

information sheet

CHANGES TO PUBLIC HOUSING

At a meeting of State and Territory Housing Ministers in June 1997, the majority of Ministers agreed within the period of the current, interim Commonwealth State Housing Agreement (30 June 1999), to adopt four changes governing **rent setting, tenure, eligibility and segmented waiting lists**. The Ministers agreed to maintain the present arrangements for existing public tenants.

These reforms have significant implications for low-income housing consumers and for the way public housing is allocated and managed. *Shelter WA* has particular concerns about the reforms and we think it important that a discussion take place outside the narrow confines of policy makers. We therefore want to hear your views on these issues. Please read this material and contact us with your thoughts so that we can let policy makers know what impact the changes will most likely have on the ground.

Proposed Change to Rent Setting

New public housing tenants to have their rents set at 25% of assessed gross income

Shelter comment

Whilst the 25% figure is now the standard one used, we should not lose sight of the fact that affordability is really about ensuring low-income renters have enough income left over **after** providing for housing costs, to

attain an **acceptable** standard of living. This will vary for different household sizes and types and is also concerned with obtaining housing of an acceptable quality in an appropriate location. The 25% figure may or may not be ultimately relevant to this calculation and we must therefore demand of governments that they put a lot more effort into developing affordability standards.

Proposed Change to Tenure Arrangements

New public housing tenants to be granted medium (fixed) term leases but with automatic renewal of entitlements to housing assistance for clients who are on Social Security benefits.

Shelter comment

It appears Homeswest will stick to its existing periodic tenancy agreements but will review a person's entitlement to public housing on an annual basis particularly with regard to income and assets and at the same time probably also test whether a tenant is under-occupying the property.

Shelter acknowledges the flexibility of periodic tenancies but argues that the principle of security of tenure must remain. If annual reviews are to be conducted to test eligibility then tenure safeguards need to be included. For example, a person over the income limit must be continuously ineligible for six months before being asked to leave public housing. Moreover if a person loses

eligibility sufficiently to be asked to leave public housing then other, realistic options must be offered. This will require strong links to the other tenure types and reforms in the private rental market, which will ensure a person is not disadvantaged (according to some agreed benchmark), by having to change tenures. At a practical level it will require changes to Homesw est policy such as the one which currently denies people bond assistance for 3 months after leaving public housing.

The issue of **underoccupancy** is one that often concerns State Housing Authorities sufficiently to strictly control room allocation to a tenant and, at times put in jeopardy a person's security of tenure in a particular dwelling. Unfortunately State Housing Authorities see the issue only as an asset management consideration. That is, so called underoccupancy is seen as an inefficient use of an asset in much the same way a business looks at income producing assets. This, Shelter believes, is a limited view and, as a matter of equity, public housing tenants should not be disadvantaged relative to accepted and actual underoccupancy in the private rental and home ownership tenures. In that regard consideration should be given to the use to which alleged excess rooms are put to help establish some benchmark of household occupancy that goes beyond merely relating bedrooms to the number of occupants.

Proposed Change to Income and Assets Eligibility Limits

- Income eligibility for public housing to be linked to criteria that apply to private renters under the Commonwealth Rent Assistance Program.
- People who have substantial assets which would enable a sustained period of affordable private rental or home purchase to be excluded from public housing.

Shelter comment

Homesw est does not agree with the proposal of introducing Social Security income limits without modification. *Shelter*, however, understands work is being undertaken that still links Homesw est income limits with the social security system and which may result in those income limits being reduced.

It is a reasonable aim to have a single **income-test** administration to determine eligibility for certain public benefits. The income test, must however, be able to support a statistically rigorous measure of need. *Shelter* does not believe that social security payments currently fit that requirement. One of the problems is that these payments do not represent a rationally determined guaranteed minimum income. Qualification for social security allowances and pensions is subject to a host of requirements that are quite independent of need and recipients may lose entitlement for reasons based on moral and behavioural criteria. Moreover, eligibility, rates and income and asset tests are constantly changed and manipulated on political grounds.

Shelter is concerned that use of the social security system is seen as the easy option and that by accepting it, the Ministers will, by the sheer power of that system, be drawn towards the subsidy model that they have previously rejected. We need only look at Social Security's submission to the recent **Senate Inquiry into Housing Assistance** to be concerned that the subsidy model remains a feature of the Commonwealth's housing agenda.

The use of an **assets test** to determine eligibility for public benefits such as housing assistance is grounded in the notion that an asset is income not yet consumed and can be readily realised. Asset tests are universal in welfare systems but vary enormously with

regard to definition, measurement, inclusiveness and rules on realisation. Compare for example the significant difference between Homeswest's asset test (which is part cash and part real estate test), and that of Social Security for non-homeowners.

Shelter understands that Victoria originally proposed that the asset threshold be the value of *the difference between the subsidised rent in public housing and the private sector median rent over a period of ten years*. We are not aware of the structure in which this threshold would sit (what assets will be included, how will the assets be valued and so on), as well as the rationale of the threshold definition. Moreover, how would it compare with the current Homeswest test?

There is little doubt that asset tests can become administratively complex and unwieldy and the balance between simplicity and comprehensiveness is a difficult one to reach. Whilst that is not an argument against an assets test it does mean that the development of such a test needs to proceed in an incremental way and with ongoing evaluation.

Segmented Waiting Lists (Needs Allocation)

It is intended that State Housing Authorities introduce a waiting list that is segmented according to some definition of need. Highest priority will be given to the long term homeless and those people who cannot access or sustain appropriate private rental.

Shelter Comment

An extreme form of segmentation has been proposed in Victoria where the waiting list is to be divided into the following simple hierarchy: (1) the homeless (2) people with special needs, for example, disability, frail

aged, serious medical conditions (3) people who are currently inadequately housed and (4) people with a low income affordability problem. At a time of little or no new net additions to public housing stock in Australia, it is becoming clear that in the not too distant future, affordability problems on their own will not be sufficient for a person to secure public housing.

Homeswest already has a priority system for its waiting list. Under this system, a person's viable housing options is the deciding factor in the assessment although past tenancy history with Homeswest is also taken into account. Options include the availability of bond assistance and sharing temporarily with friends and relatives.

Homeswest considers the current arrangements comply with the spirit of the Housing Minister's resolution on this subject. *Shelter* agrees that the Homeswest priority system would not be enhanced by any further segmentation. We do not agree, however, that recent changes to the policy comply with the intent of the Ministers' proposal. In particular, policy now requires an applicant with a previous debt to pay all or part of their debt in a lump sum payment as determined by the Regional Manager, before assistance will be provided. Unless discretions about lump sums, repayment proposals and bankruptcy are sensitively used by Regional Managers the effect of this policy will be to subvert the intention to assist those in greatest need. It is therefore imperative for Homeswest to review these changes over the next 12 months to determine what effect they are having on peoples' attempts to obtain priority assistance.

General Comment by Shelter

It is unfortunate that the never ending targeting of public housing suggested by the reforms acknowledges a failure on the part of governments to effectively deal with

housing affordability, adequacy, appropriateness and security. It is depressing to think that the supposed limits to government funding and involvement have set the agenda to the extent that increasingly the discussion centres only about those **most in need**. It is clear that **most in need** means only that relatively fewer people will be assisted over time. It is a singularly uncreative concept and assumes that those who are **not** most in need will have their needs adequately met through home purchase or the private rental market. That remains an unproved and problematic hypothesis.

The current situation demonstrates the inability of the States and Commonwealth to deal with housing (and therefore housing assistance) as a **system** comprising interrelated parts. Making it more difficult for people to access and remain in public housing does not mean their housing problems disappear unless it is assumed that by redefinition they no longer have housing problems. It is tempting in these circumstances to argue that such people were previously oversupplied with housing assistance and with its removal are assuming a position of relative equality with others of similar circumstances. This argument of efficiently allocating scarce resources is superficially appealing but invariably flawed because **all** the resources available to housing assistance are not bundled and then allocated according to need. More often than not a section of the housing assistance funds are compared and decisions made on that limited analysis. This, for example, is what happened when

the Commonwealth looked at the assistance provided to public and private renters but failed to add-in assistance to home purchasers/owners and investors gained through the taxation system. The recent **Senate Inquiry into Housing Assistance** also ran for cover when confronted with such an analysis when, for example, it dismissed negative gearing as too big an issue and more suited to the taxation arena.

The current changes (rent setting, tenure, eligibility and segmented waiting lists), are the outcome of the above process as well as an acceptance by the States that Commonwealth funds under the Commonwealth State Housing Agreement will continue to fall in real terms. The reform discussion is therefore a residual one and does not, at this stage anyway, form part of a larger strategy of assistance. The narrowness of the debate is a source of continuing disappointment but *Shelter* remains hopeful the State and Commonwealth governments will broaden the debate to encompass the issues of affordability, adequacy, appropriateness and security across **all housing tenures**.