AHURI submission to the Productivity Commission Review of the National Housing and Homelessness Agreement (NHHA)

AUSTRALIAN HOUSING AND URBAN RESEARCH INSTITUTE

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Acronyms

ABS	Australian Bureau of Statistics
AHBA	Affordable Housing Bond Aggregator
AHURI	Australian Housing and Urban Research Institute
AIHW	Australian Institute of Health and Welfare
CDHC	Commonwealth Department of Housing and Construction
CHC	Commonwealth Housing Commission
CHP	Community Housing Provider
CLT	Community Land Trust
COAG	Coalition of Australian Governments
COVID	Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2)
CRA	Commonwealth Rent Assistance
CSHA	Commonwealth State Housing Agreement
DIP	DIP DData Improvement Plan
DSS	Department of Social Security
FFR	Federal Financial Relations Act
GFC	Global Financial Crisis
HHDWG	Housing and Homelessness Data Working Group
HHMAC	Housing and Homelessness Ministerial Advisory Committee
HHSON	Housing and Homelessness Senior Officials Network
HMC	Housing Ministers Council
LCC	Life-Cycle Costing
LCL	Large Corporate Landlords
NAHA	National Affordable Housing Agreement
NDIS	National Disability Insurance Scheme
NHFIC	National Housing Finance and Investment Corporation

NHHA	National Housing and Homelessness Agreement
NHIF	National Housing Infrastructure Facility
NHRP	National Housing Research Program
NPAH	National Partnership Agreement on Homelessness
NPARIH	National Partnership Agreement on Remote Indigenous Housing
NPASH	National Partnership Agreement on Social Housing
NRAS	National Rental Affordability Scheme
NRSCH	National Regulatory System for Community Housing
PRBP	Private Rental Brokerage Program
RIR	Retirement Income Review
RSL	Registered Social Landlord
SACS	Social and community sector
SDA	Specialist Disability Accommodation
SHI	Social Housing Initiative
SIL	Supported Independent Living

Introduction

Commonwealth and state housing responsibilities

The National Housing and Homelessness Agreement (NHHA) is the most recent iteration of a continuous series of the periodic agreements between the Commonwealth Government and the state and territory governments (hereafter 'states'), that have been in place since 1945. Prior to this date, the then Commonwealth Housing Commission, with its final report, wrote that "a dwelling of good standard and equipment is not only the need but the right of every citizen" (CHC 25 August 1944).

Commonwealth State Housing Agreements (CSHAs) operated with that ambition from 1945 to 2000, with re-signing of the agreement in 1956, 1961, 1966, 1973, 1978, 1981, 1984, 1989, 1996, 1999, and 2003. The CSHAs recognised the fact that the states had ceded taxation powers to the Commonwealth to assist the war effort, and that a housing programme required this income base (see Troy, 2012). In 2008 the final CSHA ended. Since that year a patchwork of "national partnership" and bilateral agreements have addressed parts of the CSHA ambition and responsibilities.

The 1945 CSHA provided loan funds over 53 years on the condition that housing was directed, in the first instance, to meeting the accommodation needs of low-income families, in particular for the provision of rental housing. From 1956, the CSHA increased focus on home ownership and middle-income households, both the 1961 and 1966 CSHAs were characterised by shifts toward greater input by the Commonwealth. Initially the Commonwealth's public housing program had a broad and inclusive remit, channelled through each state housing authority to respond to the housing needs of different groups in their communities. The nature of Commonwealth and state roles shifted with each increasing Commonwealth roles in managing the accommodation needs of the different welfare groups.

The 1973 CSHA significantly increased the targeting of public housing to low-income households. The 1978 CSHA further targeted those in most need and required that states introduce market-related rents instead of the historic rents they had previously employed (with rental rebates for those in need).

The 1978 and 1981 agreements put public housing responsibility back with the states, while the Commonwealth managed national economic policy, including interest rates, which influence the supply, cost, and access to housing. In 1982 the Commonwealth Department of Housing and Construction was abolished, and its welfare housing functions were shifted to the Department of Social Security, effectively designating housing as a welfare concern. Previously, the scope of social housing policy extended beyond welfare provision.

The 1984 CSHA continued the shifting focus and further segmented the provision of welfare housing by introducing rental housing programs for specified groups such as pensioners, Aboriginal households and those needing crisis accommodation. The 1989 CSHA and 1996 CSHA saw significant declines in funding and public housing stock. Public housing funding was transferred to resource new rent subsidies to low-income households in the private rental market with the establishment of Commonwealth Rent Assistance (CRA).

The 1999 CSHA extended Commonwealth control over welfare housing, focusing on the needs of vulnerable households; in the 2003 CSHA this was provided through public and community housing, Indigenous housing, crisis accommodation, assistance for home buyers and CRA.

Alongside the 2008 National Affordable Housing Agreement (NAHA), a National Partnership Agreement on Homelessness (NPAH) was implemented to initiate reforms to reduce homelessness. The initial period of the NPAH was 1 July 2009 to 30 June 2013. From 2013 to 2018 NPAH annual agreements were reached (usually around March, to support state funding of services commencing 1 July), leading to funding uncertainty for the sector.

The National Partnership Agreement on Social Housing (NPASH) was intended to facilitate establishment of a *Social Housing Growth Fund* to support reforms to increase social housing supply in the context of the Global Financial Crisis. It operated from 2008-2010 and was not renewed.

COAG also endorsed the National Partnership Agreement on Remote Indigenous Housing (NPARIH) in November 2008. The objectives of the NPARIH over the ten-year period 2008-09 to 2017-18, were to:

• significantly reduce severe overcrowding in remote Indigenous communities

• increase the supply of new houses

• improve the condition of existing houses in remote Indigenous communities, and

• ensure that rental houses are well-maintained and managed in remote Indigenous communities.

The current agreement and reform options

In 2018, the National Partnership Agreement on Homelessness and the National Affordable Housing Agreement were effectively merged, bringing increased certainty to funding for homelessness. This shift, effectively ring-fencing homelessness funding within the longer-term housing agreement, was consistent with strong feedback from stakeholders seeking greater certainty for homelessness funding (see Brackertz et al. 2016).

The increasingly transactional focus of the NHHA in recent years is not consistent with the long history of partnership between the Commonwealth and the states to supply housing for low-income households. The purpose of the NHHA is less ambitious than the original CSHAs, and the NHHA has a more limited scope, focused on specific activities rather than a comprehensive strategic approach to addressing Australia's housing needs.

The mutual accountability build into the previous CSHAs has been replaced by an emphasis on the accountability of the states and greater transparency in reporting on outcomes by the states to the Commonwealth, while reciprocal reporting by the Commonwealth has largely been eliminated from the NHHA, other than reporting (aggregated) data provided by the states.

To restore a partnership approach to the agreement, there appear to be two main options:

1. reducing states' accountability to report only on outcomes directly contributed to by the NHHA and its funding stream

2. expanding (or restoring) accountability of the Commonwealth to create a partnership rather than transactional approach to the Agreement.

The first option reflects the current positioning of the NHHA as simply a mechanism for Commonwealth payments to support states' delivery of programs under the Federal Financial Relations (FFR) Act (see NHHA Clauses 1-7). While this is an accurate description of the mechanics of the current Agreement, it represents a significant diminution of the long-standing roles and responsibilities of the Commonwealth and misses the opportunity for more effective coordination of state and commonwealth responsibilities and expenditure. This option simultaneously positions the NHHA as just one of the tools for addressing housing issues, and the mechanism for state accountability for housing outcomes.

The second option reflects the shared responsibilities and inter-related roles of the states and the Commonwealth, and recognises a range of contributions to improved housing outcomes for Australians made by the Commonwealth, as well as by the states. It positions the NHHA as a key strategic framework to address housing needs, reflects a more holistic approach, and is more consistent with the requirement in the current agreement for tabling of state housing and homelessness strategies (Figure 1).

In short, option 1 reflects a transactional approach to housing assistance and subsidy, while option 2 reflects a strategic approach to housing policy and shared investment. AHURI suggests that option 2 provides a better foundation for a coherent, coordinated (and strategic) approach to respond to housing needs.

Figure 1: The NHHA as a key partnership framework within a strategic national housing policy response

Policy and regulation

Housing policy

Housing strategy

National Housing & Homelessness Agreement
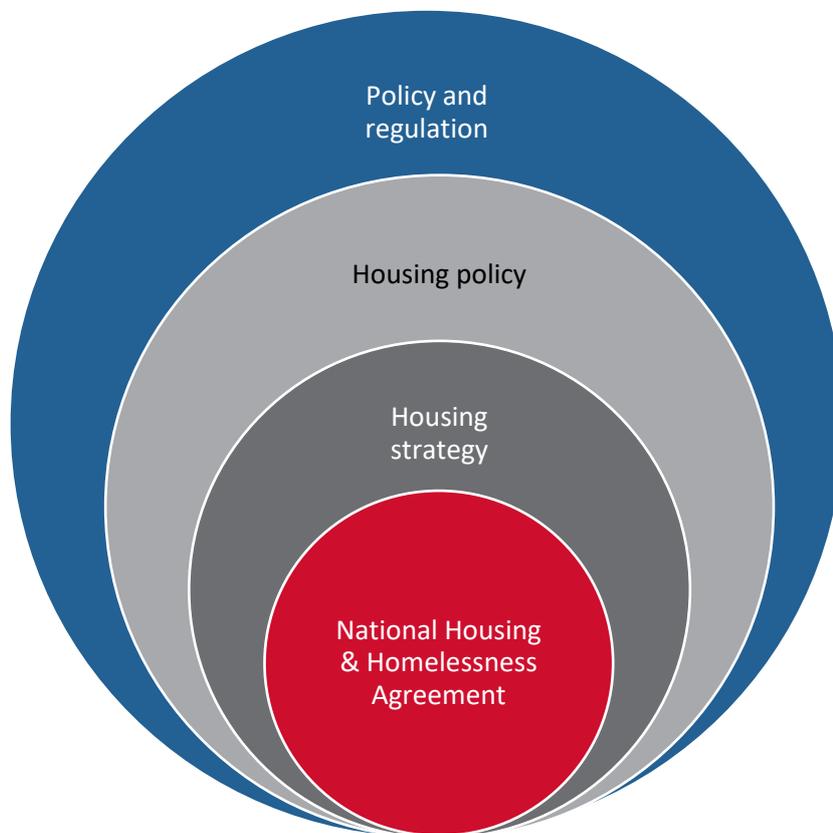
This submission

This submission is a response to the issues and questions raised in the Issues Paper, released by the Productivity Commission as part of the consultation process for the Review of the NHHA. The Issues Paper considers a wide range of issues – after a brief introductory chapter, chapter 2 of the paper summarises issues relating to the performance of the NHHA and the importance of a coordinated and coherent housing strategy—the questions asked in this chapter are therefore focused on the two inner-most layers of Figure 1. The third chapter examines issues across Australia's housing systems – considering broader issues of housing policy, beyond the scope of the current NHHA and beyond most iterations of the previous CSHA (the third layer of Figure 1). The fourth chapter considers supply and industry issues in the market provision of housing, shifting beyond relevant policy concerns of the NHHA and its antecedents, and into other regulatory and commercial domains (the outermost layer of Figure 1).

This submission focuses primarily on the substantive housing agreement and housing policy issues relevant to this. Notably, AHURI's responses to Chapter 3 are necessarily abridged – AHURI's evidence base in relation to these policy issues is extensive, and comprehensive responses to these questions is neither possible within the time frame of the submission process, nor crucial to the Terms of Reference of the Review of the NHHA.

These topics do, however, represent important elements of a strategic approach to housing policy. To this end, this submission seeks to provide constructive, evidence-informed observations in response to many of the questions posed by the Issues Paper. AHURI remains willing to continue to work with the Productivity Commission in developing nuanced, evidenced understandings of these issues and to broader issues relevant to housing policy, markets, subsidy, and assistance.

Assessing the performance and suitability of the Agreement

The purpose of the NHHA

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

The focus of the present agreement is "improving access to affordable, safe and sustainable housing" and to "prevent and address homelessness". Provided these terms are clearly defined, it has a clear enough purpose. However, the goal of "improving access" is relatively vague in terms of its policy ambition, is not readily measurable, and does not address the goal of filling the gap in unaddressed housing need.

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)?

Critically, the NHHA does not address remote Indigenous housing. While reporting of housing outcomes has recently been added to the Closing the Gap framework (see AHURI 2021b), inclusion within the scope of NHHA would ensure all bilateral agreements on housing are kept together, would increase scrutiny on this area of significant need, and would support the Closing the Gap agenda.

There are a range of other Commonwealth government housing interventions that could be better accounted or acquitted within the scope of a revised NHHA.

Commonwealth Rent Assistance (CRA) is a non-taxable income supplement payable to eligible people who rent in the private rental market or community housing. Commonwealth expenditure on CRA—the largest government housing assistance program — was $5.3 billion in 2020-21 (Productivity Commission, 2022). This funding reduces housing affordability stress for recipients – an important contribution to NHHA goals – and had been included in CSHAs from its introduction in 1989.

The National Housing Finance and Investment Corporation (NHFIC), part of the Federal Treasury portfolio of agencies, delivers a range of programs highly relevant to the NHHA, including:

- Affordable Housing Bond Aggregator (AHBA), which provides low cost, long-term loans to registered community housing providers (CHPs) to support the provision of more social and affordable housing, by issuing its bonds into the wholesale capital market.

- National Housing Infrastructure Facility (NHIF), a $1 billion facility that provides finance for eligible infrastructure projects that will unlock new housing supply, particularly affordable housing

- First Home Loan Deposit Scheme, New Home Guarantee and Family Home Guarantee, all of which are Commonwealth initiatives to support eligible home buyers purchase their homes sooner.

NHFIC was established by the Commonwealth in June 2018, so its limited mention in the current NHHA (Clause 24(f)) is understandable. This review of the NHHA is an opportunity to bring reporting on NHFIC programs and CRA into the frame of the NHHA.

> **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?**

There is currently no national housing strategy or national homelessness strategy. The presence of a national strategy could help to ensure that national programs are aligned, or at least not serving conflicting goals.

The NHHA does recognise the importance of housing strategies, requiring that each state has a publicly available housing strategy. There has been no national housing strategy throughout the period of the NHHA.

The findings of AHURI research are generally supportive of a holistic national housing strategy (see for example Gurran et al. 2018) as a way of generating more affordable housing in Australia. If such as strategy has clear high-level targets and operational definitions of *housing need* and *affordable housing*, this will help ensure all available policy levers and resources support outcomes across the social and affordable housing sector.

AHURI's National Housing Research Program (NHRP) has recently awarded a grant to researchers examining the potential benefits of a national housing strategy. The issue was raised in the annual NHRP Research Agenda for 2022:

While commonwealth-state housing agreements (most recently the National Housing and Homelessness Agreement) articulate the flow of funds and associated roles and responsibilities of the Commonwealth government and state and territory governments, the agreements are not designed to coordinate policy development or capture all of the activities undertaken by these governments to improve housing outcomes for Australians.

> The growing contributions from other tiers of government and from non-government sectors, and the shared purpose of many of these activities – such as the development of multi-provider social housing systems involving both State and community managed housing on a shared waiting list – are also beyond the remit of such agreements.
>
> There have been prominent calls for a national housing strategy, given the significance and complexity of housing system challenges. How a national strategy would contribute to better housing outcomes has not been a central feature of such calls. There is a need to clearly articulate the benefits of a strategy, and the mechanism through which a strategy would address the challenges of the Australian context.

<div align="right">AHURI (2021a: 19).</div>

This research is commencing in early 2022, and be completed after the time frame of the Productivity Commissions Review of the NHHA.

Is the objective appropriate and has it been achieved?

> **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?**

While the broad direction of the objective is appropriate, "to contribute to improving access" is vague, and does not indicate a quantifiable or measurable level of success.

The objectives are not ambitious and do not commit governments to significant changes from the status quo. There is scope to quantify clearer goals across the country, utilizing uniformly measured estimates of housing need. Previous AHURI research has provided articulations of housing need that would readily underpin a more tangible, measurable approach (see, for example, Lawson et al. 2018 and Rowley et al. 2017).

The present agreement has language around attending to *the housing spectrum*, which means that the outcomes would be measured in more holistic terms (not just across social housing for example). However, the NHHA in practice is focused on state level responsibilities, while other areas of Federal responsibility (including CRA, taxation, and the programs delivered by NHFIC) are not involved. References to the whole housing spectrum in the absence of a national housing strategy or inclusions within the agreement to deliver on this ambition, have questionable policy value. Meaningful coordination across different parts of the housing system as well as appropriate evaluation of outcomes in different segments of the housing system are worthy intentions, but sit outside the frame of the NHHA.

The definitions of *affordability*, *safety* and *sustainability* suggested by the Productivity Commission are reasonable, and are aligned with (or based on) previous AHURI research. Notably, AHURI research has also benefited from well-articulated understandings of affordability constraint such as the *residual income method* (see Burke et al. 2011) and definitions of *housing need* (see Rowley et al. 2017) which may be useful.

Safety should be considered along with a range of other meanings of security (see Hulse et al. 2008). Safety can mean a range of things, including cultural safety in an Aboriginal context.

Sustainability is a broad concept – and the issues paper illustrates this by the fact that it provides five alternative dimensions (individual, institutional, fiscal, social, and environmental sustainability). Even within these dimensions a range of measures might be contemplated. Either way, like affordability, sustainability as a concept depends on the household as well as the housing.

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

AHURI research has reported substantial shortfalls in affordable housing in the private rental market (Hulse et al. 2019), based on 2016 data. More recent data is needed to properly evaluate the outcomes under the agreement – this will soon become available with new Census data. AHURI research discussing housing outcomes are included in each of the sections on homelessness, social housing, private rental, and home ownership of this submission.

AHURI research has considered the how NHHA and housing policy contribute to broader economic and productivity outcomes (see Dodson et al. 2017). Other AHURI research has found that provision of affordable housing may be used strategically to support innovation-led employment growth in regional areas (Dowling et al. 2020).

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

There is considerable opportunity to broaden the remit of the NHHA to demonstrate partnership on housing issues, by including accountability of Federal programs and their outcomes as well as state programs, and by including measures of programs addressing housing tenures such as private rental and home ownership.

Outcomes of the Agreement

> **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?**

The NHHA contributes resources to enable the maintenance (and growth) of social housing, increase supply of affordable housing, resourcing of the homelessness service system. AHURI research suggests that the declining level of resourcing going into the social housing system via the NHHA leads to diminishing available stock, while increasing requirements (e.g., the NDIS) result in increasing demand, adding to the already substantial unmet need. Reduced stock availability has impeded mobility such as transfers and conditioned operational policies designed to manage demand (Powell et al. 2019).

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

COVID and COVID-related policy interventions are likely to have impacted on housing outcomes during the current NHHA period. Changing population movement, including international migration, interstate migration and intrastate migration have led to changing demand profiles across housing markets. This has impacted house prices, rent levels, available private rental, and social housing stock. Policy interventions and programs rapidly delivered during the pandemic have impacted housing outcomes, such as homeless to hotel (and then on to secure housing) programs in many locations. Policy coordination and rapid implementation, particularly in 2020, were observed (Mason et al. 2020).

> **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?**

While it is beyond the scope of this submission to evaluate each state and territory housing strategy in terms of NHHA outcomes and objectives, each strategy has been developed on the basis of relevant housing needs in that jurisdiction. AHURI has provided support for the development of many of these strategies, which can be characterised as locally appropriate and broadly aligned with NHHA objectives.

Most social housing outcomes are reported publicly via state (e.g., Housing Registrar, Vic) or national regulatory systems (the National Regulatory System for Community Housing—NRSCH). A range of indicators are monitored and reported. For example, these tend to find consistently high tenant satisfaction levels in social housing over time.

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

As indicated in the introduction to this submission, the NHHA has increased scrutiny of the states' housing programs, both those supported by the NHHA and those not supported by the NHHA. Conversely, accountability and transparency of Commonwealth programs has not been improved by the NHHA, and there is less Commonwealth accountability than in earlier Commonwealth State Housing Agreements. The impact of this imbalance is a weakening of the partnership approach to national housing policy challenges.

This more transactional approach has been supported by, and in turn reinforces, a growing rhetoric that social housing and homelessness are the sole responsibilities of the states, in defiance of the long history of recognition of shared roles and responsibilities.

> **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?**

The priority homelessness cohorts and homelessness priority policy areas indicated in the NHHA are, broadly speaking, appropriate. However, most state strategies provide more locally appropriate priority group definitions. The basis for these priorities, in the absence of a visible national strategy, is unclear.

The inclusion of priority cohorts in the national agreement is a potential source of confusion, duplication, or contradiction. In the absence of a national strategy to which they could be aligned (and the requirement for state strategies, which typically identify priorities), inclusion of priority groups in the NHHA may not be constructive.

There is also concern that some groups experiencing homelessness are inappropriately missing from the identified, priority groups or areas. This might include those experiencing overcrowding (see Brackertz et al. 2019), or those experiencing mental health issues (Brackertz et al. 2020).

> **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?**

A focus on "aspirational, overarching national outcomes" for a range of housing system outcomes unrelated to NHHA activity, is of minimal value. While the functioning of the social housing, affordable housing, and homelessness service systems (NHHA Clauses 15 (a) to (c)) is relevant, there is little attention given to Indigenous housing after Clause 15(d). The functioning of local housing markets is not directly and NHHA outcome, and the somewhat circular outcome of greater transparency of strategies, spending and outcomes was addressed in a previous question.

The vague and largely unattributable nature of these outcomes restricts their utility. A series of high-level targets relevant to NHHA funding and activity, by both the states and the Commonwealth, would improve the transparency and accountability of the agreement.

Outputs of the Agreement

> **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?**

The outputs of the NHHA remain broadly relevant, but the ambition of more accountable housing policy would be supported by more prescriptive, and more measurable, outputs, including targets around housing need to get measurable improvements.

> **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?**

Present outputs such as publicly available state housing strategies may be helpful machinery to keep state governments accountable and assist in addressing housing and homelessness objectives. Equally, a national strategy may be helpful machinery in keeping the Commonwealth Government accountable for its roles and responsibilities in addressing NHHA objectives. In both cases, the strategies need to be subject to evaluations of their effectiveness, rather than simply relying on simplistic comparisons of data at different time periods.

As with the priority homelessness cohorts, the inclusion of housing priority policy areas in the absence of a national strategy, alongside the requirement of locally appropriate state housing strategies, is problematic. There is scope for Commonwealth Government leadership through the provision of a national housing (and homelessness) strategy.

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

Data improvement work has been under the remit of Data Improvement Plan (DIP) through the guidance of a Housing and Homelessness Data Working Group (HHDWG), and intergovernmental function (including participation of ABS, AIHW and AHURI). There is significant work still to be completed. As AIHW has recently taken the lead on this Working Group, in this submission AHURI will defer to AIHW to report on progress of the DIP. The Productivity Commission may wish to liaise with AIHW for further information.

The roles and responsibilities of governments under the Agreement

> **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?**

The NHHA presently uses language around mutual interests and partnership, but in many ways is a contractual model in which states are providers contracted by the Commonwealth Government. Each state and territory has to enter into a bilateral agreement with the Commonwealth Government, and fulfil conditions such as providing published strategies and provide statements of assurance around meeting their strategies.

Having clear roles and responsibilities remains important for accountability, even in partnership models. At present, responsibilities for housing and homelessness service provision under the NHHA are effectively contracted to the states and territories, with the Commonwealth playing a role as funder and evaluator with the power to impose conditions. This is inconsistent with the reality of actual roles and responsibilities associated with NHHA objectives.

There is a focus on transparency and accountability for the states. Earlier Commonwealth State Housing Agreements were more balanced in terms of reciprocal accountability and presented the balance of responsibilities of the states and the commonwealth differently to the NHHA. Under the NHHA, the responsibilities of the commonwealth are largely framed around financial assistance to the states, monitoring and assessing states' performance (including leading data improvement, and regulatory oversights). Earlier agreements from the time of the Commonwealth Housing Commission, through the Commonwealth Department of Housing and Construction, recognised a more substantive role for the Commonwealth in delivering better housing outcomes for Australians.

As noted previously, Commonwealth programs such as Commonwealth Rent Assistance and NHFIC's Affordable Housing Bond Aggregator, National Housing Infrastructure Facility, and home loan deposit guarantee schemes, are directly relevant to the NHHA, and aligning reporting of these with the NHHA would improve mutual accountability, supporting a partnership approach.

A partnership model in which the Commonwealth takes leadership and has greater role in coordinating housing policy would arguably benefit from the framing of a national strategy, especially as new national programs seeking to catalyse investment in affordable housing are put in place (like recent NHFIC initiatives).

Historically, local governments in Australia have played less active roles in addressing homelessness and low-income housing than local governments in the United Kingdom and other similar nations, due to their low revenue base and subsidy status. However, many local governments are taking increasing responsibility for these challenges in response to clear and growing local need. Numerous local governments have developed, or are in the process of developing, affordable housing, and homelessness strategies. AHURI studies have demonstrated the valid role of local government in provision of affordable housing and the importance of local government planning approaches in facilitating this (Gurran 2003; Davison et al. 2013).

However, it is likely that including over 500 local governments (including capital city, metropolitan, regional, rural, and remote councils) in the NHHA is unfeasible. A more pragmatic approach is to signal the importance of local government partnership with the states and territories, and include provision for dialogue between these tiers of government (such as through state housing strategies).

> **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?**

The breadth of policies and regulations that influence housing markets is considerable. While taxation and superannuation policy, land use regulation, planning and zoning, infrastructure, transport, and many other portfolios influence housing markets, the focus of the NHHA should be on policies, regulation and programs that are primarily intended as intervention into housing systems.

Commonwealth Rent Assistance, a budget allocation several times larger than the NHHA, is a direct intervention into housing markets, and should be better accounted for in the agreement. NHFIC programs fostering earlier entry to home ownership and increased social and affordable housing supply, are also directly relevant to NHHA objectives.

As discussed in the introduction to this submission, the restoration of a partnership approach to the national housing challenges on which the NHHA and previous CSHAs focus could be achieved by balancing state and federal accountabilities – either narrowly in relation to the funding impacts of the agreement (the transactional option), or more broadly in relation to housing interventions by state and Commonwealth Governments (the strategic housing policy option).

Performance monitoring and reporting

> **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?**

The NHHA national performance indicators relate to relatively simplistic presentation of data (e.g., number of dwellings relative to population; decrease in number of people experiencing homelessness). As broad indicators of how parts of Australia's housing markets are operating, these are reasonable starting points. However, to treat these indicators as an indicator of NHHA objectives and outcomes ignores a wide array of other contributing factors. For example, the number of dwellings relative to population is influenced by a range of factors including household size, the number of dwellings used as holiday houses or for short-term letting, population dynamics within local areas, and more.

National performance indicators provide information at a national level. Australian housing markets (and sub-markets) operate at a local level – demand for housing is not location-neutral, and there are significant variations in market conditions by area. This does not mean that national indicators are not meaningful but does mean that they need to be interpreted with caution, particularly as assessments of performance against the agreement.

State and territory housing and homelessness strategies offer a slightly more granular set of objectives. While the NHHA stipulates that the states provide publicly available strategies, it does not require their evaluation, or the public release of any evaluation. States are required to report on the reforms and initiatives of bilateral agreements under the NHHA, and the Commonwealth, in consultation with the states, is required to provide an annual independent public report on the outcomes that the NHHA contributes to, at minimum including the national performance indicators and benchmarks.

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

Data development priorities, identified in Schedule C of the NHHA, are largely unchanged. Leadership of the HHDWG has transitioned from the Department of Social Services to AIHW. As a member of HHDWG, AHURI will defer to the reporting of the HHDWG to the NHHA Review, other than to note that there is significant work still to be done on the DIP.

Future data priorities might include:

- Up to date data on housing need, including regional-level data (see Rowley et al. 2017).

- Nationally consistent definitions around affordable

- Data on the production of new affordable housing

- Longitudinal data on homelessness to measure changes for at risk group over time (see Brackertz et al. 2016; Spinney et al. 2020)

- Improved data on homelessness service utilization by different eligible groups, and identifying reasons why certain groups might not utilize or delay in utilising.

> **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?**

As noted previously, measurable targets – rather than contributions to broad ambitions – would be more appropriate to measure progress toward the objectives of the agreement.

Financial and governance arrangements

> **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?**

Previous AHURI research has indicated that good governance to achieve national action on affordable housing requires three elements: leadership and commitment, coordination and collaboration, and accountability and transparency (France 2007).

While previous National Partnership agreements and Commonwealth State Housing Agreements were framed as collaborative partnership approaches, the current NHHA operates in a more transactional framing. The Overview of the agreement positions the NHHA within the Federal Financial Relations Act – explicitly as a "*framework for Commonwealth payments to support States' delivery of programs, services and reforms with respect to housing, homelessness and housing affordability matters including certain legislative conditions to receive Commonwealth funding*" (NHHA, Clause 2).

This positioning sets the NHHA as a grant funding arrangement rather than a partnership approach to addressing national housing issues. Returning to a partnership model for the shared objectives of the NHHA would likely be beneficial. This would also facilitate better coordination between tiers of government.

It is difficult to assess the accountability and financial performance of the agreement without quantifiable goals or objectives. These are typically set at the state and territory level. A national level report card might be used to assess the *financial* performance of the agreement – in terms of outcomes bought for the dollars spent.

The NHHA has continued and to some extent improved transparency and accountability of homelessness and housing spending by the states and territories, but has not improved transparency and accountability of homelessness and housing spending by the Commonwealth.

While it may be beneficial to have greater flexibility around how the funding received from the Commonwealth can be allocated by the States and Territories, it is important to acknowledge that the states and territories make significant direct funding contributions to these objectives, above and beyond the NHHA funding.

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

The conditions for Commonwealth funding under the NHHA broadly support the achievement of the outcomes of the Agreement. In isolation, they are not sufficient to achieve these outcomes (to the extent that the outcomes are quantifiable). Equally, the Commonwealth funding under the NHHA is, in isolation, not sufficient to achieve these outcomes.

The Agreement stipulated that the states would match Commonwealth homelessness (including homelessness SACS) funding on a dollar-for-dollar basis during each financial year. In practice, the state and territory funding greatly exceeds this threshold. Similarly, Commonwealth expenditure on programs such as CRA substantially exceeds the NHHA financial contribution.

The NHHA Review Issues Paper considers the question whether the conditions for Commonwealth funding under the NHHA are sufficient to achieve the outcomes of the Agreement. There is merit in a more expansive question here – Are the contributions of the Commonwealth and the States sufficient to achieve the outcomes of the Agreement? While beyond the remit of the Productivity Commission review of the NHHA, this wider question goes to the performance of Australia's housing policy. Continuing challenges around housing affordability, housing insecurity and homelessness suggest that the total investment in addressing housing issues, and the coordination of initiatives aligned with NHHA objectives, is not sufficient in the face of wider social and economic conditions.

Are the governance structures under the Agreement adequate and effective?

The Housing Ministers Council (HMC), and supporting structures such as the Housing and Homelessness Ministerial Advisory Committee (HHMAC), were disbanded under COAG prior to the signing of the NHHA. HHMAC continued to meet as a "semiformal network" (under the name Housing and Homelessness Senior Officials Network (HHSON)) to "provide jurisdictions with a forum in which to discuss housing and homelessness policy, assist in identifying and coordinating responses to emerging issues of national relevance, and share information to enhance best practice" (HHSON, 2017). In 2021, following the National Federation Reform Council replacement of COAG with National Cabinet, the Commonwealth advised that HHSON was no longer able to be recognised, and therefore the NHHA Data Improvement Plan, through the HHDWG requires individual sign-off from each jurisdiction.

The reduction in formal intergovernmental structures has adversely impacted open dialogue between the states and the Commonwealth government. Reintroduction of the ministerial council and the supporting intergovernmental committees is likely to benefit not only NHHA governance arrangements, but policy coordination and innovation in the challenging areas of housing and homelessness.

How does the NHHA align with other policy areas?

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?

There is scope to improve integration of the NHHA with other housing and homelessness programs, as well as with related areas of policy, including disability and mental health services. The logic and potential benefit in integrating Commonwealth programs such as CRA and NHFIC's programs has been addressed above.

There is considerable intersection of the NHHA with policies and agreements, such as retirement income policy. Other relevant agreements, such as the National Partnership on HomeBuilder, which focused on construction of housing, clearly do not work toward the objectives of the NHHA. For this reason, continuing dialogue (i.e., through a Ministerial Council or other intergovernmental structures) is important.

The recent Retirement Income Review (RIR) noted that "Housing status is a strong determinant of retirement outcomes. People who own their home outright have generally lower housing costs compared with renters, as well as a store of wealth that can be drawn on in retirement. People who rent may require incomes similar to working life to maintain living standards in retirement" (The Australian Government the Treasury, 2020). The terms of reference for the review referred to a three-pillar system consisting of:

• A means tested Age Pension

• Compulsory superannuation

• Voluntary savings, including home ownership

The review goes on to note that current retirement income policy settings provide more support to homeowners compared to non-homeowners (see Section 3C). As a policy objective, this is difficult to reconcile with the objectives
of the NHHA.

The National Agreement on Closing the Gap has incorporated some objectives relevant to the NHHA. However, this does not replace the level of engagement, investment and accountability previously endorsed through the National Partnership Agreement on Remote and Indigenous Housing (NPARIH). There remains a need for the housing portfolios of Australian governments to maintain focus and accountability for Indigenous housing outcomes. Beyond broad alignment, there is a need for explicit connection between these agreements to ensure transparency and accountability for progress towards shared (or aligned) objectives.

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)?

The Issues Paper notes Australia's Disability Strategy, released in December 2021. While it is too soon to reflect on the impact of this strategy or its alignment with the NHHA, it is worth noting that disability accommodation has been a complex policy issue under the National Disability Insurance Scheme (NDIS). The role of Specialist Disability Accommodation (SDA) funding as well as its alignment with NHHA objectives and housing policy programs, has been unclear, with widespread confusion relating to eligibility, responsibility, and scope of SDA programs.

An AHURI Inquiry into individualised forms of welfare provision and reform of Australia's housing assistance system identified unmet need in affordable housing for an estimated 83,000–122,000 NDIS participants by 2019 (Wiesel and Habibis, 2015). The research highlighted a lack of policy clarity about the roles of the NDIS, Commonwealth, and state governments in addressing the shortfall in housing for NDIS participants. AHURI research has also investigated the most appropriate and beneficial shared home ownership models for people with disability. While shared ownership brings potential benefits such as can enhancing housing choice, security of tenure and sense of ownership, it can expose people to debt risks (Wiesel et al. 2017).

Greater alignment between NDIS programs, particularly SDA and Supported Independent Living (SIL) funding, and NHHA objectives and policies, is needed. In the first instance, housing for people with a disability could be included as housing priority policy area.

There is growing awareness of the connections between mental health experiences and housing experiences (Brackertz et al. 2020). At a national level there is a lack of coordination between these policy areas and service systems. Despite relevant national policies on mental health, there is no connection with the NHHA. Instead, there is a reliance on state-based programs to identify and address this need.

Issues across the housing spectrum

The third chapter of the Issues Paper presents a commentary and a number of questions relating to aspects of Australia's housing systems — homelessness, social housing, affordable housing and assistance for low-income renters, private rental, home ownership, and housing outcomes for Aboriginal and Torres Strait Islander people. As a framework for discussion of the Australian "housing spectrum", this offers a curious blend of tenures, assistance mechanisms and priority populations.

The first two sections reflect core areas of intervention through the NHHA. The section on affordable housing and assistance for low-income renters blends supply-side and demand-side assistance, which might better be separated as the implications are quite different (see Galster, 1997; Gurran et al. 2015). This section has considerable overlap with social housing as well as private rental markets – the topic of the subsequent section. Both the private rental and home ownership sections are less comprehensive, given the less direct focus on these tenures in the NHHA. A final section, on housing outcomes for Aboriginal and Torres Strait Islander people, brings focus on an area under-served by the NHHA.

Many of the issues raised are at best indirectly related to the current focus of the NHHA, or are outside its current scope. Rather than provide a prohibitively long synthesis of this evidence, this submission provides a number of reference points pertinent to these background questions. Further, AHURI is happy to liaise directly with the commission on any of these or related issues in which further contextual information is of use. With this approach, the submission seeks to provide concise but constructive responses to the questions raised in this chapter of the Issues Paper. AHURI's evidence base contains very extensive evidence on these issues, and AHURI is happy to liaise directly with the commission on any of these or related issues in which further contextual information is of use.

Homelessness

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

In understanding the effectiveness of Australia's homelessness systems, there are some important distinctions to consider. First, reference to "the homelessness system" is inaccurate - Australia does not have a singular homelessness system. Rather, each state and territory has its own homelessness system, and there is a Commonwealth-State homelessness funding mechanism (the NHHA) loosely connecting them. Each state system is connected to a state strategy, in turn a condition of NHHA funding. While this could be characterised as a form of "federated system", the strategic drivers of each jurisdiction's system are set at a jurisdictional level rather than through a national strategy.

Second, there is a distinction between the effectiveness of the systems and the effectiveness of the services. AHURI research has demonstrated with while there are shortcomings in the systems, the majority of homelessness services are highly effective (Brackertz et al. 2016). There is a system capacity issue that means that, while services do improve outcomes for clients, many remain unable to access housing (Spinney et al. 2020).

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

One area of improvement achieved by the NHHA relative to the previous National Partnership Agreement on Homelessness relates to funding certainty. The recent history prior to the NHHA was short term (1 year) renewals of the NPAH, which were frequently only ratified in March, for funding commencing in July. When the flow of funds from Commonwealth to states is uncertain, the causal sequence means state contracting of services and programs cannot be secured until very close to the end of the financial year. This had a range of adverse impacts, aside from program funding uncertainty, including impeding workforce recruitment and development (Brackertz et al. 2016).

Prior to the negotiation of the NHHA, AHURI worked with the HHSON to consult widely with homelessness sector stakeholders and policy makers, and recommended incorporating Commonwealth-state homelessness funding into the longer-term housing agreement (then the NAHA), with dedicated homelessness funding ringfenced within the new agreement (Brackertz et al. 2016). This is essentially the structure reflected in the current NHHA.

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?

During 2020, state and territory governments responded rapidly to the pandemic with a range of housing and homelessness policies and programs (Mason et al. 2020). Initial homelessness responses were largely focused on accommodating rough sleepers in hotels. Subsequent initiatives have focused on the transition of these formerly homeless people out of hotel accommodation into more permanent (often supported) housing. AHURI is actively involved in evaluations of a number of these programs, though it is too soon to measure outcomes beyond the immediate data on numbers currently accommodated.

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

The issues paper includes a question as to "What changes should be made to homelessness *services* to improve outcomes?" (emphasis added). AHURI believes that changes to individual services and programs is beyond the remit of the NHHA. Rather, the NHHA is focused on homelessness *systems* in each jurisdiction. There is a potential conflict between the requirement for locally appropriate state level strategies, and national priority homelessness cohorts and policy areas.

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

While the NHHA (Clause B3) allows for state strategies to include additional priority cohorts beyond the national cohorts identified in Clause B2, the is no provision for the omission of national priority cohorts in states where these cohorts may not present as a priority. Although the list of cohorts in the current NHHA are likely to be common to all jurisdictions, there is a risk that including more priority cohorts at a national level may lead to conflict.

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?

There are significant opportunities to improve homelessness data. The work of the HHDWG includes a strong emphasis on homelessness data. Previous sections of this submission (Outputs of the agreement; performance monitoring and reporting) include comments on this work.

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

AHURI also draws the Productivity Commission's attention to the Parliament of Australia's House of Representatives Standing Committee on Social Policy and Legal Affairs *Inquiry into Homelessness in Australia*, and the submission provided by AHURI to that inquiry (AHURI, 2020).

Social housing

> **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?**

The social housing sector operates in a resource constrained environment. Social housing pathways are clearly impacted by the lack of housing stock that is fit for purpose and a lack of viable alternatives to social housing, namely a shortage of affordable, safe, and secure private housing. Other key influences include the jurisdictional context; the long social housing wait lists, which have led to priority needs assessment and an increase in households in social housing with complex needs; and the state of the private rental market (Powell et al. 2019).

Several of the policies affecting social housing pathways are strongly influenced by a need to manage social housing waiting lists, rather than ensuring positive outcomes for tenants and their households. AHURI research has shown that this is not primarily a result of operational policies, but of the wider policy environment. In thinking about policy development options and reimagining social housing pathways, a focus on positive outcomes for tenants and households should be the priority (Powell et al. 2019).

The final report on the AHURI Inquiry into understanding and reimagining social housing pathways, *A pathway to where?* (Muir et al. 2020), presents extensive research on entry into and successful exit from social housing. The report notes that housing policy has been constructed about managing social waiting lists rather than ensuring positive housing outcomes – many who exit go back in rather than "move up the housing continuum" (Muir et al. 2020).

Successful exit from social housing is context dependent (e.g., where the tenant is labour market active and able to sustain private rental tenancy). Only 5-10% might exit successfully but there are few secure tenure options available (see Baker et al. 2020a).

Other AHURI research has investigated the role of housing assistance (e.g., social housing) on individuals' incentive to work or on other employment decisions. This research found that reforms to improve work incentives would have negligible influence on employment rates for public housing residents (Cigdem et al. 2017).

> **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?**

AHURI has recently examined the social and economic benefits of social housing by examining the return on investment for social housing in the ACT, finding that

> social housing is a key piece of social infrastructure that supports the goals of social inclusion, participation, place making, and economic productivity. Those housed in social housing often experience improvements in their health, safety, and sense of empowerment. While society benefits broadly from public investments in these forms of infrastructure, governments can also benefit through capturing savings in costs associated with health, justice, and welfare services. (Davison et al. 2020, p. 2)

This research went on to demonstrate that providing more long-term social housing has the potential to result in significant cost savings to government.

Previous AHURI research found that the provision of stable public housing for people experiencing or at risk of homelessness results in reduced health service use (in terms of the number of people and the frequency and duration of use), and associated cost savings to the health system and public purse (Wood et al. 2016). The research found that provision of stable housing with support should be a first priority to improving not only housing outcomes, but health outcomes (and consequently reducing health care costs), particularly for individuals who experience mental ill health. The findings support the role of public housing as a foundation for non-shelter outcomes and, in particular, health outcomes.

> **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?**

AHURI research demonstrates that public housing has gone through major transformations in recent decades (Groenhart and Burke, 2014). Its original roles encompassed working family affordability, urban renewal, economic development, and decentralisation. More recently public housing has shifted focus to serve as a housing safety net for high needs households. Reductions in funding levels, in eligibility and allocations policy, and in asset management strategies have contributed to changing the role of public housing, along with a shift toward highly targeted welfare models.

Areas with lower concentrations of social housing are associated with higher mental wellbeing and satisfaction with safety and the neighbourhood across tenure groups (Parkinson et al. 2014). Social housing is becoming less concentrated in particular areas, with a trend toward mixed tenure developments and neighbourhoods.

> **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?**

Financial sustainability of the social housing sectors is dependent on subsidy levels and access to land. In practice, the financial viability of individual developments that include social housing are reliant on developers drawing on diverse funding sources (Randolph et al. 2018). For example, delivery of housing for mixed tenure (and development at scale) is helpful for viability as well as for tenure mix.

The Community Housing sector has been growing in scale and profile for a number of years (Milligan et al. 2017). A significant proportion of community housing growth has been driven by stock transfer from public housing. Stock transfer in Australia has been generally limited to management transfer rather than ownership transfer (Pawson et al. 2016). Increasingly, new stock is developed through partnerships involving commercial developers, state governments, or both. To achieve greater growth in social and affordable housing supply, AHURI research indicates that a holistic national housing strategy is needed, integrating different settings across subsidies and grants and policy levers across a continuum of needs (Gurran et al. 2018).

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

The contribution of the NHHA to the functioning, transparency and accountability of the social housing system is unclear. As noted above, the NHHA follows a substantial history of Commonwealth-State agreements, and while it differs in explicitly positioning social housing responsibility with the states rather than as a shared responsibility, the social housing system is not transformed by the most recent agreement. The increased focus on accountability of the states does not radically change social housing system functioning, and in practice the accountability is similar to previous agreements. The Data Improvement Plan, under the HHDWG, continues to work toward better social housing data.

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?

Since its establishment in 2018, the role of NHFIC has continued to be modified, with amendments to the investment mandate in 2018 and 2019, and a Review conducted in December 2020-January 2021. The core bond aggregator function is well developed, and was the subject of a number of AHURI reports in the years prior to establishment of NHFIC and the AHBA (see, for example, Lawson et al. 2012; Lawson et al. 2014; Lawson et al. 2018).

NHFIC has the potential to improve housing outcomes through social bonds, to the extent that Community Housing Providers (CHPs) are constrained in undertaking new construction, or new construction at scale, due to lack of finance. AHURI research has found that CHPs raise commercial debt to finance construction, fund turn-key acquisition, or refinance existing loans (Muir et al. 2017). The AHURI research found that construction finance is much higher in risk for the lender due to non-completion hazards. This research identified that: "some community housing organisations' debt facilities covered a construction period for two years, converting to an operating loan upon project completion" (Muir et al. 2017: 31).

However, participants in an AHURI Investigative Panel reported that construction finance is in general difficult to secure in Australia (Milligan et al. 2013), and this has driven many CHPs toward purchasing turn-key developments from the open market rather than constructing their own purpose-built housing (Lawson et al. 2014). The construction of new housing stock by public and community housing providers continues to be modest in Australia.

Provision of government grants and guarantees are important to facilitating finance, particularly for smaller CHPs that have more difficulty attaining financing that large CHPs. AHURI research has shown that CHPs who had raised construction-period finance found that significant government funding of development costs had unlocked banks' willingness to lend. Banks derive comfort from the understanding that the government will intervene to stave off or respond to a borrower default, even if this pledge is explicitly limited to nominating another CHP to step in (Lawson et al. 2014). A key role of intermediaries such as the NHFIC should be to assess the risks and benefits of applications for borrowing money from individual CHPs. For the system to have credibility and accountability, CHPs and regulators need to have: "high calibre and professional expertise in financial management". Management also requires "adherence to clear and appropriate commercial benchmarks for solvency ratios, interest rate cover and equity to be eligible for any guarantee" (Lawson et al. 2014: 17).

To date, AHBA loans have been awarded to large scale CHPs, providing them with more favourable financing than they might otherwise attain. However, these organisations would have been able to gain financing in the absence of AHBA. To maximise the benefit of AHBA loans in generating new supply, NHFIC might consider targeting AHBA loans to some of the smaller CHPs that are less able to negotiate favourable loan conditions from commercial lenders.

AHURI research has concluded that a condition of any guarantee is that the Commonwealth Government would need to give a clear commitment to continuity of funding eligible tenants, for example via CRA, and the term of the guarantee, so that potential investors can be confident of a pipeline of future bond issues. NHFIC could negotiate and sign an overarching agreement with government(s) offering an issue-specific default guarantee on bonds issued by the Agency. The clear commitment to policies and programs ensures a stable operating environment, such as adequate supply incentives and revenue side subsidies (Lawson 2014). In short, long term policy continuity in maintaining the government guarantee is crucial to the continuing success of the AHBA.

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

Regulation of the community housing sector is managed at state level. The National Regulatory System for Community Housing (NRSCH) is enacted through legislation by each state (except in Western Australia where a policy framework is implemented, and Victoria, which uses a separate regulatory system). In 2019 AHURI completed stakeholder consultations across Australia for a review of the NRSCH. There was near unanimous agreement that regulation is necessary and valuable for community housing (AHURI 2019a).

Accountability of NRSCH to a Housing Ministers' Council was part of the original NRSCH design but was not implemented due to the disbanding of this council under COAG. Stakeholders put forth the view that the absence of this accountability has contributed to fragmentation and inconsistency in NRSCH implementation, and the separate Victorian system (AHURI 2019a).

Many CHPs indicated that the Tier structure of the NRSCH has restricted Tier 2 and 3 organisations' (or *housing providers* in Victoria) ability to grow, to access stock transfers, and to access competitive rates on financing—including through the NHFIC. As such, the Tier systems (NRSCH and Victorian) operate as a barrier to growth and prevent an even playing field (AHURI 2019a). Organisations at both Tier 2 and Tier 3 indicated that there was little information available on how to move between tiers.

Clear feedback from the consultations was that the federated, jurisdictional model was not working. Efforts to harmonise systems in different states and territories have not been effective. A unified national regulatory system is strongly preferred by stakeholders (AHURI 2019a). An important distinction is that a developing a unified national system does not mean transferring the system to the Commonwealth, away from the states and territories. The expressed preference of stakeholders is a consistent national approach, rather than a commonwealth approach. The requires the coordination and cooperation of the Commonwealth and the states.

Through the consultations for the NRSCH Review, stakeholders supported a "modular" assessment system, based on organisational profile. This profile would include the registered provider's service focus, tax status, funding streams and geography (remote / regional / metropolitan). This approach would support potential benchmarking opportunities, based on market segmentation. The modular assessment approach is similar to NDIS reporting standards, which operate in a segmented fashion. The Scottish Housing Regulator uses a similar approach—assessing both Registered Social Landlords (RSLs) and the housing and homelessness services provided by local authorities (AHURI 2019a).

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

While the COVID-19 pandemic triggered a wide array of housing policy responses, social housing providers were relatively stable. As with prior economic downturns, social housing construction was strongly supported as a key mechanism for economic recovery (Mason et al. 2020).

Most state governments committed new or expedited funding for maintenance and upgrades of existing social housing stock as a form of "shovel ready" economic stimulus. Five states expedited or committed new funding to increase supply of social housing to stimulate construction and, in some cases, meet the needs of those housed in temporary accommodation to support "housing first" models (Mason et al. 2020). There was no new direct allocation of funding for social housing by the Commonwealth, which contrasts with previous economic downturns, including most recently the Global Financial Crisis (GFC), where $5.2b was allocated to the Social Housing Initiative (SHI) (Pawson et al. 2020).

The focus of the NHHA is fundamentally on social housing. The future agreement should be focused on the means to address issues that AHURI research has raised in relation to these questions from the Issues Paper. Tackling the considerable issues that have emerged in public and other social housing provision should be a focus of the NHHA, with Commonwealth and state governments agreeing on a range of specific goals that are both achievable and ambitious.

Affordable housing and assistance for low-income renters

It is important to understand that the support provided through affordable housing programs and portable assistance programs (such as CRA) are quite different. CRA is a "demand side subsidy", a form of housing assistance given to the consumer (i.e., a tenant or home buyer) of housing to "boost their effective purchasing power in housing markets", and not to the providers of housing, such as a social housing provider or to a financier to lower the cost of providing housing (Hulse, 2002).

Even with substantial investment in supply-side intervention, it is still difficult to fully assess the impact of most strategies for a number of reasons. The long-term trend of declining social housing stock and the substantial waiting lists for social and affordable housing are factors, as are the lead times for development of replacement stock (Greenhalgh et al. 2004).

A strategic approach to national housing policy issues requires a balance of demand-side subsidies that attempt to make housing more affordable for individual households with supply-side alternatives.

> **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?**

The level of subsidy at a household level is significantly greater through affordable housing programs than through CRA. However, there is more demand than supply of affordable housing. Narrowing eligibility and long waiting list times limit the benefit of supply side solutions for many clients, even when eligible in priority categories.

While a smaller subsidy at household level, the broader eligibility, and the portability of CRA is advantageous in terms of allowing tenants greater mobility, which is beneficial for employment outcomes (Cigdem et al. 2017).

Both the NHHA and NHFIC's AHBA seek to improve supply of social and affordable housing. While progress is being made, there remain very significant shortfalls across the country. The pattern of social housing providers broadening their portfolio to supply affordable housing improves the financial sustainability (and contributes to social mix of developments – see Atkinson (2008)). Further, it is essential to allow households to transition out of scarce public and social housing and into the private rental sector, and for those households already in the private rental sector who are struggling to pay market rents (Rowley et al. 2016). However, this as social housing providers increasingly expand their remit to include affordable housing, within existing constrained resourcing, there is potential risk associated with resources being directed away from housing the most vulnerable.

> **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?**

As noted in the Issues Paper, there are real concerns about the adequacy and targeting of CRA. AHURI research has demonstrated that cost-effective reforms of CRA could improve housing outcomes for low-income renters (Ong et al. 2020). This research considers a range of scenarios to improve CRA performance, including reform as a Commonwealth-State and Territory program (with the Commonwealth making grants to state and territory governments to pay Rent Assistance to eligible persons). Changing CRA eligibility to reflect housing need would achieve substantial affordability improvements, and reverse the trend for increasing cost to the Commonwealth - instead generating an annual cost savings of $1.2 billion (in 2018-19 dollars).

Widespread housing assistance in the form of demand-side subsidies to tenants, has the potential to result in *landlord capture* (i.e., demand-side subsidies being capitalised by landlords into higher rents – see Brackertz et al. (2015)). However, the limited spread of CRA across the private rental system, and the modest level of assistance at a household level, make this unlikely.

Another impactful approach to strengthen the supply of affordable rental housing can be seen in the National Rental Affordability Scheme (NRAS) (discontinued in 2014), which sought to stimulate the supply of affordable rental housing for low- and moderate-income earners.

In less than six years, NRAS delivered 34,000 dwellings across a variety of housing types including apartments (39%), separate houses (22%), studios (17%) and town houses (22%). These dwellings were delivered in suburbs with a range of socio-economic characteristics and with generally good-quality transport infrastructure. Allocation decisions were a combination of financially feasible project applications and state government directed housing priorities, and the approach worked well in delivering quality spatial outcomes. Subsidising rents to 20 per cent below market levels, the model adopted by NRAS not only increases the number of suburbs accessible to income-eligible households but, if such a discount were available to all eligible households, would lift a third of them out of housing stress (Rowley et al. 2016).

NRAS was an effective supply stimulus, delivering tens of thousands of units in a relatively short timeframe. However, much critical attention was focused on administrative issues in some locations, including some poor targeting, and NRAS was discontinued in May 2014, at a time when private-sector investor confidence was building (Rowley et al. 2016).

Strengths of the scheme included: the ability to combine subsidies from a variety of sources; the level of engagement from the community housing sector and from private investors, particularly in the later rounds; the variety of dwelling types and sizes delivered; and the level of innovation it generated within the industry. The weaknesses were largely operational issues in its administration, and the 10-year time frame.

While the design of NHFIC's bond aggregation draws on lessons from NRAS, there is scope for an improved version of the program, which would consider need to consider substantially longer time periods. International experience has demonstrated the utility of tax credits in attracting largescale institutional investment, and the NRAS scheme offers a way forward in an Australian context.

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

AHURI research has investigated the role of private rental brokerage services in supporting housing outcomes for vulnerable households in the private rental market. Private Rental Brokerage Programs (PRBPs) are found across Australia's system of housing supports, and aim to assist low income, vulnerable clients to access and sustain private rental market tenancies. AHURI's research has found PRBPs are adaptable and responsive to local client and market needs (Tually et al. 2016).

PRBPs are typically not identified as housing assistance measures in national data collections, so are an underappreciated facet of the shift to private renting in the housing research literature. However, PRBPs appear to be successful in assisting "rental ready" clients to access tenancies in the private rental market (Tually et al. 2016).

The private rental market

> **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?**

While fundamentally outside the remit of the NHHA, the issues paper raises a number of points in relation to private rental markets in Australia. Across Australia, private rental markets have experienced strain, with extremely low rental vacancy rates in late 2021 and early 2022. This has significantly impacted regional communities, where availability of rental stock has impacted on employment markets as lack of availability of housing close to regional employment opportunities serves as a disincentive for those employment opportunities.

The NHHA does not systemically address private rental markets, instead being focused on housing assistance and subsidy. Inclusion of rental markets in the NHHA would be a very significant expansion of scope, when the current NHHA does not report on programs such as CRA.

AHURI research has charted changes in the supply of affordable—and affordable and available—private rental housing for lower income households in a sequence of reports using Census data every five years since 1996 (see e.g., Hulse et al. 2019; Hulse et al. 2014; Wulff et al. 2011; Yates et al. 2004). While this work is continuing, the most recently published report in this sequence identified an acute and growing shortage of affordable—and affordable/available—private dwellings for households in the bottom 20% of income distribution, particularly in metropolitan areas (Hulse et al. 2019). This research demonstrates ineffective functioning of Australia's private rental markets in terms of achieving available and affordable options across a distribution of price points (Hulse et al. 2019).

Rental markets in rural and regional areas have also experienced housing affordability problems. Poor affordability undermines regional economic development and exacerbates social inequalities. Poor affordability in housing markets is driven by factors common to metropolitan markets, such as rapid population growth. However, it is also influenced by factors peculiar to regional areas, such as lack of scale economies and local geographic factors that limit housing development (Beet et al. 2011).

AHURI has conducted a comprehensive analysis of the private rental sector, exploring the interplay between regulation, organisations and structures, and social norms and practices of prevailing policies, as well as the impact of innovation and digital technology on the sector (Hulse et al. 2018).

Australia's private rental sector grew by 38 per cent over the 10 years to 2016, more than twice the rate of household growth. There are now more private renters on lower and higher incomes, more households with children; more households renting at mid-life, and more long-term renters (10+ years), as well as households in a wide range of other circumstances, including international students and new migrants (Hulse et al. 2018). It is increasingly recognised that Australia's private rental sector is not "fit for purpose" for a changing and expanding role, being grounded in its historical role as a transitional sector where people moved on from rental housing to home ownership.

> **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?**

Residential tenancy laws have undergone substantial reform in a number of jurisdictions during the NHHA period. Some of these reforms have directly addressed inadequacies of the private rental system in accommodating tenants for long periods (i.e., over 10 years) by providing stronger support for keeping pets in private rental, and other liveability measures. Support for longer leases has been a feature of several reform agendas. Work to evaluate the impact of these tenancy reforms is continuing.

> **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?**

There are longstanding concerns about the relatively large proportion of landlords who are in the sector for only short periods, contributing to insecurity across the sector and a focus on capital gains for investors (Hulse et al. 2018). There has been interest for a number of years in institutional investment in residential property. This includes mechanisms such as NHFIC's bond aggregator channels institutional investor funding into community housing (Lawson et al. 2012; Lawson et al. 2014; Lawson et al. 2018).

The "build to rent" model focusses on increasing the supply of rental housing through improving investment options and outcomes for institutional investors. As such developers and their financiers build multi-unit buildings and, instead of selling the units, retain them to rent to tenant households (AHURI 2019b). Rents may be set at market rents or, for affordable housing, an appropriate discount to market rents could be offered with appropriate government support to make up the funding gap. "Build to rent" is an established practice in both the UK and USA but its adoption in Australia has been more gradual.

Large Corporate Landlords (LCLs) are different in that they are financial institutions that acquire large numbers of dwellings and make them available to the rental market, or potentially at a discount to market rents for low-income tenants if appropriate government support is provided (Martin et al. 2018). LCLs don't necessarily build new housing stock, they can purchase properties in the market or through mergers and amalgamations with other LCLs. Indeed, the largest LCL in the USA, Mid-America Apartments, (99,939 apartments in 2017) was created in 2016 through the merger of two smaller LCLS that had each been established in the 1970s.

In essence, once the building phase is completed, "build to rent" developers may become LCLs in their own right. However, the skills and expertise in managing a tenant base are not the same as the skills required to obtain finance, design, and construct a large residential building. "Build to rent" building developers may therefore merge with (or sell their buildings to) LCLs with a professional history of managing rental dwellings (AHURI 2019b).

Proponents claim LCLs and "build to rent" schemes offer greater supply of rental housing, greater security of tenure for tenants, and better professionalism in tenancy management than small scale "mum and dad" landlords. However, these models have also been criticised in other countries for maximising rent increases and for evicting tenants *en masse* (AHURI 2019b). Successful implementation in Australia of the "build to rent" and LCL models will require adequate regulation to ensure the proposed benefits and a better housing experience are properly enjoyed by tenants.

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

The COVID-19 pandemic has impacted private rental systems in many ways. The pandemic exacerbated vulnerabilities such as poor housing quality and location; housing affordability; energy poverty and a range of social, mental, and physical health conditions. Set against this were a range of policy interventions, ranging from financial payments and guidelines around housing costs relief, to policing of the restrictions on movement and social distancing, to cleaning and sanitising. These brought significant challenges and responses inside homes and also had significant knock-on effects upon relationships and mental and physical health (Horne et al. 2020)

The financial challenges and uncertainty were very stressful for many tenants (Oswald et al. 2020). AHURI research indicated that there were higher stress levels in tenants than in landlords: almost one third (32%) of tenants reported that they often felt they were unable to control important things in their lives, compared to 15 per cent of landlords (Oswald et al. 2020). Despite this, other AHURI research found that less than 30% of tenants requested or planned to request rent alteration, and many of those who did make such requests were denied rent alterations (Baker et al. 2020b).

Challenges for landlords primarily revolved around economic wellbeing: reporting they had reduced rental income due to changes in the rental market, and had reduced spending to compensate for the heightened risk of losing tenants or having reduced rental income. The analysis found that there were two clear groups of landlords; those who were willing to consider financial assistance for their tenants, and those who were against this (Oswald et al. 2020). Many landlords reflected that during the pandemic everyone needed to be more accommodating and make sacrifices, and that they had a role and responsibility for the wellbeing of their tenants. Those landlords who had resisted reducing rental payments had concerns around their own financial position, such as the need to continue to service their own mortgages or for landlords who were retired.

While the housing policy interventions of 2020 were largely removed by late 2021, rental markets continue to show disruptions, with extremely low vacancy rates in most parts of the country. It is not clear to what extent lack of availability, and increased unaffordability, will endure.

Home ownership

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?

The NHHA has minimal direct support for home ownership. While some commonwealth and state government programs supporting home ownership (particularly first home ownership) may be broadly consistent with the objectives of the NHHA, they sit outside the remit of the agreement.

There may be merit in greater accountability of programs such as first home loan deposit schemes (managed through NHFIC), the various shared equity programs managed by state governments, and first homeowners grant schemes. However, these programs exist outside the NHHA as it is currently framed.

A wide array of programs has been implemented to support first home ownership. AHURI is currently conducting an inquiry into the economic, social, demographic and policy developments that have impacted on transitions into home ownership by Australians over time. The research will consider how financing home ownership has evolved and the implications of alternative policy options for the housing pathways of Australians.

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

Recent AHURI research examined home ownership trends since World War II. Despite the challenges of Australia's changed institutional environment since the late 1970s the overall home ownership rate has held up well to date; it was at 67 per cent in 2016, only marginally less than the 68 per cent of 1976. The steady ownership rate over this period is largely attributable to Australia's ageing population (Burke et al. 2020).

However, there appears little chance of Australia sustaining home ownership at current levels. The rate is projected to decline by 2040 to around 63 per cent for all households, and to not much more than 50 per cent—down from 60 per cent in 1981—for households in the 25–55 age bracket. Declines in ownership seem likely by virtue of attributes of the Australian labour market, issues of affordability, and the growth of the private rental sector, underpinned by favourable tax provisions and a housing industry now increasingly path dependent on the private rental sector (Burke et al. 2020).

The projected declines mean Australia will no longer be a near universal ownership society, instead becoming a dual tenure society of ownership and rental (both private and social). This will require a substantial rethink and redirection of housing and related policy, with a particular focus on how to achieve greater security, affordability, and liveability of private rental (Burke et al. 2020).

AHURI modelling predicts an increasingly tenure polarised population. Outright ownership status will be attained later in life and at lower real incomes. Mortgagors will have a relatively younger age profile and higher real incomes. Renters will fall further behind in terms of employment, real incomes, and health (Ong et al. 2019. There are also important socio-economic implications of the generational and wealth divide between owners and renters. This will require new policy instruments that give renters the opportunity to create wealth, and/or processes to redistribute some of owners' asset-generated wealth (Burke et al. 2020).

The policy implications of increasing numbers of households reaching retirement in the private rental system or with mortgage debts are significant, since these pressures appear to prompt such households to draw down on their superannuation wealth to meet their housing costs rather than meet spending needs in retirement. If superannuation balances are being run down to pay for housing costs rather than meet spending needs in retirement, there will be growing pressure on the age pension system (Ong et al. 2019).

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

Impacts of the pandemic on housing construction have been well documented. Initial supply chain issues seen during the HomeBuilder period have been followed by global supply chain challenges, creating delays and cost increases for residential construction. Population dynamics during this period have seen increased pressure on regional markets.

AHURI research used Tasmania as a case study to examine how the pandemic affected regional housing markets and communities. As with all regions in Australia, there were distinct differences across, and sub-economies within the state. The capital city area of Hobart had some features common to other capital cities including a more expensive housing market. Regional housing markets experienced few serious consequences during the initial pandemic period and have behaved quite differently to those in capital cities, most likely due to regional living being perceived as "safer" than cities in a pandemic (Verdouw et al. 2020). At this stage it is unclear whether higher housing demand in regional areas will be enduring or short-lived.

Housing outcomes for Aboriginal and Torres Strait Islander people

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?

Indigenous[1] housing is an enduring policy problem in Australia, too often viewed from a deficit perspective—focussing on what contributes to poor housing outcomes among Indigenous people, rather than what contributes to success (Moskos et al. 2022). Indigenous housing careers are therefore dominated by rental, not ownership (Birdsall-Jones and Corunna, 2008).

Rather than being based on typology of location (urban, regional, remote), Indigenous people's housing aspirations differ according to where they are located on their housing pathway (Moskos et al. 2022). Definitions of a successful housing outcomes also vary depending on whether people are seeking to exit homelessness, attempting to secure social housing or a long-term private rental, or aiming to enter home ownership. Where a person is on their housing pathway will determine what a successful outcome may look like, and the types of programs and supports that can best assist them. A one-size-fits-all approach to Indigenous housing policy and practice will be unsuccessful in supporting people to realise their aspirations (Moskos et al. 2022).

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)?

Land tenure complexities, lower average household incomes and an overall smaller and restricted markets compound challenges for Indigenous housing (Crabtree et al. 2015). Discrimination in private rental markets is a significant barrier to securing a rental lease and to maintaining the lease (Anderson et al. 2018; Maalsen et al. 2021).

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

Australia-wide, one in 28 Indigenous people were homeless at the time of the 2016 Census. The Indigenous homelessness rate is 10 times that of non-Indigenous people (Tually, forthcoming). There is a lack of dedicated services for Indigenous Australians experiencing homelessness in urban areas, despite their acute over-representation among specialist homelessness services. Indigenous-led services need to be supported and enabled to work more closely with housing and homelessness organisations (Milligan et al. 2017; Tually, forthcoming). One of the characteristics of Indigenous homelessness is the extent to which some people move between different forms of housing insecurity and homelessness, effectively cycling through the system rather than progressing through it towards long-term housing. Addressing their needs requires more housing and a more assertive approach to sustaining tenancies (Tually et al. forthcoming).

As mentioned in the introduction to this submission, in the decade prior to the NHHA a National Partnership Agreement on Remote and Indigenous Housing (NPARIH) had the objective that:

> Indigenous people have improved amenity and reduced overcrowding, particularly in remote and discrete communities

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[1] Throughout this submission - unless referring to a type or name of an organisation or the specific words of a quote - the term *Indigenous Australians* has been used. AHURI acknowledges that the terminology used in this space is contested and that the terms *First Nations peoples* or *Aboriginal and Torres Strait Islander peoples* may be preferred by some individuals and groups.

In 2018 this agreement was not renewed. The National Agreement on Closing the Gap has recently, for the first time, included housing among its 16 key national socio-economic targets to improve life outcomes for Aboriginal and Torres Strait Islander people (AHURI 2021b).

The housing target is based on the outcome that "People can secure appropriate, affordable housing that is aligned with their priorities and need", and states that by 2031, 88 per cent of Aboriginal and Torres Strait Islander people will be living in appropriately sized (not overcrowded) housing. Under each of the targets there are indicators that help to provide an understanding of how progress will be tracked.

The National Agreement has been developed in partnership between the Commonwealth and the Coalition of Aboriginal and Torres Strait Islander Peak Organisations (the Coalition of Peaks), and it is understood that its progress will be monitored by the Productivity Commission.

> **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?**

Recent AHURI research has identified that an understanding of both the broader policy levers that impact housing outcomes and the impact of historical policies that have adversely affected Indigenous people are required (Moskos et al. 2022).

Partnering with Indigenous community-controlled organisations is key to ensuring good practice for clients. A one-size-fits-all approach to Indigenous housing policy and practice will be unsuccessful in supporting people to realise their aspirations (Moskos et al. 2022; Tually et al. forthcoming). Housing policies and programs need to be flexible and holistic, with different types of support provided depending on the circumstances of an individual and the housing outcomes they aspire to (Moskos et al. 2022).

The success of Indigenous housing support programs should not be judged simply in terms of housing occupancy, but in terms of the degree to which it the programs meet the needs of support recipients. Indigenous people's housing aspirations differ according to where they are located on their housing pathway, and therefore definitions of a successful tenancy also vary.

While Indigenous culture is dynamic and has accommodated many aspects of western lifestyles, many customary behaviour and cultural practices also remain and have impacts on the design (and costs) of housing in remote Indigenous communities (Fien et al. 2007). Early AHURI research examined flexible guidelines for remote Indigenous community housing design (Fein et al. 2008) and governance (Jardine-Orr et al. 2004).

As well as having a place to live, tenants should be afforded the capacity to develop their personal lives and improve their circumstances to ensure that their tenancy can be sustained (Cooper and Morris 2005). Consequently, housing policies and programs need to be designed to enable the provision of support to tenants to both sustain their tenancies and to achieve improvements in their lives (Habibis et al. 2007).

Current regional and remote Indigenous housing stock is unable to provide consistently healthy and comfortable indoor environments. Operating and maintenance costs are three times greater for remote housing than in capital cities, so developing strategies to reduce these costs is a key goal (Lea et al. 2021).

Community Land Trust models (CLTs) have resonance with Indigenous housing aspirations, particularly with regard to diversifying tenure options beyond social rental housing without rendering Indigenous households, communities, or organisations vulnerable to unacceptable risks or involving permanent alienation of landholdings. CLTs are private, not-for-profit entities that steward property for the dual purposes of perpetually affordable housing and community benefit. That broad definition positions these as forms of community housing providers, and allows for flexibility and adaptability in CLT programs and activities such that CLTs can (and do) provide a range of housing options from affordable rental housing through to cooperative housing and resale-restricted home ownership. Most CLTs provide a mixture of tenure options in response to the identification of gaps in the local housing market (Crabtree et al. 2015).

AHURI is currently pursuing a research brief to understand ways to support the greater inclusion of Indigenous perspectives, knowledge and traditional practices in urban policy, and the processes of urban growth and change. This research brief recognizes that Australia's cities are Indigenous places, and a significant proportion of Indigenous people live in urban areas. There is growing awareness of the need to better acknowledge the Indigenous history of Australia's urban places. Acknowledging the historical and present practices of dispossession of the traditional custodians of the land on which Australian cities stand is essential for reconciliation (Reconciliation Australia, 2021). The inclusion of Indigenous perspectives, knowledge and traditional practices could greatly benefit Australian cities policy and the planning of Australia's urban future.

Best practice in tenancy support includes ensuring programs are delivered by Aboriginal-controlled organisations or at least in partnership with them, empowering tenants through education about their rights and responsibilities, and the adoption of early intervention and outreach approaches (Moskos et al. 2022). Tenancy support programs that have a flexible approach to service delivery, experienced and dedicated program staff—with the employment of local Indigenous workers particularly highlighted—and effective links with broader service providers to enable wraparound supports facilitate successful tenancies.

Other recent AHURI research has explored what is required for sustainable Indigenous housing in regional and remote Australia to deliver positive health and wellbeing outcomes for householders, so that housing stock is maintained at high levels over time and is designed with climate change challenges in mind. Current regional and remote Indigenous housing stock is unable to provide consistently healthy and comfortable indoor environments (Lea et al. 2021). Operating and maintenance costs are three times greater for remote housing than in capital cities, so developing strategies to reduce these costs is a key goal. The adoption of life-cycle costing (LCC) frameworks offer potential to reduce expensive responsive repair work while guaranteeing amenity to householders. An LCC framework requires thinking of the lifespan and benefits of a structure within which savings might be derived by strategic investments (Lea et al. 2021). Attention to climate change is not yet a feature of Indigenous housing programs, with inadequate funding and attention paid to climate preparedness in new builds, refurbishments and retrofit programs. This is despite the impact of extreme temperature on both householder wellbeing and health hardware (Lea et al. 2021).

> **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?**

Indigenous Australians are identified as a national priority homelessness cohort (Clause B2(c)). Improved housing outcomes for Indigenous Australians is one of the aspirational, overarching national outcomes the NHHA is expected to contribute to (Clause 15(d)).

The National Performance Indicators include contributing to progress towards an increase in the proportion of Indigenous Australians purchasing or owning their own home (Clause 31(n)), and disaggregation of each national performance indicator (where appropriate) to identify Indigenous Australians and other priority homelessness cohorts (Clause 32).

Beyond these high-level aspirations, the NHHA does not address specific actions or targets, and as discussed in the introduction to this submission, the National Partnership Agreement on Remote Indigenous Housing (NPARIH) lapsed in 2018 and was not part of the new NHHA. While the Closing the Gap framework now recognises housing outcomes as foundational, inclusion within the scope of NHHA would improve accountability for this area of significant need. NHHA objectives and actions do not clearly specify housing outcomes for Aboriginal and Torres Strait Islander people and communities.

While there are some bilateral agreements operating in some states and territories, the absence of a national agreement, and the national accountability it would ensure, is notable. AHURI research late in the NPARIH period (2008-2018) reviewed the progress and achievements of tenancy management reforms to remote Indigenous housing accompanied NPARIH. While the research was not a review of NPARIH (including some consideration of non-NPARIH communities) it nonetheless examined improvements made in this period. During this time, state housing departments made considerable progress in implementing public housing like tenancy management standards to some remote Indigenous communities. Where NPARIH investments took place, this generated some improvements in the lives of tenants. Tenancy management became more systemic rather than crisis driven, and most tenants reported that housing and living conditions improved (Habibis et al. 2016).

While state and territory strategies provide focus at a jurisdictional level on relevant housing issues, there remains a need for a national approach to improving Indigenous housing outcomes. The NPARIH agreement provides a more substantive basis for national action and accountability on Indigenous housing issues.

> **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?**

Social housing is a very significant tenure for Indigenous Australians, with significant over-representation of Indigenous Australians in the homeless population, and barriers faced by many Indigenous people in accessing private rental and home ownership, including affordability and discrimination (Milligan et al. 2011).

Housing and homelessness services need to be provided in ways that are consistent with cultural values and Indigenous aspirations. Mainstream housing policy settings in urban contexts are largely undifferentiated and not responsive to the needs and preferences of Indigenous clients (Milligan et al. 2011). There is scope for more adaptation of policies and local flexibility to allow for cultural values, preferences, and lifestyles and to improve client outcomes.

Strengthening accountability frameworks for all mainstream providers, specifically around outcomes (e.g., successful tenancies) for Indigenous clients, is one priority area for attention. A second priority area is development in each jurisdiction of a culturally appropriate regulatory approach that can assist Indigenous housing organisations to be effective players, linked to a purpose-designed and resourced capacity-building strategy (Milligan et al. 2011).

As part of an AHURI Inquiry into the funding of homelessness services in Australia, AHURI research examined the impact of mixed funding sources on homelessness support for Indigenous Australians. Indigenous Australians are 14 times more likely to become homeless than other Australians, and their homelessness situations are likely to be more severe (Spinney et al. 2016).

At the time of this research (during the NAHA and NPAH period), no federal or state program specifically targets supporting homeless Indigenous people or those at risk of experiencing homelessness. Services for homeless Indigenous people were overwhelmingly "mainstreamed", with SHS funds going to Indigenous organisations but no targeted support or coordination with programs which are targeted at Indigenous Australians (Spinney et al. 2016). The NHHA does not contain actions or targets designed to improve this service provision.

AHURI research has examined the importance of Indigenous housing and the critical role of affordable housing in "Closing the Gap" on Indigenous disadvantage (Milligan et al. 2017). Indigenous housing organisations (IHOs) are responsible for an estimated quarter of all social housing provision for disadvantaged Aboriginal and Torres Strait Islander people. To successfully meet Indigenous housing needs in both urban and remote areas, policy needs to recommit to Indigenous-controlled and culturally appropriate service models. Sector-specific resourcing and capacity-building strategies in mainstream organisations are also critical to improving Indigenous housing outcomes (Milligan et al. 2017).

> **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?**

As noted above, the NHHA pays minimal attention to Indigenous housing, and has largely vacated the ambitions of the NPARIH. While Closing the Gap now recognises the foundational role of housing in many aspects of Indigenous disadvantage, there is little interaction between the NHHA and Closing the Gap. A future NHHA should restore focus and accountability on Indigenous housing and homelessness outcomes at a national level, with support from state-level strategies (see Milligan et al. 2017),

The supply side of the housing market

AHURI questions the relevance of including broader market indicators in the NHHA. Such markers imply support for simplistic arguments that increased supply is the solution to affordability issues.

> **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?**

AHURI research examined the quantity, composition and distribution of new housing supply across Australia between 2006 and 2016 (the latest census data available), building on earlier studies of housing supply in Australia by examining growth relative to starting levels of housing stock and population and seeks to explain variations in local rates of production with reference to both demand and supply side considerations such as population drivers, market cycles, regulatory barriers, and construction costs (Rowley et al. 2020a).

New housing supply is distributed unevenly between and within the Australian states. In cities such as Sydney and Melbourne, new supply has concentrated in high-value inner city localities near transport and employment hubs (consistent with Ong et al. 2017) but in all cities, significant amounts of new housing production are occurring in lower-value outer areas. Across all states there was a fall in the number of three-bedroom dwellings and a rise in the number of four- and five-bedroom+ dwellings. The number of three-bedroom dwellings fell from 47 per cent to 42 per cent of stock while the number of four-bedroom dwellings rose from 23 to 27 per cent (Rowley et al. 2020a). While the planning system can create opportunities for development by zoning land and ensuring that zoning and development controls allow for a range of housing types, decisions about whether and when to develop are ultimately made by the development industry and reflect market factors.

Other supply related data such as housing need (which use modelling of the broader housing market) are more relevant to the overall purpose of the NHHA which is to address market failure for those on low income.

AHURI research has developed a consistent and replicable methodology for housing need assessment that can be used to inform resource allocation and simulate the impact of policy decisions on housing outcomes (see Rowley et al. 2017). Housing need is defined as the aggregate of households unable to access market provided housing or requiring some form of housing assistance in the private rental market to avoid a position of rental stress. Housing need simulations deliver state and territory estimates of housing need through the combination of a number of interacting models.

> **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?**

AHURI does not consider this measure to be useful.

Simple indicators of interpreting national level data should be treated with caution, given substantial variation by location, dwelling type, amenity, and price point.

While increasing house supply is important (as it serves to stop house prices shooting up astronomically), it does not cause house prices to drop to levels that are affordable to lower income households. For example, between September 2011 and March 2017 the number of residential properties in Australia rose by 9.5 per cent, outpacing Australia's population increase of 8.2 per cent for the period. Despite this, the mean value of residential properties rose by 36.5 per cent (from $490,800 to $669,700) in March 2017 (AHURI 2017).

The record numbers of dwellings that have been built over recent years have been overwhelmingly priced in the higher price deciles (i.e., where the value of new dwellings are ranked from lowest (1) to highest (10) prices). AHURI research demonstrated that between 2005–06 and 2013–14 over 80 per cent of approvals for new houses were for properties in the more expensive 6 to 9th price deciles (Ong et al. 2017).

Levels of general housing supply to match population growth are necessary but are not sufficient to address the supply of affordable housing for low-income households. In order to create housing that is affordable to low-income households, an appropriate proportion of new housing supply has to be targeted at those income groups (AHURI 2017).

Planning and land use regulation

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?

AHURI has done extensive research showing how the planning and land use system can be used constructively to leverage affordable housing (Ong et al. 2017; Gurran et al. 2018). There has been some reform in jurisdictions (e.g., Victoria) to allow land use regulations to generate additional social housing supply, but it is unclear how much it has been used as yet.

The relevance of planning and land use regulation to the specific objectives of the NHHA is not clear. This topic is more relevant to a national housing strategy than to the NHHA, particularly given its current transactional, accountability focus. A holistic national housing strategy could drive outcomes across the entire housing system, integrating the different financial settings, subsidies and grants, policy levers and programs to address the continuum of housing needs (Gurran et al. 2018).

The direction of the questions in this section implies a focus on private land ownership, and regulation of the use of it. Publicly held land, whether held by local government, state, or Commonwealth government, should also be considered. A more effective focus might be on public land acquisition and disposal strategies for delivery of NHHA objectives.

The building and construction industry

> **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?**

Clauses 23(d), 23(e), 25(f) and 25(g) of the NHHA are of limited value in this agreement, and it is likely that they could be removed from future agreements with little discernible impact. The purpose in requiring states to report on construction regulation is not clearly connected to the objectives of the NHHA.

> **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?**

The Issue Paper here shifts away from the housing needs of low-income households and the concerns of the NHHA and previous CSHAs, instead reflecting on the wider policy and regulatory ecosystem — beyond the remit of a Commonwealth state funding agreement, a national housing strategy or even housing policy.

AHURI research has shown that there are structural impediments in the building and development industries that impede new housing supply more than regulation (Dalton et al. 2013; Ong et al. 2017; Rowley et al. 2020b). While the government has provided some additional incentives to increase supply through the HomeBuilder program, this is likely to provide only a temporary rather than structural impact on capacity in the industry.

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