



Policy costing request—during the caretaker period for a general election

Name of policy:	Public and Community Housing Supply Boost
Person requesting costing:	Senator Di Natale
Parliamentary party:	Australian Greens
Date of request to cost the policy:	1 July 2016
<i>Note: This policy costing request and the response to this request will be made publicly available.</i>	
Has a costing of this policy been requested under Section 29 of the Charter of Budget Honesty (ie from the Treasury or the Department of Finance)?	No
Details of the public release of this policy (Date, by whom and a reference to that release):	Thursday 30 th June 2016 http://scott-ludlam.greensmps.org.au/sites/default/files/270616_greens_initiative_-_public_and_community_housing_supply_boost.pdf
Description of policy	
Summary of policy (as applicable, please attach copies of relevant policy documents):	<p>The Greens will:</p> <ul style="list-style-type: none">• End homelessness and provide a home for every Australian family currently languishing on the waiting list within a decade• Fund the construction of 200,000 new public and community housing dwellings• Introduce an Affordable Housing Supply Bonds package to finance one third of the homes• Include a target of up to 50% high quality and locally manufactured fast build modular or innovative housing; and• Reverse cuts to the National Partnership on Remote Indigenous Housing of \$95million. <p>The Greens request a costing to introduce two new funding streams to ensure long-term growth in our social housing system and the delivery of 200,000 homes within ten years.</p> <p>We would like this to be achieved through:</p> <ul style="list-style-type: none">• Direct finance for 13,000 homes each year, through a competitive grants stream that awards projects on merit and also assumes matched funding from the states or housing organisations.• The assumptions for the houses are as follows:<ul style="list-style-type: none">- Funding for 50 per cent of the new dwellings would be at a cost of \$350,000 per home.- Funding for the remaining 50 per cent of the new dwellings would be at a cost of \$150,000 per home.• Co-funded by states and territories and In addition, each state or territory would be responsible for the administration of the program within its jurisdiction and the Commonwealth would have no equity in the homes built under the program.• The proposal would have effect from 1 January 2017.

	<ul style="list-style-type: none"> • This includes up to 50% sustainable modular prefabricated housing target • Commencing in 2017. • Funding for the remaining homes is via a separate Affordable Housing Supply Bonds instrument to finance 7200 homes each year. (See separate costing to establish an Affordable Housing Finance Corporation via the Greens Infrastructure bank, which we estimate to cost \$188 million to generate \$8.05 billion in bonds over forward estimates, with an ongoing commitment of \$47 million per year to raise \$2.04 billion in housing bonds each year for 10 years.) <p>Links: Public and Community housing supply boost and Affordable Housing Supply Bonds at greens.org.au/housing</p>
<p>What is the purpose or intention of the policy?</p>	<p>In Australia today there are almost 200,000 applicants on social housing waiting lists.ⁱ Core funding has failed to keep up with growing demand and has been in significant decline for the last 15 years. In 2015 there were 427,800 public and community houses across Australia - only 200 more than the previous year.</p> <p>Despite having one of the strongest economies in the world our housing system is failing us. A quality public and community housing sector remains vital to a fully functioning society and is a cornerstone of Australia’s safety net and social contract. For many it represents the only option for secure, affordable housing. In 2015 only 2% of rental properties were affordable for a single person on minimum wage, and just 0.02% were affordable for those on Newstart.</p> <p>Waiting times have also continued to blow out in each state. The average wait time across Australia is now 5 years but averages can be deceptive. In WA we have heard first-hand from women escaping domestic violence and sleeping in their cars being told that the person in front of them on the waiting list has been waiting since 2006ⁱⁱ. In most regions of Sydney applicants are waiting 10+ years for a home,ⁱⁱⁱ and in one case reported in Melbourne’s southern suburbs an applicant had to wait for 18 years and 10 months before they were given a home.^{iv}</p>
<p>What are the key assumptions that have been made in the policy, including:</p>	
<p>Is the policy part of a package? If yes, list the components and interactions with proposed or existing policies.</p>	<p>Yes, the funds for the Affordable Housing Corporation are to be financed by the proposed Australian Infrastructure Bank.</p>
<p>Where relevant, is funding for the policy to be demand driven or a capped amount? If a capped amount, are the costs of administering the policy to be included within the capped amount or additional to the capped amount?</p>	<p>Capped amount of 20,000 homes per year according to formula above.</p>

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<p>Will third parties (for instance the States/Territories) have a role in funding or delivering the policy? If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?</p>	<p>Yes, the states will be co-funding and administering the policy as described above.</p>
<p>Are there associated savings, offsets or expenses? If yes, please provide details.</p>	<p>No</p>
<p>Does the policy relate to a previous budget measure? If yes, which measure?</p>	<p>No</p>
<p>If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program?</p>	<p>No</p>
<p>Will the funding/program cost require indexation? If yes, list factors to be used.</p>	<p>No</p>

Expected impacts of the proposal				
If applicable, what are the estimated costs each year? If available, please provide details in the table below. Are these provided on an underlying cash balance or fiscal balance basis?				
Estimated financial implications (outturn prices)^(a)				
	2016–17	2017–18	2018–19	2019–20
Underlying cash balance (\$m)		-1.625	-1.625	-1.625
Fiscal balance (\$m)		-1.625	-1.625	-1.625
(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number in the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.				
What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?	N/A			
Has the policy been costed by a third party? If yes, can you provide a copy of this costing and its assumptions?	No			
What is the expected community impact of the policy? How many people will be affected by the policy? What is the likely take up? What is the basis for these impact assessments/assumptions?	<p>The proposal contains the simple objective to deliver housing to everyone currently on the social housing waiting list, within ten years.</p> <p>According to the most recent AIHW report at June 2014 there were a total 206,000 total applicants on the waiting list for social housing,</p> <ul style="list-style-type: none"> - 154,600 applicants on public housing waiting lists, including 39,565 in greatest need - 8000 applicants in SOMI Housing (including 3461 in greatest need) - 43,400 applicants on community housing waiting lists (including 25,944 in greatest need) <p>Source: Australian Institute of Health and Welfare, <i>Housing Assistance in Australia 2014</i> (2015) at www.aihw.gov.au</p> <p>See also Table 17A.5 – 7 Volume G Report on Government Services ¹</p> <p>The proposal would have effect from 1 July 2016.</p> <p>Over one third of all applicants on the waiting list (69,000 applicants) are classified as being in the ‘greatest need’ – they are homeless, or their life, safety or health is at risk in their current housing.^v For these people and families the undersupply of social housing is literally life threatening, and the current wait-time for the priority list ranges between 3 months and 2 years^{vi}.</p>			

¹ <http://www.pc.gov.au/research/ongoing/report-on-government-services/2016/housing-and-homelessness/rogs-2016-volume-g-housing-and-homelessness.pdf>

	<p>A quarter of the public housing waiting lists are senior Australians,^{vii} many are single and alone, and the proportion is increasing every year. A worrying trend is the increasing number of older, single women in private rentals who are accessing homelessness services, with a 9% increase in women over 55 accessing specialist homelessness services in 2013-14. Women experience much higher proportions of income poverty upon retirement, making them more vulnerable to housing unaffordability, due to economic inequality as a result of wage, wealth and retirement income gaps over their working life. There are over 600,000 single women over 45 on low- median incomes are not in outright home ownership^{viii}.</p> <p>Meanwhile, demand for social housing will keep growing.</p> <p>Before being abolished in the Coalition’s appalling first budget, the National Housing Supply Council projected demand for public housing will surpass that for private rentals or home ownership in coming years. It also predicted the demand on the rental market by elderly Australians will more than double by 2028,^{ix} with 28% of all households reaching 65+ years in the next 20 years.^x</p> <p>Australia has one of the smallest public and community housing sectors in the world. There are 427,800 social housing dwellings in Australia^{xi} - comprising less than 5% of overall housing stock.</p> <p>Compared to other countries in the OECD this is very low.</p> <p>Our proposal also includes a target of up to 50% for high quality and locally manufactured modular or innovative housing to be delivered for \$150,000 or less. This will make housing faster and more affordable to build and spur much needed advancements in the housing design and construction sector.</p>
<p>Administration of policy:</p>	
<p>Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc)?</p>	<p>Australian Government, Department of Housing and Homelessness or Department of Infrastructure.</p>
<p>Please specify whether any special administrative arrangements are proposed for the policy and whether these are expected to involve additional transactions/processing (by service delivery agencies).</p>	
<p>Intended date of implementation:</p>	<p>1 September 2016</p>
<p>Intended duration of policy:</p>	<p>Ongoing</p>

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<p>Are there transitional arrangements associated with policy implementation?</p>	
<p>List major data sources utilised to develop policy (for example, ABS catalogue number 3201.0).</p>	<p>Report on Government Services 2016 – Volume G: Housing and Homelessness – Produced by the Productivity Commission for the Review of Government Service Provision: http://www.pc.gov.au/research/ongoing/report-on-government-services/2016/housing-and-homelessness/rogs-2016-volumeg-housing-and-homelessness.pdf</p>
<p>Are there any other assumptions that need to be considered?</p>	
<p>NOTE: <i>Please note that: The costing will be on the basis of information provided in this costing request. The PBO is not bound to accept the assumptions provided by the requestor. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requestor in advance of the costing being completed.</i></p>	

ⁱ Data as at June 2015, *Productivity Commission Report on Government Services* (2016) Chapter G: Housing and Homelessness.
ⁱⁱ “Butterfly” in ‘The Paddock People’ (2015), a documentary about a community of people sleeping rough in a carpark in Perth’s southern suburbs, at <https://vimeo.com/112479580>
ⁱⁱⁱ https://www.vinnies.org.au/icms_docs/238828_The_Ache_for_Home_Paper_2016.pdf
^{iv} <http://www.theage.com.au/victoria/crisis-in-public-housing-20110130-1a9p1.html#ixzz2ZPQGhODo>
^v <http://www.aihw.gov.au/housing-assistance/haa/2016/priority-groups/>
^{vi} https://www.vinnies.org.au/icms_docs/238828_The_Ache_for_Home_Paper_2016.pdf
^{vii} <http://www.aihw.gov.au/housing-assistance/haa/2016/social-housing-tenants/>
^{viii} http://equalityrightsalliance.org.au/sites/equalityrightsalliance.org.au/files/images/era_and_ha_submission_to_economic_security_of_older_women_inquiry.pdf
^{ix} National Housing Supply Council report 2010 pxvi at http://www.fahcsia.gov.au/sa/housing/pubs/housing/national_housing_supply/Documents/StateofSupplyReport_2010.pdf
^x <http://www.pc.gov.au/research/completed/ageing-australia/ageing-australia-overview.pdf>
^{xi} Figures based on Productivity Commission (2016) Report on Government Services at <http://www.pc.gov.au/research/ongoing/report-on-government-services/2016/housing-and-homelessness/rogs-2016-volumeg-housing-and-homelessness.pdf>