

Submission to the Independent Pricing and  
Regulatory Tribunal (IPART)

*Review of Social and Affordable Housing Rent  
Models*

May 2017

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*CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA has 108 branches and affiliated organisations with a combined membership of over 24,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its members and constituents.*

CPSA welcomes the opportunity to provide feedback regarding IPART's Draft Report as part of the review of rent models for social and affordable housing. This submission details CPSA's concerns with a number of the draft recommendations. However, it should be read with an understanding that on the whole, CPSA is very supportive of IPART's Draft Report, which centres on the need for social housing to be affordable, appropriate and secure for tenants. In particular, CPSA welcomes IPART's recognition that in order for the social housing system to operate sustainably, the NSW Government must provide an explicit subsidy to cover the gap between the cost of providing social housing and the income generated by social housing providers.

### **Chapter 3.4 – 5% premium for security of tenure**

Chapter 3.4 of the Draft Report recommends that tenants who no longer meet the criteria to receive subsidised rent should pay market rent plus a premium of 5% to reflect the security of tenure of social housing in comparison to the private rental market. CPSA has a number of concerns with this recommendation.

1. Chapter 5 of the Draft Report indicates that while tenants should be moved across to continuous leases for greater security, households will have their eligibility for social housing reviewed every three years to ensure that the dwelling they live in matches their needs. This means that a tenant's "continuous lease" would be contingent on their meeting certain requirements which would surely render their lease no longer "continuous". Accordingly, CPSA questions the premise that the tenant has security of tenure when in fact they don't.
2. CPSA also questions the premise that because a person is no longer eligible for a rebate they are able to pay market rent, let alone being able to afford to pay an additional 5% premium. There is a serious shortage of rental properties available through the private rental market that are affordable for low to middle income earners<sup>1</sup>
3. There is also a need to consider the non-financial barriers tenants may face in obtaining a rental property through the private market. Many people who live in social housing have a disability and/or health condition(s) and accordingly require a dwelling with particular features or supports close by. For example, it is very difficult to obtain a property that is fully accessible in the private rental market and few tenants transitioning

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<sup>1</sup> Anglicare Australia (2017) *Anglicare Australia Rental Affordability Snapshot*, Canberra

out of social housing would be in a position to cover the costs of any required home modifications out of their own pocket, assuming they could get permission from the landlord in the first place. It is unacceptable to charge these people who require an accessible dwelling a 5% premium on top of market rent, given that the factors influencing their capacity to obtain a private rental property are beyond their control.

- **Recommendation:** That the proposed 5% premium over market rent to be levied against tenants who no longer meet the criteria for subsidised rent be dropped.

### **Chapter 3.5 – Assessment of Pension Supplement in rent calculations**

Chapter 3.5 recommends that the Pension Supplement be included as assessable income for the calculation of rents. The Draft Report notes that the current exemption of the Pension Supplement in the calculation of rent means that pensioners pay less rent as a proportion of their income than allowance recipients, who do not receive the Pension Supplement. The Draft Report suggests applying a general principle to determine whether income should be considered in the calculation on rent, suggesting that ‘any income which is regular, ongoing and for general living expenses be assessable and included as part of the rent assessment’ (IPART Draft Report, p. 28). While CPSA does support this principle, the Pension Supplement does not meet the criteria put forward by IPART to be considered in the calculation of rents.

The Pension Supplement was introduced in 2009 as a means of consolidating a raft of different allowances which were previously paid to recipients, including the pharmaceutical allowance, utilities allowance, GST supplement and telephone allowance. These individual allowances were all introduced to provide specific compensation for a particular cost, in recognition of the fact that increases to these costs could not be absorbed by a person’s pension. Pensioners have a very limited capacity to meet any additional costs. The Pension Supplement is not a regular, ongoing payment to help with general living expenses. It is a payment to assist pensioners with the costs of medicines, utilities, GST and a phone connection. Accordingly, CPSA opposes the inclusion of the Pension Supplement in rent calculation. Further, CPSA reiterates the inability of those living on low fixed incomes to meet additional costs and accordingly questions the efficacy of any measure that seeks to increase the rental contributions of social housing tenants.

- **Recommendation:** That the Pension Supplement should not be considered as income in the calculation of social housing rents.

### **Chapter 4.3 – Social housing strategy**

CPSA welcomes the recommendation that a Social Housing Strategy be developed by the NSW Department of Family and Community Services and updated annually. This will promote transparency and accountability around the management of social housing stock and ensure that limited resources are used effectively to deliver the best outcomes for tenants. However, CPSA is concerned that IPART has not recommended this strategy also include affordable housing. Given that the private rental market has proven unable to deliver housing that is affordable for very low, low and to an extent moderate income households, affordable housing constitutes a critical middle ground between social housing and the private market. CPSA is concerned that a failure to consider the need for affordable housing in the Social Housing Strategy may actually exacerbate housing issues in NSW as there will be no overarching consideration of the needs of low to middle income households, who are increasingly locked out of the private rental market.

- **Recommendation:** That the Social Housing Strategy also includes affordable housing.

### **Chapter 5.4 – Continuous leases and review of dwelling suitability**

CPSA welcomes recommendation 16, which calls for the return of continuous leases for all social housing dwellings. However, this recommendation goes on to state that households should be reviewed periodically to ensure that the dwelling meets their needs. The presence of periodic reviews goes some way in undermining the security provided by continuous leases and accordingly CPSA calls for further detail around how these reviews would work in practice.

CPSA is particularly concerned about how older tenants and tenants with very limited employment prospects would fare under the periodic review framework, which is very much focussed on working-age tenants and proximity to employment hubs. CPSA is worried that the emphasis on employment will mean that the needs of jobseekers and working-age tenants will be prioritised over the needs of older tenants. It is critical that the needs of older people and people with disabilities in terms of supports and services

are given equal weight to the needs of jobseekers. In particular, CPSA calls on IPART to acknowledge the importance of community for older tenants and people with disabilities and the social supports that are provided to older tenants through their communities and people with disabilities. Older tenants and people with disabilities who have established ties to the local community should not be turfed out of their homes so that jobseekers can be closer to employment hubs. There is a need to explicitly recognise the rights of non-working tenants to live in their own communities and live in close proximity to support services.

- **Recommendation:** That IPART provide further details around how dwelling suitability reviews would work, particularly for older tenants and people with disabilities.

CPSA welcomes IPART's recommendation that tenants who move out of social housing and into the private rental market be given a right of return for up to two years. However, CPSA questions whether this may need to be extended for over 55s given the uncertain and precarious nature of employment for older workers. The level of security offered by social housing makes it a very rational decision for an older people to remain in the system, even if they had some capacity to obtain employment and consequently transition out of social housing and into the private rental market. IPART should investigate whether a time unlimited right of return for over 55s would have any impact on this.

## **Chapter 6.2 – Priority wait list and reallocation list**

CPSA seeks further clarification around recommendations 21 and 22, which together seem to imply that current tenants on the re-allocation list should be re-housed before those on the urgent priority waiting list. The Draft Report suggests that temporary accommodation should be utilised as interim housing while those with an urgent priority wait to be placed in a suitable social housing dwelling. CPSA notes that temporary accommodation should only ever be used as a last resort to mitigate homelessness and must not be relied on as a back up to social housing.

- **Recommendation:** That IPART provides further clarification around recommendations 21 and 22.

## **Chapter 6.4 Choice based letting system**

Chapter 6.4 recommends the introduction of a choice based letting system, where tenants would have the opportunity to nominate their preference for available dwellings. While CPSA is not opposed to this concept in principle, there are a number of practical considerations to be made. In particular, CPSA notes that the current short fall in the supply of social housing limits the applicability of a choice-based letting system. CPSA is concerned given this supply constraint, the introduction of a choice-based letting system may in fact exacerbate the frustrations of tenants who in reality will likely face a high rejection rate. This could be mitigated by strictly limiting the number of tenants who are shown an available social housing dwelling through the choice-based letting system. CPSA also notes that total anonymity is critical for a choice-based letting system to function as tenants may feel they have been pitted against each other to compete for a particular dwelling if identities are revealed.

The introduction of a choice-based letting system would be a significant change in operations and would require a significant initial investment in addition to the ongoing costs of operating and administering the system. It is critical that the tenant benefits of a choice-based letting system clearly outweigh the costs of such a system. While IPART's draft report does touch on these potential costs, a more in depth analysis of the specific challenges is necessary in order to make a meaningful judgement as to whether a choice-based letting system would improve outcomes for tenants.

- **Recommendation:** That IPART considered the limitations of a choice-based letting system in NSW to ensure that the benefits outweigh the costs.

CPSA is concerned about the accessibility of a choice-based letting system. particularly for tenants who are not tech-savvy; tenants with poor English literacy; and tenants with cognitive or other impairments. A choice-based letting system is likely to be primarily web-based. In order for tenants to use an online system, they will need to be tech-savvy, have access to the internet and the technical skills required to navigate the online system as well as proficient English literacy to read information and make express interest in dwellings. Given that internet access, technological skills and literacy levels can be significant barriers for social housing tenants, these factors must be considered. A choice-based letting system will only generate benefits for tenants if it is accessible for all tenants.

- **Recommendation:** That IPART considers the accessibility of a choice-based letting system particularly for tenants with cognitive or other impairments; tenants with poor English literacy, tenants who are not tech savvy and tenants who do not have access to the internet.