

Chapter 19

National Affordable Housing Agreement

19.1 In this chapter, the committee considers Commonwealth initiatives or programs that could contribute to, or are making, a material difference to improving people's access to affordable housing. The main focus, however, is on the National Affordable Housing Agreement (NAHA).

Background

19.2 NAHA is a broad-ranging, ongoing housing agreement which commits a significant amount of Commonwealth funding to the states and territories through a national specific purpose payment.¹ Commencing on 1 January 2009, NAHA replaced the Commonwealth State Housing Agreement and the Supported Accommodation Assistance Program.² Its aspirational objective is for:

...all Australians [to] have access to affordable, safe and sustainable housing that contributes to social and economic participation.³

19.3 This agreement provides the overarching framework within which the Commonwealth and states and territories work together to 'improve housing affordability and homelessness outcomes for Australians'.⁴ In relation to the provision of social housing, NAHA aims to promote affordable, secure housing via allocations policies and support to those with multiple forms of disadvantage.⁵ According to the Department of Social Services, the agreement 'identifies individual and shared roles for the Commonwealth and the states, as well as performance benchmarks and reform directions'.⁶

1 *Submission 198*, p. 27.

2 Productivity Commission, *Report on Government Services 2015: Housing and homelessness*, Volume G, produced by the Productivity Commission for the Steering Committee for the Review of Government Service Provision, p. G.2, <http://www.pc.gov.au/research/recurring/report-on-government-services/2015/housing-and-homelessness/download-the-volume/rogs-2015-volumeg-housing-and-homelessness.pdf>

3 Council of Australian Governments, *National Affordable Housing Agreement*, p. 3, http://www.federalfinancialrelations.gov.au/content/national_agreements.aspx (accessed 18 March 2015).

4 Ms Hand, Department of Social Services, *Proof Committee Hansard*, 30 July 2014, p. 2.

5 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 78, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

6 *Proof Committee Hansard*, 30 July 2014, p. 2.

19.4 National Partnership agreements (NPA) define the mutually agreed objectives, outcomes, outputs and performance benchmarks or milestones related to the delivery of specific projects, improvements in service delivery or reform. Of the NPAs that were established to support NAHA, two remain active:

- the National Partnership Agreement on Homelessness; and
- the National Partnership Agreement on Remote Indigenous Housing.

19.5 The agreements ensure that all levels of government are committed to the same framework of outcomes, measures of progress, and policy directions. In 2013–14, the Australian Government provided \$2.0 billion to state and territory governments for housing and homelessness services through NPAs in support of the NAHA.⁷ These agreements were considered in chapters on Indigenous Australians (chapter 17) and homelessness (chapter 18).

Criticism of NAHA

19.6 The Commonwealth contributes approximately \$1.3 billion each year to the states and territories through NAHA⁸ and, as noted in the previous chapter, \$115 million through the NPAH.⁹ Despite this substantial contribution to affordable housing, many submitters criticised several aspects of the agreement and identified areas where the implementation of the agreement could be improved.

Greater accountability and transparency

19.7 A number of submitters cited the need to improve the agreement's accountability and transparency. For example, Ms Phillips, Australian Council of Social Service, noted the paucity of data on the number of new dwellings that have been constructed as a result of the agreements.¹⁰ JELD-WEN, a leading supplier of windows and doors, stated:

There has been a gaping lack of information on program outcomes. The paucity of readily available information on the effectiveness of Commonwealth-funded State housing programs and initiatives has reduced transparency and diminished accountability and contributed to uncertainty about the value received from the commitment of scarce Commonwealth

7 Productivity Commission, *Report on Government Services 2015: Housing and homelessness*, Volume G, produced by the Productivity Commission for the Steering Committee for the Review of Government Service Provision, pp. G.5–6, <http://www.pc.gov.au/research/recurring/report-on-government-services/2015/housing-and-homelessness/download-the-volume/rogs-2015-volumeg-housing-and-homelessness.pdf>

8 *Portfolio Budget Statements 2014–15*, Budget Related Paper No. 1.5A, Social Services Portfolio, p. 129, https://www.dss.gov.au/sites/default/files/documents/05_2014/2014-2015_dss_pbs.pdf (accessed 18 March 2015).

9 *Submission 198*, p. 33 and *Proof Committee Hansard*, 30 July 2014, p. 2.

10 *Proof Committee Hansard*, 10 November 2014, p. 28.

taxpayer funds to joint housing programs delivered by State Governments.¹¹

19.8 The National Shelter added that accountability mechanisms around housing needed to include accurate and publicly available data on a number of matters. They involved the 'overall supply of social and affordable housing, including an accounting for new developments, acquisitions, disposals and transfers between parts of the social housing system'.¹²

19.9 Mr Flynn, Mission Australia, agreed that greater transparency would improve the system.¹³ The Council to Homeless Persons noted that NAHA moved to a single agreement that measured progress based on outcomes. In its view, not only have the outcomes defined in the agreement proved difficult to measure over the relevant funding periods, but this has led to reductions in many states' own revenue contributions to housing and homelessness assistance.¹⁴ Mr Myers, National Affordable Housing Consortium, compared the \$1.3 billion put into NAHA with the result of 'a declining stock base and a lack of transparency'.¹⁵ He explained:

The policy goals set out in NAHA are broad—but there are no mechanisms in there to see what investment is happening and what it is doing to the overall stock. Part of that investment could be competitive—across states, not-for-profits and partnerships with the private sector.¹⁶

19.10 The Western Australian Local Government Association referred to a 'strong need to evaluate the effectiveness of the policies as part of the renegotiation of the NAHA', including taking account of local government concerns.¹⁷

Tackling supply side

19.11 Most witnesses agreed with the view that there was 'definitely a supply problem' with affordable housing.¹⁸ Master Builders Australia (MBA) was of the view that NAHA was flawed in its design in that it focused on the symptoms of the problem and not the causes. In its view, NAHA should be designed to clear the roadblocks to improved housing affordability rather than provide government subsidies and other forms of assistance.¹⁹ Mr Leitch, Department of Housing and Public Works,

11 *Submission 54*, p. 4.

12 *Submission 78*, p. 20.

13 *Proof Committee Hansard*, 10 November 2014, p. 26.

14 *Submission 179*, p. 3.

15 *Proof Committee Hansard*, 10 September 2014, p. 53.

16 *Proof Committee Hansard*, 10 September 2014, p. 53.

17 *Submission 37*, p. 4.

18 Ms Hand and Mr Palmer, Department of Social Services, *Proof Committee Hansard*, 11 February 2015, p. 15.

19 *Submission 48*, p. 19.

Queensland, informed the committee that one of the things his department struggled with was that, while the last national affordable housing agreement spoke to broader affordable housing measures, there was 'nothing in there that actually puts the rubber on the road, so to speak'.²⁰

19.12 Mr Myers indicated that the National Affordable Housing Consortium would like to see the Commonwealth's activity focused on new supply and not necessarily on operational subsidies and to see a competitive arrangement for new supply.²¹ Dr Winter, AHURI, also explained that while the funds through NAHA were distributed on a per capita basis across the states, there was no incentive for spending those funds to generate new supply. He observed:

Effectively state governments are using those funds to maintain a falling percentage of public housing dwellings across the country. We need a National Affordable Housing Agreement that links that expenditure to the creation of net new supply of affordable dwellings in Australia.²²

19.13 From Dr Winter's perspective, the current federal financial agreements do not link funds with supply. He suggested that NAHA needed to reintroduce and retie matching of funds with the creation of new affordable houses and have some of the 'discipline of the old Commonwealth–State Housing Agreement'.²³

19.14 Mr Cant, Brisbane Housing Company Ltd, spoke of the latent equity in the current pool of public housing and the potential to use it to boost and renew the supply of affordable housing. He advocated strongly for maintaining and building on the current stock of social housing.²⁴ With this objective in mind, Mr Cant suggested that funding through NAHA be made conditional to ensure that the stock of social housing was protected and that there was reinvestment in this stock. He added:

If we have this model where 400,000 dwellings are going to be made fit for purpose over a 20-year period—they are going to be aligned to be the right size for the demographic, they are going to be new, they are going to be purpose-built and they are going to be in the right locations—that is where the money should be conditioned. Someone in Canberra would say, 'You can have the money provided you demonstrate to us that it is serving this purpose'.²⁵

19.15 Consistent with the overall thrust of evidence, Ms Croce, Community Housing Federation of Australia, argued that as part of a growth strategy, NAHA

20 *Proof Committee Hansard*, 10 September 2014, p. 45.

21 *Proof Committee Hansard*, 10 September 2014, p. 53.

22 *Proof Committee Hansard*, 9 September 2014, p. 20.

23 *Proof Committee Hansard*, 9 September 2014, p. 20.

24 *Proof Committee Hansard*, 10 September 2014, p. 64.

25 *Proof Committee Hansard*, 10 September 2014, p. 64.

should be reformed substantially in order to refocus the agreement 'on growing the supply of affordable housing'.²⁶

Adequacy of funds

19.16 Dr Milligan, City Futures Research Centre, referred to the forerunner to NAHA, the Commonwealth–State Housing Agreement. She noted that the money put into that agreement as capital was 'insufficient to retain continuing growth in that system'. In her view, instead of developing additional public housing, the money was used to underwrite the operating losses of the state housing authorities.²⁷ Dr Milligan explained that NAHA was an attempt to reset the agenda for the supply of affordable housing and to maintain and modernise existing public housing.²⁸ According to Dr Milligan, however, the funding base essentially remained the same, except with a small indexation factor, which did not address the fundamental deficit problem. Also, the requirements on the states to match funding and to provide certain levels of investment into new supply were dropped.²⁹ She argued:

...whoever delivers the housing has to be able to deliver it in a way where the revenue and the subsidy meet their costs, and a national government has an interest in ensuring that there is an adequate level of public housing or social housing or community housing commensurate with measured needs.³⁰

19.17 Mr Leitch, Queensland Department of Housing and Public Works, also noted that the agreement was an aspirational goal. Further, the funding stream that sat within NAHA was 'similar to that that came through the Commonwealth–State Housing Agreement before it'.³¹

19.18 Despite this criticism about the lack of accountability and transparency; the need to focus on boosting the supply of affordable housing; and the inadequacy of funding, no one suggested that NAHA should be abandoned. For example, the Youth Affairs Council of Western Australia noted that schemes such as NAHA must be continued and developed to ensure that young people do not experience high levels of housing stress, which may have detrimental effects on their future.³² While critical, many witnesses offered advice on ways to improve NAHA.

26 *Proof Committee Hansard*, 10 November 2014, p. 10.

27 *Proof Committee Hansard*, 10 November 2014, p. 38.

28 Dr Milligan was involved in policy negotiations for many years around the Commonwealth State Housing Agreement, which preceded the National Affordable Housing Agreement. *Proof Committee Hansard*, 10 November 2014, pp 37–38.

29 *Proof Committee Hansard*, 10 November 2014, p. 38.

30 *Proof Committee Hansard*, 10 November 2014, p. 38.

31 *Proof Committee Hansard*, 10 September 2014, p. 45.

32 *Submission 166*, p. [2].

Areas for improvement

19.19 In particular, some witnesses saw the need for the government not only to articulate the purpose of NAHA clearly and definitely—to increase the supply of affordable housing—but to ensure that funding was tied to this objective. Further, the reporting mechanism around the funding should be more robust and transparent, producing accurate and reliable data on how money was being spent and the results—number of new dwellings, acquisitions, dispatches, developments and transfers.

19.20 The committee has discussed the value that would flow to community housing providers with the transfer of public housing stock including title to that sector. In its submission, Shelter WA suggested that through NAHA, the Commonwealth and states and territories reaffirm their commitment to transfer a substantial proportion of social housing stock to community housing organisations to facilitate growth. This undertaking would include title transfer to ensure properties could be used to leverage investment in new housing, within the context of a clear overall growth strategy for the social housing sector.³³ Dr Clark referred to NAHA and the national partnership agreements that sit beneath it. She accepted that there was a lack of accountability: no real template or outcomes that required performance reporting. In her view, however:

...the new federal government are in an ideal position to insist on the outcomes and the type of reporting they would like to see and to show this leadership, not just withdrawing millions of dollars of funding to the states but to insist that the money does not just go to admin fees for large departments and contract managers and that it is seen as an investment in this area to save money later.³⁴

19.21 Ms Palumbo suggested that NAHA provided the Australian Government with the best lever for reform. She explained:

When the Commonwealth drives reform, things happen; when it is left to the states, our experience has been that things meander. So a really driven reform that is actually attached to that agreement is probably the most effective way we can look at genuine change, where that agreement says that we actually want to have a mixed model, we want a multi-provider system, we want to see different business models operating in this state, not an old and tried monolithic model that means that nobody can really do anything other than on the fringes.³⁵

19.22 National Shelter recommended that COAG embed NAHA as a permanent part of its decision-making and expand it to include all forms of housing assistance. Its coverage would include 'funding for social housing, funding for affordable rental

33 *Submission 174*, p. 18.

34 *Proof Committee Hansard*, 28 July 2014, p. 40.

35 *Proof Committee Hansard*, 28 July 2014, p. 40.

housing, rent assistance, programs to support home ownership and homelessness programs'.³⁶

19.23 The Community Housing Federation of Australia advocated the establishment of an affordable housing growth fund that would ensure the states and territories receive money on a per capita basis but would have to meet specific targets.³⁷ The Council to Homeless Persons stated its belief that the NAHA needed to be split into three funding streams—an operating stream (funded on a per dwelling basis), a capital stream and a homelessness support stream (both funded on a per capita basis).³⁸

Certainty of funding

19.24 As noted earlier, many submitters referred to the uncertainty surrounding funding arrangements for affordable housing and homelessness. Some spoke of a 'stop and go' approach to housing policy. According to Mr Leitch, it was an imperative to get clarity about how the funding for the next year was going to be treated in terms of how the Queensland Department of Housing and Public Works would respond.³⁹ Mr Comrie noted that the community housing sector was becoming increasingly apprehensive about talk of the possible withdrawal of funding for NAHA and NPAH.⁴⁰

Government's response

19.25 The Commonwealth Government has expressed interest in examining ways to improve the operation of NAHA to ensure greater transparency and accountability as well as having incentives that would increase the supply of dwellings.⁴¹ In February 2015, Ms Hand told the committee that for some time the government had been grappling with NAHA and the lack of real metrics or performance measures to assess whether supply was 'actually increasing in terms of the funding that is going to the states to deliver houses'. She explained:

The former minister, Minister Andrews, was very keen to see some reform to that agreement to make it much more transparent and accountable, and to have performance metrics to try to influence and see some progress in the area of supply. As I said, there is \$6.5 billion from the Commonwealth and that does not count what the states and territories put in that goes to the issue of solving housing supply and affordability. Yet, as you just said, it is still a big issue. The department has definitely looked at this with the

36 *Submission 78*, p. 27.

37 Ms Croce, *Proof Committee Hansard*, 10 November 2014, p. 10.

38 *Submission 197*, p. 5.

39 *Proof Committee Hansard*, 10 September 2014, p. 49.

40 *Proof Committee Hansard*, 11 November 2014, p. 48. Also refer to paragraphs 15.64–15.66, 17.30–17.31, 18.61–18.71 and 22.40 of this report.

41 *Submission 198*, p. 33.

current government as to how we increase the accountability mechanisms to actually deliver these houses.⁴²

19.26 The Department of Social Services informed the committee that the Commonwealth was committed to working with all state and territory governments to achieve better results.⁴³

Conclusion

19.27 The criticism levelled at NAHA during the inquiry was designed to be constructive and to offer suggestions on how this agreement could be more effective especially in adding to the supply of affordable housing. There was concern about the lack of sound data, the difficulty in measuring outcomes and poor reporting and evaluation processes.

19.28 Clearly there is a need to restore and build people's confidence in NAHA and provide assurance that the money being spent on affordable housing is making a difference as intended. In addition, accountability should be strengthened so that outcomes can be linked back directly to the funding dedicated to that purpose and can be measured and evaluated. With this in mind, the committee makes the following recommendation.

Recommendation 34

19.29 The committee recommends that through COAG, NAHA be reinvigorated with particular emphasis on improving accountability and transparency. The committee recommends that the following particular reforms of NAHA should be considered and acted upon:

- **expand the agreement to include all forms of housing assistance—funding for social housing, affordable rental housing, rent assistance and the various programs to support people to remain housed;**
- **develop measurable benchmarks and ensure these benchmarks are used to evaluate the effectiveness of government expenditure on affordable housing;**
- **improve the collection and publication of data, especially on the number of new homes added to the pool of social housing; and**
- **ensure that funding is tied directly to concrete outcomes, for example, by tightening conditions on Commonwealth funding to the states that would realise growth in the stock of social housing.**

42 *Proof Committee Hansard*, 11 February 2015, p. 15.

43 *Submission 198*, p. 31.

19.30 Furthermore, the committee understands the area of housing and homelessness is to be considered as part of the broader Federation White Paper process and consequently makes the following recommendation.

Recommendation 35

19.31 The committee recommends that the Federation White Paper process consider carefully NAHA in this critical area of transparency and accountability. Importantly, that the committee's findings feed into the White Paper process with the aim to improve NAHA so that a robust evaluation and reporting framework is established ensuring that the funds allocated to improving affordable housing can be tracked and the intended outcomes measured and evaluated.

