

Submission on the IPART's Review of rent models for social and affordable housing

1. About The Benevolent Society

The Benevolent Society is Australia's first charity. We're a not-for-profit and non-religious organisation and we've helped individuals, families and communities achieve positive change since 1813. We help families, older people and people with a disability live their best life, and we speak out for a just society.

Today, The Benevolent Society supports older people through:

- community care services for frail older people and those with disabling health conditions who need assistance with activities of daily living
- services for carers of older people (many of whom are older themselves)
- supported housing for older people on low incomes
- community development, social re-engagement projects, information services and education
- Case management support to assist older Australians at risk of homelessness to access secure and affordable housing and to link to other appropriate support services
- research, evaluation and advocacy.

We help children and families through:

- family support and family well-being support
 - parenting and community education
 - community development
 - supported play groups
 - intake, social assessment and referral
 - counselling
 - financial inclusion (education and budgeting)
- social investment that works to prevent entry into Out of Home Care

As a mainstream provider of services to low income and disadvantaged people, we see firsthand in our daily work the link between inadequate housing and disadvantage. Low income households are finding it increasingly difficult to obtain housing that is affordable, secure and appropriate to their needs. This in turn limits their ability to obtain and retain employment, engage in education and training and access key services and supports. This makes it difficult for them to build better lives for themselves and their dependants, and have a good quality of life in older age.

2. Our clients' experiences of inadequate housing and disadvantage

Many of our clients have significant difficulties with housing and, although this is generally not the primary purpose of our services, most of our services help clients to overcome housing-related problems. They include:

- families who are struggling with parenting their children, or in which there are concerns about the well-being of the children; many of these families also have mental health and/or drug and alcohol issues

- individuals with serious mental illness who need assistance to manage their daily activities in order to live independently
- older people, especially women, who do not own a home and who need secure housing and support to continue to live independently
- women and children experiencing domestic violence.

Insecure housing, characterised by frequent moves, renting rather than owning and being in financial stress, can have an impact on the quality of relationships within a family. This has been shown to impact upon children's social and emotional well-being.ⁱ

In 2015, 10 per cent of the families in contact with The Benevolent Society support services had moved home more than three times in the previous months, with one in three experiencing homelessness in that time.ⁱⁱ

In September 2016 The Benevolent Society, The Longevity Innovation Hub and Per Capita released the report *The Adequacy of the Age Pension in Australia*.ⁱⁱⁱ This report found that housing tenure is the most important determinant of pensioners' financial well-being.

People on the full age pension and renting are, on average, \$40 (couples) to \$80 (singles) worse off than home owners. The report also found that renters receiving the age pension are responding to the unaffordability of housing costs by foregoing expenditure on essential household costs. By forcing people to spend less on food, health, insurance and transport, housing costs faced by people receiving the age pension and in rental housing is significantly impacting on their well-being and standard of living.

3. Feedback on the IPART's draft findings

The Benevolent Society supports the three draft findings of the IPART review.

The impacts of house costs on vulnerable Australians lead The Benevolent Society to wholeheartedly endorse the IPART's draft finding that income-based rent setting is the best option for public and community housing residents. By setting rents at a level at or below the standard measure of 'housing stress', public and community housing residents are protected from the hardships identified in *The Adequacy of the Age Pension in Australia* report.

Exposing public and community housing residents on the age pension to increased rents through market-based or even market-discount rent settings would directly contribute to an increase in deprivation and a reduced standard of living for many older Australians.

4. Feedback on the IPART's draft recommendations

The Benevolent Society does not support all of the draft recommendations of the IPART review.

1. *To ensure rent is affordable and assistance is provided to those most in need, that FACS revise its Tenancy Charges and Account Management Policy Supplement so that social housing tenants above the subsidy eligibility threshold pay market rent plus 5%, to reflect the security of tenure provided by social housing compared to private rental.*

The Benevolent Society does not support this draft recommendation, and considers the IPART's decision to be a misunderstanding of the tenancy protections available to social housing residents

and an overstatement of the extent to which security of tenure is the reason that residents may choose to remain in social housing properties rather than move into private market rental.

Albeit with some exemptions, social and private landlords are both subject to the *Residential Tenancies Act 2010*. Social housing residents remain in their homes after their financial situation has improved for reasons other than just security of tenure.

The recently published Anglicare Rental Snapshot showed the almost total unavailability of private rental market housing to people on low incomes. In Sydney, only 1.6% of properties on the rental market are affordable and appropriate, and for these few properties they are competing with every other renter looking for lower-cost rental accommodation.^{iv}

Another concern is the risk of being stuck without affordable housing if circumstances change for the worse; IPART's draft recommendation 18 addresses this problem in a positive way.

This recommendation also appears to disregard how private market rents are set.

Whilst there are power inequalities between landlords and tenants, Australian private rental markets are relatively competitive and rents are set by the market. It is surprising that the IPART would recommend social housing rents to increase above market rents on a theoretical costs-avoided basis, as if renters themselves were price setters.

In affect, the IPART is recommending to punish tenants financially for the lack of security available in NSW tenancy law, with little apparent consideration or testing of the IPART's assumptions as to why tenants may chose to avoid moving house if their income changes.

If the IPART is concerned about this inequality in security of tenure, and believes this is a barrier to social housing residents whose circumstances have changed from moving to the private rental market, The Benevolent Society believes they would be better served by recommending that NSW tenancy protections be brought in line with standards across the OECD by ending 'no grounds evictions'.

2. *To improve equity between social housing tenants, that FACS revise it's Tenancy Charges and Account Management Policy Supplement to:*

- *Assess FTB Parts A and B at 25% in the calculation of rent payable from social housing (instead of 15%)*
- *Include the Pension Supplement in the calculation of rent payable for social housing, and*
- *Include any benefits or allowances that are regular, ongoing and provided for general living expenses in the calculation of rent payable for social housing.*

The IPART provides no justification for including supplementary payments in rent models beyond that they have decided on a particular principle, without providing their reasons for coming to that decision.

The IPART has not provided modelling on the impact of applying this principle on the well-being and living standards of the residents who will be affected. The Benevolent Society suggests that the

IPART apply a greater policy development and impacts assessment process before finalising its recommendations.

Allowances and supplements, whilst paid as untied income, have been introduced to address the inadequacy of the base pension or payments to meet the cost of living for those who also face the specific expense that the allowance or supplement is named for. Generally speaking, the utility of allowances and supplements in addressing the pressures that they are designed for are already inadequate or have eroded over time. If a proportion of the allowances and supplements is captured in rent settings, this will cause stress in the expense areas for which the payments were introduced.

The Adequacy of the Age Pension in Australia report found that there is a great diversity of experience amongst people receiving the age pension, and the levels and types of deprivation that they might be experiencing. For those in good health, who own their own home and have some other assets, receiving the full age pension (including supplements) is likely to provide a modest but reasonable standard of living. This is a minority of pensioners, and not those who find themselves living in social housing.

Whilst access to social housing is a significant factor in reducing deprivation compared to the experiences of people on the age pension in private market rental, adding pension supplements to the rent setting model used by FACS will deepen the deprivation experienced by older people on the full age pension in social housing and will undoubtedly have a negative impact on their well-being.

Living with the inadequacy of the age pension

These renting pensioners must make offsetting sacrifices elsewhere to compensate for this shortfall. Full pensioners who rent spend less than half the amount on healthcare than those who own a home. They also spend approximately half on transport compared with homeowners. Female renters economise dramatically on food to help them close the gap.

Our focus group research has shown us what such savings mean for the lived experience of pensioners in Australia. Pensioners mash their food because they cannot afford to visit the dentist to have their teeth fixed. Some turn off their hot water for months on end because they cannot afford the utility bills. Others split one meal into three in order to stretch out their food budget.

This is what life on the pension looks like in Australia. It is not one that the majority of us would find acceptable for ourselves. We must therefore ask why it is acceptable for a subset of older Australians who are our parents, friends and neighbours.

From The Adequacy of the Age Pension in Australia

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3. *That the maximum increase in weekly rent contributions payable by applicable tenants associated with assessing benefits and assessable income be capped each year at \$10 per week.*

The Benevolent Society supports the principle of smoothing the impacts of policy decisions on rents over time.

However, given that the IPART acknowledges that these decisions would impose hardship on tenants, the Benevolent Society encourages the IPART to drop these draft recommendations for current and future tenants.

4. *To support a financially sustainable social housing system, the NSW Government provide an annual explicit subsidy equivalent to the difference between:*
 - *Market rent for the social housing system, and*
 - *The total tenant rent contribution (including Commonwealth Rent Assistance if applicable)*

The Benevolent Society supports this recommendation, alongside the statement that ‘...social housing providers, including the NSW Government, are already implicitly paying for this gap through a combination of operational losses, deferred maintenance, unfunded depreciation and foregone returns on their assets’.^{vi}

The Benevolent Society would add that the costs are also being socialised through the deprivation of vulnerable NSW citizens stuck on low-incomes and in the private rental market. This in turn has impacts on government and NGO program budgets which are called on to address the social impacts.

A financially sustainable social housing system would be better placed to expand its role providing housing to those to whose needs cannot be met through the private rental market, including vulnerable children and their families and people relying on the age pension. This requires additional expenditure by the NSW Government, as outlined by the IPART.

Whilst the IPART’s draft report focusses on policies available to the NSW Government, as the report also notes the financial sustainability of social housing providers also relies on income from the Commonwealth budget, including the National Affordable Housing Agreement for public housing and Commonwealth Rent Assistance (CRA) for community housing providers. The Benevolent Society believes that there is a role for encouraging the NSW Government to advocate for certain Federal government policies that would assist in achieving State social policy goals.

The Benevolent Society itself is advocating for an increase in CRA by 30% for couples and 50% for singles, which *The Adequacy of the Age Pension in Australia* report confirms would have a significant impact on the well-being of the most vulnerable people living on the age pension, being those living in private rental markets. An increase in the CRA rate of payment would also benefit community housing providers, given the high proportion of community housing tenants that receive CRA, which is then passed on in full to community housing providers through the rent settings.

The Benevolent Society therefore encourages the IPART to model the expected impact of an increase to the payment rate of CRA along these lines on the financial sustainability of community housing providers, and recommends that the NSW Government take on advocacy for increases to the rate of CRA.

5. *That explicit subsidy per property to be paid by government vary by location (as market rents vary by location) to facilitate socio-economically diverse communities.*

The Benevolent Society supports any measure to address the geographical variation in housing costs, to ensure that affordable housing is available in communities across Australia. Many people on low incomes fill the gap between income and the cost of a decent standard of living by relying on strong local networks and support, including community services, and making harsh choices.

26. *That, rather than investing in government-subsidised affordable housing for people on moderate incomes, the NSW Government focus housing assistance on:*

- *Providing social housing for people on very low incomes in need of long-term secure accommodation, and*
- *Providing time limited private rental subsidies for people on very low to low incomes in need of temporary assistance.*

The Benevolent Society in part supports the first part of this draft recommendation, with some qualifications.

Housing affordability exists across a continuum of policy options, income levels and tenure types, and the crisis in the Australian housing market is creating affordability pressure across the continuum. The Benevolent Society encourages the IPART to look at solutions to the housing crisis on a system level, as this ultimately has flow on affects for the most vulnerable households.

The NSW Government has a number of options available to it that can deliver affordable housing for people on moderate incomes without drawing on funding that would otherwise be allocated to providing housing to people on the lowest incomes, including advocating for the Federal Government to address the tax and policy settings underpinning the housing crisis and delivering 'affordable housing' through the planning system, utilising measures such as inclusionary zoning and value capture, or by leveraging the Government's available land holdings.

However, at the current time the NSW Government's application of these measures is not adequate to provide affordable housing to people on moderate incomes, and the call on Government resources to provide housing assistance to people on moderate incomes is putting pressure on the assistance available to people on lower incomes.

Private housing markets are inappropriate to many people in need of temporary assistance for a number of reasons, including unconscionable conduct and harsh application of tenancy laws by some landlords, discrimination in private markets, lack of connection with support services and the lack of available properties.

The Benevolent Society strongly urges the IPART to reconsider the second part of this draft recommendation for this reason.

The Benevolent Society would not support a diminution of the role of social housing in assisting people in temporary need, where private markets are not able to meet their needs.

ⁱ Dockery, M., Ong, R., Colquhoun, S., Li, J. and Kendall, G. (2013) *Housing and children's development and wellbeing: evidence from Australian data*, AHURI Final Report No. 201, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/201> Pg 51

ⁱⁱ The Benevolent Society, internal data

ⁱⁱⁱ *Adequacy of the Age Pension in Australia* The Benevolent Society, The Longevity Innovation Hub, Per Capita https://www.benevolent.org.au/~media/Pension%20Adequacy_Final%20pdf.ashx

^{iv} *Rental Affordability Snapshot, April 2017* Anglicare Australia <http://www.anglicare.asn.au/docs/default-source/default-document-library/rental-affordability-snapshot-2017.pdf?sfvrsn=4> Pg 14

^v https://www.benevolent.org.au/~media/Pension%20Adequacy_Final%20pdf.ashx Pg 37

^{vi} *Review of rent models for social and affordable housing – Draft Report* (2017) Independent Pricing and Regulatory Tribunal of New South Wales Pg 2