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**SUBMISSION**  
**SENATE COMMUNITY AFFAIRS REFERENCE**  
**COMMITTEE**  
**INQUIRY INTO HOUSING ASSISTANCE**

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## **Introduction**

Shelter WA is a community managed organisation which undertakes lobbying and policy analysis on behalf of the housing needs of low income earners and others who suffer disadvantage in the private market.

Shelter WA is a member of National Shelter, the federation of State and Territory Shelter organisations.

Shelter WA fully supports the submission made by National Shelter to the Senate Inquiry into Housing Assistance.

This submission by Shelter WA will be limited to the major issues it considers relevant to the Inquiry's Terms of Reference. In this way the submission is intended to compliment that made by National Shelter.

## **Housing Need in Western Australia.**

Many individuals, couples and families are considered to be living in housing related poverty in Australia. This is quite rightly considered a major social problem.

The difficulty in deciding what action to take depends in the first instance on how the problem is defined. Unfortunately there is no nationally recognised measure of housing need.

The State Housing Commission of Western Australia (Homeswest) uses the purchasing capacity model to determine housing need. The underlying concept of the model is to test the capacity of households to purchase affordable and appropriate housing and thereby identify those households which lack the financial capacity and hence require a supply side response.

The model is used to estimate the number of households who would be forced to spend more than 25% of their income if they were required to pay the median rent for appropriately sized accommodation in the private rental sector.

By using the 1991 Census data, housing need in Western Australia was estimated to be present in 66,534 households representing at that time 45.6% of all households in public and private tenancies. There were 44,310 households in private rental that were considered to be in housing need and therefore requiring public housing assistance. (Homeswest Bilateral Strategic Plan:1996:10)

The concept of housing related poverty (derived from a defined needs standard), is not just about affordability. Even if we relate it solely to what people can afford to pay, then within agreed benchmarks, the after housing disposal income becomes a critical measure.

Whether someone is housing poor depends also on the degree of choice one can exercise over the following supply attributes:

- the location of housing,
- the length of tenure, and
- physical condition, size and amenity levels of housing.

It is axiomatic that the provision of housing assistance should seek to maximise choice as it relates to affordability and supply. It is similarly self evident that housing assistance is but one variable in the determination of those housing outcomes.

Government policies that relate to employment, interest rates, income support, land use, building requirements tenancy legislation (to name a few), impact on the provision of housing and the effectiveness of housing assistance.

What is clear is the necessity for a coordinated approach to supply of the various housing tenures within a framework of a recognised measure of housing need.

The Senate Community Affairs References Committee must undertake its deliberations into housing assistance with the acknowledgment that this framework is critical to any conclusions it may reach.

## **Term of Reference (a)**

*the effectiveness of existing forms of housing assistance in alleviating housing-related poverty and ensuring Australians have access to affordable, adequate and appropriately located secure housing.*

Housing assistance is not the only factor determining whether people are housing poor or whether they have access to affordable, adequate and appropriately located secure housing.

Commonwealth and State government policy on such things as employment, interest rates, income support, land use, building requirements and tenancy legislation, impact on the provision of housing and the effectiveness of housing assistance.

The effectiveness of housing assistance must therefore be contextualised within the whole of the housing system as it operates in Australia.

It is possible, however, to comment on the specific forms of housing assistance and their success in achieving particular objectives.

## **Commonwealth State Housing Agreement (CSHA)**

The total rental stock of Homeswest is just over 36,500. About 70% of this stock is located in the metropolitan area and nearly half are two or three bedroom single detached or duplex houses.

This public housing stock has been acquired under the funding arrangements of the CSHA, primarily Commonwealth monies with a level of State matching grants.

The Industry Commission in its inquiry into public housing (1993) developed a social audit as a means of assessing the effectiveness of the various forms of housing assistance. It found public housing to be superior to other forms of assistance using the criteria of long-term efficiency, cost effectiveness and social justice (Industry Commission:1993:64).

Barrett (1996:25) quotes Foard et al:

"...public housing is achieving better outcomes for tenants than the private rental sector in most of the areas examined. The public sector performs better than the private rental sector in providing

- affordable housing,
- alleviating poverty,
- providing adequate dwellings (at least in terms of dwelling amenities and a lower incidence of overcrowding),
- minimising the under-utilisation of houses, and in
- providing security of tenure for tenants."

The main problem currently with public housing is that of under supply. Homeswest has a waiting list of about 11,500 (in any case which radically underestimates need), but in 1997/98 will construct probably no more than 500 new units of housing.

Barrett has found (1996:12):

"Federal funding for public housing (including grants and loans net of repayments), has fallen from \$1.1 billion in 1984-85 to \$0.7 billion in 1993-94 (expressed in real 1994-95 dollars). This has resulted in a fall in public housing construction from 14,092 in 1984-85 to 7,556 in 1994-95 a reduction of 46%"

It has been estimated that the most recent (1997/98) funding cuts to the CSHA may mean annual new unit construction in Australia reduced to as little as 3,200.

### **Social Security Rent Assistance**

Currently a rent assistance payment is made to people who are eligible for Social Security income support and who pay rent above a notional level.

The payment is restricted as to eligibility and maximum amount paid. It is not a separate payment in that it can be used for any expense and is better described as an income supplement. The effectiveness of rental assistance is therefore dependant on the size of the general income support payment and cannot be divorced from it.

Anecdotal evidence suggests that rent assistance is perceived by recipients as part of their income and not as an amount specifically set aside to meet a rental payment. It therefore has an influence on affordability only to the extent that peoples other reasonable living expenses can be met from the income support payment.

Barrett (1996:12-13) reminds us that although Commonwealth spending on rent assistance grew in real terms by 365% (\$0.4 billion to \$1.5 billion) from 1984-85 to 1994-95, about 60% of recipients continued to live in housing stress as defined by the National Housing Strategy.

There seems little doubt that the continued high levels of unemployment and proliferation of part-time and casual work will at least sustain the trend for greater numbers of private market renters to be placed in housing stress, particularly as those renters need to increasingly rely on the private market for their long-term housing needs.

As Parker states (1996:5):

"It (rental assistance), can meet some needs, particularly short to medium- term and the needs of more mobile sections of the population. It can improve accessibility (though discrimination is not addressed); it may contribute to the appropriateness of housing; but it does not address security of tenure."

## **Term of Reference (b)**

*the equitable distribution of housing assistance in regard to:*

*1 levels of assistance provided, and*

*2 relative housing outcomes from such assistance.*

Pender (1996:3) has found that in aggregate terms the distribution of government housing assistance favours owners in the top 20% of income range nearly as much as it does public housing tenants in the bottom 20%. Private renters receive substantially less than both.

Assistance to public and private tenants is direct by way of the CSHA and Social Security payments respectively. Assistance to home purchasers and owners is indirect, and therefore hidden, through taxation forgone.

If it is intended by government that vertical inequity be a feature of the provision of housing assistance it should be made transparent. In any case the extent to which both vertical and horizontal equity reasonably features in the determination of housing assistance should be measured against such criteria as social justice, long-term efficiency and long-term cost effectiveness within a framework of a recognised measure of housing need.

Another prominent form of housing assistance through taxation expenditure is the negative gearing of rental investment property. This expenditure is not further targeted and can only influence the provision of housing that assists in the alleviation of housing-related poverty in a contingent way. It does not therefore have an inherent direct relationship with housing need at the low cost end of the market.

## **Term of Reference (c)**

*the responsibilities of Commonwealth and State governments in the delivery of housing assistance, with specific reference to:*

*1 the efficiency, effectiveness and delivery of housing assistance,*

*2 appropriate processes for ensuring the accountability, transparency and evaluation of housing assistance, and*

*3 an effective framework for determining housing need, setting national goals and developing national strategies for housing assistance.*

Housing is a need that fundamentally affects the degree of quality a person has in their life. The provision of housing is itself fundamentally influenced by many factors including government policies that relate to:

- employment,
- interest rates,
- income support,
- taxation,
- land use,
- building requirements and tenancy legislation.

These factors (and others) form a mixture of Commonwealth and State responsibilities that are not mutually exclusive (this in fact exemplifies the nature of our Federation). It is therefore not possible to simply assign the development and delivery of housing assistance to one level of government. This does not prevent the acceptance of primary roles but in doing so the relationship between responsibilities must be clearly established and acknowledged.

The practice of Federal/State relations has historically made a partnership approach difficult, notwithstanding the CSHA has been in existence for over 50 years. The degree of difficulty, however, is not a sufficient rationale for the superficial allocation of certain indivisible responsibilities.

The important measure of housing assistance in all its forms is the outcomes that are expected to occur from its provision. It is from these agreed-to outcomes that an agreement can be struck between the various levels of government accepting joint overall responsibility.

There seems no good reason why the CSHA cannot continue to be used for this purpose. In this regard, however, Shelter WA does not agree with the shift in emphasis from a goal oriented 1989 CSHA to the focus on inputs (the provision of housing assistance), in the 1996 Agreement.

Any agreement must articulate the outcomes and division of primary (though interrelated) responsibilities, for all forms of housing tenure. The degree to which defined housing need is satisfied through the various tenures is the final test and must be accompanied by enforceable sanctions should a level of government not deliver its "share" of those outcomes.

### **Term of Reference (d)**

*the value, condition and management of current public assets.*

Nearly two thirds of Homeswest rental properties were constructed prior to 1981. Just over one quarter of the rental stock was added between 1981 and 1990. That means less than 10% of stock has been added over the past six years (Bilateral Strategic Plan 1996:12).

In the 1996 Donovan Research survey of customer satisfaction of Homeswest tenants, the overall condition of the home and the quality of maintenance were two of the service aspects that recorded the highest level of dissatisfaction (Donovan Executive Report 1996:16).

The aging of public housing stock and the associated maintenance requirements is a well known concern for all State Housing Authorities. The real reduction in CSHA funding since at least the mid 1980's (See Term of Reference (a)), has exacerbated a trend to view maintenance as a liability rather than an essential preventative to maintain the value of a significant public asset.

The commercial imperative being placed on housing authorities as governments reduce funding in nominal and real terms, is placing increasing pressure on Homeswest to sell the better located and valued rental stock. This must lead inevitably to the further marginalisation of rental stock to those areas deemed affordable and in doing so continue to residualise public housing tenants as "welfare recipients" who have failed the test of the private market.

The redevelopment and improvement of the larger public housing estates has provided housing authorities such as Homeswest with the need to redirect resources to this area particularly given land sales in the estates have not met expectations. It is important though not to be too critical about the "failure" estates are now seen to be. They were mostly the result of planning decisions in a period of near to full employment when tenants were in the main the employed working class.

The planned reduction of the Homeswest presence in the older estates (from as high as 60% to 11/15%), has placed great pressure on the utilisation of existing rental stock given the low level of new construction. There is also the issue of where the benefits flow from the improved house and land values that occur when the estates are redeveloped. With an emphasis on home ownership and sales, much of the long-term benefit will accrue to the home purchaser who may not have been an eligible public housing tenant at the time of purchase.

The estates improvement program is on the face of it a necessary response to a situation of entrenched deprivation. However, it must be remembered that the deprivation is not a product of the estate but rather one resulting from deliberate national and international economic policies. It is arguable that the dispersing of tenants from the estates merely shifts the deprivation elsewhere.

The issues raised in the discussion of the value, condition and management of public housing assets exemplifies the point raised earlier that the provision of housing cannot be planned in isolation and must be part of a coherent and coordinated process that includes all levels of government. Any revised CSHA must therefore be explicit as to need, resultant stock targets and minimum standards for location and stock quality.

### **Term of Reference (e)**

*consumer rights and responsibilities, including legislative protection and the level of advocacy and support services required to meet the needs of low income households.*

The current CSHA provides for the development of Codes of Practice which includes the availability of an independent complaints handling mechanism for public tenants.

Currently Homeswest is shifting from a Code of Practice to a statement of the rights and responsibilities of its consumers. To what extent the Commonwealth will monitor and enforce this CSHA requirement remains unknown.

Homeswest has a working appeals system in place called the Homeswest Appeals Mechanism (HAM). At its initial levels, it is available generally to all people who have had an adverse decision made against them. It is only at the third level (the

highest and most independent level), where appeals are restricted as is the ability of the applicant to appear in person. That third level would not conform to the Australian Standard for Complaints Handling as required by the CSHA.

An overall assessment of the appeals system would conclude it is a significant and valuable service provided to public housing tenants. The majority of appeals relate to priority assistance, the one offer policy and tenant liability charges at the end of a tenancy. The first two types are directly linked to the increased targeting of housing assistance due to insufficient levels of rental stock and the latter with the condition of that stock.

Approximately 30% of all appeals to HAM are either wholly or partially set aside. This statistic compares favourably with that of the Social Security Appeals Tribunal, the accepted benchmark for administrative appeals systems.

Homeswest and public tenants are bound by the Residential Tenancies Act 1987 (RTA), the Western Australian tenancy legislation. The RTA is used by Homeswest in the main to seek termination of tenancies and the authority to evict. The connection between the RTA and HAM is by way of the Homeswest policy to bar appeals to HAM once a termination notice has been issued.

The RTA is administered through the Small Disputes Division of the Local Court. The Court structure is manifestly unsuited to the needs of tenants and anecdotal evidence suggests most tenants do not attend to present their case. Shelter WA would not consider the Court system to be a legitimate place for the resolution of disputes between tenants and landlords given its formality, the perception of courts generally and the inherent power differential between the tenant and the landlord representative. In the case of Homeswest, experienced Recovery Officers represent Homeswest in the Court.

Homeswest's own appeal system which is very well attended by appellants due to its low-key approach and informality is a clear pointer to the need for an inquisitorial system to deal with tenant/landlord disputes. Shelter WA supports the recommendation of the Commission on Government for the establishment of a State based Administrative Appeals Tribunal. It would be possible under such a system for RTA disputes to be handled by a tenancy division of the Tribunal.

With regard to the adequacy of residential tenancy legislation to provide consumer protection and the need for advocacy and support services for low income tenants, Shelter WA supports the submissions of the Tenants Advice Service of WA and the National Association Of Tenants Organisations.

Two further comments are made:

1. With the apparent increase in reliance on the private rental market for the housing needs of low income households, effective consumer protection and accessible avenues of appeal become paramount.
2. This can only be achieved when national (best practice) standards are developed and form part of the revised CSHA.

Mention must be made of the support services currently provided by Homeswest for public tenants experiencing difficulties and at risk of eviction. Two major programs, the Special Housing Assistance Program and the Tenant Referral Program (with the Community Services Department) represent initiatives that may be applicable as a model of tenant support to private rental tenants.

### **Terms of Reference (f) and (g) and (h)**

*(f) the value and impact of housing assistance given to the private rental market, with specific reference to:*

- (i) the capacity of the private rental market to meet the needs of low income and disadvantaged households,*
- (ii) the price and supply impact of changes to rent assistance,*
- (iii) the impact on market rents of a reduction in public housing stock, and*
- (iv) options for, and related costs of, attracting private investment to the low cost end of the private rental market.*

*(g) the appropriate mix of income support and supply assistance measures to ensure adequate affordability and supply of housing in the medium and long term for low income households.*

*(h) the appropriate level and mix of investment necessary to ensure:*

- (i) an adequate supply of private rental housing, and*
- (ii) an adequate supply of public housing*
- (iii) which meets the needs of low income households.*

In 1996 Homeswest made a substantial attempt to attract private investors to the provision and management of low income rental housing. It chose one of its prime inner city unit/flat accommodation properties for sale and lease-back. The lease was to run for 20 years after which the investor/owner would be free to do with the building and site whatever they wished. The owner would be expected to manage the tenancies (Homeswest would provide the tenants), but the history of the property was one of minimal rental arrears and negligible social problems.

Homeswest was unable to attract sufficient interest from private investors and the project was abandoned.

This is a recent example of the systemic problems that confront institutional private investment in the provision of low income housing which has the attributes of public housing such as; security of tenure, tenant access to appeals mechanisms, maintenance requirements such as on call emergency services and a tenant mix dominated by long-term social security recipients.

The Industry Commission found that low cost rental housing in the private rental market is not generally purpose built and that it is a residual market unattractive to investors (Parker 1996:4).

Overseas experience suggests that supply interventions by government are always necessary. In all countries where private sector finance is relied on to support affordable housing provision, governments continue to finance supply, either through grants, infrastructure support, financial support such as housing financing, guarantees or new financing instruments (National Shelter 1997).

One of the great difficulties in trying to determine the extent to which the private rental market could or should provide affordable and appropriate housing for low income people with limited choice is that not enough is known about the dynamics of the market (Maher 1996:16).

The stereotype of it being a transitional tenure for people moving to home purchase or public housing is now problematic as a general statement of its function.

The use of the private rental market as a transitional tenure has a short term benefit for those who use it in that way; for people who must use that market for their long-term housing needs the structural disadvantages compared to other housing tenures are amplified. For example:

- discrimination
- lack of security of tenure and control over property
- higher housing costs (long-term) (Maher 1996:18-19)
- variable quality of housing and location.

It is clear the problems with the private rental market go far beyond the issue of affordability. As Parker states (1996:4):

"Higher subsidies paid on private rental will bring forward some additional accommodation, but the real issue is: how much accommodation; of what quality; and at what cost?"

If we accept the inelasticity of the private rental market (at the low cost end), then a large change to the rental assistance system foreshadowed by the Commonwealth government will lead to higher rents for existing tenancies and an unearned benefit to those current landlords. Moreover, a concomitant reduction in the supply of public housing will exacerbate that tendency.

The principle theme that informs this submission is the necessity for a coordinated approach to supply of the various housing tenures within a framework of a recognised

measure of housing need. This is a joint responsibility of all levels of government and must be articulated in an expanded Commonwealth State Housing Agreement (CSHA).

For this to be effective requires an intimate knowledge of the dynamics of the various tenure forms and their reasonable place within the needs framework.

**At this time we have:**

1. an underfunded public housing system with a waiting list of nearly 250,000 nationally but which is generally regarded as the superior form of long-term housing assistance for low income households.
2. a growing expenditure on rental assistance for Social Security recipients who rent in the private market. However, this market continues to have the highest level of housing related poverty and is one where there is an inadequate level of information to reasonably direct policy initiatives. What seems clear is that the private rental market is no longer significantly a transitional tenure form (particularly at the low cost end) and therefore the disadvantage suffered by low income households is long-term and not just about affordability.
3. an apparent historically stable level of home purchase/ownership of about 70% of Australian households but a general attempt by governments to promote and expand this tenure to low income groups. Within this tenure form income earners in the highest quintile receive nearly as much of a subsidy as do public housing renters in the lowest quintile of income earned.

**At the very least:**

- It would seem socially and economically responsible for governments to ensure that a viable and growing public housing system continue. Public housing represents about 6.2% of Australian households and should not be allowed to fall below that level.
- At the same time the dynamics of the private rental market must be much better analysed and understood to enable housing assistance (both demand and supply strategies) to be directed as part of a national needs framework.
- The vertical inequalities inherent in the current provision of housing assistance must be made transparent and addressed. This may have an impact on home ownership. Any horizontal inequality in housing assistance should reflect the differing requirements of people on low incomes.

### **Term of Reference (i)**

the appropriate level of and arrangements for the provision of income support to ensure affordability of appropriate housing for low income households.

Please refer to the submission of National Shelter for this Term of Reference.

### **Concluding Statement**

Shelter WA recognises the need for reform. There are too many flaws in the current system and too many people in housing need. However, reform must be based on a comprehensive understanding of need, and policy directed towards that end. Housing and the alleviation of housing need must be addressed as a national issue, through a national performance-based agreement focused on outcomes for households.

28 May 1997.

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