



**SUBMISSION TO  
THE PRODUCTIVITY  
COMMISSION  
HUMAN SERVICES:  
IDENTIFYING SECTORS  
FOR REFORM,  
PRELIMINARY  
FINDINGS REPORT**



## Executive Summary

Shelter WA welcomes the opportunity to provide a submission in response to the Productivity Commission Inquiry into *Human Services: Identifying sectors for reform, Preliminary Findings Report*.

Shelter WA is an independent, community based peak body committed to accessible, affordable, appropriate and secure housing for low income and otherwise disadvantaged persons, including those who are or at risk of homelessness in Western Australia. Shelter WA response to this inquiry is based upon sound research and consultation with key stakeholders, including the National Shelter policy network.

Shelter WA recommends that:

- Increased competition, contestability and informed user choice be explored in relation to the provision of social and affordable housing, but reforms be contingent on initiatives to increase the overall, appropriate supply of social and affordable housing for low to moderate income earners;
- The Commonwealth government support potential housing reforms by developing National Housing & Homelessness Strategies, introducing a Cabinet Level National Housing Minister, and re-establishing the National Housing Supply Council with adequate funding;
- Specialist Homelessness Services be excluded from the inquiry into competition, contestability and informed user choice, as current service provision is highly unlikely to be improved through reforms;
- An assessment of whether community and volunteer services are pushed out of the market must be a consideration in any increase in competition and contestability;
- Competitive tendering be used with caution, as it can favour larger providers, who may not have specific client knowledge; drain resources from an already resource depleted sector; work against collaboration; and be detrimental to user outcomes;
- Reforms encourage services that are co-designed with users, and tendering that promotes collaboration and relationship building, rather than a siloed approach to service provision;
- An examination be undertaken of the adequacy of income support and supplementary payments, including Commonwealth Rent Assistance;
- The reform process considers the intrinsic trust factor required for effective delivery of service to vulnerable persons;
- Reforms should focus on cost benefit rather than cost efficiency of service provision, and consider using the Report on Government Services framework for effectiveness, efficiency, and equity.

## Introduction

Shelter WA is the peak body for social and affordable housing in Western Australia. Shelter WA is also committed to reducing and eliminating homelessness in WA. Shelter WA believes housing is a basic human right. Safe, secure and affordable housing is a key requirement for households to fully in the community, engage in work, maintain healthy relationships and contribute meaningfully to society.

Over the last decade, Western Australia has experienced unprecedented increases in the cost of housing, with many households in housing stress, priced out of home purchase, paying high rents and/or on long wait lists for social housing. Despite a small recent decline in average home purchase prices and rents in WA, affordable accommodation remains out of reach for many on low incomes, including those on the pension and other government benefits. The supply of affordable and accessible housing has not kept up with demand due to a range of factors, including: inefficiency in the planning system, a lack of diverse housing at lower price points, and a reduction in investment into social housing over time. In 2012, there was a predicted nationwide shortage of 539,000 homes available and affordable for low and moderate income earners to rent or buy<sup>1</sup>.

<sup>1</sup> National Housing Supply Council (2012) 'Housing supply and affordability – key indicators, 2012', NHSC, Melbourne.



Homelessness is an increasing challenge across Australia, on any given night there are more than 105,000 people experiencing homelessness, with many more living in housing situations that are vulnerable, and put households at risk of homelessness<sup>2</sup>. It must be acknowledged that in this context that the Productivity Commission makes its inquiry into competition, contestability and user choice in relation to human services.

Overall, Shelter WA supports the principles of quality, equity, efficiency, responsiveness and accountability, but believes these become hollow measures without sufficiency. The degree of service improvement through competition and contestability will be minimal without reforms to improve the sufficiency of housing provision and services to those experiencing homelessness.

## Response to Inquiry

### Recommendation 1:

***Increased competition, contestability and informed user choice be explored in relation to the provision of social and affordable housing, but reforms be contingent on initiatives to increase the overall supply of social and affordable housing for low to moderate income earners.***

Currently in Western Australia, like other states, the Housing Authority maintains control of most social housing stock, and is a regulator of community housing providers. 80 per cent of Western Australian social and public housing is owned and managed by the WA Housing Authority; 20 per cent by approximately 200 Community Housing Providers (CHPs)<sup>3</sup>. Western Australia has a State Government Affordable Housing Strategy, which is working towards a goal of providing 30,000 affordable housing dwellings by 2020. This includes a goal to 'finalise and implement a *Community Housing Sector Strategy* and associated initiatives that capitalise on the strengths of the NFP sector and increase its delivery role.' Despite this goal, the strategy is yet to be developed. Shelter WA believe the development of an effective community housing strategy is critical to the development of the community housing sector, and can lead to increased user choice if this sector is further developed. Shelter WA also acknowledge the work of the Housing Authority who maintain a single housing register with registered providers, one suggested opportunity in the Productivity Commission's Preliminary Findings Report.

Shelter WA understands there to be an absence of user choice in the provision of social housing in WA. Currently, applicant/s only receive one choice when they reach the top of the joint public and community housing wait list. This is due to the current social housing stock being under significant pressure as it is a rationed resource, with limited availability compared to current demand. Currently in WA there are approximately 20,000 people on the social housing wait list. Income and asset limits to be eligibility to access social housing has not changed since 2006<sup>4</sup>, and therefore this 20,000 is an understatement of the need for social housing.

State provided public housing has been slowly diminishing over the last two decades. Public housing rental dwellings in Western Australia continue to decline. In 2015/16 there were 36,403 dwellings, 241 dwellings less than the 36,644 dwellings in 2014/15<sup>5</sup>. Across Australia, the only recent growth in social housing has occurred through the growth of community housing, mostly from the transfer of ownership or management of housing to community housing providers (CHPs). Some additional housing which has been through leveraging existing and transferred assets, combined with Commonwealth Rent Assistance (CRA). The CRA is critical to enable the CHPs not only to increase and maintain stock, but to provide critical tenancy support services. The most significant boosts to social housing came through the Social Housing Initiative, as part of the Nation Building stimulus program, and the National Rental Affordability Scheme, which provided funding and a subsidy respectively for capital development.

Shelter WA suggest that reform in this area needs to be treated with caution, as competition and contestability to enable increased user choice must consider how this new policy framework and implementation, will increase appropriate supply in a failed market. Shelter WA suggests reforms to enable user choice could be implemented if there was other funding and policy interventions that lead to an expansion of the current social and affordable housing stock.

2 Australian Bureau of Statistics (2012) '2049.0 – Census of Population and Housing: Estimating homelessness, 2011', ABS, Canberra.  
 3 Community Housing Coalition WA (2015) 'Doing more with what we already have', CHCWA, Perth.  
 4 Housing Authority (2016) 'Rental Policy Manual', Government of Western Australia, Perth.  
 5 Housing Authority (2016) 'Annual Report 2015-16', Government of Western Australia, Perth.

Shelter WA supports the development of the community housing sector, to improve the ability for competition and contestability in service provision. There is an opportunity for government to utilise the strength of community housing providers through a mix of the transfer of public housing title and management transfers. Sector growth will facilitate greater economies of scale enabling providers to attract private finance, and deliver efficiencies in stock provision, management and tenant support.

Evidence indicates that there are better outcomes for tenants as community housing tenants are generally more satisfied in relation to their housing arrangements than public housing tenants<sup>6</sup>. This was reinforced by a recent Productivity Commission report which highlighted that community housing providers often outperform public providers on some indicators including tenant satisfaction and property maintenance<sup>7</sup>.

Shelter WA believes that the social and affordable housing system could be appropriate for future reform, but is constrained by systematic and strategic approach to scale and investment. A significant boost is required to enable competition and contestability, which in time will lead to consumer choice. Shelter WA believes that the Commonwealth government must champion the development of funding initiatives that will support the creation of social and affordable housing. This should include developing investment models that can unlock large scale institutional from superannuation funds and other investments. The Australian Housing and Urban Research Institute (AHURI) has undertaken extensive research in this area, and indicated that a policy framework will be required to develop a new asset class that meets investors requirements for yield, scale and liquidity<sup>8</sup>. AHURI research also recommended the introduction of an *Affordable Housing Finance Corporation* which involves the formation of an expert non-profit financial intermediary to assess and aggregate the borrowing demands of registered CHPs and issue bonds with a carefully structured and targeted guarantee<sup>9</sup>.

There may also be other ways to fund this essential social and affordable housing infrastructure. A recent Infrastructure Partnerships Australia report suggests that the sale of old public housing stock could facilitate up to \$1 billion for new social and affordable housing stock<sup>10</sup>. While the model proposed by IPA needs further investigation and modelling, it is clear there are several ways to bring about capital funding for new social and affordable housing.

Shelter WA also believes that taxation policies can be effective tools to promote the supply of suitable housing and encourage investment in affordable housing. Shifting taxation policies away from individual households, who are seeking short term capital gains, to overall institutional investment, will be of benefit to those living in rental accommodation. Tax reform should include:

- Reviewing and reforming deductibility regimes (negative gearing), giving consideration to restricting purchase price to housing in an affordable pricing range and/or on new supply rather than existing housing;
- Removing or adjusting the Capital Gains Tax Exemptions from investors;
- Replacing inefficient, State based stamp duties with a broad based, progressive land tax; and
- Specific incentives or subsidies to investors letting to lower income households for longer periods of time or at affordability thresholds.

Any new initiatives targeted at increasing the supply of social and affordable housing must be adequately scrutinised for perverse policy outcomes and implementation issues before being introduced. The National Rental Affordability Scheme (NRAS), an initiative focused on delivering new affordable rental housing at 80% of current market rent. This Scheme is utilised by community housing providers (social housing providers), but also private developers who do not providing social housing. National Shelter highlights in its initial submission to this inquiry “tendering of NRAS incentives was slowed and compromised by double checking at both state and national levels instead of a single approval regime, requirements to be site specific, small tranches of incentives instead of larger ones to attract institutional investors, insufficient coordinated explanation and engagement of financial markets, and insufficient emphasis on utilisation of NRAS incentives alongside other incentives (increased state contributions, capital, land, planning measures e.g.) to achieve other outcomes (lower rent, accessible design, sustainability, housing for specific groups).”<sup>11</sup>

6 Australian Institute of Health and Welfare (2012) ‘National Social Housing Survey: State and Territory Results 2010’, AIHW, Canberra.

7 Productivity Commission (2016) ‘Report on Government Services’, Australian Government, Canberra.

8 Australian Housing and Urban Research Institute (2014) Research & Policy Bulletin: ‘How can governments encourage institutional investment to increase the supply of affordable rental housing?’, AHURI, Issue 175, Canberra.

9 AHURI (2014) ‘Enhancing affordable rental housing investment via an intermediary and guarantee’, AHURI, Issue 174, Canberra.

10 Infrastructure Partnerships Australia (2016) ‘From housing assets to housing people: fixing Australia’s social housing system’, IPA, Sydney.

11 National Shelter (2015) ‘Submission to Productivity Commission Inquiry Human Services: Identifying sectors for reform’, National Shelter.

## Recommendation 2:

***The Commonwealth government support reforms that will improve user outcomes, particularly through the development of a National Housing & Homelessness Strategies, a Cabinet Level National Housing Minister, and the re-establishment of the National Housing Supply Council.***

Social and affordable housing and homelessness service provision is critical to the wellbeing of Australia's population. All levels of government have a role to play in delivering this, and it requires overall co-ordination. The lack of affordable housing impacts on social housing need, and those needing to access homelessness services. The main reason for people to access Specialist Homelessness Services (SHS) is family and domestic violence (32.5%) but financial reasons (17%) are increasingly being stated as a main reason for accessing these services. The unaffordability of housing is placing financial stress on households, and leading to homelessness, and other issues.

Shelter WA believes the Commonwealth government must develop a National Housing & Homelessness Strategy to address the multifaceted issue of improving housing affordability and housing outcomes for low to moderate income earners across Australia. This needs to be supported by a Cabinet Level Minister which would work alongside the Cities and Built Environment, Treasury, States, NFP organisations and peak bodies, including National Shelter, the Community Housing Industry Association and the Australian Council of Social Service. Shelter WA believes that it is essential to have adequate data to support effective policy, which is why the reestablishment of the National Housing Supply is critical.

## Recommendation 3:

***Specialist Homelessness Services be excluded from the inquiry into competition, contestability and informed user choice, as current service provision is highly unlikely to be improved through reforms.***

All indications suggest homelessness is increasing in Western Australia, and indeed across Australia, although it is difficult to gauge the extent of the problem as the most recent comprehensive statistics are only available in the 2011 Census. According to recent data there has been a significant increase in rough sleeping in the City of Perth and Fremantle. Homelessness Services engaging in Shelter WA's Advisory Committee on Homelessness have indicated their services are seeing more requests than ever before, with one provider indicating there are seven people seeking to utilise each bed they had.

Homelessness services in WA are consistently at capacity and have not been able to expand to meet the increasing need for their services. Currently SHS in WA only receiving \$15 million per year in service funding, and there are no funds for capital expenditure. In 2014-15, SHS turned away 62 people per day that attempted to use their service, around 70% of these people had a long-term housing need that could not be met. This highlights not only the lack of adequate funding, but also the lack of adequate exit points that are crucial to transition people into appropriate households.

Shelter WA believes the current insufficient service provision available for people at risk and experiencing homelessness, is unlikely to be improved through increased competition and contestability. Further to this, Shelter WA are concerned about the potential risk to services and consumer outcomes if competition is introduced into the delivery of SHS. This is further explained through *Recommendation 5*. SHS provide a response to crisis and emergency situations and need to be recognised as an essential service type not suited to a competitive market environment.

## Recommendation 4:

***An assessment of whether community and volunteer services are pushed out of the market must be a consideration in any increase in competition and contestability.***

In relation to the provision of human services, the 'Harper' *Competition Policy Review* recommended that "a diversity of providers should be encouraged, while taking care not to crowd out community and volunteer services"<sup>12</sup>. Given the government supported this recommendation<sup>13</sup>, the Productivity Commission should include in any assessment of increased marketisation of human services if community and volunteer services will be crowded out.

<sup>12</sup> Harper et al (2015) 'The Australian Government Competition Policy Review', Australian Government, Canberra.

<sup>13</sup> Australian Government (2015) 'The Australian Government response to Competition Policy Review', Australian Government, Canberra.

The use of volunteers is extremely important in the delivery of human services, especially by the non-profit sector. Volunteering WA suggest that the economic, social and cultural value of volunteering is worth approximately \$39 billion in WA per year, with more than 315 million volunteer hours donated in 2015<sup>14</sup>. If this was its own sector, it would be the largest contributor to the state's economy, and employ the most workers. Community services and volunteering will continue to be essential in the provision of human services. Reforms to any sector must take this into account when introducing competition and contestability.

#### **Recommendation 5:**

***Competitive tendering be used with caution, as it can favour larger providers, who may not have specific client knowledge; drain resources from an already resource depleted sector; work against collaboration; and be detrimental to user outcomes.***

While tendering has advantages for government procurement procedures, it also has limitations and drawbacks:

- Tendering often adds enormous costs to CHPs and SHS by having to undertake detailed tendering processes;
- Often discourages competition, as it favours fewer organisations with the capacity to commit financially to completing tenders;
- Where competitive tendering has been introduced, for example in the homelessness sector in NSW, tendering has arguably not resulted in service improvements, and has caused disruption to service delivery and potentially led to worse outcomes for clients (through centralised, rather than local management, loss of niche service provision);
- Success should not be focus on low cost, but adequate service provision;
- Competitive tendering often works against service provider collaboration.

As National Shelter states in its initial submission "Competitive tendering effectively rules out capturing that (co-design) knowledge base or utilising collaborative approaches to service delivery often essential to success in housing for low income, high need households, where housing and a range of supports may be required to improve the value of service provision and to ensure consumer choice."<sup>15</sup>

#### **Recommendation 6:**

***Reforms encourage services that are co-design with users, and tendering that promotes collaboration and relationship building, rather than the current siloed approach to service provision.***

Increasingly community services sector is promoting co-design of services to enable the deep knowledge of the community services sector to be realised in service provision. This seen for long term services like housing, but also in homelessness, where services may be provided long after the initial crisis response. Co-design enabled earlier and deep engagement of community services in the design phase of service delivery, program response and decisions around cost and scope of service provision. The Australian Council of Social Service (ACOSS) suggest that the most effective outcomes will be achieved through<sup>16</sup>:

- High trust collaboration amongst service providers, particularly at the local community level;
- Strong shared objectives amongst service providers to enhance economic and social development for individuals and communities;
- A focus on prevention and early intervention to appropriately reduce service need in targeted service areas;
- Flexible service design tailored to local regional and community needs;
- Flexible design tailored to individual circumstances;
- Guaranteed off access to essential services regardless of location, means of personal attributes;
- Information sharing and advocacy to achieve positive change for individuals and communities.

<sup>14</sup> Volunteering WA (2015) 'The Economic, Social and Cultural Value of Volunteering to Western Australia', Volunteering WA, Perth.

<sup>15</sup> National Shelter (2016) 'Submission to Productivity Commission Inquiry Human Services: Identifying sectors for reform', National Shelter, Canberra.

<sup>16</sup> ACOSS (2016) 'Response to Productivity Commission Issues Paper: Human Services, Identifying sectors for reform', ACOSS, Sydney.



Shelter WA believes that co-design is a favourable process for service provision, but governments must fully adopt the process and principles to effectively utilise the knowledge of existing service providers.

#### **Recommendation 8:**

***An examination be undertaken of the adequacy of income support and supplementary payments, including Commonwealth Rent Assistance.***

Shelter WA believes that there must be a review of the adequacy of income supports and supplements to support reforms. Currently these are not adequately ensuring affordable living for those receiving payments. For example, there is an increasing gap in the adequacy of CRA. This is acknowledged in the Preliminary Findings Report which highlighted 40% of households receiving CRA were still in rental stress, paying more than 30% of their incomes on rent. The report acknowledges a “faster rate of growth in rents than the maximum CRA rate over the past decade.”

Commonwealth Rent Assistance (CRA) assists low income renters in private rentals and community housing and prevents even more widespread housing stress among this group. However, CRA has not kept pace with increasing rents and household costs and must be increased to minimise housing stress among low income renters. The provision of rent assistance will not in itself promote adequate supply, although it does provide an important subsidy to community housing organisations which in certain conditions can make the difference between viability and non-viability of social housing projects. The recommendations here need to be seen alongside recommendations about changing private rental investment, and more specifically about rent and subsidy arrangements in social housing. That said, along with other measures, rent assistance can provide an important add-on in the financial viability of community housing providers and any changes to CRA will need to be evaluated for their impact on this sector.

#### **Recommendation 9:**

***The reform process must consider the intrinsic trust factor required for effective delivery of service to often vulnerable persons.***

Many individuals and households that find themselves in precarious housing situations or those experiencing homelessness require human services. As noted in the Preliminary Findings Report, many who access SHS, also access mental health, drug and alcohol, and disability services. Reforming the provision of human services to these vulnerable people must be treated with caution, as people who access these services often do so based on the intrinsic ‘trust’ that the provider has a high level of compassion and care of their individual outcomes. Disruptions and changes to services provision can impact upon vulnerable people more dramatically, and can potentially lead to a mistrust in services. The intrinsic ‘trust’ factor crucial to effective delivery of human services is also not associated with provision of services by for-profit providers, which must be considered in the reform process.

#### **Recommendation 10:**

***Reforms should focus on cost benefit rather than cost efficiency of service provision, and consider using the Report on Government Services framework for effectiveness, efficiency, and equity.***

Shelter WA believes that reforms should be focused on a cost benefit analysis (CBA), rather than cost efficiency analysis (CEA), which is premised in the report. Shelter WA agree with the Australia Chamber of Commerce and Industry (ACCI) in deducing that the proposed criteria appear to be a CEA rather than a CBA analysis. As stated “The framework captures the benefits of a service (through quality) and how they are distributed (through equity), but it does not capture cost directly. It only captures the relationship between inputs and benefits (through efficiency).”<sup>17</sup>

Shelter WA supports the principles of quality, equity, and efficiency as objective of the Productivity Commission’s inquiry. The ACCI also states “There is also an argument for using the Commission’s existing framework for its annual Report on Government Services (RoGS) based on equity, effectiveness and efficiency given this framework has already been use by the Commission to analyse policy in various human services sectors.”

17 Australian Chamber of Commerce and Industry (2016) ‘PC Human Services Inquiry: identifying sectors for reform’, ACCI, Canberra.

## Conclusion

Shelter WA appreciates the opportunity to provide a submission in response to the Productivity Commission Inquiry into *Human Services: Identifying sectors for reform, Preliminary Findings Report*. Overall, Shelter WA supports the principles of quality, equity, efficiency, responsiveness and accountability, but believes these become hollow measures without sufficiency. The degree of service improvement through competition and contestability will be minimal without reforms to improve the sufficiency of housing provision and services to those experiencing homelessness.

Shelter WA believes that increased competition, contestability and informed user choice be explored in relation to the provision of social and affordable housing, but reforms must be contingent on initiatives to increase the overall supply of social and affordable housing for low to moderate income earners. Specialist Homelessness Services need to be excluded from reforms focused competition and contestability, as current service provision is highly unlikely to be improved through reforms.

Shelter WA urges caution in introducing competition and contestability into the provision of human services, as competition and contestability may not always lead to improved user outcomes. If the end goal is better outcomes for the end user, there are many other Commonwealth policy and funding changes that should be considered alongside these reforms to improve outcomes for these often vulnerable persons.

To discuss the issues raised in this submission in further detail, please don't hesitate to contact Shelter WA's Policy Officer, Robert Gough, on (08) 9325 6660 or [policy@shelterwa.org.au](mailto:policy@shelterwa.org.au).

Yours Sincerely,



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