



Review of the Federation Issues Paper on Housing and Homelessness

Briefing paper for the NSW community housing industry

16 January 2015



Reform of the Federation White Paper: Issues Paper 2- Roles and Responsibilities in Housing and Homelessness

Introduction

This briefing note is prepared for the NSW community housing industry to provide a summary of issues arising from the current review of the Australian Federation in the division of roles between different levels of government in relation to housing and homelessness policies.

On 11 December 2014, the Commonwealth Government released [the Issues Paper](#) (the Issues Paper) on roles and responsibilities in housing and homelessness. This paper is one in the series of issues papers developed to inform the Commonwealth Government's White Paper on [the Reform of the Federation](#).

While the paper does not specifically call for stakeholder submissions (this will be part of the Green paper later in 2015) it is useful to consider the issues and questions posed in the paper in light of the broader housing policy context, including the recent Commonwealth Government's decision to defund national housing and homelessness peak bodies in parallel with the release of the NSW Social Housing Discussion Paper and the Federation's Growth Strategy for Community Housing in NSW.

Background

The release of the issues paper and the white paper process will be complemented by other reviews of welfare system and housing affordability:

- Senate Inquiry into Affordable Housing in Australia;
- The National Commission of Audit;
- The Review of Australia's Welfare System (McClure Review); and
- The White paper on the Reform of Australia's Tax System.

The stated goal of the Federation's reform is to achieve a greater clarity between different levels of government, and to ensure sovereignty of each jurisdiction in its own sphere.

Context

While the Issues Paper does not propose specific strategies for the future Commonwealth-State relations, there are strong indications that the review of the Australian Federation may lead to the Commonwealth's withdrawal from housing policy and funding as foreshadowed by the Minister's recent decision to cut program funding to national housing and homelessness peak bodies. In the Issues Paper, housing and homelessness is framed narrowly as being part of safety net provisions without due consideration of the interplay of housing taxation, planning policies demographic changes on housing supply and ultimately affordability.

The paper has three functions. First, it traces the historical evolution of housing policy and programs since the establishment of the Federation. Second, it accounts for numerous funding and policy setting relationships between the States and the Commonwealth and demonstrates a high degree of policy overlap in housing policy. Third, it poses a series of questions in relation to possible future directions for the Commonwealth's involvement in housing and homelessness assistance.

The overarching goal of the Issues Paper is to examine the appropriateness and efficiency of the current division of housing roles between the Commonwealth and States.

Issues for consideration

The paper notes numerous issues related to housing affordability, the precarious financial situation of public housing authorities and demand for social housing. While the paper does not propose specific strategies to address these problems¹, the following housing issues warrant further consideration by the NSW community housing industry:

- One of the main principles of the Federation's review is the principle of subsidiarity which means that the States should be sovereign in their spheres as much as possible. Following the principle of subsidiarity to its conclusion would mean that the states and territories should be solely responsible for operation of their social housing systems. However, it is not clear in the paper how this delineation of roles would be funded, given that all state housing territories already operate at significant deficits. The scale of housing unaffordability also warrants the continuation of the Commonwealth's involvement and strategic responses across many policy areas that bear influence on housing affordability.
- The Issues Paper notes a high level of shared policy and funding responsibility between the States and the Commonwealth and consequently a high level of overlap in these two areas. This is not surprising given the historical developments and the need for the Commonwealth's involvement in affordable housing. However, in the Issues Paper this overlap is treated as less than ideal as it diminishes accountability and transparency to stakeholders, including the Australian public.
- The impact of the Commonwealth's potential funding withdrawal on the viability of the States' social housing portfolio and social housing affordability need to be carefully evaluated. The NSW Social Housing Discussion paper indicates that Commonwealth funds account for the

¹ These will be the subject of the upcoming Green Paper.

vast majority of funding inflows into the NSW social housing system². The Issues Paper also acknowledges that social housing rents cannot cover the costs of running the social housing system nor provide a sufficient level of funding for development or acquisition of new housing stock.

- The Issues Paper notes that the outlays for Commonwealth Rent Assistance (CRA) are increasing mainly as a result of the increasing number of people becoming eligible for this assistance. Some of the increased CRA spending is also attributed to an increase in property transfers from public housing authorities to community housing providers. There is a risk for property transfers to be perceived as purely a cost-shifting exercise from State to Commonwealth without due considerations of the benefits of such policy change.
- The Issues Paper notes a growing role of community housing providers in the social housing system, its ability to leverage private finance and provide locally responsive services. However the Issues Paper narrowly deals with housing responsibilities of different levels of government, without a due consideration for current and future contributions of community housing to solving the housing affordability crisis. There is a risk that the Commonwealth disregards the previous COAG commitments to community housing growth in their search for a greater devolution of housing policy and funding to the States.
- The Issues Paper also notes a range of international policy developments in regards to social housing, notably the increased private sector involvement, policy devolution to lower levels of government and person centred approaches in service delivery. The positive results of these policies and their applicability to the Australian context should be further explored and supported.
- The Issues Paper poses a range of questions to guide consideration of reform options. Questions regarding re-allocation of roles between the Commonwealth and States, potential impacts on clients and service delivery if there is a policy change in the Commonwealth/State housing relations are of interest to the community housing industry.

² In 2013/14, Commonwealth funds accounted for \$500 million of the \$811 million NSW State budget appropriation for social housing assistance. FACS(2014) Social Housing Discussion Paper, p. 35

Next steps

The discussion around the role and future of the Australian Federation has the potential to change the respective responsibilities of the Commonwealth and states in relation to housing policy and programs.

The Federation sees a clear need for continuation of the Commonwealth's involvement in housing policy and programs and will work with the Community Housing Federation Australia and state peaks to articulate our position in preparation for the Green paper release. The Federation considers this as an opportunity to engage with the Commonwealth and further promote our industry and our role in solving the housing affordability problem.

The scale of the housing affordability crisis means that all levels of government, including the Commonwealth government, have a role to play. The complex intersection of housing policy with housing taxation, financing, planning, Commonwealth Rent Assistance and immigration warrant further national government involvement in housing policy development and funding. The worsening of housing unaffordability has shown that sophisticated leadership from the Commonwealth is required, something that could not be left to the states to resolve on their own.

During the Federation's review process, including the upcoming taxation paper, it will be important to continue to build the case for further growth of community housing. Our submission needs to convince the government not only of the necessity of CRA for the viability of our business model but also the benefits that community housing delivers for the CRA it receives, so that large scale transfers are not seen purely as a liability to the Commonwealth but a logical next step in solving Australia's social housing crisis.

The Federation will also put forward similar proposals to the NSW discussion paper on the future of social housing.