

NSW Government submission



Productivity Commission review of the
National Housing and Homelessness
Agreement

18 March 2022

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1

Key messages

Acknowledgement of Country

We, the NSW Government, acknowledge the Traditional Custodians of the lands where we work and live. We celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of NSW.

We pay our respects to Elders past and present and acknowledge the Aboriginal and Torres Strait Islander peoples that contributed to the development of this Submission.

Key messages to the Commonwealth

- NSW welcomes investment through the National Housing and Homelessness Agreement (NHHA), and is using this as effectively as possible, but more is required.
- Dedicated funding is required to support people who have been homeless to sustain long-term housing. COVID-19 stimulus funding for homelessness demonstrated the greater impact more money can have on assisting people out of immediate homelessness, but this does not always equate to long term housing stability.
- Dedicated funds are also required to increase and improve the stock of social and affordable housing.
- Collaboration and effort in housing and homelessness should take into account the shared commitment to Close the Gap and overcoming inequality experienced by Aboriginal and Torres Strait Islander peoples.
- Social housing is already moving to being only available for those on very-low incomes, with around 95 per cent¹ of public housing tenants on Commonwealth Income Support payments and experiencing worsening financial stress and poverty levels over the last 30 years².
- Even with more NHHA funding, there is likely to be a growing gap due to the bigger unaddressed issue of housing affordability in Australia.
- The Commonwealth must take action to address housing affordability to ensure sustainable social housing and specialist homelessness systems.
- A strong governance framework, including national accountability, is required for the NHHA to ensure consistent outcomes across the nation for people in housing need.

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Recommendations

- I. These recommendations look to focus the Review of the National Housing and Homelessness Agreement on areas of priority where governments can together effect meaningful change in the next Agreement.
- II. The NHHA must reflect and be resourced to respond to the broader socio-economic context that drives need for social housing and homelessness services including income levels, employment and educational opportunities and the adequacy of funding and service levels in health, disability services and for senior Australians.
- III. A strong governance framework is required for the NHHA to ensure consistent outcomes across the nation for people in housing need, including oversight by a national Ministerial Council.
- IV. The NHHA must reflect the accountabilities of all Parties to ensure sustainable social housing and specialist homelessness systems that respond to community need.
- V. The NHHA must specifically address Aboriginal and Torres Strait Islander housing demand and need, align to Closing the Gap outcomes, and ensure commensurate resourcing is provided.
- VI. The NHHA should require a national Housing and Homelessness Strategy to be developed and implemented, with an annual Statement of Acquittal in line with State and Territory responsibilities.
- VII. Funding must meet the Federal Financial Relations Principles and funding levels must reflect increasing need for social housing and homelessness services.
- VIII. Dedicated funding is required to support people who have been homeless to sustain long-term housing.
- IX. Dedicated funding is required to increase the stock of social and affordable housing and quality of existing dwellings.
- X. The long-term impacts of the COVID-19 pandemic need to be jointly understood and addressed by all Parties.
- XI. Performance measures must be comparable across jurisdictions and must support delivery of outcomes for clients and dedicated funding is required for data improvement.
- XII. Historical housing debt should be treated equally across jurisdictions and could be redirected to delivering social housing.
- XIII. Commonwealth Rent Assistance should be reviewed, including consideration of extending access to public housing tenants.
- XIV. The Commonwealth must fully fund its obligations to older Australians and people with disability, including those living in state government housing.
- XV. Commonwealth taxation and funding settings that constrain housing supply should be reviewed with the intention to modify where appropriate.

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Introduction

Stable, affordable housing is critical to economic security, physical and mental wellbeing, and facilitates access to jobs and services³. Consequently, housing is essential to support rising living standards.

The NHHA commenced on 1 July 2018, setting out the roles and responsibilities of the Commonwealth and states and territories in improving housing outcomes in providing housing and homelessness services. It also identifies nationally agreed objectives, outcomes and performance indicators.

The Agreement will expire on 30 June 2023 and can be replaced with further terms of up to five years. The Agreement requires a completed review by the Productivity Commission no later than 30 June 2022 (though this can be altered by agreement between the Parties).

The Department of Communities and Justice (DCJ) led the development of the NSW Government submission, which combines input from NSW Treasury, NSW Fair Trading and the Department of Planning and Environment, which includes the NSW Land and Housing Corporation (LAHC), the Aboriginal Housing Office (AHO) and the Housing Strategy unit.

The NSW Government welcomes the review and this opportunity to provide input.

COVID-19 and natural disasters have exacerbated entrenched disadvantage

The COVID-19 pandemic and recent natural disasters have significantly affected people with low social capital who are already disadvantaged by issues such as poverty, low income, homelessness, long-term unemployment or under-employment, disability, and domestic and family violence. These people are more likely to feel the effects of the pandemic⁴ and disasters such as the flooding on the NSW north coast. Their increased vulnerability to both physical and mental illness marginalised them further. For example, the pandemic put women at greater risk in their homes, and women experienced negative impacts to their financial security, particularly those on average and lower incomes.

The COVID-19 pandemic has exacerbated decades of housing affordability pressures for individuals and families across the housing continuum, particularly for low-income households who cannot access affordable private rental housing or attain home ownership⁵. Regular record-breaking bushfires and floods further reduce availability of affordable housing stock, with the current NSW floods making around 2000 homes and business unfit for use⁶. Over the past two years, the number of Priority Applicant Households on the NSW Social Housing Register has increased by 29 per cent.

COVID-19 has resulted in a 'new vulnerable' which includes people on higher incomes who are interacting with the community service sector, often for the first time.

The pandemic's effect on housing and homelessness was inevitable, given its dual effects on the economy and public health, and the cumulative impacts of the resulting social disadvantage. For example, income loss often results in housing stress and homelessness. Higher rates of mental distress and an inability to provide adequate care for dependents are linked to housing stress and homelessness, making an integrated approach to supporting people during the economic downturn critical.

The needs and expectations for services will change, especially as NSW's population ages and the economy evolves. Communities, families, children, and young people across NSW will continue to need government support to recover from the impact of housing affordability, entrenched disadvantage, natural disasters, job, and income losses. This requires a strong partnership approach between federal, state, and local governments and the community sector⁷.

At the same time, economic considerations have threatened the community sector and its capacity to assist. The additional demand, changing operating environment and reduced income (through drop off in philanthropic funding, fundraising and other revenue generating activities) has placed the community sector under significant pressure. This has affected the community sector's ability to

continue delivering essential services, meet new areas of demand, coordinate and deliver effective services, and remain financially viable⁷.

The pandemic has demonstrated the importance of a strong service sector, grounded in community connectedness, and able to operate flexibly and responsively to unexpected developments⁸. A strong and adequately resourced community sector will be in a better position to support increasing demand due to rising unemployment and disadvantage.

Support from each level of government in the form of adequate funding, funding certainty and assistance in shifting to delivery of quality online services, will be crucial factors in the success of the sector to continue to meet the needs of the NSW community, mitigate the impacts of rising unemployment and ensure that the long term economic and social costs of the COVID-19 pandemic are minimised⁷.

Governments have demonstrated their important role in mitigating the effects of COVID-19 on households and supporting economic recovery through stimulus funding. In NSW, this includes the creation of new jobs through building new social housing supply and accelerating maintenance.

Intervening early and addressing key areas of COVID-19 related disadvantage now, before they become entrenched, will be less costly and ensure that long-term negative impacts on productivity and economic growth in NSW are minimised. Success will not only strengthen the immediate economic recovery but also lift the future productive capacity of the NSW economy.

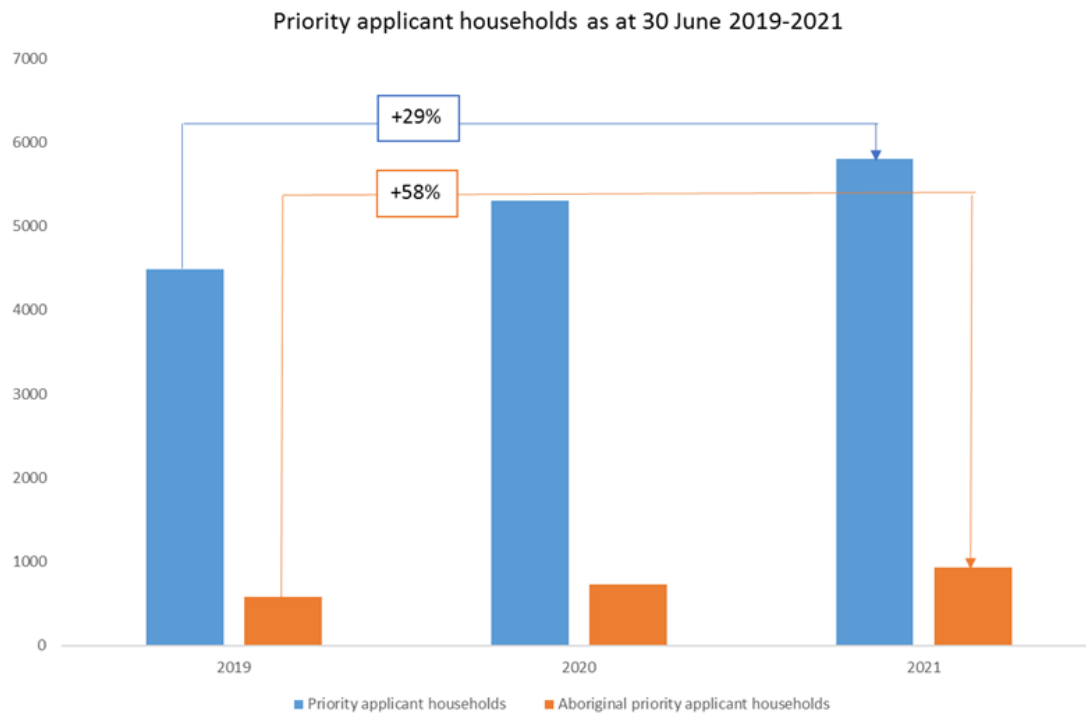
The need for social housing and homelessness services is increasing

The impacts described above contribute to the growing need for homelessness and housing support, which has been evidenced over the last decade. Since 2011 there has been a 42 per cent rise in demand for specialist homelessness services, however many people are unable to get the assistance they need.

The number of people experiencing homelessness in NSW who are unable to access accommodation is growing (an increase from 15,471 in 2015-16 to 22,709 in 2020-21). Data shows that 48.2 per cent of those who needed accommodation did not receive it, an increase from 5 years ago when 37.2 per cent did not receive the services they needed. NSW is by far the state with the most acute issue of unmet need⁹.

Furthermore, there has been a 29 per cent growth over the past 24 months in Priority Applicant Households on the NSW Social Housing Register. More concerning is the increase in Aboriginal priority applicant households by over 58 per cent between 2019 and 2021 to over 900 (at 30 June 2021).

Figure 1 – Priority applicant households as at 30 June 2019-2021



Rental unaffordability is driving increased demand

A key driver of demand for social housing and homelessness services is the extent to which people can afford suitable accommodation in the private sector. Since 2015, it has become increasingly difficult for statutory income recipients and low-income earners to find an available, affordable rental property.

In 2015, Anglicare's Rental Affordability Snapshot¹⁰ found less than 2 per cent of rental properties across Australia were affordable for someone living on the Disability Support Pension. By 2021, that had dropped to 0.5 per cent¹⁰. The situation is similar for people not on a statutory income. Affordability dropped by eight percentage points between 2020 and 2021 for couples with children on the minimum wage.

In addition, COVID-19 has made the financial situation of people with existing rental agreements more precarious. Australian Housing and Urban Research Institute (AHURI) research at October 2020¹¹, showed that since the beginning of the pandemic:

- just over 63 per cent of renters experienced changes to their employment, including reduced hours and/or income, reduced income and temporary lay-off
- around one-third experienced worse living circumstances including difficulty paying rent and/or bills
- about 25 per cent of renters skipped meals to save money
- around 17 per cent reported that their rent became unaffordable.

Rental affordability is a combination of the level of the rent and the tenant's capacity to pay. All tiers of government control the levers that help low-income citizens to be able to afford suitable housing. Notably, the Productivity Commission's 2019 examination of private rental vulnerability identified increasing Commonwealth Rent Assistance (CRA) as the 'clearest path to improving affordability'¹². The Commission found that the maximum payment amount has not kept pace with the rise in rents, which has outpaced inflation.

NSW is responding to these challenges

NSW is using the NHHA funding as effectively as possible, but more is required. NSW's effectiveness in responding is evidenced by its diverse range of housing and homelessness programs and by its flexible and agile response during COVID-19.

In 2021-22 alone, the NSW Government is spending over \$1.19 billion (\$1,137 million recurrent and \$51.2 million capital) across social housing and homelessness programs in the Stronger Communities Cluster. This is an increase of around \$162.7 million above the 2020-21 budget (\$119.3 million recurrent and \$43.4 million capital), or about 15.5 per cent.

Assertive outreach services to help people sleeping rough get the support they need to settle into stable housing have been expanded to over 50 local government areas across NSW. Since the start of the pandemic (and as at 11 February 2022), more than 1300 people sleeping rough across NSW have been assisted into social housing, and 630 have been assisted into private accommodation.

Across NSW in 2020-21:

- the \$122.1 million Together Home program, launched at the height of the pandemic in 2020, has assisted almost 650 people sleeping rough into stable accommodation with wraparound services to ensure they receive the support they need
- over 290 students from two pilot sites were participating in a program to help them avoid later homelessness
- 5,242 households on the Housing Register were newly housed in public housing
- 261 households on the Housing Register were newly housed in Aboriginal housing
- 67.9 per cent of all new allocations to public housing properties were made to households in the greatest need
- median wait time of newly housed priority applicants in public and Aboriginal housing properties was two months, a decrease of 10.5 per cent on 2019-20
- median wait time of newly housed general applicants in public and Aboriginal housing properties was 20 months.

LAHC achieved the following in 2020-21 using funds from tenant rents and the sale of homes deemed to be no longer fit for social housing:

- completed 640,000 maintenance requests, averaging about 1,750 every day in 2020-21
- delivered 408 new social homes which is 2.5 times more than delivered the year before
- sold 247 residential properties, 1 community purpose property and 133 vacant lots. All proceeds from sales reinvested into the social housing, on construction of new dwellings and capital maintenance, including new kitchens, bathrooms, and roofs
- maintained an occupancy rate of 98.1 per cent.

In the 2020-21 NSW budget, LAHC was allocated \$715 million to deliver a range of initiatives. In addition, the NSW Government investment represents an unplanned supplement delivered in alignment with the objective and outcomes of the NHHA, which received no contribution from the Australian Government. As at June 2021, this included:

- \$250 million construction program to accelerate building around 550 new social homes with 141 homes (11 projects) completed and a further 355 homes (26 projects) underway
- \$150 million in funding to fast-track renewal projects in Airds-Bradbury and Claymore which will deliver 589 new social housing dwellings and provide 2,200 direct and 3,300 indirect jobs 5 years earlier than would have previously been achieved

- \$160 million LAHC Maintenance Program for capital upgrades and significant maintenance to approximately 5,000 LAHC-owned social homes extending the life and increasing the overall performance of existing assets
- \$40 million community housing provider (CHP) Maintenance Program for capital upgrades and significant maintenance across 2,000 LAHC-owned social homes managed by 31 CHPs.

In October 2021, the NSW Government announced a further \$183 million package to fast-track more than 1,400 new social homes. This funding is from 2021-22 over two years.

The AHO has funded most of its key outcomes through the Strong Family, Strong Communities Strategy including major initiatives, such as the Aboriginal Community Housing Investment Fund (ACHIF) and home ownership opportunities. In 2020-21, the AHO:

- built 82 new culturally appropriate homes for Aboriginal people and families
- upgraded 1,770 AHO homes to improve the living standards and wellbeing for tenants
- installed 835 solar panels to reduce energy bills for Aboriginal families
- created over 1,500 jobs, with 600 being for Aboriginal trades/workers, a large proportion being in regional and remote communities through its construction program
- supported 249 of the most vulnerable Aboriginal people and families through the Service Our Way (SOW) program
- delivered 44 Tertiary Accommodation Grants to Aboriginal students to support them to complete their tertiary qualifications
- supported 17 Aboriginal families to own their own home through the AHO Home Ownership Deposit Co-Contribution Scheme.

Lack of Commonwealth focus is affecting capacity to respond to need

The NHHA requires each state and territory to have publicly available housing and homelessness strategies, which address key policy areas, priority cohorts and outline reforms or initiatives that reduce the incidence of homelessness. The NSW Government meets this requirement through the following strategies, which are outlined in Appendix 1:

1. Premier's Priority to reduce homelessness
2. *Future Directions for Social Housing in NSW (2016-2025)*
3. *NSW Homelessness Strategy (2018-2023)*
4. *Strong Family, Strong Communities*
5. *Housing 2041: NSW Housing Strategy and the 2021-22 Action Plan*

The NSW Government, like other states and territories, is publicly accountable for each strategy, reporting regularly on outcomes. In contrast, no such requirement exists for the Commonwealth. All parties to the NHHA should be required to have publicly available strategies. A National Housing and Homelessness Strategy would outline the strategic priorities of the Commonwealth in housing and homelessness. Importantly, it would also give the national housing sector a vision and support for development, growth and greater investment and provide a framework for achievement of the NHHA objectives and outcomes.

The expected outcomes and benefits would include:

- co-ordinated approach across all levels of government to address housing affordability
- transparency and certainty to the private and not-for-profit sectors about Commonwealth government policy in relation to housing

- clear articulation of housing roles and responsibilities for each level of government.

On 18 February 2022, the Commonwealth announced that it would not develop a national homelessness strategy in response to recommendations from the bipartisan Standing Committee on Social Policy and Legal Affairs Inquiry into Homelessness in Australia¹³. The Committee recommended the Commonwealth ‘in consultation with state, territory and local governments, develop and implement a ten-year national strategy on homelessness’.

The Commonwealth response gives no weight to the policy levers it has to support addressing housing and homelessness demand, instead relying on an introductory statement that ‘state and territory governments (states) are primarily responsible for delivering housing and homelessness services’.

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Assessing the
suitability and
performance of
the Agreement

Purpose of the Agreement

Lack of Commonwealth focus on housing and homelessness

The large number of submissions to the Standing Committee on Tax and Revenue Inquiry into housing affordability and supply in Australia¹⁴ indicates that many stakeholders consider the Commonwealth could provide more focus and more resourcing of safe and affordable housing.

Arguably, people presenting at specialist homelessness services represent the group of people experiencing homelessness who are most in need. However, they do not represent the largest number of people experiencing homelessness¹⁵. Moreover, all forms of homelessness diminish people's capacity to participate fully in education, work and contribute to society. In addition, early intervention and prevention strategies can reduce the incidence, length, and impact of occurrences.

In relation to social housing, the Commonwealth passed legislation in 2018 to establish the National Housing Finance and Investment Corporation (NHFIC), which is welcomed. The main benefit of NHFIC is to provide marginally lower cost and longer-term finance to the community housing sector. However, NHFIC is a limited support to housing and homelessness across the country. It is a valuable support to the community housing sector, but, even in NSW, this sector does not represent the majority of social housing. NHFIC's programs are too small to have a material impact in addressing housing and homelessness demand. It does little to address the core issue of the underlying funding gap for delivery of social and affordable housing. See section on Commonwealth support to promoting and scaling innovative arrangements (p.44) for further discussion of the NHFIC.

In other areas, the Commonwealth has moved away from providing national direction and support. For example, the National Partnership Agreement on Remote Indigenous Housing (NPARIH) delivered a substantial number of new and refurbished dwellings, and an approach to increase the life cycle of new housing. Since NPARIH ended in 2018, there has been no national policy response to remote housing for Aboriginal and Torres Strait Islander peoples. The withdrawal of such Commonwealth support has increased the financial pressures for Aboriginal housing, particularly across the Aboriginal community housing provider sector, and its ability to meet basic property maintenance and condition levels.

Similarly, the end of the National Rental Affordability Scheme (NRAS) will see a potential loss of 6,476 affordable housing properties for rent to very low-, low- and moderate-income households in NSW alone. There is no national response to this significant reduction in affordable rental housing, nor has there been leadership to expand the affordable rental housing further in a climate of increasing housing stress across the country.

Is the objective appropriate and has it been achieved?

Housing pressures constrain achievement of NHHA objectives

The NHHA is only meeting the objective of improving access to affordable, safe, and sustainable housing across the housing spectrum to a small degree. There are policy factors beyond the control of state and territory governments affecting housing affordability and availability, and insufficient focus by the Commonwealth on housing especially housing for low- to medium- income earners.

With demand for social housing outstripping supply, action is required to increase the number of people who can access affordable and suitable housing for themselves, and their families. The broad-ranging socio-economic effects of COVID-19 have increased housing insecurity, which now extends to regional areas and higher income earners. In NSW over the past 12 months¹⁶.

- house prices have increased 26.7 per cent in regional areas and 23.6 per cent in Greater Sydney
- rent is up 12 per cent in regional areas and rental vacancy rates are at very low levels (0.8 per cent in June 2021)
- 73 out of 95 regional Local Government Areas have a rental vacancy below 1 per cent (the typical vacancy rate for a 'neutral' housing market is between 2-3 per cent).

Given the recent increases in housing values and rents, and decreases in vacancy rates, it has become increasingly difficult for people to either buy or rent a home. Rather than being a problem predominantly affecting metropolitan areas, there are also emerging housing pressures in regional NSW, which show no signs of abating.

Homelessness services in NSW are experiencing ongoing high demand, which includes the impact of the 2020 COVID-19 lockdown, with over 70,500 clients supported by homelessness services in NSW in 2020-2021. This demand for homelessness services currently outstrips supply. NSW homelessness services have the highest level of unmet need in Australia¹⁷. Of the 47,000 clients needing accommodation, less than half received crisis accommodation and only 25 per cent were able to obtain stable accommodation.

This unmet demand is increasing. In 2019-20 to 2020-21, the average daily unassisted requests for accommodation services in NSW increased sharply from 17.5 to 22.2, an increase of 27 per cent. The national increase was from 187.1 to 226.3 over the same period (20 per cent). The average daily unassisted requests for services other than accommodation also increased by 14 per cent in 2020-21 compared to 2019-20⁹.

The number of people at risk of, or experiencing, homelessness was forecast to rise following the COVID19 pandemic and the cessation of various temporary support initiatives, such as the federal wages subsidy JobKeeper, increased JobSeeker welfare payments, and the state eviction moratorium. Although there have been stronger than expected economic conditions since this forecast model, frontline services report that the tight rental market across NSW is contributing to sustained increased demand for homelessness supports.

The COVID-19 lockdowns demonstrated that when people are provided with accommodation and appropriate wrap-around supports, they stay housed. In 2020-21, the number of clients sleeping rough decreased due to investment in the Together Home rough sleeper program, with 90 per cent of clients at risk of homelessness supported by services maintain their housing.

Continuing and evolving support from the NSW and Commonwealth Governments is needed to provide contract certainty and adequate funding so specialist homelessness services can meet demand and the rising cost of service delivery and facilitate a collaborative approach to the delivery of services and supports.

Outputs and outcomes of the Agreement

Not consistent with Federal Financial Relations Principles

Principle 3 of the Federal Financial Relations Principles¹⁸ states:

New agreements will recognise and balance the priorities of all levels of government.

The NHHA is unbalanced. It understates how improving access to affordable, safe, and sustainable housing across the housing spectrum requires policy action across all tiers of government.

Several factors contribute to persistent housing pressures:

- Depressed wage growth and record high levels of long-term unemployment are affecting citizens' capacity to purchase or rent housing.

- Record low interest rates enable borrowers to service larger mortgages and pay higher prices for housing. Similar effects have been seen overseas in countries like New Zealand and the United States.
- A trend in the past year of internal migration (people moving from cities to regional areas) and a drop in people from the regions moving to the city. NSW Drivers' Licence data shows net regional migration of 43,000 people aged 16 and older in December 2020 as people choose to relocate regionally during the pandemic.
- A domestic tourism boom has likely contributed to repurposing formerly long-term rental housing to short-term accommodation or holiday homes, reducing the supply of rental housing.
- Strong demand for new houses and renovations is testing industry capacity, with reports of shortages of costly materials and of serviced land. The Australian Government Homebuilder program may be contributing to this pressure, including in regional areas¹⁹.
- Shortages in building supplies, especially timber and metal products, are driving construction prices up and may affect residential purchase prices²⁰.

The response to housing pressures needs a broad lens, taking into consideration national settings that affect household income, access to educational opportunities, employment and the construction and property markets. These are shared responsibilities across all levels of government. This imbalanced focus is reflected in the NHHA's reporting requirements, which require only the state and territory parties to the Agreement to report publicly their performance. This harms transparency under the Agreement and skews the view of its effectiveness. As an equal party to the Agreement, the Commonwealth should be required to publish Annual Statements of Assurance.

Roles and responsibilities of governments under the Agreement

Housing affordability is a significant issue in NSW. Conservatively, over 200,000 low-income households in NSW are in housing stress. This situation has worsened over the past 12 months with private market rents rising 10.2 per cent and vacancy rates falling below 1 per cent across regional NSW. In April 2021, regional NSW had an average vacancy rate of 0.79 per cent. Anglicare's Rental Affordability Snapshot 2021²¹ found that for a person on JobSeeker, 0 per cent of rentals were affordable in March 2021. For a person on minimum wage, just 1.3 per cent of rentals were affordable.

The continuing impacts of COVID-19 and multiple record-breaking natural disasters are exacerbating housing pressures affecting Greater Sydney and regional NSW. The recent increases in property values and rental prices, and decreases in vacancy rates, are making it increasingly difficult for people to either buy or rent a home in NSW.

The *NSW Intergenerational Report 2021-22* articulates the relationship between increasing social housing demand and decreasing home ownership:

Further declines in the homeownership rate would impact the wellbeing of those who miss out on owning their own home. It would also have potential to impact the NSW Budget. If the trends of the past four decades were to continue over the next four, the home ownership rate would decline from 66 per cent today to 58 per cent by 2060-61. Amongst those over 65 who have traditionally had very high home ownership rates, the home ownership rate would decline 10 percentage points to 70 per cent. If those who retire without owning a home require social housing at a similar rate to today's retirees, this would increase demand for social housing by 68,000 households by 2060-61. Meeting this demand would cost an additional \$12.1 billion (real 2019-20 dollars) between 2020-21 and 2060-61 (Chart 3.12). There would also be consequences if this demand is not met, with those on the social housing waiting list typically experiencing acute housing stress²².

The housing pressures in regional NSW pose a growing risk to vulnerable people in regional communities, presenting additional challenges for service delivery in regional and remote locations.

All governments have a role

A collaborative approach by all levels of government is needed to support the number of people who can access safe, secure, and affordable housing for themselves and for their families. State governments do not control all the levers required to make the structural changes necessary to drive improved and sustained housing affordability. Federal taxation, interest rates, immigration and population growth are the sole responsibilities of the Commonwealth. Policy settings in these areas have significant impacts on housing affordability and ownership rates.

Housing affordability is a shared responsibility that is impacted by a range of Commonwealth, state, and local government policy settings. Although the NSW Government can affect the success of the NSW housing system, particularly through investment, programs, policy, legislation, and planning regulation, it cannot address demand alone. The Commonwealth has policy settings, funding, and the opportunities for partnership to deliver housing solutions and advocate for better housing outcomes.

The *Henry Tax Review* and the *Productivity Commission's Inquiry into First Home Ownership* both recommended changes to Commonwealth policy settings, including:

- Rent Assistance should be increased so that assistance is sufficient to support access to an adequate level of housing and indexed to market rents²³.
- Review personal income tax regime that may have contributed to excessive investment in rental housing, with a focus on the Capital Gains Tax provisions²⁴.

The recommendations of these inquiries point to reforms that could be made at a Commonwealth level to have a substantial impact on the affordability of housing and increasing levels of home ownership.

Commonwealth reforms that improve housing affordability are essential to reducing the proportionally increasing demand for social housing and crisis homelessness services above population growth.

Performance and reporting

Lack of resourcing for data improvement

The NHHA Data Improvement Plan (DIP) currently commits funding contributions from the Commonwealth matched by states and territories on a population basis to support data improvement activities. However, these funds are earmarked for activities primarily completed by the Australian Institute of Health and Welfare (AIHW). While this is welcome and necessary, it does not recognise the substantial level of input required from jurisdictions to support AIHW to complete this work. This lack of dedicated resources is a key barrier to NSW and other jurisdictions progressing data improvement initiatives and needs to be addressed to ensure that NSW can meet its existing national and state reporting obligations.

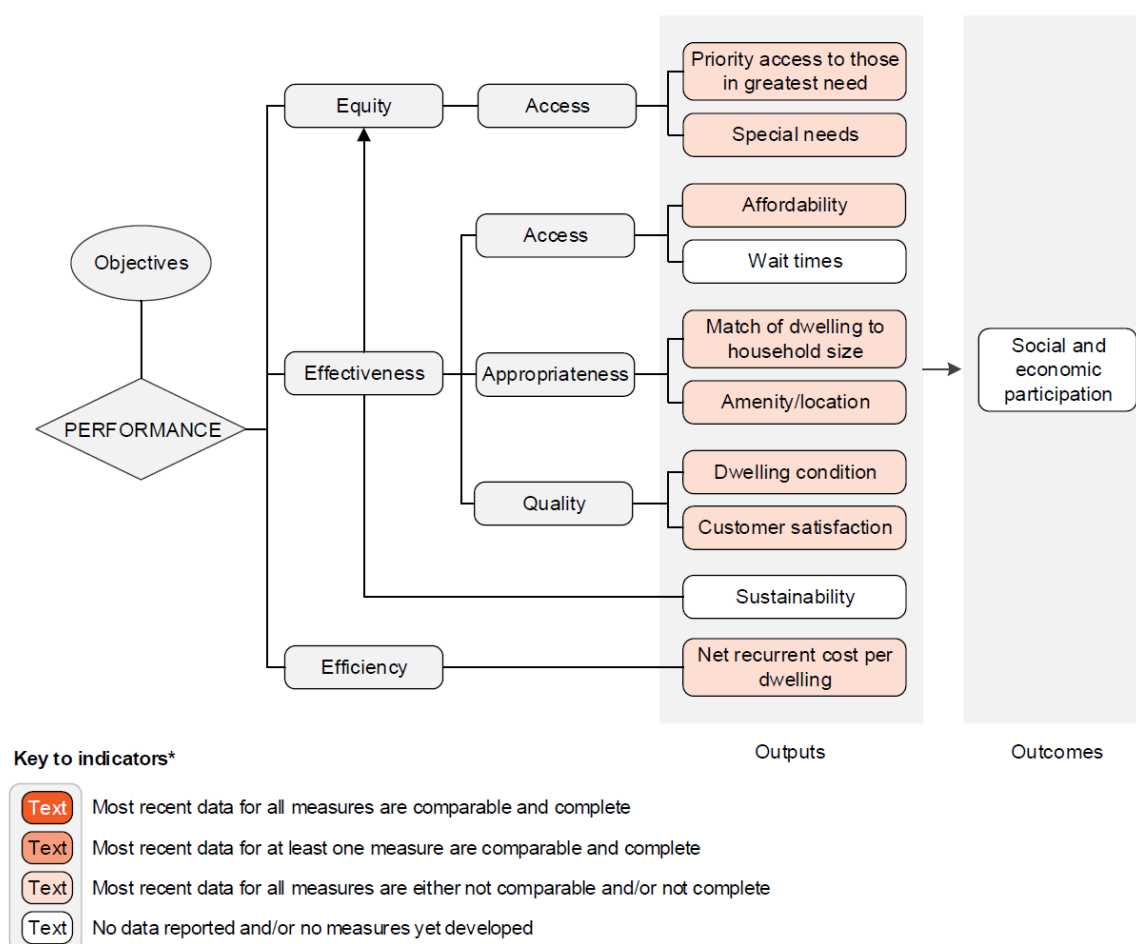
It is not possible to de-prioritise the provision of data on existing measures to support the development of new ones. While the additional cost of data development activities is absorbed and carried out within existing funding, this work can only be progressed at a much slower pace than would be the case if new dedicated funding were provided to support it. It should also be noted that where data development activities identify data gaps, the cost of expanding data collection and enhancing data collection systems is significant.

Performance measures are not comparable across jurisdictions

NSW has previously raised the lack of comparability between jurisdictions on measures used for reporting in the Report on Government Services (RoGS). While RoGS is intended to compare jurisdictions, the housing measures are not comparable. The RoGS framework explicitly acknowledges that every existing measure is deemed not comparable and/or complete²⁵.

Figure 2 shows the RoGS performance indicator framework.

Figure 1 – RoGS performance indicator framework



* A description of the comparability and completeness of each measure is provided in indicator interpretation boxes within the section

Performance monitoring and reporting of the NHHA should have, as a minimum, measures that are comparable between jurisdictions. If not comparable, then the extent to which the lack of comparability affects the performance comparisons between jurisdictions, and whether jurisdictions are meeting their obligations under the agreement.

In the RoGS performance framework, it is explicitly acknowledged that none of the existing measures reported are deemed comparable across jurisdictions.

Existing constraints with data quality, completeness, and maturity

There are currently constraints and different levels of data maturity inherent in sectors of the social housing system. The timeliness, quality, completeness, and granularity of information currently captured varies significantly across the sectors of social housing - public housing, State owned and managed Indigenous housing, community housing (SOMHI) and Indigenous community housing.

At one end of the spectrum is the data available on public housing, which is more comprehensive,

more complete, and more accurate and has low lag time in collection and reporting. At the other end is data available for Indigenous community housing, which is narrower in scope (e.g., missing information on tenants) and lagged in reporting (i.e., the data for the previous year is not available for inclusion in the subsequent January release of the RoGS). With the move to online reporting, Indigenous community housing data is now available at the mid-year update whereas previously it has been reported one year behind data for public housing, SOMHI and community housing. The Indigenous community housing data quality and completeness however continues to be much poorer than other sectors.

These data quality and data completeness issues particularly affect reporting for RoGS and for the NHHA where similar measures are being used.

Financial and governance arrangements

No governance structure for the NHHA

The lack of ministerial governance for the NHHA's shared work plan and implementation is a direct consequence of the Commonwealth's lack of focus on housing and homelessness. The current acute, nation-wide housing affordability situation necessitates a co-ordinated national approach.

As the period since 2018 has shown, housing security is dependent on the stability of a range of factors outside the direct control of the housing and homelessness sectors. Moreover, housing cycles can be counter-cyclical around the country; for example, resource booms leading to strong private housing markets in the heavy mining states accompany downturns in other states/territories, and vice versa. National ministerial oversight is required to guide consistent outcomes as these challenges arise.

A strong governance structure is necessary to ensure consistency of outcomes across the country. A senior decision-making forum would allow identification of effective responses to deliver consistent outcomes, based on examination of evidence and data.

No Commonwealth support for the National Regulatory System for Community Housing

In 2020, there were over 95,000 households in community housing, with over 83,000 in jurisdictions governed by the National Regulatory System for Community Housing (NRSCH)²⁶. When the NRSCH was designed, housing ministers across all jurisdictions had an overall supervisory and policy-making role using the decision-making processes of the Council of Australian Governments' Select Council on Housing and Homelessness (SCOHH).

The establishment of the NRSCH was the fulfilment of the reform of the National Affordable Housing Agreement, with the development of a nationally consistent provider and regulatory framework to enhance the capacity and growth of the not-for-profit housing sector. Moreover, the decision to proceed with the establishment of the NRSCH was done at the request of the Commonwealth to progress this reform.

In 2012, governance arrangements were agreed for the NRSCH and set out in the Inter-Government Agreement (IGA). These arrangements included a lead role for the SCOHH ministers and the establishment of a National Regulatory Council (NRC) as an independent advisory committee appointed by SCOHH.

The NRC's role was to publish, review, and administer protocols and guidelines to ensure the implementation and ongoing effectiveness of the NRSCH. This included periodic reviews of the system, and provision of advice and recommendations to ministers. Critically, the proposed governance was informed through national public consultation and was strongly advocated for by a

range of stakeholders. The prevailing view was that an independent advisory body was essential for the periodic review of the national system, including oversight of the collective implementation by Registrars.

Such an arrangement is critical in a system that is delivered locally and relies on consistent interpretation and application of national legislation and guidelines. The full governance arrangements that were originally agreed to by the Commonwealth and IGA signatory jurisdictions are provided at Appendix 2.

On 12 February 2014, the Commonwealth advised that, while it was supportive of the community housing sector and the role of the NRSCH in ensuring consistency of regulatory and governance arrangements, its view was that regulation of the sector was a role for state and territory governments. Consequently, the Commonwealth decided not to participate in, or commit further funding for the NRSCH, and not to contribute funding to the establishment of the NRC. The decision reversed previous decisions by the Commonwealth to fund the establishment of, and fund and provide secretariat services to the NRC. Furthermore, as part of a process to streamline the Council of Australian Governments, the Commonwealth decided to disband the SCOH leaving no alternative ministerial oversight of the NRSCH.

Even though the Commonwealth provides funding under the NHHA and has the NHFIC investment to protect, its failure to support actively the NRSCH demonstrates a lack of willingness to participate meaningfully in tackling the social and affordable housing crisis the country is facing.

Implementation is inconsistent with Federal Financial Relations Principles

Principles 4²⁷ states:

New agreements will provide states with budget autonomy and flexibility, where practical, to deliver services and infrastructure in a way that they consider will most effectively and efficiently improve outcomes for Australians.

States and territories are best placed to understand local challenges and client need in their communities. As such, they must be allowed the discretion to identify those challenges and needs, prioritise, and provide appropriate responses. This means that changes to the NHHA should not affect the ability of jurisdictions to respond to emerging priorities or adapt funding flexibly to meet local needs.

NHHA funding should remain untied and not based on performance or activity. To achieve this, funding:

- methodology should consider projected levels of service demand and relative costs of service delivery
- conditions should be less prescriptive and reduce administrative burden on states and territories
- for both housing and homelessness, should be maintained in a single agreement so that state and territory housing and homelessness strategies can respond to local need.

Principles 5²⁷ states:

New agreements that fund ongoing services will provide states with funding certainty where possible.

Payments under the current Agreement have been subject to change both in the Federal Budget and in the Mid-Year Economic and Fiscal Outlook (MYEFO). Ongoing funding certainty is required so:

- funding can be directed to people in critical housing need
- the Equal Remuneration Order for the Social and Community Services continues for providers who employ people to deliver their homelessness services
- remote housing outcomes can support achievement of the Closing the Gap housing target.

In addition, payments under the NHHA must include adequate indexation, noting that housing costs have grown more than the Wage Price Index²⁸.

Commonwealth funding has not increased in real terms since 2010-11

NSW has increased support for the sector through a range of social and affordable housing by over \$1 billion (e.g., 2020-21 Budget and the Economic Recovery Package). Yet, the biggest challenge remains providing access to social and affordable housing for very low- and low-income households. Despite the extra state investment, there has been continued growth in the priority waiting list for social housing, and an increase in the numbers of people turned away from crisis homelessness services without accommodation assistance.

The gap to meeting the demand for social housing has been impacted by the lack of any real increase in funding through the NHHA to the sector from the Commonwealth for over a decade. This is despite rising demand for both social housing and homelessness services. Homelessness funding under the NHHA only targets one, acute but smaller, type of homelessness in the form of crisis response. NRAS, the only nation-wide support aimed at (relatively) higher income earners, is slowly reducing and will cease entirely in 2026. The only national response to remote Aboriginal housing need ceased in 2018 with the end of the NPARIH. CRA has not kept pace with inflation, let alone recent significant rent rises across much of Australia²⁹.

NSW Treasury analysis shows that the funding through the NHHA, which replaced the National Affordable Housing Agreement and the National Partnership Agreement on Homelessness, has not increased in real terms from the Commonwealth since 2010-11. In addition, indexation of the NHHA has not responded to escalating service delivery costs in the housing market. Over 2021, construction costs rose 7.3 per cent, significantly higher than CPI²⁰.

Following adjustments in the 2021 Budget and MYEFO, indexation of Commonwealth funding under the NHHA was effectively 0.89 per cent last financial year. This low level and funding uncertainty year-to-year impacts on service delivery: for example, budget increases for private rental subsidy and head leasing programs have exceeded the indexation rate (increasing between 1.5 and 3.8 per cent) in the last two years to keep pace with increasing demand and private rental prices, particularly in regional NSW. These budget increases are not sustainable and reductions in service delivery will result if funding is not restructured with indexation reflecting increasing costs. For example, over 70 per cent of the budget for these programs is directly impacted by rental prices, which have increased by 8 per cent in Sydney and 12 per cent on average in regional centres in the 12 months to 28 January 2022¹⁶.

Additional funding is instrumental in supporting the following:

- increasing funding for repairs/refurbishments of existing housing stock (avoiding asset sales and loss of social housing stock) and towards new housing supply, which would directly reduce the number of households on the priority waitlist
- additional resourcing for critical homelessness service programs and homelessness prevention to reduce some of the demand pressures
- joint programs with the community housing sector through programs to enable CHPs assist in meeting the growing demand and unlocking value through a partnership approach.

Redirection of historical debt would fund more social housing

NSW is currently carrying historical loans under past Commonwealth State Housing Agreements, with about \$766 million (\$535 million principal and \$231 million in interest) still to be repaid over the next 20 years (2041-42). These principal and interest loans provided funding for the construction of new dwellings to accommodate working families and returned servicemen and their families.

NSW would welcome the opportunity to work with the Commonwealth to facilitate the redirection of historical LAHC debt to increase and/or improve social housing provision and quality in NSW. With NSW providing the land, specific agreement with the Commonwealth would be sought to redirect a portion of the total principal and interest payments to a social housing supply program, noting this could form part of a bilateral agreement under the next NHHA, or be a discreet agreement.

The agreement could be similar to that between the Commonwealth and Tasmanian Government in 2019, where the debt was waived on the condition that the Tasmanian Government redirected the annual expenditure that would otherwise be dedicated to principal and interest repayments each financial year to programs that increase access to social housing, reduce homelessness and improve housing supply. In NSW, debt redirection would support:

- an accelerated new supply pipeline
- strategic acquisition of fit for purpose new supply
- new partnerships between the Commonwealth, NSW Government and CHPs/ Aboriginal CHPs.

On 17 February 2022, in response tabled in the House of Representative to the bipartisan Standing Committee on Social Policy and Legal Affairs Inquiry into Homelessness in Australia¹³, the Australian Government announced that it did not support a policy change to forgive historical debt¹³. The Committee recommended the Commonwealth:

...waive or refinance at a concessional rate the historical housing-related debts of state and territory governments, in exchange for:

- *an amount equal to the savings to each jurisdiction being reinvested into affordable housing, with 50 per cent of new housing stock to be leased to community housing providers; and*
- *agreement on appropriate planning and zoning reforms in each jurisdiction.*

The Commonwealth response was to indicate that proposals would be determined 'on their merits': however, several offers from NSW have not yielded any further negotiations to date.

Commonwealth's major housing contribution is not fit for purpose

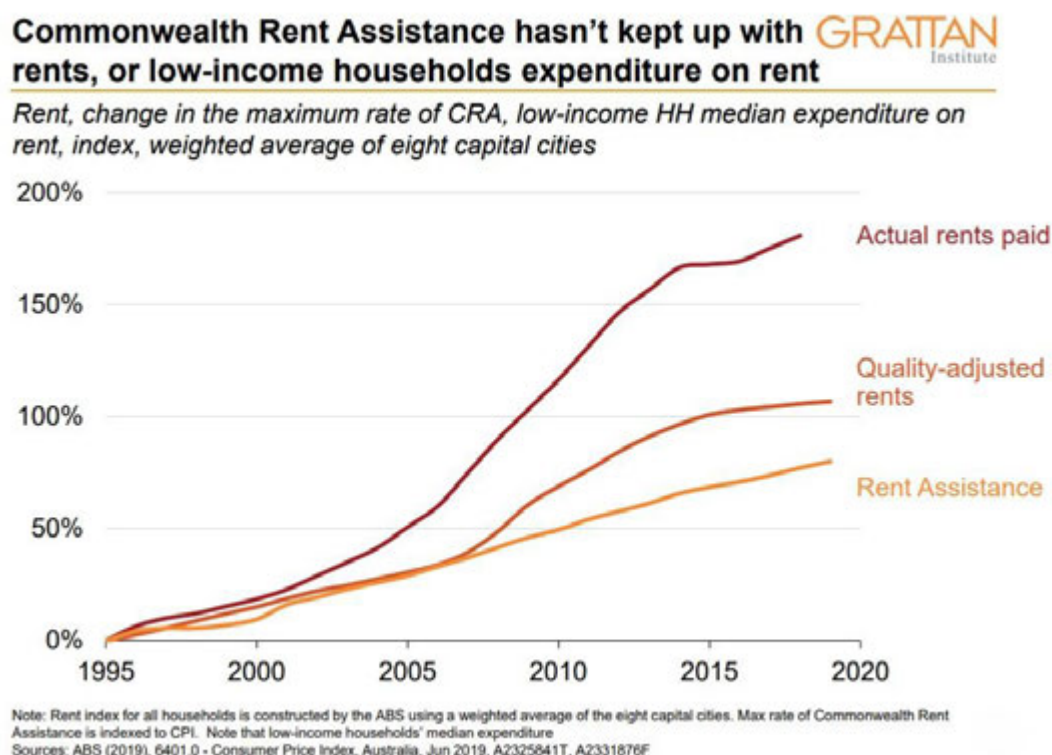
The effectiveness of CRA in relieving housing stress is limited and its flat rate does not recognise different levels of private rent across the country. More than a third of CRA recipients are in housing stress, around one in five pay more than 40 per cent of income in rent and around one in ten bear a severe housing cost burden of 50 per cent after deducting CRA from rents³⁰.

AHURI's 2020 study of demand-side social housing supports found that '[b]efore receiving CRA, low-income private renters who are eligible for CRA pay on average 36 cents per dollar of their gross income in rents. After receipt of CRA, this burden falls to 26 per cent'³⁰. Some cohorts, such as single people in receipt of JobSeeker payments, were particularly vulnerable to high rates of housing stress³¹.

There is a relationship between the effectiveness of CRA and the adequacy of some income support payments³². This partly explains the higher rates of housing stress among young people and under/unemployed people. CRA currently lacks sufficient depth to be a meaningful subsidy, which is partly due to the method for calculating the rate of CRA (pegging CRA to CPI) instead of linking it to the cost of housing.

See Figure 1 from the Grattan Institute summarising the mismatch between growth in rents and CRA³³:

Figure 3 - Mismatch between growth in rents and CRA



This finding was further supported by a 2019 Productivity Commission review. This review found that while CRA made ‘a significant contribution to improving the affordability of rental accommodation for vulnerable private renter households... [its] ability to cushion vulnerable private renter households from rental price increases has diminished over time as the consumer price index — against which the CRA is indexed — has grown slower than rents’³⁴.

Limiting eligibility for CRA to recipients of other income support payments denies other low-income earners in housing stress access to housing assistance. The Productivity Commission also estimated that 330,000 people in recipient of CRA were not in housing stress. This put the target error rate for CRA at 41 per cent. Better targeting of CRA to address these issues was estimated to have the capacity to save \$1.2b per annum³⁰. These funds should then be redirected towards other areas of housing need or a deeper subsidy where required.

In addition to the inherent problems with CRA, housing costs are not uniform across Australia. A report by SGS Economics and Planning on rental affordability levels at a national, state and city level has tracked data since 2012. The report found that varying levels of affordability across Australia have persisted over many years, with many areas witnessing their own changing levels of increasing and decreasing rates of housing stress³¹.

There is a long history of calls for reform to the rate of CRA from the:

- Pension Review Report (2009)
- Henry Tax Review (2009)
- National Commission of Audit (2014)
- Reference Group on Welfare Reform, A New System for Better Employment and Social Outcomes (2015).

A formal policy change of CRA, so that it is reflective of housing markets, private rental markets, and cohort needs, is increasingly urgent.

Unfortunately, the Commonwealth has recently announced that they do not consider changes to CRA in response to recommendations from the bipartisan Standing Committee on Social Policy and Legal Affairs Inquiry into Homelessness in Australia¹³. The Committee recommended the Commonwealth:

...commission an independent review of Commonwealth Rent Assistance, which should consider the maximum rates and method of indexation of the payment and its interaction with other relevant payments, to better align with existing payments.

Moving away from a one size fits all payment approach should be considered, in addition to expanding CRA to public housing tenants.

How does the NHHA align with other policy areas?

The NHHA's national priority policy areas need to be negotiated as part of a future national agreement with input from all parties. As the effects of COVID-19 on housing and homelessness have shown, there needs to be flexibility in focus so the Agreement can remain responsive to changing need. This reinforces the need for a strong governance framework overseeing the Agreement's implementation and ensuring that it adapts to changing circumstances.

Ageing populations require new approaches to housing

Over the next 25 years, the NSW population of people aged 65 and over will increase by 85 per cent. With decreasing rates of home ownership and an aged pension system designed around home ownership, the needs of asset-poor older people (particularly older women) will place increasing pressure on the social housing waitlist. Older people should be able to transition through tiered care levels in the home (social, affordable or private) that suit their need if appropriate ageing in place support is in place and where possible seek to avoid the premature transition to residential aged care facilities.

Older people currently make up more than half of all social housing tenants in NSW and a growing portion of private renters. It can be hard for older people to continue living independently in social housing as they age in place due to a lack of available supports. NSW would welcome engagement with the Commonwealth to identify methods of providing older people in social housing with care needs and increasing the range of living options to enable choice. New models or independent living options with integrated tiers of care could be delivered by the not-for-profit sector with appropriate levels of Commonwealth investment. Housing models could include congregate accommodation and core and cluster accommodation that are integrated with tiered care arrangements.

Aboriginal Elders will seek to age on Country and within their own community and require a holistic, culturally appropriate, and culturally safe healthy ageing program³⁵. This creates a need for specific community-based ageing-in-place housing products that reduce the need for institutional aged care, and a greater need for culturally appropriate housing for the growing cohort of Aboriginal Elders. There is also the need to set clear priorities for genuine community partnerships in housing construction planning and maintenance at a local level with opportunities to train and employ local Aboriginal workers³⁶.

The Commonwealth should meet the housing costs of Aboriginal people aged 50 years and over and non-Aboriginal people 65 years and over, as is the case under the National Health Reform Agreement for meeting the health, community and residential aged care and National Disability Insurance Scheme (NDIS) costs.

While 'improved housing outcomes for Indigenous Australians' is included as an outcome, the rapidly growing need across Aboriginal communities requires significant investment in the immediate future to ensure Aboriginal outcomes are achieved long-term.

New approaches required for disability housing

The Commonwealth's decision only to accept and fund (through the NDIS) modification requests for social housing dwellings that result in a gold level dwelling under the Livable Homes Standards³⁷ significantly limits social housing providers' capacity to accommodate changes to support people with disability including older people ageing in place. As at November 2018, it was estimated the resulting in-kind funding gap experienced by LAHC alone exceeded \$20 million annually and would reduce development yields. Over time, these costs may rise as available development sites become increasingly constrained and as a result, more costly to develop for gold standard housing.

By not funding necessary home modifications to social housing dwellings the Commonwealth is contributing to the unsustainability of the social housing system in NSW and its ability to accommodate tenants of all abilities and backgrounds. The Commonwealth should review the eligibility of social housing tenants for NDIS funding for home modification and provide additional funds to social housing providers to provide for 'reasonable adjustments' that may not reach gold standards but still significantly improve tenant outcomes.

5

Issues across the
housing spectrum

Prevalence and impact of homelessness

Homelessness has significant and lasting impacts on individuals and families. It is related to poor health, higher rates of mental illness, and future employment problems, as well as more frequent use of health, justice, and welfare services³⁸. For some people, homelessness is an isolated event – it happens once for a short time. Other people will cycle in and out of homelessness, unable to find and sustain housing over a longer period³⁸.

Across NSW, most people experiencing homelessness at the time of the last census were living in severely crowded dwellings (44 per cent), or boarding houses (15 per cent). Seven per cent of people experiencing homelessness were sleeping rough¹⁵. Particular cohorts of people have increased likelihood of experiencing homelessness:

- **Aboriginal people:** Aboriginal people make up almost eight per cent of the NSW homeless population and almost 30 per cent of specialist homelessness services users, despite comprising less than three per cent of the general population in the state¹⁷. In addition, overcrowded housing is a significant issue for Aboriginal people, one that is recognised under the National Agreement on Closing the Gap.
- **People from culturally and linguistically diverse (CALD) backgrounds:** COVID-19 saw an increase in recently arrived migrants accessing support due to job loss, unexpected expenses, and lack of access to income support. Commonwealth policy limits access to the social safety net for most recently arrived migrants, resulting in the community services sector filling the gaps for those who were excluded from government supports.
- **People living with disability:** Nationally, people living with disability make up 18 per cent of the population yet represent approximately 25 per cent of the clients of specialist homelessness services.
- **Young people:** Since 2006 there has been a significant rise in the number of people aged between 19–24 years old (117 per cent increase), and 25–34 years old (114 per cent increase) experiencing homelessness¹⁵.
- **LGBTIQ+:** Lesbian, gay, bisexual, transgender, intersex, and queer or questioning people are at higher risk of homelessness compared to the general population and are more likely to experience chronic homelessness due to family rejection and discrimination³⁹.
- **Women and children experiencing domestic and family violence (DFV):** DFV is a leading cause of homelessness among women and children, with one-third of people accessing specialist homelessness services reporting experiencing domestic and family violence¹⁷.
- **People with mental illness:** The number of people accessing homelessness services with a current mental health issue in Australia increased from 27 per cent in 2016-17 to 32 per cent in 2020-21, with NSW accounting for around 30 per cent of the national figure¹⁷.
- **People living in regional and remote areas:** Between 2013 and 2017 there was a 75 per cent growth in regional clients accessing specialist homelessness services⁴⁰.
- **Older people:** There is a growing trend for people to become homeless in later life for the first time, particularly women⁴¹. The number of people experiencing homelessness aged 55 years and above has steadily increased over the past three Censuses, from 12,461 in 2006, to 14,581 in 2011 and 18,625 in 2016 (a 28 per cent increase between 2011 and 2016). The rate of older persons experiencing homelessness has also increased, from 26 persons per 10,000 of the population in 2011 up to 29 in 2016¹⁵. Over the period 2015-16 to 2020-21, the rate of older women accessing homelessness services in NSW increased by an annual average of 3.8 per cent, higher than the increase for all homelessness services clients (0.2 per cent)¹⁷.

A one-size-fits all response to address homelessness will not be adequate. Achieving long-term stable housing for these groups of people requires multiple approaches. Strengths-based, tailored service responses that span the continuum from prevention and early intervention through to crisis management are required if we are to have a long-term impact on reducing homelessness⁴⁰.

Growth and complexity of social housing need

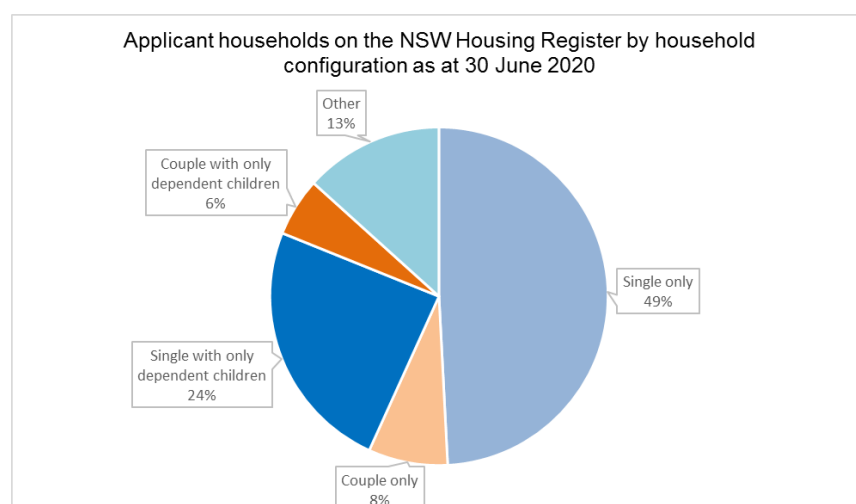
There has been a 29 per cent growth in just the past 24 months in Priority Applicant Households on the NSW Social Housing Register. At 30 June 2021, there were over 900 Aboriginal households on the NSW priority social housing waitlist. Between 2018 and 2021, this has increased by over 50 per cent.

Analysis undertaken by DCJ in 2020 indicates that around 57 per cent of all individuals aged 16 and over in publicly managed social housing tenancies are unlikely to ever be able to improve their economic status by working and are considered to be the safety net cohort. For tenants and applicants, classification as a member of the safety net cohort is typically due to age and/or physical or psychosocial disability status. These include people likely to require social housing for an extended period, such as people receiving age, carer, disability, or veterans support payments.

Of the households waiting for social housing around 73 per cent are single person or single parent/guardian households as shown in the figure below⁴².

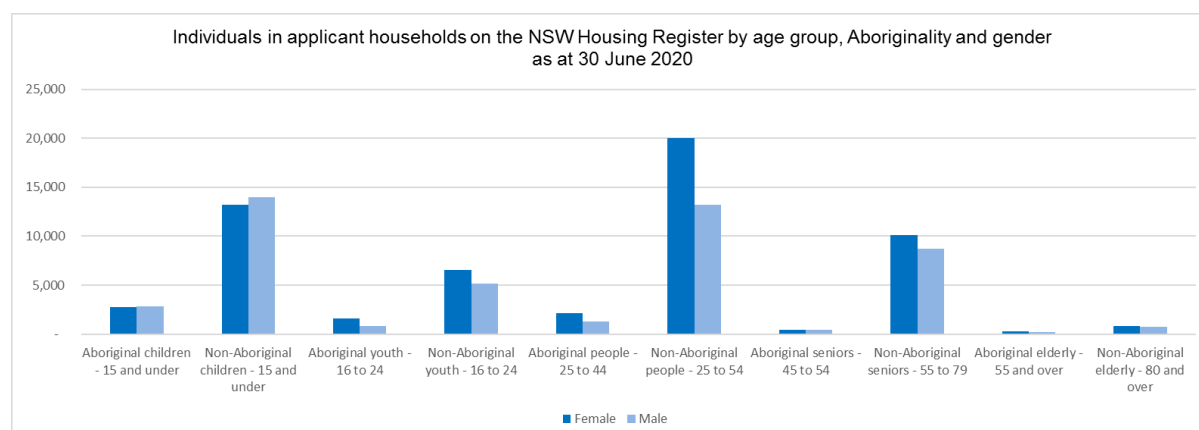
See Figure 4 for the Applicant households on the NSW Housing Register by household configuration at 30 June 2021.

Figure 4 – Applicant households on the NSW Housing Register by household configuration at 30 June 2021



There were more than 32,000 children (aged 15 and under)⁴³ waiting for social housing, as shown in Figure 5.

Figure 5 – Individuals in applicant households on the NSW Housing Register at 30 June 2021

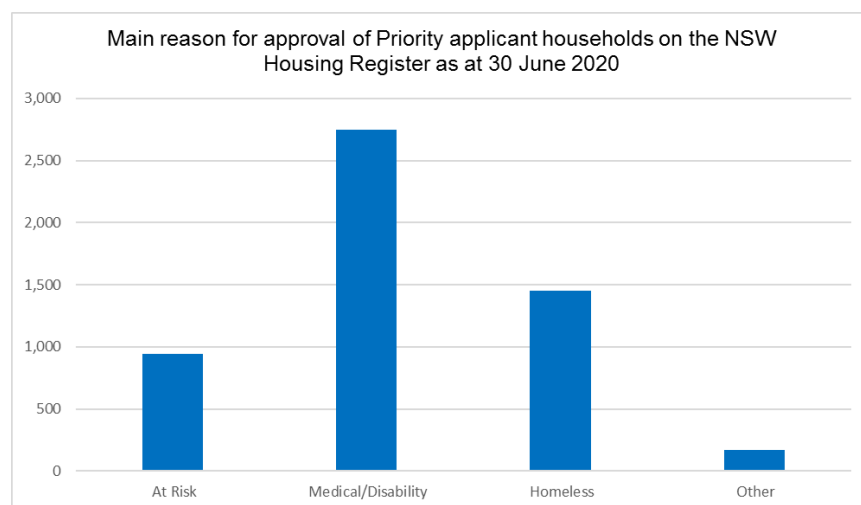


More than 2,500 of these children were in households classified as priority, with an urgent unmet need for housing. Households in urgent need are typically the most vulnerable in the community, and often require the greatest long-term government assistance through their use of crisis

accommodation services, as well as the health, justice, and child protection systems.

Figure 6⁴³ shows the main reason over 5,300 priority households were approved for urgent housing.

Figure 6 – Main reason for approval of Priority applicant households on the NSW Housing Register at 30 June 2020



Social housing being increasingly occupied by people with higher needs means that many more tenants need access to supports to help them sustain their tenancy and live well, including Commonwealth-delivered supports. In addition, a higher proportion of applicants and tenants require dwellings with particular configurations and/or modifications.

Challenges in responding to demand

Employment changes impact homelessness

Employment underpins the economic output of a nation and enables people to support themselves, their families and their communities. It is also connected to physical and mental health and is a key factor in overall wellbeing⁴⁴.

COVID-19 resulted in a substantial increase in labour market underutilisation, with more people wanting a job, or more hours of work, than employers needed. As lockdowns in most states ended, the marginal jobs growth was in part-time work, reinforcing existing labour market trends⁴⁴.

Young people and women (at least initially) were particularly affected by the labour market impacts associated with the COVID-19 restrictions, as these people were more likely to work in those occupations and industries most affected by the shutdowns and spatial distancing measures imposed to slow the spread of COVID-19⁴⁴.

Young people are joining an increasingly part-time, casual, and insecure workforce. The 15–24 age group recorded the largest decrease in employment rates, falling from 60 per cent to 50 per cent between March and May 2020, the lowest rate since the Labour Force series began in 1978. This was the largest fall of all age groups over this period, followed by that for the 25–34 age group (from 81 per cent to 76 per cent)⁴⁴.

The seasonally adjusted labour force participation rate (proportion of the population aged 15–64 who are employed or unemployed) fell from 78.7 per cent in March 2020 to a low of 75.1 per cent in May 2020. By May 2021, it had recovered to above March 2020 levels (79.6 per cent); it continued to increase to June 2021 (79.7 per cent) and then fell slightly in July 2021 (79.5 per cent). This fall in the unemployment rate from June to July 2021 may reflect some people dropping out of the labour force as they give up the search for work and represents 37,700 fewer people in the labour force than in June 2021⁴⁴.

In the decade leading up to the pandemic, long-term unemployment increased, with the average duration of unemployment rising to around one year. Currently around one in every five unemployed people have been unemployed for more than a year, an increase from around one in every eight a decade ago. Long-term unemployment is more common in regional areas than capital cities⁴⁵.

Long-term unemployment can be debilitating for affected individuals, families, and communities. It impacts the economy by reducing the effective pool of workers and increases the cost of welfare support. With the uncertain economic outlook, the unemployment rate is likely to remain elevated for several years, placing NSW households at an increased risk of experiencing housing insecurity and homelessness, and prolonged disadvantage^{7,46}. Some will face the prospect of a prolonged period of unemployment⁴⁵. Those entering the labour market during a recession can expect lower wages and fewer opportunities for career progression, the impacts of which can last a lifetime⁴⁵.

COVID-19 has reduced educational engagement and attainment

COVID-19 has impacted educational engagement and attainment of children and young people. This is due to disruption of face-to-face learning, increased absenteeism, and higher unemployment resulting in family stress and insecurity⁷.

Evidence from previous recessions and analysis of the impact of COVID-19 and the public health response on education suggest that the negative effects will be greatest for disadvantaged students. They tend to have greater financial stress in the home, which can make learning harder. Their home environment is often not conducive to learning, and they have reduced access to internet and technology. Where parents have lost jobs or income because of COVID-19, the student's home environment is likely to have suffered⁴⁷.

Even where remote learning was working well for disadvantaged students, teachers estimate that over two months of remote learning the achievement gap will have widened by 7 per cent (approximately 6 weeks of learning), three times as fast as when students are at school. However, they note that the existing achievement gap is more than 10 times greater than the gap that will have developed during COVID-19 disruptions⁴⁷.

There is considerable evidence that any losses in education will impact the productivity and earnings across an individual's lifetime and have broader economic implications. There is an urgent need for additional resources to support students address educational losses during the COVID-19 lockdowns, and the impacts of rising unemployment on outcomes.

COVID-19 contributed to a rise in mental health issues

The potential for COVID-19 to impact mental health and wellbeing was recognised early in the pandemic¹⁸. In addition to concerns around contracting the virus itself, some of the measures necessary to contain its spread were also likely to negatively impact mental health⁴⁸.

Widespread restrictions of movement, social distancing measures and physical isolation through lockdowns were implemented from March 2020. The sudden loss of employment and social interaction, the added stressors of moving to remote work or schooling and, more recently, impacts of sudden, localised lockdowns to prevent further outbreaks have impacted the mental health of many Australians⁴⁹.

Throughout 2020 and early 2021 many researchers gathered evidence of heightened psychological distress during the pandemic. The *Household Impacts of COVID-19 Survey*, conducted monthly by the Australian Bureau of Statistics from March 2020 to June 2021 found that during the pandemic, women have consistently reported higher levels of concern due to COVID-19 than men, and people aged 18–64 years have reported higher levels of concern than people aged 65 years and over.

Stress, confusion, and anger are commonplace because of the pandemic²¹. While many people may not experience any long-term concerns, COVID-19 has the potential to contribute to or exacerbate

long-term mental illness and the heightened usage of mental health services was continuing in late 2021⁴⁹.

Domestic and family violence is increasing

DFV is the main reason women and children leave their homes in Australia⁵⁰, with those who have experienced DFV making up 42 per cent of SHS clients in 2020–21¹⁷. Since 2011–12, the number of SHS clients who have experienced DFV increased by an annual average of 4.2 per cent¹⁷. Aboriginal and Torres Strait Islander women are over three times more likely to be victims of DFV, and underreporting is thought to be greater⁷.

In March 2021, the Australian Parliamentary inquiry into family, domestic and sexual violence⁵¹ found that victims-survivors of violence often bear the costs for leaving the relationship, the family home, and their community. In NSW up to 2,402 women living with a violent partner had previously left that partner but returned because they had nowhere to live or could not afford alternative accommodation. A further 2,410 women were homeless because they could not find secure and permanent housing after leaving a violent partner⁵².

A large body of research has examined the impact of the COVID-19 pandemic on DFV. Australia's National Research Organisation for Women's Safety ran an online survey of 10,000 Australian women from February to April 2021 and found that:

- women were twice as likely to experience domestic abuse if their partner's work conditions changed
- when their partners lost work, women were more likely to experience violence for the first time, and for existing violence to escalate
- high financial stress was associated with three times the risk of physical violence
- pandemic stress exacerbated existing abuse⁵³.

The strong association between economic insecurity, especially economic hardship, and all forms of DFV highlights the importance of providing economic assistance and resources to victims and survivors. This includes measures such as stable housing, income support, debt forgiveness, microloans and access to affordable childcare which can support women to leave abusive relationships and facilitate economic independence from their partner⁵³.

NSW population is ageing with increasing prevalence of disability

By 2061, the median age in NSW will be 44 years, up from 38 in 2020 and 30 in 1981. The population will be living longer, driving up the demand for health and other services. One third of the NSW population lives in regional areas, where population growth will be slower and aging faster than metropolitan locations. The regional NSW population is projected to grow at 0.4 per cent a year on average over the next 20 years, compared to 1.5 per cent for metropolitan locations (Sydney, Newcastle, and Wollongong)⁵⁴.

By 2030, our adult population with a disability will increase to 9.5 million, and the 65+ proportion of this population is expected to grow at a rapid pace (by 41 per cent for ages 65–79, and 60 per cent for ages 80+). By 2031, one in three citizens will be over 65 and age-related disability will become a more prevalent feature for services⁵⁴.

Secure housing is important as older people seek to age in place. Aboriginal Elders also seek to age on Country and within their own community³⁵. Older people should be able to transition through tiered care levels in the home (social, affordable, or private) that suits their need if appropriate ageing in place support is in place and where possible seek to avoid the premature transition to residential aged care facilities.

Older people currently make up more than half of all social housing tenants in NSW and a growing portion of private renters. It can be hard for older people to continue living independently in social housing as they age in place due to a lack of available supports.

With decreasing rates of home ownership and an aged pension system designed around home ownership, the needs of asset-poor older people (particularly older women) will place increasing pressure on the social housing waitlist.

COVID-19 has impacted disadvantaged communities

COVID-19 has affected the health, social and wellbeing of some communities and amplified structurally entrenched inequalities within and across societies. The socio-economic challenges experienced by CALD communities in Australia are well-documented and include poor living conditions, poverty and unemployment, and low income. For example, a 2019 report found that 9.2 per cent of people born overseas were unemployed compared to 4.7 per cent born in Australia⁵⁵.

The pandemic, and current vaccination rollout continues to demonstrate that CALD communities face difficulties accessing critical social services⁵⁶. CALD communities are over-represented in low-paid and mostly casual sectors, and many are employed in roles locals avoid⁵⁷. A major concern is that these sectors have been hardest hit by COVID-19 globally, including in Australia⁵⁸. The diverse and multiple needs of the CALD community will need to be considered to reduce the risk of homelessness. This involves compensating for gaps in income security related to residency and visa status, ensuring all services are equally accessible to all population groups, and making the housing system more affordable and accessible for this group⁵⁹.

Prior to COVID-19, Aboriginal people faced health disadvantages and inequitable access to health care. Deciding to seek health care is difficult, and for some Aboriginal people, access to care became more challenging during COVID-19 with reduced availability of services and use of telehealth, particularly for older people living with disability⁶⁰. The highly successful response to COVID-19 led by Aboriginal leaders and Aboriginal community-controlled health services demonstrated the importance and impact of self-determination in promoting the health and wellbeing of Aboriginal people⁶⁰.

Housing has been nominated by urban Aboriginal community leaders as a key concern in relation to health⁶¹. Inadequate housing is widely cited as an important determinant of the poor health status of Aboriginal Australians⁶². While the majority of Aboriginal housing research and policy has focussed on Aboriginal people in remote communities, the data suggests urban Aboriginal households also experience significant housing disadvantage and they are more likely to live in unaffordable housing than those in remote areas⁶³.

A qualitative study with Aboriginal people in Perth and regional Western Australia described housing that was characterised by poverty, difficulty accessing affordable housing, racism, insufficient social housing, difficulty navigating the social housing system, overcrowding, forced evictions and insecure tenure⁶⁴. These issues have been exacerbated by COVID-19. Aboriginal-led governance backed by dedicated Commonwealth resources will provide NSW with the best chance to plan for recovery and invest in housing and support initiatives that meet the needs of Aboriginal people living in NSW and reduce the risk of homelessness⁷.

Suitable private market affordable housing is unavailable

NSW has a wide range of supports for people to enter the private rental market so that social housing and homelessness services are reserved for people most in need. These products have become less effective as private market affordability has decreased.

Rent Choice and Start Safely provide a time limited, tapered private rental subsidy for up to three years and facilitate access to support, training and employment opportunities needed to sustain independent housing without the need for ongoing government assistance. The activation rate of Rent Choice applications is moderately high: 66 per cent of clients who were approved for Rent Choice from July 2016 to June 2020 went on to establish a private rental tenancy. However, the COVID-19 pandemic lockdown has slowed down the rate of activations during 2020-21 due to housing pressures from low vacancy rates, affordability and difficult employment conditions.

Similarly, the efficacy of other private rental assistance products have been affected. The number of households assisted with Rentstart products, including Bond Loan and Advance Rent, are at historically low levels. This suggests that smaller, one-off products were less able to support low-income households to gain tenancies in challenging private residential markets in both metro and regional areas.

Ageing social housing portfolios are costly to maintain

Over half of LAHCs properties are more than 40 years old, making the portfolio costly to maintain. For example:

- total maintenance costs rose 36 per cent from around \$370 million in 2012 to around \$506 million in FY2021⁶⁵
- responsive and planned maintenance costs increased by 46 per cent from \$221 million in 2011-12 to \$322 million in 2020-21⁶⁶
- about 6,800 LAHC homes have heritage or conservation status, with maintenance costs for heritage properties on average more than double those for properties aged under 20 years – for some types of heritage repairs, costs are 4 times higher than LAHC's overall average costs of repairs
- without upfront investment, the required maintenance is estimated to cost \$5,449 million over the 10 years to 2031-32⁶⁷
- without capital maintenance funding and due to the continued reliance on asset sales and increasing numbers of un-tenantable properties, the portfolio is estimated to shrink by about 3,700 homes by 2031-32.

In 2001, the Audit Office of NSW published a Performance Report on the Maintenance of Public Housing⁶⁸. It stated that the National Public Works Council estimated the annual maintenance cost as a percentage of dwelling replacement cost for properties more than 40 years of age should be 2.3 per cent per annum, and for properties less than 10 should be 0.6 per cent per annum.

Based on these benchmarks, \$660 million per annum (in today's dollars) was needed to cover costs on the portion of LAHC's properties aged over 40 years (i.e. 66,000 homes or more than 50 per cent of the portfolio). However, due to its constrained funding model, LAHC is only able to invest about \$500 million in 2021-22 for maintenance of its entire portfolio, noting this year includes \$90 million in stimulus funding. Currently LAHC forecasts average annual total maintenance expenditure of \$410 million from 2022-23 to 2025-26⁶⁹.

A 2017 review⁷⁰ into social housing rental models by the NSW Independent Pricing and Regulatory Tribunal (IPART) identified financial sustainability as a challenge to the social housing model. IPART identified that operating losses, deferred maintenance, unfunded depreciation, and forgone returns on assets constitute a subsidy covering the gap between the tenant contribution and market rent. This subsidy was estimated at the time to be \$945 million per year.

Given the importance to the national economy of safe, affordable housing for people in need, the Commonwealth should expand the scope of the NHHA to include:

- the maintenance and rejuvenation of existing social housing, with a focus on accelerating upgrading and renewal of old homes that are no longer fit for purpose, to enhance the financial sustainability of the system, improve housing access, quality, diversity and resilience, and tenant experience, and the system's ability to meet growing demand for housing assistance
- specific funding for social housing estate renewals and de-concentration
- specific funding to improve the current Aboriginal housing stock, especially in remote communities, as well as build additional housing in remote communities to address overcrowding.

NSW's multi-faceted response to housing and homelessness need

The NSW social housing system aims to increase the supply of social and affordable housing in NSW, improve access to services, and provide a wide range of supports that prevent crisis and people experiencing homelessness. This encompasses a continuum of support ranging from affordable and social housing to early intervention, crisis accommodation, medium-term care, and a range of support and rehabilitation services.

The NSW Government also delivers a range of products that assist people to gain tenancies in the private rental market. These include bond loans, advance rent, arrears assistance, private rental brokerage, and medium-term private rental subsidies. These products provide an effective alternative housing pathway to divert some people from social housing to independent living in the private rental market. This ensures social housing is reserved for those who need it most.

The NSW Government funds a range of non-government agencies to support people at risk of or experiencing homelessness. These specialist homelessness services provide services ranging from general support and assistance, counselling, and legal advice to immediate crisis accommodation. However, the evidence is clear that while services will always be required to help those in crisis, this should not be the standard method for managing homelessness long-term. We need to work together towards eliminating the reasons why people become homeless in the first place. Prevention strategies are shown to succeed in reducing homelessness and are cost effective.

The *NSW Homelessness Strategy 2018-2023* is the key policy framework for the NSW Government's response to homelessness. The Strategy was developed as a five-year framework for action to drive a systemic response to homelessness, which shifts the focus from crisis support to early identification and support to people at risk, and homelessness prevention. Key actions under the Strategy target supports for at-risk tenancies, early screening for homelessness and assertive outreach.

Around 8,200 individuals experiencing homelessness are expected to be assisted through Strategy actions. However, this only represents around 22 per cent of the number of people experiencing homelessness in NSW at the time of the last census in 2016 (37,715 people). Prevention and early intervention initiatives under the strategy are expected to assist around 114,700 people who are at risk of homelessness. A variety of indicators suggests the number of people needing such support is much greater. Research suggests more than 130,000 households in the bottom 20 per cent of income earners in NSW in 2018–19 were experiencing housing stress or were homeless⁴⁰.

In 2021, the NSW Auditor General found that, while the development and intentions of the Strategy are sound, without sufficient funding, the reach of the Strategy remains constrained, and it will have a limited short-term impact on homelessness across NSW. This sits against a backdrop of increasing need for housing and homelessness supports in NSW that may become more acute once the full economic impacts of the COVID-19 pandemic are felt.

The NSW Government announced temporary policy changes and new funding for initiatives to prevent and respond to homelessness in the context of the COVID-19 pandemic. A number of these built on successful existing programs and promising pilot programs and included increased engagement and rapid re-housing for people sleeping rough (through Together Home⁷¹), support to

landlords and tenants, DFV services, additional supports for unaccompanied children and young people and deep cleaning of crisis refuges and congregate care properties.

Similarly, while acknowledging that the NSW Government demonstrated effective planning and an agile response to homelessness during COVID-19, the NSW Auditor General found that the number of Together Home places is significantly less than required to provide housing for the 4,355 individuals who were sleeping rough prior to entering enhanced temporary accommodation during COVID-19, and is constrained by the limited availability of affordable rental properties and the existing scale of unmet need for social housing in NSW.

Because of the complex intersections between the risks and drivers of homelessness and protective factors, the effectiveness of the NSW housing and homelessness systems depends on, and links to, other state and Commonwealth services and systems. Access to Commonwealth income supports (including CRA, family supports and crisis payments), adequate NDIS funding, primary health networks and specialist supports, effective social housing, and early intervention family supports are all critical to create a system that can prevent and respond more effectively to homelessness.

Policy decisions can either contribute to or resolve homelessness. Government emergency provisions during COVID-19 demonstrated how effective decisive government intervention can be. Evidence has shown that when Commonwealth governments make housing affordability a national policy objective, it has lasting impacts⁷². COVID-19 not only highlighted how important it is to have a safe, secure, stable, and uncrowded home, but how quickly and effectively we can resolve homelessness with positive and sufficient government responses.



Housing for Aboriginal and Torres Strait Islander peoples

The NHHA does not have a focus on the specific needs of Aboriginal people

Many Aboriginal people across NSW experience deep-rooted socio-economic challenges that affect their access to safe and affordable housing on Country, or in their community of belonging, further impacted by remoteness and overcrowding within Aboriginal communities. Housing is a key factor in the health and life expectancy gap between Aboriginal and non-Aboriginal Australians⁷³, and a key mechanism for continued intergenerational disadvantage⁷⁴. Research suggests that factors which contribute to Aboriginal people's disproportionate need for homelessness supports include racism, systemic socio-economic disadvantage, and increased difficulty navigating the social housing system⁴⁰.

While the NSW Government has made significant investment through its Strong Family, Strong Communities (2018-2028) strategy, there needs to be better coordination and collaboration between the Commonwealth, states, and territories.





The NHHA fails to place importance on improving specific outcomes to address the needs of Aboriginal people and communities. This means it has been limited in how it can contribute to improving access to affordable, safe, and sustainable housing across the housing spectrum, in comparison to the growing need from Aboriginal communities.

Under Schedule A of the NHHA there is no mention of Aboriginal people and communities, or more specifically remote Aboriginal communities after the NPARIH ended. The NHHA priority areas should strike a balance between resolving existing issues preventing future issues (next 5-10 years) clients face when trying to enter, maintain tenancy and exit social and affordable housing. Existing issues include long waiting times and housing that does not match current needs of Aboriginal communities. Future issues include the growing population, an increasing need for social and affordable housing, and the ongoing maintenance and repairs of ageing Aboriginal housing stock, especially community owned.

The AHO has identified specific challenges for Aboriginal communities and the Aboriginal Housing Sector.

Figure 7 illustrates four identified challenges and supporting evidence.

Figure 7 – AHO identified challenges and supporting evidence

 <p>Challenge 1: There is significant and increasing demand for Aboriginal housing to be met by NSW Government</p>	<ul style="list-style-type: none"> • Demand for Aboriginal housing is forecast to grow • The demand for Aboriginal housing will not be addressed by private or NGO sectors
 <p>Challenge 2: The existing housing stock requires improvement to better meet client needs</p>	<ul style="list-style-type: none"> • The existing housing portfolio does not meet client needs • There is a need to better understand the AHO's clients and deliver housing stock that is fit-for-purpose
 <p>Challenge 3: ACHPs require continued investment and support to stay viable and provide fit-for-purpose Aboriginal housing</p>	<ul style="list-style-type: none"> • ACHPs play an important role in the construction and management of Aboriginal housing, and they require support from the NSW Government • ACHPs must be registered with the AHO to receive funding for services
 <p>Challenge 4: Without stable, fit-for-purpose Aboriginal housing, there will be significant social, economic, and financial costs to the NSW Government</p>	<ul style="list-style-type: none"> • There are well-researched evidence to document the potential social, economic and financial costs with absence of stable, fit-for-purpose housing • The AHO plays an important role in addressing the socio-economic challenges

Increasing demand for Aboriginal housing

As noted above, at 30 June 2021 there were over 900 Aboriginal households on the NSW priority social housing waitlist and between 2018 and 2021 this increased by over 50 per cent⁷⁵.

Since the end of the NPARIH in 2018, there has been no specific funding to address the supply and maintenance issues of Aboriginal housing in remote communities despite representations from many state and territory governments, including NSW. This lack of any Commonwealth support in NSW (and many other states) for NPARIH style funding is leading to growing challenges for Aboriginal housing support in rural and regional areas.

Funding would provide support for reducing overcrowding and homelessness in Aboriginal communities as well as improved health outcomes.

While 'improved housing outcomes for Aboriginal Australians' is included as an outcome, the rapidly growing need across Aboriginal communities requires significant investment in the immediate future to ensure Aboriginal outcomes are achieved long-term.

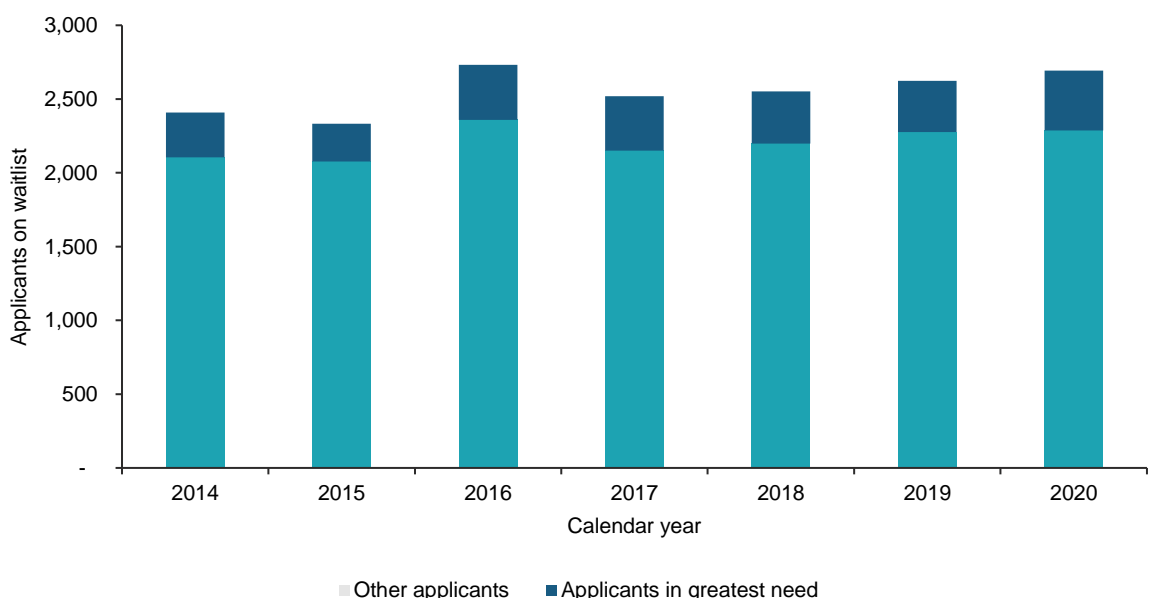
Social housing for low and very low-income Aboriginal households with children is foundational for meeting the Close the Gap targets and breaking the cycle of disadvantage.

In 2020, there were almost 2,700 households on the NSW Social Housing Register who were eligible for and had specifically requested Aboriginal Housing⁷⁶. Of these around a fifth were identified as being priority: for example, experiencing disability, homelessness, or severe financial hardship. Aboriginal Housing applicants on the waitlist equates to almost half (47 per cent) of the existing Aboriginal housing stock in NSW (approximately 5,800⁷⁷ dwellings), meaning the NSW Government will need to increase Aboriginal housing stock by 47 per cent to meet current demand.

COVID-19 exacerbated the hardships experienced by vulnerable people and affected the demand for Aboriginal housing. Applications by households in greatest need jumped by almost 20 per cent between 2019 and 2020 - the largest increase in four years.⁷⁸

Figure 8 shows the historical waitlist for Aboriginal households for the period 2014-2020.

Figure 8 - Historical household's waitlist for Aboriginal Housing in NSW June 2020⁷⁸



There were:

- more than 7,500 children (under 18 years of age) in Aboriginal households waiting for social housing as of 30 June 2021
- more than 1,000 children in 900 Aboriginal households on the NSW priority social housing waitlist as of 30 June 2021. This is an increase of 70 per cent since 2018⁷⁵
- 4,360 households, equivalent to 11,470 people, in State Owned and Managed Aboriginal Housing in 2020 (i.e. services provided by the AHO)
- 2,408 households in government funded Aboriginal Community Housing dwellings⁷⁹
- upwards of 15,000 Aboriginal households in the mainstream social housing programs of Public and Community housing.

Drawing on data from the Australian Bureau of Statistics, the AHO estimates that housing demand from the lowest income band (\$0-45K) will increase by 20.4 per cent, or 8,816 households between 2022 and 2028⁸⁰. This emphasises the need to invest in additional Aboriginal housing and associated services that can address the current waitlist and support other vulnerable families.

National Partnership Agreement for Remote Indigenous Housing

There is a higher cost to providing Aboriginal housing to remote communities compared to other areas of the State. This is driven by a combination of overcrowding in dwellings, costs of materials and trades, and lower rental income for managing providers. However, since the ending of the NPARIH there have been insufficient resources available to improve access to affordable, safe, and sustainable housing in remote Aboriginal communities.

In NSW, the NHHA contributes to new Aboriginal builds and upgrades, however the net increase in stock funded via NHHA is only equivalent to approximate 0.5 per cent annually. This lack of any Commonwealth funding to NSW and other jurisdictions is leading to growing challenges for Aboriginal housing support in rural and regional areas.

The median age of the AHO Portfolio is 34 years, with 26.9 per cent of properties over the notional useful life of a housing asset of 40 years. With persistent rates of overcrowding and an ageing portfolio, there are growing costs to delivering Aboriginal housing across NSW.

While NPARIH provided much-needed funds for remote Aboriginal communities, there was still a significant gap to ensuring all required repairs to Aboriginal community owned homes were completed. Additional supply is required with newly constructed homes offering the most appropriate response to overcrowding and harsh climatic conditions, with much of the existing stock, especially community owned, at the end of its economic life.

The Commonwealth should consider reinstating the NPARIH, or a similar funding arrangement, to meet the demand for Aboriginal housing (particularly in remote communities) and upgrade and maintain existing Aboriginal housing. Specific funding to improve housing outcomes of Aboriginal people and communities would support reducing overcrowding and homelessness in Aboriginal communities and improved health outcomes.

7

The supply side of
the housing
market

Housing 2041

Improvements in the planning process are supporting the delivery of Housing 2041, the NSW Government's approach to housing across metropolitan and regional NSW. Housing supply and rezoning are being driven by the strategic approaches exemplified in the regional, district and local strategies and housing targets.

This has contributed to the construction of 150,000 dwellings over the last five years in Sydney, with capacity in the system for at least this much again. This is being achieved through faster planning approvals for state and regionally significant development applications and rezoning's under the Planning Reform Action Plan. The NSW Government is also targeting infrastructure spending to growth through the Housing Acceleration Fund (\$1.2 billion) and the Accelerated Infrastructure Fund, targeted at Northwest Sydney (\$75 million for round one), as well as contributions reforms to unlock local contributions to be more effectively spent on infrastructure in growing areas.

Commonwealth taxation and funding settings constrain supply

The Commonwealth holds many levers in respect to taxation, welfare and rental support that have a direct and profound impact on the housing market. Working with the states and territories to identify and address issues across the full spectrum of housing nationally could contribute to relieving the increasing housing pressures.

Specific taxation areas where the Commonwealth can work with state and territory governments to relieve housing pressures are stamp duty and capital gains tax concessions.

The NSW Government would welcome the Commonwealth:

- providing incentives to states and territories to undertake major taxation reforms to help unlock economic benefits which will flow through to higher taxation revenues at the Federal level
- undertaking a review of the current taxation settings relevant to housing investment (such as capital gains tax) and consider reforms to improve housing affordability.

In its submission to the Standing Committee on Tax and Revenue inquiry into housing affordability and supply in Australia⁷², NSW identified four pressure areas that would benefit from Commonwealth assistance:

- home ownership, which is becoming increasingly out of reach for people entering the market
- misalignment of infrastructure and growth, which is impacting on housing capacity and supply
- rental market pressures, which are impacting affordability, availability, and accessibility
- capacity and supply, which will not meet demand in the future.

Commonwealth remedies to housing pressure include:

- Incentives (and removal of disincentives) to states and territories for undertaking major productivity-enhancing taxation reforms, such as removing stamp duties, to help unlock economic benefits which will be shared across levels of government.
- Reviewing and adjusting prudential and taxation settings to help moderate prices for existing stock to ensure an appropriate balance between the purchases of properties for owner-occupied and investment reasons.
- Creation of a National Housing Strategy to give the housing sector a vision and support for development, growth, and greater investment.

- Demonstrating long term commitment and support for shared equity arrangements to improve affordability by reducing deposit and ongoing housing costs and reduce demand for other government subsidies.
- Progressing the Automatic Rent Deduction Scheme to enable social housing providers to automatically deduct tenancy charges from tenants' and household members' Commonwealth income support payments.

Stamp duty

Stamp duty significantly increases the upfront cost of purchasing a home in Australia. It is estimated that for a full-time worker who earns the NSW average annual income, stamp duty can add up to 2.5 years to the time required to save a deposit of 20 per cent for the average NSW property. Across NSW's major revenue sources, stamp duty on property is widely considered the most inefficient tax. It imposes the largest economic cost of all existing taxes.

A broad-based land tax on the unimproved value of land is the most efficient tax available to the states. The NSW Government has proposed a new Property Tax Reform that seeks to transition from the current stamp duty and land tax system to a broad-based annual property tax based on unimproved land values.

The potential outcomes and benefits of the property tax reform include:

- lower barriers to entry into home purchase in the property market
- allowing households to move more easily to homes that match their needs – evidence suggests the number of property transactions would increase by around 50 per cent in the long run
- more efficient tax system would better allocate housing and therefore improve the effective supply of housing – lower taxation of capital would also encourage more investment. The NSW Government property tax reform is estimated to lift GSP by 1.7 per cent
- boost NSW home ownership by 6.6 per cent, allowing 345,000 people to move out of renting in the long run
- long-run productivity benefits of replacing stamp duty with an annual property tax nationally would boost Commonwealth revenue by around \$5 billion per year.

The Commonwealth can assist by providing incentives to states and territories to undertake major tax reforms that will unlock economic benefits that will be shared across all levels of government. The productivity dividend from these reforms would increase Commonwealth revenues and strengthen Commonwealth finances.

Under current distribution methodologies of the Commonwealth Grants Commission (CGC), undertaking property tax reform may cause a state to lose Goods and Services Tax (GST) revenue. This represents a significant obstacle to embarking on productivity-enhancing reform. The Commonwealth Productivity Commission and the CGC have both found that any state that unilaterally replaced stamp duty with a broad-based land tax would lose GST revenue. The NSW Government is engaging through the Council on Federal Financial Relations on measures to ensure that the State is not penalised for proceeding with such reforms and welcomes the Commonwealth's assistance in removing these disincentives.

Capital gains tax

The second opportunity relates to tax settings, particularly the 50 per cent discount on capital gains tax. The discount on capital gains for property held for more than 12 months leads to significant purchases of properties for investment rather than accommodation. The tax benefits of property investment have contributed to the growing housing affordability issue. While the effect is likely to

be a moderate increase in house prices, the most significant impact is the displacement of owner-occupiers (including first home buyers) from home ownership by tax-advantaged investors, predominantly those already on higher incomes. This leads to significant extra investment demand for housing leading to higher prices (and lower affordability). It also leads to poorer asset utilisation as properties are held mainly for capital gain. This has been reflected through significant growth in spare bedrooms (underutilised properties) since the CGT 50 per cent discount was introduced in 1999.

The expected outcomes and benefits would include:

- continued upward growth in housing prices would be lessened to some degree (improving housing affordability)
- reduced speculative pressures in the housing market
- housing assets used more for accommodation needs than investment needs
- small relative shift back to benefit first home buyers (from the current high focus of investment purchases in the property market).

GST exemptions

Aboriginal community housing providers (ACHP) and CHPs are exempt from GST because they provide subsidised community housing⁸¹. LAHC provides a similar function for social housing properties managed by DCJ but receives no GST relief.

Providing the same GST-free status experienced by CHPs and ACHPs to a state-owned housing agency, such as LAHC, would allow the reinvestment of these funds into social and affordable housing. The impact of this for LAHC would be an additional \$60-70 million to deliver approximately 150 to 175 new dwellings per annum.

Commonwealth support to promoting and scaling innovative arrangements

Increasingly potential new partners are approaching the NSW Government with ideas and opportunities to support the delivery of social and affordable housing. The NHHA should include appropriate mechanisms to leverage such opportunities. These opportunities may include supporting NHFIC to provide equity to housing projects and to a broader network of potential suppliers, including ACHPs and NGOs (and to increase its internal capability to support this).

The availability of NHFIC finance means on more developments, where a single site is mixed tenure (social, affordable, and/or private rental housing) or a number of sites may be multi-tenure, the amount of direct funding needed to support a development is reduced slightly: for example, one site is all social, one is social and affordable, and one is affordable or market only.

While the overall funding to produce the homes remains the same, some of the development costs can be financed through debt with the CHP borrowing from NHFIC and the debt repaid from the rental incomes – with affordable and market rents cross-subsidising the lower social rents. While this model does not work on every site, given market rental values differ between locations, there are many locations where it could.

NHFIC also offers grants and loans to CHPs, councils and governments for housing enabling infrastructure (such as roads, electricity, telecommunications, gas, site remediation, etc.), which can assist in financing and lowering the costs to develop more social and affordable housing. In August 2020, LAHC was the first organisation nationally to make an agreement to use the National Housing Infrastructure Facility.

In the recent review of the NHFIC, it was recommended NHFIC's investment mandate be amended to extend NHFIC the ability to lend to other not-for-profit providers of social and affordable housing

that are not registered community housing providers, where it is satisfied that the risks of doing so are manageable⁸².

The Commonwealth supported this recommendation in principle and indicated it will undertake further consultation before considering whether to implement it. If implemented, this expansion of the investment mandate could support more diversity in housing delivery models by providing a finance option for non-CHP community-based organisations with housing proposals.

Providing flexibility will allow partnerships to increase housing supply using Commonwealth and NSW land. There is an opportunity for the Commonwealth Government to align strategic release of government-owned land and enable collaborative government-led residential projects across local, state and federal governments.

Modernising and improving NSW Rental Legislation

The NSW Government recognises that safe and secure homes are central to the wellbeing of NSW residents. With more than one third of NSW residents renting their home and people now renting for longer, the NSW Government recognises the importance of security of tenure for this growing cohort.

Informed by ongoing monitoring and review of the sector, the NSW Government is committed to strong, balanced, and modern tenancy laws. Changes to tenancy laws in NSW the last five years have seen strengthened protection and certainty for tenants, while ensuring landlords can manage their investment properties effectively.

The *Residential Tenancies Act 2010* forms the basis of tenancy law in NSW. A statutory review of the Act was undertaken in 2015-16 and the 27 recommendations of the review were implemented. Other reforms were also made to further update and modernise the Act. The changes to the Act reduce disputes over repairs and maintenance, increase protection and certainty for tenants, and clarify the rights and obligations of tenants and landlords.

Major changes to the Residential Tenancies Act commenced on 23 March 2020, include:

- Minimum standards – Seven new minimum standards are now set out in the Act to ensure rental properties are fit for habitation. These include a property being structurally sound, having adequate light and ventilation and being connected to water.
- Smoke alarms – New obligations for landlords ensure smoke alarms are installed and working properly.
- Minor alterations – New provisions make it easier for tenants to install minor prescribed fixtures, or make alterations, additions, or renovations.
- Rent increases – rent increases for periodic ('week-to-week') agreements have been limited to one every 12 months.
- Rectification orders – Fair Trading has been given new powers to issue rectification orders to require landlords to carry out repairs or maintenance, or tenants to fix damage.
- Landlord information statement – a new 'landlord information statement' has been introduced to help landlords become more aware of their legal obligations under the tenancy agreement.
- Break fees for fixed term agreements – new provisions were introduced to prescribe the fee which must be paid when a tenant chooses to end a fixed term lease early. The new arrangements have provided greater certainty and clarity on the fee which must be paid, with the amount linked to the proportion of the lease which has already expired.
- Updated standard form agreements and condition reports – These forms were updated and improved to reflect the changed rights and obligations of landlords and tenants under the new laws. Other improvements were also made to the laws surrounding these documents, such as allowing condition reports to be sent electronically to tenants.

- Other changes such as:
 - making it easier for tenants to get repair orders from the NSW Civil and Administrative Tribunal
 - clarifying rules around accessing the property for photos and videos and how those photos and videos can be used online when they contain the tenant's personal belongings
 - ensuring tenants can access their own personal information held on tenancy databases, without being charged a fee
 - prohibiting a term from being included in a tenancy agreement that requires a tenant to use a specific utility provider (except where restrictions on providers apply)
 - introducing new grounds for tenants to end their fixed-term agreement early if the property is listed on the loose-fill asbestos insulation register
 - allowing rent receipts to be sent via email
 - introducing a requirement for landlords to pay for repair and maintenance of electricity meters in certain circumstances.

The NSW Government upholds that every person has a right to feel safe and live free from domestic violence. Recent reforms to tenancy law make it easier for tenants to escape a domestic violence situation in a rented home.

These reforms allow victims of domestic violence to end their tenancy immediately, without financial penalty or being listed on a tenancy database. A tenant can provide evidence of domestic violence through a:

- Domestic Violence Order
- family law injunction
- certificate of conviction
- declaration made by a medical practitioner.

These changes were introduced through the Amendment Act and came into force on 28 February 2019.

As of 11 December 2020, a wider range of professionals, known as competent persons, can also make a declaration that the tenant is in a domestic violence situation. The expanded list includes nurses, dentists and pharmacists, social workers, and certain domestic violence support workers. A new declaration form was also introduced at this time to replace the forms previously for medical practitioners.

The NSW Government continues to monitor the private rental sector to ensure laws are up-to-date and constantly improving. Fair Trading complaints, as well as data from rental bonds and end of tenancy surveys and other marketplace data are regularly reviewed to identify key issues and potential areas for reform.

8

Appendix 1 – NSW housing and homelessness strategies

NSW Government strategies

Premier's Priority to reduce street homelessness

On 26 June 2019, the NSW Government committed to reducing street homelessness in NSW by 50 per cent by 2025.

The Reducing Homelessness Premier's Priority is unique among the 14 NSW Premier's Priorities, as it originated as a Memorandum of Joint Commitment in February 2019, together with the City of Sydney, the Institute of Global Homelessness and seven non-government partners.

The Department of Communities and Justice (DCJ) is the lead agency responsible for delivering this priority. DCJ is committed to reducing street homelessness by focusing on initiatives to:

- collect and use better data to ensure we deliver the right kind of support to where they are needed most
- engage more directly and frequently with people who are experiencing street homelessness and ensuring they have a pathway to secure, stable and long-term housing
- build on and invest in prevention and early intervention.

Future Directions for Social Housing in NSW (2016-2025)

Future Directions has a focus on supporting people's independence so that social housing helps break the cycle of disadvantage. It aims to deliver more homes, better places, and a better experience for social housing tenants, including links to supports for those who are frail-aged, have a disability or a serious mental illness.

Future Directions has increased social housing and CHP capacity to develop and manage more social homes. The Social Housing Management Transfer (SHMT) program has transferred 14,000 homes and tenancies to CHPs, the Social and Affordable Housing Fund (SAHF) has to date delivered more than 2,000 of 3,400 homes, and Communities Plus is delivering small scale social housing renewal and large-scale mixed tenure redevelopment of social housing estates, such as Ivanhoe Estate at Macquarie Park. The Millers Point program has delivered more than 1,560 new homes of 1,875 planned by using the proceeds from sales of 419 properties no longer fit for modern use, as social housing. Twenty-year leases for NSW Land and Housing Corporation (LAHC) homes are facilitating greater access to finance by CHPs.

NSW Homelessness Strategy 2018-2023

The *NSW Homelessness Strategy 2018-2023* sets out the NSW Government's plan to address homelessness focussing on prevention responses to address the root causes of homelessness, and early intervention to reduce the longer-term impact of homelessness.

The strategy has three focus areas:

- prevention and early intervention
- better access to support and services
- an integrated, person-centred system.

The strategy creates a framework for collective action so fewer people experience homelessness, more people find secure places to live, and more people are empowered to tackle the issues that put them at risk of homelessness.

The strategy relies on accountability across government so all agencies, including DCJ, NSW Health and NSW Department of Education, share responsibility for preventing homelessness.

Strong Family, Strong Communities (2018-2028)

Strong Family, Strong Communities is a 10-year strategy to improve the wellbeing of Aboriginal families and communities through housing. It aims to ensure all Aboriginal people in NSW have equal access to, and choice in, affordable housing. Strong Family, Strong Communities has Aboriginal culture at the centre of all activity, building the cultural appropriateness of service delivery, strengthening the capacity and sustainability of ACHPs. The strategy also has a strong focus on Aboriginal-led co-design as a vehicle to sustain tenancies and improve early intervention, education and employment supports.

The objectives of Strong Family, Strong Communities are to:

- House our most vulnerable Aboriginal people and families
- Divert Aboriginal people from social housing
- Build resilient and empowered communities.

Additionally, DCJ's Aboriginal Outcomes Strategy 2017-2021 commits to increasing the number of Aboriginal households successfully transitioning out of social housing, including public, community and Aboriginal Housing Office (AHO) housing, by 20 per cent by 2021.

Housing 2041: NSW Housing Strategy and the 2021-22 Action Plan

In May 2021, the NSW Government released Housing 2041⁸³, the first housing strategy for the State, and which addresses the NHHA requirement for each jurisdiction to deliver a publicly available housing strategy.

Housing 2041 embodies goals and ambitions to deliver better housing and considers all housing types and tenures, from crisis to social and affordable housing, to private rental and specialist housing, to home ownership. It sets a 20-year vision to ensure 'NSW will have housing that supports security, comfort, independence, and choice for all people at all stages of their lives'. This unified vision came from within and beyond the Government and was shaped through consultation with housing experts from across the sector. It has four pillars: supply, diversity, affordability, and resilience.

Housing 2041 acknowledges that some households face housing access, stability and safety challenges. It provides a framework to increase supports and grow the community and Aboriginal housing sectors.

Housing 2041 is being implemented through multi-year actions plans. The 2021-22 Action Plan⁸⁴ outlines the immediate priorities of the NSW Government, including:

- continuing investment in renewing and growing social homes and strengthening community housing
- providing housing assistance for those in crisis
- partnering with industry and CHPs to test new housing typologies on government land
- improving government-led residential development outcomes and processes to drive the supply of more affordable diverse and resilient housing
- supporting the supply of suitable housing for essential workers in 'hard to fill' locations

- supporting new housing typologies to meet the needs of individuals and communities by partnering with local governments, the community housing sector and developers to trial ways of facilitating TSA options for people experiencing homelessness.

Beyond 2022, future action plans will seek to outline new, longer-term change or reform that aligns with the priorities of Housing 2041. This approach provides flexibility and ensures priorities can be updated to reflect changing circumstances, evidence and community expectations of outcomes to be delivered.

Strategic planning to ensure future jobs and homes

Strategic plans for Greater Sydney set housing targets based on population growth to be delivered in partnership with local government through local housing strategies. While the strategic plans for the Regions identify growth areas to provide certainty to Councils and industry in ensuring the right types of houses are built in the right areas.

The Greater Sydney Commission leads planning for the metropolitan region through the Greater Sydney Region Plan and five district plans. The Department of Planning and Environment leads strategic planning for regional NSW.

Strategic plans provide guidance on where housing should be located that is linked to and complements and prioritises infrastructure investment to enable a pipeline of land for housing and employment. Strategic plans for Greater Sydney will be reviewed in 2022. A program to review and update the nine strategic plans for regional NSW is underway and will be finalised in 2022.

9

Appendix 2 – Governance arrangements from the NRSCH inter-government agreement

9 Governance

9.1 Ministerial Council

- (a) A relevant Ministerial Council, comprising Ministers nominated by each State and Territory and the Commonwealth will have oversight of the National Regulatory System using the decision-making processes of the Ministerial Council or other appropriate mechanism agreed by the Ministerial Council.
- (b) The Ministerial Council, which represents the Parties, will be responsible for:
 - (i) approving, and approving changes to, the National Law
 - (ii) issuing policy directions for the National Regulatory System
 - (iii) appointing members to the NRC
 - (iv) approving protocols and operational guidelines
 - (v) determining any disputes related to cross-jurisdictional issues that cannot be resolved by the Ministerial Advisory Committee; and
 - (vi) approving National Regulatory System performance standards.
- (c) Except as set out in clause 8.2(b), majority decisions of the Ministerial Council will be effective and binding.

9.2 Ministerial Advisory Committee

- (a) A Ministerial Advisory Committee will advise the Ministerial Council on:
 - (i) policy requirements for the National Regulatory System to meet government priorities and objectives; and
 - (ii) any such other matters referred to the Ministerial Advisory Committee from time to time by the Ministerial Council.
- (b) The Ministerial Advisory Committee may establish such advisory committees as the Ministerial Advisory Committee may require from time to time. Such advisory committees may or may not include external members.
- (c) The Ministerial Advisory Committee will resolve any cross jurisdictional issues relating to the National Law.

9.3 National Regulatory Council

Functions

- (a) A NRC will be established as an independent advisory committee appointed by the Ministerial Council with the following functions:
 - (i) to publish, review and administer protocols and guidelines to ensure the implementation and ongoing effectiveness of the National Regulatory System in line with the agreed Objectives and Purpose specified in Clause 3 of this Agreement, specifically in relation to:
 - (A) the consistency and quality of regulatory decisions and conduct across the network of Participating Jurisdiction regulators
 - (B) the assurance that Participating Jurisdiction regulators are meeting agreed performance standards and national guidelines
 - (C) the availability of consistent, high-quality information on the performance of registered Community Housing Providers; and
 - (D) the maintenance of a single national register of Community Housing Providers.
 - (ii) to periodically review the National Law and evaluate the effectiveness of the

National Regulatory System

- (iii) to provide advice and make recommendations to the Ministerial Council
 - (iv) to provide recommendations to the Registrars in regard to the interpretation and application of the National Law
 - (v) to put in place mechanisms to consult with industry and relevant technical experts to ensure the ongoing development of the National Regulatory System is informed by the best available evidence; and
 - (vi) to provide an annual report to the Ministerial Council on the operation and implementation of National Regulatory System.
- (b) The Ministerial Council may agree to give the NRC other functions. The NRC may determine its own procedures subject to the objectives and provisions set out in the National Law and any directions of the Ministerial Council.
- (c) The Parties will determine proportional funding contributions to the operation of the NRC and any support arrangements.

Membership

The NRC will consist of:

- (a) one representative from each Party (nominated by the relevant Minister)
- (b) not more than two experts nominated by the Ministerial Council
- (c) one member nominated by the Ministerial Council drawn from the community housing industry; and
- (d) a chair appointed by the Ministerial Council from paragraphs (a), (b), or (c) above.

9.4 Registrars

- (a) There is to be a Registrar appointed for each Participating Jurisdiction.
- (b) The Registrars will:
 - (i) report from time to time, and upon request of the Minister, to the Minister in its Participating Jurisdiction regarding matters related to the Registrar's function and aspects of the National Regulatory System
 - (ii) meet as required to ensure consistency in the administration of the National Law; and
 - (iii) undertake such functions as may be prescribed in the National Law or determined by the Ministerial Council from time to time.

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