



National Housing and Homelessness Agreement Review

Issues paper

The Commission has released this issues paper to assist individuals and organisations to prepare submissions. It contains and outlines:

- the scope of the inquiry
- the Commission's procedures
- matters about which the Commission is seeking comment and information
- how to make a submission.

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The Commission has released this issues paper to assist individuals and organisations to prepare submissions to the study. It contains and outlines:

- the scope of the study
- the Commission's procedures
- matters about which the Commission is seeking comment and information
- how to make a submission (see attachment B).

Participants should not feel that they are restricted to comment only on matters raised in the issues paper. The Commission wishes to receive information and comment on issues which participants consider relevant to the study's terms of reference.

Key study dates

Receipt of terms of reference	13 December 2021
Due date for submissions	21 February 2022
Final report to Government	June 2022

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1. Some background

This review of the *National Housing and Homelessness Agreement* (NHHA) is one of a series of reviews of the national agreements established under the *Intergovernmental Agreement on Federal Financial Relations* (IGA FFR) (COAG 2008a).¹ The IGA FFR was intended to address two features of Australia's federal system — vertical fiscal imbalance² and the overlapping roles and responsibilities of the Australian, and State and Territory Governments in some areas of service delivery.

The NHHA, which commenced on 1 July 2018, is an agreement between the Australian Government and State and Territory Governments for providing housing and homelessness services. It continues a long history — dating back to 1945 — of cooperation between the Australian and the State and Territory Governments to improve housing outcomes (box 1).

The NHHA sets out the roles and responsibilities of the Australian Government and the States and Territories in improving housing outcomes. It also identifies nationally agreed objectives, outcomes and performance indicators.

The Australian Government provides about \$1.6 billion each year (indexed annually from 2019-20) to the States and Territories to improve Australians' access to affordable, safe and sustainable housing across the housing spectrum. This funding includes \$129 million for homelessness services, which State and Territory Governments must match. Funding is conditional on State and Territory Governments having publicly available housing and homelessness strategies and contributing to improved data collection and reporting, amongst other things (box 1).

The Agreement is due to expire on 30 June 2023³ and is to be replaced for further terms of up to five years. The Agreement requires a completed review by the Productivity Commission no later than 30 June 2022.

What has the Commission been asked to do?

The Commission has been asked to review the NHHA, looking at:

- the effectiveness and appropriateness of the objectives, outcomes and outputs of the NHHA, taking into account the roles of the Australian Government, the States and Territories and their interaction with local governments
- the extent to which the NHHA is meeting its objectives
- evidence that the Agreement is contributing to achieving its outcomes and options to improve progress towards meeting the outcomes
- the adequacy and quality of the data and information reported under the NHHA
- the effectiveness of the performance monitoring and reporting framework of the NHHA for measuring the outcomes achieved and ensuring transparency and accountability

¹ The Commission reviewed the *National Disability Agreement* in 2019 and the *National Agreement for Skills and Workforce Development* in 2021.

² Vertical fiscal imbalance is where States and Territories have large expenditure responsibilities relative to their revenue raising capacities.

³ Unless terminated earlier by the relevant parties.

- options to maximise outcomes that can be achieved with the NHHA funding
- the suitability of the housing priority policy areas, national homelessness priority cohorts and homelessness priority policy areas and the extent to which they have been addressed
- the effectiveness of the Agreement's data improvement outputs for achieving an improved, nationally consistent data set
- whether the conditions to be eligible for funding under the Agreement are sufficient to achieve NHHA outcomes
- the extent to which the NHHA is meeting the obligations of governments under Australia's Disability Strategy.

The Commission is also to consider:

- the respective roles of the Australian Government and the State and Territory Governments for housing and homelessness policy
- the impact of social and economic factors, including the coronavirus pandemic, on housing and homelessness in Australia
- the housing and homelessness strategies and priorities of each of the States and Territories
- the bilateral schedules between the States and Territories and the Australian Government.

Our approach to the review

The Commission will assess progress by governments against the objective, outcomes and outputs of the NHHA. We will also look at how the Agreement aligns with contemporary policy issues and whether it is an effective long-term framework for government policy and cooperation.

The NHHA is just one part of a broader set of policies affecting the housing market. For example, income support, immigration, financial regulation and taxes on housing all influence the market, but they sit outside the NHHA. As such, the Commission will not be reviewing these policies. The review will focus on where the funding under the Agreement is directed, namely housing and homelessness services and programs.

The House of Representatives Standing Committee on Tax and Revenue is examining the effects of tax and regulation on housing affordability and supply (Parliament of Australia 2021).

How you can contribute to this review

This issues paper sets out questions and issues raised by the review's terms of reference (attachment A). The Commission welcomes comments and evidence on issues relevant to this review.

Attachment B explains how to make a submission or brief comment. Submissions should be made by 21 February 2022. Details of the Commission's consultation process can be found at www.pc.gov.au/inquiries/current/housing-homelessness.

Box 1 – A brief history of Commonwealth–State housing agreements

During World War II, in response to concerns about the social welfare of lower-income households, a Joint Parliamentary Review of Social Security was set up by the Australian Government. The review found poor housing conditions for many Australians and recommended a Commonwealth Housing Commission (CHC) to inquire into, and report on, Australia's housing position and housing requirements during the post-war period.

The CHC articulated a bold vision: 'We consider that a dwelling of good standard and equipment is not only the need but the right of every citizen' (CHC 1944, cited in Troy 2012). It advised the Australian Government to take an active role providing housing to overcome the housing shortage (estimated at the time to be about 300 000 dwellings). The housing shortage was considered national in scope and beyond the resources of the States to address.

The first Commonwealth–State Housing Agreement (CSHA) with the six States came into effect in 1945. This agreement involved the Australian Government lending money to the state housing authorities to build public housing and the States covering the ongoing housing costs from rents. Between 1945 and 1965, around one in six houses were said to be built by state housing authorities.

A succession of agreements, lasting until 2008, followed the initial CSHA. Policy emphasis in the agreements changed over time. In 1956, the CSHA was broadened beyond public rental housing and included incentives to encourage home ownership, such as allocating CSHA funds to building societies and other private financial institutions. From the early 1970s, there was a focus on providing housing to low-income households unable to pay full market rent, and as a result, capital funding for the States declined. This occurred at the same time as buildings were ageing and requiring repairs. By the end of the 1980s, most state housing authorities were operating deficits.

A 1989 CSHA changed Australian Government funding from loans to grants, and the 1996 agreement allowed Australian Government funds to be spent on recurrent expenses. One of the key features of the 1996 agreement was a focus on housing outcomes for people rather than increasing the stock of public housing.

CSHAs were replaced in 2009 by the National Affordable Housing Agreement (NAHA), formed under the Intergovernmental Agreement on Federal Financial Relations (COAG 2008a). The Agreement was supported by the National Affordable Housing Specific Purpose Payment and three time-limited National Partnership Agreements, with specific funding commitments from the Australian, State and Territory Governments. The three National Partnership Agreements were:

- the National Partnership Agreement on Homelessness (NPAH) 2009–2013
- the National Partnership Agreement on Social Housing 2008–2010
- the National Partnership Agreement on Remote Indigenous Housing 2008–2018.

In 2018, the NAHA and NPAH were replaced by the National Housing and Homelessness Agreement. Under the Agreement, States and Territories must publish housing and homelessness strategies, provide annual statements of assurance, contribute to data development and enter into a bilateral agreement with the Australian Government in return for Australian Government funding. States and Territories are also required to match Australian Government contributions to homelessness funding, as per previous NPAHs.

Source: DPMC (2014); Pawson et al. (2020); Troy (2012).

2. Assessing the performance and suitability of the Agreement

The purpose of the NHHA

Intergovernmental agreements seek to improve the wellbeing of Australians by establishing a framework for government cooperation. This is achieved through shared objectives, coordination of national policy reforms, improved transparency and accountability, clarified roles and responsibilities, and funding arrangements (COAG 2008a). The NHHA (p. 2) states that:

In entering this agreement, the Commonwealth and the States recognise that they have a mutual interest in improving housing outcomes across the housing spectrum, including outcomes for Australians who are homeless or at risk of homelessness, and need to work together to achieve those outcomes.

Co-operation between governments has historically been the purpose of Commonwealth–State housing agreements (box 1). However, the content of housing agreements has varied over the years. Agreements have sometimes included binding conditions on Australian Government funding and quantifiable targets, and at other times they have been less prescriptive with funding relatively untied. The NHHA falls in the second category, leading some people to see it as more a funding agreement for social housing and homelessness services than a national policy agreement for reform across the housing spectrum.

Some commentators have suggested that Australia needs a more systematic approach to housing policy and are calling for a national housing strategy (Pawson, Milligan and Yates 2020). Community Housing Industry Australia NSW and Aboriginal Community Housing Industry Association NSW (CHIA NSW and ACHIA NSW 2021, pp. 6–7), for example, recently argued that:

The development of a National Housing Strategy is critical for providing the leadership and coordinated framework for governments at all levels and key delivery partners ... to make effective long-term planning and investment decisions, and ensure that all jurisdictions can deliver enough social and affordable housing for their current and future populations. ... a National Strategy must also respond to entrenched housing affordability issues, including the often narrow and limited housing options for very low, low, and moderate-income households along the housing continuum.



Questions

What is the purpose of the NHHA? Is its purpose clear and appropriate?

Is the purpose of the NHHA suitable for the next agreement? If not, what should be the purpose of the next agreement? For example, should the next agreement be primarily a funding agreement focused on homelessness services and social housing or should it be a national housing policy agreement (or both)?

What are the main reasons for, and the benefits and costs of, a national housing strategy? How would a national housing strategy intersect with the next agreement?

Is the objective appropriate and has it been achieved?

The objective of the NHHA (p. 3) is:

... to contribute to improving access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation.

The objective of the Agreement sets the basis for assessing performance and directions for policy change. It is important, therefore, that the objective of the Agreement is clear and appropriate and governments have agreed on the meaning of key terms (box 2).

Box 2 – What does affordable, safe and sustainable housing mean?

Housing affordability is about what people can afford to spend on housing relative to their income. Housing costs are said to be unaffordable when there is not enough income left to pay for other essential items (such as food and clothing).

... affordability (and lack of affordability) is not an inherent characteristic of a housing unit — it is a relationship between housing and people. For some people, all housing is affordable, no matter how expensive; for others, no housing is affordable unless it is free. (Stone, Burke and Ralston 2011, p. 2)

A common measure of housing affordability is the 30/40 rule. This measure defines housing unaffordability (or 'housing stress') as when a household in the bottom two quintiles of the income distribution pays more than 30 per cent of its income in housing costs.

Safe housing refers to housing that is physically safe, secure and healthy, and free from violence and abuse (Muir et al. 2018; Stats NZ 2019). This can relate to the physical condition or state of repair of the dwelling, and its suitability for the household concerned (including its size and design).

'Dwelling condition' is defined as the proportion of households living in dwellings that meet agreed minimum acceptable standards. A dwelling is assessed as meeting minimum acceptable standards if it has at least four working facilities (for washing people, for washing clothes/bedding, for storing/preparing food, and for removing sewerage) and not more than two major structural problems. (SCRGSP 2021, p. 18.19)

Sustainable housing can have a number of different dimensions depending on the context (Stats NZ 2019; Wiesel et al. 2012). The different dimensions can include:

- Sustainability for individuals — individuals' ability to maintain housing over time. This can be influenced by security of tenure and affordability, as well as the extent of other supports that deal with the social and psychological aspects of homelessness and housing (Chamberlain and Johnson 2018).
- Institutional sustainability — finance and governance structures of affordable housing developments such that operating, maintenance and other costs can be met over time.
- Fiscal sustainability — sustainability of government expenditure on housing assistance programs.
- Social sustainability — people's access to services, social inclusion and the degree to which housing design is flexible enough to meet people's changing needs over time.
- Environmental sustainability — the degree to which housing design, construction and materials support habitability now and in the future.

Source: Raynor, Dosen and Otter (2017, p. iii); Stone, Burke and Ralston (2011, p. 2); Stats NZ (2019); Wiesel et al. (2012).

The Commission is also interested in evidence on how well the NHHA's objective of improving access to affordable, safe and sustainable housing has been met, and the reasons for the outcomes.



Questions

Is the objective of the NHHA appropriate? Is there agreement on the meaning of the objective's key terms (including 'affordable, safe and sustainable housing')? Is the scope of the NHHA —'across the housing spectrum' — appropriate?

To what extent has the NHHA met its objective? What evidence is there that the objective has (or has not) been achieved?

What should be the objective of the next intergovernmental agreement, taking into account the lessons learnt from the NHHA and earlier agreements?

Outcomes of the Agreement

The outcomes of national agreements are meant to be strategic and high level (COAG 2008b, p. A1).

The NHHA is intended to contribute to the following aspirational, overarching national outcomes:

- a well-functioning social housing system that operates efficiently, sustainably and is effective in assisting low-income households and priority homelessness cohorts (box 3) to manage their needs
- affordable housing options for people on low-to-moderate incomes
- an effective homelessness service system, which responds to and supports people who are homeless or at risk of homelessness to achieve and maintain housing, and addresses the incidence and prevalence of homelessness
- improved housing outcomes for Indigenous Australians
- a well-functioning housing market that responds to local conditions
- improved transparency and accountability in respect of housing and homelessness strategies, spending and outcomes.

Box 3 – Priority homelessness cohorts and homelessness priority policy reform areas

State and Territory homelessness strategies must address the national priority cohorts identified in the National Housing and Homelessness Agreement. They include:

- women and children affected by family and domestic violence
- children and young people
- Indigenous Australians
- people experiencing repeat homelessness
- people exiting institutions and care into homelessness
- older people.

The homelessness priority policy reform areas include:

- **achieving better outcomes for people**, setting out how the desired outcomes for individuals will be measured (which may include a focus on priority groups, economic and social participation)
- **early intervention and prevention**, including through mainstream services, setting out actions being taken through homelessness services and mainstream services (which may include a focus on particular client groups or services)
- **commitment to service program and design** that is evidence and research-based, that shows what evidence and research was used to design responses to homelessness and how responses/strategies will be evaluated.

Source: NHHA, p. 17.



Questions

Is it possible to distinguish the contribution of the NHHA to the national outcomes from other policy and non-policy influences? If so, to what extent has the NHHA contributed to the agreed list of aspirational, overarching national outcomes? For example, has the NHHA contributed to a better functioning housing market?

What has affected the achievement of the outcomes, and how?

What strategies, levers and programs have governments used to contribute to these national outcomes? Have they been effective ways to achieve the Agreement's outcomes?

To what extent has the NHHA improved transparency and accountability about housing and homelessness outcomes? Is there scope for further improvements?

Are the priority homelessness cohorts and homelessness priority policy areas in the NHHA the right priorities? If not, what should the priority homelessness cohorts and homelessness priority policy areas be?

Are the outcomes of the NHHA suitable for the next agreement, and why (or why not)? To what extent should the outcomes of the next agreement be aspirational rather than achievable within the life of the agreement?

Outputs of the Agreement

To be eligible for funding under the NHHA, each State and Territory is required to:

- have a publicly available housing strategy that:
 - indicates the level of housing supply needed to respond to projected housing demand, and outlines the reforms and initiatives that will contribute to meeting this need
 - includes planned or expected levels of social housing
 - details how that State or Territory will contribute to the national housing priority policy areas where appropriate to its needs (box 4)
- have a publicly available homelessness strategy that:
 - addresses the priority homelessness cohorts
 - sets out reforms and initiatives that will contribute to a reduction in the incidence of homelessness
 - incorporates the homelessness priority policy reform areas where appropriate to its needs (box 3)
- report on the Agreement to the relevant Australian Government Minister as set out in the 'Performance monitoring and reporting' section of the Agreement
- contribute to the ongoing collection and transparent reporting of agreed data, including the development of data improvements and a nationally consistent data set
- match Australian Government homelessness funding as set out in the 'Financial arrangements' section of the Agreement
- agree a bilateral schedule with the Australian Government (tailored to the needs of the State or Territory).

Box 4 – National housing priority policy areas

The national housing priority policy areas identified in the National Housing and Homelessness Agreement include:

- **social housing** that is:
 - utilised efficiently and effectively (which may include redevelopment and stock transfers)
 - responsive to the needs of tenants (which may include redevelopment and stock transfers)
 - appropriately renewed and maintained (which may include redevelopment and new construction)
 - responsive to demand (which may include new construction and redevelopment).
- **community housing support** that improves the viability and encourages growth of the sector (which may include redevelopment and stock transfers).
- **affordable housing** (which may include stock transfers and incentives to increase supply).
- **tenancy reform** that encourages security of tenure in the private rental market.
- **home ownership** including support for first home buyers.
- **planning and zoning reform and initiatives**, including consideration of inclusionary zoning and land release strategies.

Source: NHHA, p. 16.



Questions

Are the outputs of the NHHA still relevant? Are different outputs needed? Should outputs be more prescriptive? Are the national housing priority policy areas the right priorities? If not, what should they be?

Has the requirement for States and Territories to have housing and homelessness strategies and statements of assurance improved outcomes? Do the programs and policies set out under the State and Territory Government housing and homelessness strategies contribute to the objectives and outcomes of the NHHA? If not, what improvements could be made?

What progress has been made on improving data, including on the nationally consistent housing and homelessness data set?

The roles and responsibilities of governments under the Agreement

The NHHA sets out the roles and responsibilities of the Australian and State and Territory Governments, as well as their shared roles and responsibilities (figure 1).

Clearly defined roles and responsibilities are critical for accountability. A key question for this review is whether the roles and responsibilities of the NHHA are clear and appropriate.



Questions

Are the roles and responsibilities of the Australian Government and the State and Territory Governments, as set out in the NHHA, clear and appropriate? How well are governments adhering to their roles and responsibilities, including their shared roles and responsibilities?

What are the implications of the shared roles and responsibilities of governments? Are there ways that governments could more effectively work together to achieve better housing outcomes and improve transparency and accountability?

Are the roles and responsibilities of the different levels of government appropriate for the next agreement or should they be changed? For example, should local governments (who are not parties to the NHHA) be parties to the next agreement?

All jurisdictions have policies which affect the housing market. Many of these policies are outside the scope of the NHHA. Is this appropriate? If not, what policies should be included in the next agreement, and why?

Figure 1 – Roles and responsibilities outlined in the NHHA^a

Australian Government	State and Territory Governments	Shared
Responsibilities under the NHHA		• Housing, homelessness and housing affordability policy • Support for renters • Consulting on the implementation of the Agreement • Identifying and sharing best practice and policy • Participating and contributing to reviews of the Agreement • Collecting and sharing data, committing to providing data for a nationally consistent data set and the continuous improvement of data and data collections and compilations • Setting joint priorities for evaluation and research
• Providing a financial contribution to the States • Monitoring and assessing performance under the Agreement • Leading the development of data improvements and a nationally consistent data set • Ensuring financial contributions to building projects are only made to accredited builders • Ensuring compliance with the Building Code 2016 is a condition of Australian Government funding	• Developing bilateral schedules • Delivering on outputs under the Agreement • Matching the Commonwealth's homelessness funding • Social housing and homelessness services, administration and delivery • Ensuring only accredited builders are contracted • Ensuring compliance with the Building Code 2016 is a condition of all tendering and work	
Additional responsibilities		
• Income support and Commonwealth Rent Assistance • Australian Government housing and homelessness programs • Immigration and settlement policy and programs • Financial sector regulations and Commonwealth taxation settings • Competition policy • National Housing Finance and Investment Corporation • Collecting and publishing data	• Collecting data from housing providers and agencies that provide services to people who are homeless • Land use, supply and urban planning and development policy • Tenancy legislation and regulation • Legislation to support the operation of the national regulatory system for community housing • Housing-related State taxes and charges that influence housing affordability • State-based infrastructure policy and services associated with residential development	

a. Local governments operate under state regulation and are not parties to the NHHA. They are responsible for building approval processes, local urban planning and development approval processes, and rates and charges.

Source: NHHA, pp. 5–6.

Performance monitoring and reporting

A well-designed performance reporting framework can improve accountability by providing public information about progress against objectives and outcomes, and the effectiveness of government policies. The NHHA sets out national performance indicators to measure progress against the objective and outcomes of the Agreement (box 5).

State and Territory Governments are required to provide the relevant Australian Government Minister with an annual statement of assurance that they have satisfied the requirements set out under 'Outputs', 'General Funding' and 'Homelessness Funding' and on the reforms and initiatives agreed in their bilateral schedules. The Australian Government, in consultation with the jurisdictions, must produce an independent and public progress report each year.⁴

Box 5 – NHHA's performance indicators

The Agreement's performance indicators are:

- the total number of dwellings relative to the population
- the stock of affordable rental housing relative to the population
- the stock of social housing dwellings relative to the target population for social housing
- an increase in the proportion of social housing occupants that are housed in homes that match their needs
- an increase in the number of social housing occupants with greatest need as a proportion of all new allocations
- an increase in the proportion of social housing occupants whose needs are met and are satisfied with services provided by their housing organisation
- a decrease in the number of people experiencing homelessness
- a decrease in the proportion of people who are at risk of homelessness that receive assistance to avoid homelessness
- an increase in the proportion of people who are homeless that are assisted to achieve housing
- an increase in the number of dwellings that are permitted by zoning in cities or urban areas
- a reduction in the average time taken to decide the outcomes of a development application or residential building permit in cities or urban areas
- a decrease in the proportion of rental households with household income in the bottom two quintiles that spend more than 30 per cent of their income on rent
- an increase in the proportion of Indigenous Australians purchasing or owning their own home.

Source: NHHA, pp. 8–9.

⁴ Data on selected national performance indicators can be found on the Commission's Performance Reporting Dashboard (PC 2021), in the Reports on Government Services (SCRGSP 2021), and the Australian Institute of Health and Wellbeing's Housing Assistance in Australia reports (AIHW 2021a).



Questions

How effective is the NHHA's performance monitoring and reporting framework? Do the indicators provide the right information to assess performance against the objective and outcomes? How well do the outcomes and performance indicators link to each other and the objective?

What are the data development priorities? What needs to be done to progress data development?

Are there better ways to measure progress towards achieving the objective and outcomes of the NHHA?
What should the performance framework be for the next agreement?

Financial and governance arrangements

States and Territories are required to allocate Australian Government funding provided under the Agreement to housing and homelessness services. The Australian Government's homelessness funding must be allocated to homelessness services, while general funding can be used by States and Territories for housing or homelessness services.

NHHA general funding is allocated according to each jurisdiction's share of Australia's population. Homelessness funding is allocated according to each jurisdiction's share of total homelessness (based on 2006 Census homelessness estimates). Funding is indexed according to Wage Cost Index 1.

The Agreement states that the Australian Government's financial contribution to the States and Territories will not be reduced if the reforms and initiatives set out in State and Territory housing and homelessness strategies do not achieve their aims or if States secure funding from other activity partners.

The governance arrangements under the NHHA cover: enforceability of the Agreement, the review of the Agreement (by the Productivity Commission), variations to the Agreement, delegations, dispute resolution, and interpretation of key terms. Some have noted that the arrangements do not include oversight by a Ministerial Council.

The Commission is interested in views on the funding and governance arrangements under the NHHA and what funding and governance arrangements should be in the next agreement.



Questions

How well do the funding arrangements support governments' shared objective, outputs and outcomes under the Agreement? Has the NHHA improved transparency and accountability of homelessness and housing spending? Are there aspects of the funding arrangements that could be improved? For example, would more (or less) flexibility around how the funding can be allocated by the States and Territories make it easier to achieve the agreed outcomes?

Are the conditions for Australian Government funding under the NHHA sufficient to achieve the outcomes of the Agreement?

Are the governance structures under the Agreement adequate and effective?

How does the NHHA align with other policy areas?

Housing policy intersects with a number of other policy areas, including health, aged care, justice and disability. It also impacts on outcomes experienced by Aboriginal and Torres Strait Islander. The *National Agreement on Closing the Gap*, for example, includes a target to increase the proportion of Aboriginal and Torres Strait Islander people living in appropriately sized (not overcrowded) housing to 88 per cent by 2031 (Australian Governments and Coalition of Peaks 2020). Where multiple policy areas aim to achieve the same or related outcomes, it is important that the policies and related agreements and strategies are aligned.

The Commission has been asked to look at the extent to which the NHHA is meeting the obligations of governments under Australia's Disability Strategy (box 6). While noting that the Australia's Disability Strategy has only recently been released, the Commission is interested in hearing about how the NHHA and Australia's Disability Strategy work together to achieve outcomes for people with disability.

Box 6 – Housing and Australia's Disability Strategy

Australia's national disability policy framework, *Australia's Disability Strategy 2021–2031*, was released on 3 December 2021, replacing the *National Disability Strategy 2010–2020*.

The strategy recognises that all levels of government are responsible for supporting people with disability to reach their full potential, as equal members of the community. It sets out priorities and plans for all governments to work with the community, business, and people with disability to implement and realise its vision in a coordinated and targeted way.

One of the Strategy's outcomes is that people with disability live in inclusive, accessible and well-designed homes and communities.

The main policy priorities relating to housing in the strategy are:

- increasing the availability of affordable housing
- ensuring housing is accessible and people with disability have choice and control about where they live, who they live with, and who comes into their home.

Source: DSS (2021).



Questions

In what ways does the NHHA intersect with other policies, agreements and strategies? Are there changes that could be made to ensure the NHHA is better aligned with them?

What barriers do people with disability face securing affordable, safe and long-term housing (including barriers to home ownership and securing private rentals and social housing)?

3. Issues across the housing spectrum

Governments' long involvement in housing policy reflects the importance of affordable and safe housing for people's physical and mental wellbeing. Housing provides shelter, privacy and security and enables people to participate in social and economic activities. Housing is also the single largest expenditure item for many Australian households.

People's circumstances, preferences and lifestyles (which can change over time) influence their housing needs and housing choices (including the type, tenure and location of housing). The way people are housed is commonly conceptualised as being part of a continuum — known as the 'housing spectrum'. The housing spectrum has several distinct, but interrelated, forms of housing, including home ownership, private and affordable rental housing, social housing and accommodation for people who are homeless (figure 2).

Figure 2 – A snapshot of the housing spectrum in Australia^{a,b}

	Homelessness	Share of population experiencing homelessness (2016)	0.5%
	Social housing	Share of households living in subsidised social housing (2020)	4.2%
	Affordable and private rental	Share of households renting in the private market, including those receiving rental assistance (2017-18) ^b	27%
	Home ownership	Share of households owning their home, with or without a mortgage (2017-18)	66%

a. The estimates are from different surveys and years. The most recent comprehensive survey was the 2016 Census, which reported: Homelessness (0.5 per cent of population), Social housing (4.3 per cent of households), Affordable and private rental (28 per cent of households), Home ownership (67 per cent of households). Household estimates are based on total dwelling count, excluding dwellings for which tenure type is not stated or not applicable. **b.** Rental assistance includes Commonwealth Rent Assistance, State and Territory Government-funded private rental assistance, homes subsidised under the National Rental Affordability Scheme and other subsidy programs.

Source: ABS (*Census of Population and Housing: Estimating Homelessness, 2016*, Cat. no. 2049.0; *Housing Occupancy and Costs, 2017-18*, Cat. no. 4130.0); AIHW (*Housing assistance in Australia 2021*, Cat. no. HOU 325).

Nearly all Australian households either own their own home (with or without a mortgage) (66 per cent) or are living in affordable or private rental accommodation (27 per cent). Just over 4 per cent of households live in social housing (figure 2).

Direct government assistance for housing and homelessness services is focused on low-income renters, people who face barriers to accessing the private rental market and people at risk of homelessness. There are also grants to help first home buyers and specific housing assistance for Aboriginal and Torres Strait Islander people. This section looks at issues across the housing spectrum, as well as housing outcomes for Aboriginal and Torres Strait Islander people.

Homelessness

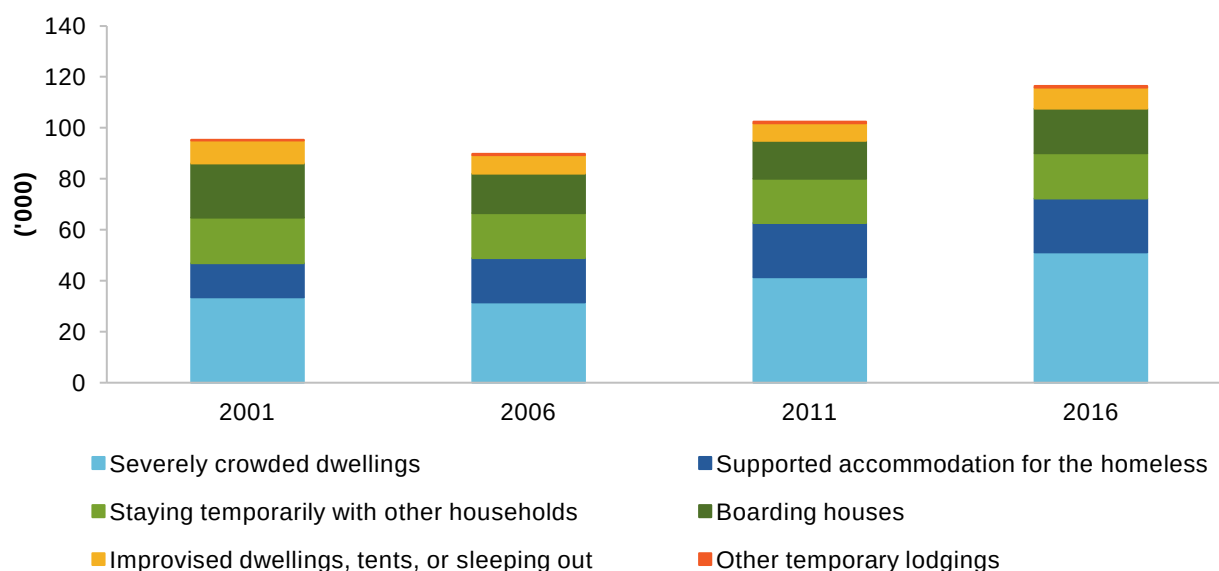
Homelessness is not just 'rooflessness' — the term captures people living in non-conventional accommodation or sleeping rough and in short-term accommodation (for example, shelters or hostels), staying with family and friends (for example, 'couch surfing'), and living in severely crowded dwellings (ABS 2018; AIHW 2020).

Homelessness is difficult to measure, both because of the nature of homelessness and because data collections are not designed to measure the prevalence of homelessness (Chamberlain and Johnson 2020; HRSCSPLA 2021; LCLSIC 2021; Pawson et al. 2020). The best point-in-time estimates are from the censuses, and based on these estimates, homelessness declined between 2001 and 2006 before increasing over the decade to 2016 to about 116 000 people (figure 3) (ABS 2018).

The increase in people experiencing homelessness reflected more people living in severely crowded dwellings and supported accommodation. The results of the 2021 Census (expected to be available in the second half of 2022) will confirm whether this trend has continued.

Figure 3 – Homelessness over time

Number of people experiencing homelessness on Census night, 2001–2016



Source: ABS (*Census of Population and Housing: Estimating Homelessness, 2016*, Cat. no. 2049.0).

The causes of homelessness are complex and include both individual factors (such as physical and mental ill-health, domestic and family violence, low incomes, low educational attainment, unemployment and underemployment) and structural factors (such as housing affordability, the limited availability of social and affordable housing, and discrimination in the private rental market). The interaction of these factors makes

addressing homelessness difficult, with many people who become homeless experiencing multiple problems (Muir et al. 2018).

Some people are more likely to experience homelessness than the general population — children and younger people, Aboriginal and Torres Strait Islander people, people from culturally and linguistically diverse backgrounds, people with mental ill-health, women and children affected by family and domestic violence, and people exiting institutions and care (ABS 2018; Muir et al. 2018).

The Australian, State and Territory Governments are jointly responsible for funding homelessness services. State and Territory Governments are primarily responsible for the administration and delivery of homelessness services.

In 2019-20, governments spent \$1.1 billion on specialist homelessness services. These services assisted about 278 300 people who were homeless or at risk of homelessness in 2020-21. Specialist homelessness services provide housing and non-housing support, including crisis and supported accommodation and links to housing, care coordination, counselling, advocacy, health, education and employment services, outreach support, brokerage and meals services, and financial and employment assistance (AIHW 2021b; SCRGSP 2021).

While many people have their needs met by specialist homelessness services (and are in more stable accommodation at the end of their support), others do not. In 2020-21, there were over 114 000 instances of people requesting assistance from specialist homelessness services but not receiving it — an average of 312 unassisted requests each day. In addition, many people who receive support do not have all of their service needs met, with medium- and long-term housing and mental health services often not provided (AIHW 2021b).

There have been many reviews and studies on homelessness in Australia. These reviews have found that:

- the homelessness service system is increasingly ‘crisis orientated’ and many people do not receive the services they need
- addressing homelessness is complex and requires an integrated, cross-sector response using a variety of approaches aimed at key risk factors
- there is not enough investment in prevention and early intervention services
- there are many examples of innovative initiatives in Australia that have improved outcomes, including initiatives aimed at young people and initiatives incorporating Housing First principles. However, these initiatives have not been brought to scale
- data on the prevalence of homelessness and outcomes in Australia needs improvement
- shortages of short- and medium-term accommodation, and longer-term social and affordable housing, make it difficult to address homelessness (for example, HRSCSPLA 2021; LCLSIC 2021; Pawson et al. 2020; Spinney et al. 2020).

The Commission would like to hear from people with lived experience of homelessness, including from family and friends of people who have experienced homelessness, about changes that could be made to improve the homelessness service system and the impact of government spending.



Questions

How effective is the homelessness service system at improving housing and non-housing outcomes for people who are homeless or at risk of homelessness?



Questions

Has the NHHA contributed to improved outcomes for people who are homeless or at risk of homelessness?

How has COVID-19 affected people who are homeless or at risk of homelessness? Are there lessons from the responses to COVID-19 for addressing homelessness over the longer-term?

What changes should be made to homelessness services to improve outcomes?

What changes should be made to homelessness-related governance and funding arrangements to improve outcomes?

What should be done to improve the identification and measurement of homelessness in Australia, and to improve data on homelessness service system users and their outcomes?

How could the next national agreement be designed to better address homelessness in Australia?

Social housing

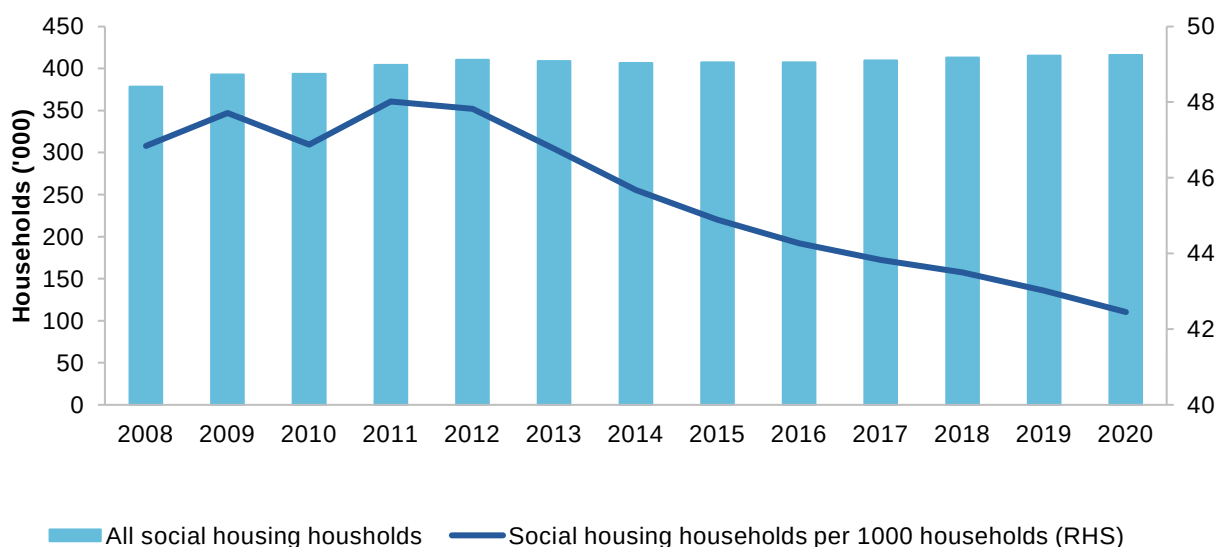
Social housing, which covers both public and community housing, is the main source of housing for people who cannot access appropriate or adequate housing in the private market. This includes people on low incomes, people who find it difficult to access and sustain a tenancy in the private rental market, and people who require housing with particular features (such as accessibility and proximity to services).

Social housing rents are set at a proportion of tenant income (usually 25–30 per cent). Social housing tenants are often supported by other social services, including to maintain their tenancies.

In 2020, about 416 200 households, or about 802 000 people, were living in social housing. Most people living in social housing were in the bottom 40 per cent of income earners (98 per cent), and 83 per cent of public housing and state owned and managed Indigenous housing (SOMIH) tenants were receiving income support payments. Compared to the general population, tenants of social housing are more likely to be female, Aboriginal and Torres Strait Islander people, from single-person households, have a disability, and be aged over 65 years (AIHW 2021a; SCRGSP 2021).

With investment in social housing not keeping pace with growth in the number of households, social housing households as a proportion of all households has fallen in recent years (figure 4). There are estimates of social housing need and the likely costs of building new dwellings to meet this need (Lawson et al. 2018; Troy, van den Nouwelant and Randolph 2019). However, as the Commission has previously noted, there is no 'right' level of social housing and the level of housing need depends on a number of factors, including other housing assistance and the level of income support provided (PC 2017).

Figure 4 – Social housing households have fallen as a proportion of all households
Number of social housing households and social housing households per 1000
households, at 30 June, 2008 to 2020



Source: AIHW (*Housing Assistance in Australia*, Cat. no. HOU 325).

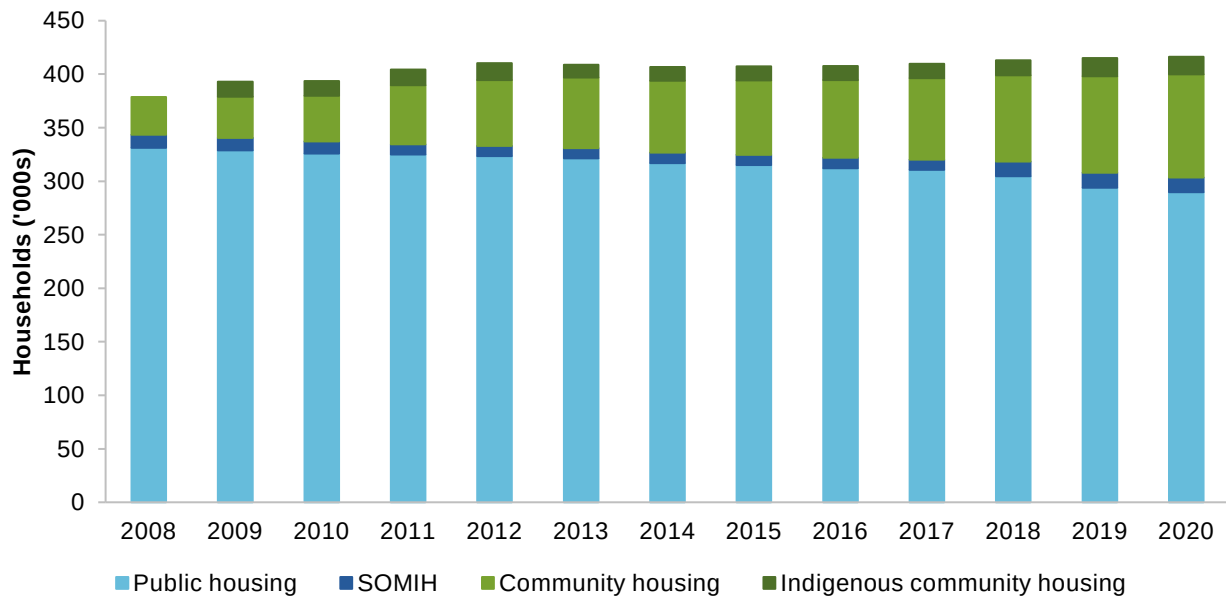
Since the NHHHA commenced in 2018, there has been a net increase in the stock of social housing of 120 dwellings (AIHW 2021a)⁵. However, some States have recently announced additional investment in social housing.

- The Victorian Government announced a \$5.3 billion package to build 12 000 new social housing, and affordable and low-cost homes. This is expected to increase Victoria's social housing supply by ten per cent in four years (Andrews 2020).
- The New South Wales and Queensland Governments announced packages of \$812 million and \$526 million respectively for new and upgraded social housing (Fentiman et al. 2020; NSW Government 2020).
- The South Australian Government announced a \$76 million construction stimulus for social and affordable housing (Government of South Australia 2021b).
- The Western Australian Government announced a \$875 million package for around 3300 social housing dwellings (McGowan and Carey 2021).

The composition of the social housing stock has also changed — community housing now accounts for a larger share of the social housing stock (figure 5). Some of the change is because State and Territory Governments have transferred the management or ownership of some public housing units to community housing providers. This change could be partly in response to tenants in community housing being eligible for Commonwealth Rent Assistance (CRA), which allows community housing providers to charge higher rents than public housing agencies. However, public housing continues to make up about 70 per cent of all social housing dwellings (AIHW 2021a).

⁵ The social housing stock increased from 436 213 dwellings in June 2018 to 437 718 dwellings in June 2019, but decreased to 436 333 in June 2020.

Figure 5 – Social housing tenure has changed over time
Households at 30 June, 2008 to 2020

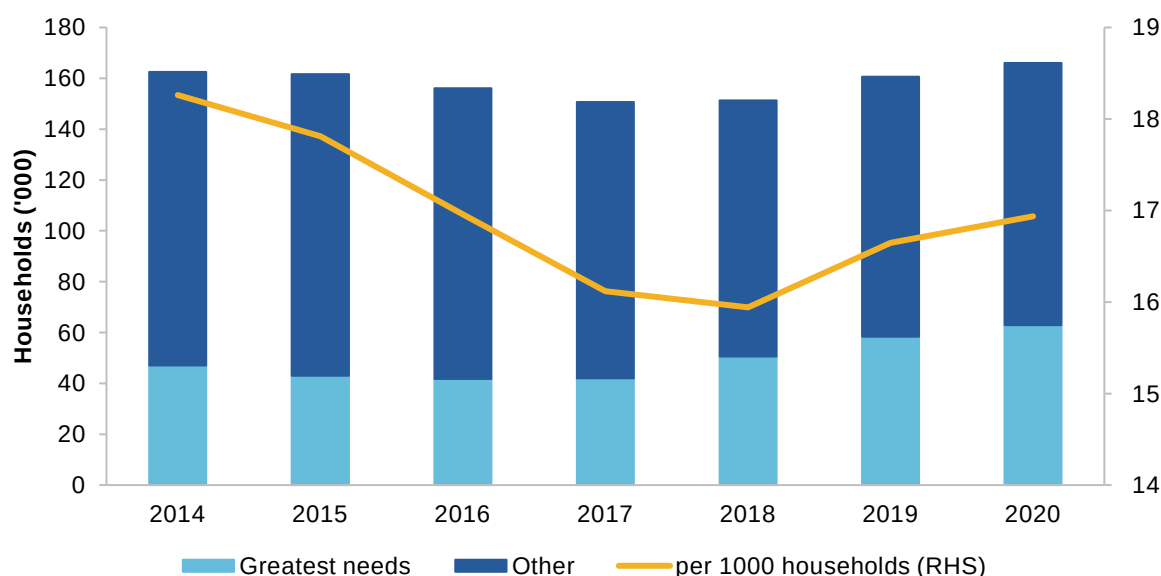


Source: AIHW (*Housing Assistance in Australia*, Cat. no. HOU 325).

Access to social housing is rationed by State and Territory Governments using waiting lists — one for general applicants and one for priority applicants (such as people experiencing homelessness or at high risk of homelessness). At the end of June 2020, there were about 166 000 people on waiting lists for social housing, and nearly 63 000 were considered priority applicants (AIHW 2021a). As a proportion of all households, households on social housing waiting lists declined after 2014, but have increased in the last two years (figure 6).

Waiting times for social housing can be up to ten years, although in 2019-20, about half of newly allocated households had been waiting less than six months. Priority applicants usually wait less time for social housing (58 per cent of newly allocated households in greatest need waited less than six months), but can still wait a number of years before being allocated social housing (11 per cent of newly allocated households in greatest need waited two years or more) (AIHW 2021a).

One of the reasons for long wait times is that social housing households often have long term, or lifetime, tenure in their dwellings, and are less likely to move than other households (PC 2019). Social housing exits and transfers are about 10 per cent of all social housing households each year (AIHW 2021a).

Figure 6 – Households on social housing waiting lists^a

a. Households on the waiting list at 30 June.

Source: AIHW (*Housing Assistance in Australia*, Cat. no. HOU 325).

State and Territory Governments collectively spent \$5.7 billion on social housing in 2019-20, including \$4.3 billion on net recurrent expenditure and \$1.4 billion on capital (non-recurrent) expenditure. Australian Government funding (\$1.6 billion) under the NHHA for housing and homelessness is included in State and Territory Government net recurrent expenditure on housing and homelessness services (SCRGSP 2021).

The National Housing Finance and Investment Corporation (NHFIC), established by the Australian Government in 2018, supports investment in social and affordable housing by lowering the cost of finance for community housing providers.⁶ Most of NHFIC's activity to date has been refinancing or purchasing existing social housing dwellings (although there are some new builds in the pipeline that are expected to increase stock over the coming years) (NHFIC 2021a).

Typically, the rent paid by social housing tenants is less than the costs incurred by housing providers. The 'funding gap' between operating costs and tenants' capacity to pay needs to be filled by government support. As social housing has become increasingly residualised (that is, priority is given to people with more complex needs), it has become more costly to manage social housing tenancies.

As highlighted by a number of reviews, including the Commission's *Reforms to Human Services* inquiry (PC 2017), there are inequities in the current system. Households with the same income and characteristics can receive different levels of assistance depending on whether they live in social housing or rent in the private market (box 7).

In 2017-18, more than half low-income households renting in the private rental market experienced rental stress (ABS 2019)⁷. In contrast, less than 1 per cent of public housing and SOMIH tenants, and less than 5 per cent of community housing tenants, reported being in rental stress in 2020 (AIHW 2021a). Households

⁶ NHFIC operates a social and affordable housing bond aggregator.

⁷ Rental stress is defined as paying more than 30 per cent of gross income on housing costs. Lower income households are defined as households whose members are at or below the 40th percentile of equivalised disposable household income (excluding CRA) calculated at the total Australian household level.

can also have different tenure security, with residential tenancy laws applying to private renters, while social housing tenants may be offered longer term leases or even lifetime tenure.

Box 7 – Assistance for low income renters

Government assistance to low-income renters can take the form of:

- rent set as a proportion of income, usually applicable to social housing tenants
- support for affordable housing, where non-government organisations and private providers are supported or incentivised to offer rental properties at rates below the market
- assistance with paying market rent, usually applicable to tenants renting in the private rental market.

One consequence of the different forms of assistance is that low-income renters in similar circumstances can receive different levels of assistance depending on their tenancy type, income source and location.

Rental assistance

A household renting in the private rental market or in community housing may be eligible for assistance paying rent. The largest program is Commonwealth Rent Assistance (CRA), which is payable at the rate of 75 cents for every dollar of rent above a minimum rent threshold, up to a maximum amount, for people receiving a qualifying income support payment (DSS 2019). The rent thresholds and maximum amount vary depending on household characteristics, such as the number of children, and increase with the consumer price index. Tenants living in community housing can receive CRA. Public housing tenants are not eligible for CRA. Some States and Territories also provide financial assistance to private renters (AIHW 2021a).

Social housing

Eligibility for social housing is determined by a range of factors, including a household's income. Tenants in social housing properties pay rent that is set at a proportion of their income (typically 25 per cent), or at the estimated market rent, whichever is lower. The implicit assistance that tenants receive is the difference between the market rent for their property, and the rent they pay (PC 2017).

Even within social housing, rates of implicit assistance can vary depending on the location and characteristics of the property. As well as being inequitable, the arrangements can mean there is a financial disincentive for people to leave social housing. Around 43 per cent of public housing households have been in the same tenure for over a decade (AIHW 2021a).

The Commission would like to hear from participants about whether social housing is:

- used efficiently and effectively
- well targeted and responsive to the needs of tenants
- appropriately renewed and maintained
- responsive to demand.

We would like to hear from social housing tenants, and people who are on waiting lists or who have not applied for social housing because of the long waiting times, about what changes could be made to improve outcomes (including ways to make the system more equitable). We would also like to hear about any barriers to increasing the number of social housing dwellings, options for addressing supply constraints, and ways to increase the housing options for prospective social housing tenants, including the use of innovative financing options.



Questions

What are tenants' experiences moving into, within and out of social housing (including time on waiting lists)? Does the social housing system provide tenants with opportunities for economic and social participation?

What are the economic and social benefits and costs of social housing? Are there changes that could be made to improve the effectiveness of the social housing system so it has a more positive impact on people's lives? What changes could be made to make the social housing system more equitable for tenants and better targeted to people in greatest housing need?

How well is the social housing stock used and managed? Are social housing tenants satisfied with the condition, amenity and location of their properties? Do tenants feel safe in their social housing properties? Do the non-housing services provided to social housing tenants meet their needs?

What changes are required to improve the financial sustainability of the social housing system? What are the benefits and costs of transferring ownership or management of social housing to community housing providers?

Has the NHHA contributed to a well-functioning social housing system? Has it improved transparency on, and accountability for, social housing spending?

What are the barriers to private and not-for-profit investment in new social and affordable housing? How has the National Housing Finance and Investment Corporation (NHFIC) supported new social and affordable housing developments? What is the experience of community and affordable housing providers seeking finance from NHFIC and other financial institutions?

How effective are the regulatory arrangements for community housing? What challenges do community housing providers face obtaining finance and expertise?

Are there issues relating to COVID-19 that social housing providers will need to build into future development and maintenance plans?

Affordable housing and assistance for low-income renters

Governments also support low- and middle-income renters through demand- and supply-side subsidies. Demand-side subsidies (for example, CRA) are provided directly to renters, while supply-side subsidies are provided to property owners renting to these households. In the latter case, the subsidised houses are known as 'affordable housing' and are rented at a discounted rate (typically 75 to 80 per cent of market rents). Most 'affordable housing' is managed by community housing providers.

Supply- or demand-side housing assistance may be accompanied by tenancy support, known as private rental brokerage services. These services help tenants find private rental properties, apply for government assistance and access other social support services (Tually et al. 2016).

Demand-side subsidies

Demand-side subsidies are direct payments to households to increase their capacity to pay for housing. The largest program is CRA, the Australian Government's payment to private renters (including those renting from community housing providers) who receive a qualifying social security payment and pay rent above a

certain threshold (box 7). About 1.5 million households received CRA in September 2021 (DSS 2021a). The total value of CRA payments was \$4.7 billion in 2019-20 (SCRGSP 2021). State and Territory Governments also provided about 92 600 households with other private rent assistance, including bond loans, one-off rental grants and ongoing rental subsidies (AIHW 2021a).

Previous reports have examined the adequacy and targeting of CRA. The Commission found that CRA reduces housing stress among private renters, but the maximum rate of assistance has not kept pace with increases in rents over time (PC 2017, 2019). Similar concerns about the indexation and adequacy of rent assistance have been noted (Henry et al. 2009; HRSCSPLA 2021; McClure, Aird and Sinclair 2015; SERC 2015). Others suggest that there is scope to improve the targeting of CRA: some people who receive the payment appear to be unlikely to experience rental stress, while some cohorts of low-income renters who are ineligible for CRA experience high rates of rental stress (Henry et al. 2009; Ong et al. 2020).

Supply-side subsidies

The Australian, State and Territory Governments have funded supply-side ‘affordable housing’ subsidy programs. The largest scheme is the National Rental Affordability Scheme (NRAS), which was established in 2008. The scheme provides incentives for investors to build new dwellings and rent them to low- and middle-income households at 80 per cent of market rents for ten years. The scheme closed to new applicants in 2014 and, as at 30 September 2021, subsidised 30 914 dwellings (DSS 2021b).

Opinion is divided on the merits of the scheme. Some academics argue that the scheme was an effective way to create additional affordable housing supply (Rowley et al. 2016). But others have criticised NRAS as ‘expensive, unfair and poorly targeted’, claiming that the scheme overcompensated landlords for the level of rent relief provided; mostly encouraged the construction of small apartments; and was not targeted to those most in need of assistance (Coates and Horder-Geraghty 2019).

Beyond NRAS, affordable housing incentives funded by the Australian Government include:

- an additional 10 per cent capital gains tax discount for privately-owned properties managed by community housing providers and rented to eligible tenants for at least three years (Australian Government 2017)
- NHFIC’s bond aggregator, which provides concessional finance to community housing providers (NHFIC 2021b)
- allowing the difference between market rent and discounted rent to be claimed as a tax deductible charitable donation (ATO 2019).

Some State, Territory and local governments also encourage property owners to rent properties at discounted rates through land tax incentives, direct payments, or planning system incentives or rules.⁸ For example, they may require affordable housing to be included in new residential developments as a condition of the sale of government land, or in exchange for relaxed planning and zoning rules (known as inclusionary zoning) (Davison et al. 2012).

Researchers and industry participants have called for expansions of these types of schemes, arguing that building more affordable housing can help solve rental affordability challenges (CHIA 2021; Gurran et al. 2018; The Constellation Project 2021). But others highlight potential pitfalls of supply-side subsidies, including high administration and construction costs, mismatches between tenants’ preferences and properties available, and barriers to tenants moving as their needs change (Coates and Horder-Geraghty 2019; Ellickson 2010; Kneebone and Reid 2021; Lang 2015). In some cases, affordable

⁸ The States and Territories also indirectly subsidise affordable housing through the goods and services tax exemption for community housing providers (ATO 2020).

housing may just replace market-rate construction that would have occurred anyway, which could dampen the overall effect on housing affordability (Chapelle, Vignolles and Wolf 2018; Eriksen and Rosenthal 2010).

The Commission would like to hear about the effect of affordable rental measures on renters who receive assistance, renters in the broader rental market, property owners and governments.



Questions

What are tenants' experiences with the different types of housing assistance? Do tenants prefer to receive assistance tied to one particular house or portable assistance (like Commonwealth Rent Assistance) that they can use in the private rental market?

Are there more affordable housing options available for people on low-to-moderate incomes as a result of the NHHA? Does the Agreement (and the bilateral agreements complementing it) adequately address affordable rental schemes?

What are the effects of housing assistance measures on the broader rental market and incentives for property owners?

What is the most cost-effective way for governments to assist low- and moderate-income private renters? Are the schemes targeted to the right people?

What role should private rental brokerage services play? What evidence is needed to understand the role of these services?

The private rental market

The private rental market houses 2.5 million Australian households (or more than a quarter of households, figure 2) (ABS 2019). Private rental is the predominant housing tenure for people moving out of social housing (Bentley et al. 2018, p. 1419). For people aspiring to own their home, private rental is often a short-term form of tenure as they save for a house. However, Australians are increasingly becoming long-term renters because they cannot afford to own their home (Rowley and James 2018).

Australia's private rental market has expanded, both in absolute terms and as a proportion of all housing tenures. Renting is becoming more common for people on low incomes, family households and older people (PC 2019, pp. 3, 52–53).

These changes reflect developments in the wider housing market. Demand for rental properties is being driven by rising house prices increasing the time people need to save for a house, declining opportunities to access social housing and demand for flexible and convenient housing options (PC 2019, p. 3). Demand for rental properties has largely been met through increased supply, supported through access to property investment finance and tax incentives for small-scale private landlords (Morris, Hulse and Pawson 2021, p. 19).

The increased supply of rental properties, however, has not been even across the rental market. Hulse et al. (2019, p. 3) illustrated how rents were concentrated at the lower end of the market between 1996 and 2001. Since 2006, the number of mid- to high-rent properties has increased but the number of low-rent properties has fallen. Rental stress among low-income households has remained high despite increased supply.

In 2017-18, 57 per cent of low-income households renting in the private rental market spent over 30 per cent of gross income on housing costs, placing them in 'rental stress' (ABS 2019). Anglicare's Rental Affordability Snapshot 2021 (Anglicare Australia 2021, p. 7), which covered over 74 000 rental listings placed in March 2021, found that just 1 per cent of listed properties would be affordable for a single adult parenting two children earning the minimum wage and benefiting from Family Tax Benefit A and B. This was down from 4 per cent 12 months before. For a couple receiving the age pension, only 2 per cent of listings were affordable (down from 2.7 per cent).

The supply of rental properties has also not kept pace with demand in some regional centres, particularly since the onset of COVID-19. Vacancy rates in regional Australia are low, leading to higher rents. There is some evidence that the lack of available housing is affecting economic growth and service delivery in regional areas (RAI 2021).

Structural changes are also evident in the Australian private rental market, with increased interest from corporate landlords and the growth of the build-to-rent sector. It is estimated that, as at March 2021, around 15 000 units across 40 projects (worth around \$10 billion) were in the build-to-rent pipeline (Nethercote 2021). This compares to a total construction pipeline of apartments across capital cities in 2019 of around 460 000 (UDIA 2020, p. 4).

Build-to-rent projects are more common in overseas markets, particularly in the United States and United Kingdom. Potential benefits of this model include long-term tenancies, improved services for tenants, and greater flexibility for tenants to modify their homes (Nethercote 2021).

Corporate landlords for residential properties (including build-to-rent projects) face different tax incentives to individual landlords, and residential property is taxed differently to other forms of corporate investment. These differences include the treatment of capital gains tax, negative gearing, goods and services tax and land tax. Lack of investment in the sector has frequently been attributed to these tax treatments. Recently, State Governments have provided incentives for the construction of build-to-rent developments, including land tax exemptions and favourable planning pathways.

While most government policies address housing affordability in the rental market through financial support (subsidising rent payments) or increasing the supply of affordable properties (discussed in the previous section), residential tenancy laws (enacted by State and Territory Governments) also limit the frequency of rent increases and give renters an opportunity to challenge excessive rent increases in the relevant court or tribunal.

A fundamental difference between home ownership and rental is security of tenure. Renters have limited control over their ability to remain at the same location over the long term. Involuntary moves have the potential to heighten the risks of financial hardship and homelessness and, for families with school-aged children, the disruption may affect educational development (PC 2019, p. 11). Policy settings that influence security of tenure include the allowed grounds for eviction and the length of fixed-term tenancies. These policies need to balance the interests of landlords with the wellbeing of tenants.

The quality of rental properties can also affect the health, safety and physical security of tenants. A survey by Choice et al. (2018) found that 51 per cent of renters live in homes in need of repairs, including problems with mould, pests, electrical issues and physical security. The extent to which jurisdictions regulate and enforce quality standards for rental properties varies, but most have minimum standards.

Tenancy reforms have been implemented in NSW (in 2020) and Victoria (in 2021) and address the frequency of rent increases, grounds for eviction, the ability of tenants to make minor alterations, and minimum standards, among other things (Consumer Affairs Victoria 2021; NSW Fair Trading 2020). Generally, these reforms aim to improve the rental experience of tenants. Similar reforms were passed in Queensland in October 2021, and a review of tenancy law has been conducted in Western Australia (DMIRS 2019; RTA (QLD) 2021).



Questions

How well is the private rental market working? How does the private rental market differ between urban, regional and rural areas? Does the NHHA (and the bilateral agreements complementing it) adequately address issues in the private rental market?

Are residential tenancy laws in each jurisdiction appropriate? How might residential tenancy laws better support renters, while not increasing the cost of renting? What has been the impact of tenancy reforms over the past five years in various States and Territories?

What are the barriers to corporate and institutional investment in the residential property sector? Would an increased presence in the market lead to improved conditions for tenants? What would be the best way to encourage that investment?

How has COVID-19 affected the private rental market? Are the effects expected to be long-lived?

Home ownership

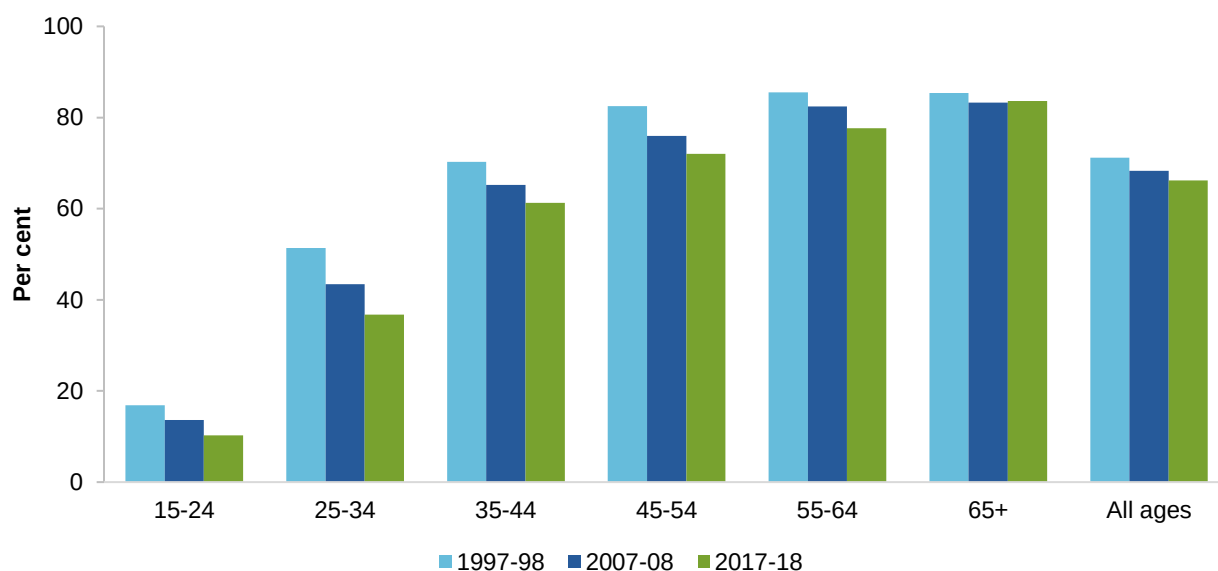
The NHHA identifies ‘home ownership including support for first home buyers’ as a national housing priority policy area. Given the interconnectedness of housing across the spectrum, the ease with which people can buy their own home can have significant implications on the demand for other forms of tenure, including social housing and affordable and private rentals. The affordability (or otherwise) of home ownership for people on lower incomes is also relevant, given one of the outcomes of the NHHA is to contribute to affordable housing options for people on low-to-moderate incomes.

Home ownership is the main form of tenure in the Australian housing market. In 2018, two-thirds of Australian households owned their home with or without a mortgage (figure 2). And there is evidence that home ownership is an aspiration for many who do not yet own a home. For example, a 2019 study by Parkinson et al. (2019, pp. 2–3) found that 60 per cent of ‘emerging adults’ (people aged 18–24 years) considered home ownership to be their ideal tenure type, while 70 per cent of ‘early adults’ (people aged 25–34 years) aspired to home ownership.

The aspirations of many Australians to own their own home is not surprising, given home ownership confers a range of advantages compared to other tenure types. Home ownership provides people with the greatest freedom to customise their housing to suit their preferences and needs. It is the most secure form of tenure, providing a high degree of stability that is often especially valued at particular life stages (such as when having a family or at retirement). Home ownership is also subject to favourable treatment in Australia’s tax and transfer system compared to other types of assets.

Home ownership rates have been falling (figure 7). ABS housing occupancy data show that the share of households owning their home (either with or without a mortgage) fell by 5 percentage points between 1997–98 and 2017–18, with younger households experiencing larger falls. Some studies predict this decline will continue well into the future. For example, Burke, Nygaard and Ralston (2020, p. 46) estimate that the ownership rate for the 25–54 aged cohort will fall from about 60 per cent in 2016 to just over 50 per cent by 2041. Declining home-ownership rates have also been observed for lower- and single-income households, among other groups (Burke, Nygaard and Ralston 2020, pp. 36–38; Hall 2017, p. 4).

Figure 7 – Home ownership is falling — particularly for younger households
Per cent of households who own their home (with or without a mortgage), by age of reference person, selected years



Source: ABS (*Housing Occupancy and Costs*, Cat. no. 4130.0, various years).

Governments have introduced a range of initiatives to assist potential homeowners to purchase a property. They include:

- grants provided to first-home owners
- stamp duty concessions and deferrals for eligible home buyers
- shared equity arrangements, where a government agency shares ownership of a property with a home owner. Under such schemes, a proportion of the purchase price of a property is paid by the government (in exchange for partial ownership), allowing buyers to purchase a home with a lower deposit and/or reduce the amount they need to borrow. Governments then recover their investment when the property is sold, or when the home owner elects to 'buy out' the government's share
- concessional loan programs, such as programs where governments provide a guarantee for part of a mortgage for eligible home buyers, allowing them to purchase a property with a lower deposit
- targeted initiatives to support social housing tenants to transfer into home ownership, including as part of shared equity arrangements
- access to specialised savings vehicles (generally with favourable tax treatment). One example is the First Home Super Saver Scheme, which allows aspiring first home owners to save for a deposit through voluntary contributions to their superannuation, with such contributions taxed at a concessional rate (ATO 2021).

While governments in all jurisdictions have provided assistance to home buyers — particularly first home buyers — for many years, some have argued that such assistance can work to make housing less affordable by adding to (or bringing forward) housing demand and increasing prices (for example, Eslake 2021, p. 5; NSW Productivity Commission 2021, p. 14; Raine & Horne Group 2021, pp. 4–5).



Questions

To what extent does the NHHA support home ownership? Are government actions to support home ownership consistent with the objective and outcomes set out in the NHHA? What should the next agreement seek to achieve on home ownership?

To what extent should governments support people to buy a home? What programs and policies are most effective at helping people buy a home? Are there policies and programs that work against home ownership or housing affordability more generally?

What are the implications of declining rates of home ownership, both for individuals and the economy as a whole?

How has COVID-19 affected people's aspirations or ability to buy a home? Are the effects expected to be long-lived?

Housing outcomes for Aboriginal and Torres Strait Islander people

Affordable, safe, stable and culturally appropriate housing is important for the health, wellbeing, education and employment participation of Aboriginal and Torres Strait Islander people. However, poverty, unemployment, discrimination and a lack of appropriate housing impact Aboriginal and Torres Strait Islander peoples' ability to access the housing that they need (AIHW 2019, p. 7).

Cultural and lifestyle factors that influence the housing needs of Aboriginal and Torres Strait Islander people include high levels of mobility, connection to Country, cultural obligations to accommodate kin and visitors, ceremonial or kinship commitments and succession of tenancy for family members (Pawson, Milligan and Yates 2020, p. 220).

Aboriginal and Torres Strait Islander people experience poorer housing outcomes across the housing spectrum compared with other Australians (box 8). Under the NHHA, an increase in the proportion of Aboriginal and Torres Strait Islander people purchasing or owning their own home is a national performance indicator (figure 8).

Box 8 – Housing outcomes for Aboriginal and Torres Strait Islander people

Aboriginal and Torres Strait Islander households, compared with other households, are:

- half as likely to own their own home (with or without a mortgage)
- six times more likely to live in social housing
- three times more likely to live in overcrowded dwellings.

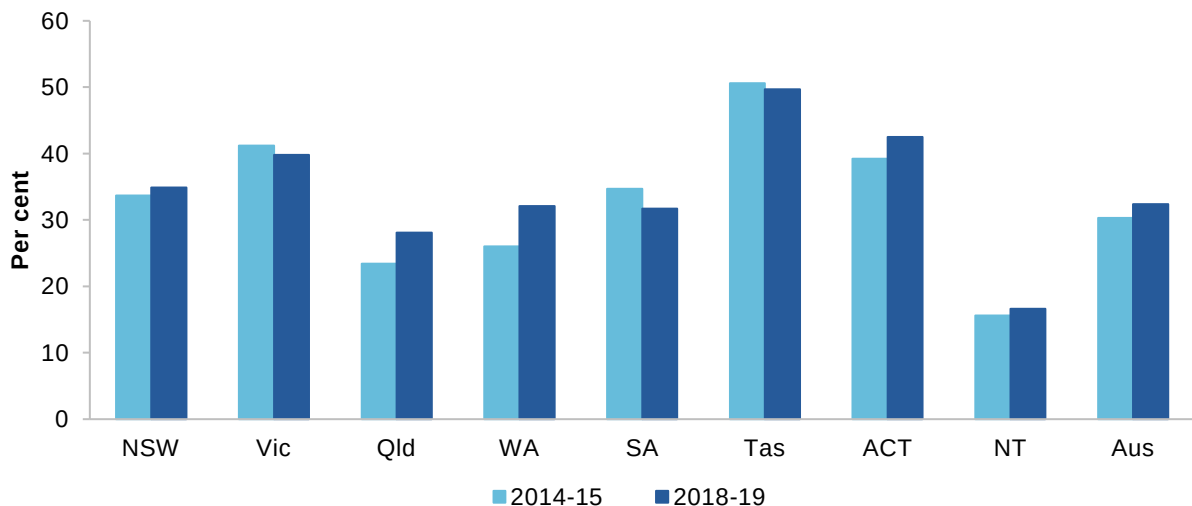
Aboriginal and Torres Strait Islander people, compared with other people, are:

- ten times more likely to be classified as homeless
- 16 times more likely to live in severely overcrowded dwellings
- nine times as likely to access specialist homelessness services.

Source: AIHW (2019).

Figure 8 – No significant change nationally in Aboriginal and Torres Strait Islander people owning or purchasing a home

Per cent of Aboriginal and Torres Strait Islander households who own their home (with or without a mortgage), 2014-15 and 2018-19



Source: PC (2021).

The *National Agreement on Closing the Gap*, which came into effect in 2020, included, for the first time, a target for housing — to increase the proportion of Aboriginal and Torres Strait Islander people living in appropriately sized (not overcrowded) housing to 88 per cent by 2031 (Australian Governments and Coalition of Peaks 2020). It was also agreed that governments would ‘implement measures to increase the proportion of services delivered by Aboriginal and Torres Strait Islander organisations, particularly community-controlled organisations’ (Australian Governments and Coalition of Peaks 2020, p. 10).

Although most Aboriginal and Torres Strait Islander people live in urban and regional areas (81 per cent), their connection to Country and traditional lands remain strong (Pawson, Milligan and Yates 2020, p. 221). In urban areas, barriers to housing centre around affordability, with Aboriginal and Torres Strait Islander households increasingly turning to the private rental market.

In remote settings, Aboriginal and Torres Strait Islander people generally live in areas where services, infrastructure and employment opportunities are limited. As a result, the majority (55 per cent) of Aboriginal and Torres Strait Islander households live in social housing (Pawson, Milligan and Yates 2020, p. 221). Severe overcrowding and poor housing quality in remote areas contribute to the high mobility rates of Aboriginal and Torres Strait Islander people and compound issues relating to homelessness.

The majority of housing assistance provided to Aboriginal and Torres Strait Islander people is through mainstream programs⁹, including CRA, mainstream social housing and homelessness supports. Specific programs and initiatives for Aboriginal and Torres Strait Islander people (such as the Indigenous Home Ownership Program and national, state and territory Aboriginal and Torres Strait Islander housing and homelessness strategies, frameworks and action plans) are important for improving access to a range of housing options including social and affordable housing, private rentals and home ownership.

As discussed earlier, a key component of the NHA is that State and Territory Governments maintain housing and homelessness strategies. These strategies provide opportunities for State and Territory

⁹ Universal programs available to other Australians.

Governments to incorporate the voices and priorities of Aboriginal and Torres Strait Islander people and organisations. Some States have stand-alone strategies or action plans in place for improving housing outcomes for Aboriginal and Torres Strait Islander people, developed through significant engagement with Aboriginal and Torres Strait Islander people and organisations or through co-design processes.¹⁰



Questions

What is important to Aboriginal and Torres Strait Islander people and communities in the context of housing? How do housing needs differ between urban, regional and remote areas?

What barriers do Aboriginal and Torres Strait Islander people face securing affordable, safe, stable and culturally appropriate housing (including barriers to home ownership and securing private rentals and social housing)?

What progress have governments made improving housing and homelessness outcomes for Aboriginal and Torres Strait Islander people and communities?

How are Aboriginal and Torres Strait Islander people, communities and community-controlled housing organisations involved in the development, design and delivery of housing programs? How could this involvement be strengthened?

Does the NHHA (and the actions required under it) clearly specify the objectives and housing outcomes for Aboriginal and Torres Strait Islander people and communities? What (if any) principles, outcomes, targets and best practices could be embedded in the next agreement?

Are Aboriginal and Torres Strait Islander housing programs and initiatives (such as the Indigenous Home Ownership Program, National Partnership for Remote Housing Northern Territory, State and Territory Aboriginal and Torres Strait Islander housing and homelessness strategies, frameworks and action plans) effective? What improvements could be made?

Are there any obstacles for Aboriginal and Torres Strait Islander people accessing mainstream housing programs and homelessness services? What improvements (if any) could be made to mainstream programs to improve outcomes for Aboriginal and Torres Strait Islander people?

Are the roles and responsibilities of the Australian, and State and Territory Governments in improving housing and homelessness outcomes for Aboriginal and Torres Strait Islander people clear and appropriate?

How does the NHHA intersect with the National Agreement on Closing the Gap? How should the next NHHA align with the National Agreement on Closing the Gap?

¹⁰ These include Aboriginal Housing Victoria (2020), Government of South Australia (2021a), NSW Government and the Aboriginal Housing Office (2018), Queensland Government (2019).

4. The supply side of the housing market

The extent to which new houses are constructed in response to demand for housing is key to a well-functioning housing market. The housing supply response is important for housing affordability as it determines the extent to which an increase in demand for housing leads to higher house prices.

Housing supply responses are affected not only by urban structures (Australia's population is concentrated in a few large cities) and geographical constraints, but also by planning processes, land use and building regulation, and the degree of competition in the residential construction industry.

In recent years, the supply of housing in Australia has outstripped demand, and is projected to continue to do so in 2022 as a result of low population growth and subsidies that encourage construction (Ellis 2021; NHFIC 2020, p. 38). However, supply may need to increase further when population growth returns to pre-COVID levels (Grattan Institute 2021, p. 8).

Some evidence suggests that there is an undersupply of houses at the lower end of the market (Hulse et al. 2019; Ong et al. 2017; Troy, van den Nouwelant and Randolph 2019). However, Coates and Wiltshire (2018) found that most new houses were being built in areas with below-average prices.



Questions

What evidence is there that housing supply is (or is not) keeping pace with demand in the housing market overall or in particular submarkets?

Is the NHHA national performance indicator on 'total number of dwellings relative to the population' the right measure of how well housing need is being met?

Planning and land use regulation

Planning and land use regulations determine where housing can be built and the nature of that housing. Responsibility for planning and land use regulation is shared between:

- State and Territory Governments — they are responsible for overarching planning and development policies, strategic plans for metropolitan and regional areas, releasing land for new developments, and providing major infrastructure
- local governments — they are responsible for developing and implementing land use plans at the local level and they process the majority of development proposals.¹¹

Planning and land use regulations allow governments to manage the growth of urban areas, coordinate the provision of infrastructure and manage the impacts of development (Daley, Coates and Wiltshire 2018, p. 57). By influencing what housing is built and where, planning and land use regulations can have significant impacts on the affordability, safety and sustainability of housing and the extent to which the objective of the

¹¹ In the Northern Territory and the ACT, land use planning is conducted at the Territory level.

NHHA is achieved. This is recognised in the NHHA, with planning and zoning reform and initiatives, including inclusionary zoning and land release strategies, identified as a national housing priority policy area.

While planning and land use regulations can help to meet the objectives of the NHHA, they also have the potential to adversely affect the supply of housing if they are poorly designed and administered. When regulation is excessively restrictive, supply may be unable to respond quickly to increases in demand, pushing up housing prices and worsening affordability.

The extent to which restrictive planning and zoning practices affect housing affordability is debated. Some studies (for example Jenner and Tulip (2020) and Kendall and Tulip (2018)) found that restrictive zoning practices have a significant impact on housing affordability. These studies found that zoning and planning can reduce the responsiveness of housing supply to prices, and lead to an undersupply of housing. Other studies (for example, Ong et al. 2017; Phibbs and Gurran 2021) have suggested that planning systems are not a major contributor to price increases or are part of more complex dynamics in Australia's urban housing markets.

Social and economic infrastructure for greenfield and infill development sites is also critical to the supply of new housing, requiring all levels of government to coordinate on major infrastructure and strategic urban planning. An efficient and equitable approach to developer contributions is required, as these costs are non-trivial. For example, case studies published by NHFIC indicated that developer contributions amounted to about 8 to 11 per cent of total construction costs depending on the jurisdiction (NHFIC 2021c, p. 4).

The planning system also has a role in providing for and facilitating greater housing diversity in allocating of land uses and specifying design codes. The Commission is interested in hearing about any regulatory barriers to diverse housing models and the contribution these models can make to affordable and safe housing.



Questions

Are there changes that could be made to planning and land use regulations to improve housing supply responsiveness? To what extent has the NHHA driven or encouraged planning and zoning reforms, including inclusionary zoning and land release strategies? Are there other strategies or vehicles that could be used to achieve progress on land use planning reforms?

How effective have inclusionary zoning requirements been at increasing the stock of social and affordable housing? Have State and local governments faced any issues implementing these requirements?

Are the national performance indicators in the NHHA — the number of dwellings permitted by zoning and the time taken to decide development applications — the best indicators to measure the impact of planning and zoning reforms?

How can planning and land use regulation facilitate or constrain the development of diverse and low-cost housing models?

The building and construction industry

Building and construction regulations and the performance of the building and construction industry affect the affordability, safety and sustainability of housing (and therefore, the extent to which the objective of the NHHA can be achieved).

Building and construction regulations are designed to ensure buildings are constructed safely and to a minimum standard.¹² However, they can increase the cost of housing and dampen innovation (for example, if they impose standards above what well-informed consumers would demand). Recent incidents, such as the Opal Tower (where residents had to be evacuated after cracks appeared in the Tower) have highlighted the importance of good regulation and enforcement.

While there is some evidence that regulatory reforms have improved outcomes (CIE 2012); some suggest there continue to be problems with the regulatory settings (O’Leary 2019). The Commission would like to hear participants’ views on the current regulatory settings, including how well building and construction regulation balances protecting consumers and ensuring safety with encouraging innovation and consumer choice.

Housing costs are also affected by the productivity performance of the building and construction industry. Analysis of the sector undertaken by the Commission found productivity increases following microeconomic reforms in the mid-1990s, although productivity was found to lag behind some other countries (PC 2014). Recent reports point to significant increases in construction costs, due in part to the COVID-19 pandemic — costs have increased as demand has spiked (including in regional areas) and supply chain disruptions have pushed up material prices (Tauriello 2021).

The NHHA has little to say on building regulation and the performance of the building and construction industry. It makes just two references to the building and construction industry (clauses 23 and 25 relating to government tendering and contracts). The Commission would like to hear whether governments are meeting their obligations under these clauses and about the value of these requirements for a future agreement.



Questions

Are governments meeting their obligations under clauses 23(d), 23(e), 25(f) and 25(g) of the NHHA? Are these arrangements effective? Should they be included in the next agreement?

How effectively are Australia’s building and construction regulatory settings facilitating innovation and efficiency, while protecting consumers and ensuring dwellings are safe? Are there more cost-effective and/or non-regulatory instruments that governments could use?

What impact does regulation of the building and construction market have on the cost and supply of housing? Are there regulatory or other changes that could be made to improve the performance, productivity, and supply responsiveness of the building and construction industry?

¹² State and Territory Governments regulate building and construction activities. Over the last 30 years, Australia has moved to a nationally consistent model of building regulation. The National Construction Code (NCC) is made up of the Building Code of Australia and the Plumbing Code of Australia (ABCB 2021).

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A. Terms of reference

I, Josh Frydenberg, Treasurer, pursuant to Parts 2 and 4 of the *Productivity Commission Act 1998*, hereby request that the Productivity Commission undertake a review into the National Housing and Homelessness Agreement (NHHA).

Background

The NHHA is an agreement between the Commonwealth and state and territory governments (the states) relating to the provision of housing and homelessness services. While the states are primarily responsible for housing and homelessness services, the NHHA recognises the Commonwealth's and the states' joint responsibility to improve housing outcomes across the housing spectrum, including outcomes for Australians who are homeless or at risk of homelessness. The NHHA is the primary vehicle for the provision of Commonwealth funding to help support the states in the delivery of housing and homelessness services and programs, and the improvement of associated outcomes.

The NHHA sets out the roles and responsibilities of the Commonwealth and the states, and identifies nationally agreed objectives and outcomes to measure performance against these objectives.

The NHHA's objectives are to contribute to improving access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation.

Scope of the review

The intent of this review is to consider:

- the effectiveness and appropriateness of the objectives, outcomes and outputs of the NHHA [clauses 14-21] in the context of the respective roles in clauses 23-30, of the Commonwealth, the states and their interaction with local governments, noting they are not parties to the agreement, and operate under state regulations
- the extent to which the NHHA is meeting its objectives [clause 14] to improve access to affordable, safe and sustainable housing, prevent and address homelessness and support social and economic participation.
- evidence of the NHHA contributing to achieving the NHHA outcomes [clause 15] and options to improve progress towards meeting these outcomes
- the adequacy and quality of the data and information reported under the NHHA to provide transparency and accountability in respect of housing and homelessness spending [clause 15(f)] and identify options to improve the adequacy and quality and timeliness of data reported under the NHHA
- the effectiveness of the performance monitoring and reporting framework of the NHHA [clauses 36-41] for measuring the outcomes achieved and ensuring transparency and accountability
- options to maximise the outcomes that can be achieved with the NHHA funding
- the suitability of the housing priority policy areas [NHHA Schedule A], national homelessness priority cohorts [clause B2], and homelessness priority policy areas [clause B4] identified by the NHHA, and the extent they have been addressed

- the effectiveness of the NHHA data improvement outputs [clause 17(d), and NHHA Schedule C] for achieving an improved, nationally consistent data set
- determine if the conditions to be eligible for funding under the NHHA [clause 17] are sufficient to achieve NHHA outcomes
- the extent to which the NHHA is meeting the obligations of governments under Australia's Disability Strategy.

In undertaking this review, the Commission should have regard to:

- the respective roles of the Commonwealth and states with respect to housing and homelessness policy
- the impact of social and economic factors, including the coronavirus pandemic on housing and homelessness in Australia
- the individual housing and homelessness strategies and priorities of each of the states, and
- the individual bilateral schedules between each of the states and the Commonwealth.

Process

The Commission is to consult broadly, including with recipients of housing and homelessness services, housing and homelessness service providers, the states, other stakeholders, and the Commonwealth.

The Commission is to undertake an appropriate public consultation process including inviting public submissions, and provide its report before 30 June 2022.

The Hon Josh Frydenberg MP

Treasurer

[Received 13 December 2021]

B. How to make a submission

How to prepare a submission

Written submissions may range from a short comment outlining your views on a particular topic to a much more substantial document covering a range of issues. Where possible, you should provide evidence, such as relevant data and documentation, to support your views.

Publishing submissions

- Each submission, except for any attachment supplied in confidence, will be published on the Commission's website shortly after receipt, and will remain there indefinitely as a public document.
- The Commission reserves the right to not publish material on its website that is offensive, potentially defamatory, or clearly out of scope for the inquiry or study in question.

Copyright

- Copyright in submissions sent to the Commission resides with the author(s), not with the Commission.
- Do not send us material for which you are not the copyright owner – such as pictures, photos and newspaper articles – you should just reference or link to this material in your submission.

In confidence material

- This is a public review and all submissions should be provided as public documents that can be placed on the Commission's website for others to read and comment on. However, information which is of a confidential nature or which is submitted in confidence can be treated as such by the Commission, provided the cause for such treatment is shown.
- The Commission may also request a non-confidential summary of the confidential material it is given, or the reasons why a summary cannot be provided.
- Material supplied in confidence should be clearly marked 'IN CONFIDENCE' and be in a separate attachment to non-confidential material.
- You are encouraged to contact the Commission for further information and advice before submitting such material.

Privacy

- For privacy reasons, all **personal** details (e.g. home and email address, signatures and phone numbers) will be removed before they are published on the website.
- You may wish to remain anonymous or use a pseudonym. Please note that, if you choose to remain anonymous or use a pseudonym, the Commission may place less weight on your submission.

Technical tips

- The Commission prefers to receive submissions as a Microsoft Word (.docx) files. PDF files are acceptable if produced from a Word document or similar text based software. You may wish to search the

Internet on how to make your documents more accessible or for the more technical, follow advice from Web Content Accessibility Guidelines (WCAG) 2.0: <https://www.w3.org/TR/WCAG20/>

- Do not send password protected files.
- Track changes, editing marks, hidden text and internal links should be removed from submissions.
- To minimise linking problems, type the full web address (for example, <http://www.referred-website.com/folder/file-name.html>).

Oral submissions

- The Commission accepts oral submissions if you are unable to make a written submission or brief comment.
- Oral submissions are taken through a phone or video call, where Commission staff will record and write down your submission. Staff will then provide you with a written submission for your approval. Once you have approved your submission, we will publish it on our website.

How to lodge a submission

Submissions should be lodged using the online form on the Commission's website. Submissions lodged by post should be accompanied by a submission cover sheet, available from the Commission's website.

Online*	www.pc.gov.au/inquiries/current/housing-homelessness
Post*	Housing and Homelessness Agreement Productivity Commission GPO Box 1428 Canberra City ACT 2601, Australia
Phone	Please contact the Administrative Officer on 02 6240 3250

* If you do not receive notification of receipt of your submission to the Commission, please contact the Administrative Officer.

Due date for submissions

Please send submissions to the Commission by **21 February 2022**.