

Chapter 22

Commonwealth Rent Assistance

22.1 Government rent assistance is intended to ensure that adults with limited means can afford to live in rental housing that meets adequate standards.¹ It recognises that many renters in the private rental market struggle to pay high rents out of low to very low incomes. In this chapter, the committee looks at Commonwealth Rent Assistance (CRA) and its effectiveness in helping with housing costs and reducing rental stress.

Eligibility for Commonwealth Rent Assistance (CRA)

22.2 Commonwealth rent assistance payments are provided to eligible income support recipients. It involves a base payment to certain households, to help them meet basic living standards.² To receive CRA, a person must qualify for a social security income support payment or Family Tax Benefit A and must pay a minimum amount of rent, called the rent threshold. CRA is then paid at the rate of 75 cents for each dollar above the rent threshold up to a maximum rate.³ The CRA is indexed to CPI. Also, CRA is paid to eligible tenants in community housing but not tenants in public housing.

22.3 CRA is the main form of housing assistance in Australia, with over 40 per cent of households in the private rental market receiving these payments. In 2012–13, around 1,268,000 individuals and families received CRA at a cost of \$3.6 billion. According to the Department of Social Services, in 2014–15, the number of CRA recipients had risen to 1.3 million renters around Australia at a cost of approximately \$4.4 billion.⁴

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- 1 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2 p. 411, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).
 - 2 See Ms Phillips, Council of Social Service, *Proof Committee Hansard*, 10 November 2014, p. 30.
 - 3 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 6, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).
 - 4 See, for example, Department of Social Services, *Submission 198*, p. 31 and *Proof Committee Hansard*, 30 July 2014, p. 2. The Appendix to Volume 2 of the Report of the National Commission of Audit, *Towards Responsible Government*, February 2014, p. 71, stated that CRA is provided to over a million renters at a cost of about \$3.6 billion per year. <http://www.ncoa.gov.au/report/index.html> (accessed 27 March 2015).

Reliance on CRA

22.4 The AIHW noted that CRA had a major effect on households' rental affordability, with a 27 percentage point reduction in the number of low-income recipients in housing stress after receiving CRA.⁵ The Productivity Commission's figures show that at 6 June 2014 of the 1,315,385 income units receiving CRA nationally:

- the median CRA payment was \$124 per fortnight; and
- 76.3 per cent of all CRA recipients were paying enough rent to be eligible to receive the maximum rate of CRA.⁶

22.5 In June 2014, 67.4 per cent of CRA recipients would have paid more than 30 per cent of their gross income on rent if CRA were not provided. However, with CRA provided, 40.3 per cent of CRA recipients still spent more than 30 per cent of their income on rent.⁷ Giving some meaning to these figures, Australian Council of Social Service (ACOSS) explained:

Those who are in private rental will always need some subsidy to help them meet that cost. Unless you are in fully subsidised housing, in the public and community housing system, in terms of making rent affordable for those households I think some kind of demand-side subsidy is necessary.⁸

22.6 Similarly, Ms Sue King, Anglicare, indicated that people were becoming 'incredibly reliant on CRA' in order just to survive in the private rental market.⁹

The Hon Scott Morrison MP, Minister for Social Services, 'Answer to Question Without Notice—National Partnership Agreement on Homelessness', 24 March 2015

<http://scottmorrison.dss.gov.au/speeches/answer-to-question-without-notice-national-partnership-agreement-on-homelessness> (accessed 3 April 2015).

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

6 Productivity Commission, *Report on Government Services, 2015*, Produced by Productivity Commission for the Steering Committee for the Review of Government Service Provision, p. G.7, <http://www.pc.gov.au/research/recurring/report-on-government-services/2015/housing-and-homelessness/download-the-volume/rogs-2015-volume-g-housing-and-homelessness.pdf> (accessed 2 February 2015).

7 Productivity Commission, *Report on Government Services, 2015*, Produced by Productivity Commission for the Steering Committee for the Review of Government Service Provision, p. G.7, <http://www.pc.gov.au/research/recurring/report-on-government-services/2015/housing-and-homelessness/download-the-volume/rogs-2015-volume-g-housing-and-homelessness.pdf> (accessed 2 February 2015).

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

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

Previous reviews

22.7 A number of reviews that have looked more broadly at housing and welfare issues have included CRA in their consideration.

Pension review report

22.8 The 2009 pension review report acknowledged the important role that CRA had in alleviating rental stress and recognised, in particular, the pressure faced by some pensioners paying high rents. It noted that price increases in the rental market had outstripped the rate of assistance. Further, the payment had become less effectively targeted because of the way CRA had been indexed. The review found that the magnitude of these effects was significant and:

If Rent Assistance had been indexed by the changes in actual rents paid by Rent Assistance recipients between 2001 and 2008, rather than by the CPI, it would be some \$8.00 a week higher than it currently is. Noting that the last major adjustments to Rent Assistance occurred in the context of the GST changes in 2000, this suggests that the gap over this longer period is more likely to be around \$9.00 to \$10.00 a week.¹⁰

22.9 The pension review report concluded that there was scope to improve the targeting of this payment so it would better meet the needs of those who face the highest housing costs.¹¹ It also suggested that an immediate response to improve the circumstances of pensioners who rent privately could be achieved through an increase in rent assistance.¹²

Henry Review

22.10 That same year, the Henry Review also mounted a case for increasing the amount of CRA. It found:

As at 5 June 2009 there were 418,000 individuals and families paying more than 30 per cent of their income in rent even after receiving Rent Assistance; 129,000 of these were paying more than 50 per cent of their income. Many of these people, especially age pensioners and disability

10 Dr Jeff Harmer, Report Pension Review Report, Department of Families, Housing, Community Services and Indigenous Affairs, 27 February 2009, p. 52, https://www.dss.gov.au/sites/default/files/documents/05_2012/pensionreviewreport.pdf (accessed 14 January 2015).

11 Dr Jeff Harmer Report Pension Review Report, Department of Families, Housing, Community Services and Indigenous Affairs, 27 February 2009, p. 93, https://www.dss.gov.au/sites/default/files/documents/05_2012/pensionreviewreport.pdf (accessed 14 January 2015).

12 Dr Jeff Harmer Report Pension Review Report, Department of Families, Housing, Community Services and Indigenous Affairs, 27 February 2009, p. 93, https://www.dss.gov.au/sites/default/files/documents/05_2012/pensionreviewreport.pdf (accessed 14 January 2015).

support pensioners (who make up around one-quarter of Rent Assistance recipients) are likely to have limited capacity to increase their incomes. The number of Rent Assistance households paying more than 30 per cent of their income in rent is at its highest level since 2000.¹³

22.11 The Henry Review proposed that rent assistance should be increased so that assistance would be sufficient to support access to an adequate level of housing and should be more appropriately indexed in line with market rents to reflect that growth. The review also suggested that CRA be extended to public housing tenants, with recipients paying rents that reflected market rates, subject to gradual transitional arrangements.¹⁴ The review went further, advocating:

A new source of funding should be made available in respect of the tenants who have high housing needs, such as those with high costs due to disability or people likely to face discrimination in the private market. The payment would be based on the needs of recipients and, where practical, directed by them to providers of their choice.¹⁵

National Commission of Audit

22.12 The 2014 National Commission of Audit considered the Henry Review's suggestion about extending rent assistance to public housing tenants. It argued that under such an arrangement, the Commonwealth would need to increase aggregate rent assistance funding. The Commission suggested that this additional funding could be sourced from redirecting funds currently contributing to NAHA and NRAS, which amounted to \$1.5 billion a year. It was of the view that there was much merit in considering this option further, arguing that two benefits would arise from this approach:

First, the market would determine rents for public and private housing. Second, abolishing housing agreements with the States would remove duplication of effort, improve accountability and alleviate the reporting burden for State governments.¹⁶

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- 13 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2, p. 413, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).
 - 14 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2, p. 491, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).
 - 15 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2, p. 491, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).
 - 16 *Towards Responsible Government*, Appendix to the Report of the National Commission of Audit, Volume 2, p. 73, http://www.ncoa.gov.au/report/docs/appendix_volume%202.pdf (accessed 12 December 2014).

22.13 The Commission concluded that 'Commonwealth funding currently directed to the housing agreements should be redirected to fund the extension of rent assistance to public housing tenants'.¹⁷

Welfare system review

22.14 The Commonwealth Government recognised the importance of CRA achieving its policy outcomes. To ensure this occurred, CRA was included, like many other government payments, in the recent review of government welfare. Accordingly, the welfare reform review looked at rent assistance available to tenants in public housing and to tenants in community or private rental accommodation.¹⁸ The committee has discussed the rental arrangements for public housing and noted that tenants in public housing are not entitled to CRA.

22.15 The welfare reform interim report recognised, as did the earlier reviews, that rent assistance had gradually become 'less effective in reducing rental stress for people in the private market'.¹⁹ It indicated that while rent assistance had increased by 40 per cent between 2001 and 2013, median rents had increased by between 65 per cent and 100 per cent.

22.16 As a consequence, according to the welfare reform interim report, income support and family recipients have had to cover more of the costs of rent from their income support and family assistance payments, which reduced the income available for other costs of living.²⁰ In its view, there was a need 'to redesign Rent Assistance to assist people in private rental who have the highest needs'.²¹ The interim report suggested:

17 *Towards Responsible Government*, Appendix to the Report of the National Commission of Audit, Volume 2, p. 73, http://www.ncoa.gov.au/report/docs/appendix_volume%202.pdf (accessed 12 December 2014).

18 *A new System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, pp. 9, 68–71, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015).

19 *A new System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 31, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015).

20 *A new System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 69, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015).

21 *A new System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 69, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015)

Rent Assistance should be reviewed to determine appropriate levels of assistance and the best mechanism for adjusting assistance levels over time. Initial steps in this direction may be possible at little cost to the Budget.²²

22.17 The review noted further that rent assistance for parents should recognise their role in supporting young people beyond school to independence.²³

Effectiveness of CRA

22.18 The role and effectiveness of CRA was also a major topic raised in evidence before the committee.

Increase CRA

22.19 Evidence received by the committee was generally consistent with the findings of the earlier reviews. It recognised the valuable assistance that CRA provided to low-income renters and the continuing and growing gap between the amount of assistance provided and rising rents. For example, Ms Findlater Smith, National Council of Women of Australia, argued that CRA was far too low. She stated:

At \$80 a fortnight it is a little bit of help but it goes nowhere near far enough. If you are getting \$590 a fortnight plus \$80 and your rent is \$300 a week, what are you living on? That is taking away heating and all of the other running expenses you have. The trouble is that that gap is being picked up by emergency relief. So millions and millions of dollars are going to Anglicare, St Vinnies and the YWCA for emergency relief to pick up the mess for people who cannot afford to live.²⁴

22.20 Mr Flynn, Mission Australia, supported the longstanding call for an increase to the CRA. He argued that lifting CRA would 'probably be the fastest thing that you could do' to bring immediate short-term relief for households in extreme financial stress.²⁵ COTA was of the view that CRA often meant 'the difference between having and not having a home'. It observed, however, that the CRA had not kept up with the increases in private rents, particularly in metropolitan areas, and did not reflect the geographical difference in rents that people faced. It stated:

22 *A new System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 71, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015).

23 *A new System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 71, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015).

24 *Proof Committee Hansard*, 30 July 2014, p. 56.

25 *Proof Committee Hansard*, 10 November 2015, p. 29.

Whilst we see long term solutions for increasing the supply of affordable housing as critical, an increase in the CRA for the lowest income groups is an important measure as it would start to reduce the gap between the level of subsidy received by people in public housing and people in private rental who may have similar incomes and needs.²⁶

22.21 COTA was one of many organisations calling on the government to increase the CRA. It suggested an increase to the maximum rate of the CRA by 30 per cent.²⁷ Ms Phillips, Australian Council of Social Service, urged the government to increase financial support to low-income renters. She told the committee that CRA was 'not delivering enough support to ensure that low-income earners were not living in financial stress'.²⁸ The Council also suggested a 30 per cent increase to CRA which equated to a \$20-a-week rise at a cost of \$880 million for 2014–15, going up to \$920 million for 2015–16.²⁹

22.22 Likewise, the Tenants Union of Victoria highlighted the need for an immediate increase in rent assistance. In addition, it suggested a longer term view be taken about what role rent assistance played in the market and how it could be reshaped and reformed to provide a better housing affordability outcome.³⁰ It recommended increasing CRA by at least \$25 per week and subjecting the payment to a 'fundamental review'.³¹ According to the National Union of Students, Australians for Affordable Housing had undertaken some modelling, which suggested that while a \$25 increase in CRA was not the solution to the affordability problem, it was a realistic option considering budgetary concerns and the current financial climate around housing and housing affordability.³² Indeed, Australians for Affordable

26 *Submission 191*, p. 3.

27 *Submission 191*, p. 7.

28 *Proof Committee Hansard*, 10 November 2014, p. 25.

29 *Proof Committee Hansard*, 10 November 2014, p. 34. It should be noted that the former Department of Families, Housing, Community Services and Indigenous Affairs in an answer to a question on notice stated that 'The annual cost of increasing the maximum rate of RA by \$15 per week is \$596 million. The annual cost of increasing the maximum rate of RA by \$25 per week is \$932 million. These costings are indicative only, as they are based on the RA population at only one point in time'. Senate Community Affairs Committee, answers to Estimates questions on notice Families, Housing, Community Services and Indigenous Affairs Portfolio, 2011-12 Budget Estimates Hearings, Question No: 246.

30 Mr O'Brien, *Proof Committee Hansard*, 9 September 2014, p. 43.

31 *Submission 119*, p. 4 and *Proof Committee Hansard*, 9 September 2014, p. 42.

32 *Proof Committee Hansard*, 9 September 2014, p. 39. For details on the call for increasing CRA by 30 per cent see Australians for Affordable Housing, *Easing Housing Stress Budget Statement 2012–13*, p. 6, http://housingstressed.org.au/wp-content/uploads/2012/02/AAH_12_Memo_Federal-Budget-Statement-final_SD_060212.pdf (accessed 10 April 2015).

Housing indicated that a \$25 per week increase in CRA would provide relief to nearly 100,000 renters.³³

22.23 The National Union of Students (NUS) suggested increasing CRA by \$25 per fortnight, which would 'see a substantial proportion of students lifted out of housing stress and go towards alleviating the burden that rent places on many student budgets'.³⁴ NUS argued that a student's rental assistance should not be automatically cut when that student is in a shared accommodation arrangement.³⁵

Indexation of CRA

22.24 Mrs Ullman, National Seniors Australia, suggested that the value of CRA should be linked to movements in national rents, rather than CPI, which had not kept up with increases in rent.³⁶ In support of this view, Ms Phillips, ACOSS, argued that indexing CRA to CPI was an inappropriate and inadequate response and a review was required.³⁷ Mission Australia, was similarly definite in its view that, to be responsive, CRA had to move at a rate different from other income support payments in order to reflect the realities in the rental market.³⁸ Equality Rights Alliance urged an increase in the indexation of CRA.³⁹ Similarly, Mr Schrapel, Uniting Communities, was of the view that CRA needed to be indexed properly to housing costs rather than just to CPI and better targeted to areas where rental costs were very high. In his opinion, a supplement to rent assistance for people in those circumstances would allow them some relief.⁴⁰

CRA's responsiveness to different circumstances

22.25 Mr Schrapel thought there was potential to broaden the base for people on low incomes, not just for those relying on social security benefits.⁴¹ In the same context, Mr Walker, Department of Housing and Public Works, Queensland, noted that social housing tenants and residents of some retirement villages could not access CRA. In his view, CRA, as structured, was not sufficiently responsive to variations in household income and movements in market rents in particular, which meant that

33 Australians for Affordable Housing, *Easing Housing Stress Budget Statement 2012–13*, p. 6, http://housingstressed.org.au/wp-content/uploads/2012/02/AAH_12_Memo_Federal-Budget-Statement-final_SD_060212.pdf (accessed 10 April 2015).

34 *Proof Committee Hansard*, 9 September 2014, p. 36.

35 *Submission 82*, p. 5.

36 *Proof Committee Hansard*, 10 September 2014, p. 10.

37 *Proof Committee Hansard*, 10 November 2014, p. 31.

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

39 *Proof Committee Hansard*, 10 November 2014, p. 20.

40 *Proof Committee Hansard*, 28 July 2014, p. 30.

41 *Proof Committee Hansard*, 28 July 2014, p. 30.

some households received assistance exceeding the need to make rent payments while others remained in rental stress even after receiving CRA payments.⁴² Dr Kazakevitch, Associate Professor Frost and Mr Borrowman supported the proposal to extend the rental assistance programs to reduce the incidence of rental stress and the effect of moving house.⁴³

Proposal for public housing eligibility for CRA

22.26 Mr Langford referred to the Commission of Audit's reasoning that, if the CRA were made available to those in public housing, there would be some preconditions on that. For example, the Commission of Audit foreshadowed the possible removal of some of NRAS funding.⁴⁴ Professor Winter also referred to one of the policy ideas canvassed by the Commission of Audit and the welfare reform review regarding making CRA available to public tenants with the Commonwealth moving out of the capital subsidy space. The Commonwealth would then assume the role of simply providing CRA. Professor Winter argued, however, that if the government wanted to grow the housing association sector then that decision would be counter to that objective. He stated further:

That financial discrepancy of public tenants not having access to Commonwealth rent assistance at this point in time is one of the reasons why state governments are looking to do stock transfers to the not-for-profit sector. If you do want to grow the housing association sector and you want to see stock transfer from the public housing sector to the housing association sector, I would keep the distinction between who gets CRA and who does not.⁴⁵

22.27 Professor Winter contended that if the housing associations were deemed to have a role in providing both affordable rental and shared equity home ownership then they needed support to grow. He observed:

One of the things that underpins their growth at the moment is that public housing agencies are transferring their assets slowly across to the housing association sector. One of the reasons they do that is there is not enough money coming into the public housing agencies. There are not enough subsidy streams coming in.⁴⁶

22.28 According to Professor Winter, if CRA were available to the public sector, the subsidy streams coming into the public housing agencies would be increased, which would slow down the stock transfer process.⁴⁷

42 *Proof Committee Hansard*, 10 September 2014, p. 43.

43 *Submission 23*, pp. 2–3.

44 *Proof Committee Hansard*, 28 July 2014, p. 33.

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

46 *Proof Committee Hansard*, 9 September 2014, pp. 23–24.

47 *Proof Committee Hansard*, 9 September 2014, pp. 23–24.

Inflationary effects

22.29 Mr David Cant, Brisbane Housing Company, recognised the value of the CRA as a safety net. He also underlined the need to have measures to promote supply, noting that rent assistance on its own created more money chasing limited housing supply, which could drive up rents. In addition, he argued that rent assistance did not provide an incentive to an irresponsible landlord to improve standards, so it could be 'a subsidy to slum landlords'.⁴⁸

22.30 Ms Coleman suggested that simply putting some hundreds of millions of dollars into increasing rental assistance would just contribute to an upward pressure on prices, as had happened under the First Home Owners Scheme. According to Ms Coleman, when rent assistance is pushed up, state housing authorities automatically put the rent up by the amount of the increase so that they just absorb the net difference.⁴⁹ In her view, CRA would not necessarily lead to an increase in supply. She argued that consideration should be given to innovative approaches to using the economic levers the Commonwealth has 'to enhance the supply of housing rather than putting money into measures that would see more money chasing the limited amount of stock that is there at the moment'.⁵⁰

22.31 Mrs Julie Anne Morris, National Council of Women of Australia, supported this contention that landlords absorb increased rent assistance, suggesting that they had no incentive to keep rents down while the Commonwealth would top it up and keep it rising.⁵¹ While Mr Yates acknowledged the suggestions that CRA drove up rents because it puts more money into the system, he noted that it was clear that the most vulnerable group of pensioners in housing were those in the private rental market, who benefited directly from CRA. He also submitted that in the community housing space, CRA helped to increase supply because it made community houses more viable. Nonetheless, he drew attention to the fact that CRA had 'not in a large quantum increased for quite some time...'⁵²

22.32 Mr Pisarski noted proposals to raise the CRA because of its inadequacy in meeting the needs of low income earners in the rental market. He also recognised the potential for CRA to drive up rents, noting that if CRA were increased without a corresponding supply-side strategy, then that would exert inflationary pressure overall.⁵³ He explained further:

48 *Proof Committee Hansard*, 10 September 2014, p. 61.

49 *Proof Committee Hansard*, 30 July 2014, p. 59.

50 *Proof Committee Hansard*, 30 July 2014, p. 56.

51 *Proof Committee Hansard*, 30 July 2014, p. 59.

52 *Proof Committee Hansard*, 28 July 2014, p. 27.

53 *Proof Committee Hansard*, 10 September 2014, p. 35.

If we are only putting Commonwealth rent assistance on the table, without doing something on the supply side of that affordable housing equation, then we are arguably creating an inflationary impact. There is not a lot of documented evidence around that, but there is anecdotal stuff around it, and it makes a lot of sense.⁵⁴

22.33 Ms Phillips argued, however, that CRA recipients do not comprise a significant proportion of the overall rental market that would exert a significant inflationary effect across the market.⁵⁵ Even so, she agreed that there may be some sub markets with a higher concentration of CRA recipients where there may be some effect. Although she conceded that a rise in CRA was an 'imperfect proposal', she argued that in the absence of supply flowing into the system at the required rate, the proposal to increase CRA was the best measure to alleviate very difficult circumstances.⁵⁶ Others also regarded CRA as an imperfect solution—a band aid—but in light of an intractable supply problem they accepted that it was vital in assisting people to meet the basic cost of living.⁵⁷ According to Mr Schrapel the suggestion that CRA ratchets up prices and the extent to which it did so derived more from anecdotal evidence rather than any hard and fast data. He also considered the supply side of affordable housing and informed the committee that:

Our gut feeling is that if you just increase CRA as the only lever that you are using to try to support low-income households that are in housing distress then in the short term that is likely to inflate some of the rents and allow some landlords to put prices up. So there would need to be some controls over that.⁵⁸

22.34 Consistent with many other witnesses, he indicated that there needed to be a corresponding focus on supply.⁵⁹ In other words, if supply remained constant, while the amount that people could pay in rent increased, then rents would go up.

22.35 Mr Schrapel did wonder, however, how much of that reduction of 20,000+ public housing properties could have been saved in South Australia if public housing tenants had qualified for rent assistance in the same way that private renters were eligible.⁶⁰ He noted that effectively CRA goes into the pockets of those who rent in the private sector.⁶¹ In his view, there was a need to re-look at the Commonwealth rental assistance program and how it was targeted. He conceded there was a problem

54 *Proof Committee Hansard*, 10 September 2014, p. 35.

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

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

57 See for example, *Proof Committee Hansard*, 10 November 2014, p. 30.

58 *Proof Committee Hansard*, 28 July 2014, p. 33.

59 *Proof Committee Hansard*, 28 July 2014, p. 33.

60 For Mr Schrapel's reference to the 20,000 public houses see paragraph 14.10.

61 *Proof Committee Hansard*, 28 July 2014, p. 33.

in simply increasing CRA, in terms of it becoming a price stimulant and inflating rentals. Nonetheless, he acknowledged, that when people were paying such high rents and not having disposable income to meet their other needs something needed to be done to recalibrate CRA.⁶²

22.36 In respect of the proposal to make CRA available to the public housing sector, Mr Searle, Department of Housing, WA, reminded the committee that CRA was income support and that it did nothing for supply. He explained that the dollars Western Australia received from the Commonwealth were about capital supply—\$150 million through NAHA. He explained that, if CRA were to be applied to public housing tenancies, Western Australia would gain between \$80 to \$90 million but lose \$150 million if the Commonwealth withdrew financial assistance to the state through the NAHA—a cut of \$60 to \$70 million. The loss would vary from state to state.⁶³

Other forms of rental assistance

22.37 There are other forms of rental assistance. For example, the Western Australian Government offers no interest bond loans to help people access the private rental market.⁶⁴ Dr Wendy Stone noted that government cash payments were a means of providing households with rent assistance. In her view, these payments, while necessary, were not sufficient to enable tenants to manage the structural conditions in which they were living and the problems they created. From Dr Stone's perspective, in addition to private rental assistance in the form of, for example, bond assistance, there was the need to acknowledge critical reforms in other areas. She argued:

...if we only address household needs in the form of rent assistance and private rent assistance without structural reform in tax and other systems 'we just keep slapping on bandaids to a problem and we are not addressing the root cause'.⁶⁵

Income stream for community housing providers

22.38 Dr Burgmann explained that in the private rental market, the tenant retains the CRA but in community housing the full amount of CRA that a tenant is entitled to is transferred to the community housing provider. The provider could then use this money for additional housing or for services.⁶⁶ Thus, the CRA not only assists low income-earning renters by easing the burden of paying high rents but is also an important source of revenue for community housing providers. Ms Croce informed the committee that CRA comprises about one-third of most providers' rental income and is often used for repairs and maintenance and for improving services for tenants. She

62 *Proof Committee Hansard*, 28 July 2014, p. 30.

63 *Proof Committee Hansard*, 11 November 2014, pp. 9–10.

64 *Proof Committee Hansard*, 11 November 2014, p. 6.

65 *Proof Committee Hansard*, 9 September 2014, pp. 11–12.

66 *Proof Committee Hansard*, 10 November 2014, p. 16.

indicated that CRA assists larger providers to grow their portfolios by using it to leverage for private financing so they can build more dwellings.⁶⁷

22.39 Mr Flynn also explained that access to CRA was key to the rental viability of community housing providers and enabled them to contribute to the supply side response by ensuring a sustainable community housing sector. He indicated that an increase in CRA would have a positive effect on the ability of community housing providers to attract finance to build more properties: that CRA was an important part of the viability of community housing providers.⁶⁸

Certainty

22.40 The committee has referred to the importance of policy certainty in the housing and homelessness sector, which also applies to rental assistance. Ms Croce spoke of the sector's need to be confident that CRA was going to continue to be available to community housing providers.⁶⁹

Conclusion

22.41 Unequivocally, evidence confirmed the fact that low-income earners need rental assistance to access affordable and appropriate housing and that they were becoming increasingly reliant on this assistance. Moreover, a number of comprehensive reviews have recognised that for some period of time the rate of CRA has continued to slip behind the rate of rent increase. Indeed, as far back as 2009, the call for an increase in CRA was clear and definite. Evidence presented to this inquiry highlighted this growing gap.

22.42 Evidence also supported the grounds for a change in the way the CRA is indexed and favoured tying increases in CRA to the CPI for rents. In addition, a number of witnesses drew attention to the fact that CRA could be better targeted to take account of the rental burden borne by people living in areas or regions experiencing very high rents or low-income earners in rental stress but ineligible for assistance.

22.43 The committee was not convinced, however, of the merit of the proposal by the Commission of Audit to redirect funding from NAHA and NRAS to enable a broadening of the eligibility for CRA to public housing tenants. In this regard, the committee notes the concerns of the Western Australian government that a shift in funding to CRA and away from NAHA and NRAS could result in a loss of \$60 to \$70 million in Commonwealth funding to that state. Clearly any shift of funding needs to ensure that the overall funds allocated to the states for affordable housing increases

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

68 *Proof Committee Hansard*, 10 November 2014, p. 31.

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

rather than decreases and that the effort is directed toward increasing the supply of affordable rental properties.

22.44 The committee also notes the concern that a rise in CRA could have an inflationary effect on rents if the supply of affordable rental properties remained constant. This situation of an inadequate supply of affordable housing is an area that requires immediate and definite government intervention, otherwise assistance such as CRA will serve simply as a band aid, albeit much needed, to a much deeper and serious shortfall in the rental market.

Recommendation 39

22.45 The committee recommends that the Australian Government:

- **review the eligibility criteria for CRA to ensure that it is targeted at those most in need;**
- **review the method of indexing CRA with a view to retaining its adequacy; and**
- **review the adequacy of CRA.**