# 5    Social housing in Australia

## Key points

- Australia's social housing system is broken. People in similar circumstances can receive vastly different rates of financial assistance depending on whether they rent in the private or social housing market. Even within social housing, levels of implicit assistance vary significantly.

- More than 400 000 households are eligible for, but cannot access, social housing. Over 150 000 are on waiting lists. Depending on their location, non-priority applicants can wait up to ten years for a social housing property. Many people eligible for social housing properties have chosen not to apply and rent in the private market.

- Current approaches to managing social housing provide people with little choice over where they live. This denies people the benefits of choice and a lack of competitive pressure can mean that providers have less incentive to improve tenant outcomes, such as through improving the quality of properties. Income-based rents provide social housing tenants with little incentive to adjust their living arrangements when their circumstances change.

- Some parts of Australia have become particularly expensive to live in, which affects all people on low incomes, not just those eligible for social housing. Discussions on social housing are often dominated by questions of supply and affordability. Insecure tenancies and a shortfall of affordable rental housing in the private market have increased pressure on social housing.

- Relying only on supply-side responses will not deliver more choice or ensure those eligible for social housing receive timely support.

- Provision of social housing is slowly shifting from a model of public supply (owned and managed by governments) to a mixed model. Community housing providers are playing a greater role, partly because tenants in community housing are eligible to receive Commonwealth Rent Assistance.

- The role of tenancy support services should not be overlooked. They can help to stabilise tenancies, and assist people who find it difficult to find and maintain a tenancy in the private market. These services are particularly important for those at risk of homelessness. About 2000 tenants (about 7 per cent of all tenancy exits) were evicted from social housing in 2012-13.

- Australia's social housing system needs to be reset. Changes are needed to: deliver financial support that empowers tenants to have more choice over where they live; improve government stewardship; create an even and contestable playing field for those managing social housing; and provide portable tenancy support across social and private housing for people who require additional support to access and maintain a tenancy.

- The merits of the Commission's proposed reforms do not rely on an increase in the supply of properties that are affordable to households on low income, nor on greater rental security of tenure in the private market, desirable though these may be.

Social housing is part of the broader housing assistance system in Australia (figure 5.1). Housing assistance often involves financial assistance, such as the assistance received by tenants in social housing properties who have their rent set at a proportion of their income, and the provision of Commonwealth Rent Assistance (CRA) to tenants currently renting in the private market (box 5.1). Housing assistance can also include other forms of support, such as support services to maintain a tenancy (for example, assisting tenants to understand their tenancy obligations) and support for people to transition from social housing into private housing. The type of housing assistance a person is eligible for depends on their circumstances, and in some cases they may be eligible for more than one type.

The social housing system covers the allocation of tenants to properties, the ownership and management of properties, and the provision of financial assistance to tenants. Social housing includes both:

- public housing — properties managed by State and Territory Government housing authorities, such as Housing SA or Housing NSW

- community housing — properties managed and, in some cases owned, by a non-government provider.

Governments also manage culturally appropriate housing that is only allocated to Indigenous Australians, referred to as state-owned and managed Indigenous housing[1]. State and Territory Governments dominate the ownership of social housing properties, although most jurisdictions also accommodate social housing tenants in privately owned properties. The Australian Government contributes about $1.3 billion each year to the funding of social and affordable housing through the National Affordable Housing Agreement, which has a broader remit including homelessness (SCRGSP 2017).

There is no benchmark for the 'right' level of social housing properties in an economy. The level of social housing needed, and the level of housing assistance more broadly, will depend on interactions with other government policies, including the level of income support provided (box 5.1).
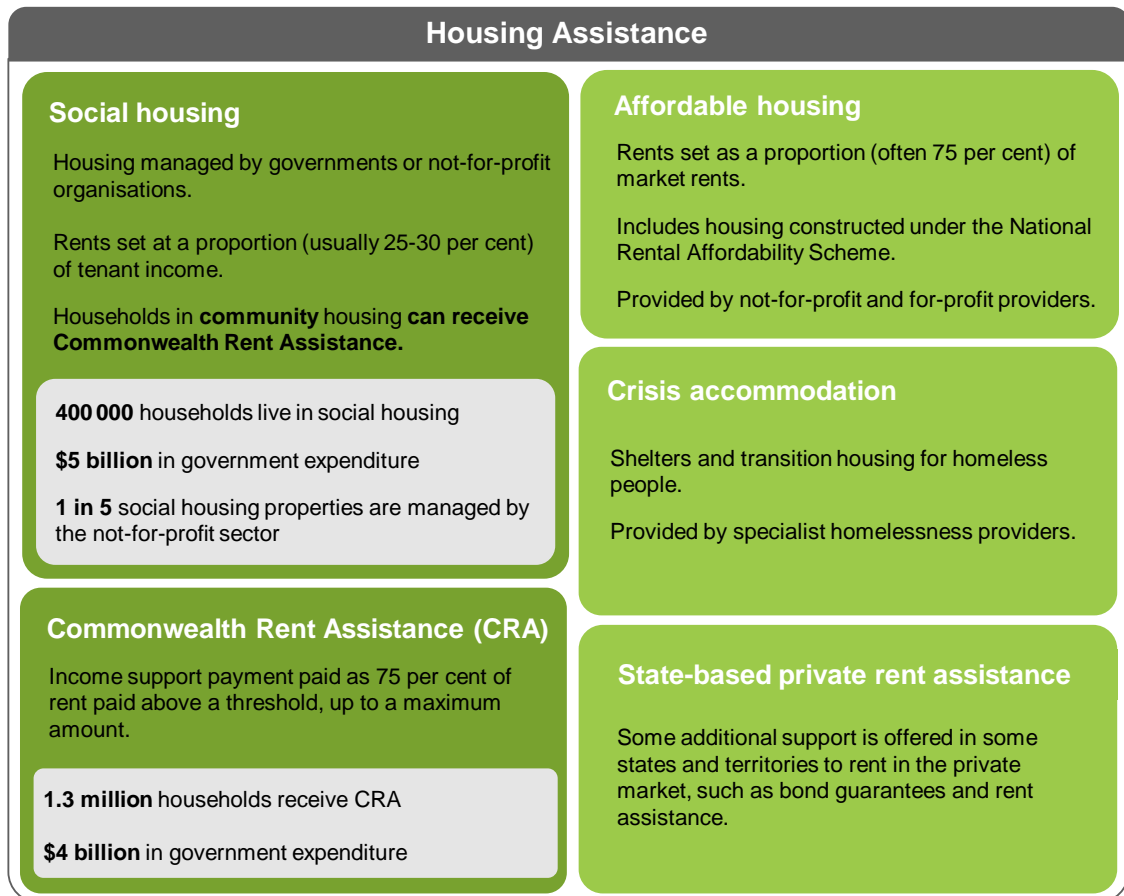
Eligible people who need the support (both financial and non-financial) offered in social housing are often unable to access it. Over 150 000 households are on waiting lists to enter social housing properties and some households can wait 10 years or more.

Many people eligible for social housing have chosen not to apply and rent in the private market. About 850 000 households in the private rental market satisfy the income eligibility criteria for social housing (Productivity Commission estimates based on the Australian Government Housing Dataset). The NSW Federation of Housing Associations et al. (sub. 406) estimated that there are roughly twice as many low-income people renting privately as there are renting social housing. Long waiting times could have deterred some people from applying. The Little Company of Mary (sub. DR547) also stated that many

---

[1] Throughout this report the term 'public housing' includes both mainstream public housing and state-owned and managed Indigenous housing, unless explicitly stated otherwise.

people they care for do not wish to live in government housing, and the Victorian Royal Commission into Family Violence (2016) noted that social housing often does not offer the flexibility to provide support for people at risk of family violence.

Figure 5.1    **Housing assistance in Australia**

| **Housing Assistance** | |
|---|---|
| **Social housing**<br><br>Housing managed by governments or not-for-profit organisations.<br><br>Rents set at a proportion (usually 25-30 per cent) of tenant income.<br><br>Households in **community** housing **can receive Commonwealth Rent Assistance.**<br><br>**400 000** households live in social housing<br><br>**$5 billion** in government expenditure<br><br>**1 in 5** social housing properties are managed by the not-for-profit sector | **Affordable housing**<br><br>Rents set as a proportion (often 75 per cent) of market rents.<br><br>Includes housing constructed under the National Rental Affordability Scheme.<br><br>Provided by not-for-profit and for-profit providers. |
| | **Crisis accommodation**<br><br>Shelters and transition housing for homeless people.<br><br>Provided by specialist homelessness providers. |
| **Commonwealth Rent Assistance (CRA)**<br><br>Income support payment paid as 75 per cent of rent paid above a threshold, up to a maximum amount.<br><br>**1.3 million** households receive CRA<br><br>**$4 billion** in government expenditure | **State-based private rent assistance**<br><br>Some additional support is offered in some states and territories to rent in the private market, such as bond guarantees and rent assistance. |

*Sources*: DSS (2017a); SCRGSP (2017).

Many households on income support in the private rental market are considered to be in 'rental stress'. In 2016 over 40 per cent of CRA recipients paid more than 30 per cent of their income in rent — a benchmark that is commonly used as an indicator of rental affordability (although this benchmark has its limitations — chapter 6) (SCRGSP 2017). Queensland Advocacy Incorporated (sub. 442) and Jesuit Social Services (sub. 420) highlighted some of the hardships faced by people who miss out on social housing but lack the financial means to find a home in the private rental market. This included homelessness, people living in sub-standard sharing arrangements and, in a small number of cases, young people remaining incarcerated given their lack of access to a home.

## Box 5.1    Financial assistance for rental housing

### Social housing

Tenants in social housing properties pay rent that is set at a proportion of tenant income (typically 25 per cent) or at the estimated market rent, whichever is lower. The implicit assistance that tenants receive is equal to the difference between the market rent for the property they live in, and the rent they actually pay. Tenants living in community housing can also receive Commonwealth Rent Assistance (CRA) but this assistance is passed straight through to the housing provider. Public housing tenants are not eligible for CRA.

### Commonwealth Rent Assistance

A household renting in the private rental market or in community housing is eligible for CRA if they pay more than a minimum rent threshold, and are receiving a qualifying social security payment (such as Newstart Allowance, Youth Allowance or the Age Pension). CRA is not rationed, and all households who are eligible for the payment receive it. Many people in the private rental market who receive CRA would also be eligible to apply for social housing.

CRA is payable at the rate of 75 cents for every dollar of rent above the rent threshold, up to a maximum amount. The rent thresholds and maximum amount (and, hence, the level of assistance) vary depending on household characteristics, such as the number of children in the household, and increase with the consumer price index. For example, a single person with two children will receive assistance if they pay more than $77 per week in rent, and they can receive a maximum payment of $78 per week. A household's CRA payment may be reduced if their income is higher than a threshold amount, which varies depending on the welfare payment they receive.

### The difference between CRA and assistance received in social housing

The two types of financial assistance lead to a two-tiered system. Tenants in social and private housing can receive vastly different levels of financial assistance, even though their circumstances are similar, except for the tenure of their housing. For example, a couple with an income of $500 per week (before CRA) and paying the median rent for a one-bedroom apartment in Melbourne ($340 per week) to a private landlord would receive about $60 per week in financial assistance. The same couple in social housing would implicitly receive about $215 per week in assistance. If the couple paid the median rent for a one-bedroom apartment in regional Victoria ($180 per week) to a private landlord they would still receive about $60 per week in assistance, but the implicit assistance they would receive in social housing decreases to about $55 per week.

### Overseas models

Countries structure financial support differently, placing more or less emphasis on direct support for housing. CRA is designed as a supplementary payment to other income support (for example, the age pension). Compared with countries such as the United Kingdom, Germany and Ireland, it generally comprises a small proportion of the total income support Australian households receive. For example, the 'Housing Benefit' program in the United Kingdom can pay up to 100 per cent of an eligible tenant's rent in both private and social housing. Housing assistance is the second largest government welfare expense in the United Kingdom, after the age pension, and typically constitutes a large proportion of the income support received by people on low incomes.

*Sources*: ABS (2015); DSS (2017a); NSW FACS (2016e); OECD (2016b, 2017a); UK Government (2017); UK OBR (2017); Victorian DHHS (2017b, 2017c).

The type and amount of financial assistance a household receives depends on the sector from which they rent their home, rather than their circumstances. Households that rent in the private market can receive a vastly different (often much lower) level of financial assistance compared with the implicit assistance provided to households that rent social housing, even when their circumstances are otherwise similar (box 5.1). Even within social housing, rates of implicit assistance vary widely depending on the location and characteristics of the property. These arrangements are inequitable and result in many of the 400 000 or so households in social housing having a considerable financial disincentive to exit.

## 5.1 The role of social housing

Social housing provides a safety net for people on low incomes (mostly those receiving income support) who face barriers to sustaining a tenancy in the private rental market. Access to a social housing property can play an important role in increasing tenants' quality of life. While income is a primary eligibility factor, the circumstances of people seeking social housing vary significantly. Consequently, the reason for seeking social housing can reflect a combination of factors.

- *Financial assistance.* Some households facing rental stress in the private market seek access to social housing properties to reduce the cost of housing to a more affordable level.

- *Access to housing*. Some people seek access to social housing properties because they face difficulties accessing the private rental market. Landlords can, for example, be reluctant to rent to some people, including those with poor rental history and those with complex needs. Discrimination and racism on the part of the landlord can also prevent people from finding a home (AHV, sub. PFR316; Bleasdale 2007).

- *Stability of tenure*. Some people seek the substantially greater tenure security provided in social housing properties compared with the private market. This stability is highly valued by some eligible households and can provide a foundation for tenants to improve their economic participation, settle into and engage with the community, and support their health (TUNSW 2016). For people in a precarious employment situation, the knowledge that they have somewhere to live should they be unable to keep their job provides some peace of mind (Wiesel et al. 2014). National Seniors Australia (sub. PFR360) stated that undesirable and unplanned relocations can have a negative effect on an older person's health and wellbeing.

- *Support services*. Access to support services can play a valuable role in assisting people to access and maintain a tenancy, although access to these services may not be a key driver for tenants seeking social housing properties.

Australia's 'build and own' model of social housing — where governments build (or subsidise community housing providers to build) properties to use as social housing — has remained relatively stable since its introduction, but its focus has shifted significantly over time. Originally constructed as affordable rental housing for low-income working families,

many of these families now receive financial support through CRA to rent in the private market. Increasingly, the social housing system has focused on people who have difficulty finding and maintaining a tenancy for reasons other than affordability. These people often draw on support services, such as treatment for mental health conditions, to help them maintain their tenancy.

## Financial assistance

Financial assistance in social housing is designed to ensure tenants pay an 'affordable' level of their income in rent, an approach known as 'income-based rent setting'. Income-based rents are commonly set at 25 per cent of income. This compares to the 30 per cent benchmark that is often used to gauge rental affordability in private markets (Burke, Stone and Ralston 2011). Jurisdictions generally charge market rents only if they are lower than the 25 per cent benchmark.

Unlike market rents, income-based rents do not vary depending on the characteristics and location of the property. In practice, this means that the level of implicit assistance provided is specific to both the tenant and the property. The advantage of this approach is that it provides tenants with the certainty and security of knowing that their rent will adjust if their circumstances change. Against this, it makes tenants less responsive to the trade-offs faced by people renting in the private market, such as deciding on whether to meet the extra cost of living in a higher-priced suburb.

The implicit assistance received by households in social housing properties varies considerably both across and within jurisdictions. This is a function of many factors. In particular, the level of implicit assistance is heavily dependent on local housing market conditions. Implicit assistance is, for example, generally much higher in New South Wales (a jurisdiction with high-cost housing) than in Tasmania (where housing costs are lower). Within New South Wales, tenants living in inner city areas of Sydney receives much higher levels of implicit assistance than those living in regional areas. In Victoria, some households can receive more than $300 a week in implicit assistance while other households with similar incomes receive less than $50 (figure 5.2). The circumstances of the tenant can affect the level of assistance they receive. People on higher incomes will pay a higher rent, and will receive lower levels of implicit assistance, all else being equal. Households are also allocated properties of varying quality, and therefore varying market rents.

Households on the same income and with the same characteristics, such as size of the household, can also receive a significantly different level of assistance depending on whether they rent social housing or in the private market. The Commission estimates that households in public housing in Victoria receive on average about $50 per week more in financial assistance than if they received CRA (box 5.2).

Some of the difference in assistance may be justifiable, for example due to differences in income, household composition or rental costs. Nonetheless, the widely varying subsidies created by income-based rents make it difficult to maintain equity in the system. People with

very similar circumstances can receive widely different levels of government support in social housing. It can also result in people with higher incomes receiving more support than those on lower incomes.

---

### Box 5.2    The difference between CRA and income-based rents

The Commission has undertaken analysis of the difference between the implicit assistance received through rents set at a proportion of a tenant's income and what tenants would receive under the current Commonwealth Rent Assistance (CRA). The analysis was undertaken for tenants currently in public housing in Victoria, South Australia, and the Australian Capital Territory (data are not available to include tenants in community housing in the analysis).

- The implicit assistance received through rents set at a proportion of income was estimated by subtracting the amount of rent paid by a household from the market rent of the property they live in. The Commission used market rents that were estimated by the relevant housing authority.

- The level of CRA that a household would receive was estimated based on the market rent for the property they are currently in, as well as the characteristics of the household, such as the number of people. Where multiple households were sharing a home it was assumed that they split the rent evenly.

The Commission estimates that, as a whole, people living in public housing in Victoria receive $200 million more in financial assistance annually (or about $2500 per household) than they would if financial assistance was provided through the current CRA. In South Australia households receive about $80 million more (or about $1750 per household) and in the Australian Capital Territory households receive about $100 million more (or about $8500 per household).

The difference between assistance levels under rents set at a proportion of household income and under CRA varies substantially between households. Assuming that tenants remain in their current home:

- just over a quarter of households in Victoria and South Australia would be better off if they were receiving the current level of CRA rather than paying rent set at a proportion of their income, as they are currently paying close to market rents. In the Australian Capital Territory just over 6 per cent would be better off

- just over half of households in Victoria and South Australia would be at least $500 worse off annually if they received the current level of CRA rather than paying rent set at a proportion of their income. In the Australian Capital Territory about 90 per cent would be at least $500 worse off annually

- about 6 per cent of households in Victoria would be at least $10 000 worse off annually if they received the current level of CRA rather than paying rent set at a proportion of their income. In South Australia, about 1 per cent would be at least $10 000 worse off annually, and in the Australian Capital Territory about 43 per cent would be at least $10 000 worse off annually.

These are upper-bounds estimates, and the proportion of people worse off would be lower if tenants were given a choice of home. Some tenants may be in properties that cost more than they are willing to pay at market rates, for example, a single person may currently be in a two-bedroom home and have no need for the extra bedroom. If they were given a choice, some of these tenants might choose to move into less expensive properties.

*Sources*: Productivity Commission estimates based on DHHS (Vic), DCSI (SA) and HCS (ACT) unpublished data.

---

Figure 5.2    **Implicit housing assistance received by single people with incomes between $400 and $500 a week**

Public housing in Victoria, gross income from all sources, as at June 2016[a]
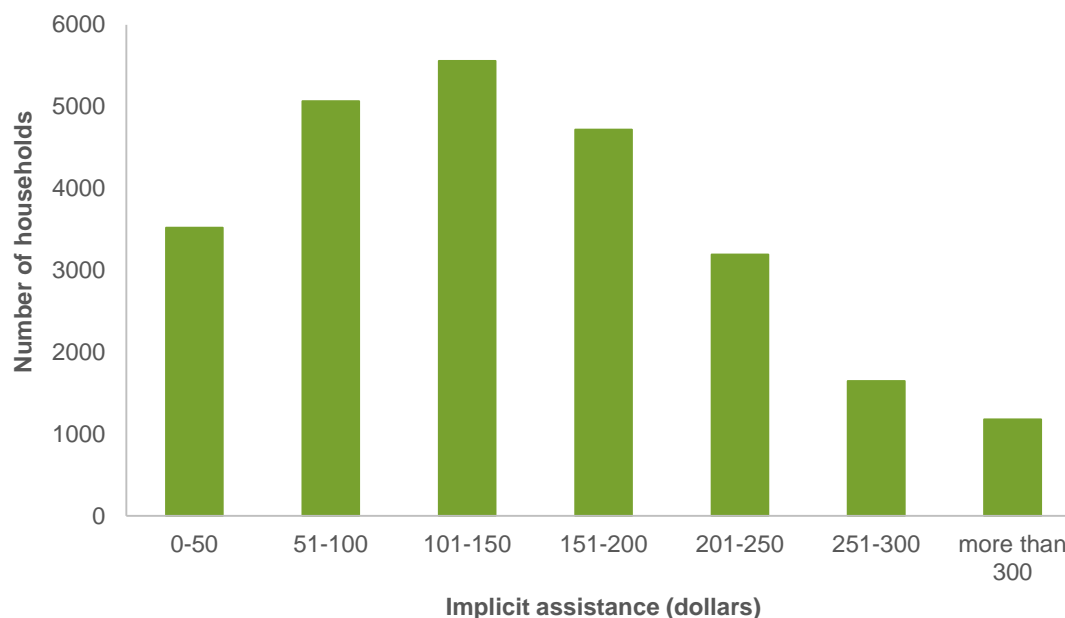


**a** Does not include people in shared housing or single parents.

*Source*: Productivity Commission estimates based on DHHS (Vic) unpublished data.

Accounting for income-based rents can be difficult for governments. While rental payments appear in government accounts as a revenue stream, the level of implicit financial assistance provided to households (the amount of revenue forgone compared to a market rent) does not. This lessens transparency and obscures signals for ensuring public funding is targeted where it achieves the best outcomes.

Decisions by governments about how to target housing assistance are difficult and often emotive but tough decisions are needed to improve the effectiveness of the social housing system. Some governments have taken steps to change the location and composition of their social housing stock (box 5.3).

Income-based rents operate differently from the 'contribution' model used to support tenants in the private market via CRA (box 5.1). Under the contribution model tenants receive a level of support based on their rent and household's characteristics (such as household income and size), that is portable across properties. This allows tenants more choice, and encourages them to make trade-offs between the features and price of different properties (for example, whether the cost of an extra bedroom is worthwhile). Unlike income-based rents, the level of assistance is capped — providing tenants with less 'protection' from changes in the market rent. Capping also limits the range of properties a tenant can affordably rent.

## Access to housing

Providing access to housing for those unable to rent in the private market is a core function of the social housing system. Access to the limited amount of social housing properties is managed via waiting lists. These are generally divided into at least two categories — one for general applicants and one for priority applicants in greatest need.

A household's eligibility for the general waiting list mostly depends on household composition, income and the value of the assets they hold. The specific income and asset limits vary between each state and territory. For example, a single person is eligible for the general waiting list in Victoria if their gross income is less than about $50 000 each year, compared to about $31 000 each year in New South Wales (for comparison, the Australian median income for a single person is about $31 000 each year). A single person receiving the maximum age pension amount (about $23 100 each year) would satisfy the income eligibility criteria in all states and territories.

Eligibility for the priority waiting list is often based on additional criteria relating to personal safety, extreme hardship and homelessness. Supply constraints mean that in all jurisdictions most entries into social housing come from the priority list (SCRGSP 2017). For the country as a whole, three out of four new allocations of social housing in any year are for priority tenants.

Waiting times vary across the country. Jurisdictions do not generally identify a benchmark for waiting times against which performance is measured. Different waiting times reflect both demand and supply factors. In New South Wales, a non-priority applicant can wait 10 years or more, depending on the area in which they wish to live (NSW FACS 2016a). In some states, such as Tasmania, the waiting times are shorter, although most tenants can still expect to wait between six months and five years (TAO 2016). Waiting times for priority applicants are shorter, but can still be lengthy (SCRGSP 2017).

People seeking access to social housing properties are usually given an opportunity to express some preference for the location and features of the home they wish to live in.

Jurisdictions seek to ensure tenants are offered properties based loosely on their needs and preferences. In reality, though, choice is limited. Those that reject two offers — and in some cases, one offer — of a home are moved to the back of the waiting list. Essentially this is a take it or leave it allocation process.

Access to social housing properties for tenants who need the support and stability they provide is currently determined by the amount, location and composition of public and community housing properties. Housing is an expensive, long lived asset, and the inflexible 'build and own' model makes it difficult for governments to respond quickly to changes in demand. Many properties are in locations or have characteristics (such as high-density high-rise apartments) that would no longer be considered best practice or be appropriate for the changing demographics of people entering social housing.

Over time a mismatch has emerged between the type of properties held by social housing providers (particularly government providers) and the needs of those entering the system. For example, about a half of applicants on the Victorian public housing waiting list are single people, but only a quarter of Victorian public housing properties are one-bedroom properties (VAGO 2010). More recently several governments, including those in New South Wales and Victoria, have been moving towards the use of head leasing, which offers some potential to be more flexible over time (chapter 6).

The number of social housing properties are determined by each State and Territory Government. Across Australia, social housing properties make up a small percentage (about 4 per cent) of total housing stock. Levels of social housing vary significantly from a low of about 3 per cent in Victoria to a high of 9 per cent in the Northern Territory (ABS 2017c; SCRGSP 2017).

The number of social housing properties across Australia has been relatively stable since 2007. This is in the context of a significant one-off investment in supply via the Australian Government's Social Housing Initiative, which funded the construction of about 20 000 new properties (see below). Jurisdictions do not generally publish information on expected demand for social housing into the future (beyond the current waiting list) or their plans for meeting that demand.

There are also concerns that governments have not invested enough in maintaining social housing properties. Income from rents and charges is generally insufficient to cover ongoing expenditure, including property maintenance. Most public housing authorities are in deficit and some have responded by deferring maintenance, leading to a deterioration in the quality of properties (SCRGSP 2017; VAGO 2012).

Traditionally, governments have built and managed social housing properties. In recent times, there has been a move towards a mixed model of provision through a significant increase in the number of properties managed by community housing providers. This has been driven by a number of factors, not least of which is that tenants of community housing providers can be eligible for CRA (Pawson et al. 2013).

## Stability of tenure

Social housing provides much greater tenure security than offered in the private rental market. Historically, social housing provided life-long tenancy. While providing security for tenants, life-long tenancies reduce governments' ability to respond to changing circumstances. Some governments have responded by moving away from life-long tenancies — for example, in New South Wales tenants are now offered 5–10 year fixed term leases.

Social housing providers focus strongly on supporting stable tenancies. Both public and community housing providers manage tenancies to avoid evictions or unnecessary movement of tenants where possible. Despite this, in 2012-13 over 2000 tenants were evicted from social housing due to a tenancy breach (about 7 per cent of all tenancy exits) (Wiesel et al. 2014).

## Tenancy support services

The role played in social housing by tenancy support services should not be overlooked. People eligible for social housing vary widely in their need for tenancy support services. About 4 per cent of people in public housing in 2016 also used drug and alcohol counselling services, about 20 per cent accessed mental health services, and about 11 per cent required support services for day-to-day living (AIHW 2017e). One estimate by Pawson et al. (2015) suggested that about 19 per cent of expenditure on housing management by community housing providers is on tenancy support, including case management and managing tenancies at risk and community services such as social outings and community events.

Tenancy support services are targeted at three key areas.

- *Helping a tenant to sustain a tenancy*. Access to long-term support can help to stabilise tenancies and prevent evictions. Some tenancy support programs have cited 80–90 per cent success rates in supporting people with experiences of homelessness to sustain tenancies (box 5.4). For example, the Tenancy Plus program in Victoria provides case management support to enable social housing tenants to establish and maintain a tenancy. Support to maintain a tenancy can range from help with budgeting through to referrals to other services and intensive support and supervision (Costello, Thomson and Jones 2013).

- *Assisting tenants to improve their economic participation and providing skills to help tenants to exit the social housing system*. For example, the NSW Future Directions Social Housing strategy emphasises support to give tenants the choice to exit social housing (NSW FACS 2016b).

- *Linking social housing with broader support services*. For example, the Housing and Accommodation Support Initiative in New South Wales links accommodation supports with clinical care for people with mental health problems (box 5.4). Similar programs exist in most other states and territories — in 2014 almost one in five social housing tenants accessed mental health services (AIHW 2014d).

---

## Box 5.4     Tenancy support can help tenants maintain their tenancy

**Tenancy Plus**

The Victorian Tenancy Plus program (called the Social Housing Advocacy and Support Program (SHASP) until 2017) provides tailored case management services and support for social housing tenants to maintain their tenancy. Services are provided by several non-government organisations and are funded by the Victorian Government. Tenants in the private rental market are not covered under Tenancy Plus.

The type of support offered under Tenancy Plus varies depending on the needs of the tenant. It can include support and advice, help with legal issues, financial counselling, skills training, or referrals to other services. There are two key focuses of Tenancy Plus — helping people to transition from homelessness to being in public housing, and helping people whose tenancies are at risk. For about a third of people who were referred to the (then) SHASP in 2014, their main issue was financial difficulty and rental arrears. Other reasons for being referred to the SHASP include mental health issues, anti-social behaviour, drug use and hoarding and squalor.

Most people who engaged with the SHASP in 2014 either maintained their tenancy or were still working with their SHASP provider. About 2 per cent of SHASP clients were evicted from their property.

The Victorian Government announced changes to Tenancy Plus in June 2017, increasing its budget to $7.2 million, expanding the scheme to cover tenants in community housing and shifting the emphasis of the program from crisis support to an early intervention approach. The program aims to support more than 3800 tenants who may be at risk of eviction.

**The Housing and Accommodation Support Initiative**

The Housing and Accommodation Support Initiative (HASI) in New South Wales is a partnership between NSW Health, Housing NSW and providers of tenancy support. The scheme aims to provide people who have mental health problems with stable housing integrated with clinical and psychosocial rehabilitation services. Under the HASI, tenants receive, tenancy support services and rehabilitation services from non-government organisations, clinical care services from specialist mental health services, and housing from social housing providers. Services under the HASI are also available for tenants in the private market.

In 2009, about 1000 people received support through the HASI. The (non-accommodation) costs of the HASI were about $11 000–$58 000 per person annually, depending on the level of support needed.

An evaluation of the HASI in 2012 found positive outcomes for service users. The average number of days spent in a mental health inpatient hospital each year decreased by 59 per cent, and 90 per cent of users successfully maintained their tenancy. There was also an improvement in life skills, an increase in community participation and a reduction in behavioural issues among program participants.

*Sources*: Bruce et al. (2012); Foley (2017); SHASP Managers Network (2014).

---

Limited support services are also sometimes available for people in the private rental market, including services that offer support to some tenants to locate, establish and maintain a tenancy. (These services are often referred to as private rental brokerage services.) Support services can also have flow-on benefits to other aspects of a tenant's life, such as improvements in health, and increases in community participation (box 5.4).

Inquiry participants emphasised the need for access to support services in the social housing system. For example, Homelessness NSW (trans., pp. 32–33) stated:

> To put somebody in [social housing] and then go, 'Okay, well, we've got a roof over your head, see you later,' actually compounds the problem and then can cause problems around the area because then people don't know what they're doing. They get distressed, it increases their stress levels, they may have some sort of response that wouldn't necessarily be helpful in the community.

Similarly, Jesuit Social Services (sub. 420) noted that long-term support is needed for people with complex needs, and that this support can have benefits in terms of reducing the burden on other human services.

Many people do not get access to these services, and many people evicted from social housing properties have not been provided with any support (Homelessness NSW, sub. DR520). In 2012-13, over 2000 tenants were evicted from social housing due to a tenancy breach (about 7 per cent of all tenancy exits) (Wiesel et al. 2014). Social housing is often the last viable source of stable accommodation and termination of their tenancy can result in homelessness and increased risk of involvement in child protection and criminal justice (QMHC 2015). Community Housing Limited (trans., p. 265) stated that about one-sixth of its tenants are evicted. The Queensland Mental Health Commission (2015) noted that tenants with a mental health condition often do not understand their tenancy obligations, and what may constitute a breach of their tenancy.

Many support schemes targeted at social housing tenants are not made available to those renting in the private market and private rental support schemes are often ad hoc with gaps in their provision. Private rental support services generally require a tenant to be 'rental ready' before they will provide support to establish and maintain a tenancy. This reflects a view that it is nearly impossible to find stable accommodation for more complex tenants, and the high cost of assisting these tenants (Tually et al. 2016).

The Royal Commission into Family Violence in Victoria (2016) highlighted several shortcomings of private rental support services. It noted that support often ceases once a person finds a home and that little support is offered over the long term. A similar point was noted by Melbourne City Mission (sub. DR510), which stated that service users often have their supports cut off, and cannot access support unless they re-enter the 'crisis service loop'. The Royal Commission into Family Violence in Victoria (2016, p. 85) stated that 'scant attention is paid to improving victims' ability to be resilient in the private housing market by helping them improve their status in the labour market and, as a consequence, their level of earned income'. Funding packages for private rental support are often exhausted quickly — one example was given of a regional provider that had used all of its allocated funding by halfway through the financial year.

## 5.2 The broader housing market

Demand for social housing depends on a range of factors, with the cost of renting in the private market and security of tenure being significant. Higher rental prices increase demand for social housing properties by increasing the (implicit) financial assistance in social housing, making social housing a more attractive sector from which to rent a home. As noted earlier, the security of tenure in social housing properties, relative to the private market, can also be of benefit to some people in social housing, where the rights and protections of tenants are often stronger (Wiesel et al. 2014). Consideration of social housing reform needs to be set in a context of broader efforts to improve the operation of the housing markets and the wide variations in the affordability and nature of housing across, and within, states and territories.

### Rental affordability

Rental prices vary considerably across the country, reflecting local housing market conditions. In the capital cities median rents are highest in Sydney (about $520 per week for a two bedroom apartment) and lowest in Adelaide and Hobart (about $280 per week for a two bedroom apartment) (SCRGSP 2017). Regional areas often have much lower rental prices than in cities. Like housing prices, rents have grown rapidly over the past decade, with particularly strong growth between 2007 and 2012 (ABS 2017a). The largest increases were in Sydney, Darwin and Perth, although rental prices in Perth and Darwin have fallen from their recent peaks.

Rent increases have been outstripping income growth for both wage earners and some households receiving income support. This is placing additional pressure on tenants renting privately who often pay an amount in rent that leaves little income left over to purchase essential goods and services (SGS Economics & Planning 2015). For example, Hulse et al. (2015) noted that 25 per cent of households in the bottom income quintile paid more than 50 per cent of their income on rent.

There is little doubt that a shortfall exists of homes affordable to people on low incomes. In response, many participants advocated for building more affordable private and social housing (AHURI, sub. DR495; Anglicare sub. DR574; CFRC, sub. DR506; CHP sub. DR522; CSSA, sub. DR533; JSS, sub. DR530; National Shelter, DR582; NSW FHA sub. DR539; TUV, sub. DR563). Hulse et al. (2015) put the shortfall of affordable homes for households in the bottom income quintile at about 270 000 homes in 2011, mostly in Sydney, Melbourne and Brisbane. Yates (2017) noted that an additional 20 000 affordable dwellings need to be built each year just to maintain supply shortages at their current levels.

The shortfall of affordable homes is despite property developers constructing a record number of new homes in recent years. This additional supply has not (at least as yet) had a major impact on rents at the lower end of the market, partly because the new dwellings have been 'overwhelmingly priced in the higher price deciles' (AHURI 2017, p. 1). According to

AHURI, about 80 per cent of new apartment approvals between 2005-06 and 2013-14 were priced in the top three price deciles.

To address a lack of affordable housing, the Australian Government has previously offered subsidies for the construction of affordable housing. Between 2008-09 and 2011-12, the Australian Government allocated just over $5 billion for the construction of about 20 000 social housing properties (DSS 2013). The National Rental Affordability Scheme commenced in 2008, and had subsidised about 32 000 dwellings as at June 2016, at an expected cost of about $3.3 billion (ANAO 2016). This scheme was closed to new entrants in the 2014-15 budget.

Governments have policy initiatives underway to improve rental affordability in the private market.

- The Victorian Government's Homes for Victorians strategy includes changes to speed up planning approval processes, increasing access to surplus government land for developments, providing greater support for people renting in the private market and a tax on vacant properties (Victorian Government 2017b).

- The Australian Government (2017b) announced in its 2017-18 Budget that it will:

  – establish a bond aggregator to facilitate access to lower-cost finance for the community housing sector, which could assist them to construct additional social and affordable housing

  – negotiate a new funding agreement for affordable housing with the State and Territory Governments, which will include housing supply targets and prioritise planning and zoning reforms and the renewal of public housing stock.

- The New South Wales and Victorian Governments have established funds for the purpose of investing in additional social and affordable housing.

Despite these initiatives, several participants stated that current policy settings and market conditions are discouraging investors from building homes that are affordable to low income households (CFRC, sub. DR506; CHL, sub. DR551). More generally, there is an active debate about housing policy settings. The Commission has not assessed or made recommendations on other actions governments could take to improve rental affordability. Governments need to continue implementing reforms so that homes in the private rental market can be affordable and accessible for people on low incomes. The merits of the Commission's proposed reforms do not rely on an increase in the supply of properties that are affordable to households on low incomes, desirable though this may be.

## Tenure security

In Australia's private rental market, tenancies are usually short term (often 6 to 12 months), and tenants can be evicted on short notice. A strong and consistent theme of the Commission's consultations was a need to strengthen tenure security, in particular to protect

tenants against 'no-fault' termination provisions (Anglicare, sub. DR574; Homelessness NSW, trans., p. 32; National Shelter, sub. DR582; TUV, sub. DR563). Anglicare (trans., p. 222) gave an example from New South Wales where 'children have had to go into foster care because their parents cannot find accommodation sufficiently quickly after being summarily evicted with no reason given'. Such outcomes are unacceptable.

Getting the right balance between tenure security and flexibility for tenants and landlords is difficult. Some tenants prefer short-term leases to maintain flexibility, and longer leases limit the ability for landlords to regain possession of their property. Nonetheless, the negative effects of short-term leases often fall disproportionately on households with low incomes that may desire longer-term leases, but lack the bargaining power to negotiate them (Victorian Government 2017a).

Some governments have flagged reform options to improve tenure security. The Australian Government announced in its 2017-18 Budget that it will work with State and Territory Governments to standardise the use of long-term leases (Australian Government 2017a). The Victorian Government has already announced that it will introduce a standard long-term tenancy agreement, and a review of the NSW tenancy law recommended changes to incentivise their use. The Victorian Government is also in the process of reviewing its tenancy law (Victorian Government 2017c).

The Commission has not assessed the costs and benefits of reforms to improve tenure security, and has not made recommendations in this area. National Shelter (sub. DR582) and the Tenant's Union of Victoria (sub. DR563) noted that longer-term leases and greater security of tenure, would enhance tenant choice between social and private housing. Improving the security of tenancies in the private market would also reduce the burden on social housing.

## 5.3   Towards a better social housing system

Australia's social housing system is broken. Eligible tenants have little choice over the home they live in and can face a lengthy wait to access housing, and the type and amount of financial assistance available to households is inequitable. There is little transparency around the outcomes governments are seeking to achieve from the social housing system. The introduction of greater choice and competition could substantially improve the effectiveness of social housing but the cost would be significant.

Increases in the level of stock of housing affordable to lower income earners would clearly assist. Relying only on supply-side responses will not deliver more choice or ensure those eligible for social housing receive timely support. Past experience also suggests that meeting the needs of tenants who are eligible for social housing assistance via increased supply would be very costly and take considerable time. For example, under the National Rental Affordability Scheme annual subsidies for each new dwelling amounted to $10 000 of which

around $4000 was, or is likely to be, passed on to tenants as lower rent. The remainder provides a subsidy to landlords (DSS 2012; Rowley et al. 2016).

Four major areas of reform are needed to address the underlying problems in the social housing system and unlock choice for users (figure 5.3). Reforms are needed to:

- create a single system of financial assistance that is portable across the private and social housing rental markets. A single system of assistance would improve choice, reduce existing inequities and provide governments with a more flexible way of improving outcomes for people whose primary housing need is increased rental affordability. This new system needs to address the wide gap between financial support provided for tenants in the private sector and those in social housing (chapter 6).

- improve government stewardship of social housing. These reforms need to ensure that planning and delivery of social housing is transparent and focused on achieving clear outcomes for users (chapter 7).

- ensure that a level playing field exists between government and other providers of social housing. These reforms need to increase contestability for the supply of social housing, and to ensure that government does not hold an unfair advantage over other providers (chapter 7).

- making tenancy support services portable across private or social housing so, to the greatest extent possible, services follow the user. Reforms to tenancy support services need to strengthen the role of intake and assessment systems to identify people who need them and connect them to service providers (chapter 7).
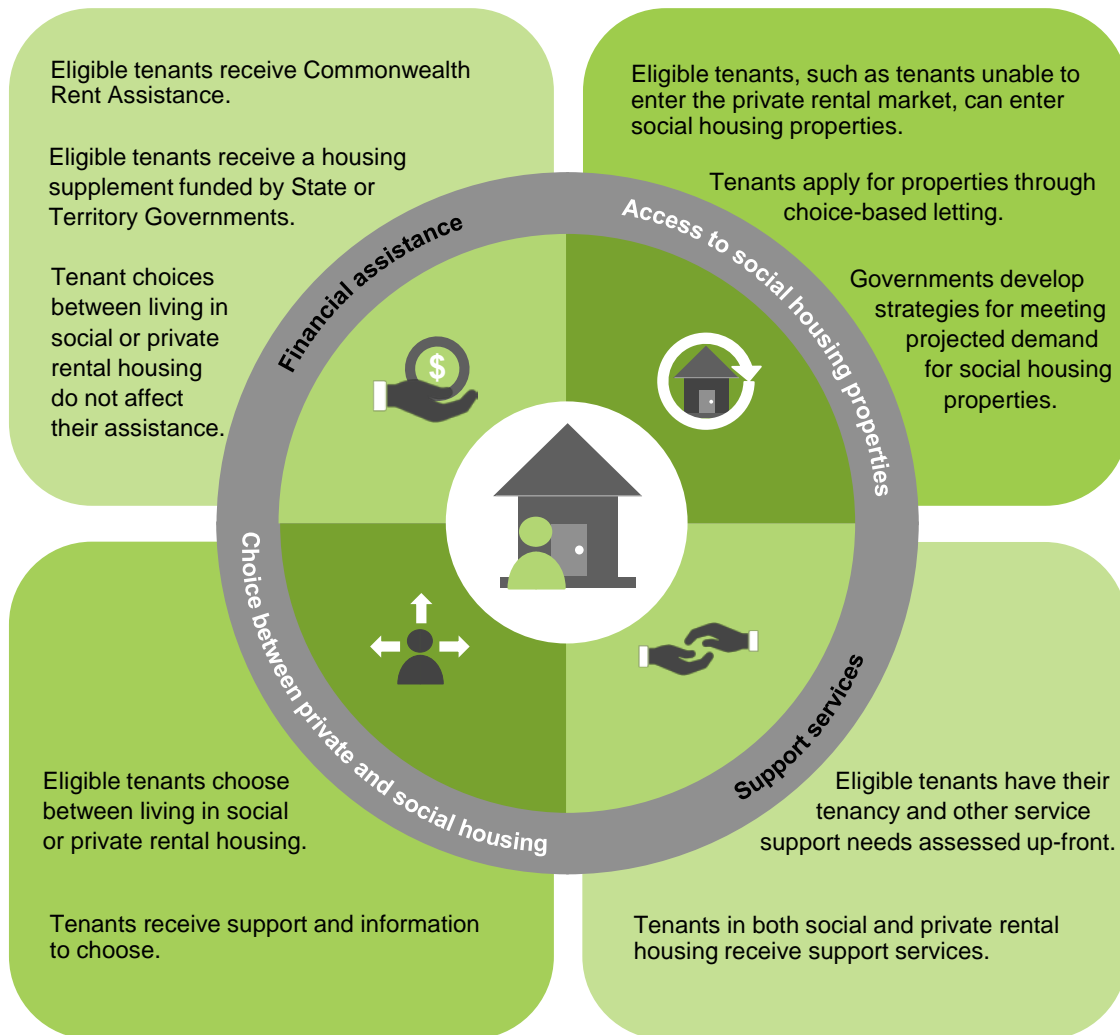
Unlocking user choice requires governments to rethink the way they meet the needs of tenants who are eligible for housing assistance — to shift the focus of social housing away from providing financial assistance and tenancy support services according to whether a person lives in public, community or private housing toward a single system of financial assistance that can be accessed regardless of the type of housing a person chooses to live in.

The proposed reforms summarised in figure 5.3 present the Commission's approach to a single system of financial assistance — an approach that would place the user at the centre of the social housing system. The reforms also recognise the significant variation in local housing market conditions in each state and territory, including the variation in the affordability and nature of housing across and within jurisdictions. Importantly, the design of the reforms is flexible enough to enable each State and Territory Government to tailor implementation to meet the outcomes it seeks from the social housing system, given these variations.

Implementing the reforms proposed in chapters 6 and 7 will require a new agreement between, and increased effort from, the Australia Government and the States and Territory Governments (chapter 6). The financial reforms, in particular, will involve additional fiscal costs, with these varying across jurisdictions. States and Territories with higher priced-housing will inevitably face higher costs in delivering support to those in housing need. Reform will also inevitably involve some trade-off between financial certainty and

choice for future social housing tenants. As with other areas of social policy, measuring these effects in dollar terms is difficult. Taken together, the Commission's view is that the benefits of the reform in improving the effectiveness of social housing more than outweigh the costs.

Figure 5.3 **Putting the user at the centre of social housing — the Commission's recommendations**

Eligible tenants receive Commonwealth Rent Assistance.

Eligible tenants receive a housing supplement funded by State or Territory Governments.

Tenant choices between living in social or private rental housing do not affect their assistance.

Eligible tenants, such as tenants unable to enter the private rental market, can enter social housing properties.

Tenants apply for properties through choice-based letting.

Governments develop strategies for meeting projected demand for social housing properties.

Financial assistance

Access to social housing properties

Choice between private and social housing

Support services

Eligible tenants choose between living in social or private rental housing.

Tenants receive support and information to choose.

Eligible tenants have their tenancy and other service support needs assessed up-front.

Tenants in both social and private rental housing receive support services.

## Evaluating reforms

The Commission's reforms should be evaluated five years after they are implemented based on whether they have been successful in putting users at the centre, and at improving outcomes for users and the broader community. Each State and Territory Government has different objectives for its social housing system, and the indicators that they use to assess the effects of reforms will vary. Regardless, the Commission considers that there are several

metrics that should be considered in the evaluation of reforms, based on the five attributes of human service delivery (chapter 1).

- The quality of housing assistance, including both assistance received to rent in social and private housing, should be based on whether tenants are receiving stable housing that meets their needs, and is affordable. Quality can be measured by tenant satisfaction measures — whether tenants are happy with the home they live in — as well as affordability measures based around self-reported financial stress. The quality of tenancy support services could be assessed based on measures of economic participation and the stability of tenure, as well as broader measures of a tenant's wellbeing (chapter 7).

- Equity is a key driver of the reform path, and the effect of reforms across the groups of people eligible for social housing should be assessed.

- Assessing the efficiency of the social housing system can include use of both financial metrics, based around the costs of providing tenancy management and tenancy support, as well as utilisation metrics — whether social housing properties are underutilised or overcrowded.

- Responsiveness should be assessed based on whether tenants are able to exercise genuine choice of home, as well as whether the social housing system is able to identify tenant needs, and deliver appropriate services to them.

- Reforms should be evaluated based on whether they provide incentives for accountable and transparent decision making, including separating the key functions of housing authorities to ensure that there are no conflicts of interest.

Evaluation across these metrics should be used to inform continuous improvement in the delivery of social housing. Where some jurisdictions implement reforms before others, the evaluation can also be used to inform whether and how to proceed with reform in other jurisdictions.

# 6    Choice and equity in social housing: a single system of financial support

**Key points**

- A single system of financial assistance that is portable across rental markets for private and social housing should be established. A single system of financial assistance would:
  - enable a person to choose where they live based on their preferences — their access to financial assistance (and tenancy support services) would 'follow them'
  - address current inequities by targeting the type and amount of financial assistance a person receives to their circumstances, rather than the type of housing they live in.

- The establishment of a single system of financial assistance hinges on reforms being undertaken at both the national and state and territory level so assistance can be provided as a package.
  - The Australian Government should extend Commonwealth Rent Assistance (CRA) to tenants in public housing so that it is available to all eligible tenants in social housing properties. People who live in private and community housing already receive CRA, people in public housing do not. This change would provide a consistent baseline level of support.
  - State and Territory Governments should provide and fund an additional housing supplement. The supplement should target eligible tenants in areas with acute rental affordability problems for whom CRA is insufficient.

- State and Territory Governments should charge new social housing tenants market rents. Existing tenants should continue to pay rents set as a proportion of their income for up to 10 years, unless they elect to move to the new system of financial assistance earlier.

- Many households could benefit from reform.
  - Over 50 000 social housing tenants have expressed dissatisfaction with the property they are in. They currently face a stark choice — remain in social housing in an unsuitable property or move to the private rental market and potentially receive less financial assistance.
  - Increasing choice would lead to some tenants moving into private housing, which would result in more social housing properties becoming available for tenants who need them.
  - There are about 850 000 households eligible for, but not in, social housing. The proposed State- and Territory-funded housing supplement could benefit these households where they are in areas with acute rental affordability problems.

- Even with greater choice between social and private housing, there would remain a strong role for social housing properties to provide a home for people who have limited opportunity to rent in the private market.
  - A choice-based letting model would provide these tenants with more choice of home.

The current two-tiered system of financial assistance must be replaced for choice and competition to address the problems in the social housing system. The system is fundamentally inequitable — the financial assistance a household receives depends on the sector from which they rent their home, rather than their circumstances. The way financial assistance is provided discourages user choice because tenants often have a strong incentive to enter, or remain in, social housing properties, rather than seeking potentially more suitable housing in the private rental market. Tenants in social housing properties are less responsive to the trade-offs faced by people renting in the private market, such as deciding on whether to meet the extra cost of living in a higher priced suburb (chapter 5). The system is further complicated by the fact that some social housing tenants receive Commonwealth Rent Assistance (CRA), while others do not.

People who live in social housing have little say over the home they are allocated. They are often unable to satisfy their preferences for aspects of a home such as its layout, location and size. The suitability of the allocated property can often be a question of luck.

This chapter sets out recommendations to increase choice for tenants, both between entering social housing and private housing (sections 6.2, 6.3 and 6.4), and within social housing (section 6.5). The Commission's recommendations to increase user choice and equity in the social housing system are summarised in table 6.1. Chapter 7 outlines reforms that support the recommendations in this chapter, and other reforms to improve the contestability, stewardship and planning, and user focus of the social housing system.

## 6.1    The importance of choice

Enabling tenants to have greater choice between private and social housing would increase the opportunity for tenants to find a home that meets their requirements. Many social housing tenants could benefit.

- About 13 per cent of public housing tenants surveyed in 2013 — equivalent to over 50 000 households in social housing — expressed a desire to leave public housing in the short term (Wiesel et al. 2014). Concerns raised by tenants included rowdy and unsafe neighbours, poorly maintained or undersized properties, or properties that were unsuitable for a person with disability. Many of these tenants are deterred from leaving social housing because, under current policies, they would receive less financial assistance in the private rental market. A similar number of social housing tenants have expressed dissatisfaction with the property they are in (AIHW 2017e; SCRGSP 2017).

- There is a mismatch between the housing requirements of some tenants, and the size of the homes they live in. About 16 per cent of households in public housing are in homes that have more bedrooms than the household requires (SCRGSP 2017).

- There are some tenant cohorts, such as single parents, who have expressed a particularly strong desire to move from public housing and into private rentals, but are no more likely than other tenants to do so (Seelig et al. 2008; Whelan 2009; Wiesel et al. 2014).

People living in an unsuitable social housing property currently face a stark choice. They can remain in an unsuitable property, or move into a home in the private market where tenancies can be insecure and the amount of financial assistance they receive can potentially be (sometimes substantially) lower (chapter 5). Many who do move face significant financial hardship and can find it difficult to maintain their tenancy. About 17 per cent of households that exited public housing in 2002 lived in public housing again by 2010 (Wiesel et al. 2014).

Table 6.1    **The Commission's recommendations**
Introducing user choice and contestability into social housing

| Proposed reform | Timeframe | Potential costs and benefits |
|---|---|---|
| **Improving choice between social and private housing** | | |
| **Recommendation 6.1** Australian, State and Territory Governments to introduce a single system of financial assistance that is portable across rental markets for private and social housing. • The Australian Government should extend Commonwealth Rent Assistance to tenants in public housing so that is available to all eligible social housing tenants. • State and Territory Governments should each design and fund a housing supplement to eligible tenants in areas with acute rental affordability problems. State and Territory Governments should charge market rents for tenants in social housing, with arrangements for existing social housing tenants grandfathered for up to 10 years. | Medium to long-term | Extending CRA to public housing tenants would cost the Australian Government about $1.2 billion each year. Fiscal costs to State and Territory Governments are dependent on the design of the housing supplement. Running two systems of assistance nationally over the transition period would have an administrative burden. Addresses inequities between private and social housing and grants tenants greater choice and access to the private market. Housing supplement would help deliver affordability to eligible tenants in areas with acute rental affordability problems. Social housing providers would receive additional revenue, which could be used to construct additional properties, or improve existing properties. Making the financial assistance received by tenants more explicit would improve government decision making by increasing transparency. Choice between private and social housing would increase competitive pressures on housing providers. |
| **Choice within social housing** | | |
| **Recommendation 6.2** State and Territory Governments to introduce choice-based letting for tenants entering into, and transferring between, social housing properties. | As soon as practicable | Choice-based letting involves setup costs. Support needs to be given to tenants who may struggle to exercise choice. Grants tenants in social housing a greater choice of home. Can provide information to governments about the type of housing that tenants prefer. |

People who need to quickly change their housing situation could benefit from greater choice between social and private housing. The Victorian Royal Commission into Family Violence (2016, p. 85) found that while social housing properties may be a suitable long-term option

for some people at risk of or experiencing family violence, they rarely offer the flexibility to deliver a rapid response or a property in the right location to suit their needs.

> Compared with social housing, the private rental market can offer greater locational choice and flexibility in meeting the needs of family violence victims. Social housing is generally offered in areas where there is a vacancy, rather than where a woman needs to live.

The benefits of exercising choice go beyond tenants' increased satisfaction with their home. Tenants empowered with greater choice are more likely to engage with their local community (section 6.5), and can locate closer to any services they need, including schools and hospitals (BSL, sub. 289). Better housing outcomes have been linked to improved health outcomes, which could have flow-on benefits to government expenditure for other human services (NSW FACS 2016c). Choice between social and private housing could be of particular value to long-term recipients of housing support (Henry et al. 2009).

Greater choice between social housing and private rental housing could take some pressure off the social housing system. It could increase the availability of social housing properties by making it easier for tenants to move into, or remain in, private housing — in particular for those who are in, or looking to enter, social housing to reduce their housing costs. Some of the more than 150 000 households on waiting lists to enter social housing could benefit as they would be able to access social housing sooner. It could also lead to more social housing properties to choose from (section 6.5).

Most people entering social housing properties are able to make choices over the home they live in, if given the opportunity. Some people, such as those with mental health conditions, may require support to exercise choice (CMHA, sub. 399; QAI, sub. 442). This is discussed in chapter 7.

Some social housing tenants wish to remain there. Social housing is an important safety net for people who value the stability and support offered within social housing (Wiesel et al. 2014). Others may face substantial barriers to entering the private rental market. Some social housing tenants are discriminated against, landlords can be reluctant to rent to tenants without a strong financial history, and some real-estate agents consider some tenants, such as those with a severe disability or a history of mental illness, as not suited to renting in the private market (AHV, sub. PFR316; JSS, sub. 420; TUV, sub. DR563). While some barriers to entering the private market can and should be overcome (for example, governments can improve tenancy support in the private market (chapter 7) or enter into alternative leasing arrangements (such as headleasing — chapter 7)), the safety net provided by social housing needs to be maintained and its effectiveness improved.

## 6.2 Unlocking choice: A single system of financial assistance

Unlocking user choice requires governments to rethink the way they meet the needs of tenants who are eligible for housing assistance — to shift the focus of social housing away

from providing financial assistance and tenancy support services according to whether a person lives in private, public or community housing toward a single system of financial assistance that can be accessed regardless of the type of home a person chooses to live in. Reforms to enable people to have a genuine choice over where they live would improve the responsiveness of the social housing system to the requirements of tenants by increasing competition between housing providers.

The Commission has considered two ways that a single system of financial assistance could be implemented.

- Governments could *extend rent assistance based on a proportion of income* to those receiving housing assistance in the private sector. This model is used to provide assistance to some tenants renting in the private market in the United States.

- Governments could *contribute an amount toward the rental cost* of eligible tenants, with the contribution based on a proportion of the tenant's rent. The contribution could be provided regardless of whether the tenant rents in the social or private sector, and rents in social housing would be set at the market rate. CRA is an example of a payment that contributes to rental costs.

The Commission favours a contribution to rent model, due to the balance of benefits and incentives it would deliver. This model would create a price incentive for tenants to choose the property that best suits their needs, whether that is in the private market, or in a choice-based letting system in social housing (section 6.5). This price incentive is not a feature of income-based rents. As rents for all properties (up to a rent cap) are set at the same level, tenants face an incentive to rent the most expensive property that government would subsidise, and have little incentive to resist rent increases by private landlords (Gibbons and Manning 2006).

The key benefit of income-based rents is that they prioritise affordability and financial stability for tenants. Some tenants place significant value on the certainty that income-based rents provide (Wiesel et al. 2014). While affordability of housing is a strength of setting rents at a proportion of tenant incomes, it does not necessarily guarantee that tenants will avoid 'rental stress'. There is evidence of some households who exceed the 25–30 per cent income rental threshold facing little financial difficulty (Burke, Stone and Ralston 2011). Similarly, some households that pay less than 25 per cent of their income in rent can face significant rental stress (box 6.1).

Many participants stated that a contribution to rent model would lead to significant affordability issues for tenants. Sydney and Melbourne were cited as examples of locations that would be unaffordable for households on low incomes. Not all those who are eligible for social housing live in Sydney, Melbourne or other high cost locations but, for those who do, affordability under a contribution to rent model can be preserved through the design of the scheme (discussed further below). This should be based on an important principle — tenants who have a *requirement* to rent a more expensive property should be provided with additional assistance. At the same time, tenants who have a *preference* to rent a more

expensive property should be able to rent one, but should face at least some of the additional cost of that decision.

---

Box 6.1      **What is 'affordable' rent?**

An often-used indicator of rental housing affordability is the 'proportion of income rule' — a household is considered to be in rental stress if it spends more than a certain proportion of its income on rent. For the private rental market, this proportion is sometimes considered to be 30 per cent.

The proportion of income rule is at best a crude measure of affordability. It does not take into account important differences between households that affect their ability to meet housing costs, including the characteristics of the household (such as the age of family members), and their non-housing costs (such as food, transport and medical costs). Another indicator of housing affordability, known as the 'residual income' approach, considers whether households can afford to purchase essential non-housing goods and services once they have paid their rent, although it requires subjective judgments about essential expenditure and suffers from a lack of data.

The point-in-time snapshot provided by indicators of housing stress must also be set against how housing experiences can change over time. As the circumstances of a household change — for example, once any children grow up and leave home — their capacity to meet rental costs will also change. By one estimate, nearly three in four households in housing stress will no longer experience it within one year, and only a small minority will be experiencing housing stress within five years. Some types of households are particularly susceptible to long, or recurring, periods of housing stress. These include low-income households with dependent children, migrants from non-English speaking backgrounds, and the self-employed.

*Sources*: AHWG (2016); Burke, Stone and Ralston (2011); IPART (2016); Wood, Ong and Cigdem (2014).

---

Some studies cite disincentives to work as a key disadvantage of setting rents at a proportion of tenant incomes, and advocate for changes in the financial assistance model for social housing as a result (Dockery et al. 2008; Henry et al. 2009). This is not a strong reason for reform. Several studies, including previous empirical work undertaken by the Commission, found that changing rent setting arrangements is unlikely to boost employment among public housing tenants (Cigdem-Bayram, Ong and Wood 2017; IPART 2017; PC 2015b). CRA, which is an example of a contribution to rent payment, also has a minimal effect on employment among its recipients (Cigdem-Bayram, Ong and Wood 2017) Simply put, it is the characteristics of individuals, and not the housing assistance they receive, that most explains their likelihood of being in employment.

## 6.3    Designing a single system of financial assistance

A single system of financial assistance that is portable across rental markets for private and social housing would serve two purposes. One, it would enable a person to choose where they live based on their preferences rather than the type of financial assistance they would receive — their access to financial assistance (and tenancy support services) would 'follow them'. Two, it would address current inequities by targeting the type and amount of financial

assistance a person receives to their circumstances, rather than the type of housing they live in. Getting the design of this system right, including eligibility criteria and how assistance levels are calculated, is necessary to achieve these outcomes.

## Financial assistance should be provided as a package

Income-based rents should be replaced with a system of financial assistance that is portable across rental markets for private and social housing (box 6.2). The establishment of a single system of financial assistance hinges on reforms being undertaken at both the national and state and territory level so assistance can be provided as a package.

- The Australian Government should extend CRA to tenants in public housing so that it is available to all eligible tenants in social housing properties. People who live in private and community housing already receive CRA, but people in public housing do not. This change would provide a consistent baseline level of support.

- State and Territory Governments should provide and fund an additional housing supplement. The supplement should target eligible tenants in areas with acute rental affordability problems for whom CRA is insufficient (discussed below).

This package of financial assistance creates a payment that responds to demographic and housing market differences between, and within, jurisdictions. Rental prices vary significantly across the country and the financial assistance provided in jurisdictions where rental prices are high (such as New South Wales) may not be suitable in jurisdictions where rents are lower (such as Tasmania). The package of financial assistance also creates clear responsibilities for governments. The Australian Government would be responsible for providing a consistent baseline of financial assistance, and the State and Territory Governments would be responsible for responding to local housing market conditions in their jurisdiction. This would increase transparency and improve government accountability.

### State and Territory Governments should provide and fund a housing supplement

In contrast to the views put to the Commission in several submissions (for example, CHP, sub. DR522; National Shelter, sub. DR582; TUV, sub. DR563), CRA would provide an adequate contribution to rental costs for many tenants in private and social housing. For example, about one quarter of households in public housing in Victoria and South Australia would be better off if they received CRA rather than their assistance through income-based rents (chapter 5). About 60 per cent of people who currently receive CRA pay less than 30 per cent of their income in rent — an often used (but imperfect) indicator of 'rental stress' (SCRGSP 2017).

Some tenants need to rent in higher-cost areas or in higher-cost properties, and CRA does not account for differences in rental prices between regions or properties above the maximum rent cap. Some of these households would be able to access additional programs that contribute toward their rental costs. For example, the National Disability Insurance

Scheme contributes toward the cost of accommodation in situations where the participant has a need for specialised housing due to a disability (NDIA 2014). Where these programs, and CRA, are not sufficient to meet a household's requirements, State and Territory Governments could pay a housing supplement to that household.

Eligibility for, and the level of, the housing supplement would be a matter for State and Territory Governments, but should be calibrated to the demographics and housing market characteristics of their jurisdictions. The supplement should:

- be provided to eligible tenants in areas with acute rental affordability problems

- be set at a level (or levels) where eligible tenants can afford housing that meets their requirements, but provides incentives for them to choose the housing they most value given their needs and financial circumstances

- be portable — tenants eligible for the supplement should be able to use it in either private or social housing

- recognise that a tenant's need (and eligibility) for financial support can change over time. For example if a person's employment situation changes and they are earning a higher (or lower) level of income, then the amount of assistance that they receive should adjust. These adjustments should be calibrated with those applying to income support payments to avoid financial disincentives to employment, and introducing new inequities between recipients of income support payments. This could be achieved, for example, by designing the housing supplement as an add-on to the existing CRA and using the same adjustment (taper) arrangements.

In addition to giving people in social housing a genuine choice over where they live (section 6.1), many people currently living in the private market could benefit from the housing supplement. Of the about 850 000 households eligible for, but not in, social housing:

- more than 150 000 households are on waiting lists to enter social housing (SCRGSP 2017)

- around 450 000 households are currently paying more than 30 per cent of their income in rent (Productivity Commission estimates based on the Australian Government Housing Dataset).

The proposed State- and Territory-funded housing supplement could benefit these households where they are in areas with acute rental affordability problems. Once assessed these people could potentially use their supplement in the private market immediately. This could take pressure off waiting lists and ensure that people who need social housing receive it more quickly (box 6.2).

## Box 6.2 A single system of financial assistance

The figure below illustrates the financial assistance and tenancy support received by a household under the current and proposed systems of assistance. In the example, the household is assumed to be a couple with no children that lives in an area with acute rental affordability problems.

Panel 1 of the figure shows the level of financial assistance and tenancy support the couple receive under the current system. The couple receive a different level of assistance and support depending on whether they live in private or social housing.

- In private housing they receive Commonwealth Rent Assistance (CRA) and pay market rents.
- In social housing they generally face a wait to be allocated a property. Once allocated a property, they pay a rent set at a proportion of their income (usually 25 per cent) and receive implicit assistance equal to the difference between the rent they pay and the market rent. They also have access to tenancy support services. If the couple lives in community housing some of their implicit assistance is funded through CRA.

Panel 2 shows the financial assistance the couple would receive under the Commission's proposed single system of assistance. The couple would receive a package of assistance that is portable between rental markets for private and social housing. This would include CRA and, because they live in an area with acute rental affordability problems, a housing supplement. Eligibility for, and the level of, the housing supplement would be a matter for State and Territory Governments. The couple would have access to tenancy support services regardless of whether they live in private or social housing. If they choose social housing they may continue to face a wait to be allocated a property, but would receive their assistance package during this waiting period. Social housing properties would be allocated through choice-based letting, giving the household more choice of home. Social housing properties would continue to offer more secure tenancies than generally available in the private rental market.
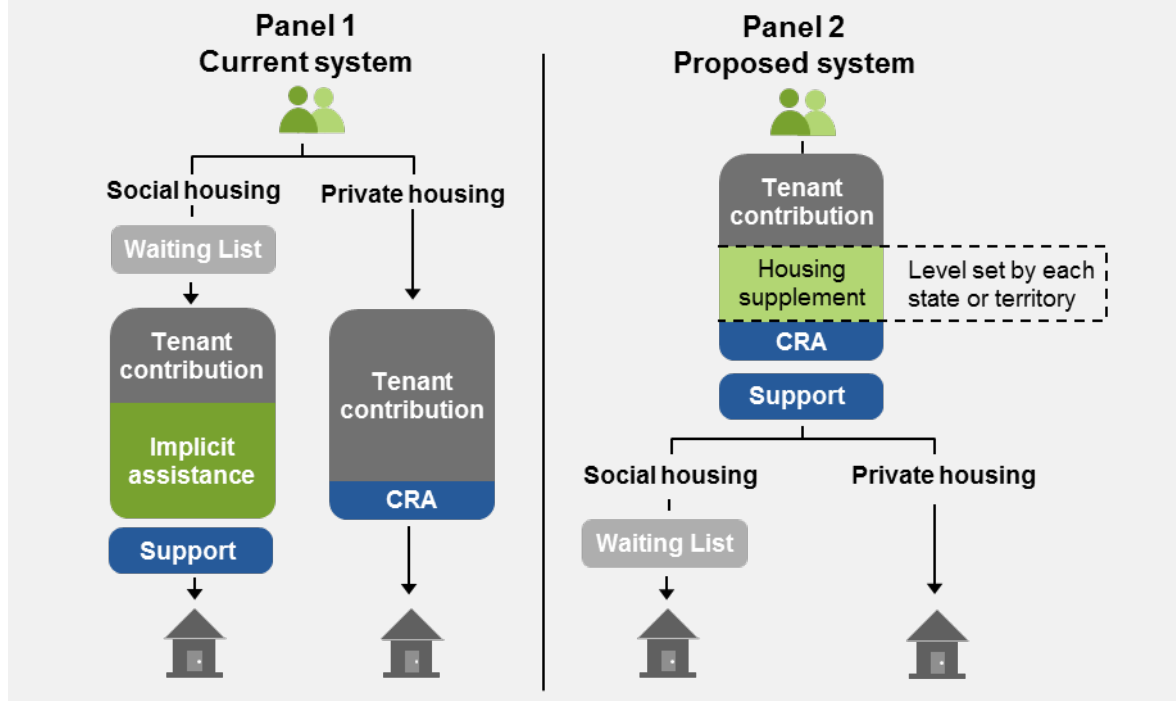
Each level of government controls policy levers that influence drivers of housing demand, supply and affordability. For example, the Australian Government sets national taxation policy and macro-prudential regulations, and State, Territory and Local Governments set planning and zoning rules. However, the financial costs of unaffordable housing — and the incentive to take action — are not shared equally by all governments. Whereas the Australian Government is exposed to rising rental prices through the CRA, the fiscal cost to State and Territory Governments of rising rental prices is relatively limited. Vesting responsibility for the housing supplement in the State and Territory Governments would increase their financial exposure to rising rental prices and could provide a stronger incentive for them to undertake reforms that improve housing affordability (chapter 5).

There would be administrative costs involved in managing the housing supplement. Regular reporting of household incomes would be required to determine the level of assistance households are eligible to receive, and ongoing assessment of eligibility. State and Territory Governments already have payment systems in place, but it is likely that further investment in these systems would be needed to deliver the housing supplement.

An alternative may be for the Australian, State and Territory Governments to collaborate on delivery of the payment by using the Australian Government's existing income support payment system. This could reduce administrative costs by reducing the need for each State and Territory Government to develop separate payment systems. This would be a matter for negotiation between governments when designing reforms.

## New social housing tenants should be charged market rents

Underlying the Commission's reforms is the principle that people in similar circumstances should receive similar levels of financial assistance. Tenants in social housing often receive higher levels of support through the implicit assistance embedded in income-based rents. A move to market rents for new social housing tenants would, over time, address this inequity.

A move to market rents makes the financial assistance received by tenants more explicit. This could improve government decision making by providing a transparent signal to policy makers and the public about how government funds are spent. Charging market rents in social housing also provides a common base from which the level of financial assistance provided to a household can be calculated. Some State and Territory Governments, such as New South Wales and Victoria, currently determine the market rent of a social housing property by benchmarking it to private properties with similar characteristics in the local area (NSW FACS 2017a; Victorian DHS 2013).

Charging new social housing tenants market rents would reduce some of the inequities between tenants living in social housing properties (chapter 5). When paired with providing financial assistance through the single system, market rents mean that households who are living in a more expensive property contribute more toward the cost. Market rents would also move social housing providers onto a more sustainable financial footing. This revenue could help to address the large maintenance backlog in social housing (chapter 5).

Charging market rents in social housing could reduce some of the administrative costs associated with income-based rents. For example, the Tenants' Union of New South Wales (2016, p. 13) noted that 'income-based and residual income-based rents create high levels of complex administration' and that errors in income disclosure and rent calculation can 'lead to complex — and often unnecessary — investigations of fraud'.

### Income-based rents should be grandfathered for existing tenants

Some existing social housing tenants would be financially worse off if they stayed in their current property and were moved onto the new system of financial assistance. Adjusting to this change would be difficult, requiring households to either pay a higher rent or move to a more affordable property. Some tenants would find the change more difficult, in particular when they are settled in their home and community, or if they are currently receiving a large rent discount.

The Commission is cognisant of these difficulties and is of the view that people who are currently living in social housing properties should continue to pay rents set as a proportion of their income for up to 10 years before being required to pay market rents, unless they elect to move to the new system of financial assistance earlier. This grandfathering of existing rent-setting arrangements recognises that some long-term decisions, such as where to enrol children in school, are often made with a particular housing situation in mind. Existing social housing tenants who continue to pay their grandfathered income-based rents would not be eligible for the additional housing supplement or, if they are in public housing, CRA. Tenants with grandfathered rent-setting arrangements would not gain any 'special' rights to their home that other social housing tenants do not have. Tenants who move out of their current property would be moved onto the new arrangements.

## A new agreement between governments is required

The reforms proposed by the Commission would require a new agreement between the Australian, State and Territory Governments. The Australian Government should only extend CRA to public housing tenants in a jurisdiction if that State or Territory Government agrees to implement reforms to introduce a well-focused housing supplement to address affordability concerns for people on low incomes and charge market rents for all tenants in social housing.

RECOMMENDATION 6.1

The Australian, State and Territory Governments should work together to introduce greater user choice, and improve the equity and responsiveness of the social housing system, by introducing a single system of financial assistance for eligible tenants. This system should be portable across rental markets for private and social housing.

- The Australian Government should extend Commonwealth Rent Assistance to tenants in public housing so that it is available to all eligible tenants in social housing properties.

- State and Territory Governments should each design and fund a housing supplement for eligible tenants in areas with acute rental affordability problems.

State and Territory Governments should abolish the current model of financial assistance in social housing by:

- charging market rents for tenants in social housing properties rather than rents set at a proportion of income

- providing existing social housing tenants the option of moving to the new system of financial assistance or continuing to pay rent set at a proportion of income for up to ten years after the single system of financial assistance is introduced.

The Australian Government should only extend Commonwealth Rent Assistance to public housing tenants in a jurisdiction if that State or Territory Government implements this recommendation in full.

## The fiscal effects of choice-based reform

Delivering choice in social housing will involve costs. These costs primarily result from the creation of the single system of financial assistance, although there would be other costs, such as the costs involved in improving the stewardship of social housing and improving tenancy support services (chapter 7).

The Commission has conducted a static analysis of the fiscal effects of extending CRA to public housing tenants. The analysis provides a point-in-time (July 2016) cost estimate. As the population grows and prices in the rental market change, the number of people eligible for CRA would also change, and this would affect the level of expenditure required. The analysis does not take into account factors such as households relocating or new households forming.

Based on this analysis, the Commission estimates that the Australian Government would be required to increase its expenditure on CRA by about $1.2 billion each year to extend CRA to public housing (Commission analysis; SCRGSP 2017). This is similar in magnitude to existing Australian Government payments under the National Affordable Housing Agreement, which has a broader remit including homelessness.

State and Territory Governments would receive additional rental revenue over the long term from social housing properties. They would also be required to fund the housing supplement for eligible tenants in areas with acute rental affordability problems. Actual costs to State and Territory Governments of the supplement would depend on its design and, in particular, how tightly each government targets the supplement, making any estimates of cost hypothetical. Given this, the Commission has not provided estimates of the potential cost of the supplement to State and Territory Governments — it has no basis to make a selection from the range of the possible combinations of eligibility and supplement design that are available to those governments.

## The level of Commonwealth Rent Assistance

The objective of CRA is to provide tenants in the rental market on a low income with additional financial assistance in recognition of the housing costs they face. Several participants noted that the contribution of CRA toward rental costs has decreased in recent years and that it no longer provides an adequate level of support for many tenants (CHL, DR551; CHP, sub. DR552, CSSA, sub. DR533; HHS, sub. DR568; JSS, sub. DR530; National Shelter, sub. DR582; TUV, sub. DR563).

The Commission notes that the relative value of CRA compared with rental prices has declined over time. Increases in the maximum CRA payment are currently tied to the consumer price index (CPI), which has been outstripped by growth in rental prices over the past decade (figure 6.1). Between June 2003 and June 2017, the CPI increased by about 41 per cent, compared with an increase of about 64 per cent in average rental prices nationally over the same period (ABS 2017a). Between 2003 and 2016 (the last year that data are available), the average rent paid by households on low incomes[1] and renting from a private landlord increased by 100 per cent (ABS 2004, 2017b).

A consequence is that the maximum CRA payment no longer provides an adequate contribution toward rental costs for many households. The minimum amount of rental expenditure needed to receive the maximum CRA payment is now reached at a relatively low level of rent. About 80 per cent of households receiving CRA receive the maximum amount of CRA, up from about 67 per cent in 2007 (SCRGSP 2008, 2017). A couple with no children receives the maximum CRA payment if they are renting a property with market rent of about $180 per week or more (DSS 2017). In Melbourne, only 10 per cent of one-bedroom apartments rent for $235 per week or less (Victorian DHHS, pers. comm., 11 April 2017).

The maximum CRA payment would need to be increased by about 15 per cent to address the decline in the value of CRA relative to rental prices since 2007. A larger increase would be needed to restore the relative value of the maximum CRA payment to its previous levels for households on low incomes. Maintaining the relative value of CRA into the future would

---

[1] Households with an equivalised income that puts them at or below the 40th income percentile.

require the Australian Government to change the way it indexes the payment, for example, by indexing the maximum CRA payment to the average rent paid by recipients of the CRA.

While desirable, addressing the decline in the relative value of CRA compared with rental prices is not essential to the design of greater choice and competition in the social housing system.

**Figure 6.1    Rental prices have increased faster than CPI[a]**

December quarter 2000 to June quarter 2017
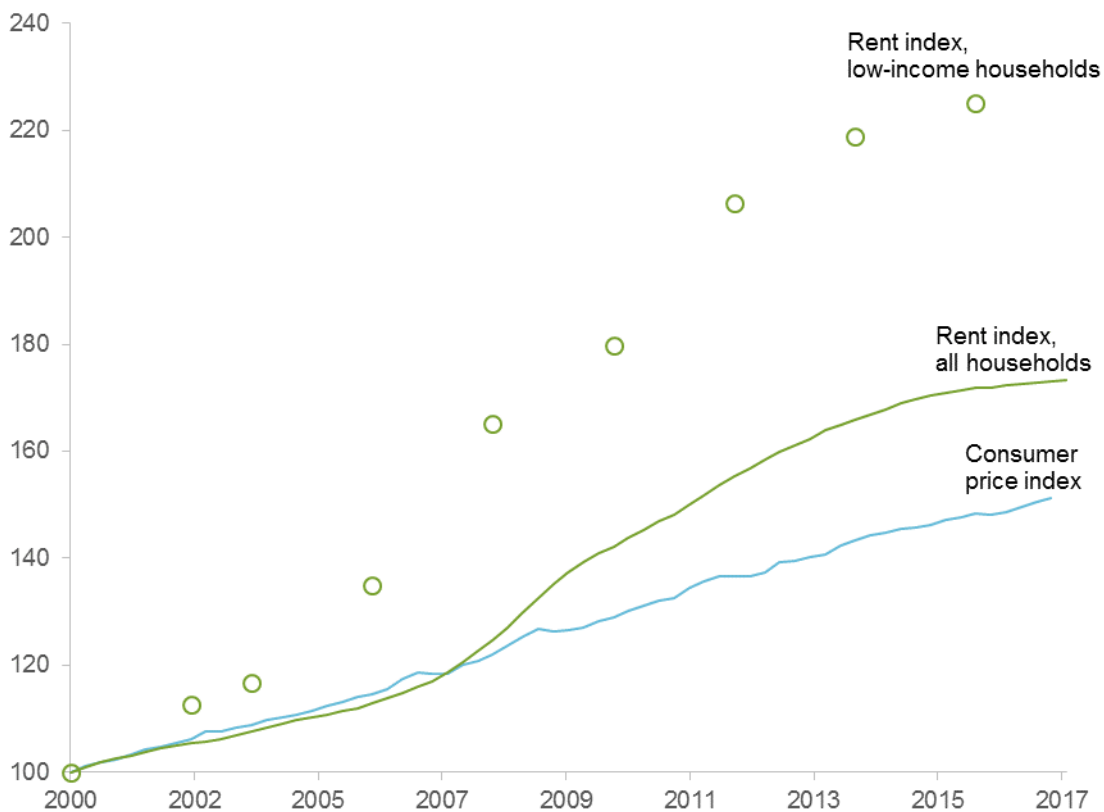


**a** Rent index for all households is constructed by the ABS using a weighted average of the eight capital cities. Rent index for low-income households includes rents paid to private landlords only.

*Sources*: ABS (Consumer Price Index, Australia, Mar 2017, Cat no. 6401.0; Housing Occupancy and Costs, Australia, various years, Cat no. 4130.0 and 4130.0.55.001).

## Rental costs for non-subsidised tenants

Some participants noted that an increase in housing assistance could raise rental costs for *non*-subsidised tenants (CHP, sub. DR522; CSSA, sub. DR533; JSS sub. DR530, National Shelter, sub. DR582). The effect of providing eligible households with a housing supplement on housing demand would depend on how the supplement is designed.

Nonetheless, an increase in housing assistance would increase the demand for private rental housing and, in turn, affect the price of rental properties. The Commission is unaware of any research that has quantified the effect private rental assistance has on the Australian housing market, but one factor affecting how rental prices change are local housing market conditions. In areas where property developers can more easily build additional properties in response to changes in rental demand — such as on the metropolitan fringe — price changes are likely to be small. In areas where the supply of rental properties is constrained the change in rental prices could be greater.

## Residualisation and neighbourhood segregation

National Shelter (sub. DR582) considered that the Commission's reforms would increase income segregation between suburbs, as market rents in social housing pressure people on low incomes to move into cheaper suburbs on the metropolitan fringe. This would not necessarily be the case. The system of financial assistance proposed by the Commission would increase the amount of housing assistance available for some people, and open up more opportunities for people renting privately to access housing in less disadvantaged neighbourhoods. At the same time, social housing would continue to be occupied by those who need it.

A related concern is the concentration of disadvantage within social housing estates. Approximately 40 per cent of social housing properties in New South Wales are co-located in large-scale housing estates (NSW FACS 2016b). As social housing provides a safety net for people with high needs, this can create neighbourhoods where a high proportion of residents are disadvantaged. A social environment can develop that compounds the effects of disadvantage, and increases the chance that disadvantage is passed on from one generation to the next (Vinson 2009). Australian research has found that a child who resides in a lower-income neighbourhood has a higher chance of being unemployed in early adulthood as a result (Andrews, Green and Mangan 2002). Some social housing tenants are also negatively affected by the neighbourhood stigmatisation that comes with concentrations of disadvantage (Jacobs and Flanagan 2013; Pawson, Hulse and Cheshire 2015).

State and Territory Governments agreed to reduce the concentration of disadvantage in social housing estates as part of the National Affordable Housing Agreement. The Commission agrees this is an important objective. One approach to reduce the concentration of disadvantage in social housing estates is to redevelop estates into 'mixed use' communities. Existing social housing is cleared, and in its place a mix of social, affordable and private housing is built. Due to higher property density the original number of social housing properties can be maintained, but within a neighbourhood that comprises a wider variety of households. This is an approach that several State and Territory Governments have adopted to reduce concentrations of disadvantage in their social housing communities. Planning interventions such as incentives for property developers to include a number of affordable housing properties in new residential developments can also help to achieve a mix of tenants in a community (Davison et al. 2012).

## 6.4 Transitioning to a single system of financial assistance

Introducing greater user choice into the social housing system would require changes to the way that financial assistance for housing is currently provided (recommendation 6.1). Implementing significant reforms requires careful management from governments to avoid problems for users. In some states and territories the fiscal costs of reform could be high during the period where existing social housing tenants continue to pay rents set at a proportion of income. A net increase in expenditure may be required in the short term to provide a housing supplement to households renting in the private market. However, the increase in revenue from market rents is only realised after households currently in public housing move onto the single system of financial assistance, or leave their current home.

If necessary, State and Territory Governments could choose to implement reforms to financial assistance on a staged basis, increasing the number of supplements over time and managing demand via waiting lists. This would allow them to increase expenditure in line with the increase in revenue as public housing tenants move to market rents. A staged implementation would allow governments to gather further information and evidence before proceeding with a full roll out, and provide time to implement other reforms to increase the net benefits of implementing a new model of assistance (chapters 5 and 7).

Initially limiting the number of housing supplements available would maintain some of the inequities of the current system of financial assistance, as some households would receive the supplement while others facing similar circumstances would not. State and Territory Governments that opt to transition to a single system of financial assistance (recommendation 6.1) should do so in as short a time as possible so that the period that these inequities persist is minimised. During any transition, priority should be granted to households with the highest needs.

## 6.5 Enabling greater choice within social housing

Even with greater choice between social and private housing, there would remain a strong role for social housing properties to provide a home for people who have limited opportunity to rent in the private market. For example, eligible people can enter social housing because landlords in the private market are reluctant to rent to them, or because they value the stability offered by greater security of tenure.

The reforms to the system of financial assistance proposed in section 6.3 would, over time, lead to more social housing properties being available. Some tenants who are currently in social housing would find it easier to move into private housing, and some applicants who would have entered social housing solely for affordability reasons could elect to remain in the private rental market. This would provide State and Territory Governments with an opportunity to focus the allocation of social housing properties on those who are not well

placed to enter the private rental market, or need the unique stability offered by social housing.

## Social housing tenants should have more choice over where they live

Participants to several studies and inquiries have cited the need for, and benefits of, social housing tenants having more choice over the homes they are allocated. The NSW Federation of Housing Associations et al. (sub. 235) and National Shelter (sub. 232) supported moves to increase choice of home for social housing tenants, as well as steps to increase their involvement in routine decision making. Youngcare (sub. PFR323) argued the need for tenants with disabilities to have choice of home and to be able to move to different homes as their needs change. The Council of Single Mothers and their Children (sub. 435) stated that the current placement model in social housing means that people receive housing that bears little or no relevance to their needs, and places further strain on households.

Tenants entering social housing properties should also have a choice of home. This would complement the move to market rents in social housing — the rent that a tenant would be willing to pay would be another aspect of the property that the tenant could have choice over.

### International experience shows the benefits of choice-based letting

An option to increase a person's choice over the home they are allocated is choice-based letting, which has been implemented in several countries overseas, including the United Kingdom and the Netherlands. Choice-based letting allows households to apply for properties they are interested in, changing the allocation process from one driven by the housing provider to one driven by the preferences of households (box 6.3). Participants were generally supportive of using a choice-based allocation scheme in Australia to improve user choice and system efficiency (AHV, sub. PFR316; CHL sub. DR551; HHS sub. DR568; NSW FHA et al., sub. DR539; QShelter, sub PFR352).

Evaluations of choice-based letting schemes in the United Kingdom found a range of benefits (Marsh, Cowan and Cameron 2004; Pawson and Watkins 2007).

- Tenants reported feeling increased agency over their housing situation, and thought it was a more open and transparent allocation process.

- People were more likely to stay in the same area, invest in the local community, and have stable accommodation.

- There was evidence that choice-based letting can improve the efficiency and quality of the social housing system. For example, data collected through choice-based allocation schemes was used to identify the housing characteristics that tenants prefer, and to target areas of high demand and need.

Overall, about 80 per cent of registered users preferred the choice-based system compared with allocation models where the choice of home was made by a government agency (Brown and Yates 2005).

---

**Box 6.3      Choice-based letting in the United Kingdom**

Choice-based letting schemes in the United Kingdom generally follow the same broad approach wherever they are used, although the exact details of the schemes vary between local government areas. Available social housing properties are advertised in newspapers and online, along with eligibility requirements such as income level and household size. All households that are eligible for social housing and meet the listed property requirements can apply. Applicants who may have difficulties using choice-based letting are identified, and direct assistance to navigate the system offered to these households.

Applicants are ranked against published selection criteria, such as waiting time, applicant age and the needs of the household. The applicant with the highest ranking is offered the property, and the qualifications of the successful tenant are published so that unsuccessful applicants can understand why they were not offered the property. Applicants are able to refuse the offer of a property, although in some cases there are penalties for refusal, such as not being able to apply for another property for a specified time period. A small number of people are directly allocated properties for social reasons, including health problems arising from their housing situation, homelessness, catastrophic circumstances or clearance due to urban renewal.

*Sources*: Brown and Yates (2005); Marsh, Cowan and Cameron (2004); Pawson et al. (2006).

---

Several participants questioned whether all the benefits of choice-based allocation schemes enjoyed internationally can be replicated here, due to our substantially smaller stock of social housing relative to countries that have introduced choice-based letting (AHV, sub. PFR316; CFRC sub. DR506; CHL sub. DR551; National Shelter, sub. 232; NSW FHA et al., sub DR539, SA Government sub. DR571). The United Kingdom has a larger and more diversified stock of social housing than Australia, meaning that tenants have a wider range of property types, in a wider range of locations, to choose from. Moreover, there is a better chance that the tenant's preferred property will become available in a suitable timeframe.

Despite these differences, there would still be benefits to implementing choice-based letting in Australia. About 10 per cent of all social housing properties — or approximately 40 000 properties — are vacated each year Australia-wide (AIHW 2016g; Wiesel et al. 2014). The number and variety of properties that become available will vary between each region, but most tenants could be presented with more choice than is currently offered. Those tenants who are flexible with the location and type of home in which they live, or those that are able to wait longer for a more suitable property to become available, would likely benefit the most. Even for tenants who have limited flexibility, choice between four or five properties is an improvement over a choice of one or two that the current system provides. Importantly, choice-based letting would enable social housing tenants to choose a property with a suitable rent.

The Council to Homeless Persons (sub. DR522) raised concerns that people with complex needs, such as homeless people, could be at a disadvantage when applying for properties. Similar concerns were raised by some providers of homelessness services in the United Kingdom, although there was no indication that formerly homeless households were disadvantaged by choice-based letting once they received the right support (Brown and Yates 2005). The information and upfront support that all tenants should receive so that they can fully participate in a choice-based letting scheme is discussed in chapter 7.

### Choice-based letting has costs

The cost of implementing choice-based letting would vary depending on the requirements of each state and territory, including the number of properties that are covered by the scheme. As a guide, if the cost per property of establishing a choice-based allocation scheme in Australia was the same as that of a medium-sized housing association in the United Kingdom, then the up-front costs would range from $10 to $25 per property (Pawson et al. 2006). If set up costs are re-incurred every 5 years (due to depreciation), a benefit to tenants of $2 to $5 per property each year would be enough to justify this cost. The NSW Independent Pricing and Regulatory Tribunal (2017) noted that choice-based letting schemes implemented internationally have generated significant benefits that cover these costs.

Ongoing operation costs of choice-based letting schemes in the United Kingdom were found to be similar to those for non-choice-based schemes (Pawson et al. 2006; UK Audit Commission 2006). Given the focus of social housing in Australia on providing shelter to households with high needs, a greater proportion of applicants are likely to need support to prepare and submit applications (CFRC, sub. DR506). Ongoing costs would therefore likely be higher than in the United Kingdom. Under choice-based letting, applicants are required to actively and continually apply for homes. This increases costs, both in terms of tenant time and effort, and the cost of providing information and support to those who are vulnerable.

### Choice-based letting should be implemented with the single system of financial assistance

The Commission considers that State and Territory Governments should introduce choice-based letting for tenants in social housing. State and Territory Governments should also improve upfront support services to facilitate equitable participation in the scheme and publish the information needed to make an informed choice of home (recommendations 7.6 and 7.7). The NSW Independent Pricing and Regulatory Tribunal (2017) recommended that the NSW Government adopt a choice-based letting system with the existing social housing rent model kept in place, and other jurisdictions, including Victoria, are investigating choice-based letting using trials (Victorian DHHS 2016b).

The Commission's proposed system of financial assistance (recommendation 6.1) would be likely to enhance the benefits of choice-based letting. Some people who are currently in social housing would elect to move into a home in the private market, which could increase the number of homes available for social housing tenants to choose from. The proposed system of financial assistance, in conjunction with choice-based letting, would also generate information about tenant preferences which governments can use to inform their planning processes and better allocate tenants to properties.

RECOMMENDATION 6.2

State and Territory Governments should introduce choice-based letting for tenants entering into, and transferring between, social housing properties.

# 7 A better social housing system: improving user focus

**Key points**

- Reforming the social housing system would require strong government stewardship.
  - Clear government plans for how they would meet the future demand for social housing properties are essential, given the long-lived nature of housing assets and the inherent inflexibility of the social housing system.
  - Assessment of the outcomes for tenants receiving housing assistance, particularly tenants renting in the private market, would need to be improved.
- Continuing to make the management of social housing properties contestable would provide incentives for managers of social housing properties to improve the effectiveness of service provision, and increase the pressure on them to provide well-maintained properties that meet the requirements of tenants.
  - Contestable approaches should be open to all types of providers, and be backed by a full evaluation of property management transfers.
  - The management of public housing properties should be separate from social housing policy to improve the accountability of public housing providers. Public housing providers and non-government providers of social housing should face consistent regulatory requirements.
- Enabling users to have greater choice over their home requires that tenants are provided with adequate information on properties and support to help them make choices. Longer-term support is needed for some tenants to help them to sustain their tenancy.
  - High-quality intake and assessment services are key to matching tenants with both financial and non-financial housing support. Current intake and assessment services are fragmented and it can be difficult for tenants to identify the support they are eligible to receive. In some cases, tenants may not receive additional support services because providers are unable to identify what support the tenant requires.
  - Many support services targeted at social housing tenants are not made available to tenants renting in the private market. Making access to support services portable between social and private rental housing is an important part of enabling choice.

The Commission's recommendations to introduce greater user choice into the social housing system seek to:

- improve equity and increase user choice by providing a single system of financial assistance that is portable between the private and social housing markets, coupled with a move to market rents for social housing

- enable tenants in social housing properties to have more choice over the home they will live in.

This chapter outlines reforms that both support those proposed by the Commission in chapter 6, and would increase the focus on users and improve the social housing system in their own right. The reforms in chapter 6 would require an increased focus on government stewardship, and support for users to exercise choice and maintain their tenancy. The effectiveness of social housing could also be improved by continuing to introduce contestability into the management of social housing, and implementing reforms to create a more level playing field for government and non-government managers of social housing. The Commission's recommendations to put users at the centre of the social housing system are summarised in table 7.1.

# 7.1 Improving government stewardship

Sound stewardship arrangements should be a core part of the reform process for human services (chapter 2). The Commission's reforms for the social housing system would require strong government leadership, planning and monitoring of the system, to help to ensure that the social housing system improves outcomes for users.

## Planning to meet future demand for social housing

The first step in providing any human service is to understand the relevant population, and their service needs and preferences (chapter 2). Given the long-lived nature of housing assets and the inherent inflexibility of the system, up-front planning is essential to ensure that the social housing stock meets the requirements of people who need it.

Demand for social housing currently exceeds supply in all states and territories and there is a clear mismatch between the social housing stock and the requirements of social housing tenants (chapter 5). The Commission's reforms would reduce the burden on the social housing system by increasing the opportunities for eligible tenants to choose to live in private rental housing (chapter 6). Nonetheless, governments should assess the extent of unmet demand for social housing properties, and outline a strategy for how they would meet this demand, including through constructing new social housing properties, providing further support services for tenants to enter the private rental market, or headleasing properties.

## Table 7.1 The Commission's recommendations for social housing
Improving the user focus

| Proposed reforms | Timeframe | Potential costs and benefits |
|---|---|---|
| **Improving government stewardship** | | |
| **Recommendation 7.1**<br>State and Territory Governments to publish regularly updated strategies for social housing, containing assessed demand for social housing properties and how they plan to meet it. | As soon as practicable | Administrative costs for governments.<br>Provides greater transparency on approaches that governments are taking to address unmet demand for social housing properties. |
| **Recommendation 7.2**<br>State and Territory Governments to improve data on tenant outcomes (including tenants receiving assistance to rent in the private market) and the efficiency of housing providers. | As soon as practicable | Compliance costs for housing providers.<br>Allow governments to make better decisions about who should provide tenancy management and tenancy support services. Allows for a full evaluation of the social housing system. |
| **Increasing contestability of tenancy management** | | |
| **Recommendation 7.3**<br>State and Territory Governments to make the management of social housing properties more contestable through open commissioning processes. | Ongoing — management transfers to be staged over time | Commissioning processes can impose administrative costs for governments and providers.<br>Contestability increases incentives for providers to improve outcomes for tenants. |
| **Creating a more even playing field for providers** | | |
| **Recommendation 7.4**<br>State and Territory Governments to separate the regulation and management of social housing properties. | As soon as practicable | Improve the transparency and accountability of government decision making, particularly when selecting social housing providers. |
| **Recommendation 7.5**<br>The Australian, State and Territory Governments to amend the National Regulatory System for Social Housing to cover providers of public housing. | As soon as practicable | Transition costs as public housing providers switch to the regulatory scheme.<br>Create a more level playing field between public and community housing providers. |
| **Improving services for users** | | |
| **Recommendation 7.6**<br>State and Territory Governments to publish information on waiting times, provider performance, and information to facilitate choice-based letting. | As soon as practicable | As these data are already collected, the costs would be low.<br>Provides information for tenants to make better choices over the home they would like to live in. Improves accountability. |
| **Recommendation 7.7**<br>State and Territory Governments to ensure that applicants for social housing receive an assessment of their eligibility for financial assistance and tenancy support, and are made aware of all of their options for assistance. | As soon as practicable | Providers of intake and assessment services would need to spend more time with some tenants.<br>Provides tenants with support to make informed choices over the home they need, and matches them with the tenancy support service they need. |
| **Recommendation 7.8**<br>State and Territory Governments to:<br>• separate the contracting of tenancy support services from tenancy management<br>• ensure that tenants renting in the private market have the same access to tenancy support services as those in social housing properties. | As soon as practicable | Budgetary costs due to increased funding for private rental tenancy support services.<br>Improve clarity about the role of tenancy support, and funding dedicated to it. Improve access to support for tenants in the private rental market, to facilitate choice and improve the capacity of tenants to sustain a tenancy.<br>Improve equity between tenants renting in the social and private housing markets. |

Some State and Territory Governments have strategies for social housing in place, or are in the process of putting in place strategies. For example, Infrastructure Victoria (2016) included social housing in its 30-year Infrastructure Strategy. The NSW Government accepted an Independent Pricing and Regulatory Tribunal (IPART) recommendation that the Government should publish a social housing strategy, updated annually (NSW Government 2017a).

Most governments have an affordable housing strategy in place that sets out long-term policy goals for the social housing system. However, not all governments have a clear and transparent strategy that provides details on how they will meet demand for social housing properties.

State and Territory Governments should do more to assess the future demand for social housing properties and develop strategies for meeting that demand into the future. The Commission considers that all State and Territory Governments, in consultation with other providers of social housing, should publish a clear and regularly updated social housing strategy. There should be three essential components to a social housing strategy.

- How many people need social housing properties, both now and into the future? This should take into account both tenants who have expressed demand for social housing properties through putting themselves on a waiting list, and also eligible households who seek to enter social housing properties, but are not on a waiting list.

- What types of properties do tenants require and where should they be located? For example, some tenants may have strong reasons for living in a particular area, such as its proximity to employment or services. Some tenants may require housing with particular features, such as accommodation suitable for people with a disability. Governments should work with providers to build a picture of the requirements of tenants entering social housing. This should take into account information gathered by governments on tenant preferences through choice-based letting and through tenant choices in the private rental market (chapter 6).

- How do governments plan to meet the demand for social housing properties, both now and into the future?

<div style="background-color: #e8f0d8; padding: 1em;">

RECOMMENDATION 7.1

State and Territory Governments should each publish a 10-year strategy for the supply of social housing properties in their jurisdiction. These strategies should include:

- an assessment of how many people will likely require social housing into the future, and analysis of their characteristics

- an analysis of types of properties tenants would likely require, such as number of bedrooms and disability supports, and where they should be located

- how governments plan to meet projected demand for social housing properties.

These strategies should be updated at least every five years.

</div>

## Headleasing could give social housing tenants more choice of home

Headleasing is a tool that governments can use to give potential social housing tenants access to a wider choice of home (box 7.1). Rather than building a new government-owned housing asset to provide stable accommodation to tenants, headleasing properties can replicate this benefit while providing flexibility over property type and location. This avoids one of the pitfalls of the current social housing system, namely, that the long-lived nature of housing assets combined with shifting demographics can result in a mismatch between the characteristics of the social housing stock and those receiving assistance. Headleasing properties outside of existing social housing estates can also help to reduce concerns about neighbourhood segregation (chapter 6).

---

### Box 7.1    What is headleasing?

A headleased property is one that is owned by private individuals or corporations, and leased to a social housing provider. The social housing provider then selects a tenant and enters into a separate lease with them. With a headlease, the private landlord is generally responsible for routine property maintenance, and the social housing provider is responsible for tenancy management (such as collecting the rent and passing on any maintenance requests). The social housing provider is usually liable (up to a cap) for any property damage after the application of the tenant bond and any insurance proceeds.

Both government and community housing providers headlease properties from the private market, although it is more common in the community housing sector. About 20 per cent (12 500 properties) of all community housing properties are headleased from the private market. Some assistance is available to community providers to help them to headlease properties, such as the $76 million Community Housing Leasing Program in New South Wales. About 2 per cent (3000 properties) of NSW public housing properties are headleased.

*Sources*: AIHW (2016i); NSW FACS (2014a); NSW FHA (2014).

---

Providers of social housing already enter into headleasing arrangements, generally in cases where a suitable public housing property cannot be found (CHL, sub. DR551; NSW FACS 2014b; Victorian DHS 2012). As noted in chapter 5, headleasing is used in some states and territories to assist women escaping domestic violence, and as part of initiatives to find accommodation for the homeless (CHP 2016; NSW FHA et al., sub. 406).

Headleasing has costs. Governments may need to pay additional rents to private landlords to encourage them to lease their property for an extended period of time. Headleasing is also not an endless source of stable housing — there needs to be adequate supply of homes in the private market to allow for headleasing opportunities, and headleasing reduces the number of homes available to tenants in the private market. A detailed assessment of current and future demand for social housing (chapters 2 and 7) would help governments to assess the need for headleasing arrangements, and enable them to weigh up the costs and benefits of entering into these arrangements.

## Setting outcomes

Clear outcomes are needed for the social housing system. This has several dimensions, including the performance of service providers, individual programs and the system as a whole. Ultimately though, the performance of the system should be assessed against the outcomes achieved for tenants receiving housing assistance, including those in the private rental market. These outcomes could include measures such as the number of tenants transitioning between social housing and the private rental market, employment outcomes for tenants receiving housing assistance, whether tenants sustain a stable tenancy, as well as improvements in tenant satisfaction with the quality of the properties they rent. It could also include assessing whether service provision is equitable and responsive to the needs of tenants.

Several participants highlighted the importance of consulting with the community sector to define and develop outcome measures (GSANZ, sub. DR517; Illawarra Forum, sub. DR550; Yfoundations, sub. DR497). The Commission agrees that, as with other areas of policy, consultation with key stakeholders is important to ensure that outcomes frameworks include the right measures. Consultations need to focus not only on the community housing sector, but also on tenants' groups, to identify the requirements of service users, including what outcomes the tenants themselves want from the social housing system.

The Australian Association of Social Workers (sub. DR557) noted that outcomes frameworks in social housing should be linked to outcomes for other services to enable a holistic response to service users. For example, providing stable housing to tenants can have effects on other aspects of a tenant's life, such as their mental health. Tenants receiving housing assistance can also access many other human services that are critical for their economic and social participation. The Commission has recommended that governments should develop indicators of wellbeing of people that are applied consistently across all family and community services (recommendation 8.3). These indicators could also form the basis of defining outcomes for tenants receiving housing assistance.

## Measuring performance

Data can be used to underpin contestable approaches to selecting providers, allow providers to benchmark and improve their own performance and allow governments to evaluate the effectiveness of the housing system as a whole. Data can be collected on user outcomes, provider performance, the performance of programs and the performance of the system as a whole (chapters 2 and 7). There are several sources of data on the effectiveness of service provision in the social housing system.

- The main data available on tenant outcomes are tenant satisfaction measures collected through the National Social Housing Survey undertaken by the Australian Institute of Health and Welfare (AIHW). The survey includes measures of overall tenant satisfaction, and tenant satisfaction with the amenity of the property they live in (such as its size and modification for special needs) with the location of the property they live in and with

their housing provider. Some housing providers are also undertaking their own assessments of tenant outcomes, such as through the House Keys survey undertaken by the NSW Federation of Housing Associations (NSW FHA 2015).

- Data on the performance of individual providers are obtained through requirements under the National Regulatory System for Community Housing (NRSCH) (these data are not publicly available — section 7.3). Under the system, providers must provide evidence to prove that they meet several performance criteria, including demonstrating that the provider manages its housing assets in a manner than ensures suitable properties are available now and in the future; and that the provider is fair, transparent and responsive in delivering housing assistance.

- Data on the overall performance of the social housing system are available through the Report on Government Services, compiled annually by the Productivity Commission using data collected from State and Territory Governments. The report includes data on maintenance, (implicit) financial assistance provided to tenants, utilisation of properties and size of waiting lists.

There are gaps in social housing data. The AIHW (sub. DR508) stated that government housing officials have agreed that more work is required to assess the current evidence base to ensure that governments can make effective decisions about housing and homelessness policy. Pawson et al. (2015, p. 1) noted that 'Australia's existing suite of official social housing performance measures is seriously inadequate in this respect and lags well behind other service realms'. Importantly, the available data focus on social housing — there is little information available on outcomes for tenants receiving assistance to rent in the private market, aside from broad indicators of rental stress. There are little data available to assess the effectiveness of tenancy support services across both the social and private sectors.

In 2015, the Australian Housing and Urban Research Institute (AHURI) released a report examining ways to improve data collection for the social housing system across Australia (box 7.2). The NSW FHA et al. (sub. 406) noted that they supported the direction of these recommendations.

## Measuring outcomes for tenants

Data collected on tenant outcomes can allow governments to monitor the performance of individual providers based on whether they are delivering a high-quality service and are achieving positive outcomes for their tenants. This can align the incentives of governments and providers and allow governments to replace underperforming providers. Data on outcomes can also be used to evaluate individual programs and the social housing system as a whole, and help determine 'what works' (and what does not work) to improve outcomes for tenants receiving housing assistance.

**Box 7.2    AHURI study on the effectiveness and efficiency of social housing**

In 2015, AHURI released a report on measuring the effectiveness and efficiency of social housing. The report noted that there were several gaps in the reporting on social housing across the public and community sectors, and made several recommendations to governments.

- Transparency on the costs of social housing provision and tenant outcomes should be a top priority for governments.

- The methodology for estimating the costs of providing social housing differs by jurisdiction. A new and consistent metric for estimating social housing costs is needed, which breaks down social housing management costs into different categories, such as cost incurred in tenancy management and costs incurred in tenancy support.

- Alignment is needed between the national social housing survey and tenant satisfaction surveys undertaken by community housing organisations.

- Public housing authorities report on tenancy sustainment metrics, but community housing providers do not. This metric should be expanded to larger community housing providers.

- There is a need for additional tenant outcome measures, such as data on the effectiveness of a social housing landlord in aiding work-capable tenants to find employment.

- Under the National Regulatory Scheme for Community Housing, provider-level data on cost of provision, operational performance and outcome metrics should be published.

*Source*: Pawson et al. (2015).

Data on outcomes for tenants receiving housing assistance are largely limited to tenant satisfaction measures for tenants in social housing properties. These metrics can be powerful — improving the satisfaction of tenants is one way of determining whether services are improving outcomes — but they do not tell the whole story. Data on tenant outcomes, such as the sustainment of tenancies or a tenant's success in finding employment, are not consistently collected across public and community housing providers (Pawson et al. 2015). As noted earlier, there are little data available on outcomes for tenants receiving assistance to rent in the private market.

Data to enable rigorous evaluation of social housing policies are often not collected. Community Housing Limited (sub. DR551, p. 11) noted that 'the lack of outcome evaluation for various long-standing programs has been evident'. The Audit Office of New South Wales (2015) stated that transfers of the management of social housing properties have not been supported with data collection to measure outcomes (section 7.2). Similarly, there is a lack of evidence and evaluation of tenant outcomes from tenancy support programs, particularly those for tenants in private rental properties. Tually et al. (2016, p. 96) noted that:

> Long-term evaluation of the work of PRBPs [Private Rental Brokerage Programs] has not been undertaken externally, although we understand that a number of evaluations have been prepared by individual agencies for internal use. Determining the value of, and outcomes from, PRBP initiatives is therefore difficult.

Costello, Thompson and Jones (2013) also noted that data are needed to inform the development of remedial solutions, and evaluations of existing innovative programs need to be undertaken.

Measuring outcomes for tenants receiving housing assistance is complex, and there is no agreed approach that can be used to assess outcomes. Some State and Territory Governments are beginning to put in place frameworks to assess outcomes. For example, the Tasmanian Government (2015) requires providers to estimate their 'social return on investment' as part of the Better Housing Futures management transfers. The NSW Government is developing an outcomes framework for the social housing system focusing on health, social and community, empowerment, economic, safety and education outcomes (NSW FACS 2016c). These approaches are still in their infancy and their success is unclear. It is important that the approaches are evaluated, and rolled out more broadly if they prove to be successful.

Outcome measures should cover tenants receiving assistance to rent in the private market where feasible. This would enable an assessment of outcomes across private and social housing, and also enable a full evaluation of the Commission's reforms (chapter 5).

The City Futures Research Centre (sub. DR506) noted that the National Housing and Homelessness Agreement, announced in the 2017-18 budget, could be used to drive improved data. The AIHW (sub. DR508) noted that it plans to work with State and Territory Governments to develop better data on outcomes to support this national agreement. This process could be used as a basis to improve outcomes frameworks in each state and territory.

## The costs of managing social housing properties

Data on the costs of managing social housing properties across providers are needed for governments to make decisions about who should manage social housing properties (Tasmanian Government, sub. 485). During the course of this inquiry, the Commission found insufficient evidence to determine whether social housing properties are more cost-effectively managed by the public sector or the community sector, let alone determine the differences *between* individual government or community housing providers.

The AIHW produces a metric on the net recurrent cost of managing social housing properties. Pawson et al. (2015) outlined several reasons why this measure is inadequate. In particular, it is highly aggregated and includes tenancy management and support, as well as property maintenance. Differences in costs can be strongly driven by the extent to which providers have older stock and need to undertake additional maintenance or offer additional support for tenants. There are also differences in how jurisdictions estimate costs, which limits the comparability of the data across jurisdictions. Participants during consultations agreed that current metrics to estimate the costs of managing social housing properties are inadequate.

Improving metrics on the costs of managing social housing properties would improve the ability of governments to assess the performance of individual providers of tenancy

management and to select managers of social housing properties if using contestable approaches and also to improve the transparency of the system. The methodology should be broken down into the costs of the various functions that social housing tenancy management providers deliver.

<div style="background-color:#e8f0d0; padding:1em;">

RECOMMENDATION 7.2

State and Territory Governments, in conjunction with the Australian Institute of Health and Welfare, should improve the data that are collected on:

- tenant outcomes, including the outcomes of tenants renting in the private market that receive a housing supplement or tenancy support services

- the cost of managing social housing.

State and Territory Governments should clearly define the outcomes they are seeking to achieve through tenancy management and tenancy support services, and put in place frameworks to assess their success in meeting these outcomes over time. Outcome measures should, to the extent possible, be consistent and comparable to those developed for family and community services (recommendation 8.3).

</div>

## 7.2 Increasing contestability of tenancy management

Four out of five social housing properties in Australia are managed by government housing authorities, and service provision for these properties has generally not been subject to contestable arrangements. Governments have transferred the management of some social housing properties to not-for-profit providers (in some cases, for-profit organisations may have been part of a consortium of not-for-profit bidders (NSW FHA et al., sub. 406)). There are a large number of providers that could provide social housing services, whether they are not-for-profit, co-operatives and mutuals, or for-profit providers.

Some governments have a policy position of further transfers of the management of public housing to non-government providers (NSW FACS 2016b; SA Government 2012). Commonly, management transfers seek to maximise the revenue available for social housing — tenants in community housing are eligible for Commonwealth Rent Assistance, while those in public housing are not. Transfers of management, along with transfers of stock, have also sought to allow providers to leverage additional private finance to increase the stock of social housing. It is unclear whether this objective has been achieved (Pawson et al. 2013).
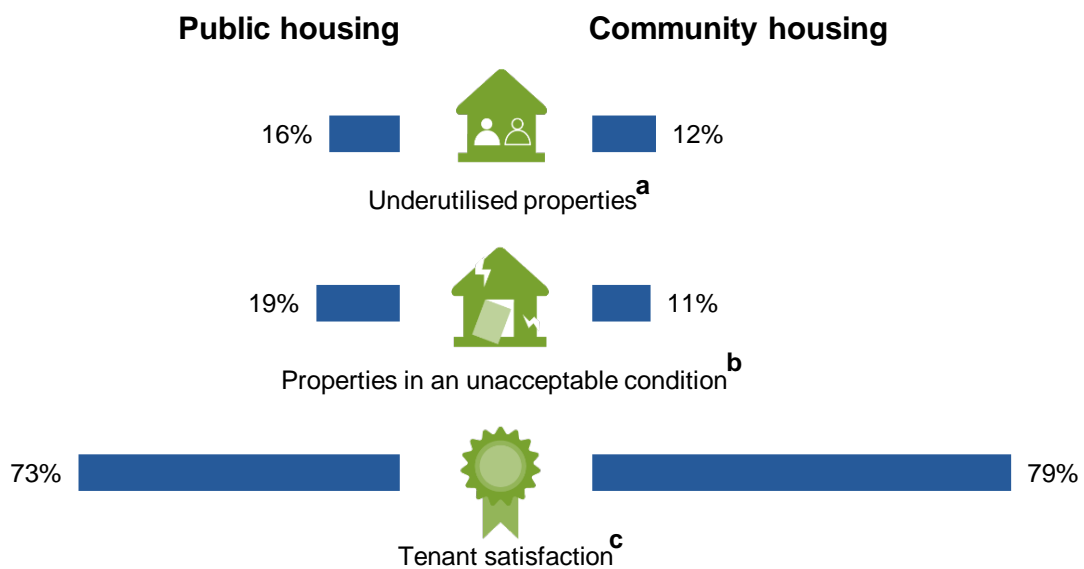
### The benefits of contestable tenancy management

Continuing to make the management of social housing properties contestable should lead to several benefits for tenants. Well-managed contestability in the management of social housing properties would provide incentives for managers of social housing to improve the

effectiveness of service provision, and increase the pressure on them to provide well-maintained properties that meet the requirements of tenants.

There is some evidence that tenancy management transfers in Australia have led to better outcomes for social housing tenants. Community housing providers have a lower underutilisation rate and higher tenant satisfaction than public providers (figure 7.1). Participants noted that community housing providers have a more customer-focused approach to service delivery (Mission Australia, sub. 277; NSW FHA et al., sub. 235; NT DTF, sub. 261) and play a community development role (Anglicare Australia, sub. PFR391). QShelter (sub. PFR352) stated that responsiveness to local needs can be improved by having a diverse range of community housing providers — a particular benefit for states with large regional differences.

---

**Figure 7.1    Indicators of public and community housing, 2016**



**Public housing**            **Community housing**

16%                          12%
Underutilised properties[a]

19%                          11%
Properties in an unacceptable condition[b]

73%                          79%
Tenant satisfaction[c]

[a] Underutilisation refers to the percentage of properties that have at least two more bedrooms than the number of tenants living in them. [b] A property is considered to be in an unacceptable condition if it does not have working facilities for washing people, washing clothes, preparing food, and sewerage, or has more than two major structural issues. [c] Tenant satisfaction is the percentage of people who reported being satisfied or very satisfied with their housing.

*Source*: SCRGSP (2017).

---

This evidence should be treated with caution, as public and community providers are currently not placed on an equal footing. The extra income obtained through Commonwealth Rent Assistance provides an advantage to community providers and could be used to improve the quality of their service. Similarly, in some cases the stock transferred to community providers has been newer and of better quality than most homes in public housing, which may account for some of the improved outcomes.

## Management should be made more contestable, but there is a need for proper evaluation

The Commission considers that the management of social housing properties should be made more contestable. This position is broadly supported by participants, particularly community housing providers (CHL, sub. DR551; CHP, sub. DR522; City of Whittlesea, sub. DR519; National Shelter, sub. DR582; NSW FHA, sub. DR539; SA Government, sub. DR571). To support a move to greater contestability, governments need to establish clear outcome and performance frameworks, consumer protections and monitoring frameworks. Periodic evaluations would allow for an assessment of the benefits and costs of transfers, and to inform future transfers. This has been a shortcoming of previous transfers. For example, the Audit Office of NSW (2015, p. 15) has noted that, in relation to management transfers:

> It is unclear whether the Department [of Family and Community Services] has achieved its desired outcomes for tenants. For example, the Department wanted more flexible, tailored services for tenants and more resilient communities but it did not determine how it would measure these outcomes.

Gaps exist in current data collection. The Commission's recommendation on improving data on the social housing system would assist evaluations of greater contestability (recommendation 7.2).

Some inquiry participants highlighted limitations and drawbacks of commissioning processes to select managers of social housing properties, including the cost and complexity of responding to tenders, a disruption of services to users when transitioning between providers, an erosion of coordination between providers and challenges when commissioning Indigenous services (National Shelter, sub. PFR369, sub. DR582; Shelter WA, sub. PFR341). Steps can be taken to address these concerns. In part, the complexity of commissioning processes is a result of unclear boundaries between tenancy management and tenancy support (section 7.4). Clear separation of these roles may help simplify commissioning processes. Other concerns can be addressed by careful contract design, governments monitoring the performance of providers, and through culturally appropriate processes suitable for selecting providers of Indigenous services (chapters 2, 8 and 9).

## Commissioning processes should be open to all types of provider

Previous approaches to transfer the management of social housing properties have only been open to not-for-profit providers. Improving the effectiveness of contestability requires that commissioning processes are open to all types of providers. The Commission does not consider that one provider type is inherently better placed than other provider types to manage social housing properties (chapter 2). The NSW Federation of Housing Associations et al. (sub. 235) agreed, noting that there was no reason why for-profit providers could not manage social housing properties. A not-for-profit provider that is better placed to manage social housing properties should win a tender, but this outcome should not be pre-determined at the outset.

Importantly, the Commission does not consider that non-government providers will always be better at managing social housing properties than government providers. The option of the management of social housing properties remaining with the government should not be excluded from the commissioning processes. Even where the management of properties ultimately remains with the government, contestability can have benefits by increasing the pressure on the government provider to maintain and improve its performance.

RECOMMENDATION 7.3

State and Territory Governments should continue to make the management of social housing properties contestable, on a staged basis. The management of social housing properties should be subject to commissioning processes that are open to all providers, including the government provider.

## Title transfers

Some participants (mainly community housing providers) argued that the ownership of social housing properties (that is, the property title) should be transferred from government to community housing providers, claiming several benefits (CFRC, sub. DR506; CIS, sub. DR544; National Shelter, sub. DR582; NSW FHA et al., sub. DR539; Shelter WA, sub. PFR341). Most prominently, these participants considered that having title of a property would facilitate lower-cost finance for community housing providers to construct additional social housing properties. Participants also stated that title transfers would provide a stronger incentive for providers to maintain the value of the property, and that providers would be better able to make long-term investment decisions as the risk that governments would opt to change providers is lower (CFRC, sub. DR506; NSW FHA et. al., sub. 406).

Uncompensated transfer of titles would, in effect, involve a gift of public assets to non-government organisations. Once title has been transferred it would become much harder for governments to replace an underperforming provider. It also reduces the incentives that providers face to improve their service delivery and limits the ability of governments to hold providers accountable for poor service. Once title has been transferred, it can also be difficult for governments to ensure that the properties are used for social housing over the long term (Tasmanian Government, sub. 485).

Transferring the title of some public housing properties to community housing providers could assist them to borrow more funds and build more stock, although the Commission is sceptical that transfers of title are the best way to achieve this outcome. The amount providers can borrow depends primarily on the amount and stability of income they have to make loan repayments, not the value of their assets (Pawson et al. 2013; VAGO 2010). Assessing a previous transfer of title to community housing providers, the Victorian Auditor-General's Office (2010, p. 15) found that 'the transfer of assets did not increase their rental income and hence does not provide any greater capacity to service interest and capital repayments for borrowings'. Moreover, there are other ways to achieve a stable income

stream that providers could borrow against, for example, by entering into long-term management contracts. The Commission does not support transferring the title of social housing properties to non-government providers for the purpose of reducing a provider's cost of finance.

## 7.3    Creating a more even playing field for providers

### Clarifying roles within government

In most states and territories, the housing authority responsible for managing social housing properties is contained within the department responsible for housing policy. There is a case for a separation of social housing policy and service provision to improve accountability and remove potential conflicts of interest (Haven, Home, Safe, sub. DR568; UnitingCare Australia, sub. DR514). There may be conflicts of interest if the department setting criteria for tenders to manage social housing properties is also competing for the tender itself (section 7.2). Contestability requires that the government social housing provider faces a credible threat of replacement if it underperforms, which would not be the case if that provider is responsible for monitoring its own performance.

IPART (2017) recommended that the NSW Government move to a purchaser–provider model. Under the model proposed by IPART, the NSW Department of Family and Community Services (FACS) would be responsible for social housing policy and planning, as well as managing contracting arrangements with providers. Managers of social housing properties, including the public Land and Housing Corporation, would receive funding from FACS and operate on a commercial basis. The Commission agrees that, to avoid conflicts of interest, policy and planning should be separate from provision. Jurisdictions that have not done so should seek to separate these roles, such as by having these responsibilities sit in different departments or by establishing a new entity.

Government providers should not be advantaged (or disadvantaged) relative to other providers due to government ownership when competing in commissioning processes. (Commissioning is a cycle that involves planning the service system, designing services, selecting, overseeing and engaging with providers, managing contracts and undertaking ongoing monitoring, evaluation and improvement (chapter 8).) State and Territory Governments have policies in place to ensure that applicants do not receive a price advantage due to being a government body because they, for example, do not pay the same taxes as non-government businesses (for example, NT Government 2010). The management of social housing properties should be subject to these policies.

Separating housing policy and service provision could lead to potential tension between commercial and social objectives placed on the public housing provider. This was a concern with similar reforms implemented in New Zealand in the 1990s. Housing New Zealand was required to act in a commercial way, but also had social objectives placed on it, such as focusing on housing for people with low incomes. Tensions between its social and

commercial objectives led to conflict between the Government and Housing New Zealand and resulted in several resignations from the Housing New Zealand board (Thorns 2000). Housing New Zealand also embarked on a series of asset sales to maximise its commercial returns, including selling properties in less profitable locations (Murphy 2004).

There are clear differences between the reforms in New Zealand and the reforms proposed by the Commission. The Commission sees a strong and continuing role for the social housing system to provide homes, including for people who face barriers to entering the private market. This is distinct from the early 1990s social housing reforms in New Zealand, where an overarching commercial objective was placed on the public housing provider. The Commission considers that, while public providers need to be efficient, they should not be subject to a requirement to deliver a *commercial* dividend to governments.

RECOMMENDATION 7.4

State and Territory Governments should ensure that the entity responsible for managing social housing assets is separate from the entity responsible for social housing policy.

## Regulation of providers

Community housing providers are regulated under the NRSCH (box 7.3). All states and territories — with the exception of Western Australia and Victoria — have joined the NRSCH. Registration under the NRSCH is voluntary, but State and Territory Governments often require that a provider be registered as a precondition to receiving funding for housing services.

A key concern with the NRSCH is that it does not cover public housing providers. The Commission has seen no compelling justification for this. In principle, regulation should be consistent across providers with different organisational structures — whether they are government, not-for-profit, mutual and co-operative, or for-profit. This approach is taken in England, where the Homes and Communities Agency regulates all social housing providers, including government, not-for-profit and for-profit providers.

Box 7.3        **National Regulatory System for Community Housing**

The National Regulatory System for Community Housing (NRSCH) is the national system of registration, monitoring and regulation of community housing providers that came into effect on 1 January 2014. The NRSCH seeks a clear separation between regulatory activities, and state and territory policy and funding activities. There is no obligation for a community housing provider to be registered under the national system, although governments can make registration a precondition for receiving funding for housing services.

Registration under the NRSCH is divided into three tiers, with different levels of regulatory scrutiny and monitoring applying to providers based on the scale and scope of their activities. Housing providers that engage in activities that involve a higher level of risk, such as property development or managing a large number of tenancies, are subject to higher levels of oversight. Registered housing providers must demonstrate a capacity to meet and achieve ongoing compliance with the National Regulatory Code, and have in place arrangements to manage their assets in the event of a business wind-up or deregistration.

**National Regulatory Code**

The code sets out the performance and outcome requirements that must be met by each tier of registered housing provider. It is outcomes focused, and does not prescribe how the provider should achieve each requirement. The code covers tenant services (including that the provider must be fair, transparent and responsive in delivering housing assistance to tenants), housing assets, community engagement, governance, probity, business management and financial viability. If a tenant considers that their provider is not meeting the requirements of the code, they are able to make a complaint to their registrar, which can result in the deregistration of the provider.

*Sources*: NRSCH (2014b, 2014c); Victorian Housing Registrar (2014).

Several participants agreed that regulation should be consistent across providers, and that the NRSCH could be expanded to cover public housing providers (Anglicare Australia, sub. DR574; Baptist Care Australia and Churches Housing, sub. DR532; CFRC, sub. DR506; NSW FHA et al., sub. DR539). Consistent regulation of providers would extend a set of rights and protections to all tenants, regardless of which organisation is managing their tenancy. Consistent regulation would also help balance any competitive advantage or disadvantage experienced by providers in different sectors, and assist governments to select the provider best placed to deliver services. It would also create a more level playing field between public and community housing providers (recommendation 7.3) and improve the data available on public provider performance (recommendation 7.1). There would be some costs as public providers transition to the NRSCH, but the Tasmanian Government (sub. DR590) stated that these costs are unlikely to be significant, as public housing providers already have adequate policies and information systems in place.

## 7.4    Improving services for users

The recommendations outlined in chapter 6 would provide people receiving housing assistance with additional options when choosing a home to live in. Greater user choice should be further supported by the provision of information to make choices, guidance when making choices, and to assist them to remain in their preferred home.

### Information to help households to choose their home

Like all users of human services, social housing tenants require information to enable them to decide both the home and the provider of tenancy management services (if renting social housing properties) that they expect would best meet their needs. Much of this information (such as the quality of a home) can be observed by potential tenants — the social housing system does not have the same information asymmetries that are prevalent in many other human services. There are three key areas where information could be improved, including providing information on the social housing properties available to support choice-based letting (recommendation 6.2), information on potential waiting times to enter social housing properties, and information on provider performance.

Information on social housing properties, similar to that available in the private rental market, would be needed to support choice-based letting. Governments could be guided by the experience of the United Kingdom when deciding what information is to be provided to tenants. Importantly, information needs to be disseminated across a range of mediums so that tenants who, for example, do not have access to the internet can receive information. In the United Kingdom, information on available properties, such as the number of bedrooms and location, is shared online and through bulletin boards and printed leaflets (Marsh, Cowan and Cameron 2004). In some cases, high-priority applicants receive information on available properties through targeted mail outs.

Tenants should receive information on the expected waiting times to enter social housing properties. Some jurisdictions, such as New South Wales, publish information on expected waiting times for social housing properties across regions, but most do not. Other jurisdictions publish the information in a format that is difficult for tenants to understand (NSW FHA et al., sub. 235). Better information on waiting times for particular locations would allow tenants to make informed trade-offs. A tenant can choose to wait for an

extended period of time for a social housing property in their preferred location, or seek to receive a property quicker in a different location.

There is little publicly available information on individual providers, and making this information available would enable tenants to make more informed choices over the home they would like to live in. Pawson et al. (2014) and the NSW FHA et al. (sub. 406) noted that information provided as part of the NRSCH on cost of provision, operational performance and service outcomes could be made publicly available. Such an approach is used internationally. For example, in Scotland the housing regulator publishes information on each individual provider's performance, including tenant satisfaction and adherence to maintenance standards (Scottish Housing Regulator 2017). Under the NRSCH, housing registrars monitor compliance with the National Regulatory Code, and conduct annual or biannual compliance assessments of registered providers. Information and evidence collected can include information on:

- tenant satisfaction — providers are required to demonstrate that they have maintained a satisfactory level of tenant satisfaction, and it is recommended that larger providers undertake a tenant survey of satisfaction at least every two years

- managing complaints — providers are required to demonstrate that complaints and appeals are reviewed to ensure they have been handled fairly, and that there are no ongoing or repeated failures

- support services — providers are required to demonstrate that they have in place arrangements to ensure tenants receive appropriate support to maintain tenancies where relevant

- property conditions — providers are required to demonstrate that properties are well maintained and that they meet property condition standards (NRSCH 2014a).

Participants noted that publication of this information would be likely to 'give more power to consumers' (Council to Homeless People Victoria, sub. DR522, p. 16), be important for 'decreasing asymmetry of information' (UnitingCare, sub. DR514, p. 10) and enable more informed choices. As this information is already collected, there appears to be few additional costs involved in making it available to tenants — any information that is legitimately commercial-in-confidence could be removed from the reports before publishing.

Providing information on waiting times and the performance of individual providers would have benefits beyond improving information to users. The benefits would be greater if the information was provided in combination with greater choice as proposed in chapter 6. Both sets of information would improve the accountability of decision makers and providers to the broader community. Underperforming providers would be more easily identified, and have strong incentives to improve their performance and their responsiveness to tenant needs. NSW FHA et al. (sub. DR539) stated that publishing performance information could improve confidence in the social housing sector, and increase its ability to raise private finance.

> **RECOMMENDATION 7.6**
>
> State and Territory Governments should:
>
> - publish information on expected waiting times to access social housing, by region, in a format that is accessible to prospective tenants
>
> - make publicly available the regulatory reports on the performance of providers that are undertaken as part of the National Regulatory System for Community Housing.
>
> To facilitate choice-based letting, State and Territory Governments should publish information on available social housing properties, including the rent charged for the property, number of bedrooms and the location of the property. This information should be disseminated across a range of mediums, such as online and printed leaflets.

## Intake and assessment services

People that require access to social housing properties go through initial intake and assessment services, which determine a person's eligibility for social housing properties (figure 7.2). These services often also determine a person's need for tenancy support services, including in some (limited) cases through triage services to match people to the services they need.

Figure 7.2    **Role of intake and assessment services**
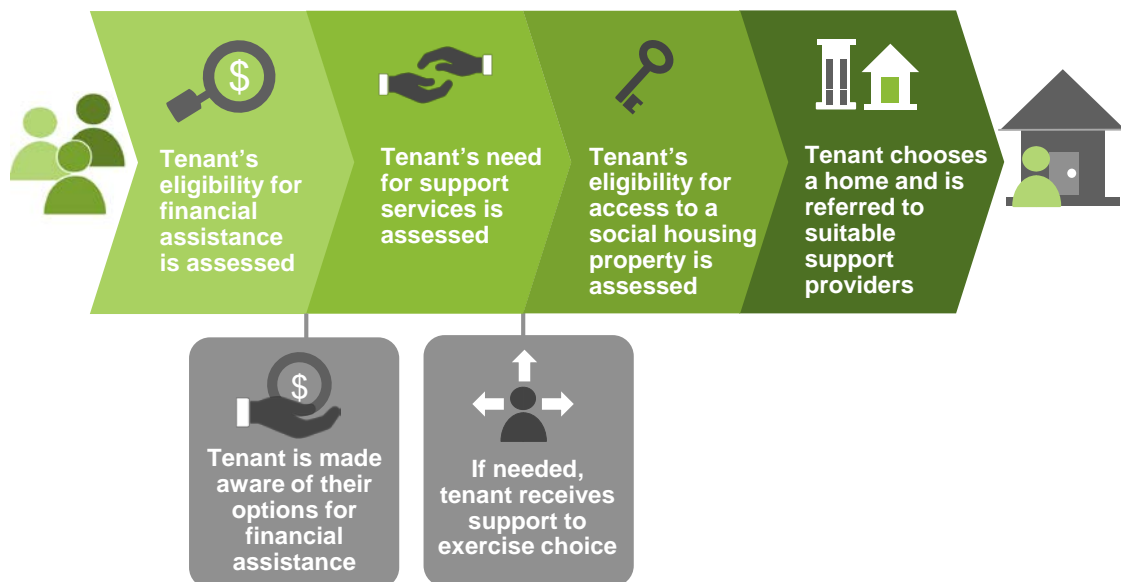


Intake and assessment services vary across jurisdictions. Some jurisdictions have a centralised intake service, such as Tasmania, where most tenants will receive an initial assessment through the centralised service, while in other jurisdictions intake and assessment

processes are more decentralised. For example, in Victoria tenants can access social housing properties through a local housing office or through individual community housing providers.

There is evidence that existing intake and assessment services need improvement. In some jurisdictions, the system is fragmented, which makes it difficult for users to identify the support they are eligible to receive. Jesuit Social Services (sub. 420) considered that reform is needed to improve access and enable easier navigation of the system. Wiesel et al. (2014) noted that some people were confused about the types of assistance available to them. The assessment of tenants' needs also appears deficient in some jurisdictions, which means that tenants may not receive the support they need. The Queensland Mental Health Commission (QMHC 2015, p. 18) noted that the Queensland Department of Housing and Public Works is 'unable to identify which of their social housing tenants, including those on the State Housing Register, are living with a mental illness, mental health difficulties or substance use problems'. Similarly, the Royal Commission on Family Violence in Victoria (2016) noted that data from the Victorian Department of Health and Human Services appeared to dramatically underestimate the number of people waiting for social housing that were experiencing domestic violence.

A common theme in the Commission's consultations for this inquiry was that people's need for tenancy support services and support to exercise choice varies widely. Some social housing tenants need little to no support to maintain a tenancy, whereas others need intensive support. In some cases, providers may need to offer outreach services to ensure that a person receives the support they need, while in other cases tenants will approach the social housing system themselves.

High-quality intake and assessment services are key to ensuring that levels of non-financial housing support matches need. State and Territory Governments should ensure that social housing applicants receive a comprehensive assessment of their eligibility for assistance and tenancy support, and are made aware of all of their options for assistance. Importantly, tenants should receive the support needed to enable them to choose their home if required.

- Tenants need to be able to navigate the system, and be made aware of the assistance they could receive, including whether they are eligible for a 'housing supplement' (recommendation 6.1), and the support they would receive to rent in social or private housing.

- While many people are able to make choices over the home they wish to live in themselves (or have someone to do so on their behalf), others will require support to make choices. The Penrith Homeless Institute (sub. 413, p. 1) stated that 'vulnerable people including youth will require support in exercising their choice both in social housing and [the] private rental market'. There are several forms that support to exercise choice could take. Tenants could be referred to a tenancy support provider to offer support (this role is already played by some services in the private market (Tually et al. 2016)). Where no other support is available, the provider of intake and assessment

services may need to apply for properties on the applicant's behalf. Support could also be provided to enable applicants to view available properties (Lomax and Pawson 2011).

- Providers of intake and assessment services conduct upfront assessments that could be used to refer tenants to support services that meet their needs. This assessment will be straightforward for many people, as they are able to manage their tenancy on their own and have little need for support. A more detailed assessment will be required for people with greater needs. Alternatively, for people who access other services, their need for tenancy support could be apparent through assessments from other service providers, such as mental health providers.

---

RECOMMENDATION 7.7

State and Territory Governments should ensure that applicants for social housing assistance receive a comprehensive up-front assessment of their eligibility for:

- a social housing placement
- the housing supplement (recommendation 6.1)
- tenancy or other service support, including support to enable the tenant to choose their home.

Applicants should also be made aware:

- that the housing supplement would be payable if they chose to live in either the private or social housing markets
- of the extent to which tenancy support services available in social housing would also be available to eligible tenants renting in the private market.

---

## Improving the provision of support services

Tenancy support services can help to stabilise at-risk tenancies, which is vital given the limited accommodation options that some tenants have if evicted from social housing (chapter 5). Programs such as Tenancy Plus in Victoria (chapter 5) have had a high rate of success in stabilising the at-risk tenancies of their users. Homelessness NSW (sub. DR520) highlighted several programs that have had 80–90 per cent success rates in supporting people with experiences of homelessness to sustain tenancies.

Governments should do more to ensure that these services are available to the people who need them, whether they are in social housing properties or the private rental market. The Commission's recommendations on the commissioning of family and community services are also relevant for tenancy support services (chapter 8).

Support for tenants in the private rental market

Many support schemes targeted at social housing tenants are not made available to tenants renting in the private market (chapter 5). Evaluations of some support services available overseas, such as the Private Rental Sector Access Development Program in the United Kingdom, found that tenancy support can help tenants with complex needs to sustain a private tenancy (box 7.4).

---

Box 7.4 **The UK Private Rental Sector Access Development Program**

The Private Rental Sector Access Development Program aimed to assist single homeless people in the United Kingdom, who were not well served by existing services, into private rental accommodation. The program provided funding for about 150 organisations to deliver support services. The funded organisations varied in size and scope, but included:

- a day centre that offered support for 'rough sleepers' and people with addiction problems, and was seeking to offer housing support for its clients

- an organisation focused on youth homelessness that provided help to sustain a tenancy and ongoing support

- an organisation that provided services to ex-offenders and was undertaking intensive resettlement work with its clients.

About 8000 tenancies were created over the lifetime of the program, and 90 per cent of tenancies were sustained. The cost to governments was about $1600 per sustained tenancy.

*Source*: Rugg (2014).

---

Access to support services for tenants who choose to rent private housing is an important part of enabling choice, both to ensure that tenants in private housing are able to establish and sustain their tenancy and to improve their economic and social participation. It is important that access to support services does not end if a tenant makes the choice to rent in the private market. NSW FHA et al. noted that:

> … tenant choice about housing tenure should not be distorted by rationed access to ancillary services. People should not need to be in social housing to access services such as tenant support, financial counselling or community mental health care. (sub. 406, p. 7)

Similarly, Melbourne City Mission (sub. DR510) noted that some people require support regardless of the sector they rent in. The Illawarra Forum (sub. DR550) supported extending access to support services for eligible tenants who rent in the private market.

Financial assistance that is portable across rental markets for private and social housing should be complemented with portable tenancy support. Improved access to tenancy support services could help to further enhance the benefits of user choice of home, and lead to improved housing outcomes for tenants renting in the private market. There may also be offsetting reductions in fiscal costs in other areas of policy. Both Homelessness NSW (sub. DR510) and the Council to Homeless People Victoria (sub. DR522) highlighted that stabilising tenancies is substantially cheaper than providing support once a person is in crisis.

The Victorian Government noted that tenants evicted from housing often enter crisis and transitional housing, which it estimated cost about $34 000 per year (CHP, sub. DR522).

Additional funding would be needed to offer support to tenants currently renting privately. For example, the UK Private Rental Sector Access Development Program cost about $1600 per sustained tenancy (box 7.4). The Council to Homeless People Victoria (sub. DR522) stated that the cost of the Victorian Tenancy Plus program was about $2000 per tenant in 2014.

## Improving the contracting of tenancy management and tenancy support services

Inquiry participants stated that the line between tenancy management and tenancy support is sometimes blurred, and the role of community housing providers in delivering services is unclear. Two concerns were raised.

- During consultations, participants noted that community housing providers are being asked to do too much with too few resources, and that the system is stretched to capacity. Launch Housing (2016) noted that, in Victoria, community housing providers are not able to deliver tenancy and additional support on current levels of funding. Similarly, Pawson et al. (2015) noted that it was unclear how additional support services would be funded by providers in a resource-constrained environment.

- Governments often do not make clear the role they want tenancy management providers to play in tenancy support. The NSW FHA et al. (sub. 406, p. 5) noted that tenancy support services 'along with community development and other non-housing outcomes, are different functions and need to be better specified in procurement arrangements'. Pawson et al. (2015) also noted that many of the objectives that governments want community providers to pursue are yet to be explicitly stated.

Delivery of support services for tenants eligible for social housing is, and should remain, a responsibility of the State and Territory Governments. These Governments should improve their contracting of tenancy support services to clarify the support available for tenants and who should provide it. The Governments should explicitly state what support services they want provided to social housing tenants in funding agreements, and allocate funding where needed. This would make clear what objectives the Governments have for the delivery of support services and ensure that providers have the resourcing available to deliver services to meet these objectives. Some State and Territory Governments are working toward developing outcomes frameworks for social housing (NSW FACS 2016c; chapter 8) which, if designed and implemented well, could help to clarify the role of tenancy management providers and the outcomes that governments want them to achieve.

The Commission also supports State and Territory Governments making a clear distinction between tenancy management services and tenancy support services in commissioning processes and funding agreements. Importantly, it should not be assumed that community housing providers will be best placed to provide tenancy support to the tenants in properties that they manage.

Participants generally agreed with the Commission's proposal to separate tenancy management services from tenancy support services in contracting processes (for example, Council to Homeless People Victoria, sub. DR522; UnitingCare Australia, sub. DR514; Yfoundations, sub. DR497). There was some disagreement between participants as to whether the delivery of tenancy management and support services should always be through separate providers. Jesuit Social Services (sub. 420) and Queensland Advocacy Inc. (sub. 442) supported a clear separation between these roles. Jesuit Social Services (sub. 420, p. 12) noted that this would help 'ensure that support is driven by a therapeutic and not tenancy management approach'.

Other participants emphasised that, while the funding streams could be different, the same provider should remain able to deliver both support and management services if they are awarded both funding streams (Baptist Care and Churches Australia, sub. DR532; Yfoundations, sub. DR497). The Commission agrees that there should be no barrier to the same organisation providing both sets of services. Having one provider offering tenancy support and management services may have some benefits, such as better integration of services. As noted by Yfoundations (sub. DR497), in some locations, there may only be one provider capable of delivering both tenancy management and tenancy support services.

Having different providers delivering tenancy management and tenancy support can also have benefits — it can make it easier to replace a provider of tenancy support or tenancy management that is underperforming, and it can make it easier for tenants to move home while retaining their relationship with their provider of tenancy support. Ultimately, State and Territory Governments should commission the organisation best able to deliver the user outcomes being sought. Once again, the Commission's recommendations for family and community services would be relevant (chapter 8).

---

RECOMMENDATION 7.8

State and Territory Governments should improve the commissioning of tenancy support services by:

- ensuring that tenants renting in the private market have the same access to support services as tenants in social housing

- clearly separating the funding and contracting of tenancy support services from tenancy management services

- considering the application of recommendations contained in this inquiry to improve the commissioning of family and community services.