

**INQUIRY INTO SOCIAL, PUBLIC AND AFFORDABLE  
HOUSING**

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# **NSW Government Submission to the Legislative Council Select Committee Inquiry into Social, Public and Affordable Housing**



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## Structure of this submission

This submission provides information relevant to the terms of reference for the Legislative Council Select Committee Inquiry into Social, Public and Affordable Housing.

Chapter 1 of this submission outlines the NSW system of social housing assistance. This includes information about:

- the social housing system and the assistance provided through this system;
- the financial sustainability of this system; and
- recent reforms and changes in the social housing sector.

The supply of social and affordable housing is addressed in Chapter 2. This includes information about the social housing sector, the role of boarding houses and residential parks, market mechanisms and incentives, and the issue of ageing in place.

Chapter 3 discusses funding partnerships with the Commonwealth that exist to fund the provision of housing assistance. It details current and past funding agreements, Commonwealth Rent Assistance and changes in funding contributions over time.

Appendix A lists the legislative objectives that apply to the social housing system in NSW.

Note, assistance provided to people experiencing or at risk of homelessness is not covered in this submission, as it is outside the direct scope of the Inquiry.

# 1 Social housing assistance

This section provides detail on the current social housing system in NSW. It includes information on:

- the legislative and administrative landscape;
- social housing assistance in NSW, including the changed profile of the housing system, different assistance types and how they are provided;
- the sustainability of public housing; and
- recent reforms in NSW related to social housing.

## 1.1 Legislative and administrative landscape

### 1.1.1 Legislative framework

Social housing in NSW is currently regulated under the *Housing Act 2001*.<sup>1</sup> This Act specifies how social housing is to be delivered in NSW. The Act provides for:

- provision of social housing assistance including rental rebates, advances and tenancies.
- establishment of a Land and Housing Corporation (LAHC).
- acquisition and management of land, sale of land and construction of buildings and housing areas.
- provision of home ownership assistance.<sup>2</sup>

The NSW Aboriginal Housing Office (AHO) was established under the *NSW Aboriginal Housing Act 1998* (see below for an explanation of the role of the AHO in social housing).

Appendix A lists the objectives of the *Housing Act 2001* and the *NSW Aboriginal Housing Act 1998*.

### 1.1.2 Administrative framework

#### Types of social and affordable housing

This section provides definitions of the terms social housing, public housing, community housing, Aboriginal housing, social housing assistance, Housing Pathways and affordable housing, as they are used in this submission.

#### **Social Housing**

Social housing is the umbrella term covering tenancies in public housing, community housing and Aboriginal housing (also referred to in this document as *social housing tenancy-based assistance*). The term social housing encompasses properties owned or managed by FACS, community housing providers, Aboriginal community housing providers or the AHO. People receiving social housing are provided with a property to live in under a tenancy agreement.

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<sup>1</sup> Note, the *Residential Tenancies Act 2010* applies to social housing tenancies and FACS tenancy management policies are required to comply with this Act.

<sup>2</sup> For the full Act see: [http://www.austlii.edu.au/au/legis/nsw/consol\\_act/ha2001107/](http://www.austlii.edu.au/au/legis/nsw/consol_act/ha2001107/)

### ***Public Housing***

Public housing is NSW Government owned or managed social housing. FACS manages public housing properties. These properties are either owned by the LAHC, or they are leased from the private rental market.

### ***Community Housing***

Community housing providers manage community housing properties. These properties can be owned by the provider, owned by the NSW Government, or leased from the private rental market. Some providers also manage properties on behalf of other organisations under a fee for service arrangement.

Community housing providers consist of Housing Associations, whose core business is the management of subsidised rental housing for lower income households, cooperative housing, which is tenant managed housing for people on very low to moderate incomes, and other non government housing providers.

### ***Aboriginal housing***

Aboriginal housing is housing owned by the Aboriginal Housing Office (AHO) or the Aboriginal community housing sector. FACS, Aboriginal community housing providers or community housing providers manage Aboriginal housing on behalf of the AHO. FACS manages most properties with tenancy conditions similar to those of public housing. Applicants for social housing who are Aboriginal or have an Aboriginal person living in their household can apply for Aboriginal Housing. Applicants for Aboriginal housing must confirm their Aboriginality.

### ***Social housing assistance***

For the purposes of this submission, social housing assistance encompasses both:

- Social housing tenancy based assistance, as set out above (public housing, community housing and Aboriginal housing); and
- other assistances including private market assistances provided by FACS, such as rental bond loans and private rental subsidies and temporary accommodation. (Note: specialist homelessness assistance is provided by FACS but is not considered a social housing assistance for the purpose of this submission).

### ***Housing Pathways***

In April 2010 FACS and 26 community housing providers across the State implemented a new housing application system known as Housing Pathways to make applying for housing assistance easier, simpler and fairer for clients, reduce duplication and create efficiencies from shared systems.<sup>3</sup>

Applicants now fill out a single form to apply for properties managed by FACS or participating community housing providers. They can choose either public or community housing but can maximise their opportunities for a housing offer if they register interest in both public and community housing.

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<sup>3</sup> Extracted from the housing pathways website: <http://www.housingpathways.nsw.gov.au/About+this+Site/>

## ***Affordable Housing***

Affordable housing is a form of subsidised housing that is appropriate for the needs of a range of very low to moderate income households and priced so that these households are also able to meet other basic living costs such as food, clothing, transport, medical care and education.

Although affordable housing is sometimes available for purchase, it is most commonly available for rent. Affordable rental housing may be owned by private developers or investors, local governments, charitable organisations or community housing providers. It is usually managed by not for profit community housing providers, and sometimes by private organisations.

Affordable housing is defined under the *Environmental Planning and Assessments Act 1979* as housing for very low income households, low income households or moderate income households.

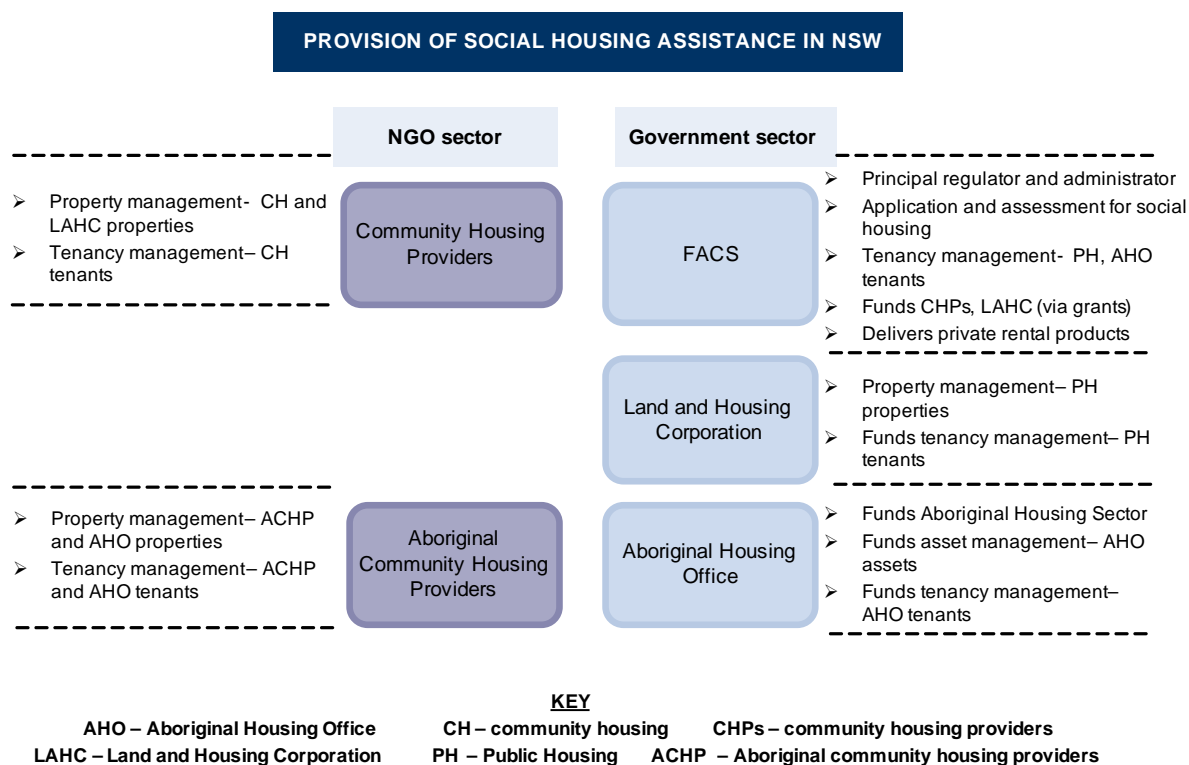
The *State Environmental Planning Policy (Affordable Rental Housing) 2009* (AHSEPP) encourages the private sector provision of various forms of affordable rental housing by offering planning incentives in certain circumstances. This includes a floor space ratio bonus for residential flat buildings, multi dwelling housing and boarding houses. The AHSEPP also provides minimum planning standards that may override local council planning controls to help promote a diversity of affordable housing types in local areas.



### 1.1.3 Administrative roles and responsibilities

The figure below provides an overview of the delivery of social housing assistance in NSW. Both government and the non-government sector have key roles in the social housing system.

**Figure 1: Roles and responsibilities in the provision of social housing assistance in NSW**



### Department of Family and Community Services (FACS)

FACS works to:

- improve the lives of children and young people;
- improve social housing assistance and homelessness services;
- support people with disability to realise their potential;
- stand together to end domestic and family violence;
- support seniors to participate fully in community life; and
- increase economic opportunities and participation for women.<sup>4</sup>

Within the housing context, FACS is the principal regulator and administrator of social housing assistance within NSW. In working towards its purpose FACS:

- works with other departments, agencies and other organisations to address homelessness in NSW;
- manages NSW's public housing portfolio;

<sup>4</sup> Department of Family and Community Services 2013, *Annual Report*, available at: [http://www.facs.nsw.gov.au/data/assets/file/0010/279037/3005\\_FACS\\_AR\\_2012-13\\_WEB\\_FACS\\_R.pdf](http://www.facs.nsw.gov.au/data/assets/file/0010/279037/3005_FACS_AR_2012-13_WEB_FACS_R.pdf)

- funds and regulates the provision of community housing and crisis accommodation;
- manages Aboriginal public housing for the AHO;
- plays a key role in developing policy, administering programs and supporting relationships to increase access to the supply of affordable housing across NSW;
- provides a range of products and services to assist people into the private rental market and home ownership; and
- provides policy advice to government and manages the *Housing Act 2001* and associated legislation.

### **Land and Housing Corporation (LAHC)**

The LAHC is a statutory body established under the *Housing Act 2001* and is part of the FACS Cluster. The LAHC owns and/or provides asset management for land, buildings and other assets within the social housing portfolio comprising some 144,000 properties<sup>5</sup> (including commercial land and commercial properties) valued at approximately \$34 billion.

The LAHC is responsible for planning and building public housing as well as maintaining and upgrading the public housing portfolio of properties.<sup>6</sup> The LAHC funds tenancy management services delivered by FACS.

### **Aboriginal Housing Office (AHO)**

The AHO provides affordable housing to Aboriginal people in a culturally appropriate manner. The AHO is established under the *Aboriginal Housing Act 1988* and is part of the FACS Cluster. The AHO is managed by a board of between 6 and 14 members, all of whom must be Aboriginal. The board provides strategic direction to the AHO; determines policy; advises the Minister and Chief Executive, and ensures that the AHO complies with statutory and legal requirements.

The AHO provides funding support to the Aboriginal community housing sector for the purpose of carrying out operational and management services to Aboriginal community housing providers and acquisition/construction of properties. The AHO also undertakes/is responsible for the following:

- Asset management – the AHO buys, builds, maintains, modifies or upgrades new homes that are aligned with Aboriginal housing need and the support services needed to sustain tenancies. The AHO engages the LAHC to undertake a significant proportion of this function.
- Tenancy management – tenancy (and associated property) management services are administered through a Service Level Agreement with Housing NSW (HNSW) for most of the AHO portfolio.
- Administration of the National Partnership Agreement on Remote Indigenous Housing (NPARIH) and the NSW Build and Grow Aboriginal Community Housing Strategy (Build and Grow) – these programs seek to achieve better outcomes for eligible Aboriginal people, the Aboriginal community housing sector and the AHO workforce.

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<sup>5</sup> This figure includes vacant land and commercial properties, but excludes public and community housing leased properties and Aboriginal Housing Office properties.

<sup>6</sup> Land and Housing Corporation 2013, *Annual report*, available at: [http://www.facs.nsw.gov.au/data/assets/file/0011/279038/FACS\\_AR\\_2012-13\\_Land\\_and\\_Housing\\_WEB\\_FACS.pdf](http://www.facs.nsw.gov.au/data/assets/file/0011/279038/FACS_AR_2012-13_Land_and_Housing_WEB_FACS.pdf)

The NPARIH construction and upgrades are delivered via the LAHC. Further information on these initiatives is provided later in this submission.

## **1.2 Social housing assistance in NSW**

The NSW Government assists disadvantaged and vulnerable people in need of housing assistance in a range of ways, including providing social housing tenancies and other social housing assistances. Social housing assistance in NSW includes accommodation based assistance (i.e. those living in social housing) and assistance packages designed to help people access accommodation in the private rental market.

It also funds Specialist Homelessness Services for people who are homeless or at risk of homelessness, and affordable private market housing and support.

To be eligible to receive social housing assistance, individuals and families must meet a range of conditions relating to age, citizenship, residency, establishing identities, and income and asset limits. Eligible households must also be able to sustain a successful tenancy with or without support. Once assessed as eligible, households are prioritised according to urgency of their housing issues, and the availability of appropriate dwellings in selected locations. Information about eligibility is available on the Housing Pathways website – see <http://www.housingpathways.nsw.gov.au/>

### **1.2.1 Changing profile of the social housing system**

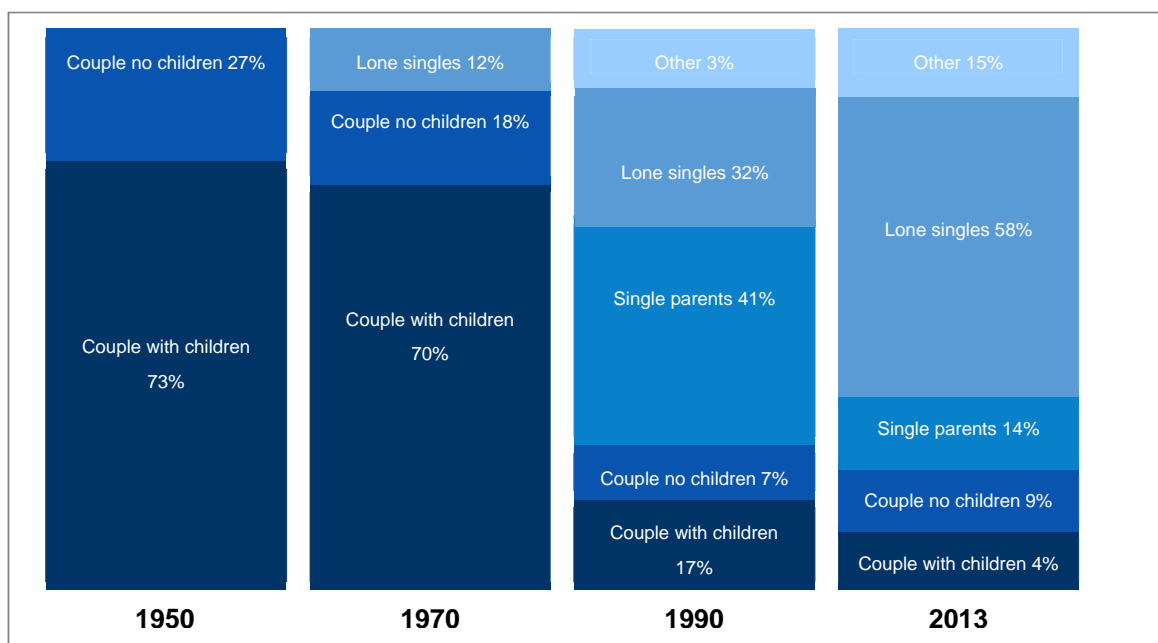
Figure 2 below shows changes in the household composition of people living in public housing between 1950 and 2013.

Figure 3 shows changes in the main income source of people living in public housing; comparing the 1960s to 2013.

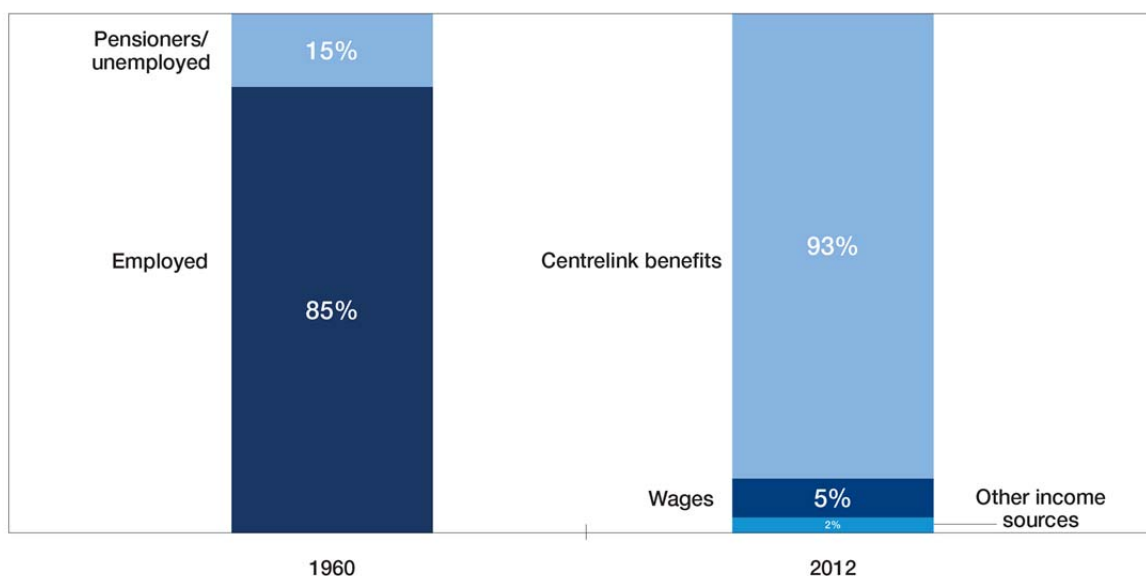
These figures show that:

- In the 1950s and 60s most people living in public housing were employed couples or families.
- In 2013, reflecting the ageing population, the largest group were lone singles and the vast majority were receiving Centrelink benefits.

**Figure 2: Changes in profile of people living in public housing – 1950-2013<sup>7</sup>**



**Figure 3: Income sources of people living in public housing – 1960 to 2013<sup>8</sup>**



### 1.2.2 Social housing tenancy based assistances

Social housing tenancy based assistances are the largest and most expensive component of social housing assistance in NSW. In absolute terms, NSW has the largest social housing system in Australia with the most social housing properties (35 per cent of the social housing dwellings in Australia - see Table 1 below) and the highest number of

<sup>7</sup> Housing NSW internal data – unpublished

<sup>8</sup> Housing NSW internal data – unpublished.

people residing in social housing. Compared to the other larger States, NSW has a higher proportion of households living in social housing (5.7 per cent compared to 3.8 per cent in Victoria, 4.2 per cent in Queensland and 4.7 per cent in Western Australia) (see Table 3 below).

**Table 1: Number of social housing dwellings, Australia 2012/13<sup>9</sup>**

Number of social housing dwellings – 2012/13								
NSW <sup>10</sup>	VIC	QLD	WA	SA	TAS	ACT	NT	Aus
146,815	77,706	71,135	42,324	49,484	13,606	11,554	7,435	420,059
35%	18%	17%	10%	12%	3%	3%	2%	100%

**Table 2: Percentage of social housing stock – residential dwellings – 2011/12<sup>11</sup>**

Percentage of social housing stock of all dwellings – 2011/12								
NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Aus
5.0%	3.3%	3.6%	4.1%	6.7%	5.8%	7.9%	6.6%	4.4%

**Table 3: Percentage of all households living in social housing – 2011/12<sup>12</sup>**

Percentage of all households living in social housing – 2011/12								
NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Aus
5.7%	3.8%	4.2%	4.7%	7.5%	6.6%	8.8%	8.0%	5.1%

Table 4 below shows the number of people living in social housing in NSW as at the end of 2012/13.

**Table 4: People living in social housing NSW as at end 2012/13<sup>13</sup>**

Housing type	People
Public Housing	213,700 people
Aboriginal Housing Office	12,900 people
Community Housing (not including crisis accommodation program)	52,800 people

Across all social housing tenancies (public, community and Aboriginal housing), single adult households are by far the most common type of tenancy, accounting for 52.1 per

<sup>9</sup> 2014 Report on Government Services (ROGS), Table 17A. The figure includes public housing, community housing, State Owned and Managed Indigenous Housing (equivalent to Aboriginal Housing Office dwellings in NSW) and Indigenous community housing (equivalent to properties owned and/or managed by Aboriginal Community Housing providers in NSW).

<sup>10</sup> The number of social housing dwellings in NSW detailed here is less than the number reported elsewhere in this submission. This is because for national reporting data is reported according to national counting definitions and standards, which differ from NSW definitions and standards.

<sup>11</sup> 2013 ROGS, Table 17A.3 (social housing dwellings) and 2011 Census of Population and Housing (total private dwellings).

<sup>12</sup> 2013 ROGS, Table 17A.4 (households living in social housing) and 2011 Census of Population and Housing (total households).

<sup>13</sup> Housing NSW internal data 2012/13.

cent at the end of 2012/13. Of all social housing tenancies single parents with dependent children accounted for 15.5 per cent of tenancies and a further 10.1 per cent were families other than single parents with dependent children (couple parents and extended family groups) at the end of 2012/13.

A third of people residing in social housing are aged between 25 and 54 years (32.5 per cent at the end of 2012/13), while children aged under 18 years accounted for a further quarter of social housing residents. One third of people in social housing were over the age of 55 years, with 8.7 per cent over the age of 75 years at the end of 2012/13. See the following tables.

**Table 5: Household types – social housing NSW as at end 2012/13<sup>14</sup>**

Household Type	No	%
Single only	73,174	52.1%
Couple only	12,926	9.2%
Single parent with dependent children (under 18)	21,785	15.5%
Other family with dependent children (under 18)	14,196	10.1%
Other households	18,420	13.1%
<b>Total households</b>	<b>140,501</b>	<b>100.0%</b>

**Table 6: Age of all household members – social housing NSW as at end 2012/13<sup>15</sup>**

Age of All Household Members -	No	%
Under 18	72,013	25.8%
18 - 24	25,000	8.9%
25 - 54	90,853	32.5%
55 - 64	37,920	13.6%
65 – 74	29,365	10.5%
75+	24,251	8.7%
<b>Total persons</b>	<b>279,402</b>	<b>100.0%</b>

<sup>14</sup> Housing NSW internal data 2012/13.

<sup>15</sup> Housing NSW internal data 2012/13.



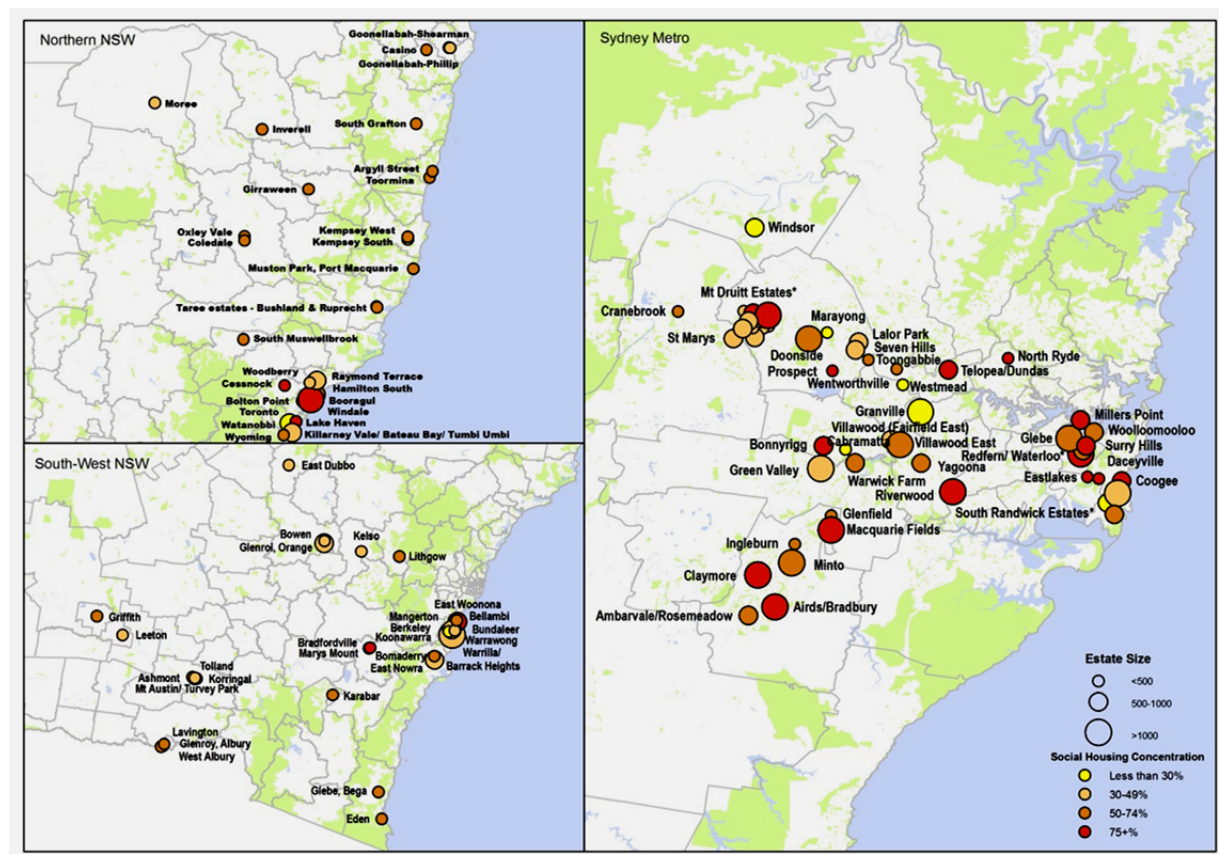
### 1.2.3 Estates

Estates are areas with a high number (median = 335 dwellings) and high proportion of social housing dwellings (median = 55%) in a defined geographical location.

Over one third of all NSW social housing properties are located on 95 estates (39 estates in Sydney metro, 56 in regional NSW).

Estates reflect a historical approach that concentrated public housing stock, often in locations that were distant from transport and services in metropolitan areas, or on the edges of regional towns with limited access in and out.

The maps below show the location, size and concentration of estates across NSW.



Over 240,000 people in NSW live on estates. This includes 81,000 public housing and AHO tenants, with the remainder primarily living in private housing. About 28,000 of the public housing and AHO residents on estates are children.

Estates have high proportions of single parent families (54 per cent compared to 16.1 per cent for NSW) and Aboriginal households (13.5 per cent compared to 2.1 per cent for NSW). Some 22.6 per cent of estate residents were born overseas.

Estates are among some of the most disadvantaged locations across NSW:

- 17 estates have Socio-economic Indexes for Areas (SEIFA)<sup>16</sup> scores that are worse or equivalent to the bottom one per cent most disadvantaged areas.

<sup>16</sup> Source: 2033.0.55.001 - Socio-economic Indexes for Areas (SEIFA), Data Cube 2011. Table 3. Statistical Area Level 1 (SA1) Index



- 55 estates have SEIFA scores equivalent to the two to five per cent next most disadvantaged areas.
- 21 estates have SEIFA scores equivalent to the six to 20 per cent next most disadvantaged areas.

Some 94 per cent of households on estates receive Centrelink benefits as their main source of income – compared to 26 per cent of households in NSW.<sup>17</sup> Over a quarter (28 per cent) of estate residents are unemployed, compared to 6 per cent of people across NSW.<sup>18</sup>

The average rate of crime on estates (113/1000 population) is more than double that for NSW in general (47/1000 population).<sup>19</sup>

These statistics demonstrate the concentrated disadvantage that can occur in estates and highlight the challenges in attempting to manage public housing estates. Estates have increasingly become sites of economic and social disadvantage, physical deterioration and crime. This reflects a number of factors, including geographic isolation in some cases and limited access to local community infrastructure and services.

A range of strategies have been implemented to help break the cycle of intergenerational disadvantage, improve the quality of assets and build more socially mixed communities.

#### **1.2.4 The community housing sector**

There has been progressive transfer of the management/ownership of some properties to the community housing sector over the last six years.

Community housing providers have access to cost savings related to GST and payroll tax which are not available to public housing. Community housing providers can also access additional rental income via Commonwealth Rental Assistance.<sup>20</sup> This means that, with exceptions such as crisis accommodation, community housing providers are financially self sufficient, meeting all operational costs from rental income.

Management of over 5,000 properties were transferred between 1 July 2007 and 30 June 2013.

In 2009 transfer of ownership of a total of 6,020 properties to community housing providers was agreed. Transfers are managed through a competitive tender process. As at 30 June 2013, over half of these properties had been transferred.

On 1 January 2014 new legislation was enacted, the Community Housing Providers (Adoption of National Law) Act 2012, which provides the legislative basis for the National Regulatory System for Community Housing (NRSCH). The NRSCH provides a consistent regulatory environment to support the growth and development of the community housing sector. The NRSCH reduces the regulatory burden on housing providers working across jurisdictions and facilitates the capacity and growth of the industry. The national changes were led by NSW and are based on the NSW Regulatory system.

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of Relative Socio-economic Disadvantage, 2011.

<sup>17</sup> Australian Bureau of Statistics (ABS) 2011 Census Data

<sup>18</sup> ABS 2011 Census Data

<sup>19</sup> Bureau of Crime Stats and Research (BOCSAR) 2012

<sup>20</sup> Community housing tenants are eligible to apply for Commonwealth Rental Assistance (CRA) payments, where as tenants of state housing authorities (e.g. FACS Housing NSW/FACS LAHC) are not eligible. This means that Community Housing organisations have higher rental streams from social housing as they are able to capture the CRA payments in rent.

### 1.2.5 NSW Build and Grow Aboriginal Housing Strategy

The NSW Government has taken action to boost Aboriginal housing via the NSW *Build and Grow Aboriginal Community Housing Strategy* (Build and Grow). Build and Grow includes a series of initiatives to assist the Aboriginal community housing sector to achieve increased financial viability, sustainability and independence. Build and Grow was launched in 2010 and is a 10 year program. Core components include:

- registration of providers via performance based assessment, including an Aboriginal-specific Provider Assessment and Registration System;
- head leasing and subleasing arrangements;
- backlog repairs and maintenance;
- rent policy;
- subsidies; and
- capacity building.

The aims of Build and Grow are to:

- strengthen the viability of Aboriginal community housing providers;
- enable Aboriginal community housing providers, that are facing challenges in managing their properties, to have their properties managed by other well performing providers that are meeting required standards;
- support Aboriginal people in improving their housing standards for their communities;
- provide better housing and more housing for Aboriginal people; and
- provide backlog maintenance/refurbishment for all participating providers.

A series of time-limited subsidies are available to support Approved Providers while backlog maintenance/refurbishment is being completed. At completion of works, Build and Grow rents are implemented. This enables providers to embed systems, transition tenancies and plan for increased rental revenues to undertake cyclical repairs and maintenance into the future, thus ensuring the future of their housing stock.

Capacity Building assistance is a key platform for Build and Grow, supporting Approved Providers to grow and develop their staff and their organisational systems based upon their specific business goals (within a social housing framework).

### 1.2.6 Other housing assistances

As shown in the table below, the social housing system also helps people to access and maintain tenancies in the private rental market through a mix of rental, lease and bond assistances. Assistance is also provided to some households experiencing homelessness to stay in a low cost hotel or motel for short periods of time (known as Temporary Accommodation).

**Table 7: Other assistances in NSW during 2012/13<sup>21</sup>**

Assistance type	Households assisted	People assisted
Rentstart assistance	13,291	42,300
Private rental subsidy	1,695	
Start safely rental subsidy	1,083	
Private rental brokerage, tenancy guarantee and tenancy facilitation	3,614	
Temporary accommodation	13,073	28,500

Although not considered a social housing assistance, 51,953 people were assisted with specialist homelessness services in 2012/13.

Private rental assistance products provided by FACS are summarised in the table below.

**Table 8: Private rental assistance products provided by FACS**

<b>Rentstart</b>	Provides financial support for eligible clients to help them set up or maintain tenancy in the private rental market. Assistances include: <ul style="list-style-type: none"> <li>• Rentstart Bond Loan: An interest-free loan of up to 75 per cent of the bond for a private rental property (up to 100 per cent in exceptional cases).</li> <li>• Advanced Rent: Clients who can demonstrate severe difficulty in meeting the cost of establishing a tenancy may be eligible for one week Advance Rent (or two weeks in special circumstances).</li> </ul> Tenancy Assistance: FACS may also financially assist clients who are facing eviction in the private rental market due to rental arrears.
<b>Private Rental Brokerage Service</b>	Provides intensive assistance to clients with complex needs, who have a support service and case plan in place, to find and sustain a private tenancy and reduce barriers associated with entering the private rental market.
<b>Tenancy Facilitation</b>	Short-term facilitation assistance provided by FACS staff, to help clients overcome non-financial barriers to entering the private rental market. This includes helping clients search and apply for housing in the private market and addressing a listing on a tenant database.
<b>Tenancy Guarantee</b>	Guarantees of up to \$1,500 against property damage or unpaid rent, in addition to the bond, provided to real estate agents to encourage tenancies for clients who might otherwise be denied private rental.
<b>Private rental subsidies</b>	Provided to eligible households – approved for priority housing and at risk in their current housing - to support clients to meet the cost of renting in the private market. The rental subsidy is provided for people with a disability or chronic medical condition to ensure they are not financially disadvantaged while they wait in the private rental market for a suitable social housing dwelling. The subsidy is the difference between the amount the client pays and the market rent for the property (capped to a reasonable market rent) for a dwelling comparable to FACS dwellings.

<sup>21</sup> Housing NSW internal data 2012/13.

In 2012/13, there were 18,130 households which received some form of housing assistance in the private rental market. The largest number of households received either rental bond loans, advance loans or help with rent arrears (13,291 households) with an additional 3,614 households receiving assistance through the Private Rental Brokerage Service, Tenancy Guarantee and Tenancy Facilitation.

The NSW Government also plays a role in facilitating affordable private rental supply through a number of programs and mechanisms. These include the:

- National Rental Affordability Scheme (NRAS).
- Boarding House Financial Assistance Program.
- Affordable Rental Housing State Environmental Planning Policy (SEPP) and other mechanisms in the planning system.

These are discussed in more detail later in this submission.

### 1.3 Financial sustainability of public housing

In 2013 the NSW Auditor General conducted a performance audit into the management of public housing in NSW. The report, *Making the best use of public housing*, examined FACS' capacity to:

- meet changing public housing need;
- re-locate tenancies when tenant needs or circumstances change; and
- ensure the asset base reflects the requirements of those most in need.

All eight recommendations of the Auditor General's audit have been formally accepted by FACS and are in the process of being implemented.

Many of the challenges outlined in this section were canvassed in that performance report.

There are long standing challenges in public housing in NSW. The challenges are not unique, and are similar across Australian jurisdictions. They have arisen from a combination of global and national economic changes, changes in housing markets, demographic changes, increases in demand for social support and services, and changes in social housing dwelling numbers and Commonwealth funding. While FACS and other agencies must respond to the presentation of these problems, resolving them lies outside of the control of FACS and in the main, the control of the State.

As in most other Australian jurisdictions, the NSW public housing system has operated with a financial deficit since the early 1990s.<sup>22</sup> This equates to approximately \$330 million per annum.<sup>23</sup> Over the last ten years, over 9,000 properties have been sold to fund capital replacements, upgrades and maintenance.

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<sup>22</sup> Hall J & Berry M 2007, *Operating deficits and public housing: policy options for reversing the trend: 2005/06 update*, AHURI Final Report No. 106.

<sup>23</sup> NSW Audit Office, *Making the best use of public housing*, Performance Audit, Audit Office of New South Wales, Sydney

The public housing financial sustainability gap is largely a consequence of the changed profile over time of those prioritised for assistance and their capacity to contribute to rents. The needs based approach to prioritising social housing has fundamentally changed the profile of people receiving social housing assistance across Australia and the number of new entrants into social housing. This shift to people with high or complex needs has had two significant impacts on public housing revenues.

The first is slower income growth for public housing providers.

The second is increased operational costs. More people living in social housing require high and resource intensive tenancy management responses, and this is costly.

Over 93 per cent of people living in public housing receiving a rental subsidy rely on Centrelink benefits and only 4.7 per cent have wages as their main source of income. This results in a deceleration in rental revenue.

About 90 per cent of people living in public housing benefit from government subsidised rent. In 2013 nearly \$900 million in revenue was forgone through rental rebates.<sup>24</sup>

### **Long term trends in increased expenditure and decreasing income**

There is a longstanding imbalance between the funding and income generated by the public housing system, and the recurrent and optimal levels of expenditure required to maintain and replenish stock at the end of its life cycle. The total cost of public housing per dwelling is now almost 50 per cent higher than in 2001-02. Data from the annual Commonwealth Reports on Government Services show the gap has widened between rental income and total costs of providing assistance.<sup>25</sup> These trends are broadly discussed in the following sections.

#### ***The gap between market rent and rent charged to public housing tenants is widening***

With the majority of tenants reliant on government for their income, rental income can only grow if there is an increase in the pension or benefit itself, for example by indexation or specific supplements. These decisions are outside the responsibilities of the State.

As previously noted, about 90 per cent of public housing tenants are on subsidised rents (paying less than market rent). As identified by the Auditor General, the increased focus on allocating public housing to those in greatest need, over recent decades, has increased the percentage of tenants who are unemployed and receive government benefits, and therefore pay the lowest rents. As a consequence, revenue growth is minimal.<sup>26</sup> The diagram below illustrates the trends in the cost of public housing assistance and average rents.

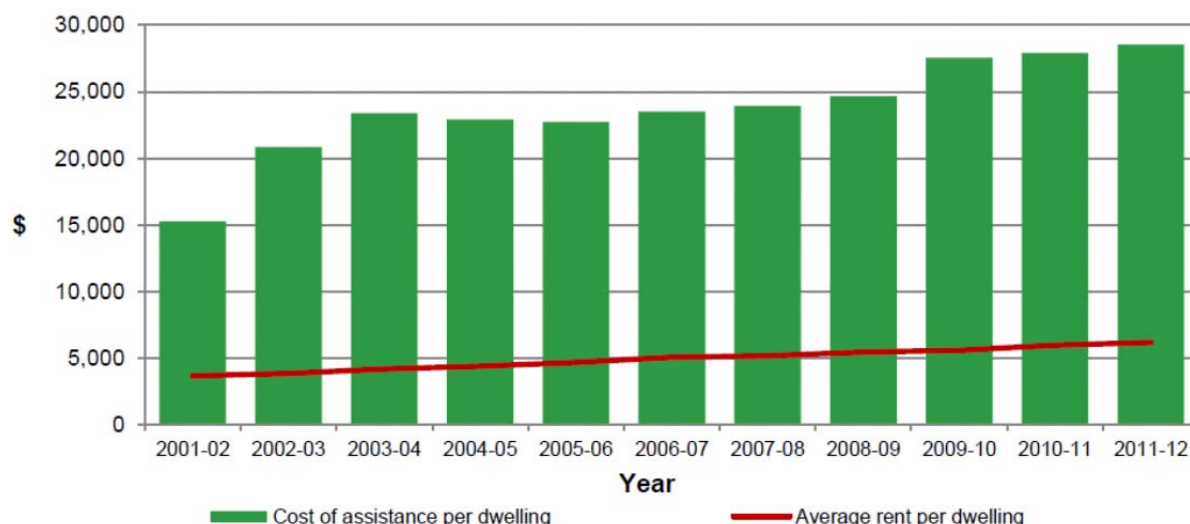
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<sup>24</sup> FACS – Land and Housing Corporation Annual Report 2012-13, p47.

<sup>25</sup> NSW Audit Office, *Making the best use of public housing*, Performance Audit, Audit Office of New South Wales, Sydney 2013, p: 20

<sup>26</sup> NSW Audit Office, *Making the best use of public housing*, Performance Audit, Audit Office of New South Wales, Sydney 2013, p: 20

**Figure 4: Cost of assistance per dwelling compared to average rent 2001-02 to 2011-12<sup>27</sup>**

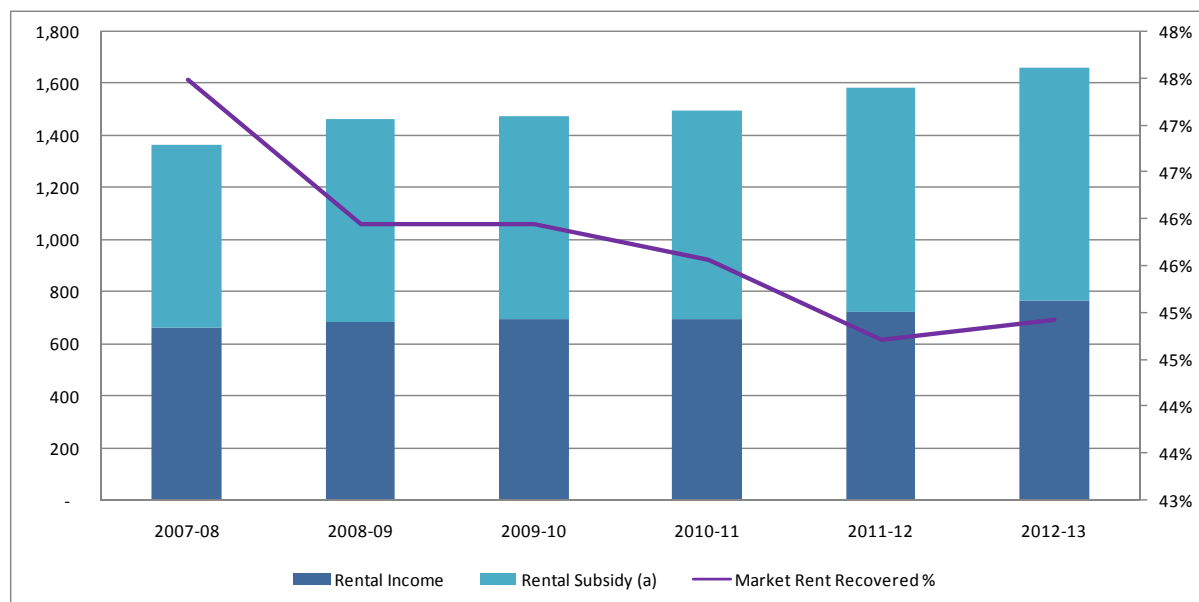


Source: Compiled by the Audit Office of New South Wales based on information in the Report on Government Services (2013, 2012, 2009 and 2007).

Note: The cost of providing public housing assistance includes user cost of capital, depreciation, repairs and maintenance, employee expenses, council and water rates, and other operating expenses. It does not include expenditure incurred on purchases (such as new building).

Public housing rental income has grown more slowly than market rents, resulting in a widening gap between public housing rents and market rents. Consequently, the value of the housing subsidy provided by public housing has increased over time while the proportion of market rent recovered has declined – see the figure below.

**Figure 5: LAHC rental income, rental subsidy and proportion of market rent recovered (\$ million LHS % RHS)<sup>28</sup>**



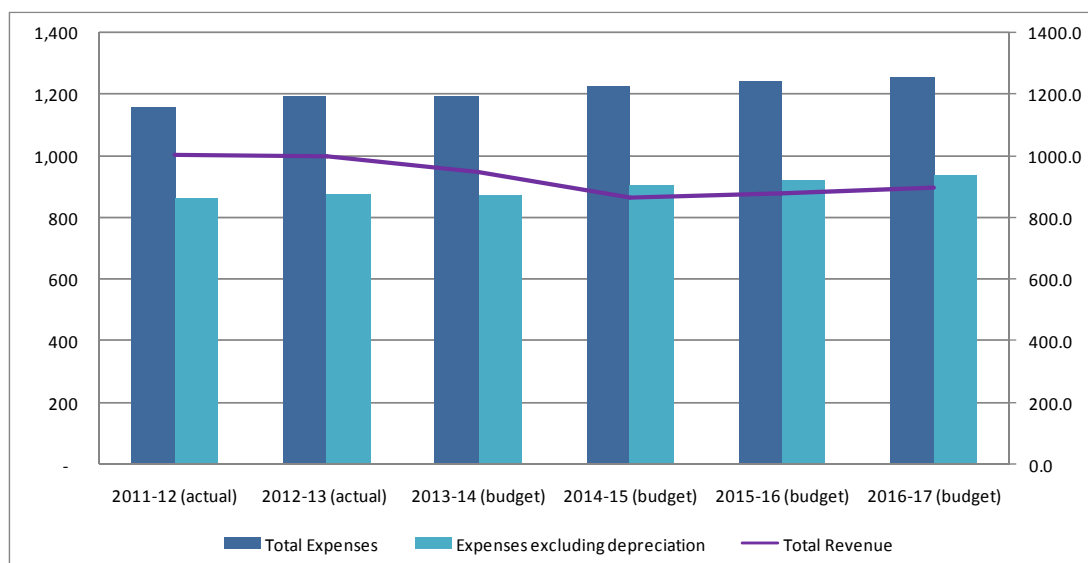
<sup>27</sup> NSW Audit Office, *Making the best use of public housing*, Performance Audit, Audit Office of New South Wales, Sydney 2013, p: 20

<sup>28</sup> LAHC annual reports



The figure below presents key income and expenses figures for the LAHC over time. The chart shows that while rental income is sufficient to meet the cash operating costs of delivering public housing it is insufficient to fund depreciation (i.e. property lifecycle replacement) expenses or to grow the portfolio to meet demand.

**Figure 6: LAHC expenses and revenue (\$ million)**<sup>29</sup>



Note, excludes expenses relating to the vesting of property to Community Housing Providers.

### ***Commonwealth grants have declined over the last two decades***

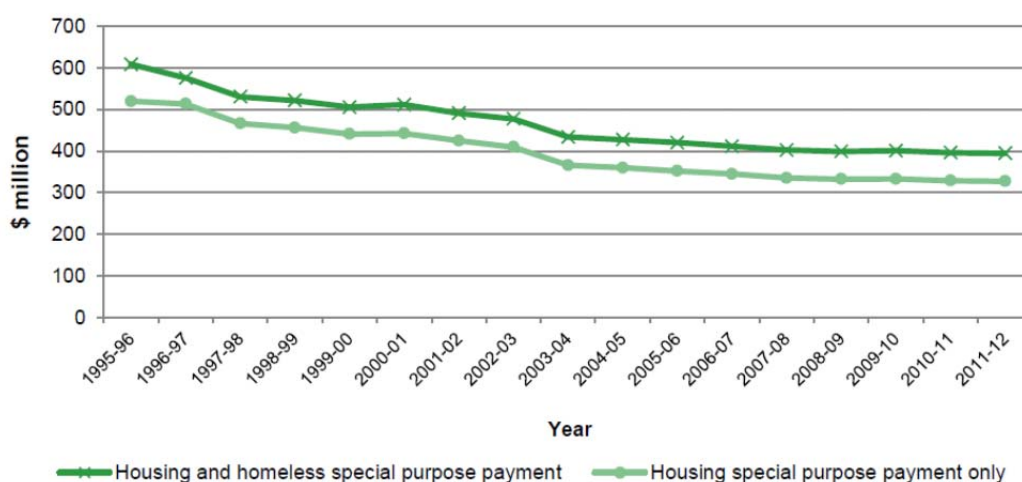
Constrained rental income, together with a decline in Commonwealth funding in real terms, has affected the capacity to fund investment in new housing stock.

In particular, the Auditor General noted that annual Commonwealth specific purpose payment funding for housing and homelessness has been declining over the last two decades<sup>30</sup>.

<sup>29</sup> LAHC annual reports and 2013-14 Budget time estimates (unpublished).

<sup>30</sup> NSW Audit Office, *Making the best use of public housing*, Performance Audit, Audit Office of New South Wales, Sydney 2013, p: 21

**Figure 7: Commonwealth real (2011-12 dollars) funding to NSW for housing and homelessness special purpose payments, 1995-96 to 2011-12<sup>31</sup>**



Source: HNSW March 2013. Note: Excludes State funding

### ***Increase in repairs and maintenance for ageing properties***

The NSW Government is responsible for repairs and maintenance of its assets at pre-determined standards. The annual maintenance requirement is the minimum amount needed each year to maintain the property portfolio at standard. Any shortfall adds to the ongoing maintenance requirement. At June 2011, this shortfall was estimated at \$302 million. LAHC has identified that at 2010-11 between 30 and 40 per cent of its properties were not at well-maintained standard. While LAHC attempts to maintain standards, some maintenance, upgrading and capital programs have been delayed. During 2012-13, approximately \$85 million of such works have been delayed.<sup>32</sup>

### **Long term impact of the sustained slow growth in social housing dwellings<sup>33</sup>**

As identified by the Auditor General, more than 60 per cent of dwellings in the social housing portfolio were constructed between 1970 and 2000. Over 36,000 dwellings (approximately 25 per cent of the portfolio) are over 40 years old, while just over ten per cent of the portfolio has been constructed since 2000<sup>34</sup>. Over the past ten years, social housing as a proportion of overall New South Wales housing has declined<sup>35</sup>.

<sup>31</sup> NSW Audit Office, *Making the best use of public housing*, Performance Audit, Audit Office of New South Wales, Sydney 2013, p: 21

<sup>32</sup> NSW Audit Office, *Making the best use of public housing*, Performance Audit, Audit Office of New South Wales, Sydney 2013, p: 22

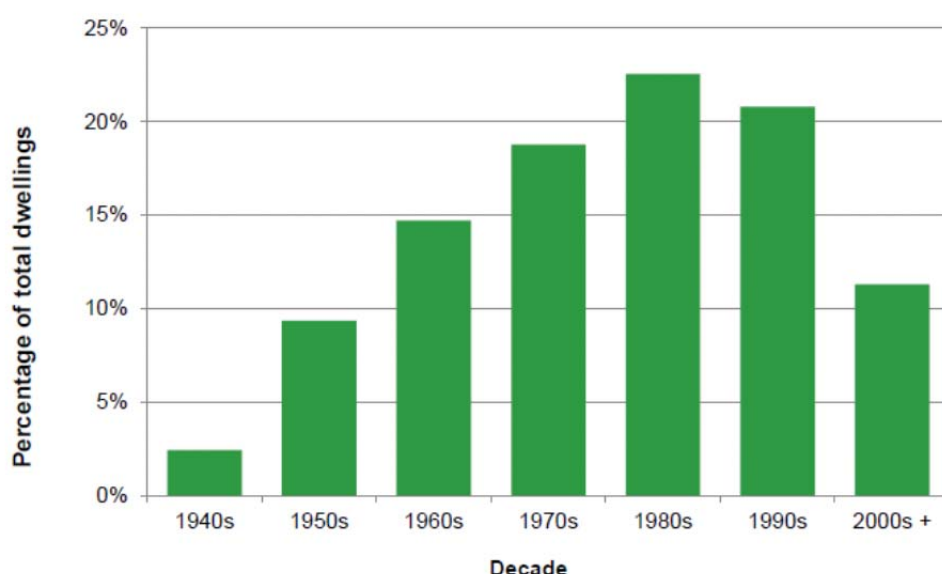
<sup>33</sup> NSW Audit Office, *Making the best use of public housing*, Performance Audit, Audit Office of New South Wales, Sydney 2013, p: 48

<sup>34</sup> NSW Audit Office, *Making the best use of public housing*, Performance Audit, Audit Office of New South Wales, Sydney 2013, p: 22

<sup>35</sup> NSW Audit Office, *Making the best use of public housing*, Performance Audit, Audit Office of New South Wales, Sydney 2013, p: 11



**Figure 8: Proportion of dwellings in the social housing portfolio constructed each decade at October 2010<sup>36</sup>**



Source: HNSW April 2011

### **Decreases in the number of tenants that can be housed each year**

As noted by the Auditor General, the overall number of public housing applicants newly housed each year has almost halved over the last decade, falling from 10,024 in 2002-03 to 6,434 in 2011-12. Over the same period the public housing stock fell by about seven per cent, partly due to transfers of management and stock to community housing providers. Although this allowed the number of tenants moving into community housing to increase, there is still an overall decrease in the number of tenants housed each year.<sup>37</sup> There are fewer public housing tenancies today due to reduced public housing stock levels, and the reduction in the number of people per household. Single households now comprise almost 60 per cent of all tenancies.<sup>38</sup>

## **1.4 Influence on demand**

There are many factors that might impact on people's demand for social housing assistance. These include:

- population growth and socio-economic trends, such as the ageing of the population;
- general economic environment and employment opportunities;
- changes in the level of disadvantage and vulnerability among the population;
- the relative cost of living and housing in the private market; and
- the effectiveness of other support systems, such as Commonwealth income support and rent assistance.

<sup>36</sup> NSW Audit Office, *Making the best use of public housing*, Performance Audit, Audit Office of New South Wales, Sydney 2013, p: 48

<sup>37</sup> NSW Audit Office, *Making the best use of public housing*, Performance Audit, Audit Office of New South Wales, Sydney 2013, p: 13

<sup>38</sup> NSW Audit Office, *Making the best use of public housing*, Performance Audit, Audit Office of New South Wales, Sydney 2013, p: 14

The NSW Government and FACS specifically, has very limited scope to influence the demand for future social housing assistance. The NSW Government, through FACS, AHO and the LAHC, is, however, focused on continually increasing the efficiency and effectiveness of its service provision.

## **1.5 Recent reforms to social housing assistance**

Over the last decade there have been a range of reforms to social housing such as changes to eligibility, tenure length, tenant rents and other charges. In recent years the NSW Government has implemented reforms to make the system more transparent, encourage personal responsibility, and begin to address the sustainability of the system.

These reforms are discussed below.

### **Wait list publication**

For the first time, in March 2012, the number of applicants waiting for social housing on the NSW Housing Register was released publicly. The waiting list has now been updated twice, showing applicants details and changes in the waiting times in various areas across the State. This allows applicants for social housing to take greater responsibility and make more informed housing decisions for themselves and their families.

The data includes colour-coded tables and maps, comprising

- expected waiting time tables for general applicants by allocation zones and bedroom entitlements;
- expected waiting times maps that match the tables; and
- an overview of the expected waiting times, with information by allocation zone on the number of social housing properties; the number of general and priority applicants; and the number of general and priority applicants housed in the year ending 30 June 2013.

Applicants for social housing are required to keep their details up to date.

### **Amnesty on additional occupants**

An amnesty was conducted in early 2013, for people living in public housing to inform FACS if there were additional people in their home, to allow the appropriate rent to be collected. During the amnesty period, over 4,200 tenants declared that they had over 6,300 additional people living in their homes. It is estimated that an additional \$8.5m in extra rent will be paid annually as a result of the Amnesty.

### **Public housing over and under occupancy**

Currently, there are more than 17,000 family-sized public housing properties with two or more vacant bedrooms. At the same time, there are more than 22,000 families on the housing waiting list who need larger properties.

To ensure limited housing resources are used to assist more families waiting for public housing, tenants living in a public housing home that is larger than they need, and who are willing to transfer to a smaller property, are now prioritised on the transfer waiting list.

In addition, a Vacant Bedroom Charge was introduced in 2013. This is applied to tenants who choose to continue to live in a property that has more bedrooms than they are

entitled to, when they have been offered alternative accommodation. The charge is \$20 per week for single tenants or \$30 per week if the property is tenanted by a couple.

Since the introduction of the changes in 2013, more than 100 tenants have volunteered to down-size and more than 200 tenants have opted to pay the vacant bedroom charge rather than move to smaller premises.

### **Succession of tenancy**

To ensure public housing properties are provided to people with the greatest need, changes were made to the Succession of Tenancy policy in March 2013. These changes ensure a fairer public housing system which gives priority to people and families that need assistance the most.

Succession of tenancy involves a household member taking over the public housing lease when a tenant dies, or leaves the property because of ill health, disability or imprisonment. Previously, approval for succession entitled a householder to a public housing tenancy in the same or a different property.

From March 2013, succession of tenancy was replaced with a new process called Recognition as a Tenant. Clients applying for Recognition as a Tenant are now required to meet adjusted criteria for eligibility for a succession of tenancy.

### **New funding and products**

FACS supports eligible clients with financial assistance to help them set up or maintain a tenancy in the private rental market. The introduction of a new bond loan scheme in May 2012 replaced a previous grant scheme. The bond loan is interest free and repayable to FACS. Previously tenants did not repay the bond amount granted to them. Any payments made are returned to the tenant at the end of the tenancy if there is no claim made by the landlord or real estate agent.

A new Private Rental Subsidy for young people has been trialled in the Hunter and New England regions since November 2012 to help them find accommodation while engaged in education or work. As at December 2013 more than 90 young people have been approved for a subsidy. The scheme has been positively supported by the service sectors and the local business communities in the trial sites.

New housing companies are being established to support homeless young people, women and children escaping domestic violence through the management of a range of housing types, including crisis accommodation and transitional housing. The Government will purchase up to an additional 50 properties funded under the National Partnership Agreement on Homelessness 2013/2014 Development Fund, which will be managed by the companies. The companies may also manage housing transferred to it by specialist homelessness services. It is planned for the companies to be registered and operational by June 2014.

### **Improving public housing financial viability**

Initiatives to improve public housing financial viability include:

- Establishment of Centrelink direct debit of rent so that people living in social housing and other household members who receive a pension or allowance from Centrelink can have their tenancy charges paid automatically. This helps FACS reduce rent

arrears and also allows automatic update through Centrelink when rents are reviewed.

- Automatic updates of all rent subsidies with the new Centrelink Incomes in line with cost of living increases occur in March and September each year. Each subsidy update generates additional rent income of \$15m to \$20m per annum.
- Some public housing tenants pay market rent as they are not eligible for a subsidy based on their income. Market rent is currently paid by around 11,500 households. Market rent reviews are undertaken to ensure rental charges are up to date.

Previously these market rents were assessed on the basis that the properties were used for public housing, which meant that the valuations were lower than they would have been had a private market based comparison been used. Therefore some market rent payers living in public housing were paying significantly less than the equivalent private market rent.

It is estimated that an additional amount of approximately \$11.5m is expected to be added to 2013/14 revenue as a result of the way market rent is calculated. This change does not affect the 90 per cent of public housing and Aboriginal Housing Office tenants who receive a rent subsidy based on their income. In addition, tenants who cannot afford to pay their new market rent may be eligible for a rent subsidy.

- Inclusion of Clean Energy Supplement Payments as assessable client income. From April 2013, FACS assessed Clean Energy Supplement Payments as assessable client income for the purpose of setting rents.

## 1.6 Summing up this section

- Social housing assistance is currently regulated under the *Housing Act 2001* and the *NSW Aboriginal Housing Act 1998*, both of which have multiple and varied objectives.
- Social housing includes public housing, Aboriginal housing and community housing. Social housing assistance encompasses both social housing and assistances provided to help people secure and retain tenancies in the private rental market.
- The NSW social housing sector is the largest in Australia in terms of number of properties and number of people residing in social housing.
- The model of social housing assistance in NSW has changed over time to focus on those most in need, with many being highly disadvantaged.
- This has resulted in an increased proportion of households receiving social housing assistance who are reliant on income support payments as their principle source of income.
- This has contributed to a public housing financial sustainability gap, as income growth has not kept pace growth in operating costs associated with an ageing portfolio.
- In 2012/13 the Auditor General undertook a performance audit of public housing in NSW; FACS has accepted the recommendations and is in the process of implementing them.
- Reforms to social housing in 2012/13 focused on changes to public housing, the waiting list, over and under-occupancy, regulation and new funding and products.

## 2 Supply of social and affordable housing

Social housing assistance is a limited resource. Consistent with legislative objectives, it is currently targeted to those most in need. This section provides information on:

- the supply of social housing;
- the National Rental Affordability Scheme (NRAS);
- the supply of affordable housing
- the role of boarding houses and residential parks;
- market-based mechanisms and incentives; and
- ageing in place.

### 2.1 Social housing sector

There are around 148,500 properties in the social housing sector in NSW<sup>39</sup>. In 2012/13 those dwellings were used to provide housing to nearly 300,000 people<sup>40</sup>. It is estimated that in 2012/13, 40 per cent of eligible households (353,000) were housed in social housing in NSW.

#### 2.1.1 Ownership and management

The social housing sector comprises public, community and Aboriginal housing with a range of ownership and management arrangements. The table below summarises the current composition of the social housing portfolio.

**Table 9: Composition of the social housing portfolio at June 2013<sup>41</sup>**

Social Housing Portfolio						
Public Housing		Community Housing			Aboriginal Housing	
Owned and managed by LAHC	Leased from Private market	Owned by LAHC, managed by Community Housing providers (CHP)	Owned by CHP	Leased from Private market	Owned by AHO, managed by LAHC and maintained by LAHC	Owned and/or managed by Aboriginal CHP
114,745	3,053	17,234	3,099	5,621	4,724	4,734
117,798		25,954				
148,476 (without Aboriginal CHP properties)						
153,210 (including Aboriginal CHP properties)						

FACS provides tenancy management for 117,798 public housing dwellings, including 114,745 homes owned by the LAHC.

As at 30 June 2013, the social housing property portfolio included 25,954 community housing properties. Of these, 5,621 properties were leased from the private market, and

<sup>39</sup> This figure includes public, community and Aboriginal Housing Office dwellings but does not include 4,734 properties owned and/or managed by Aboriginal Community Housing providers.

<sup>40</sup> This refers to the number of people who were assisted throughout the year, that is as well as including all those living in social housing at the end of the year it also includes anyone who left during the year.

<sup>41</sup> FACS (Housing NSW, LAHC and AHO), 2012/13.

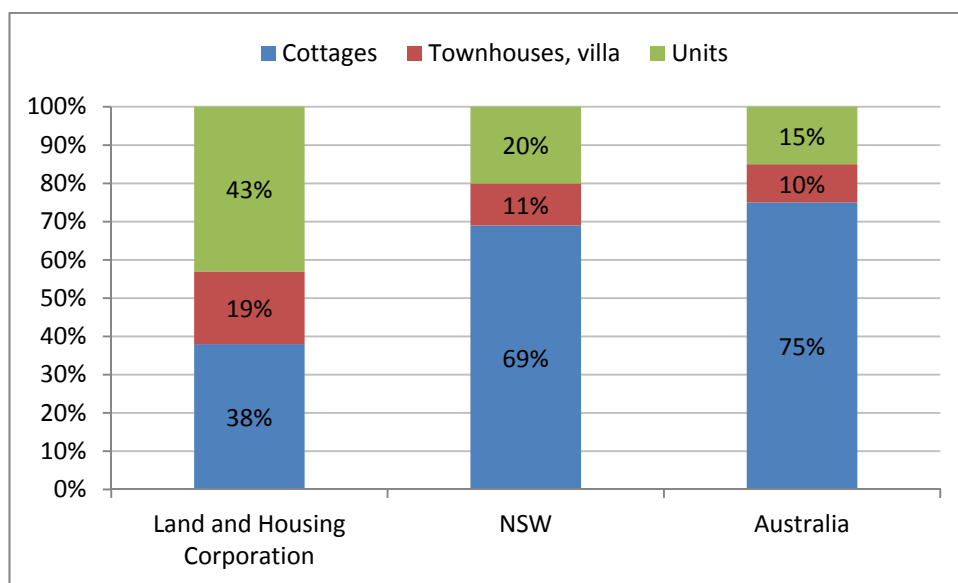
3,099 had been vested to community housing providers from the LAHC, with the remaining 17,234 owned by the LAHC and leased to community housing providers at no cost.

### 2.1.2 Types of dwellings

The majority of social housing dwellings built prior to the 1970s were cottages. Since then, townhouses and units were built in increasing numbers in response to increasing demand from smaller households and to maximise site yields and funds available.

The sector now comprises high number of units and townhouses when compared with the overall New South Wales and Australian housing stock profiles (Figure below). The social housing portfolio includes approximately 86,000 buildings ranging in height from one to 30 storeys.

**Figure 9: Breakdown of housing stock by dwelling type<sup>42</sup>**



### 2.1.3 Age of portfolio

As previously noted, the majority of social housing dwellings were constructed between 1970 and 2000 and about 25 per cent are over 40 years old. In addition, over 3,000 buildings (approximately 7,500 dwellings) are listed on the Heritage Register.

### 2.1.4 Current stock and bedroom categories

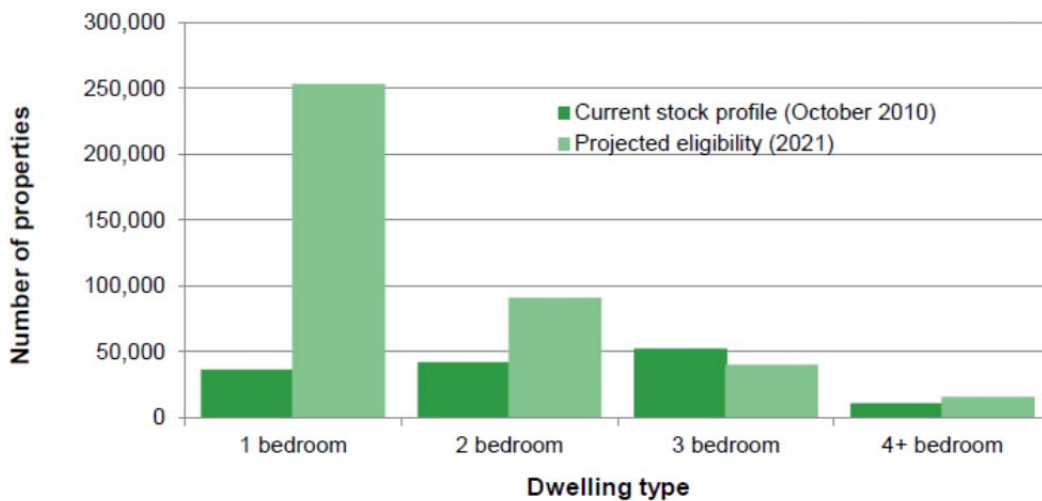
The stock size does not match household demand. The existing housing stock profile was developed when the majority of public housing tenants were working families. A high proportion of social housing stock consists of three-bedroom dwellings, reflecting the portfolio's historical role as a provider of housing for low-income working families. Approximately 25 per cent of the stock is now over 40 years old. As noted by the Auditor General, there is now a disparity between the current composition of public housing stock and the type of stock that would best match tenants' needs. In particular, there are fewer one or two bedroom properties than required, areas of demand have moved, and many

<sup>42</sup> FACS (LAHC) data and 2011 Census of Population and Housing (ABS).



homes require modification to meet existing tenants' needs. Changing tenants' needs and ageing stock are issues across Australian social housing systems.<sup>43</sup>

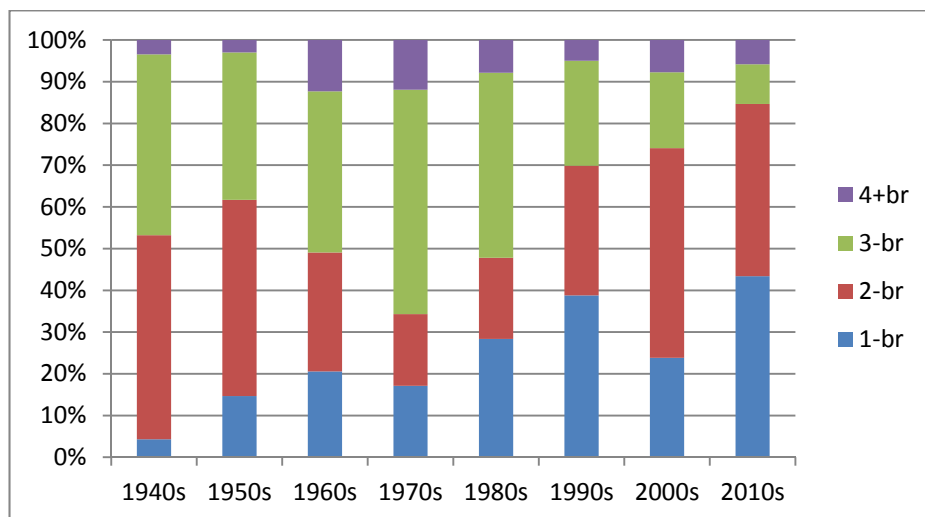
**Figure 10: Comparison of social housing dwellings (2010) with projected eligibility for social housing (2021)<sup>44</sup>**



Source: HNSW April 2011 (modelled in 2008)

In response to the much higher proportion of one and two person households prioritised for housing, approximately three-quarters of dwellings built since 2000 (i.e. over 11,700) have been one- or two-bedroom dwellings (Figure below). Approximately 5,000 studios are included in the count of the portfolio's one-bedroom dwellings.

**Figure 11: Proportion of stock in each bedroom category by year of construction<sup>45</sup>**



<sup>43</sup> NSW Audit Office, *Making the best use of public housing*, Performance Audit, Audit Office of New South Wales, Sydney 2013, p: 15

<sup>44</sup> NSW Audit Office, *Making the best use of public housing*, Performance Audit, Audit Office of New South Wales, Sydney 2013, p: 16

<sup>45</sup> Housing NSW internal data 2012/13.

### 2.1.5 Public Housing portfolio condition and asset services

The social housing asset portfolio is managed and maintained to achieve compliance with the *NSW Residential Tenancies Act*. LAHC maintains dwellings to the level of cleanliness, safety and amenity possible with the available budget, guided by a set of Asset Performance Standards.

The financial sustainability gap in public housing has meant there has been insufficient funding for maintenance programs resulting in a significant maintenance liability. The total in LAHC properties is generally made up of a number of components including dwellings; building and grounds; and infrastructure.

For long-term community housing managed and owned properties, all responsive and planned non-structural work is the responsibility of the provider to deliver in accordance with LAHC standards and funded through CHP rent revenues. The LAHC is also responsible for the cost of lifecycle property replacement/redevelopment.

### 2.1.6 Heritage

A significant component of LAHC's portfolio, around 3,315 buildings valued at \$2.5 billion, have heritage value. This includes 320 buildings listed on the State Heritage Register under the *Heritage Act 1977*, a number of which are now subject to 99 year leases. Most of these buildings are a legacy of a series of State and Federal agency portfolio transfers of heritage properties and precincts during the 1970s and 1980s.

Under Section 170 of the *Heritage Act 1977*, the LAHC is required to maintain a Heritage and Conservation Register and develop and implement a Heritage Asset Management Strategy (HAMS). The HAMS developed in 2007 is currently being reviewed, updated and aligned with the corporate objectives of the LAHC.

The custodianship of heritage assets has a range of implications for the LAHC including statutory obligations in terms of maintenance and approval regimes, community expectations around management and presentation, capacity for adaptation and/or suitability for social housing. Importantly, there are significant costs including unidentified and costly maintenance and repair requirements inherited from other agency transfers and significantly higher maintenance costs owing to aged fabric/stock, specialist trades and the need for expert advice and costly replacement materials.

## 2.2 The National Rental Affordability Scheme (NRAS)

The National Rental Affordability Scheme is a scheme to attract private sector investment to increase the supply of affordable housing in the private rental market. In return for taxation offsets (or cash incentives for the not for profit sector), the private sector agrees to provide rental housing for a minimum of 10 years at below market rents to income eligible low and moderate income households.

Through NRAS (and earlier affordable housing schemes such as Debt Equity, the Affordable Housing Innovations Fund and the Social Housing Growth Fund), FACS has facilitated the delivery of some 1,900 private rental dwellings for rent by low and moderate income households as at 30 June 2013.

NRAS attracts new investors to affordable housing by offering a combined Commonwealth and state government incentive (currently totalling \$10,350 and indexed annually) per dwelling per year for ten years on the condition that dwellings are rented to



lower income households for a discount to market rent of at least 20%. The Commonwealth's contribution to the incentive (currently \$7,763 p.a.) is paid as either a tax offset or a direct payment. The State Government's contribution (currently \$2,587 p.a.) can be paid as a direct payment or in-kind.

The former Commonwealth Government made funding available for 50,000 units and to date some 39,000 dwellings have been funded across Australia.

## **2.3 The supply of affordable housing**

### **2.3.1 The role of the planning system**

The role of the NSW planning system in affordable rental housing is to encourage the development of a wide range of housing products to meet the diverse needs of the community. The NSW planning system is currently being reformed to provide a simpler, strategic system that is focused on increasing the overall supply of housing.

The current planning system supports the market delivery of affordable housing through State Environmental Planning Policies that target affordable housing.

### **2.3.2 Affordable housing types**

One of the key policies that supports the development of affordable housing is the *State Environmental Planning Policy (Affordable Rental Housing) 2009* (AHSEPP). The AHSEPP provides planning incentives, in certain circumstances, to encourage affordable housing to be built by the private sector. A crucial element of this policy is the prohibition on the strata subdivision of boarding houses and secondary dwellings ensuring that the stock built remains as rental accommodation. Other types of housing encouraged under the AHSEPP are:

- Infill development – infill development covers a range of housing types, this includes dual occupancies, multi-dwelling housing and residential flat buildings. The AHSEPP offers a floor space ratio bonus to developers to encourage supply. Infill affordable housing must remain as rental accommodation for 10 years.
- Boarding houses - boarding house developments may be eligible for a floor space ratio bonus under the provisions of the AHSEPP. Boarding houses are discussed in detail further below (see Section 2.4). Secondary dwellings – secondary dwellings, more commonly called granny flats, are made permissible in all residential zones under the AHSEPP. The AHSEPP provides pathways for the assessment of secondary dwellings, including complying development. This small type of accommodation (up to 60m<sup>2</sup>) provides an affordable type of rental accommodation. The number of secondary dwellings being developed since the inception of the AHSEPP has steadily increased with over 1000 secondary dwellings being developed in the 2011-2012 financial year, equating to 12 per cent of all residential development approvals across NSW.
- Group homes – group homes provide housing for people with disabilities or who are socially disadvantaged. The AHSEPP makes group homes permissible in a number of zones and provides a complying development pathway for assessment.

## 2.4 The role of boarding houses

### 2.4.1 About boarding houses

Boarding houses are a form of affordable housing. Under the *Boarding Houses Act 2012*, a boarding house means premises or a complex of premises that provide accommodation for a fee or a reward.

Boarding houses, sometimes called lodging houses, are privately owned buildings or complexes that provide residents with a principal place of residence and generally have shared facilities such as a bathroom, kitchen and/or bedroom facilities. However, new generation boarding houses, including those funded under the Boarding House Financial Assistance Program (see section 2.6), may have self contained rooms where residents have access to a kitchenette and ensuite bathroom.

Hotels, motels, service apartments, bed and breakfasts, backpacker accommodation, student accommodation and facilities such as retirement villages or residential parks are not included in the definition of a boarding house.

Accommodation charges in boarding houses are generally low, a bond is not usually required and people may be able to secure residency in a boarding house more quickly than in other forms of private rental.

Boarding house residents (the majority of whom do not have a residential tenancy Agreement under the *Residential Tenancies Act 2010*) do not have the same control over the premises as they would if they had a Residential Tenancy Agreement.

### 2.4.2 Supply of boarding houses

The *Boarding Houses Act 2012* makes it mandatory for proprietors of “registrable” boarding houses to register with NSW Fair Trading. This requirement was introduced to enable the NSW Government to obtain consistent, up to date information about the sector and commenced on 1 January 2013. The data available on boarding houses is limited, as not all boarding houses are registered with NSW Fair Trading. In December 2013 there were 601 registered boarding houses in NSW providing accommodation for 8,938 residents. Of these:

- 23 were assisted boarding houses housing 459 residents.
- 578 were general boarding houses housing 8479 residents<sup>46</sup>.

The majority of boarding house residents are men - 68.8 per cent of residents in registered boarding houses were male in December 2013. Around a quarter of residents in registered boarding houses were students. The City of Sydney LGA has the largest number of registered general boarding houses in the state (188 or 32 per cent).

The Department of Planning and Infrastructure encourages the increased supply of boarding houses in NSW through the provisions of the *State Environmental Planning Policy (Affordable Rental Housing) 2009* (AHSEPP). The AHSEPP provides zoning permissibility and minimum planning standards that local councils use to assess potential boarding house developments. From July 2010 to June 2012 a total of 995 boarding house rooms were approved.

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<sup>46</sup> Boarding Houses register data, provided by NSW Fair Trading in January 2014.

There are some incentives available to boarding houses which are discussed further below (see Section 2.6).

### 2.4.3 Administration, roles and responsibilities

In 2012 the NSW Parliament passed legislation supporting greater regulation of the boarding houses sector. The *Boarding Houses Act 2012* was passed on 23 October 2012. This Act provides a legislative framework for regulating boarding houses through measures including a central register for all “registrable” boarding houses held by NSW Fair Trading. It also provides for common accommodation standards, mandatory compliance inspections by local councils, new occupancy rights for residents and an enhanced replacement scheme for the regulation of assisted boarding houses.

The *Boarding Houses Act 2012* provides that the following boarding houses are required to be registered:

- “General” boarding houses (defined as boarding houses accommodating five or more residents who are not family members or staff of the caretaker). These are not required to be licensed but must comply with planning requirements, accommodation standards under the *Local Government (General) Regulation 2005*, building standards and fire safety requirements.
- “Assisted boarding houses” (defined as boarding houses which accommodate two or more people with a disability who also have additional needs). Prior to 2012 these boarding houses, which were previously known as licensed residential centres, were required to be licensed by FACS under the Youth and Community Services Act 1973<sup>47</sup>.

NSW Fair Trading, FACS and local councils play separate roles in the boarding houses sector. These relate to administering legislative requirements (FACS, Fair Trading), enforcing standards (councils) and the licensing and monitoring of assisted boarding houses (FACS), as set out below.

NSW Fair Trading administers the Boarding Houses Register and the occupancy rights provisions in the Act. The occupancy rights provide for a range of entitlements for residents, such as the right to live in reasonably clean premises and the giving of written receipts for payment of rent.

NSW Fair Trading does not have an enforcement role in relation to the occupancy rights or registration provisions. Residents and proprietors are able to take disputes about compliance with the occupancy rights to the NSW Civil and Administrative Tribunal. NSW Fair Trading publishes information relating to the occupancy rights on its website and the Commissioner for Fair Trading has published a standard form occupancy agreement, which can be used by residents and proprietors in general boarding houses. A standard form occupancy agreement to assist residents and proprietors of assisted boarding houses is currently being developed.

Local councils have the primary role in approving new boarding houses and in inspecting and enforcing the registration requirements applying to general boarding houses as well as accommodation standards, building and fire safety requirements. Councils have the

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<sup>47</sup> Department of Family and Community Services 2012, *Boarding Houses Act 2012*, Fact Sheet Boarding Houses Reform, November 2012, NSW Government, Sydney

power to fine operators of unregistered boarding houses or to issue orders for boarding houses to meet certain building, fire safety and accommodation standards.<sup>48</sup>

FACS is responsible for administering part 4 of the *Boarding Houses Act* which relates to assisted boarding houses, including their authorisation. Assisted boarding houses are still required to be authorised by FACS.<sup>49</sup>

The Boarding Houses Act Implementation Committee was established in late 2012 to oversee the implementation of the boarding house reforms.

FACS has provided funding for an evaluation of the *Boarding Houses Act* to consider whether the objects of the Act are being met. The evaluation will provide an opportunity to collect data on the supply and utilisation of boarding houses, and identify potential future initiatives aimed at improving:

- FACS' understanding of the needs of boarding house residents.
- Residents' access to necessary services.<sup>50</sup>

The Boarding Houses Act Implementation Committee is responsible for overseeing the preparation of four reports back to Cabinet on the impact of the reforms within 18 months of commencement of the Boarding Houses Register on 1 January 2013.

## 2.5 The role of residential parks

### 2.5.1 About residential parks

Residential parks include caravan parks, manufactured home estates and establishments known as 'mobile home villages' or 'relocatable home parks'. Residential parks play a very important role in providing an affordable long term housing option for people on very low incomes, including some older people. These parks also provide access to a ready made community and facilities.

According to the Australian Housing and Urban Research Institute (AHURI), people renting caravan accommodation comprise three distinctive groups:

- People who make a deliberate choice to live in a caravan park for lifestyle reasons including affordability and flexibility compared to other forms of housing. This group includes retirees who are on fixed incomes from superannuation or pensions.
- Casual low-income workers doing itinerant work (e.g. seasonal agricultural work) who choose caravan parks as a flexible form of housing which lets them move with the availability of work.
- People who move into a caravan park because there is no other suitable alternative. For example, they may not have the means to rent in the private market or they may be on a waiting list for government or not-for-profit managed social housing.<sup>51</sup>

Many people choose to live in residential parks as permanent residents – only these people (as opposed to people who use residential parks for holidays) are considered as part of this submission.

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<sup>48</sup> NSW Fair Trading website, *Boarding Houses* page:  
[http://www.fairtrading.nsw.gov.au/ftw/Tenants\\_and\\_home\\_owners/Boarding\\_houses.page](http://www.fairtrading.nsw.gov.au/ftw/Tenants_and_home_owners/Boarding_houses.page)

<sup>49</sup> NSW Fair Trading website, *Boarding Houses* page:  
[http://www.fairtrading.nsw.gov.au/ftw/Tenants\\_and\\_home\\_owners/Boarding\\_houses.page](http://www.fairtrading.nsw.gov.au/ftw/Tenants_and_home_owners/Boarding_houses.page)

<sup>50</sup> Information provided by FACS ADHC in January 2014.

<sup>51</sup> AHURI, Evidence Review 039, Not a holiday – living permanently in caravans parks, 16 October 2013.

Permanent tenancies in residential parks are governed by the *Residential Parks Act 1998*<sup>52</sup> and the law requires permanent residents and park owners to sign an agreement.<sup>53</sup> Residential parks with permanent residents are also required to register with NSW Fair Trading.<sup>54</sup> The *Civil and Administrative Tribunal Act 2001* and parts of the *Residential Tenancies Act 2010* also apply to residential park tenancies.

### 2.5.2 Supply of residential parks

In April 2013 there were 486 residential parks with permanent residents in NSW. Of these, 110 were predominantly holiday parks with five or fewer permanent resident sites, including 22 with only one permanent resident. Of the 61,543 sites within residential parks on the register, 37 per cent were occupied by permanent residents.<sup>55</sup>

Some 95 per cent of residential parks on the register are located in regional and rural NSW – only 22 parks are located in metropolitan Sydney. There are more residential parks in coastal areas than inland. The table below shows the 10 LGAs with the most residential parks and permanent residents.<sup>56</sup>

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<sup>52</sup> Residential Parks page, NSW Fair Trading website: [http://www.fairtrading.nsw.gov.au/ftw/Tenants\\_and\\_home\\_owners/Residential\\_parkspage](http://www.fairtrading.nsw.gov.au/ftw/Tenants_and_home_owners/Residential_parkspage) accessed January 2014. Note also that premises covered by the Residential Parks Act 1998 are excluded from most, but not all, parts of the Residential Tenancies Act 2010: Parts 8 (Rental bonds), 9 (Powers of the Tribunal) and 11 (Residential tenancy databases) apply.

<sup>53</sup> NSW Fair Trading 2010, *Residential park living* (booklet).

<sup>54</sup> NSW Fair Trading 2013, *Residential Parks Profile of the Industry*, NSW Government: Sydney.

<sup>55</sup> NSW Fair Trading 2013, *Residential Parks Profile of the Industry*, NSW Government: Sydney.

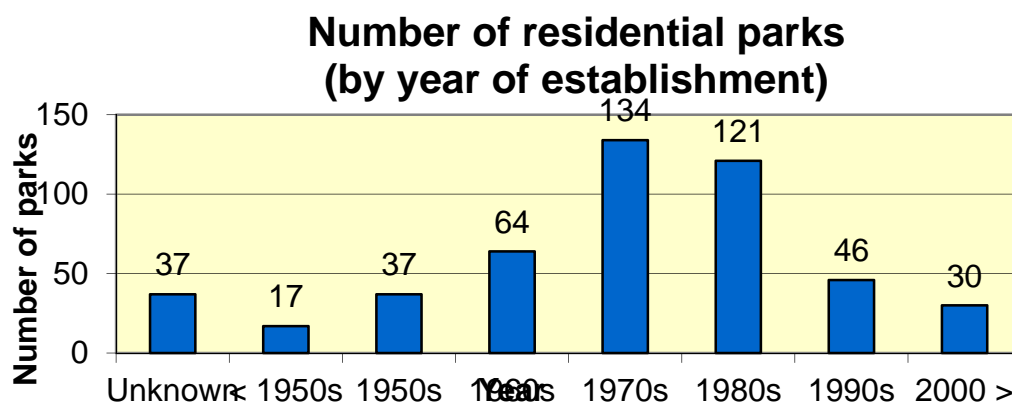
<sup>56</sup> NSW Fair Trading 2013, *Residential Parks Profile of the Industry*, NSW Government: Sydney.

**Table 10: Location of residential parks<sup>57</sup>**

Top 10 LGAs			
By number of parks		By number of permanent residents	
Shoalhaven	41	Wyong	3911
Wyong	30	Tweed	3567
Port Macquarie-Hastings	26	Gosford	2549
Tweed	22	Port Stephens	2365
Coffs Harbour	21	Port Macquarie-Hastings	2208
Lake Macquarie	19	Lake Macquarie	1952
Port Stephens	19	Wollongong	1594
Clarence Valley	18	Coffs Harbour	1455
Eurobodalla	18	Shoalhaven	1419
Ballina	16	Ballina	1301

The majority of permanent residents in residential parks own their dwelling, with 19,473 or 87 per cent of all permanent resident dwellings being owned and 3,038 or 13 per cent rented.<sup>58</sup>

The number of new residential parks increased significantly in the 1970s and 1980s but has been declining since that period.

**Figure 12: Number of residential parks by year of establishment<sup>59</sup>**

To address the impact of the closure of residential parks on residents, the NSW Government has developed the Assistance Protocol for Residential Park Closures. The Protocol provides a framework of cooperation between agencies in providing assistance for residential park residents displaced by a park closure. The intention of the protocol is to assist impacted park residents to access the services they require and prevent them from becoming homeless.

<sup>57</sup> NSW Fair Trading 2013, *Residential Parks Profile of the Industry*, NSW Government: Sydney.

<sup>58</sup> NSW Fair Trading 2013, *Residential Parks Profile of the Industry*, NSW Government: Sydney.

<sup>59</sup> NSW Fair Trading 2013, *Residential Parks Profile of the Industry*, NSW Government: Sydney.



### 2.5.3 Administration, roles and responsibilities

The Department of Planning and Infrastructure and NSW Fair Trading both have separate administrative functions and regulatory roles relating to residential parks. Fair Trading's role relates to administering legislative requirements and the Department of Planning and Infrastructure's role relates to land use. The roles of the Department of Planning and Infrastructure and NSW Fair Trading may intersect on a policy level and in the provision of information about the laws governing the industry. The roles of each department are expanded on below.

NSW Fair Trading administers legislation which set out the rights and responsibilities of residents and residential park owners. This includes:

- providing information about the legislation;
- handling complaints about possible breaches of the legislation;
- providing mediation to help resolve disputes;
- administering the Consumer, Trader & Tenancy Tribunal Registry;
- conducting education campaigns;
- producing educational resources;
- reviewing and amending the legislation to ensure it remains relevant;
- monitoring the marketplace to detect unfair practices; and
- processing and holding rental bonds.<sup>60</sup>

The role of the Department of Planning and Infrastructure relates mainly to land use rather than the nature of the tenure arrangements.

There are two main State Environmental Planning Policies that reference residential parks or caravan parks. These are *State Environmental Planning Policy No. 21 Caravan Parks* (SEPP 21) and *State Environmental Planning Policy No. 36 – Manufactured Homes Estates* (SEPP 36).

These policies enable the balancing of long and short term letting. SEPP 36 aims to facilitate the establishment of manufactured home estates in suitable locations that have access to essential community facilities and services and allows sites to be leased for up to 20 years. This SEPP is applicable within the City of Gosford or the Shire of Wyong and to all other areas in the State that are outside the Sydney region. SEPP 36 and SEPP 21 play an important role in the provision of affordable housing. The statutory planning requirements for residential parks are located in the *Local Government (Manufactured Home Estates, Caravan Parks, Camping Grounds and Moveable Dwellings) Regulation 2005*.

As part of the process to establish a caravan or residential park, the park owner must provide certain basic information to the local council in line with planning requirements.

In addition, FACS sometimes provides short term and temporary accommodation (including crisis accommodation) via residential parks.

### 2.5.4 Legislative changes

A review of the *Residential Parks Act 1998* was carried out as part of the NSW Government's commitment to improve the governance of residential parks. The

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<sup>60</sup> NSW Fair Trading 2010, Residential park living (booklet).

Government decided to replace the Act with a new Act, including a new name, which responds better to the needs of both home owners and operators.

The *Residential (Land Lease) Communities Bill 2013* was passed by Parliament on 14 November 2013 and assented to on 20 November 2013. The new laws are expected to commence around mid-2014 once supporting Regulations have been developed and consulted upon.<sup>61</sup> The *Residential (Land Lease) Communities Act 2013* seeks to provide appropriate protections for home owners, while recognising the needs of operators to develop and sustain business operations. Key reforms include:

- New rules of conduct for operators and sanctions for non-compliance
- Mandatory education for all new operators
- A 'community-based' approach to dealing with annual increases in site fees
- Improved processes for making, amending and enforcing community rules
- New arrangements for disclosure of information to prospective home owners
- New rules to streamline the process for owners selling their home on site.
- New rules allowing exit fees for park operators.

## 2.6 The role of market mechanisms and incentives

A number of mechanisms have been employed in NSW to influence or incentivise market provision of more affordable forms of housing. These are briefly outlined below.

<b>Use of the Planning system</b>	The planning system can be used to influence the provision of housing through the use of planning instruments and development codes that encourage and permit more affordable forms of housing. In NSW this has been achieved through such things as inclusionary zoning, voluntary planning agreements and the Affordable Rental Housing SEPP (see below).
<b>Affordable Rental Housing SEPP</b>	<p>The <i>State Environmental Planning Policy (Affordable Rental Housing) 2009</i> aims to increase the supply and diversity of affordable rental and social housing in NSW by providing planning incentives or concessions for developers of affordable housing.</p> <p>It covers a range of housing types including villas, townhouses and apartments which contain an affordable rental housing component, along with secondary dwellings (also known as granny flats), new generation boarding houses, group homes, social housing and supportive accommodation.</p> <p>This SEPP also provides a mechanism to retain existing low rental dwellings by permitting a consent authority to impose an affordable housing contribution on a developer when there will be a loss of low rental accommodation.</p>
<b>Land Tax exemptions for boarding houses and other forms of low cost accommodation</b>	<p>A Land Tax exemption is applied to land used and occupied primarily for boarding houses that meet the guidelines approved by the Treasurer. Requirements to be met for the exemption include tariffs being below set limits (2013 figures: \$221 per week for a single room, \$356 for double) the boarding house must provide long-term accommodation (three months or more).</p> <p>An exemption is also applied where land is used for low cost accommodation</p>

<sup>61</sup> NSW fair Trading website, *Residential (Land Lease) Communities Bill* page:  
[http://www.fairtrading.nsw.gov.au/ftw/About\\_us/Have\\_your\\_say/Residential\\_land\\_lease\\_communities\\_bill.page](http://www.fairtrading.nsw.gov.au/ftw/About_us/Have_your_say/Residential_land_lease_communities_bill.page)



	<p>within a five kilometre radius of the Sydney GPO.</p> <p>An owner of a residential park, including caravan parks, which is primarily used and occupied by retired people, may be entitled to a full or partial exemption from Land Tax.</p> <p>Land used and occupied as an aged care establishment, including a nursing home or a retirement village (and no other purpose) is exempt from Land Tax.</p>
<b>New supply grants for boarding houses</b>	The <i>Boarding House Financial Assistance Program – New Supply</i> makes grants of \$10,000 per room available to assist with the construction of new, self-contained boarding house accommodation. Grants may be available to support self-contained rooms built as part of a new boarding house construction, being added onto an existing boarding house or being built from converting a non-residential property into a boarding house.
<b>Fire safety grants for boarding houses</b>	The <i>Boarding House Financial Assistance Program – Fire Safety</i> provides grants of up to \$50,000 to help owners and operators of boarding houses undertake essential fire safety works. These grants improve fire safety for boarding house residents, and help retain boarding houses that provide long term, low cost housing.
<b>Grants to first home buyers of new homes</b>	Under the <i>First Home Owner Grant (New Homes) Scheme</i> , a non-repayable grant of \$15,000 (\$10,000 from 1 January 2016) is payable to all first home buyers of new homes, subject to the value of the home being purchased not exceeding \$650,000. A grant is no longer payable to first home buyers of established homes.
<b>Transfer duty concessions for first home buyers of new homes</b>	Under the <i>First Home – New Home Scheme</i> , an exemption from or concession on transfer duty applies to first home buyers on the purchase of new homes up to \$650,000 or vacant land up to \$450,000. Exemptions or concessions no longer apply to first home buyers of established homes.
<b>Incentives for non-first home buyers to purchase new homes</b>	<p>Under the <i>New Home Grant Scheme</i>, a non-repayable grant of \$5,000 grant is payable to buyers of new homes, whether off the plan or newly built, with a value up to \$650,000 and to buyers of vacant land that is intended to be the site of a new home valued up to \$450,000. The grant is targeted at all non-first home buyers and is available to investors as well as owner occupiers.</p> <p>The <i>New Home Grant Scheme</i> came into effect on 1 July 2012, replacing the former <i>NSW Home Builders Bonus</i> (HBB) which was introduced in 2010 to stimulate the construction of new homes in NSW. The HBB provided transfer duty exemptions and concessions for certain purchases of new homes, homes off the plan and vacant land on which a new home will be built as well as a specific transfer duty exemption for eligible seniors wishing to downsize who were purchasing a new home as their principal place of residence.</p>

In addition, the National Rental Affordability Scheme (NRAS) offers incentives to new investors in affordable housing of \$10,350 per year for dwellings that are leased to lower income households at a discounted rent (as previously discussed in Section 2.2).

## 2.7 Ageing in place

Research indicates that older Australians want to age-in-place; live independently and actively engage in their communities; and that they value stable, secure affordable housing.<sup>62</sup>

Older people make up one third of all people living in public housing in NSW and both the number and the proportion of people living in public housing who are older have been increasing each year. This reflects both the ageing of people already in social housing and more new older people being allocated properties each year.

Over the ten year period 2003 - 2013, the proportion of household heads over 55 years of age (over 45 if Aboriginal) in public housing has increased from 47 per cent to 57 per cent (62,500). The proportion of newly housed people with household heads over 55 years of age (over 45 if Aboriginal) has increased from 24 per cent to 34 per cent over the same period.<sup>63</sup>

Older people are increasingly renting in the private market and a smaller proportion of older people are now home owners.

Some 17 per cent of homeless people are over 55 years and there is evidence of increasing numbers of older people entering the first time homeless population.<sup>64</sup> The rate of homelessness in people over 55 years was 22.9 per 10,000 people in 2006. The rate grew to 24.8 per 10,000 people in 2011 (ABS Census, 2006 and 2011).

Under the NSW Ageing Strategy the NSW Government is committed to supporting greater housing choices for the next generation of older people. This will occur through improvements to information sharing on the future housing needs of the ageing population and monitoring the impact of existing planning schemes. This includes monitoring the availability of relevant housing options, such as:

- retirement villages and other living options for seniors;
- affordable housing;
- well-located housing close to town centres and transport; and
- the uptake of a universal housing design that improves the safety of housing for older people.

A state-based planning tool which facilitates and encourages the provision of housing for older people is the *State Environmental Planning Policy (Housing for Seniors and People with a Disability) 2004*. This policy makes provisions for a range of seniors housing types. Its aim is to increase the supply of and diversity of well designed housing that meets the needs of seniors while making efficient use of existing infrastructure.

As people in social housing age, in addition to housing related assistance, they often require other supports to maintain their tenancies and stay connected to their communities. FACS currently provides a range of housing assistance and services to older people (aged over 55, or if Aboriginal, over 45). These include:

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<sup>62</sup>Confirmatory AHURI research includes:

Jones, A (2008) *Rental housing for lower income older Australians*, AHURI Research and Policy Bulletin, issue 96;

Judd, B (2007), *Dwelling and land use by older home owners*, AHURI Research and Policy Bulletin 126;

Wood, G (2010), *Asset poverty and older Australians transitions into housing assistance programs*, AHURI Final Report no. 156.

<sup>63</sup>Housing NSW internal data 2012/13

<sup>64</sup>Petersen, M. et al, *Preventing first time homelessness amongst older Australians*, AHURI, August 2013.

- Senior Communities – older people can elect to live in designated public housing senior communities which support ageing in place, and can avoid or delay the need for supported accommodation that involves greater intervention and costs.
- Social inclusion and wellbeing activities – at the local level, FACS supports lunch clubs, Tenant Participation Services, Community Greening and many other activities which have strong engagement from older people.
- Property modifications – which enable older people to remain in their home longer.
- Working with support providers – FACS works in partnership with a range of agencies and NGOs to support older people with additional needs to sustain their tenancies. The recent localisation process implemented by FACS presents an opportunity to strengthen the links between services at the regional level and the development of improved referral networks for vulnerable seniors.

## 2.8 Summing up this section

- The NSW social housing portfolio comprises around 148,500 properties housing nearly 300,000 people during 2012/13; approximately 40 per cent of those potentially eligible for assistance in NSW.
- The social housing portfolio is comprised of public housing, community housing and Aboriginal housing dwellings which are a mix of units, townhouses and villas, and cottages.
- Around a quarter of the dwellings are 40 years old, and because of a change in profile of people seeking assistance; their make-up (in terms of size) does not always match with demand.
- Boarding houses and residential parks are two forms of affordable housing outside of social housing. Both sectors are undergoing legislative change, aimed at improving the regulatory environment and providing better support for residents and landlords.
- Market mechanisms and incentives have been implemented within the private rental, home ownership, boarding houses and planning sub-sectors, which aim to increase the supply of affordable housing.
- The number of older people living in social housing or renting privately (as opposed to home ownership) is growing. Future housing assistance options for older people will be guided by many older people's desire to age in place (i.e. usually the locality they have spent a large part of their later years living). Accessibility, flexibility for home modification and integration of housing with other services also need to be considered.
- The NSW Government's Ageing Strategy supports older people to stay independent longer, to stay connected to family, friends and community and to live active and healthy lives.

### 3 Funding partnerships with the Commonwealth Government

The Commonwealth Government invests in and influences housing availability and affordability in a range of ways, including through tax and welfare policies. It also provides direct funding to the States and Territories for housing.

#### 3.1 Commonwealth-State funding for housing

The first Commonwealth State Housing Agreement (CSHA) was signed in 1945 and at that time, focused on housing soldiers returning from World War II. Between 1945 and 2008, various CHSAs have provided funding towards the provision of public housing and other forms of housing assistance (community housing, crisis accommodation, Aboriginal housing, private rental assistance and home ownership support). The last CHSA was signed in 2003, the purpose of which was to *provide funding to assist those whose needs for appropriate housing cannot be met by the private market*.<sup>65</sup>

In 2008, the CHSA was replaced by the National Affordable Housing Agreement (NAHA). The NAHA was agreed by the Council of Australian Governments (COAG) on 29 November 2008 and came into force on 1 January 2009. The NAHA also replaced the Supported Accommodation Assistance Program (SAAP) which started in 1985 and provided transitional supported accommodation and related support services to people experiencing homelessness.

The objective of the NAHA is *that all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation*.<sup>66</sup>

The NAHA aims to contribute to the following outcomes:

- a) people who are homeless or at risk of homelessness achieve sustainable housing and social inclusion;
- b) people are able to rent housing that meets their needs;
- c) people can purchase affordable housing;
- d) people have access to housing through an efficient and responsive housing market;
- e) Indigenous people have the same housing opportunities (in relation to homelessness services, housing rental, housing purchase and access to housing through an efficient and responsive housing market) as other Australians; and
- f) Indigenous people have improved housing amenity and reduced overcrowding, particularly in remote areas and discrete communities.

The NAHA is supported by the National Affordable Housing Specific Purpose Payment (SPP). This is an indexed ongoing payment to the States and Territories to be spent in the housing and homelessness sector, amounting to \$1.283 billion in 2013-14, of which NSW received \$409 million.

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<sup>65</sup> Department of Social Services website, *Commonwealth State Housing Agreement* page: <http://www.dss.gov.au/our-responsibilities/housing-support/publications-articles/housing/commonwealth-state-housing-agreement>

<sup>66</sup> National Affordable Housing Agreement, paragraph 6.

## 3.2 National Partnership Agreements

The NAHA is supported by National Partnership Agreements (NPAs) on Homelessness and Remote Indigenous Housing.

***The NPA on Homelessness (NPAH)*** commenced in January 2009 and will expire in June 2014. This agreement focuses on three key strategies to reduce homelessness: prevention and early intervention to stop people becoming homeless; breaking the cycle of homelessness; and improving and expanding the service response to homelessness. Together the Commonwealth and State and Territory Governments committed to provide \$1.1 billion in funding under this NPA.<sup>67</sup>

The Commonwealth Government has not provided any indication on future funding. While the funding through this NPA does not directly address affordable housing, the removal of \$29.1 million in Commonwealth Government funding for homelessness in NSW will have flow-on impacts to the wider housing and homelessness sectors.

***The National Partnership Agreement on Remote Indigenous Housing (NPARIH)*** was signed in December 2008 and is due to expire on 30 June 2018. Funding of \$398 million for NSW has been agreed across the 10 years of the Agreement, which focuses on improving significant overcrowding, homelessness, poor housing conditions and the severe housing shortage in remote Indigenous communities.<sup>68</sup> NPARIH focuses on improving the standard of housing in remote Australia over the long term, with a focus on *Closing the Gap* for Aboriginal people. The immediate focus of the partnership is on addressing urgent housing need in remote communities. NPARIH is comprised of a significant capital works program and Property and Tenancy Management reform.

Discussions regarding the distribution of the final \$74.5 million across the remaining four years of NPARIH are currently underway with the Commonwealth Government. There is an increasing emphasis by both the NSW and Commonwealth Governments on expanding home ownership for Aboriginal people in NSW.

The Commonwealth and NSW Governments partner to fund and deliver the National Rental Affordability Scheme (NRAS). As noted earlier, the NRAS provides a grant or tax incentive to private and community organisations to build and provide affordable private rental outcomes.

## 3.3 Commonwealth Rent Assistance

The Commonwealth Government also provides Commonwealth Rent Assistance (CRA) payments. CRA is fully funded by the Commonwealth and provides rental assistance to low income households and individuals in the private rental market. Assistance is in the form of a non-taxable income supplement.

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<sup>67</sup> Department of Social Services website, *National Partnership Agreement on Homelessness* page: <http://www.dss.gov.au/our-responsibilities/housing-support/programs-services/homelessness/national-partnership-agreement-on-homelessness>

<sup>68</sup> Department of Social Services website, *National Partnership Agreement on Remote Indigenous Housing* page: <http://www.dss.gov.au/our-responsibilities/indigenous-australians/programs-services/housing/national-partnership-agreement-on-remote-indigenous-housing>



In NSW, where there is a significant shortage of private rental housing that is affordable to low and moderate income private renters, CRA payments are largely insufficient to ensure housing affordability. For example the 2014 Report on Government Services shows that in Sydney in June 2013 49 per cent (110,600 households) of the low income households receiving CRA were still in housing stress even with the CRA payments.<sup>69</sup>

Despite its inadequacies, CRA is important to low to moderate income earners in the rental market because it acts to boost the income available for meeting housing costs. It is also available to social housing renters who rent from community housing providers or the AHO, and therefore acts to support the viability of those social housing providers. However it is not available to people living in public housing.

### 3.4 Funding contributions over time

Vertical fiscal imbalance in Australia is high and its impact on States is unambiguous – States rely on stable and ongoing Commonwealth funding. In terms of social housing funding, Commonwealth Government contributions have steadily declined in real terms over the last two decades.

If funding levels had been sustained at those in the mid 1990s, NSW would have received an additional \$219 million in 2012-13 (\$622 million rather than \$403 million). Cumulated over the last 17 years this has meant that NSW has received \$2.7 billion less in SPP funding than if funding levels had been maintained.

The Commonwealth Government has committed to a National Commission of Audit (CoA). The CoA may have significant implications for FACS and the NSW Government's capacity to support vulnerable people. Phase 1 of the Terms of Reference for CoA focuses on the need to ensure value for taxpayer dollars, eliminate waste and clarify roles and responsibilities and to improve overall efficiency. It is understood that future Commonwealth funding for housing will be considered as part of the CoA.

### 3.5 Summing up this section

- Both the NSW and the Commonwealth Governments have a role in funding social and affordable housing.
- The National Affordable Housing Agreement (NAHA) – involving direct funding from the Commonwealth to the State Government is the main mechanism through which the Commonwealth contributes funding to social housing.
- The NAHA replaces the previous Commonwealth State Housing Agreements (CHSAs) and Supported Accommodation Assistance Program (SAAP).
- The NAHA is currently supported by National Partnership Agreements (NPAs) on homelessness, which expires in June 2014, and on remote Indigenous housing which will expire in June 2018.
- Commonwealth Rent Assistance (CRA) provides non-taxable payments to eligible low income households. CRA payments are largely insufficient to ensure housing affordability in NSW.
- Social housing funding contributions from the Commonwealth have steadily declined in real terms over time.

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<sup>69</sup> 2014 Report on Government Services, Table GA.24.





## Appendix A – Legislative objectives of social and Aboriginal housing

Further to Section 1.1.1, this Appendix sets out the objectives of the *Housing Act 2001* and the *NSW Aboriginal Housing Act 1998*.

### Social housing

The *Housing Act 2001* objectives are:

- maximise the opportunities for all people in New South Wales to have access to secure, appropriate and affordable housing,
- ensure that housing opportunities and assistance are available to all sections of the community with housing needs,
- ensure that public housing is developed as a viable and diversified form of housing choice,
- ensure that public housing and community housing reflects the housing standards of the general community and is designed to cater for the ongoing needs of consumers,
- maximise the opportunities for tenants of public and community housing programs to participate in the management of their housing and in the development of public and community housing policies,
- ensure that the public housing system focuses on housing people who are most in need,
- ensure that the available supply of public housing is shared equitably among people who are most in need,
- promote equity between levels of assistance provided to people living in public housing, community housing, private rental housing and those who own or are purchasing their homes,
- maintain an efficient housing administration to ensure the effective co-ordination and provision of all housing services,
- encourage social mix and the integration of different housing forms in existing and new communities,
- ensure that registered community housing is developed as a viable and diversified component of the New South Wales social housing sector,
- support the provision of registered community housing for people on a very low, low or moderate income,
- facilitate the provision of assistance to home purchasers on low to moderate incomes,
- provide for the management of such existing and future home purchase assistance schemes (including the portfolio of loans under HomeFund schemes) as the Minister directs,
- provide for the funding of such other rental and home purchase assistance schemes as the Minister directs,
- encourage the development of flexible and innovative financial arrangements to facilitate access to home ownership for persons in receipt of low and moderate incomes,
- ensure appropriate mechanisms and forums are established to allow input into housing policy by representative community organisations and non-government agencies involved in housing policy and provision,

- attract investment in public housing, including related activities such as tenant employment and the provision of integrated services,
- enable the provision under this Act of corporate, technical and information technology services, in or outside New South Wales, to government and non-government agencies.

### **Aboriginal housing**

The NSW Aboriginal Housing Office (AHO) was established under the *NSW Aboriginal Housing Act 1998*. Section 3 of this Act prescribes the following objectives:

- a) to ensure that Aboriginal people and Torres Strait Islanders have access to affordable and quality housing,
- b) to ensure that such housing is appropriate having regard to the social and cultural requirements, living patterns and preferences of the Aboriginal people or Torres Strait Islanders to whom the housing is to be provided,
- c) to enhance the role of Aboriginal people and Torres Strait Islanders in determining, developing and delivering policies and programs relating to Aboriginal Housing,
- d) to ensure that priority is given, in providing housing assistance for Aboriginal people and Torres Strait Islanders, to those individuals who are most in need,
- e) to ensure that the available supply of housing under the Act is shared equitably among Aboriginal People and Torres Strait Islanders who are most in need,
- f) to increase the range of housing choices for Aboriginal people and Torres Strait Islanders so as to reflect the diversity of individual and community needs,
- g) to ensure that registered Aboriginal Housing organisations are accountable, effective and skilled in the delivery of Aboriginal housing programs and services,
- h) to ensure that the Aboriginal Housing Office's housing programs and services are administered efficiently and in co-ordination with other programs and services that are provided to assist Aboriginal People and Torres Strait Islanders,
- i) To encourage the sustainable employment of Aboriginal people and Torres Strait Islanders in the delivery of Aboriginal housing assistance.



Family &  
Community Services