

## Chapter 2

### Views on the bill

2.1 The proposals in the Treasury Laws Amendment (National Housing and Homelessness Agreement) Bill 2017 [Provisions] (the bill) seek to secure improved housing and homelessness outcomes by requiring states and territories to develop detailed housing and homelessness strategies, and to commit to improved data collection and reporting in exchange for significant Commonwealth funding.

2.2 Overall, evidence to the committee supported the intent of the bill to improve housing and homelessness outcomes, with many stakeholders endorsing the proposed improvements to accountability and transparency.

2.3 This chapter examines the evidence received in relation to the proposed framework. It first considers the roles and responsibilities of the Commonwealth and the states and territories and the conditions that must be satisfied under the new arrangements in order to receive Commonwealth payments for housing services. The chapter then focuses on the proposed commencement date for the new framework, the new mechanisms to measure performance and data collection, and the level of funding available for housing services.

#### **Need for a new national housing agreement**

2.4 The majority of evidence received by the committee in relation to this inquiry supported the recommendations that were made by the Economics References Committee in its report on the inquiry into affordable housing. In particular, submitters endorsed the proposed reforms to improve accountability and transparency, and to improve way that the Commonwealth and states and territories fund and subsidise housing outcomes.

2.5 For example, Shelter NSW considered that under the current framework there is limited transparency about the use and actual outcomes of funding under the current National Affordable Housing Agreement (NAHA)—including the amount of financial contributions the states and territories are providing to support housing services.<sup>1</sup>

2.6 ACOSS also welcomed the development of a new National Housing and Homelessness Agreement (NHHA) with the stated objective of improving transparency and accountability in the way affordable housing funding is used.<sup>2</sup>

2.7 The Treasury and Department of Social Services outlined the need for a new NHHA, as the NAHA has not met three of its four performance benchmarks.<sup>3</sup> Indeed,

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1 Shelter NSW, *Submission 21*, p. 2.

2 ACOSS, *Submission 23*, p. 1.

3 The Treasury and Department of Social Services, *Submission 22*, p. 7.

noting the NAHA's failure to achieve all of its benchmarks, PowerHousing Australia<sup>4</sup> considered that the new NHHA presented a great opportunity to reform the funding arrangements for affordable housing and homelessness.<sup>5</sup>

2.8 National Affordable Housing Consortium was also in favour of significant reform in the way that the Commonwealth and states and territories fund and subsidise housing outcomes. It noted:

One of the shortcomings of the NAHA was that it set out very broad targets that were not realisable given the mismatch between the limited funding and industry-wide scope of the Agreement. These fabulous aspirations had the downside of setting NAHA up to fail.<sup>6</sup>

### **The role of the Commonwealth—a national strategic plan?**

2.9 Homelessness Australia considered that the new requirement for state and territories to develop housing and homelessness plans should be extended to the Commonwealth to develop a national strategic plan. It noted that the Commonwealth has policy responsibility for most of the critical drivers of Australia's housing affordability crisis. In Homelessness Australia's view, the explanatory memorandum 'shifts blame to the states and territories for outcomes that are primarily driven by federal policy drivers, including increasing homelessness, and housing stress in the rental market'.<sup>7</sup>

2.10 In a joint submission to the committee, the Governments of Victoria, NSW, Queensland, WA, Tasmania, ACT and NT (state and territory government joint submission), expressed the view that the bill will make the states and territories responsible for:

...responding to and financially supporting changes to Commonwealth levers, such as migration, taxation, welfare and the level of CRA [Commonwealth Rent Assistance], even though the States have no control over how these levers are used. This approach fails to acknowledge the Commonwealth's equal role in the functioning of the housing market and exacerbates vertical fiscal imbalances, further constraining States' ability to fund critical services.<sup>8</sup>

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4 PowerHousing Australia was formed in 2005 when leading Community Housing executives recognised the value of collaboration and information-sharing in addressing the emerging housing affordability crisis. PowerHousing Australia facilitates a national network of 30 Member Community Housing Providers and partners with 15 national/international brand developer, financial and sector affiliates.

5 PowerHousing Australia, *Submission 27*, p. 2.

6 National Affordable Housing Consortium, *Submission 14*, p. 3.

7 Homelessness Australia, *Submission 4*, p. 2.

8 Governments of Victoria, NSW, Queensland, WA, Tasmania, ACT and NT, *Submission 15*, p. 4.

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2.11 Shelter NSW also highlighted the need for greater shared responsibility between the Commonwealth, states and territories. It considered that the reason the NAHA had not achieved its stated outcomes was:

...such outcomes required the application of policy levers that were unrelated to the funding provided through the Agreement, the most important of which (most notably taxation) were Commonwealth responsibilities; and since almost no such policy action was taken to address housing affordability (and hence the underlying driver of homelessness), only one of the objectives has shown any improvement over the life of the Agreement.<sup>9</sup>

2.12 National Shelter considered that the new NHHA needs to include a national affordable housing strategy in order to effectively address housing affordability and avoid the problems encountered under the previous agreement with meeting outcomes.<sup>10</sup>

2.13 The Community Housing Industry Association also supported the need for an overarching national housing strategy and urged the Commonwealth Government to work with key stakeholders to develop a national housing strategy as a matter of urgency. It noted that 'without strong Commonwealth leadership, substantial improvement in housing affordability and homelessness outcomes under this new agreement are unlikely'.<sup>11</sup>

2.14 Dr Julie Lawson, Centre for Urban Research, RMIT University, stated:

Clear targets must stem from an overarching strategic plan developed through co-operation with stakeholders. Committed, responsible and appropriate leadership is required by the Commonwealth to affect change.<sup>12</sup>

2.15 Mr Jeff Fiedler, National Development Worker, Housing for the Aged Action Group Inc., supported the proposed requirement for states and territories to have housing and homelessness strategies. However, he noted that there is no requirement in the proposed bill for the Commonwealth to develop a comprehensive plan to improve housing outcomes for all Australians. He observed:

This is where a joint approach is required to ensure that the Commonwealth is as accountable for having a commitment and responsibility for housing and homelessness as are the states. We see this as the fundamental flaw in this bill.<sup>13</sup>

2.16 However, Mr Michael Brennan, Deputy Secretary of Fiscal Group, The Treasury, highlighted that the Commonwealth Government had laid out a broad,

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9 Shelter NSW, *Submission 21*, p. 2.

10 National Shelter, *Submission 5*, p. 2.

11 Community Housing Industry Association, *Submission 20*, p. 2.

12 Dr Julie Lawson, Centre for Urban Research, RMIT University, *Submission 1*, p. 7.

13 Mr Jeff Fiedler, National Development Worker, Housing for the Aged Action Group Inc., *Proof Committee Hansard*, 29 January 2018, p. 15.

multifaceted housing strategy in the 2017–18 Budget. Mr Brennan explained that the measures in the bill are only one element of this strategy, which also includes:

- tax changes in relation to the limiting of deductions for plant and equipment;
- the denial of deductions for travel expenses;
- the creation of the bond aggregator;
- the creation of the National Housing Infrastructure Facility;
- changes to the foreign ownership regime; and
- the superannuation changes to assist young first home buyers to save for a deposit.<sup>14</sup>

### **States and territories concerns about the new funding framework**

2.17 The state and territory government joint submission included a range of proposed amendments to the bill, noting that their first preference was that the bill be rejected, and a new amendment to the FFR Act be drafted which:

...repeals the national specific purpose payment for housing services and introduces a new national housing and homelessness payment. The new legislation should operate in a similar fashion to the national health reform payments and the only condition for receiving Commonwealth assistance should be that the financial assistance is spent on housing and/or homelessness services. Consistent with other national agreements, the detail of the partnership and commitments that both levels of government enter into under the agreement can be articulated in the new NHHA.<sup>15</sup>

2.18 In summary, the state and territory government joint submission did not agree with the proposed amendment to the FFR Act to change the way the Commonwealth provides financial support for the delivery of services by the states and territories. The state and territory government joint submission argues that the bill proposes 'a more prescriptive and burdensome funding regime as it imposes a number of conditions for states and territories to receive funding'. It argues that this proposal contradicts the IGA FFR which commits the Commonwealth to reducing its prescriptions on service delivery by states and territories and provides that national agreements will not include financial or other input controls imposed on service delivery by states and territories. The state and territory government joint submission considered that:

The inclusion of detailed pre-conditions for states and territories to receive Commonwealth funding proposed in Part 3B, section 15C are input controls in direct contradiction of section 21 of the IGA FFR, and will not

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14 Mr Michael Brennan, Deputy Secretary, Fiscal Group, The Treasury, *Proof Committee Hansard*, 29 January 2018, p. 54.

15 Governments of Victoria, NSW, Queensland, WA, Tasmania, ACT and NT, *Submission 15*, p. 5.

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necessarily support improved outcomes for people needing housing or homelessness services.<sup>16</sup>

2.19 The state and territory government joint submission also expressed concern that the inclusion of matched homelessness funding as a legislative requirement is inappropriate. Instead, they argue that in order to allow flexibility, funding arrangements should be included in the overarching NHHA. In this context, the states and territories expressed concern that the inclusion of a legislative requirement to match funding may set a precedent whereby the Commonwealth increasingly uses 'such legislative requirements in the future in an attempt to control how the States direct their funding'.<sup>17</sup>

2.20 In response to these concerns, the Treasury explained that while the bill represents the first time that matched funding has been legislated, it simply continues the current policy under the NPAH which had been in existence since 2009. Indeed, in evidence before the committee, the Treasury went on to highlight that by legislating the funding arrangements, the Commonwealth Government is providing greater certainty for frontline homelessness service providers.<sup>18</sup>

### **Proposed legislated conditions**

2.21 The state and territory government joint submission considered that the proposed legislated conditions to be placed on the states and territories were too prescriptive and lacked detail:

The highly prescriptive legislation proposed by this Bill would result in a lack of flexibility for the Commonwealth and the States to adapt to changing circumstances. While the Bill is prescriptive, there is simultaneously a lack of detail about the nature and content of the requirements provided for under the Bill, which provides the states with limited guidance on how they can meet the Commonwealth's expectations.<sup>19</sup>

2.22 Accordingly, the state and territory government joint submission maintained that the bill may limit the ability of the states and territories to be innovative in their service design and delivery; and may restrict jurisdictions in their ability to respond quickly to economic, demographic and social changes.<sup>20</sup>

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16 Governments of Victoria, NSW, Queensland, WA, Tasmania, ACT and NT, *Submission 15*, p. 5.

17 Governments of Victoria, NSW, Queensland, WA, Tasmania, ACT and NT, *Submission 15*, p. 5.

18 Mr Michael Brennan, Deputy Secretary, Fiscal Group, The Treasury, *Proof Committee Hansard*, 29 January 2018, p. 53.

19 Governments of Victoria, NSW, Queensland, WA, Tasmania, ACT and NT, *Submission 15*, p. 5.

20 Governments of Victoria, NSW, Queensland, WA, Tasmania, ACT and NT, *Submission 15*, p. 5.

2.23 Other submissions also called for more detail in the proposed legislation regarding the conditions to be met by the states and territories, arguing that a range of specific priority areas should be included—such as, including measures and funding to: support women and children escaping violence;<sup>21</sup> support housing security for the ageing population;<sup>22</sup> support for Indigenous populations both within cities and in rural and regional areas;<sup>23</sup> and to recognise NDIS participants as a priority cohort for housing in the NHHA.<sup>24</sup>

***Potential for funding uncertainty***

2.24 Much of the evidence received for the inquiry concerned the potential impact the new conditional funding arrangements would have on funding certainty and whether the new framework would allow the Commonwealth to potentially penalise states or territories that did not demonstrate they had complied with the legislated requirements.

2.25 For example, National Shelter was concerned that penalties or sanctions should not impact funding vital to social housing provision or the provision of homelessness services. Of particular concern was the potential to threaten funding withdrawal or reduction if a state or territory's plans were not determined to be 'credible'. It considered that in this area the bill was 'too vague to understand or be supported'.<sup>25</sup>

2.26 The state and territory government joint submission also queried the impact penalties or sanctions could have on front-line social housing and homelessness services:

...billions of dollars of support for the most vulnerable in our communities could be at risk each year if the Commonwealth rejects the content of a state's own housing or homelessness strategy, or deems information provided by a state as being not compliant with the legislation. This places critical social housing and homelessness services at risk, prevents effective forward planning by service providers and may have serious impacts on vulnerable Australians.

This approach is punitive and disproportionate and does not work toward the stated objectives of the NHHA of improving housing outcomes for vulnerable people. The States are committed to working with the Commonwealth toward improving outcomes, transparency, reporting and data collection, but must have funding certainty to progress any significant

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21 Australian Women Against Violence Alliance, *Submission 6*, and Domestic Violence Victoria, *Submission 10*.

22 Housing for the Aged Action Group Inc. *Submission 11*.

23 Mr Michael Lennon, Chair, Community Housing Industry Association, *Proof Committee Hansard*, 29 January 2018, p. 28.

24 Sumner Foundation. *Submission 16*.

25 National Shelter, *Submission 5*, p. 3.

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reforms. The States would support additional incentive funding from the Commonwealth for initiatives beyond the scope of the current agreement.<sup>26</sup>

2.27 Mr David Martine, Secretary, Victorian Department of Treasury and Finance, considered that the potential for funding to be withheld if the states and territories are not deemed to be fully compliant with the requirements of the Commonwealth in their housing and homelessness strategies 'creates enormous uncertainty for both state and territory governments and also for community providers as well'.<sup>27</sup>

2.28 Mr Martine considered that the potential for funding to be withheld by the Commonwealth far outweighed any benefits of the bill, such as indexed funding arrangements:

If the states and territories don't fully comply with the requirements of the Commonwealth in their housing and homelessness strategies, the funding could actually be withheld. That creates enormous uncertainty for both state and territory governments and also for community providers as well. While there might be some certainty that, if you do get funding, it will be indexed, that is far outweighed by the uncertainty created by the fact that at some point a Commonwealth bureaucracy or a Commonwealth government might take the view that a state and territory housing or homelessness strategy is not up to their requirements and then withhold funding. So the state and territory view is that there's more uncertainty in this bill than under current arrangements even though there is a bit more certainty around indexation.<sup>28</sup>

2.29 The Community Housing Industry Association (CHIA) raised the question of how funding would be reallocated where jurisdictions failed to meet the legislative requirements. It noted that the bill does not clearly set out what the consequences might be if the legislated conditions were not met, and whether this would have an impact on funding allocations.<sup>29</sup>

2.30 PowerHousing Australia argued that:

Greater certainty of terms need to be negotiated and clearly articulated to minimise the loss or delay of funding, the consequences of which could trickle down and jeopardise affordable housing and homelessness programs as well as the vulnerable Australians who rely on them.<sup>30</sup>

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26 Governments of Victoria, NSW, Queensland, WA, Tasmania, ACT and NT, *Submission 15*, p. 2.

27 Mr David Martine, Secretary, Department of Treasury and Finance, Victoria, *Proof Committee Hansard*, 29 January 2018, p. 3.

28 Mr David Martine, Secretary, Department of Treasury and Finance, Victoria, *Proof Committee Hansard*, 29 January 2018, p. 3.

29 Community Housing Industry Association, *Submission 20*, p. 5.

30 PowerHousing Australia, *Submission 27*, p. 2.

2.31 In relation to the potential for funding uncertainty and the risk of funding being withheld from the states and territories, Mr Michael Lennon, Chair, Community Housing Industry Association, observed:

It's hard to imagine, given that \$1.4 billion is available for funding, that states won't comply in the most basic forms...it would be a negative and unwanted outcome for us to be in a circumstance where state funding was being held back by a state. In our view, that could be addressed by being more precise about what we mean by a strategy, and the core elements of it...<sup>31</sup>

2.32 The Treasury considered that the bill seeks to strike a balance between achieving accountability and transparency, and a degree of funding certainty. Mr Brennan explained further:

What the bill and the design of the agreement is attempting to do is strike that balance appropriately by saying that the states will have obligations to have a strategy, that the strategy has to meet certain minimum benchmarks in order to be basically the sort of strategy that would give the Commonwealth the confidence to invest in state housing systems—so, a strategy on housing, a strategy on homelessness—that the states meet the matched funding requirements and sign up to the data or the information requirements. If they do so, if they meet those binary requirements, then effectively 100 per cent of the funding will flow. It is not as though the Commonwealth would then withhold funding for individual numeric performance indicators not being met. So it is difficult to see how that compromises the principle of funding certainty. I think there is a reasonable degree of funding certainty to the states and to the sector if they can achieve those basic requirements.<sup>32</sup>

### **Definition of 'credible housing strategy'**

2.33 Paragraph 1.17 of the explanatory memorandum to the bill provides:

Under the terms of the NHHA being negotiated with States to commence 1 July 2018, the Commonwealth intends that 100 per cent of NHHA funding to be distributed to States will be subject to a limited number of specific conditions set out in the FFR Act. The States will be required to demonstrate that they have met these conditions to receive funding. The conditions include:

- having a ***current, credible housing strategy*** in place;
- having a ***current, credible homelessness strategy*** in place; and
- providing housing and homelessness information to enable the development and implementation of more transparent and consistent

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31 Mr Michael Lennon, Chair, Community Housing Industry Association, *Proof Committee Hansard*, 29 January 2018, p. 28.

32 Mr Michael Brennan, Deputy Secretary, Fiscal Group, The Treasury, *Proof Committee Hansard*, 29 January 2018, p. 53.

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data collection and reporting across the housing spectrum.  
[emphasis added]<sup>33</sup>

2.34 The lack of clarity and the absence of a clear definition of the term 'credible' caused concern for some submitters.

2.35 The state and territory government joint submission expressed reservations about the way a 'credible housing strategy' would be assessed by the Commonwealth and the potential consequences if states and territories are unable to meet the Commonwealth's expectations. The state and territory government joint submission explained:

The Bill would permit the Commonwealth to reject the content of a state government's Cabinet-approved housing or homelessness strategy because it does not meet the Commonwealth's 'credible housing strategy' expectations, which are not defined and are open to interpretation by the Commonwealth.<sup>34</sup>

2.36 Other submitters, such as National Shelter, also went as far as to suggest that the bill be amended to clarify what defines a credible plan.<sup>35</sup>

2.37 The Treasury did not agree with the above assessment, and did not consider the use of the term 'credible' to describe housing and homelessness strategies to be problematic.<sup>36</sup> Mr Brennan explained that, in effect, the requirements of a state housing or homeless strategy are laid out in section 15C of the bill.<sup>37</sup> Section 15C outlines the requirements for housing and homelessness strategies as follows:

- (5) Financial assistance is payable to the State under this section for the financial year on condition that, at all times during the financial year, the State will:
  - (a) have a housing strategy for the State that:
    - (i) indicates the level of housing supply needed to respond to projected housing demand, and outlines the reforms and initiatives that will be implemented to meet this need; and
    - (ii) includes such other matters (if any) as are specified in the primary housing agreement or the supplementary housing agreement; and
  - (b) make the housing strategy available on a publicly accessible website.

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33 Explanatory Memorandum, paragraph 1.17, p. 7.

34 Governments of Victoria, NSW, Queensland, WA, Tasmania, ACT and NT, *Submission 15*, p. 3.

35 National Shelter, *Submission 5*, p. 2.

36 Mr Michael Brennan, Deputy Secretary, Fiscal Group, The Treasury, *Proof Committee Hansard*, 29 January 2018, p. 54.

37 Mr Michael Brennan, Deputy Secretary, Fiscal Group, The Treasury, *Proof Committee Hansard*, 29 January 2018, p. 53.

- (6) Financial assistance is payable to the State under this section for the financial year on condition that, at all times during the financial 25 year, the State will:
- (a) have a homelessness strategy for the State that:
    - (i) addresses the priority homelessness cohorts identified in the primary housing agreement; and
    - (ii) includes reforms or initiatives that contribute to a reduction in the incidence of homelessness; and
    - (iii) includes such other matters (if any) as are specified in the primary housing agreement or the supplementary housing agreement; and
  - (b) make the homelessness strategy available on a publicly accessible website.

2.38 Mr Brennan noted that further details or requirements could be laid out in the NHHA.<sup>38</sup> Mr Brennan also noted that the final agreement will be a negotiated outcome, and, as such, the Commonwealth would not be in a position to impose unilateral requirements on the states and territories.<sup>39</sup>

2.39 Further, the Treasury and Department of Social Services' submission explains clearly that it is not the Commonwealth's intention to assess the states and territories' housing and homeless strategies. The submission states that the Commonwealth will not assess:

- the form or content of a State's housing or homelessness strategies;
- the validity or robustness of supply and demand projections in a State's housing strategy or supplementary housing agreement (bilateral schedule)—and funding will not be conditional on whether projected supply is met; or
- the validity or robustness of reforms or initiatives in homelessness strategies—and funding will not be conditional on the nature or delivery of these reforms and initiatives.<sup>40</sup>

### **Commencement date**

2.40 The commencement date of the new funding arrangements proposed in the bill is 1 July 2018. The Treasury and Department of Social Services explained that the proposed amendments to the FFR Act contained in the bill are necessary to give effect to the new NHHA by establishing the framework for the conditions on which funding

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38 Mr Michael Brennan, Deputy Secretary, Fiscal Group, The Treasury, *Proof Committee Hansard*, 29 January 2018, p. 53.

39 Mr Michael Brennan, Deputy Secretary, Fiscal Group, The Treasury, *Proof Committee Hansard*, 29 January 2018, p. 64.

40 The Treasury and Department of Social Services, *Submission 22*, p. 13.

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is payable to the states and territories, and to provide certainty to States and homelessness service providers around funding post 1 July 2018.<sup>41</sup>

2.41 Funding under the new framework will be conditional on states and territories having both a primary and a secondary agreement in place. The NHHA, which is still being negotiated, will be a primary housing agreement under the new framework. Many submitters raised concerns about what would happen to funding for housing and homelessness services if states and territories were unable to meet the new conditions for payments if the primary and secondary housing agreements are not agreed by the commencement date of 1 July 2018.

2.42 Homelessness Australia recommended that the transitional arrangements in the bill be amended to extend the NAHA and NPAH if the new agreement was not completed by 30 June 2018.<sup>42</sup>

2.43 National Shelter highlighted the risk of rushing and forcing housing agreements by the commencement date of 1 July 2018, emphasising that such a move could be counterproductive to the development of reasonable and balanced housing plans. It recommended the commencement date should be delayed to December 2018 to ensure all jurisdictions are able to meet the deadline.<sup>43</sup>

2.44 Similarly, the Aboriginal Family Violence Prevention & Legal Service Victoria supported extending NPAH funding and transitional arrangements to 31 December 2018. It maintained that this would ensure sufficient time for Commonwealth, state and territory governments to reach a 'well-considered agreement with genuine capacity to improve housing outcomes and the transparency, accountability and effectiveness of housing and homelessness funding'.<sup>44</sup>

2.45 With respect to the NHHA, the Treasury informed the committee that there is no reason why an agreement will not be reached by 1 July 2018 and that the states and territories can have confidence that Commonwealth funding for housing and homelessness services will continue to flow.<sup>45</sup>

2.46 The Victoria Government advised the committee that it was working with the Commonwealth and other states and territories to reach agreement before 1 July 2018. However, it indicated that it would support an extension to the existing funding arrangements if a suitable agreement cannot be reached in this timeframe in order to provide funding certainty to service providers and ensure continuity of services.<sup>46</sup>

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41 The Treasury and Department of Social Services, *Submission 22*, p. 10.

42 Homelessness Australia, *Submission 4*, p. 4.

43 National Shelter, *Submission 5*, p. 5.

44 Aboriginal Family Violence Prevention & Legal Service Victoria, *Submission 26*, p. 5.

45 Mr Michael Brennan, Deputy Secretary, Fiscal Group, The Treasury, *Proof Committee Hansard*, 29 January 2018, p. 64.

46 Victorian Government, Answers to written questions taken on notice (received 1 February 2018), p. 1.

## Mechanisms to measure performance

### *National Housing Supply Council*

2.47 A number of submitters highlighted the need to have a mechanism in place to measure performance under the new NHHA and some proposed re-establishing the National Housing Supply Council (the Council). The Council was established by the Australian Government in May 2008 to monitor housing demand, supply and affordability in Australia, and to highlight current and potential gaps between housing supply and demand. The Council was abolished on 8 November 2013.<sup>47</sup>

2.48 The Property Council of Australia considered that the re-establishment of the Council would enable the measurement of the performance of the states and territories to fulfil their requirements and deliver better outcomes.<sup>48</sup>

2.49 The Tasmanian Council of Social Services submitted that an independent body should be established to monitor and assess performance under the new agreement. It explained:

This body would fulfil the functions of the now defunct National Housing Supply Council, although it should have more authority than that body did to collect, analyse, publish and assess progress on delivering national and state housing plans. If adequately resourced and empowered it could help to ensure that states are meeting their targets and thus eliminate the need for financial penalties.<sup>49</sup>

2.50 Mr Adrian Pisarski, Executive Officer, National Shelter submitted that there needs to be a properly funded and properly staffed National Housing Supply Council to provide the robust data needed to fully understand the extent of the housing and homelessness problem. He stated:

...a National Housing Supply Council is critically important to providing that robust evidence base and data that we really need to make assessments about what the level of housing supply and affordable housing supply ought to be, and then at least have a basis on how you apportion the responsibility for meeting that.<sup>50</sup>

2.51 Mr Michael Myers, Managing Director, National Affordable Housing Consortium, recalled that all sides of politics and industry were supportive of the establishment of the National Housing Supply Council:

The reason for that, to be really blunt about it, was that the aim was to take the politics out of the figures. The aim was to provide a clear evidence base

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47 The Treasury, 'The National Housing Supply Council', <https://treasury.gov.au/programs-initiatives-consumers-community/the-national-housing-supply-council/> (accessed 23 January 2018).

48 Property Council of Australia, *Submission 2*, p. 2.

49 Tasmanian Council of Social Services, *Submission 25*, p. 3.

50 Mr Adrian Pisarski, Executive Officer, National Shelter, *Proof Committee Hansard*, 29 January 2018, p. 42.

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where we could make a judgment about policy. Policy is all about judgment, but the facts are the facts. Are things getting worse? Do we need more affordable housing? You can then make a policy judgment and a finance judgment about what the role of people is in doing it.<sup>51</sup>

### ***National Competition Council***

2.52 CHIA also expressed concern regarding the announcement in the 2017–18 Mid-Year Economic and Fiscal Outlook (MYEFO) that the funding that had been announced in the 2017–18 Budget for the National Competition Council to monitor performance under the agreement would no longer be progressed. CHIA considered that this decision will undermine the accountability to which this legislation aspires.<sup>52</sup>

2.53 However, the MYEFO made it clear that the Treasury would assist with the implementation and ongoing assessment of performance under the NHHA, from within existing resources.<sup>53</sup>

### ***Data collection requirements***

2.54 The Treasury and Department of Social Services advised that the Commonwealth intends to require states and territories to provide information about housing, homelessness and housing affordability matters under the terms of a primary housing agreement or a supplementary housing agreement. They suggest that these terms could be specified in a data schedule to the primary housing agreement or supplementary housing agreements; and could include, for example, details of:

- the data that is to be provided, including information relating to performance indicators and benchmarks that may be used to monitor and report on sector-wide performance through an annual performance dashboard;
- jurisdiction-specific performance against the outputs of the agreement;
- the evidence that enables a review of the agreement and future development of housing, homelessness and/or housing affordability policies;
- the evidence of government expenditure on housing and homelessness, including for the purposes of matched homelessness funding; and
- the manner in which data is to be provided, including format and timing.<sup>54</sup>

2.55 The Treasury and Department of Social Services also noted, that consistent with current practice, it is proposed that the primary and supplementary housing

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51 Mr Michael Myers, Managing Director, National Affordable Housing Consortium, *Proof Committee Hansard*, 29 January 2018, p. 50.

52 Community Housing Industry Association, *Submission 20*, p. 4.

53 Commonwealth of Australia, *Mid-Year Economic and Fiscal Outlook 2017–18*, December 2017, p. 186.

54 The Treasury and Department of Social Services, *Submission 22*, p. 13.

agreements and all reports produced by the Commonwealth and states and territories (as set out in the agreements) would be made publically available.<sup>55</sup>

2.56 The state and territory government joint submission expressed concern that the bill may leave states and territories open to onerous data requests from the Commonwealth Minister in relation to housing, homelessness or housing affordability. They stated:

The States are very supportive of improved transparency, reporting and data collection and willing to work with the Commonwealth to make these improvements. However, this should not come at the expense of funding certainty, which is a significantly disproportionate risk, nor should the Bill allow for unconstrained data requests that increase overheads in administering the NHHA. Any increases in administrative burden will also come at the expense of housing and homelessness service provision.<sup>56</sup>

2.57 ACOSS welcomed the requirement that state and territory governments provide relevant information. However, it did not consider that it was clear how the data will be improved to enhance accountability. ACOSS proposed an expert group be established to develop a new set of indicators and nationally consistent data definitions and standards.<sup>57</sup>

2.58 Shelter Tasmania expressed the view that reporting requirements under the NHHA should include Commonwealth spending as well as state and territory spending. It suggested this would provide:

A more complete picture, and greater accountability for spending, on the housing system would be gained by reporting of national investments in Commonwealth Rent Assistance and tax subsidies for negative gearing and capital gains tax discounts (including performance against affordability indicators for the latter).<sup>58</sup>

2.59 The Treasury advised that the Commonwealth had been working closely with the states and territories to improve data consistency and transparency under the new arrangements. Mr Brennan informed the committee that the multilateral agreement, the new NHHA, would provide further guidance and detail on the new information requirements. Mr Brennan also made it clear that the process of refining the new data requirements would likely continue after the new NHHA had been negotiated.<sup>59</sup>

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55 The Treasury and Department of Social Services, *Submission 22*, p. 13.

56 Governments of Victoria, NSW, Queensland, WA, Tasmania, ACT and NT, *Submission 15*, p. 2.

57 ACOSS, *Submission 23*, p. 8.

58 Shelter Tasmania, *Submission 13*, p. 4.

59 Mr Michael Brennan, Deputy Secretary, Fiscal Group, The Treasury, *Proof Committee Hansard*, 29 January 2018, p. 55.

## Adequacy of funding levels for housing services

2.60 Many submissions reflected on the current funding levels for housing services and whether they are sufficient to improve housing affordability.

2.61 For example, Shelter NSW suggested that the inadequate level of funding in the system for housing and homelessness is the 'most important limitation on any Agreement whose objective is to improve housing affordability or the more limited task of improving responses and services for low income households in housing stress'.<sup>60</sup> In particular, in order to reduce homelessness, Shelter NSW argued that there needs to be funding to improve the service system and to increase access to social and affordable housing for vulnerable households.<sup>61</sup> With respect to funding under the new framework, Shelter NSW noted that:

...a substantial part of the funding under the NSPP funded part of the operating deficits of state public housing operations. That means that these funds cannot be directed to improving housing affordability as proposed by the NAHA objectives, but rather, are required to help prevent further loss of social housing.<sup>62</sup>

2.62 Homelessness Australia also argued that the Commonwealth should commit to additional funding for social housing:

In 2017, 195,000 Australian households are on social housing wait lists. For many, the wait is indefinite. Each year, 288,000 Australians came to homelessness services for assistance, and that number is only expected to grow. Australia is in the midst of a housing and homelessness crisis.

Yet the Federal Government has failed to deliver any new funding to support the increased number of people experiencing homelessness every day. Over 66,000 people were turned away from a homelessness service last year without receiving any support. Meanwhile there is a shortfall of 458,000 affordable homes across Australia.<sup>63</sup>

2.63 Ms Jenny Smith, Chair, Homelessness Australia, said that while the collaborative process that appeared to be proceeding between the Commonwealth and the states and territories was encouraging,<sup>64</sup> adequate funding was critical to deliver effective housing and homelessness plans, noting that for decades there has been 'inadequate funding to achieve the growth in social housing and support that has been required'.<sup>65</sup>

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60 Shelter NSW, *Submission 21*, p. 6.

61 Shelter NSW, *Submission 21*, p. 6.

62 Shelter NSW, *Submission 21*, p. 2.

63 Homelessness Australia, *Submission 4*, p. 2.

64 Ms Jenny Smith, Chair, Homelessness Australia, *Proof Committee Hansard*, 29 January 2018, p. 24.

65 Ms Jenny Smith, Chair, Homelessness Australia, *Proof Committee Hansard*, 29 January 2018, p. 20.

2.64 The St Vincent de Paul Society National Council Australia considered that, without a significant boost to funding for social housing, the new NHHA would not be effective:

Without significant investment from the Commonwealth, the NHHA will ultimately fail to deliver the objectives stated in the Bill. To support this investment, we believe funding should support a capital or growth fund dedicated to the development of new housing stock for people on low incomes, as well as funding for the maintenance of existing social housing stock.<sup>66</sup>

2.65 Associate Professor Lisa Wood expressed concern that the small increase through indexing and recurrent funding would not meet the demands for social housing, homelessness and domestic violence services. Professor Wood considered that 'a new agreement without substantial additional funding for a problem that is now far bigger than ever before is, at best, tinkering at the edges of the problem and, at worst, setting it up to fail'.<sup>67</sup> She explained that there has been an accumulation of compelling international and Australian evidence over the last decade demonstrating 'that increasing the spending on social housing and ending homelessness is, in fact, a cost-saving measure for government, to reduce the burden in other costly sectors such as health and justice'.<sup>68</sup>

### ***Indexation***

2.66 The Treasury and Department of Social Services' submission advised that from 2019–20, the Commonwealth's financial contribution will be the 2018–19 base indexed annually by Wage Cost Index 1.<sup>69</sup>

2.67 Submitters, such as CHIA and the St Vincent de Paul Society National Council Australia, questioned the appropriateness of the Wage Cost Index 1 formula, arguing that it does not factor in relevant drivers of housing demand, such as population growth.<sup>70</sup>

2.68 CHIA observed that the bill does not contain specific details on the method by which payments under the NHHA will be indexed. As such, CHIA proposed that:

...the legislation set out the indexation method to be applied, specifically that it reflects five-year trend growth in the number of households for the

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66 St Vincent de Paul Society National Council Australia, *Submission 14*, p. 14.

67 Associate Professor Lisa Wood, personal capacity, *Proof Committee Hansard*, 29 January 2018, p. 33.

68 Associate Professor Lisa Wood, personal capacity, *Proof Committee Hansard*, 29 January 2018, p. 33.

69 The Treasury and Department of Social Services, *Submission 22*, p. 14.

70 Community Housing Industry Association, *Submission 20*, p. 5 and St Vincent de Paul Society National Council Australia, *Submission 14*, p. 14.

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housing component of the agreement and trend-growth in population for the homelessness service component.<sup>71</sup>

2.69 However, the Treasury drew the committee's attention to the fact that the bill ensures for the first time, 'that the funding allocated to homelessness services will be ongoing and indexed'. Mr Brennan explained that:

Over the next three years this equates to total funding of around \$4.6 billion, including \$375.3 million of funding for homelessness...<sup>72</sup>

***Expanded scope of the new housing agreement***

2.70 The state and territory government joint submission noted the bill outlines that the new NHHA will have a broader scope than previous housing agreements and will now include housing affordability in the broader residential property market. They noted that the Commonwealth has not committed to any additional funding to address issues beyond the scope of social housing and homelessness supports that are currently funded under the NAHA and NPAH. In addition they considered that the bill:

...creates the risk that funding for critical services for the most vulnerable will be diverted to a range of other areas that impact the supply and cost of housing (for example, planning and zoning reforms, assistance to people in the private rental market and home ownership).<sup>73</sup>

2.71 The Treasury and Department of Social Services explained that the states and territories had raised these concerns during negotiations; however, in the Commonwealth's view, 'a greater emphasis on increasing housing supply (including through planning and zoning reform) is the best way to improve outcomes across the housing spectrum'.<sup>74</sup>

2.72 Homelessness Australia also raised concerns about broadening the scope of the NHHA without providing additional funding, and the risk that this may result in redirecting resources away from the most vulnerable households. In its view, the bill should be amended to:

...require that each state and territory and the Federal Government should have housing plans that indicate the level of housing supply needed to respond to housing demand, and that outlines the reforms and initiatives that will be implemented to meet this need giving priority to addressing homelessness and meeting the needs of people on low incomes.<sup>75</sup>

2.73 Similarly, Shelter Tasmania expressed the strong view that there needs to be additional funding from the Commonwealth to support the broadening of outcomes

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71 Community Housing Industry Association, Submission 20, p. 5.

72 Mr Michael Brennan, Deputy Secretary, Fiscal Group, The Treasury, *Proof Committee Hansard*, 29 January 2018, p. 55.

73 The Treasury and Department of Social Services, *Submission 22*, p. 10.

74 The Treasury and Department of Social Services, *Submission 22*, p. 4.

75 Homelessness Australia, *Submission 4*, p. 4.

(such as for affordable housing) under the NHHA. It raised concerns that otherwise there was a risk already inadequate funding for the social housing system could be eroded.<sup>76</sup>

2.74 The Treasury informed the committee that the scope of the current NAHA is very similar to the new NHHA, in that both are intended to span the entirety of the housing spectrum.<sup>77</sup> As such, the Treasury explained that there is effectively no change to the overall scope of the new bill and the new agreement compared to previous agreements.<sup>78</sup> The Treasury pointed out that:

The aspirational objective of the NAHA is that all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation (clause 6). The NAHA's outcomes include that people can purchase affordable housing and people have access to housing through an efficient and responsive housing market (clause 7, paragraphs (c) and (d)).<sup>79</sup>

### ***Funding for remote housing***

2.75 The Queensland government raised concerns that the 2017–18 MYEFO did not include funding for remote housing beyond the expiry of the National Partnership on Remote Housing (NPRH) on 30 June 2018.<sup>80</sup> The NPRH replaced the National Partnership on Remote Indigenous Housing (NPARIH) in 2016. The NPRH is an agreement between the Commonwealth, Northern Territory, Queensland, South Australia and Western Australia Governments.<sup>81</sup>

2.76 The Queensland Government informed the committee that on 22 December 2017 it had been advised that the Commonwealth did not intend to extend the remote housing agreement beyond its expiry date, effectively shifting full responsibility for Indigenous housing to the states and territories.<sup>82</sup> The Queensland Government advised:

The removal of Commonwealth funding [for remote housing] will increase pressure on Queensland to reprioritise already stretched resources, and will likely result in reduced levels of service delivery to a highly disadvantaged

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76 Shelter Tasmania, *Submission 13*, p. 3.

77 The Treasury, Answers to written questions on notice, received 1 February 2018, p. 1.

78 Mr Michael Brennan, Deputy Secretary, Fiscal Group, The Treasury, *Proof Committee Hansard*, 29 January 2018, p. 53.

79 The Treasury, Answers to written questions on notice, received 1 February 2018, p. 1.

80 Queensland Government: Tabled by the Committee Chair at a public hearing in Melbourne on 29 January 2018, p. 1.

81 Department of Prime Minister and Cabinet, 'National Partnership on Remote Housing', <https://www.pmc.gov.au/indigenous-affairs/housing/national-partnership-agreements> (accessed 1 February 2018).

82 Queensland Government: Tabled by the Committee Chair at a public hearing in Melbourne on 29 January 2018, p. 1.

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population, in remote locations where that disadvantage is felt most sharply.<sup>83</sup>

2.77 Mr Adrian Warner, Director of Intergovernmental Outcomes, Department of Communities, Western Australia, also expressed concern that the Commonwealth may be considering including remote housing within the scope of the bill and the new NHHA:

To the extent that this bill contemplates funding to support Indigenous housing outcomes that are currently funded under another agreement, that would be a significant redirection of current funding away from social housing or maintaining the current social housing system in a highly disadvantaged area of remote community housing. So there would be significant impacts if the scope of this bill and the proposed agreement were contemplating funding for remote community housing unless funding were significantly increased from current levels.<sup>84</sup>

2.78 These concerns were echoed by other stakeholders. For example, the Local Government Association of Queensland brought to attention the absence of any funding allocation in MYEFO for remote indigenous housing and conveyed that the Commonwealth had not confirmed whether the NPRH would be continued or replaced.<sup>85</sup>

2.79 In response to these concerns, the Treasury advised the committee that there was no Commonwealth Government decision and no Commonwealth Government announcement about what will follow after 30 June 2018, when the NPRH is due to expire.<sup>86</sup> The Treasury also informed the committee that the Commonwealth is currently in discussions with relevant jurisdictions about future arrangements for remote Indigenous housing.<sup>87</sup>

### **Committee view**

2.80 The committee believes that housing is fundamental to the wellbeing of all Australians, and a driver of social and economic participation that promotes better employment, education and health outcomes. The committee acknowledges that despite Commonwealth spending of more than \$9 billion since 2009, the current arrangements for Commonwealth support to states and territories for housing and to

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83 QLD Government: Tabled by the Committee Chair at a public hearing in Melbourne on 29 January 2018, p. 2.

84 Mr Adrian Warner, Director of Intergovernmental Outcomes, Department of Communities, Western Australia, *Proof Committee Hansard*, 29 January 2018, p. 7.

85 Local Government Association of Queensland: Tabled by the Committee Deputy Chair at a public hearing in Melbourne on 29 January 2018, p. 1.

86 Mr Michael Brennan, Deputy Secretary, Fiscal Group, The Treasury, *Proof Committee Hansard*, 29 January 2018, p. 56.

87 The Treasury, Answers to questions taken on notice at a public hearing in Melbourne on 29 January 2018 (received 1 February 2018), p. 1.

address homelessness are not working to achieve the benchmarks under the current NAHA.

2.81 Evidence presented to the committee from the states and territories, and other stakeholders, established that there is a need for improved housing and homelessness outcomes. The committee recognises this need and is confident that the broad, multifaceted housing strategy outlined in the 2017–18 Budget, of which the measures in the bill are an element, will secure improved outcomes in a way that is achievable for states and territories.

2.82 The committee agrees with stakeholders that the funding of core social housing and homelessness services is critical to protecting vulnerable Australians. The committee considers that the proposed framework for a new national housing agreement between the Commonwealth, states and territories will ensure adequate ongoing funding for housing and homelessness services.

2.83 With respect to the new legislative requirement for matched funding, the committee notes that this has been a part of NPAH policy since 2009. Therefore, the committee considers that including this policy in legislation provides greater certainty for frontline homelessness service providers.

2.84 The committee notes the findings of the Senate Economics References Committee in its report on the inquiry into affordable housing, and in particular, the recommendation to improve accountability and transparency in respect of housing and homelessness outcomes. The committee considers that this bill acts on that recommendation by inserting requirements on jurisdictions to develop detailed housing and homelessness strategies and to commit to improved data collection and reporting in exchange for significant Commonwealth funding. In this context, the committee considers that the bill strikes a reasonable balance between achieving accountability and transparency, and a degree of funding certainty to the sector.

2.85 The committee acknowledges the concerns expressed about the details of the requirements for housing and homelessness strategies, data collection and reporting. However, the committee believes that these concerns will be addressed as part of the new NHHA negotiations.

2.86 The committee notes that the current the NPRH is due to expire on 30 June 2018 and that the Commonwealth is currently in discussions with relevant jurisdictions about future arrangements for remote Indigenous housing. The committee draws the government's attention to the concerns raised about this funding during the course of this inquiry.

**Recommendation 1**

2.87 **The committee recommends that the bill be passed.**

**Senator Jane Hume  
Chair**

