to undertake a systemic examination of the housing system, providing an opportunity to generate innovative approaches to improving housing affordability. In contrast, the information papers frequently present the current policy settings as permanent and immovable, and appear to try to limit the exploration of more adventurous policy suggestions.

Moreover, the information papers are largely confined to the operations of Housing ACT. ACTCOSS would implore the Government to take a broader view of the housing market. While demand has been rising for public housing, there is little analysis of the causes of this change. While changing the policy settings within Housing ACT may make some marginal differences to affordability outcomes in the Territory, it cannot be more than a short-term solution. *The Wealth of Home* considers these issues in some depth.

CONCERNS ABOUT THE INFORMATION PAPERS

In many instances the papers go beyond the provision of information and stimulating discussion and instead appear to advocate for a particular policy position. Some statements appear to be counter-intuitive, if not simply incorrect. For example, the paper claims that tightening the income criteria for public housing would “improve access to housing assistance programs”². Given that any such change would result in disqualifying large numbers of applicants, it quite obviously does exactly the opposite.

¹ DHCS (2006) ACT Ministerial Housing Summit Information Paper No.1: The Social Housing System in Context, p.16

² DHCS (2006) ACT Ministerial Housing Summit Information Paper No.2: Targeted Housing Assistance, p.46

The approach adopted in the Information Papers is of concern to ACTCOSS, as it has been suggested to us that the Housing Summit has not provided any meaningful discussion around housing, that the Government has already decided its preferred direction and is seeking to generate the appearance of consultation and consent. This perception does not reflect well on the ACT Government.

AFFORDABLE HOUSING

A central point in any analysis of the ACT housing system is that the decline in housing affordability has had effects across the board. Tinkering at the edges of the public housing system will do little to solve the problem in the long term. It must be remembered that the supply of affordable housing outside the social housing sector is a key driver of public housing demand. There is little evidence that there are *more* people living in poverty in the ACT, however, there is a change in the nature of poverty, particularly in the numbers of people experiencing multiple disadvantage.

So, if the rising demand for public housing is not driven by increased numbers of impoverished Canberrans, it must be driven by some other factor. ACTCOSS would posit the view that this is primarily the increasing cost of housing in the private market and in particular the lack of affordable rental properties. Unless government policies address the underlying causes of the increase in demand for public housing, the situation is unlikely to improve. While an attempt to stretch the public housing dollar more thinly is understandable, it is a band-aid solution and only rearranges the assistance provided by Government – it does not increase it.

ACTCOSS would question the reliance by the information papers on the data from the ABS publication *Australian Social Trends*³ to represent the number of households in housing stress. The data in question is unreliable due to the small sample size – it is derived from the Survey of Income and Housing which has a sample of only 400 ACT households and appears to under-represent low-income households. The better data is the NATSEM paper on unaffordable housing developed for the Affordable Housing taskforce, which estimates that there were 9,200 households in housing stress in 2001. This data is derived from census figures, which are far more comprehensive.

ACTCOSS sees that many of the issues faced by the public housing system are systemic in the housing market and only a solution that involves adjusting private market outcomes will be able to comprehensively address the issues. *The Wealth of Home* develops this argument in more detail.

PUBLIC HOUSING: THE BIG PICTURE

At their heart, the information papers present the fundamental conflict that Housing ACT faces. In essence, the public housing system is being asked to do more with less and ultimately this is unsustainable without additional financial support.

³ ABS (2005) *Australian Social Trends* Cat. No 4102, p.159

The information papers set out the Government's general proposed policy direction, which includes:

- Extreme targeting of housing assistance to people with complex and long-term needs;
- Maintenance of the current quality and quantity of dwellings;
- Elimination of the operational deficit; and
- No additional Government funding commitments.

It is increasingly apparent that it is impossible to achieve all four of these goals. Pursuing this policy direction is setting Housing ACT up for failure and at least one of these policy prescriptions must be jettisoned to achieve the other three. ACTCOSS fears that it will be the second, which will slowly but surely mean a loss of public housing and a reduction in the availability of housing services provided by the Territory.

ACTCOSS would advocate a different strategy. While it is necessary to adopt some form of targeting, this should not be so severe that it undermines the rental revenue base and pushes the system into deficit. Similarly, the public housing system should have enough financial resources to provide for some growth of stock, which allows assistance to be granted to greater numbers of people. Finally, additional Government support is likely to be required to achieve a viable and effective public housing system, particularly in light of the greater community service obligation it is required to undertake. This need was recognised by the ACT Government in its election commitment to injecting additional capital into Housing ACT.

These issues are further expanded in *The Wealth of Home*.

INCENTIVE **E**FFECTS

ACTCOSS would also use this opportunity to highlight the importance of considering incentive effects in the design of allocative systems for public housing. The way that assistance is delivered affects tenant's behaviour and at its worst a poorly designed system creates a poverty trap – whereby a person is actually worse off if they attempt to reduce their dependence on public assistance programs.

The information papers frequently disregard the incentive effects that might be caused by changes to the system. For instance, the paper often posits the question whether support should continue to be provided to a person if their circumstances have changed, but does not recognise that the change may have been precipitated by the provision of continuing housing assistance.

At its most perverse, the threat to withdraw housing assistance could result in discouraging people from improving their circumstances in order to retain their housing entitlements. Not only would this be counterproductive in achieving better social outcomes, it would also dilute any increase in the turnover of public housing tenants.

Similar effects can be produced by more severely targeting eligibility for public housing. In effect, the Government would be encouraging people who wish to be housed to become more disadvantaged, or to maintain a level of disadvantage to their detriment, in order to qualify. While the Government may be able to say that it is giving assistance to those who need it most, it could actually stimulate greater disadvantage by doing so.

Finally, the rental rebate system also produces work disincentives which would be increased in some of the scenarios presented. It needs to be remembered that many public housing tenants already face high effective marginal tax rates due to both marginal income taxation combined with withdrawal of Federal income support, a situation which will be exacerbated under the Commonwealth Government's welfare-to-work reforms. Higher rental payments will likely mean even higher effective marginal tax rates, contributing to work disincentives. ACTCOSS notes that this would be contrary to the employment objectives of the CSHA bilateral agreement with the ACT Government.

SECURITY OF TENURE

Information Paper No.2 discusses the question of security of tenure in some detail. ACTCOSS expresses concern at the recurring comment that security of tenure is not an 'absolute right', a statement that demonstrates a misunderstanding of human rights frameworks, as well as ignorance of the ACT's obligations under the International Covenant of Economic, Social and Cultural Rights (ICESCR).

ACTCOSS would point to paragraph 6 of the ACT's own *Human Rights Act 2004* to inform the Government's understanding of rights:

- 6 Few rights are absolute. Human rights may be subject only to the reasonable limits in law that can be demonstrably justified in a free and democratic society. One individual's rights may also need to be weighed against another individual's rights.

Recognition of an individual's right to housing, as part of the ACT Governments obligation to implement the ICESCR, does not translate into an absolute right to security of tenure, but requires the Territory to ensure that the process for determining whether an eviction is appropriate is proportionate to the requirements of other policy and rights objectives.

The information papers are premised on the belief that removing security of tenure will result in faster turnover in stock, however, there has been very little analysis of whether this is the case. ACTCOSS understands that the Victorian experience of removing security of tenure resulted in very few additional vacancies, but did create large additional administrative expenses in rolling out a large assessment program to implement the policy. Similarly, at the recent National Housing Conference, a NSW Government representative indicated that the changes to housing assistance in that jurisdiction were not expected to have any noticeable impact on waiting lists.

Secondly, there is little analysis of the loss of revenue likely to result from implementing such a policy, particularly in the context of a housing system that is already running systemic deficits. As previously indicated, the policy of increased targeting and removal of security of tenure is inconsistent with the stated objective of moving Housing ACT to a more sustainable financial footing.

Thirdly, as already mentioned, removal of security of tenure introduces an additional barrier to workforce participation. In essence, removing security of tenure punishes people who do too well, creating a perverse incentive that could contribute to the creation of a poverty trap.

ACTCOSS does, however, see benefit in one of the options put forward in the information papers. This is the possibility of providing additional assistance to those who have the capacity to exit the public housing system. Such a system could include grants to cover expenses such as security bonds and utilities fees, as well as assisting with rental payments or the provision of rental caps. These options are worthy of more detailed consideration. ACTCOSS would reiterate that the biggest disincentive for tenants to exit public housing is the high cost of the private rental market and home purchase.

ACTCOSS does not support removal of security of tenure for public housing tenants. These issues are discussed in greater detail in *The Wealth of Home*.

ALLOCATION OPTIONS

Information paper no.2 discusses possible changes to the allocation system for public housing. In some respects, ACTCOSS notes that there are difficulties in the current system of allocations, particularly in an environment where there is very large demand for public housing. The Information Papers present a number of policy options for reform, although some are given greater emphasis than others.

Firstly, it is worth noting that there are both strengths and weaknesses to a chronological system of housing allocation. On the positive side, it provides certainty for clients that they will be offered housing eventually, even if there is a prolonged waiting period before this can occur. On the negative side, it creates disincentives for people to improve their situation in the meantime, even if those options are unsustainable in the longer term. One criticism of the current EAC system of allocation is it requires people to remain disadvantaged until they are housed, thus effectively punishing people who make some improvements to their circumstances in the interim. As the information papers indicate, however, there may be scope in an environment of high demand to put in place more responsive methods to ration the available assistance, although not to the extent that it undermines the financial sustainability of the public housing system.

ACTCOSS has some concerns about some of the methods of allocation foreshadowed in the information papers. For instance, a points system would be likely to result in people trying to accumulate as many points as possible, giving incentives to people to remain disadvantaged, or even try to increase their level of disadvantage in order to achieve more points. This would be highly undesirable. Such a system might also ignore some forms of disadvantage, valuing quantitative measures above qualitative review.

Similarly, a “ring-fencing” option would give people an incentive to try to qualify for the category that they felt was moving fastest. In any case, this approach requires a subjective judgement about what types of disadvantage are most “worthy” of assistance and how many properties should be allocated to that group. This approach is not only unresponsive to demand, but risks dividing low-income groups into the ‘deserving’ and ‘undeserving’ poor.

Other policy suggestions outlined in the paper suggest that tenants be charged additional amounts in rent, frequently for not conforming to Housing ACT’s desired objectives. In essence, this is effectively a special fine or tax on public housing tenants. Others, such as fixed term tenancies, appear to be a simple attempt to make it easier to evict tenants. ACTCOSS is concerned that the current directions being canvassed will effectively turn Housing ACT into one huge SAAP service, a direction which we cannot endorse.

KEY WORKERS

The reference to targeting key industries for social housing seems somewhat inconsistent with the directions outlined in the rest of the paper. After spending much time outlining the high levels of demand and the desire to increase tenancy turnover to cater for people with high housing needs, information paper no.2 then proceeds to suggest there is enough spare capacity in the system to house relatively well-off people in specific industries, presumably those in which Canberra is experiencing a skills shortage.

The paper states that the “introduction of an intermediary scheme that provides access to social housing for low to moderate income workers has benefits where these tenants subsidise the acquisition of additional housing stock, similar to the role of market renters.” The statement begs the question: Why cannot market renters continue to fulfil this role as they have done for decades? ACTCOSS would suggest that prioritising people on the basis of their skills is a poor means of allocating limited housing stock.

SOCIAL HOUSING SUPPLY

ACTCOSS expresses its concern that the problem of inadequate levels of affordable housing has tended to be framed by Government as an issue of addressing the “social housing supply”. ACTCOSS reiterates that there is capacity for the private sector to deliver affordable housing, which may or may not fall into the category of ‘social housing’. In addition, it is useful to note that even if there were to be an expanding social housing supply, if there is also a contraction of affordable housing in the private sector the problems will continue to worsen. While the social housing supply is an important element in providing adequate housing in the ACT, it is only part of the whole picture. This issue and possible models of improving supply are discussed at some length in *The Wealth of Home*.

Information paper no.3 focuses upon the configuration of the housing stock, rather than on its growth, again suggesting that the Papers are premised on social housing continuing to contribute a shrinking proportion of the total ACT housing stock, a policy direction that ACTCOSS does not support.

ACTCOSS would also note that diagrams comparing the preferences of those on the applicant list with the total stock configuration do not provide a meaningful comparison between demand and supply (pp.65-66), a mistake repeated from the December Housing Forum on Financing. In economic terms, the diagrams are comparing *total* supply with *marginal* demand, which do not need to be equal for the system to achieve equilibrium. A more useful comparison would be to examine the features of housing properties that had become available for tenancy during some suitable period (e.g. over the last year) and compare that stock profile against the preferences of applicants. This would then compare *marginal* supply with *marginal* demand, and thus give a better indication about the appropriateness of the current stock configuration, both for geographic location and dwelling type.

Until more useful data are available, it is difficult to comment on the appropriateness of the stock configuration. The Papers indicate there is considerable variability in the churn rates between dwelling types, meaning that the "mismatch" may actually be much smaller than presented.

With regards to multi-unit properties, ACTCOSS agrees that these are not always optimal arrangements for public housing assistance. But we would also argue that this should not be an excuse to reduce the proportion of all dwellings dedicated to public housing. It is clear that in order to improve and grow the housing stock, greater investment is required to accompany any redevelopment plans.

FINANCIAL VIABILITY

Information paper no.4 discusses the financial viability of the public housing system. Once again, the paper presumes certain policy settings as immovable and inevitable when they are, in fact, subject only to Government's commitment to the public housing system.

For example, the paper states that "rental revenues are the only source of revenues that are increasing and available to fund operations" and that the "real challenge for Housing ACT is how to turn this cash position around without additional revenue from the Government". These statements are true only to the extent that the ACT and Federal Governments choose not to prioritise the allocation of resources to public housing, and ACTCOSS understands that many participating in the Housing Summit process wished to put forward their view on the reasons for increased housing investment. It appears to be premature to preface the information papers on a policy position that ACTCOSS understood the ACT Government had not yet made.

Based on these statements the paper advocates an increase in rents and cuts in maintenance funding. This approach exacerbates existing problems within public housing, particularly with regards to reducing maintenance funding at a time when the housing stock is already deteriorating. In addition, many of the options for changing rental policies create additional disincentives to workforce participation, similar to the previous discussion of allocation systems. ACTCOSS does not support increased charges for a housing product of the same or even lesser quality. It needs to be remembered that public housing tenants include some the most disadvantaged people in our community, and are therefore represent an inequitable base for increasing government revenues. *The Wealth of Home* discusses alternative means for promoting the financial viability of public housing.

APPEALS AND COMPLAINTS MECHANISMS

A number of ACTCOSS member organisations have pointed that despite assurances to the contrary, the question of public and community housing appeals and complaints mechanisms was not addressed in either the information papers or the Housing Summit. ACTCOSS is aware that a number of agencies have prepared detailed submissions on the topic, and ACTCOSS advocates that this issue is given prominence in what remains of this process.