# Background paper 1 Institutional and policy arrangements

In the context of this project, housing assistance includes the activities of government in three related areas. First, State Governments are involved directly in the provision of public housing. Second, the Australian and State Governments provide funding to community housing managed by the not‑for‑profit sector.[[1]](#footnote-2) Together these make up activities that support social housing, and they affect the supply side of the housing market.[[2]](#footnote-3) Third, on the demand side, the Australian Government provides Commonwealth Rent Assistance (CRA) to subsidise the rent paid by low‑income households.

Over time, the policy focus has shifted from the direct provision of public housing, to demand side subsidies, in the form of CRA, as well as increased support for community housing. As a result, CRA costs, which reached $3.9 billion in 2013‑14, account for the largest share of the Australian Government’s expenditure on housing assistance.[[3]](#footnote-4) The number of households receiving CRA increased by 20 per cent between 2010 and 2014 to 1.3 million, while the number of households in social housing rose by about 4 per cent to 384 000. This increase was driven entirely by community housing — the number of households in public housing fell by 2.5 per cent (SCRGSP 2015).

This background paper examines the institutional and policy arrangements surrounding housing assistance. It defines each type of assistance (section 1), examines its objectives (section 2), describes the current housing agreements in place (section 3) and discusses relevant policies (section 4). Annex 1 to this background paper surveys the history of housing assistance in Australia.

## Scope of housing assistance

Social housing comprises both public housing and community housing.[[4]](#footnote-5) Social housing has strict eligibility criteria and is generally allocated to people who have low incomes and face significant disadvantage. CRA is a rent subsidy paid directly to low‑income renters in the private rental market and community housing (public housing tenants are not eligible). As indicated above, CRA supports a greater number of people and accounts for a larger amount of Australian Government expenditure than the provision of social housing,[[5]](#footnote-6) although the average subsidy is lower.

### Social housing

There are a variety of arrangements for the ownership and management of different types of social housing. Public housing dwellings are managed by state housing authorities (SHAs). They are often owned by SHAs, but can be leased from the private rental market under head‑leasing arrangements (for example, Department of Housing NT 2013; Housing NSW 2014a).[[6]](#footnote-7) Community housing is managed by not‑for‑profit organisations. These properties may either be leased from a State Government, the private rental market, or owned by the not‑for‑profit organisation. Partnerships also exist between community housing organisations, government and/or the private sector, with varying ownership arrangements. Service providers that have a small number of properties may partner with larger community housing organisations to reduce housing management responsibilities (Winterton 2013).

Public housing makes up the largest proportion of social housing, but community housing is becoming more common. Between 2010 and 2014 the number of tenantable public housing dwellings fell from 328 700 to 321 200, while the number of tenantable community housing dwellings grew from 42 900 to 69 000 (figure 1). The number of community housing providers fell from 931 to 737 over the same period, which mostly reflects changes in the reporting of community housing in Western Australia — the number of community housing providers reported in Western Australia was 29 in 2012, compared with 182 in 2011. To a lesser extent, the fall in the number of community housing providers also reflects amalgamations of organisations in the sector. In New South Wales, amalgamations were only partly offset by the entry of new organisations (NSWFHA 2014).

Overall, the supply of social housing grew by about 4 per cent over the four years to 2014 (SCRGSP 2015) — less than the rate of population growth, which was about 6.5 per cent over the same period (ABS 2014).

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| Figure 1 Social housing dwellings, 1946 to 2014**a,b,c,d,e** |
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| a There is a break in the series for public housing dwellings at 2000. Prior to 2000, public housing dwelling numbers are estimated using the data on public housing completions and sales (Troy 2012) presented in figure 6. (Missing data in a few years were imputed.) From 2000, public housing dwellings refer to ‘total tenantable dwellings’ (SCRCSSP 2000, 2002; SCRGSP 2006, 2010, 2015). b Prior to 2005, community housing dwellings refers to ‘total tenantable dwellings’ (SCRCSSP 2002; SCRGSP 2006). From 2005, community housing dwellings refer to ‘total tenancy rental units by ASGC remoteness area’ (SCRGSP 2010, 2015), which includes imputed figures for boarding house units with missing data. c State owned and managed Indigenous housing (SOMIH) and Indigenous community housing (ICH) are not separately included in this figure due to data quality issues and their relatively small sizes. Some jurisdictions report SOMIH as public housing and to this extent they are included in the figures for public housing. d Community housing dwelling figures may overstate actual social housing numbers because some jurisdictions include an unspecified number of National Rental Affordability Scheme properties (box 2) in community housing counts. e Community housing that is not provided under the CSHA or the NAHA is not included. |
| *Sources*: SCRCSSP (2000, table 15A.2, 2002, table 16A.1 and 16A.15); SCRGSP (2006, table 16A.1 and 16A.15, 2010, table 16A.1 and table 16A.25, 2015, table 17A.5 and table 17A.7); Troy (2012, table 3, table 5, table 7, table 9, table 11, table 12, table 15, table 17, table 18 and table 21). |
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In 2011‑12, about 3.9 per cent of Australian households occupied public housing (figure 2). The community housing sector accommodated a smaller share of households, with 0.7 per cent residing in community housing in 2011. The Northern Territory had the largest proportion of households both in public housing and community housing. In comparison, Queensland had the lowest proportion of households in public housing, and Victoria and the ACT each had the lowest proportion in community housing.

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| Figure 2 Proportion of households residing in social housing, by state |
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| *Sources*: ABS (2013); SCRGSP (2015). |
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Community housing organisations differ within and across jurisdictions in terms of size, structure, administration and housing types offered (PC 2010). There are many different models of community housing (box 1).

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| Box 1 Models of community housing |
| Models of community housing include the following types:   * *Housing associations* provide general property and tenancy management services and localised support services to tenants. * *Housing cooperatives* are usually small organisations, wholly managed and maintained by tenants. * *Growth providers* manage large portfolios of housing and have the capacity to undertake housing development activities. * *Neighbourhood housing providers* manage small numbers of properties, which they own or lease from government. * *Specialist providers* focus on housing particular tenant groups, such as the aged, homeless youth or people with disabilities. Some organisations are run by religious providers. * *Joint ventures and housing partnerships* provide housing assistance in partnership with other organisations, such as charitable bodies, local government, private sector organisations or State Governments. Community housing organisations may also form partnerships with each other to maximise growth opportunities and share resources.   These types are not mutually exclusive. For example, housing associations tend to be growth providers, and housing cooperatives can be specialist providers. |
| *Sources*: CHFA (2014); CHFV (2010); Housing NSW (2013c); SCRGSP (2014); Tenants’ Union of NSW (2012b). |
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In addition to social housing, some community housing organisations offer ‘affordable housing’. Affordable housing has less stringent eligibility criteria than social housing, making it accessible to households earning higher incomes. Rent‑setting arrangements also differ between affordable housing and social housing. Affordable housing rents are typically set as a proportion of market rent, while social housing rents are usually a proportion of household income (CHFA 2014). Throughout this background paper, the term ‘affordable housing’ refers to housing that is provided by community housing organisations with rent set as a proportion of market rent, rather than housing that is affordable in a general sense.

Many of the properties built under the National Rental Affordability Scheme (NRAS) (box 2) are owned or managed by the community housing sector (ACOSS 2014). These properties are better characterised as affordable housing rather than social housing (CHFA 2014).

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| Box 2 National Rental Affordability Scheme |
| The Australian Government introduced the National Rental Affordability Scheme (NRAS) in 2008 to address the shortage of affordable rental housing. It aimed to stimulate the construction of 50 000 properties by offering financial incentives to investors to build homes and rent them to tenants who meet household income thresholds. The rental rate must be at least 20 per cent below the market level.  Investors in the scheme receive annual incentives per dwelling for up to ten years from Australian and State Governments, with amounts indexed to the rents component of the consumer price index. The incentive amount for 2014‑15 is $10 661. As of September 2014, roughly 38 500 properties had been either planned or completed.  In May 2014, it was announced that the fifth and last round of funding, for which applications closed in August 2013, would not proceed. Funding for incentives from earlier rounds was to return to the budget if uncontracted or not used within agreed timeframes. Funding for tenanted NRAS properties was not affected. |
| *Sources*: Australian Government (2013, 2014); DSS (2014d, 2014e). |
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#### Funding

The Australian Government provides State Governments with funds for the housing and homelessness sector through the National Affordable Housing Specific Purpose Payment (NAH SPP), which is part of the National Affordable Housing Agreement (NAHA) and its supporting agreements. States decide on funding allocations, and part of the NAH SPP goes towards public housing. SHAs also gain revenue from rental income and asset sales. In addition to covering recurrent operating costs, including administrative expenses, maintenance, rates and market rent paid, these funds are used to construct, redevelop and acquire public housing. Some jurisdictions have also attracted external finance through the formation of public–private partnerships. For example, the redevelopment of public housing in the Sydney suburb of Bonnyrigg in New South Wales incorporated private finance in the provision of public and private dwellings, with the private dwellings to be sold to home buyers (Housing NSW 2013a). Victoria obtained private investment under similar arrangements for redevelopments in Kensington and Carlton (VAGO 2012).

Most public housing tenants pay income‑based rents that are below market rents, and the difference between the rent they pay and the market rent is a ‘rental subsidy’. Nationally, the average weekly rental subsidy per subsidised household was $162 at 30 June 2014. The ACT had the largest average subsidy, at about $260 a week, while Tasmania had the lowest, at about $87 a week (SCRGSP 2015). The median weekly market rent for houses in Canberra was also higher in June 2013, at $480, compared with $310 in Hobart (APM 2013).

Although community housing organisations receive some government funding, including funding under the NAHA that is distributed through the States, there are also a number that are entirely self‑funded (SCRGSP 2014). Like public housing, community housing organisations set rents as a percentage of tenants’ income but, unlike public housing tenants, community housing tenants are often eligible for CRA. Community housing organisations typically charge tenants their CRA entitlement as part of rent, thus generating income in addition to what a SHA would raise from the same tenant (section 4). Community housing providers can also use properties that they own to leverage private finance to expand their housing stock. Partnership arrangements with the private sector can be used as an alternative source of funds as well.

Community housing providers can take advantage of a range of tax benefits and concessions that are not available to public housing (Pawson et al. 2013). For example, community housing organisations can benefit from GST concessions on the charitable supply of accommodation, where the rent charged is under 75 per cent of the market rent (ATO 2014a; CHFA 2014). In contrast, the provision of public housing is ‘input‑taxed’, meaning that GST is not included in the rental charge, and credits cannot be claimed for any GST that is included in rental‑related expenditures (ATO 2014b). Local governments can offer rate rebates to community housing providers, which reduce their operating costs compared with State Governments (Beer et al. 2014). Some community housing providers are also exempt from company tax, stamp duty, land tax and capital gains tax, which allows them to build housing at a lower cost (CHCWA 2013).

In 2013‑14, state government expenditure on social housing was $5.4 billion, $4.2 billion of which was net recurrent expenditure and the remaining $1.2 billion of which was capital expenditure. New South Wales had the highest expenditure on social housing, reflecting their relatively large stock of social housing (figure 3). These figures include some funds from the Australian Government, which provided a total of $1.3 billion under the NAHA and a further $690 million under the NAHA supporting agreements in 2013‑14 to improve housing and homelessness outcomes (SCRGSP 2015).

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| Figure 3 State government real expenditure for social housing, 2010‑11 to 2013‑14**a** |
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| a Figures are in 2013‑14 dollars. Expenditure in 2010‑11 includes funds from the Social Housing Initiative. |
| *Source*: SCRGSP (2015). |
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On average, the costs per dwelling of public housing in Australia increased slightly between 2009‑10 and 2013‑14, although differences exist between jurisdictions (figure 4).

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| Figure 4 Real costs per dwelling, 2009‑10 to 2013‑14**a,b,c,d,e** |
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| a Capital costs include depreciation, user cost of capital and interest payments. b Recurrent costs include administration costs and operating costs (such as repairs, maintenance, rates, disposal costs and market rent paid). c Data may not be complete or comparable between public housing and community housing, or between and within jurisdictions because of different data reporting methods and program delivery and funding changes over time. d Data are not available for community housing costs in the Northern Territory nor for community housing capital costs for all jurisdictions. e SOMIH and ICH are not included, except to the extent that they are reported as public housing or community housing respectively. |
| *Source*: SCRGSP (2015, table 17A.19 and table 17A.21). |
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#### Transfers of public housing assets to community housing

Community housing is expected to become a more important form of housing assistance in the future due to commitments by jurisdictions to expand the sector while reducing their own roles in the direct provision of public housing. In May 2009, Council of Australian Government (COAG) housing ministers agreed to:

* transfer up to 75 per cent of housing stock constructed from projects initiated under the Social Housing Initiative — around 16 500 homes in total — to community housing providers by July 2014
* develop a large scale community housing sector within five to ten years, with an interim goal that the sector would own or manage up to 35 per cent of social housing by July 2014 (HMC 2009).[[7]](#footnote-8)

These commitments have been prompted by a number of factors. One reason is the financial unsustainability of public housing under current policy settings (HMC 2009). Stock transfers have been further driven by an aim to bring a more diverse range of housing providers into social housing, as well as the community housing sector’s ability to leverage stock to obtain private finance for growth. For example, in Queensland, stock transfers are intended to introduce greater choice in social housing, better enable the provision of integrated support services, reduce concentrations of public housing through better planning and design, and make use of private sector resources in finance and property development (Queensland Commission of Audit 2013). The Queensland Commission of Audit (2013) stated that the benefits of community housing include access to CRA, lower operating costs due to tax concessions and lower overhead costs, and the ability to attract alternative sources of revenue. Other current and ongoing initiatives also seek to further develop the sector, such as the National Regulatory System for Community Housing (box 6).

The Community Housing Coalition of Western Australia notes that the ongoing transfer of public housing stock is essential to the development of community housing because it will enable community housing organisations to achieve the scale required to raise private finance and build more homes (CHCWA 2013). It is also argued that the sector can offer more flexible and responsive service delivery to tenants. However, some people raise doubts that better service delivery is exclusive to community housing and can be sustained as the sector grows (Pawson et al. 2013).

Progress towards the COAG housing ministers’ goals differs by jurisdiction (table 1). In some cases, transfers to the community housing sector have only involved the management of properties, while in other cases, transfers of both management and ownership have occurred. Tasmania was the only state to have transferred 35 per cent of its public housing stock as at July 2014 (Petrusma 2014a). Queensland and South Australia are also in the process of transfers (DHPW 2014; Government of SA 2014f). At June 2014, it is estimated that community housing constituted about 18 per cent of social housing in Australia (SCRGSP 2015).

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| Table 1 Progress in expanding community housing |
| |  |  |  |  | | --- | --- | --- | --- | | State | Community housing  at June 2010  (per cent)a | Community housing  at June 2014  (per cent)a | Progress in transferring public housing assets to community housing | | NSW | 13 | 19 | * Under the *Planning for the Future* policy, the community housing sector grew from 13 000 in 2007 to a target of 30 000 properties by 2012, five years ahead of schedule due to the SHI. * New South Wales’ policy on transfers is currently in a period of review. | | Vic | 12 | 18 | * In 2014, the Director of Housing was considering a strategy for the transfer of up to 12 000 public housing units to community housing organisations. | | Qld | 12 | 18 | * Under the Housing 2020 Strategy launched in 2013, Queensland plans to grow community housing through transfers, with an aim to see 90 per cent of social housing tenancies managed by community housing providers by 2020. | | WA | 16 | 17 | * The *Affordable Housing Strategy* outlines the aim of increasing the number of properties managed by community housing providers from 5500 in June 2009 to 12 000 in 2020. | | SA | 10 | 13 | * Some dwellings for high needs tenants have been transferred to community housing organisations. From January 2015, the management of approximately 1000 public housing properties will be transferred to community housing organisations. A further 4000 properties are to be transferred at a later date. | | Tas | 9 | 36 | * Under the *Better Housing Futures* initiative, the management of about 4000 tenancies, which accounted for a third of public housing, were transferred from public housing to community housing in two stages. The first stage occurred in March 2013 and the second was completed in July 2014. | | ACT | 6 | 5 |  | | NT | 3 | 6 |  | | Australia | 12 | 18 |  | |
| a Community housing dwellings as a percentage of community housing and public housing dwellings. SOMIH and ICH are not included, except to the extent that they are reported as public housing or community housing respectively. |
| *Sources*: DCSI (2014); DHHS (2014); HPW (2013b); Gilmour (2013); Government of SA (2014f); KPMG (2012); NSWFHA (2014); Pawson et al. (2013); Petrusma (2014b); SCRGSP (2015, table 17A.3); Victorian Government (2014). |
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Delays in the transfer of public housing dwellings to community housing organisations reflect a number of factors (Pawson et al. 2013; Queensland Commission of Audit 2013):

* SHAs face financial pressures against large‑scale transfers of title. Because asset transfers are not sales, states are concerned about the negative balance sheet impact of asset disposal. For this reason, transfers of management responsibility can be preferred to transfer of ownership.
* States can also face political pressures against stock transfers when they are interpreted by stakeholders as privatisation.
* The process of contracting transfers is lengthy and expensive for both the SHA and community housing organisations involved. Not least, the parties must address any potential differences in allocation policies used by community housing providers.
* Community housing organisations may be reluctant to accept certain conditions surrounding transfers. For example, if transfer programs involve a high percentage of high‑needs tenants with lower incomes, their revenue streams may be adversely affected.

### Commonwealth Rent Assistance

Commonwealth Rent Assistance (CRA) is a non‑taxable supplement that is paid to people on low or moderate incomes to assist with the cost of renting in the private market. In general, an individual is eligible for CRA if they pay rent above a specific threshold and qualify for either a pension, allowance, Family Tax Benefit (FTB) Part A above the base rate or a service pension (box 3). These payments are typically subject to Australian residency requirements, and income and asset tests.

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| Box 3 Commonwealth Rent Assistance eligibility criteria |
| Commonwealth Rent Assistance (CRA) is payable through Centrelink to a person who satisfies at least one of the following:   * receives a pension * receives more than the base rate of Family Tax Benefit (FTB) Part A * has part‑time care of a child (that is, 14 to 35 per cent of the time) and is not eligible for FTB but does meet other FTB requirements * receives an allowance or benefit and is either aged over 25 or is aged under 25 and living permanently or indefinitely apart from parents or guardians.   CRA is also payable through the Department of Veterans’ Affairs (DVA) to a person who receives a service pension or income support supplement through the DVA.  Exceptions apply in some cases. For example, if a person has a partner who receives CRA through FTB Part A, then they are not eligible to receive CRA through their income support payment.  The sum of rents claimed by each member of a household cannot exceed the total rent paid. If an individual has a partner who is also eligible for CRA, then it is split equally between the partners (where one person is entitled to a higher rate than their partner, the payment is made to that person, rather than each receiving half their entitlement). |
| *Sources*: DHS (2014b); DSS (2014b, 2014c); DVA (2014). |
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The amount of CRA that an individual is eligible for depends on the amount of rent they pay and their family situation (table 2). CRA is paid at a rate of 75 cents for every dollar of rent above a threshold, up to a maximum payment. Maximum payments and rent thresholds are adjusted in March and September each year in line with the consumer price index (CPI).

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| Table 2 CRA eligibility and payment scales as at 20 March 2015  Dollars per fortnight |
| |  |  |  |  | | --- | --- | --- | --- | | Family situationa | Minimum rent to be eligible for CRA | Minimum rent to be eligible for maximum CRA | Maximum CRA payment | | **Under the Social Security Act**b |  |  |  | | Single, no children | 114.00 | 285.20 | 128.40 | | Single, no children, sharer | 114.00 | 228.13 | 85.60 | | Partnered, no children | 185.40 | 346.47 | 120.80 | | Partnered, illness separatedc, no child | 114.00 | 285.20 | 128.40 | | Partnered, temporarily separated, no child | 114.00 | 275.07 | 120.80 | | **Under the Family Assistance Act**d |  |  |  | | Single, one or two children | 150.08 | 350.75 | 150.50 | | Single, three or more children | 150.08 | 376.88 | 170.10 | | Partnered, one or two children | 222.18 | 422.85 | 150.50 | | Partnered, three or more children | 222.18 | 448.98 | 170.10 | |
| a Additional family situations exist, such as illness separated partners that are recognised under the Family Assistance Act. b *Social Security Act 1991* (Cwlth) Part 3.7 c A couple is ‘illness separated’ if they are unable to live together at home for an indefinite period due to illness and it results in their living expenses being greater than otherwise. d CRA is paid under *A New Tax System (Family Assistance) Act 1999* (Cwlth) and received with FTB Part A if the individual has a ‘rent assistance child’. In general, a rent assistance child is a child for whom a parent receives more than the base rate of FTB. It is defined in full under the Family Assistance Act Schedule 1 Part 5 Division 2B. |
| *Source*: DSS (2015). |
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Australian government real expenditure on CRA was about $3.9 billion in 2013‑14, up from $3.2 billion in 2009‑10 (figure 5). About 1.3 million households were in receipt of CRA in 2014, and the median fortnightly entitlement was $124 (SCRGSP 2015). This was an increase from about 1.1 million households in 2010 and a median fortnightly entitlement of $98 (SCRGSP 2010). Technically, the number of CRA recipients is measured in income units rather than households. An income unit is the base unit that Centrelink uses to calculate a CRA entitlement amount and consists of a single person or a couple, and any dependent children (DSS 2013a).

## Objectives of housing assistance policies

The aspirational objective of housing assistance, according to the NAHA, is that ‘all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation’ (COAG 2009, p. 3). Whereas social housing seeks to meet this objective by providing housing with subsidised rents, CRA provides renters with a subsidy that is not tied to a particular housing location.

### Social housing

The main objectives of both SHAs and community housing organisations are to provide affordable, appropriate and secure housing to low‑income households, especially disadvantaged households. They aim to meet these objectives in similar ways (table 3).

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| Table 3 Objectives of social housing**a** |
| |  |  | | --- | --- | | Objective | Approach | | Affordability | Most tenants pay below‑market rents. | | Appropriateness | Applicants can typically request their preferred location and type of housing. People with special needs may also be entitled to extra bedrooms and property modifications. | | Security of tenure | Tenants are usually offered longer‑term tenures compared with those available in the private market. Some providers offer indefinite tenure. | | Target the disadvantaged | Priority is given to households that are most in need and that may have difficulties accessing appropriate housing in the private market. | |
| a Refer to section 4 for more details. |
| *Sources*: Housing NSW (2012a); DHS Victoria (2013a); HPW (2013b); CHCSA (2014a); Department of Housing WA (2013); Housing Tasmania (2014); Department of Housing NT (2012); ACT Community Services (2013). |
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In the case of public housing, priority is typically given to households that are deemed to be in greatest need, such as those that are homeless or at risk of homelessness. Public housing also aims to cater for people with special needs who may have difficulties finding suitable housing. These include people with physical or mental disabilities and Indigenous people in remote communities (SCRGSP 2014).

States also seek to encourage the employment and social participation of public housing tenants. This goal is pursued through additional services such as job assistance and youth engagement programs. For example, Victoria’s *Public Tenant Employment Program* helps tenants develop work skills through hands‑on experience and training (DHS Vic 2013b). Policies are also enacted to alleviate potential disincentive effects, for example by freezing rent increases for some time after employment is found (Housing NSW 2013b).

A key objective of many community housing organisations is to promote tenant participation and respond to the needs of tenants (CHFA nd, box 4). Ways in which community housing organisations seek to meet this objective include offering management opportunities and support services to tenants (section 4). Some organisations also cater for specific groups, such as single women or people with disabilities.

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| Box 4 Aims of community housing organisations |
| Community housing providers, with the support of the Australian and State Governments, have developed the National Community Housing Standards Manual. The manual includes standards of good practice in delivery of community housing, as well as the aims providers are working towards:   * *Affordability:* To ensure that housing costs do not create hardship for tenants. * *Choice:* To provide people in need of housing with a diverse range of housing options. * *Responsiveness:* To respond to the needs of individual tenants and their changing circumstances by ensuring that housing is appropriate to tenants’ needs and is managed flexibly. * *Security:* To ensure that tenants are secure in their housing, are housed in accordance with jurisdictional policy and meet the tenancy agreement. * *Sustainability:* To contribute to successful tenancies and the development of sustainable communities, by being supportive of tenants’ wider social needs and building their independence. * *Fairness:* To ensure equitable access to community housing regardless of people’s cultural identity, gender, disability, sexual orientation, age and household composition; and to treat tenants fairly in all matters relating to their tenancy. * *Respect:* To ensure that all tenants’ rights are respected and to treat tenants with respect in all dealings. * *Participation:* To actively seek the participation of tenants in decisions about their tenancy and the management of organisations. * *Partnerships:* To work in partnership with governments and communities in developing housing and related services that meet tenant and community needs. * *Quality:* To provide the best possible accommodation and housing services to tenants. * *Accountability:* To be accountable to tenants, the community and government for the effectiveness of the services provided and for the use of public funds; and by doing so, to enhance the credibility of community housing options. |
| *Source*: JPX Consulting Pty Ltd (2010). |
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### Commonwealth Rent Assistance

The primary purpose of CRA is to assist low‑income households with the costs of renting in the private housing market (DSS 2014a). CRA does not aim to ensure that households spend only a specific proportion of their income on rent.

## 3 National housing agreements

The NAHA provides the current framework for Australian and State Governments efforts to improve housing and homelessness outcomes. Three national partnership agreements (NPAs) were implemented to support the NAHA, involving the areas of social housing, homelessness and remote Indigenous housing. Furthermore, the NPA on the Nation Building and Jobs Plan included a Social Housing Initiative to fund social housing.

### The National Affordable Housing Agreement

The National Affordable Housing Agreement (NAHA) took effect on 1 January 2009 and provides a broad framework for the Australian and State Governments to improve housing outcomes in all tenure types, as well as to reduce homelessness.

The NAHA’s intended outcomes include improving housing affordability for renters and purchasers, and facilitating housing access for homeless and Indigenous people (box 5). Information on progress towards these outcomes is collected by the Steering Committee for the Review of Government Service Provision and, until 2014, was measured against a set of performance benchmarks by the COAG Reform Council. Progress will now be measured by the Department of Prime Minister and Cabinet. In 2010‑11, the COAG Reform Council found no indication that housing affordability had improved, and rental affordability, in particular, had worsened (COAG Reform Council 2012). A review of the performance reporting framework indicated that it was broadly functional, but there were significant flaws in some indicators (NAHA Review Working Group 2012). Recommendations of the report regarding performance indicators were adopted in 2012.

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| Box 5 National Affordable Housing Agreement outcomes |
| The parties to the National Affordable Housing Agreement (NAHA) agreed to the following outcomes:   * People who are homeless or at risk of homelessness achieve sustainable housing and social inclusion. * People are able to rent housing that meets their needs. * People can purchase affordable housing. * People have access to housing through an efficient and responsive market. * Indigenous people have the same housing opportunities as other Australians. * Indigenous people have improved housing amenity and reduced overcrowding, particularly in remote areas and discrete communities. |
| *Source*: COAG (2009). |
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The National Affordable Housing Specific Purpose Payment (NAH SPP) provides States with ongoing funding on a per capita basis to achieve the goals stated in the NAHA. The combined amount distributed to States was $1.3 billion in 2013‑14 (figure 5) with $1.3 billion allocated in the 2014‑15 Federal Budget. States can allocate the funding as they wish in the housing and homelessness sectors, and there is no requirement for States to match the funding. The funding arrangements for housing assistance are currently being reviewed as part of the Reform of the Federation White Paper, expected later in 2015 (DPMC 2014).

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| Figure 5 Australian Government real expenditure on housing assistance**a,b,c,d** |
| **Millions of dollars** |
| a Data have been adjusted to 2013‑14 dollars using the General Government Final Consumption Expenditure chain price deflator (SCRGSP 2015, table 2A.51). b NAH SPP is the National Affordable Housing Specific Purpose Payment. c NPA expenditure refers to spending under the NPA on Social Housing, NPA on Homelessness and NPA on Remote Indigenous Housing. d SHI expenditure refers to spending under the Social Housing Initiative element of the NPA on Nation Building and Jobs Plan. |
| *Source*: SCRGSP (2015). |
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### National partnership agreements

#### Social housing

The NPA on Social Housing commenced on 1 January 2009 and expired on 30 June 2010. Its purpose was to finance the Social Housing Growth Fund, which contributed to the NAHA outcomes by increasing the supply of social housing. Under the agreement, the Australian Government provided the States with a total of $400 million to build social housing. Approximately 1980 properties were constructed through this agreement nationwide (DSS 2013d), adding roughly 0.5 per cent to the social housing stock as measured in June 2008.

Further funding for social housing was provided as part of the NPA on the Nation Building and Jobs Plan[[8]](#footnote-9), which began in February 2009 and expired on 31 December 2012. Under the Social Housing Initiative (SHI) element of the NPA, a total of $5.2 billion was granted for the construction of new social housing, and a further $400 million for the repair and upgrade of existing social housing. New construction occurred in two stages:

* Stage one provided funding for existing social housing projects that could be brought forward.
* Stage two provided funding for suitable new projects identified by each state through a competitive selection process (DSS 2013f).

The main aims of the funding included stimulating the construction industry, increasing the supply of social housing and providing long‑term housing for homeless people (DSS 2013e). This initiative added over 19 000 properties to the stock of social housing — close to 5 per cent of the stock in June 2008. Furthermore, among the 80 500 properties that underwent repairs, representing about 20 per cent of the stock, around 12 000 would have been uninhabitable, or likely to become uninhabitable within two years (DSS 2013e; KPMG 2012).

#### Homelessness

The NPA on Homelessness began in January 2009 and was renegotiated in 2012 and 2013. This agreement aims to provide long‑term affordable housing and support services to people experiencing homelessness. It also includes an initiative, *A Place to Call Home*, to build 600 new homes for homeless people (DSS 2012). Over the five years to June 2014, about $157 million of funding was provided by the Australian Government under the NPA (SCRGSP 2015). The agreement was extended with funding of $115 million provided for another year to June 2015, to be matched by State Governments (Andrews 2014).

#### Remote Indigenous Housing

The NPA on Remote Indigenous Housing took effect in February 2009 and runs to 30 June 2018. It supports the NAHA outcome of improving amenity and reducing overcrowding for Indigenous people in remote communities, and contributes to the Closing the Gap initiative on Indigenous disadvantage. A total of $5.5 billion over ten years is being provided for the construction of up to 4200 new properties and the upgrade of at least 4800 existing properties (DSS 2013b). As the target for upgrades was met ahead of time, the target was increased to 6600 by the end of 2014. The agreement also aims to deliver employment support by requiring the engagement of local Indigenous people in new housing construction and the provision of accommodation close to training, education, employment and support services.

There were about 117 000 Indigenous people living in remote or very remote areas in Australia in 2011, with levels of overcrowding at about 20 per cent (DSS 2013c). In 29 remote Indigenous communities, where substantial investment had been made through the NPA, the proportion of overcrowded Indigenous households fell from 57.9 per cent in 2006 to 53.5 per cent in 2011 (DSS 2013c).

## 4 Social housing arrangements

Public housing arrangements differ across jurisdictions in terms of eligibility criteria, rent‑setting methods, lease terms and tenant management methods. Further variation is found among community housing providers, although these policies are usually partly set by State Governments and are similar to those for public housing.

### Regulation

Public and community housing tenancies are governed by the *Residential Tenancies Act* for the particular jurisdiction or the *Residential Tenancies and Rooming Accommodation Act 2008* in Queensland, which define landlord and tenant rights and obligations.[[9]](#footnote-10) In some states, other acts are relevant, as well as legislation covering specific types of community housing providers, such as cooperatives and associations (for example, CHFV 2013).

A National Regulatory System for Community Housing is currently being implemented in most States to provide a nationally‑consistent regulatory environment for community housing organisations and support the growth of community housing (box 6).

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| Box 6 National Regulatory System for Community Housing |
| In 2010, Australian housing ministers reaffirmed their commitment to the growth and regulation of the community housing sector and agreed to the implementation of a National Regulatory System for Community Housing (NRSCH).  The key objectives of the NRSCH are to:   * provide a nationally consistent regulatory environment to support the growth and development of the community housing sector * pave the way for future housing product development * reduce the regulatory burden on housing providers working across jurisdictions * provide a level playing field for providers seeking to enter new jurisdictions.   The NRSCH established the National Provider Register, which is a public record of registered community housing providers. The Register is divided into three tiers that reflect differences in the nature, scale and scope of operations between providers. Each tier has a different level of regulatory oversight and engagement.  The NRSCH is based on regulation in New South Wales, which is either applied or adopted by participating jurisdictions. The National Law includes the National Regulatory Code, which sets out the performance outcomes and requirements that must be met by registered community housing providers.  Full implementation of the NRSCH began on 1 January 2014 and will be progressively introduced over 18 months in participating jurisdictions — New South Wales, Queensland, South Australia, Tasmania, the Northern Territory and the ACT. Western Australia has yet to pass legislation to participate but is committed to ensuring consistency with the NRSCH. Victoria is currently not participating in the NRSCH but has also agreed to align performance and reporting requirements of its current regulatory system with the NRSCH. |
| *Sources*: NRSCHD (2014a, 2014b, 2014c). |
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### Eligibility

There is some variation in public housing eligibility criteria across jurisdictions, but most have similar requirements. Generally, applicants must meet income and asset limits based on household size. Gross weekly income limits for a single adult range from $430 for metro and country areas in Western Australia to $970 in South Australia (Department of Housing WA 2014b; Government of SA 2014b). Applicants must also meet requirements relating to Australian and State residency and minimum age, and not own any property that could be used to resolve their housing need, although exceptions apply in special circumstances such as in cases of domestic violence.

Eligibility criteria for community housing are largely consistent with those for public housing. Community housing organisations that cater for a particular disadvantaged group, such as people with disability, have additional criteria to reflect that.

### Waiting lists

Public housing waiting lists in all States are segmented based on need. Assessments of need differ across jurisdictions but, in general, people who are placed on priority waiting lists are those who are in urgent need of housing and face difficulties obtaining affordable and appropriate housing in the private market. This may include people experiencing or at risk of homelessness, domestic violence or severe disability whose current housing is inappropriate to their needs (AIHW 2008).

Waiting times for the highest priority applicants are typically less than a year, whereas non‑priority applicants might wait for several years, depending on their preferred location. For example, in Victoria, the average wait time for priority applicants was 8.5 months in 2009‑10, and several years for non‑priority applicants (VAGO 2012) In New South Wales, waiting times for general applicants can be over 10 years in locations around Sydney (Housing NSW 2014b). Separate waiting lists also exist for public housing tenants wishing to transfer to another public housing property. In 2014, there were 154 500 households on public housing waiting lists nationally, and an additional 24 600 were waiting for transfers. This compares with 321 000 public housing tenantable properties (SCRGSP 2015).

In most States, community housing waiting lists are integrated with public housing lists.[[10]](#footnote-11) In these jurisdictions, applicants need only submit one application to be considered for both forms of housing if they choose, as long as they fulfil the eligibility criteria. Community housing allocations may be suggested by the SHA or selected by a community housing organisation, depending on the jurisdiction (CHFA 2014). In States where social housing waiting lists are not integrated, applicants apply separately to SHAs and community housing organisations. In some cases, tenants may be referred to community housing organisations by other organisations. Similar categories of need are used to segment lists for community housing.

In most cases, applicant eligibility for public housing is reviewed periodically and before the offer of housing is made. In New South Wales, for example, the periodic review is conducted in the form of a postcard sent to the applicant’s address to check contact details and ask if they wish to remain on the waiting list (Housing NSW 2012b). In Queensland, reviews are conducted through letters or phone calls to confirm details such as contact information, income and number of people on the application (Queensland Government 2013). Non‑responses are typically withdrawn from a waiting list. Applicants on waiting lists are also expected to inform the SHA of changes to their personal or household circumstances between periodic reviews (for example, Government of SA 2014d).

Social housing applicants may specify a number of housing characteristics at the time of application. Applicants are often asked to nominate their preferred housing location and some jurisdictions offer a choice of housing type. Bedroom specifications are usually based on household structure. People with special needs may request more specific locations, property types, extra bedrooms and properties with modifications.

### Rents and other charges

#### Rent

In most jurisdictions, public housing tenants pay rents equal to about 25 per cent of assessable household income, or market rent, whichever is lowest.[[11]](#footnote-12) Those who are not paying market rent receive a rent subsidy.[[12]](#footnote-13)

The types of income that are included in assessable income vary slightly between jurisdictions, and some types of income are assessed at a lower rate. In general, pension income is assessed at the full 25 per cent, while FTB is assessed at lower rates in some jurisdictions.[[13]](#footnote-14) Assessable income also differs slightly in community housing, both between and within jurisdictions. For example, in Queensland, community housing organisations calculate rent based on after‑tax income for household income earned from work, in order to reduce workforce disincentives (DHPW 2013a).

Due to exclusions and lower assessment rates for some types of income, some households effectively pay less than 25 per cent of their income in rent. Media reports claimed that, in Queensland, less than one per cent of public housing tenants paid 25 per cent of their income in rent and 40 per cent of tenants paid less than 15 per cent (Vogler 2014). In June 2014, Queensland reviewed its rent assessment methods so that all income would be assessed at 25 per cent (Mander 2014). Similar changes have been made in Western Australia — prior to the change, older tenants in Western Australia were paying proportionally more than families, whose FTB payments were assessed at a lower rate than pension income (Department of Housing WA 2014a).

Rent‑setting approaches in community housing are similar to those used for public housing, although some jurisdictions allow greater discretion in the method used. A common approach by community housing organisations is in their treatment of CRA. Because community housing tenants are eligible for CRA if they receive an income support payment or more than the base rate of FTB Part A, community housing organisations typically charge social housing tenants their full CRA entitlement, as well as about 25 per cent of household income net of CRA, as long as the total does not exceed the market rent (CHFA 2014).[[14]](#footnote-15) In New South Wales, Victoria, Queensland and Western Australia, rents must be set at a point that maximises the amount of CRA that can be claimed (CHFA 2014) (box 7). CRA can be an important source of income for community housing providers — a survey of 24 providers found that CRA comprised between 30 and 39 per cent of rental income for most organisations (CHPPN 2014).

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| Box 7 Community housing rent calculation |
| Community housing organisations calculate rents for tenants who are eligible for Commonwealth Rent Assistance (CRA) so that tenants receive as much CRA as possible, while not being left in a worse financial position than equivalent public housing tenants (who are not eligible for CRA).  The total rent charged (RC) by a community housing organisation is equal to the tenant’s contribution (TC) of about 25 per cent of assessable income excluding CRA, plus 100 per cent of CRA. The amount of CRA that a tenant is eligible for is the lower of:   * 75 per cent of the difference between RC and a minimum threshold level of rent (MR) (the threshold is the level of rent at which the tenant become eligible for CRA) * a maximum amount   where the threshold and maximum amounts vary by family situation (table 2).  RC is given by the following formula, provided that the total is less than market rent (in which case, the tenant pays market rent) and that CRA does not exceed the maximum amount for which the tenant is eligible (if it does, CRA equals that maximum amount):  RC = 4TC – 3MR  For example, consider a single tenant with no children who has an income of $600 per fortnight. Assuming that all of their income is assessed at 25 per cent, the tenant’s contribution to rent in a fortnight is:  TC = 0.25 x 600 = $150  The TC is the same as it would be if they lived in public housing.  (continued next page) |
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| Box 7 (continued) |
| RC also takes into account the CRA for which the tenant would be eligible. The rent threshold for a single person household with no children (at 20 March 2014) is $112 per fortnight. So the rent charged by the community housing organisation is:  RC = (4 x 150) – (3 x 112) = $264  The amount of CRA received is:  CRA = 0.75 x (264 – 112) = $114  which is equivalent to the difference between RC and the TC.  The maximum amount of CRA that the tenant could have received is $126 a fortnight. But for the tenant to be eligible for this amount, their RC would have needed to be $280. The TC would have had to be $154 (or $280 – $126), more than 25 per cent of their income. |
| *Source*: Tenants’ Union of NSW (2012a). |
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Tenants often have the option to have rent deducted automatically from Centrelink payments and sent directly to the housing provider. Public housing tenants can use the Rent Deduction Scheme for this purpose, while community housing tenants can access a similar service via Centrepay (DHS 2014a, 2014c). The vast majority of social housing tenants use these schemes. During the first eight months of 2012‑13, about 300 000 customers used the Rent Deduction Scheme and 62 000 customers used Centrepay to pay community housing rent (Buduls 2013).

#### Rent reviews

Rent reviews are conducted regularly — usually at least once a year — to check social housing tenants’ eligibility for rent subsidies and the amount of rent to be paid. Tenants can opt to use the Centrelink Income Confirmation Service to provide proof of income to SHAs and participating community housing organisations. If a tenant does not decide to use the service, other forms of income verification are also accepted, such as payslips or Centrelink Income statements.

Tenants must also inform the housing provider of any changes to their income or household structure that occur between rent reviews, although there is evidence that this does not always occur. For example, New South Wales held an amnesty on unauthorised occupants of public housing properties in 2013, which led to over 2800 tenants declaring over 3600 additional occupants (Parliament of NSW 2013). An amnesty on undisclosed income, financial assets and property ownership in 2014 resulted in 2300 people declaring extra income and assets, and is expected to generate more than $2.5 million a year in extra rental income (Upton 2014).

In some States, changes in income do not have an immediate effect on rent. For example, the *Tenant Employment Incentive Scheme* in New South Wales entitles public housing tenants to a grace period of up to 12 weeks before their rent is adjusted if they start a paying job (FACS NSW 2014a). In Victoria, rents are reviewed twice a year and cannot be increased at any other point, even if household income increases. Rents can be reduced immediately if household income falls (DHS Vic 2014).

#### Other charges

In addition to rent, tenants may be charged for utilities, maintenance and other fees specific to each jurisdiction. For example, in South Australia, maintenance charges are applied if a public housing tenant has caused or permitted damage to a property (Government of SA 2014e). Community housing cooperatives in South Australia may charge fees for tenants who are not participating in management of the cooperative (Government of SA 2014a). In New South Wales, a vacant bedroom charge of $20 to $30 a week is applied to public housing tenants in under‑occupied properties who refuse two reasonable offers of relocation (FACS NSW 2014b).

### Lease terms

Public housing lease terms vary across States. Historically, leases were ongoing with no set end date, however most States now issue fixed‑term leases to new tenants, with grandfathering provisions for existing tenants.

The rationale behind the introduction of fixed‑term leases varies slightly across States. In New South Wales, they are used to help facilitate the transition from a regime of tenure for life to a more temporary regime of housing for those in need for the duration of their need (Audit Office of NSW 2013). In South Australia, reviews at the end of fixed‑term lease agreements allow the SHA to inspect the condition of the property and check that all conditions of the lease agreement are met. Leases may not be renewed if tenants do not allow their property to be inspected (Government of SA 2014c).

In jurisdictions that have fixed‑term leases of multiple lengths, such as New South Wales, South Australia, Tasmania and the Northern Territory, the length of the lease offered depends on the tenant’s circumstances. For example, short‑term probationary leases are usually offered to new tenants, while five‑ to ten‑year leases may be offered to people who are expected to have enduring needs, such as the elderly or people living with disability who require a carer. In New South Wales, about 6 per cent of tenants were on a two‑year lease, 17 per cent were on a five‑year lease and 7 per cent were on a ten‑year lease in 2011‑12. The remaining 70 per cent were on continuous leases that dated from before the introduction of fixed‑term leases in 2005 (Audit Office of NSW 2013).

Towards the end of a fixed‑term lease, the lease is reviewed and can be extended if the tenant remains eligible for public housing. Evidence suggests that most tenancies are renewed, with only about two per cent of tenants in New South Wales who were on two‑year leases found to be no longer eligible for public housing (Audit Office of NSW 2013).

Lease terms in community housing differ across States and can vary across providers. On the whole, leases have no fixed term. In South Australia, a policy change introduced in 2010 placed all new tenants in housing associations on fixed‑term leases of five or ten years (CHFA 2014).

### Tenant services

SHAs offer services and programs to support tenants or encourage community participation. The extent and form of services offered vary between jurisdictions, and include the following examples:

* New South Wales has a *Tenant Participation Resources Services Program* to provide social housing tenants with access to information, services and opportunities to participate in housing processes, as well as to engage tenants in their communities (Housing NSW 2014d).
* Victoria’s *Public Tenant Employment Program* helps to provide a pathway to employment through hands‑on experience and training (DHS Vic 2013b). Work and Learningcentreslocated near public housing estates are designed to help people find jobs and training opportunities (DHS Vic 2013c).
* South Australia aims to provide localised service models to support tenants and involve them in the community as part of its *Connecting People to Place* framework (DCSI 2013).
* Some States offer public housing tenants the opportunity to purchase the property they rent, or provide assistance with transitioning into private rental (for example, Department of Housing WA 2012).

Community housing organisations aim to respond to local community needs and support tenant engagement. Some organisations, particularly housing cooperatives, may invite tenants to perform management roles, such as rent collection, maintenance, administration and bookkeeping (CHCSA 2014b). Other tenant participation and management initiatives can include contributing to social events and rewards for making payments on time and keeping dwellings clean (for example, Compass Housing Services 2014). Organisations may also provide or link tenants to support services, including employment programs, disability services, and home and community care. Customised services can be offered to tenants with high needs.

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1. The term ‘States’ is used throughout the paper as shorthand for States and Territories. [↑](#footnote-ref-2)
2. Social housing also encompasses state owned and managed Indigenous housing (SOMIH), and Indigenous community housing (ICH). SOMIH and ICH form relatively small proportions of the social housing sector, with about 10 000 SOMIH dwellings (3 per cent of the social housing stock) in 2014 and 15 400 ICH dwellings (4.5 per cent of the social housing stock) in 2013 (latest available data) (SCRGSP 2015). Due to data quality issues, figures for SOMIH and ICH are not separately included in this background paper. Chapter 1 includes figures for SOMIH and ICH since 2004. [↑](#footnote-ref-3)
3. In comparison, the total Australian Government expenditure related to the National Affordable Housing Agreement (which includes funding for public housing) was nearly $2 billion in 2013-14 (SCRGSP 2015). [↑](#footnote-ref-4)
4. Unless otherwise stated, the term ‘community housing’ will be used in this paper to refer to social housing provided by community housing organisations. [↑](#footnote-ref-5)
5. Community housing tenants make up a small proportion of CRA recipients. [↑](#footnote-ref-6)
6. Head-leasing refers to the leasing of properties from the private rental market and then sub‑leasing them to public housing tenants. Depending on the jurisdiction, head-leasing may be used as a short‑ or long‑term measure to meet public housing demand. Generally, the use of head leasing is fairly limited and only represents a small proportion of the public housing stock. [↑](#footnote-ref-7)
7. The 35 per cent target has been interpreted by some stakeholders as the limit of the Australian Government’s willingness to fund higher CRA expenditures arising from transfers, without affecting NAHA funding (Pawson et al. 2013). [↑](#footnote-ref-8)
8. The NPA on the Nation Building and Jobs Plan formed part of the Nation Building Economic Stimulus Package announced in the 2008-09 budget. This package aimed to provide stimulus through the global financial crisis and improve future productive capacity (Australian Government 2008). [↑](#footnote-ref-9)
9. These acts also regulate the operation of private tenancies. [↑](#footnote-ref-10)
10. Jurisdictions that do not have integrated waiting lists are Victoria and South Australia. [↑](#footnote-ref-11)
11. Subsidised tenants in New South Wales pay between 25 and 30 per cent of household income in rent, depending on household income. In the Northern Territory, tenants pay up to 23 per cent of household income in rent if they are eligible for public housing. Public housing tenants in the Northern Territory can remain in public housing until their lease expires if they no longer meet eligibility criteria. From June 2013, those who are no longer eligible pay up to 30 per cent of household income, up to a maximum of market rent, for the remainder of their lease. [↑](#footnote-ref-12)
12. The amount of the subsidy is the difference between market rent and actual rent paid. [↑](#footnote-ref-13)
13. For example, for public housing tenants in New South Wales, 15 per cent of FTB Part B is typically included in assessment if it is received fortnightly, while it is unassessed if received as a lump sum payment at the end of the financial year (Housing NSW 2014c). FTB is excluded completely for tenants in the Northern Territory (Department of Housing NT 2014). [↑](#footnote-ref-14)
14. In effect, this means that after‑rent income is the same whether a tenant is in public housing or community housing. Therefore, CRA should not have an impact on an individual’s choice between public and community housing. [↑](#footnote-ref-15)