



PATHWAYS TO A FAIR AND SUSTAINABLE SOCIAL HOUSING SYSTEM

PUBLIC CONSULTATION DISCUSSION PAPER
APRIL 2012

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MINISTER'S FOREWORD

Victoria's public housing system is unsustainable¹, unfair and fails to meet the needs of the community, tenants and those in need².



In his March 2012 report on Access to Public Housing, the Auditor-General described the situation for public housing in Victoria as “critical³”. He also noted that the “long-term provision of this vital public service is at risk⁴”.

The Auditor-General attributed this to:

- A lack of an overarching direction for public housing.
- The absence of a strategic, comprehensive approach to managing its portfolio.
- An unviable operating model with costs increasingly exceeding revenues⁵.

The status quo is not an option.

Reform is required if public housing is to be sustained. The gap between rental revenue and operating costs (the structural deficit) is increasing and was over \$56 million in 2011⁶. This is estimated to continue to increase unless reform is undertaken. Critically, as the Auditor-General highlighted, this financial situation now presents a considerable threat to the provision of public housing in the future.

The public housing system is not only financially unsustainable, it is also inequitable and unfair to tenants and for those on waiting lists. Housing stock has not been well maintained, nor matched to need; there are long waiting lists and significant inequities between those allocated public housing and those who may be eligible but have not yet been allocated a dwelling.

The findings of the Victorian Auditor-General reflected those made by the Parliament of Victoria's Family and Community Development Committee in its Inquiry into the Adequacy and Future Directions of Public Housing in Victoria. It highlighted significant structural problems with the public housing system including:

- The then government's lack of an overarching strategic direction for public and community housing.
- Poor procedures for how people access public housing and how public housing is allocated.
- Challenges in financing maintenance and renewal of public housing.

1 Victorian Auditor General (2012) Access to Public Housing, Victorian Auditor General's Report, March 2012

2 Victorian Auditor General (2012) Access to Public Housing, Victorian Auditor General's Report, March 2012

3 Victorian Auditor General (2012) Access to Public Housing, Victorian Auditor General's Report, March 2012

Following the report of the Victorian Government's Parliamentary Inquiry into public housing, I announced that the Victorian Government would develop a strategic framework for public and community housing. The goal of the framework is to review the system with the objective of ensuring public and community housing is both sustainable and fair. It will build on the process of reform that began last year with the Victorian Homelessness Action Plan.

This framework aims to address the financial sustainability of public housing as well as explore the role of the government and the role of other sectors in the community (such as the not-for-profit sector). It will also consider policy settings that can help make the system more equitable and ways to encourage tenants to participate more fully in the economic and social life of their communities and seek pathways to independence.

As with any reform, however, development of a strategic framework for public and community housing will require the careful consideration of a number of complex issues. It is for this reason that two discussion papers have been released to consider the challenges in the social housing system as well as explore community and stakeholder views about how we can make the system more financially sustainable and more equitable in the future.

The first discussion paper Pathways to a Fair and Sustainable Social Housing System explores the current eligibility, access, tenure and rent policies in the sector and asks

for your input into how we can make the system fairer for tenants, the community and those in need in the context of current fiscal constraints.

KPMG was commissioned to produce a second paper Social Housing – Options to Improve the Supply of Quality Housing. This paper explores supply side mechanisms available to improve the availability of quality public and community housing in Victoria in a financially sustainable way. It explores the merits of various options and proposes considerations for a way forward.

We now seek your input, engagement and views to help reform the system, meet fundamental challenges and make the system more equitable and viable in the future.

A three month community consultation process will commence following the release of these discussion papers. Details about the consultation process can be found at www.dhs.vic.gov.au. I look forward to hearing the views, ideas and options of the community and key stakeholders.

I encourage you to participate in this discussion about public housing reform in Victoria.



The Hon Wendy Lovell MP
Minister for Housing

4 Victorian Auditor General (2012) Access to Public Housing, Victorian Auditor General's Report, March 2012

5 Victorian Auditor General (2012) Access to Public Housing, Victorian Auditor General's Report, March 2012

6 Victorian Auditor General (2012) Access to Public Housing, Victorian Auditor General's Report, March 2012

1. INTRODUCTION

Reform of Victoria's public housing system is long overdue. As the Victorian Auditor-General recently pointed out in a review of Access to Public Housing, "the situation for public housing is critical"⁷. To provide a safety net for vulnerable Victorians in the future, urgent government attention is required.

Currently, the public housing system is not working as well as it should. It is not financially sustainable, it is unfair for both tenants and the community, access to it is inequitable and as a result, it is not necessarily helping those in our community most in need.

Maintaining the status quo is not an option. This discussion paper explores some of the issues and challenges facing the public housing sector and outlines key questions to help clarify options for future reform. The thoughts, ideas and options provoked as a result of this discussion paper will underpin the development of a new framework for public and community housing. This framework will provide a long-term vision for the role of the government and other sectors in public and community housing.

The public housing system is not fair

The public housing system is currently not working – for the community, for tenants and for those most in need.

The current public housing stock is aged and in need of maintenance. The system is not well designed and does not match the needs of today's tenants, many of whom are elderly, single or those on a disability pension.

Current eligibility, allocation and rental policies also actively discourage some tenants who are able to work, from seeking access to employment and training and a pathway to independence. Eighty six per cent of tenants are reliant on Commonwealth Government income support as their primary source of income. While the vast majority of tenants do the right thing, are good tenants and good neighbours, there are cases of anti-social behaviour in some public housing estates which can often reflect high unemployment and disengagement from the broader community.

Current tenure and eligibility policies create few incentives for tenants to build their independence and transition out of public housing. This has increased the average length of tenure and consequently reduced opportunities for those in need to access public housing. While the level of support provided to a public housing tenant is substantial, by comparison, those with similar needs who are not living in public housing miss out.

Finally, the unsustainability of the current public housing system is unfair for many in the community – particularly for those who may need public housing as a safety net in the future.

This paper is intended to provoke discussion about potential responses to these key challenges.

The public housing system is not financially sustainable

There is a structural financial deficit in housing operations as a result of the growing gap between rental revenue and the costs of running the portfolio. As the Victorian Auditor-General observed, operating costs now “exceed revenue by 42 per cent⁸”.

This discussion paper outlines how Victoria’s public housing system has emerged. It looks at the role of public housing at different times in our history and explores why historical and demographic changes have impacted on the financial sustainability of the system.

In particular, it explores the changing role of public housing – from accommodating Victoria’s working families in new manufacturing hubs to increasingly providing support to the most vulnerable in society today. This changing purpose has reduced the capacity of the system to generate revenue – because more vulnerable tenants have lower incomes and therefore contribute less in rent. Reduced rental revenue has limited the ability to maintain existing stock. A deficit on this scale is ‘structural’ as it compounds year-on-year and seriously compromises the ongoing viability of the system. The structural deficit is expected to more than double, from \$56.4 million in 2011 to \$115.1 million in 2015⁹.

As a result of all of these factors, Victoria has an ageing stock of public housing that is inflexible, ill-suited to many tenants’ needs and increasingly costly to maintain.

8 Victorian Auditor-General (2012) Access to Public Housing, Victorian Auditor-General’s Report, March 2012

9 Victorian Auditor-General (2012) Access to Public Housing, Victorian Auditor-General’s Report, March 2012

2. THE ROLE OF GOVERNMENT IN SOCIAL HOUSING

Why does the government provide social housing?

Public housing is intended to provide a safety net for those Victorians unable to afford or access the private housing market at a particular time in their lives.

Victorians require public housing for a range of reasons – including as short-term assistance to address a temporary crisis, or as medium-term assistance to help them get back on their feet. Public housing can also be a longer term measure for some, including the aged and profoundly disabled and who may not be able transition into the private market.

The Victorian Government, through the Department of Human Services' (DHS) Housing and Community Building Division (Housing) provides public housing and services and support for Victorians unable to afford or access the private housing market. This is generally Victorians on low incomes. The Government also works in conjunction with not-for-profit and registered housing agencies to provide community housing. The Victorian Government owns and manages public housing and also subsidises the amount of rent a tenant pays for a public housing property.

Commonwealth Government income support is the primary source of income for around 86 per cent of Victoria's public housing tenants.

Types of housing provided by the State

'Social housing' includes both public and community housing. Table 1 provides a definition of the terms used in this report as well as the number of dwellings and tenants in each category.

Table 1: Definitions and number of dwellings and tenants

Type	Definition	Dwellings	Tenants
Public housing	Housing owned and managed by the State through the Director of Housing. The Director of Housing is the landlord to public housing tenants.	65,000 ¹⁰	127,000 ¹¹
Community housing	Housing managed by not-for-profit registered housing agencies and providers for affordable housing purposes.	14,000 ¹²	16,000 ¹³
Transitional housing	Transitional housing owned by the State and managed by the community sector	4,000 ¹⁴	N/A
Social housing	Social housing is the term used to describe both public and community housing (including transitional housing)	83,000¹⁵	Approx 143,000

10 As at June 2011, source: Victorian Auditor-General (2012) Access to Public Housing, Victorian Auditor-General's Report, March 2012, p. vii

11 As at June 2011, source: Victorian Auditor-General (2012) Access to Public Housing, Victorian Auditor-General's Report, March 2012, p. vii

12 As at 30 June 2011, source: Victorian Housing Registrar (2011) Housing Registrar Report 2010-11, p. 35

13 As at 30 June 2011, source: Victorian Housing Registrar (2011) Housing Registrar Report 2010-11, p. 36

14 Internal Department of Human Services data

15 Department of Human Services (2011) Annual Report 2010-11, p. 53

Legislation

Public housing in Victoria is governed and enshrined in the Housing Act 1983 (Vic) and the Residential Tenancies Act 1997 (Vic).

The Housing Act 1983 sets out the responsibilities and powers of the Minister for Housing and the Director of Housing. Amendments to this Act in 2005 included the introduction of a regulatory framework for non-profit rental housing agencies to provide low cost housing to low income tenants¹⁶. These amendments also established the Registrar of Housing Agencies to review and monitor the performance of housing agencies and the community sector as a whole.

The Residential Tenancies Act 1997 outlines the rights and duties of all landlords and tenants (in public, community and private rental). Under this Act, all tenants are expected to adhere to their duties in the law, including paying rent and adhering to expected behaviours (such as not using the property for illegal purposes or causing damage). Just as it imposes rights and obligations on tenants in the private rental market, public housing tenants can also be required to vacate their property if they fail to comply with the legislation.

The evolution of public housing in Victoria

Public housing in Victoria was established in the 1930s as a way of regenerating and rebuilding Melbourne's inner city suburbs and responding to poverty in the inner city. After World War II, the role of public housing evolved to meet the needs of the growing Victorian economy. By the 1960s and 1970s public housing enabled workers in Victoria's new manufacturing hubs in the suburbs and regions to provide affordable, quality homes for their families.

In the 1980s, the role of public housing changed further, with the composition of residents starting to change from working families to households dependent on social security benefits. During this time, major policy changes also took place. For example, in this period a segmented waiting list was introduced to give priority to those with the greatest needs.

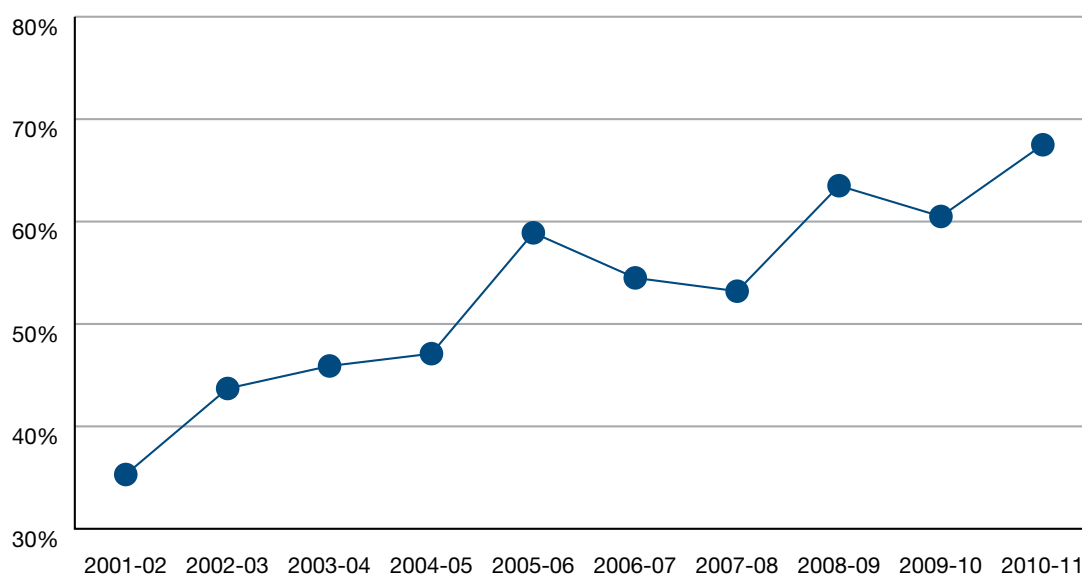
In the 1990s, the Victorian Government reformed disability service delivery by 'deinstitutionalising' the system to change care from being provided in large, government institutions to smaller, more personalised homes in the community. Since this time, public housing has been a way of responding to the housing needs of those with a disability. As Figure 1 illustrates, an increasing proportion of all new public housing tenancies are allocated to households with special needs.

Public housing has become more complex over time, partly as a result of its increasing interconnectedness with disability, mental health and other human services. The relationship between the Department of Human Services and tenants is in most cases more than that of a landlord and tenant, since it often involves both housing and other support services. This is also the case for many in community housing.

¹⁶ Housing Registrar (2008) Understanding the registration criteria – winding up provisions, Minter Ellison, February 2008

Amendments to the Housing Act 1983 in 2005 allowed for the community housing sector to play a greater role in providing housing for low income Victorians. It also provided an alternative choice to public housing¹⁷.

Figure 1: Proportion of new public housing tenancies allocated to households with special needs – Victoria (per cent)¹⁸



¹⁷ Minister for Housing (2005) Minister's Guidelines for the Exercise of the Registrar of Housing Agencies Powers

¹⁸ Steering Committee on the Review of Government Service Provision 2007, 2010, 2012 Report on Government Service Provision, Data Attachments, Tables 16A.3 (2007), 16A.2 (2010) & 16A.9 (2012), Productivity Commission, Canberra, available at pc.gov.au, accessed 16 April 2012.

The role of community housing in Victoria

Community housing takes three main forms:

1. Transitional housing.
2. Long-term community housing management of government properties leased to the community sector.
3. Long-term community housing owned by the sector and funded through a combination of government grants or transfers, philanthropic support and private debt.

This sector also manages crisis accommodation, which is primarily a homelessness service response.

To provide community housing, not-for-profit organisations work in partnership with the Victorian Government to develop, own and manage rental housing for those on low incomes. These include:

- Housing associations which develop new housing and manage rental properties. These groups may specialise in providing services for specific groups, such as people with disabilities and the elderly.¹⁹
- Housing providers which primarily manage long-term and short-term rental housing portfolios and other services.

Advantages of the community housing:

- It is generally integrated into the community (and not visible or identified as community housing and therefore not stigmatised).
- There is a vast distribution of housing across Victoria.
- The stock profile is generally newer and more appropriate to tenants' needs (mainly because it has been recently constructed).
- Tenants are able to access other sources of income such as Commonwealth Rent Assistance (CRA).
- Community housing providers have access to other source of funds such as Commonwealth Government tax subsidies and philanthropic donations.
- Evidence suggests community housing agencies provide better and more tailored support to tenants and promote greater integration with social and economic networks.

An accompanying paper by KPMG, *Social Housing – a Discussion Paper on the Options to Improve the Supply of Quality Housing* will explore supply side mechanisms available to improve the availability of social housing (including community housing) in Victoria.

¹⁹ Housing associations are a particular legal structure (as separate to housing providers) that are meant to invest in housing. Housing providers manage Department of Human Services houses and are held to a lower level of incorporation (i.e. they can be housing co-ops).

What does the public and community housing sector look like in other states?

Public housing in policy and management is broadly similar across all Australian states and territories. In general, Australian state and territory governments assist with the provision of affordable housing. They play a role in the market through:

- The provision of public housing.
- Supporting the sustainability and growth of community housing.
- Assisting those looking to purchase a house (i.e. low income earners or first home buyers).
- Assistance to find rental tenancies in the private market.

All jurisdictions manage demand for public housing through eligibility, tenure, allocation and rent setting. Broadly – most jurisdictions follow a similar policy in regards to rent payments (which is a percentage of household income).

Access to public housing across Australia is managed through segmented waiting lists which generally prioritise those in most urgent need²⁰. While this may help achieve social policy objectives, it has also increased costs for the public housing system and reduced the amount of income from rents received from tenants. Among other factors, this has contributed to the system being financially unsustainable.

Trends in the provision of social housing

In almost all states and territories, the community housing sector is playing an increasingly important role in boosting the availability of affordable housing supply. This is a trend followed internationally. State and territory governments have sought to enhance this sector through the provision of appropriate regulatory environments as well as through the transfer of housing stock to the management of community housing providers.

International policy trends

International policy directions for the social housing sector generally centre around three broad themes:

1. A separation of housing delivery from central government, broadening the tenant and social mix as a way of creating sustainable communities.
2. Improving the financial viability of housing providers.
3. Increasing support programs offered to residents to enable them to move through the social housing system and into the private housing market.

These broad areas seek to constitute a more holistic approach to housing. Below are examples of the approaches taken in the Netherlands and the United Kingdom (UK).

Netherlands

Around 35 per cent of the total housing stock in the Netherlands is social housing owned and managed by housing associations²¹. There are more than 500 housing associations that are independent organisations managed by respective boards. The Ministry of Infrastructure and Environment has overarching responsibility for regulating housing associations.

Housing associations are financially independent of government, with growth and management financed by capital markets. Growth and asset replacement is provided through private equity loans, with a national mortgage guarantee managed by a private body responsible for guaranteeing housing association loans. These arrangements have proven to be financially sustainable²².

21 Lawson, J. and Milligan, V. (2007) *International Trends in Housing and Policy Responses*, Australian Institute for Housing and Urban Research, Melbourne

22 Lawson, J. and Milligan, V. (2007) *International Trends in Housing and Policy Responses*, Australian Institute for Housing and Urban Research, Melbourne

United Kingdom

In the United Kingdom the National Housing Federation represents 1,200 independent housing associations in England. These providers account for 2.5 million affordable homes across the United Kingdom²³.

The Government's Big Society policy focuses on social housing provision through independent community housing providers and supports a policy for community driven development or "drive for localism"²⁴.

Coupled with this, significant reforms to the social housing sector are being introduced to improve social housing mobility, change regulating procedures, reform council housing finance systems and bring empty homes back into use²⁵.

New directions for public housing – The UK example

The UK Government has recently announced a move towards releasing councils and housing associations from current strict tenant allocation policies and processes.

Instead, new regulations are aimed at providing an incentive to work (or looking to work) and rewarding tenants or those on waiting lists. Examples include²⁶:

- **Westminster** – The Westminster Council is seeking to discourage a 'benefits culture' and rewarding those households who actively seek work. Households where the main applicant has been working under a written contract for at least two years will be given priority on waiting lists, and people who have been seeking work for the same period of time will be eligible for extra points if they have been engaged with the council's homelessness employment learning project. The aim of this program is to successfully house these people, freeing up stock for others who need it.
- **Southend-on-Sea** – The Southend-on-Sea Council intends to put aside 20 per cent of its 6,200 homes for households in employment. The 'work plus' properties will incentivise and reward those in work and create more mixed communities.
- **Wandsworth** - The Wandsworth Council are proposing a pilot scheme called Housing into Work where applicants who are unemployed, and of working age and physically capable of work will be granted two-year tenancies on the condition that they make every effort to find work or enrol on a training course.

23 National Housing Federation, 'About us', access online 02 May 2011 http://www.housing.org.uk/about_us.aspx

24 Department for Communities and Local Government, 'Housing Supply', Direct Gov UK, accessed online 02 May 2011 <http://www.communities.gov.uk/housing/housingsupply/>

25 Department for Communities and Local Government, 'Social Housing', Direct Gov UK, accessed online 02 May 2011 <http://www.communities.gov.uk/housing/socialhousing/>

26 <http://www.communities.gov.uk/news/corporate/2060987> - access January 2012. All points sourced directly from the Communities Department website.

3. HOW DOES THE PUBLIC HOUSING SYSTEM WORK?

Allocation, tenure and eligibility policies are designed to manage demand for a finite government resource and direct assistance at those most in need.

Applying for public housing

To apply for public housing, applicants need to complete an Application for Public Housing form along with other documents required to prove eligibility. Applicants with additional household members aged 18 years or older need to complete an Additional Public Housing Application form. Public housing applicants specify up to three waiting list areas they would like to live in. Those with particular needs (e.g. wheelchair access) can also request a dwelling with these requirements.

Those on a public housing waiting list or eligible for public housing can also inquire about a Limited Demand Property. These are properties vacant and ready to be tenanted, but remain vacant because of their location (such as in rural or remote areas). Applying for a Limited Demand Property reduces the amount of time a person would have to wait on a public housing waiting list.

Leases

Public housing tenants sign a lease to rent a public housing dwelling with the Director of Housing. They are then expected to meet the same obligations (such as paying rent on time and not using the house for illegal purposes) as stipulated in the *Residential Tenancies Act 1997*. However, unlike private renters, public housing tenants do not pay a bond on the property to the Residential Tenancies Bond Authority. Unlike private rental agreements, leases for public housing are also effectively open-ended with no fixed end date.

Because of the way the system works, there are no real incentives to encourage public housing tenants to maintain and upkeep the properties to a reasonable standard²⁷. Dwellings can sometimes need considerable repair before they are re-let.

Utilities costs

Some public housing (such as Melbourne's high rise flats), does not have separate utility metering, meaning that individual use of water and heating cannot be measured²⁸.

In these cases, the Director of Housing levies a service charge (calculated by the number of bedrooms) on the property – although this does not recoup the full cost.

²⁷ For example, in the private rental market, tenants are incentivised to maintain their property to an acceptable level or risk not having their bond returned. They may also struggle to receive a reference for another rental property.

²⁸ Melbourne's high-rise flats do not have individual meters for heating or hot and cold water supply. There are individual meters for power supply and gas cooking (22 per cent cook with gas).

Under current arrangements, tenants rarely pay as much as 25 per cent of their total income in rent.

Rental payments

People living in public housing have their rent subsidised by the Victorian Government. There are two types of rent for public housing – market rent or rebated (subsidised) rent. Market rent is calculated using the value of the house being rented and is written into a tenancy agreement. The amount of rent charged is reviewed every year and may change as a result of this review.

All public housing tenants can apply to pay a reduced amount of rent based on their household income. This reduced rent is known as rebated rent and is calculated at around 25 per cent of total household income.

The amount of rent a household pays is based on the income of all members in the household (based on the assumption that

income from all sources contributes to the rent). To determine the amount charged, three categories of income are considered. These are:

1. Base income – such as income from a job or Centrelink.
2. Concessionally treated income – such as family payments and child maintenance payment.
3. Exempted income²⁹ – such as veterans' payments.

Tenants are required to pay 25 per cent of their base income and 15 per cent of their concessionally treated income in rent. Table 2 provides some examples of how much tenants might pay in rent to the State Government. It also highlights the complexity of the system.

Table 2: Example of how rental subsidy is calculated from income sources

Household	Income per week	Rent paid per week	% income on rent	Remaining income	Explanation
Single person receiving aged pension	\$374.40 from the Aged Pension	\$86.10	23%	\$288.30	Assessable component is \$344.50 as it excludes the pension supplement of \$29.90.
Couple with no children who are unemployed	\$439.40 from Newstart Allowance	\$107.70	24.5%	\$331.70	Assessable component is \$430.96 as it excludes the GST component of \$8.84.
Single parent with two children (aged 5-12 years)	\$511.38 from Newstart Allowance and Family Tax Benefit A and B	\$101.75	19.9%	\$409.63	Assessable component is \$258.25 at 25% and \$248.08 of family related payment at 15%. Also excludes GST of \$5.05.

²⁹ These payments are exempt from income because of previous agreements with the Commonwealth or previous Housing Ministers' decisions.

In 2010-11 those who were deemed the highest priority on the waiting list waited an average of more than nine months for a dwelling. Non-priority applicants can wait several years³⁰.

Rebated household rents are set twice a year and are fixed for up to 26 weeks (even if household income increases). If income goes down, tenants can apply to have their rental repayments reduced.

The proportion of income public housing tenants contribute differs between jurisdictions in Australia. In NSW, for example, if a household is eligible for a rent subsidy, the tenant will pay between 25 per cent and 30 per cent of their household income as rent³¹. Some households are assessed at a reduced percentage rate (called a concessional rate)³². Greater prioritisation of public housing to those with the highest needs has increased the number of public housing tenants on lower incomes. As public housing tenants in Victoria contribute no more than 25 per cent of their income towards rent, the amount of rental revenue collected has reduced.

Table 3: Rental costs for a Single Pensioner across a range of housing providers

Housing provider	Income (\$)	Rent paid (\$)	Commonwealth Rent Assistance (CRA) (\$)	Rent paid after CRA (\$)	% of Income
Public Housing	374	86	0	86	23%
Community Housing	374	146	60	86	23%
Private Rental	374	300	60	240	64%
Market rent varies across Victoria, but the rental subsidy in some cases is as high as \$730.					

30 Department of Human Services (2011) Annual Report 2010-11, p. 53

31 Households below the 'moderate' income threshold pay 25 per cent of household income, while households at or above the moderate income rent (and below the subsidy eligibility limit) pay 30 per cent of household income.

32 NSW Government (2012) "Charging Rent Policy", NSW Department of Family and Community Services, retrieved March 2012

How is public housing allocated?

Public housing is allocated based on a segmented waiting list. This is designed to allocate housing to those with the highest need first. Applicants are allocated priority on the basis outlined below.

The first three segments of the waiting list are referred to as 'early' housing waiting list segments and are counted together. These segments of the waiting list are given priority over the 'general' waiting list (segment 4). For simplification purposes, Housing will streamline some of the waiting list segments in the future. Table 4 outlines the waiting list segments and how many applicants were on this waiting list as at March 2012.

Table 4: Number of people on the waiting list by segment type at March 2012

No.	Segment	Description	No. waiting
1	Homeless with support	Assists people with a history or high risk of homelessness as a priority.	
2	Supported housing	Coordinated housing for those with a disability or long-term health problems who need modifications made to their houses and/or personal support to live independently.	10,544
3	Special housing needs	Provides access for people whose current housing is unsuitable and are unable to obtain more appropriate housing in the private rental market.	
4	General	Housing for low income households who might benefit from assistance but do not have an urgent need for housing.	27,343
Total			37,887

As at March 2012 there were 37,887 eligible applicants on the public housing waiting list. The number of applicants on the general waiting list has remained relatively steady at around 40,000 people over the past decade.

Allocation is based on eligibility at a point in time – not ongoing need

Unlike private rental agreements, public housing tenants effectively have open-ended leases with the Director of Housing and do not renegotiate the length of their lease while they remain in public housing.

This means that people who may have been allocated public housing several decades ago, may still be living in public housing today – even if their circumstances have changed significantly.

If tenants are receiving rebated rents (as opposed to market rent) they are required to advise DHS of changes to income, however this only affects the amount of rent they pay – not their overall eligibility.

1997 policy to review eligibility

In 1997, a policy to review tenure every five years was introduced in Victoria. Under this policy, many households' eligibility would have been assessed systematically. People who moved into public housing before 17 November 1997, tenants aged over 65 years and those deemed to have ongoing tenancies would have been quarantined from these reviews. Although this policy was announced - it was never actually implemented.

A lack of systematic reviews of ongoing eligibility for public housing, combined with open-ended leases means that public housing may not actually be being allocated to those in need. This is unfair to the many eligible applicants who have to wait many months or even years for a public housing dwelling. Meanwhile, the State continues to heavily subsidise those who have gained access to public housing, regardless of their current circumstances.

Current allocation policies mean some people get significant government assistance, while other eligible people do not

Those people afforded a public housing dwelling receive considerable assistance from the State Government to meet the cost of living. This includes significantly reduced rental (generally based on a percentage of income) and sometimes subsidised utilities (where these are not able to be separately metered).

Table 5 highlights the disparities between the proportion of income contributed to rent by low income families in the private rental market, compared with those in public housing.

In the Review of Australia’s Future Tax System, the former Commonwealth Treasury Secretary pointed out that the higher average level of assistance to public housing tenants was “not targeted to need³³”. As a majority of public tenants have similar means to recipients of the government’s rent assistance payment, “the large difference in assistance levels is inequitable.³³”

Table 5: Percentage of income paid in rent in public and private rental as at March 2011³⁴

Household type	Total weekly income*	Rent paid as a percentage of total income (public housing)	Rent paid as percentage of total income (median private rental)
Single age pensioner	\$374	23%	64%
Unemployed couple	\$439	25%	55%
Single parent with two children	\$511	20%	53%

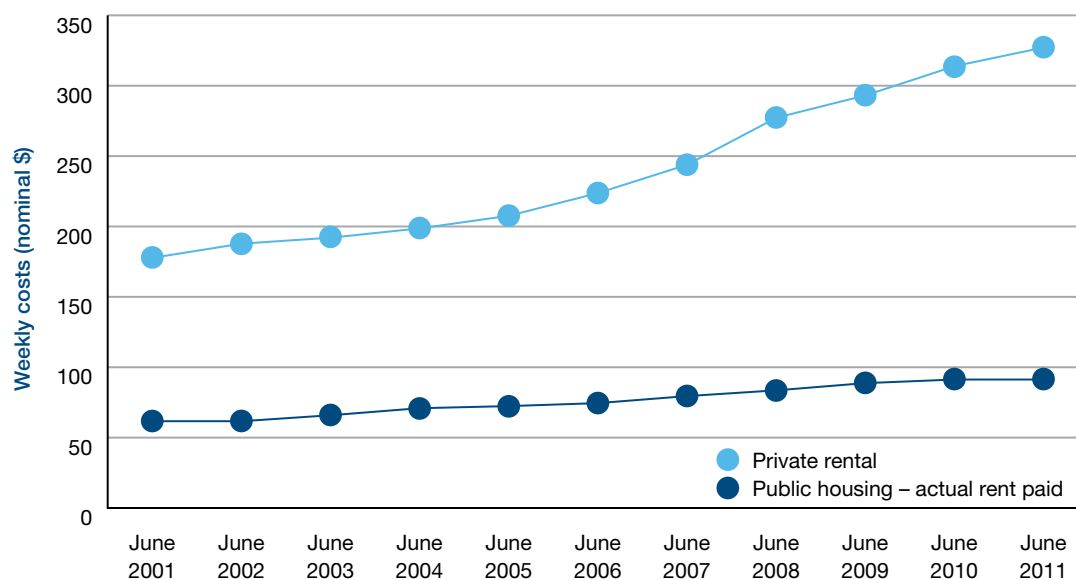
***Assumes Centrelink income only**

33 Henry, K. (2010) Australia’s Future Tax System: Final Report, Part 2, The Transfer System.

34 Internal Department of Human Services data and analysis

Figure 2 further illustrates the size of the subsidy for public housing tenants compared with those in the private rental market. It shows that while the average cost of rent per week has increased by 83 per cent in 10 years³⁵ in the private rental market (from \$180 per week in 2001 to \$330 in 2011) the amount of rent paid by tenants in public housing has not increased to the same extent³⁶.

Figure 2: Median weekly rent paid in private rental and public housing 2001-2011



This highlights that housing assistance is inconsistent and unfair for those who may have similar circumstances (and on the public housing waiting list), but may be renting in the private rental market.

In his review of Australia's Future Tax System, former Commonwealth Treasury Secretary Ken Henry noted that at present, the higher average level of assistance to public housing tenants was "not targeted to need"³⁷.

As a majority of tenants also had similar means to recipients of Commonwealth Rent Assistance payment, "the large difference in assistance levels is inequitable"³⁸.

³⁵ Internal Department of Human Services data and analysis

³⁶ Internal Department of Human Services data and analysis

³⁷ Henry, K. (2010) Australia's Future Tax System: Final Report, Part 2, The Transfer System.

³⁸ Henry, K. (2010) Australia's Future Tax System: Final Report, Part 2, The Transfer System.

To be eligible for public housing in Victoria, you must:

- Be a permanent resident of Australia.
- Be a resident of Victoria.
- Not own or earn more than the current general public housing income and asset limits.
- Be 15 years and over.
- Be in receipt of an independent income³⁹.
- Not be subject to Centrelink's two-year waiting period for newly arrived migrants.
- Not own, or have equity in real estate⁴⁰.
- Have repaid any outstanding Housing debt in full (or are engaged in a debt repayment plan).
- Not have any history of eviction for tenancy breaches, other than arrears (in the past 12 months) as a public housing tenant.

The Victorian Government provides considerable assistance to those in the public housing system through significantly discounted rents and other housing related costs. Meanwhile, some who may be eligible or benefit from public housing miss out.

Eligibility

Who is eligible for public housing?

Public housing is intended to operate as a safety net for those unable to afford or access the private housing market. As such, there are eligibility criteria which are designed to determine if applicants are those in greatest need. In addition to certain criteria including being a permanent resident of Australia, there are income and asset limits that a public housing applicant must not exceed.

The income and asset limits vary according to the segment of the waiting list.

These income limits are:

- **Segments 1 and 3** (homeless with support and special needs housing) are based on Centrelink Health Care Card limits for low income earners.
- Income limits for **segments 2 and 4** (supported housing and general wait list) and are set out in Appendix B.

³⁹ An income paid directly to the persons for their use which is not subject to a parental income or parental income assets test

⁴⁰ With the exception of where the tenant is unable to live in their property and not able to sell their equity

These limits mean, for example, that a family (with one or two parents) and two dependent children under the age of 13 must not earn income greater than \$961 a week to be eligible for the 'general' waiting list⁴¹. Similarly, a single person on the 'homeless with support' waiting list would not be able to earn more than \$483 a week income. Income limits are for gross income (before tax and other deductions⁴²).

Typically, a person's assets could include money in the bank, shares, mobile homes, property and businesses. Assets **do not** include personal belongings, cars or furniture.

The asset limits mean, for example, that a person applying for a one or two bedroom house on the 'homeless with support' list would not be able to have assets worth more than \$1,300. A person applying for any form of housing on the general waiting list, would not be able to own assets worth more than \$30,000. The separate asset limits reflect the different priorities provided to the segments.

Some eligibility criteria such as the asset limit (or not having assets or savings greater than \$30,000) can create disincentives to save or have investments that could lead to greater financial independence.

Application of eligibility criteria has changed the profile of public housing tenants

The targeting of the public housing waiting list has changed the demographics of those living in public housing, from working families to the majority of tenants being reliant on Commonwealth Government income assistance. The houses built for working families were usually built for larger families on low to moderate incomes, with around 41 per cent having three or more bedrooms⁴³.

Public housing was generally a transitional measure for families before they moved into the private housing market⁴⁴. Today, public housing is allocated to tenants with high and complex needs, with an increasing proportion of those who are elderly, single parent and economically and socially disadvantaged.

As a result, as the Victorian Auditor-General noted, "public housing has increasingly been allocated to those with complex needs⁴⁵".

Around 127,000 residents live in public housing. Fifty-five per cent of public housing households are either single parents with children, or elderly singles⁴⁶.

Children aged under 12 represent the largest age cohort living in public housing, followed closely by people aged over 65 years. Due to the ageing population, it is expected that there will be a significant increase in the number of low income earners aged over 65. This shift in the public housing demographic is expected to have a significant impact on the demand for public housing from those unable to afford the private rental market.

41 Department of Human Services (2012) "Public Housing", Department of Human Services website, retrieved on 16 April 2012 from www.dhs.vic.gov.au

42 Department of Human Services (2012) "Income and Asset Limits", DHS website, www.dhs.vic.gov.au

43 Department of Human Services internal data

44 Victorian Auditor-General (2012) Access to Public Housing, Victorian Auditor-General's Report, March 2012

45 Victorian Auditor-General (2012) Access to Public Housing, Victorian Auditor-General's Report, March 2012

46 Department of Human Services internal data

Changes in the profile of public housing tenants has also changed the type of housing required by tenants. Instead of needing large family homes, many elderly single tenants seek smaller one or two bedroom units that are low or medium density.

While these issues are common across Australia, they are significant in Victoria because of the proportion of older properties in the state's social housing sector.

The change in tenant profile over time has also changed the type of housing dwelling required by tenants and created a mismatch in demand and supply.

Commonwealth Government income support is the primary source of income for almost 86 per cent of Victoria's public housing tenants⁴⁷. In 2011, around 52,000 public housing tenancies on rebated rents identified payments from the Commonwealth Government as their primary source of income⁴⁸.

Commonwealth income payments include the aged pension, veterans' pensions, single parent payments, disability pensions and Austudy. The disability pension and the age pension are the two largest primary sources for income in Victoria for public housing tenants. The number of tenants relying on a disability pension as their primary income source has increased by almost 65 per cent over the last 10 years⁴⁹.

Appendix A also provides further information regarding the sources of income of public housing tenants.

The increasing number of single households and those reliant on Commonwealth Government income assistance (such as the aged pension) has led to changes in public housing tenants' incomes – and consequently, the amount they contribute in rent. This has contributed to the financial unsustainability of the system.

Eligibility criteria can create disincentives to work

The rate of unemployment for all people living in social housing (community and public housing) is around three times greater than for people in the private market and purchasing their own homes⁵⁰. Meanwhile, the rate of people in social housing and not in the labour force (for reasons other than disability) is around four times greater than for those in the private housing market⁵¹.

The high level of labour force disengagement among social housing tenants is partly related to tenants' needs for housing in the first place (i.e. a profound disability). However, the persistence of labour force disengagement may suggest that social housing acts to reinforce disengagement from paid employment for some tenants.

47 Department of Human Services internal data

48 Department of Human Services internal data

49 Department of Human Services internal data

50 Department of Human Services internal data

51 Department of Human Services internal data

For many, public housing has become a destination and not a pathway to independence.

This situation also entrenches and reinforces disadvantage and can create communities with higher than average rates of crime and anti-social behaviour⁵².

Growing up in an unsafe and anti-social community is not fair for children. Nor is it fair for some children who may group up in households or neighbourhoods without seeing parents, relatives or neighbours go to work, education or training.

Current eligibility and rental assessment criteria create disincentives for public housing tenants to work or participate in education and training. This reinforces disadvantage and discourages tenants from seeking a pathway to independence and out of public housing.

Tenure

How long can tenants stay in public housing?

Public housing has moved away from its historic role as a support for tenants on a pathway toward independence.

Unlike private rental agreements which work on a fixed-term lease, current policy means that public housing tenancy arrangements do not have any fixed date for a tenant to renegotiate a lease or vacate a property.

Once a person has been allocated a public housing dwelling (i.e. has a tenancy agreement with the Director of Housing and meets their obligations under the *Residential Tenancy Act 1997*) there is no requirement for them to transition into the private housing market or to a property more suitable to their current housing needs, an example of which could be a property more suitable for ageing in place.

Without any proper reviews of tenant eligibility of fixed-term leases, there is no way of knowing if a person is able to transition into the private rental market.

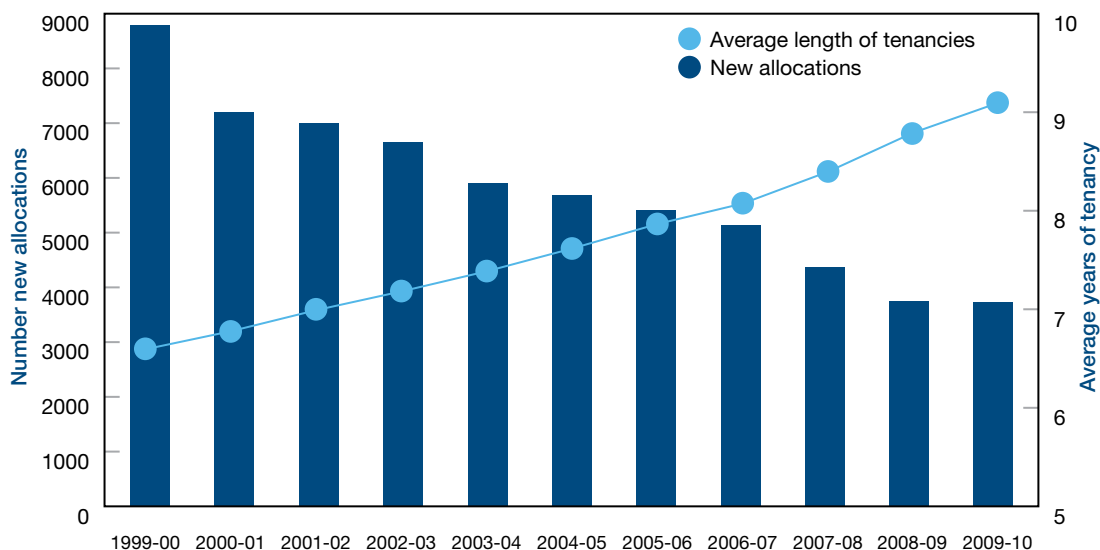
In recent years, turnover in public housing has steadily decreased. This is because fewer people are moving out of public housing (i.e. those allocated public housing are staying longer). This decreases the opportunity for those in need to move into public housing.

As Figure 3 indicates, in 1999-2000, the average length of tenancy was around seven years. By 2009-10 it was more than nine years and based on current trends, will continue to increase⁵³.

Consequently, there is a need to consider a variety of tenancy models that reflect tenants' changing circumstances and support them onto a pathway towards independence.

A shift in the profile of public housing tenants has resulted in lower rental returns as well as reduced turnover in public housing dwellings. A lack of tenure and eligibility reviews also means there is little incentive for those who may be able to transition to the private housing market to do so. This only contributes to a longer public housing waiting list.

Figure 3: New allocations and average length of tenancies in public housing (1999-00 to 2009-11)



4. A FINANCIALLY UNSUSTAINABLE PUBLIC HOUSING SYSTEM

“The operating model for public housing, with costs increasingly exceeding revenues, is unsustainable.” – Victorian Auditor-General

Finite government resources, increasing demand, tenants with increasingly complex needs and lower incomes combined with increasing maintenance costs and declining rental revenue, has created a financially unviable sector.

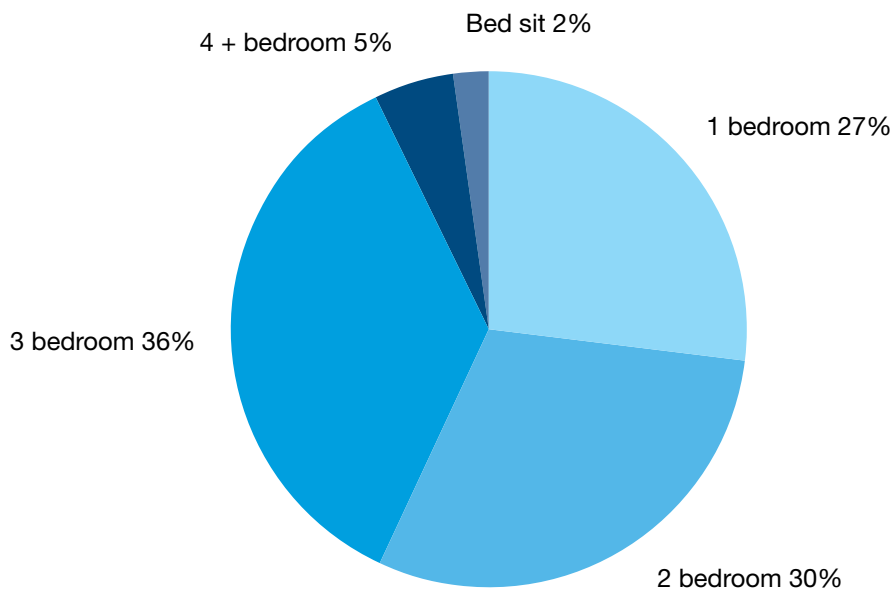
What is Victoria’s social housing stock?

As at June 2011, there were around 65,300 public housing dwellings in Victoria⁵⁴.

The value of all government-owned public housing is estimated at between \$17-\$19 billion⁵⁵. This figure, however, does not reflect the liabilities in the portfolio, such as the maintenance of existing public housing stock, half of which is more than 25 years old.

As at December 2011, there were around 83,000⁵⁶ social housing dwellings (both community and public housing) in Victoria. Of this, almost 80 per cent is public housing stock owned and managed by the Victorian Government, while 20 per cent is community housing stock. Social housing represents around 3.8 per cent of Victoria’s total housing stock.

Figure 4: Size of public housing stock



54 As at June 2011, source: Victorian Auditor-General (2012) Access to Public Housing, Victorian Auditor-General’s Report, March 2012, p. vii

55 Internal Department of Human Services data

56 Department of Human Services (2011) Annual Report 2010-11, p. 53

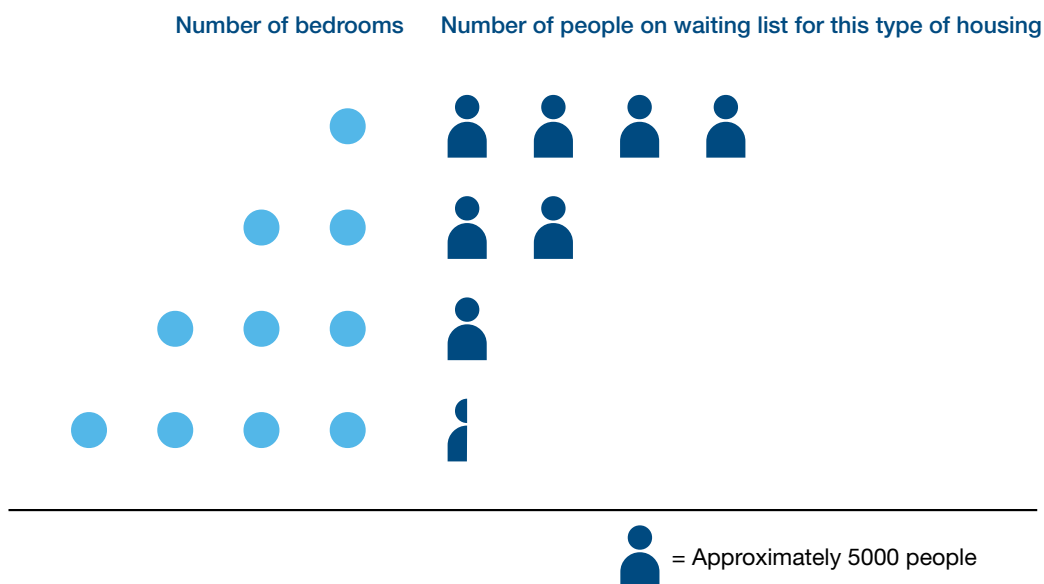
Changing tenant profiles have changed the type of housing stock required

Changes in family dynamics and household types, the role of public housing in the community and the introduction of a segmented waiting list have also changed the type and style of housing required by residents. Instead of needing large family homes, tenants now seek smaller one or two bedroom units or smaller dwellings. For mobility and other reasons, elderly people also prefer to live in the ground floors of high rise buildings or in single storey houses or apartments.

As most of Victoria's public housing stock was built when it was required by larger working families, around 41 per cent of it has three bedrooms or more. Figure 4 shows the current stock profile of public housing in Victoria⁵⁷.

Figure 5 demonstrates the mismatch in the number of people on a waiting list and the type of stock available. This mismatch in stock has resulted in a situation where 20,000 individuals or families wait for a one bedroom house when only 18,000 one bedroom houses or apartments exist. Similarly, while there are 24,000 three bedroom houses, only 6,000 people or families require this type of housing.

Figure 5: Waiting lists for particular houses in Victoria 2011⁵⁸



While these issues are common across Australia, they are significant in Victoria because of the proportion of older properties in the state's social housing sector.

This inflexibility in the system is leading to longer waiting lists and waiting times as tenants wait for an appropriate public housing dwelling. It also means that some residents, such as the elderly, are living in dwellings unsuitable for their needs.

⁵⁷ Internal Department of Human Services data

⁵⁸ Internal Department of Human Services data

Community housing providers, as smaller scale providers emerging from the charitable sector, have been able to adopt tenancy management programs which are more responsive to the clients they serve. They also draw clients from a wider group of the population and charge a variety of rents to different client groups.

Community housing stock

As at June 2011, there were around 14,400⁵⁹ community housing dwellings in Victoria comprising almost 17 per cent of Victoria's social housing stock. It has been traditionally provided by the not-for-profit and charity sector. In Victoria, there are currently:

- Eight registered housing associations which own, develop and manage rental housing.
- Thirty-three registered housing providers which primarily manage rental housing portfolios⁶⁰.

Almost 65 per cent of Victoria's community housing dwellings are managed by the eight housing associations.

Boosting community housing

To increase the supply of affordable housing in 2008, the Victorian Government transferred 575 properties valued at more than \$155 million from the Director of Housing to eight registered housing associations⁶¹.

The Director's expectation was that the associations would then expand their portfolios by a minimum of 15 per cent of the value of the properties transferred. This would be achieved by enabling the housing associations to leverage off their property portfolios to build more homes.

⁵⁹ As at 30 June 2011, source: Victorian Housing Registrar (2011) Housing Registrar Report 2010-11, p. 35

⁶⁰ As at 1 January 2012, source: Victorian Housing Registrar (2012) "About us", Victorian Housing Registrar website, retrieved on 17 April 2012 from <http://www.housingregistrar.vic.gov.au/About-Us>

⁶¹ Victorian Auditor General Office (2010) Access to Social Housing, June 2010, p. viii

A Victorian Auditor-General's Office (VAGO) inquiry in 2010 found that five of the housing associations had not yet used the assets to secure additional borrowings meaning it was “not evident that this rationale for asset transfer had been realised⁶²”. The Auditor-General also noted that there was some tension between housing associations needing to be financially viable and social goals of allocating housing to those on low incomes⁶³.

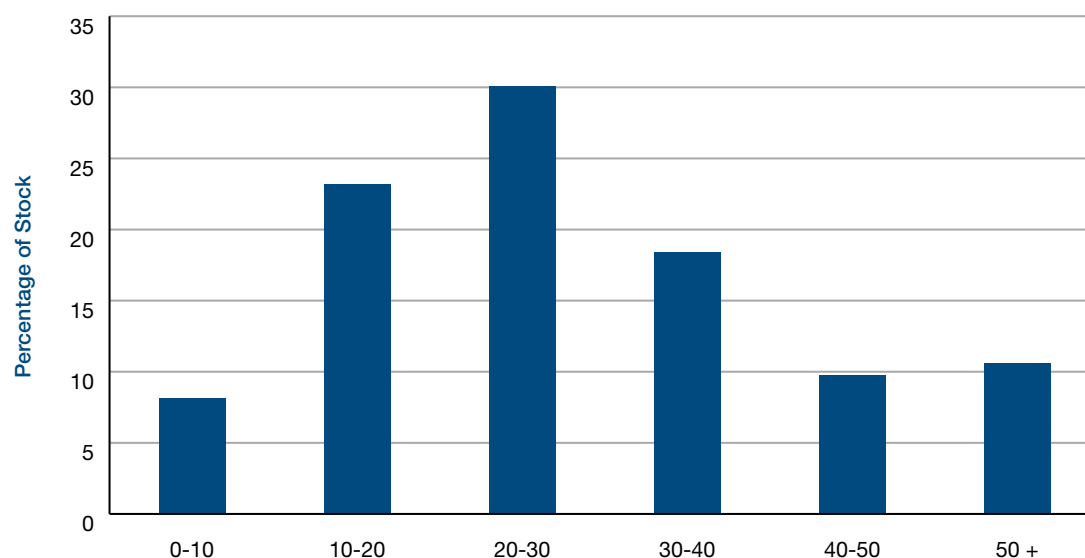
Maintenance

An under-investment in public housing over the years has created a large maintenance liability and backlog⁶⁴.

Maintaining and replacing public housing stock is costly – particularly given around half the stock is considerably aged. Re-letting is often more difficult and costly than in the private rental market because some public housing requires significant modification for those with a disability and a large proportion of public housing stock requires renovation or refurbishment before it can be re-let.

Forty-two per cent of housing stock is more than 30 years old⁶⁵. More than 7,000 high rise units were built before 1976 and there is still housing in West Heidelberg dating back to the 1956 Olympic Games⁶⁶. As the Auditor-General pointed out, properties of this age require “more frequent and larger scale repairs, maintenance and upgrades”.

Figure 6: Housing stock portfolio profile by age⁶⁷



62 Victorian Auditor General Office (2010) Access to Social Housing, June 2010, p. viii

63 Victorian Auditor General Office (2010) Access to Social Housing, June 2010, p. viii

64 Parliament of Victoria (2010) Inquiry into the Adequacy and Future Directions of Public Housing in Victoria, Family and Community Development Committee, September 2010, p. 317

65 Victorian Auditor General Office (2010) Access to Social Housing, June 2010, p. 5

66 Parliament of Victoria (2010) Inquiry into the Adequacy and Future Directions of Public Housing in Victoria, Family and Community Development Committee, September 2010, p. 317

67 DHS internal data

Acquisition of stock was significantly greater in the 1970s, 1980s and 1990s than it has been in the last decade.

In 2007, it was reported by the Victorian Auditor-General that:

- Three per cent of stock (more than 2,000 properties), was in poor condition.
- Almost 30 per cent of stock was in 'fair' condition⁶⁸.

This meant in 2007, almost one third of public housing stock had maintenance requirements costing between \$5,000 and \$20,000⁶⁹.

The increasing, unfunded maintenance liability has "led to a deterioration in the asset base⁷⁰". In 2011, it was estimated that around \$600 million would be required for portfolio maintenance over the next three years⁷¹.

Increasing utility costs

Some public housing (such as Melbourne's high rise flats), do not have separate metering, meaning that individual use of water and heating cannot be measured⁷².

In these cases, the Director of Housing levies a service charge (calculated by the number of bedrooms) on the property – although this does not recoup the full cost.

Over the last decade, the cost of providing these services to tenants has increased by 84 per cent⁷³. Figure 7 indicates the increasing cost of providing utilities to some tenants.

Victoria's public housing portfolio is now in a seriously deteriorating condition. Maintenance backlogs are now extensive and require significant investment, large-scale repairs, maintenance and upgrades. This creates further pressures on the public housing waiting lists, is financially unsustainable and unfair for tenants living in deteriorating dwellings.

68 Victorian Auditor General's Office (2007) Follow up of Selected Performance Audits tabled in 2003 and 2004, Victorian Auditor General's Report, p. 61

69 Parliament of Victoria (2010) Inquiry into the *Adequacy and Future Directions of Public Housing in Victoria*, Family and Community Development Committee, September 2010, p. 317

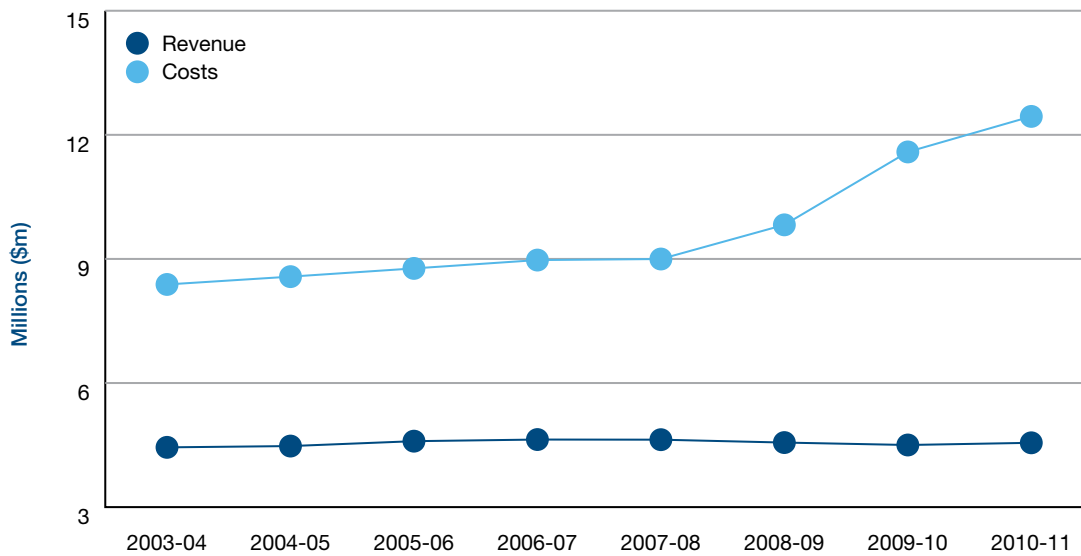
70 Department of Human Services 2011 Budget Submission, as referenced in Victorian Auditor-General's Office (2007) Follow up of Selected Performance Audits tabled in 2003 and 2004, Victorian Auditor-General's Report, p. 61

71 Department of Human Services 2011 Budget Submission, as referenced in Victorian Auditor-General's Office

72 Melbourne's high-rise flats do not have individual meters for heating or hot and cold water supply. There are individual meters for power supply and gas cooking (22 per cent cook with gas)

73 Internal Department of Human Services data

Figure 7: Cost of providing utilities to some public housing tenants
2003-04 to 2010-11⁷⁴



“Public Housing’s operating model is unsustainable. Costs are outstripping rental income and the division is forecast to be in deficit in 2012-13⁷⁵”.

74 Internal Department of Human Services data and analysis

75 Victorian Auditor-General (2012) Access to Public Housing, Victorian Auditor-General’s Report, March 2012, p. 7

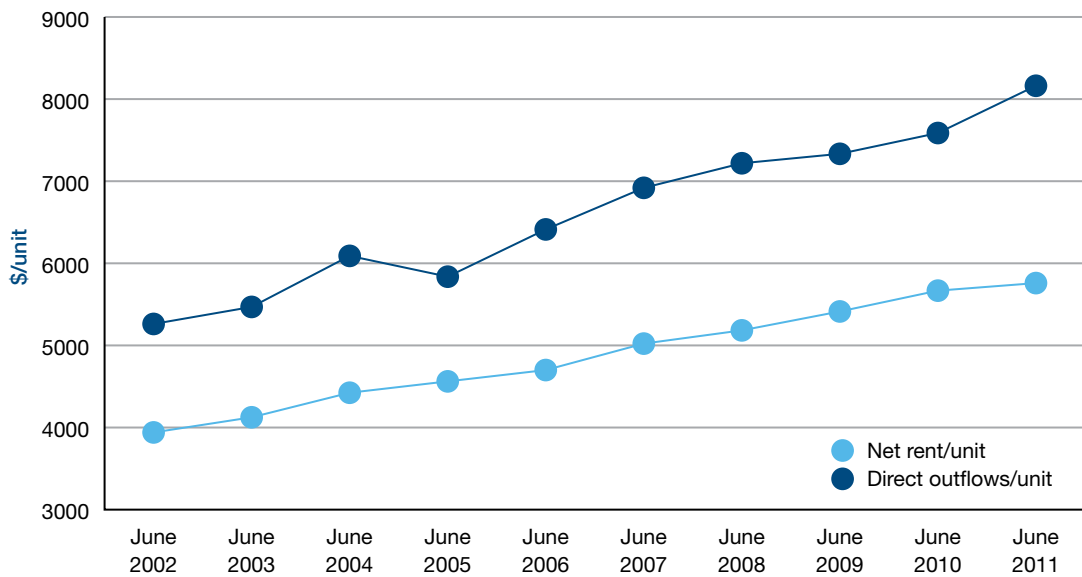
Challenges in maintaining a sustainable public housing system

Maintaining a viable and financially sustainable public housing system is not a problem unique to Victoria.

Changing tenant profiles, increasing demand, tenants with increasingly complex needs, ageing and inadequate stock and declining revenue from rent has created challenges for public housing systems in all states and territories in Australia.

There is a structural financial deficit in housing operations as a result of the growing gap between rental revenue and the costs of running the portfolio. As the Victorian Auditor-General observed, operating costs now “exceed revenue by 42 per cent⁷⁶”. Figure 8 shows how, on a per dwelling basis, the operating costs of public housing have increased in recent years, while the amount collected from rent (rental receipts) has not kept pace.

Figure 8: Public housing rental receipts and operating costs on a per dwelling basis⁷⁷



Under current policy settings, the public housing operating model is unsustainable, with costs outstripping rental income.

Without structural reform to Victoria’s public housing system, it’s long-term viability is at risk. This is a critical issue for public housing tenants today, as well as those in need in the future.

An accompanying paper by KPMG, Social Housing – a Discussion Paper on the Options to Improve the Supply of Quality Housing explores supply side mechanisms available to improve the availability of social housing in Victoria in a financially sustainable way.

76 Victorian Auditor General (2012) Access to Public Housing, Victorian Auditor General’s Report, March 2012

77 Victorian Auditor-General (2012) Access to Public Housing, Victorian Auditor-General’s Report, March 2012 p. 9

5. A NEW APPROACH IS NEEDED

How can the public housing system be made fairer and more sustainable in the future?

Without reform to Victoria's public housing system now, there will not be a viable safety net for Victorians in need in the future.

Community views are now sought on how Victoria's public housing system can be made fairer for tenants, the community and those in need. Views on how the supply of quality housing stock can be increased in a financially viable and sustainable manner are discussed in the accompanying paper *Social Housing – a Discussion Paper on the Options to Improve the Supply of Quality Housing*.

This paper has examined some of the key issues relating to Victoria's public housing system. Responding to these issues is not straightforward and will require the community to consider a number of questions about the role of government in this sector, the role and obligations of tenants, the future viability of the system and how it can be made fairer and more workable.

1. What is the role of government?

As discussed earlier, the role of government in public housing has changed over several decades. Government policy aimed at targeting those most in need in the community, combined with demographic and macroeconomic changes have reshaped the profile of public tenants. This has affected the viability and sustainability of the system.

Public housing is intended to be a safety net for those unable to afford or access the private market at a particular point in time. The system and stock was not designed, nor adequately equipped to be a long-term housing option for many.

Finite government resources, an unsustainable system and policy and assistance that is not working for tenants, the community and those in need, mean consideration needs to be given to the Victorian Government's role as well as that of other sectors including the community and private sector.

In general, governments typically perform a combination of any of five functions in relation to the public housing system including policy development and refinement, funding, regulation, direct provision and provision of last resort. The Victorian Government currently performs all five of these functions in relation to the public housing system. Consequently, it is important to consider how best to coordinate the roles of government, community and private market participants in such a way as to improve the system's impact for tenants and the broader community.

Questions for discussion:

- a. What should the future of social housing look like?
- b. Should the Victorian Government own and manage such a large housing portfolio?
- c. Should community housing take on a greater ownership or management role?
- d. How can assistance be better targeted and better designed?
- e. How can the public housing sector interact more effectively with other sectors in the community to better meet the needs of tenants and the community?

Any review of eligibility or tenure would have to be sensitive to the potential impact on a person's future housing circumstances and take into account any characteristics such as age, support needed or potential to engage in the economy or in community activities.

2. How could the allocation of public housing be made fairer?

In thinking about the fairness of current public housing system, it is important to understand the differences between eligibility, allocation, and tenure.

To become a public housing tenant, applicants must demonstrate their eligibility for housing support through the process described in section 3. However, not everyone who is eligible for public housing is allocated public housing.

The process for allocating public housing is based on a segmented waiting list which categories applicants according to their needs. Consistent with most other state governments, Victoria allocates public housing towards those most in need in the community and often those with complex needs.

However, under current tenure arrangements for public housing, once a person becomes a public housing tenant, their eligibility for public housing is not systematically reviewed – even if their personal circumstances change significantly.

As a result, it is difficult to determine whether current tenants of public housing continue to be those most in need.

It also means that a tenant allocated public housing some time ago may still be living in the public housing despite no longer being actually eligible. In this circumstance, they are being allocated public housing over someone who may be eligible, yet waiting on the public housing list for a suitable dwelling. And this isn't fair.

One way of improving the fairness of the public housing system may be to review not only eligibility and allocation criteria, but also to institute systematic and regular reviews of tenants' eligibility throughout their tenure.

Any review of eligibility and allocation criteria, however, would need to be sensitive to the likely impact on an individual's future housing circumstances. For example, a review should take into consideration key characteristics that impact on a tenant's ongoing need for public housing support. This could include their age, personal support needs and potential to engage in the community or the economy through a job or training.

Reviews may be useful in ensuring that best use is being made of the limited housing stock available and that it continues to be matched to those in with the greatest need for it.

A critical component of creating a fairer system is to improve the connections between the different components of the overall housing mix, so as to enhance the possibility for tenants to, for example, transition from public housing to community housing and then from community housing to the private rental market.

Any assistance in the future would focus first on building people's awareness about options to move into the private housing market, and finally on developing a plan to make that transition happen in a reasonable timeframe. This plan would focus on achieving independence in the private marketplace the goal.

As a result, and the discussion on the role of government highlighted, it is important to consider how the public and community housing sectors in particular can be made to be more complementary and mutually supportive.

Questions for discussion:

- a. How can the allocation of finite public housing stock be made fairer?
- b. Should tenure reviews be considered for public housing tenants?
- c. How frequently should tenure be reviewed, taking into account the importance of housing stability for public housing tenants?
- d. How should tenants continue to be supported to transition out of public housing in the event that tenure reviews result in them no longer being eligible?

3. How could the public housing system be made more flexible?

Currently public housing stock and the allocation, eligibility and tenure system is not particularly flexible or adaptable to tenants' changing needs. A fairer system could encourage tenants to participate in the economy and society, while also considering their individual needs and characteristics.

The table below provides an indicative example of groupings of public housing tenants based on their needs and characteristics:

Group	Public housing tenant characteristics
1	People who require long-term housing assistance because their needs cannot be met in the private market. This group includes people with profound disabilities, mental health issues and age pensioners.
2	People who are work-capable but require medium term assistance to help them prepare for a transition into the private market.
3	People who are already in the workforce or who have an appropriate skill level to find work who are in social housing but can readily transition into the private market.

A fairer system would therefore focus on the unique needs of individual tenants and would consider tenancy in the context of their broader support needs. This system would be more person-centred, rather than service-orientated. Under this approach, public housing options would be designed to be more responsive to tenants' individual needs and preferences, and in a way that integrates support from other service systems (for example education or skills development support).

It would help and encourage those who are able to participate in the economy and the community to do so. Creating incentives for those who can to transition into the private rental market after a period of time would free up existing stock for someone who may be in greater need at a period of time.

A range of options might be considered to help improve the capacity of the public housing system to build tenants' capacities and independence. For example, rent reductions could be considered in the 12 months prior to a tenant's transition out of public housing, to allow them to build up savings to enable a smooth transition into the community or private housing markets. Such an approach builds on tenants' strengths to achieve their intended outcomes.

A fairer public housing system that is more person-centred should be tailored to an individual's needs – and recognise that those needs and circumstances can change over time.

Establishing variable lease arrangements, such as fixed- and short-term leases, may help tailor tenancies to the needs of individual tenants and families and create a pathway into the private rental market.

A strategic housing framework, should consider, therefore, how the public housing system can work with tenants and other service providers to provide every opportunity for tenants to participate as fully as possible in social and economic life in the Victorian community.

As part of this approach, the Victorian Government would need to ensure that tenants for whom a pathway out of public housing is not feasible are given long term tenure. Such tenants would include, for example, those with severe or profound disabilities or mental health issues and aged pensioners. Their tenure would continue to be subject to them remaining eligible for public housing in terms of their assets and income.

Questions for discussion:

- a. How can incentives be created to transition individuals who are ready to exercise independence into the private market after a period of time (this can be for individuals and service providers)?
- b. If a tenant's personal circumstances change how do we facilitate their transition into suitable accommodation that better meets their changed needs?
- c. Should the existing one-size fits all rent model (where tenants contribute a proportion of their income in rent) be retained?

4. How could tenure be made fairer?

Demand for public housing far exceeds supply. As a result, many Victorians who meet the current eligibility criteria for public housing may wait many years before being allocated public housing. Others on the waiting list, may never be offered public housing at all.

The current system also means that financial and other assistance is not necessarily targeted towards identified need. Reforms to tenure arrangements could provide some scope to reduce waiting list durations. This would make tenure policy fairer for those most in need.

One way to do this would be through establishing variable lease arrangements, such as fixed and short-term leases. This could include tailored leases for individual tenants and families that encourage and provide incentives for a pathway to independence.

Another consideration could be to apply a new system of finite tenure for new tenants from a given point in time. Under this option, all new tenancies would be offered a tenancy for a fixed period – as occurs in the private rental market, subject to their continued eligibility.

While these options might be considered for their effect on tenure, they may also provide a framework to reframe at least some public housing as a time-limited intervention that responds to an immediate need.

Central to any reforms to the public housing system will be a notion of mutual responsibility and obligation. This recognises that those receiving support should seek to contribute to the community that supports them.

If a fairer public housing system is more person-centred, then it should be tailored to a tenant's individual needs – and recognise that those needs change over time.

As such, reforms to tenure should consider how the public housing system might integrate support across a range of service systems – including housing, disability services, health and mental health and family support – to meet tenants' unique and changing needs.

Questions for discussion:

- a. Should those who are able to transition into other forms of housing be offered more limited social housing tenure arrangements?
- b. If fixed term tenure leases were introduced for public housing tenants who were well placed to transition into other forms of housing, what tenure terms should tenants be offered?

5. How can public housing be made fairer for tenants?

Current public housing rental policies and subsidies can create disincentives for public housing tenants to improve their circumstances and participate in work, education or training. This means residents can be trapped in a cycle of dependence and if left unchanged, can actually reinforce disadvantage among tenants. This situation is not fair for many tenants or their families.

Any reforms to public housing and tenure policy settings would have to be thoughtfully designed and provide a supportive environment for tenants to develop life and workforce skills during their public housing tenancy. This would then help them transition onto a pathway to independence.

One way of doing this could be to develop public housing tenancy agreements that encourage job seekers who have lost touch with the workforce to study or train as a condition of their tenancy.

At a minimum, rental rebates should not create disincentives to participation in education and training, or the workforce.

Questions for discussion:

- a. What measures can be taken to ensure disincentives to work, education or training are avoided?
- b. Should public housing allocation and tenure consider tenants' short-term needs (such as education and training) in addition to their longer-term needs that are currently the focus of allocation arrangements?

6. How can public housing be made fairer for the Victorian community?

In some public housing areas, disadvantage has become entrenched, with high rates of unemployment and very few residents in full-time work. Residents in these communities often face higher than average rates of crime and anti-social behaviour⁷⁸.

What does being a good neighbour look like?

The vast majority of Victoria's public housing tenants act as 'good neighbours' and are good tenants who do the right thing by their property and their community. This means they:

- Abide by their duties under the Residential Tenancies Act 1997 which includes not conducting illegal activities on the property.
- Are accountable for their consequences and their behaviour.
- Leave their properties well maintained and in a fit and reasonable condition.
- Pay their rent on time.
- Do not cause undue disruption to their neighbours or community.

All public housing tenants should expect to be 'good neighbours' just as renters in the private market are expected to be.

Current allocation and tenure policies offer limited incentives for tenants to maintain and look after their rental properties, or act as a 'good neighbour'. This is unfair for individuals and families living and growing up in public housing estates, as well as for neighbours of public housing tenants.

Central to any reforms to the public housing system will be a notion of mutual responsibility and obligation. This principle would recognise that those who are provided financial and other support from the government and the community through housing should seek to improve their own circumstances and contribute to the community and economy that supports them.

This could be as simple as seeking to act as a good neighbour, maintaining their public housing property to an acceptable level, participating in the community and other programs and undertaking training or seeking to find a job.

The vast majority of public housing tenants are good neighbours, but unfortunately a minority engage in disruptive and damaging behaviour which needs to be addressed.

As the previous discussion observed, the public housing system can support tenants' economic and social participation by linking tenancies to workforce achievements and eliminating disincentives to succeed.

However, the housing system can also help to promote tenants' civic participation by establishing the principle of mutual obligation in tenancies. Such a principle reaffirms tenants' clear obligations to maintain positive behaviours in their neighbourhoods in exchange for subsidised housing.

Questions for discussion:

- a. What obligations is it reasonable to expect tenants to meet in return for public housing?
- b. Are there financial or lease-related barriers for tenants which restrict tenants' participation in education and training?

7. How can good tenant behaviour and mutual obligation be incentivised?

Both public and private housing tenants are required to meet their obligations under the Residential Tenancies Act 1997. In general, this includes acting as a 'good neighbour' and maintaining and leaving a property in an acceptable standard at the end of a tenancy.

Private tenants are incentivised to do this through the bond process – which is returned to them provided the property is left in a satisfactory condition. Private tenants are also incentivised as they generally want a reference from a landlord to apply for another property. To an extent, these incentives are not present in the public housing sector.

One potential way of doing this could be through a bond collection scheme which could be collected by the State Government with rental payments (e.g. at around \$5 to \$10 a week until an agreed level of bond is reached).

A discussion paper *Social Housing – a Discussion Paper on the Options to Improve the Supply of Quality Housing* exploring supply side mechanisms available to improve the availability of quality social housing in Victoria has been released. This will explore options to increase Victoria's social housing supply in a financially sustainable way.

The bond would then be returned to public housing tenants if their property is kept in a satisfactory condition at the end of their tenure and they acted as good neighbours throughout. The collection of the bond could also work as a type of savings program that would then provide tenants with a bond to be used in a private rental market. In particular, such a bond would help to prepare tenants for the private rental market.

Questions for discussion:

- a. What incentives could be implemented to encourage public housing tenants to maintain their properties to an acceptable standard and to act as a 'good neighbour'?
- b. How can good behaviour, maintenance of property and participation in the community and social life be rewarded?

8. How can the supply of quality social housing be improved?

A separate discussion paper, *Social Housing – a Discussion Paper on the Options to improve the Supply of Quality Housing* which has been prepared by KPMG, further explores some of the options and supply-side mechanism to improve the availability of social housing in the future.

The paper explores a number of options available to help make the system more financially sustainable whilst looking to improve housing supply in the future.

This includes a discussion on development, transfer and financing models – each which have various advantages and disadvantages in the way they may directly or indirectly increase the quality supply of social housing.

The paper concludes that while all options warrant further investigation and consideration to materially address the challenge the implementation of an appropriate combination of solutions is required.

As part of the current reform process, it is worthwhile considering the role of government in this process and any implications for other sectors such as the community and private sector.

Questions for discussion:

- a. How can issues relating to the supply of quality social housing be addressed?
- b. How can the supply of social housing be made more sustainable?
- c. What are the appropriate measures to increase leverage to encourage and initiate investment in community housing?
- d. What is the optimum mix of housing to best meet the demand and needs of tenants?
- e. How can the efficiency and sustainability of the community housing sector be enhanced?

6. NEXT STEPS...

What next for social housing in Victoria?

To help answer some of the fundamental questions posed in this paper and determine a way forward to building a sustainable and fair public housing system, we will embark on a stage of significant consultation with the Victorian community and the social housing sector.

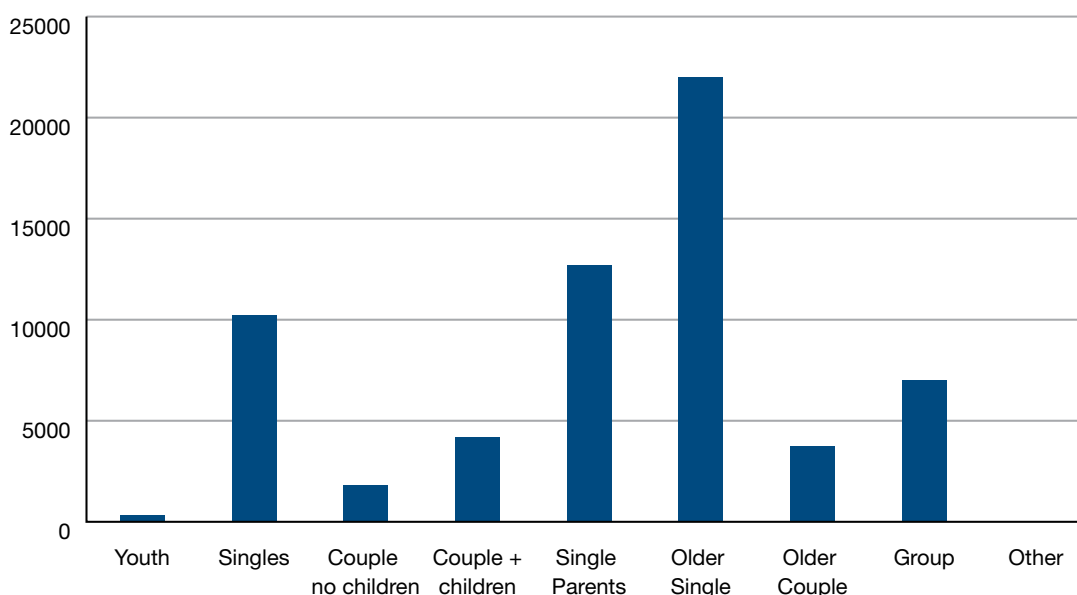
This will include consulting with public housing tenants and representative bodies, housing associations, the not-for-profit sector and business.

For Victoria to have a financially sustainable system, as well as a public housing system that assists those most in need, it is imperative all questions are asked and all options and possibilities considered.

APPENDIX A – DEMOGRAPHICS OF PUBLIC HOUSING

Figure A1 below shows the household types of people living in public housing in Victoria. Older singles are the most common form of household type, followed by single parents and singles.

Figure A1 – Household types living in public housing⁷⁹



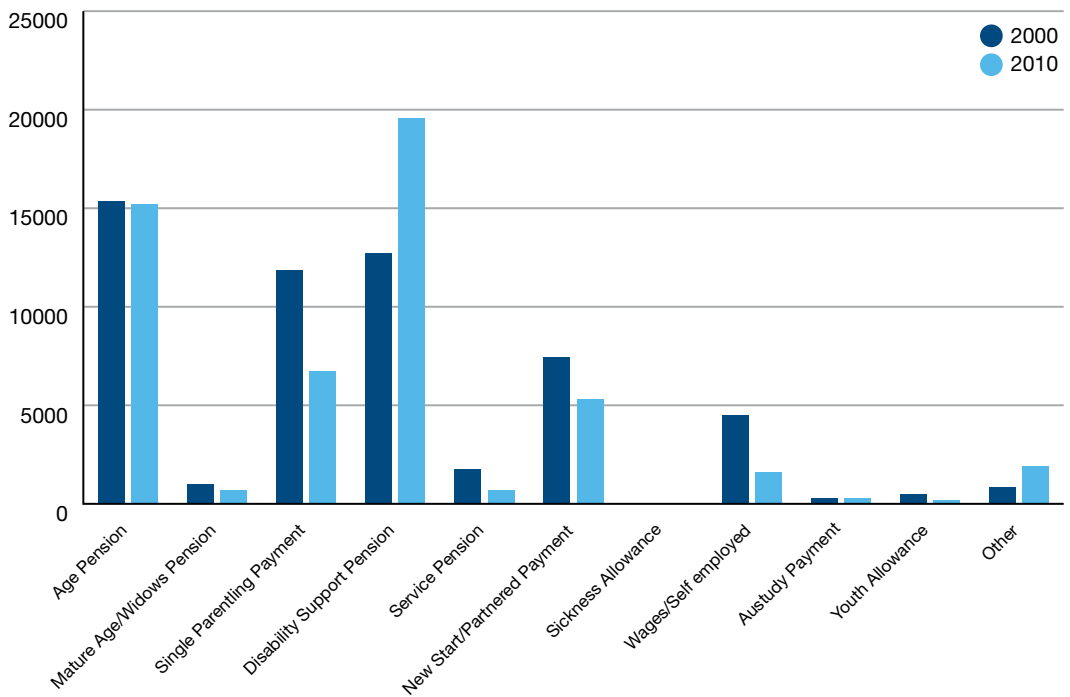
The number of tenants whose source of income is a disability pension has increased significantly over the past 10 years. Over the same time, the number of people earning an income from wages or employment has almost halved.

⁷⁹ Internal Department of Human Services data

Public housing tenants' sources of income

Figure A2 below shows public housing tenants' sources of income and how this has changed between 2000 and 2010. The most common source of income for a public housing tenant is now a disability pension, followed by an aged pension. The number of tenants on a disability pension has increased by around 8,000 people in the last 10 years. Over the same time, the number of people in public housing earning income from wages or employment has almost halved.

Figure A2 – Public housing tenants' sources of income⁸⁰



Source: DHS internal data

80 Internal Department of Human Services data

Mismatch between public housing stock and demand

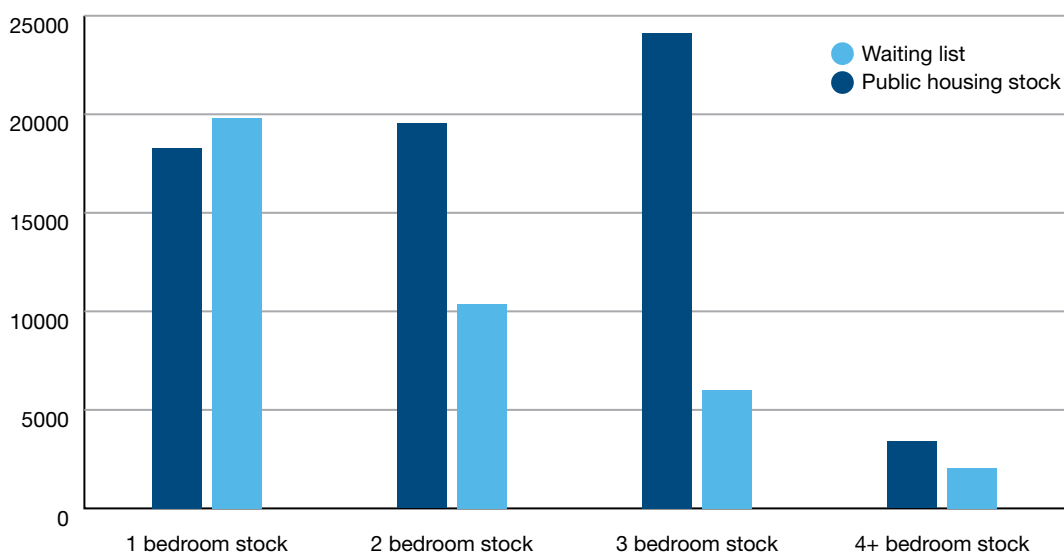
There is currently a mismatch in the type of public housing stock available and future demand for that stock (as indicated by public housing waiting lists). Table A1 outlines the waiting list for particular housing stock in 2011.

Table A1: Public housing stock and waiting lists 2011⁸¹

Waiting list	Public housing stock	Waiting list
1 bedroom stock	18,290	19,813
2 bedroom stock	19,535	10,363
3 bedroom stock	24,132	6,012
4+ bedroom stock	3,395	2,056
Total	65,352	38,244

Figure A3 below demonstrates the mismatch between current public housing stock and future demand for public housing as at June 2011.

Figure A3: Mismatch between public housing stock and demand June 2011⁸²



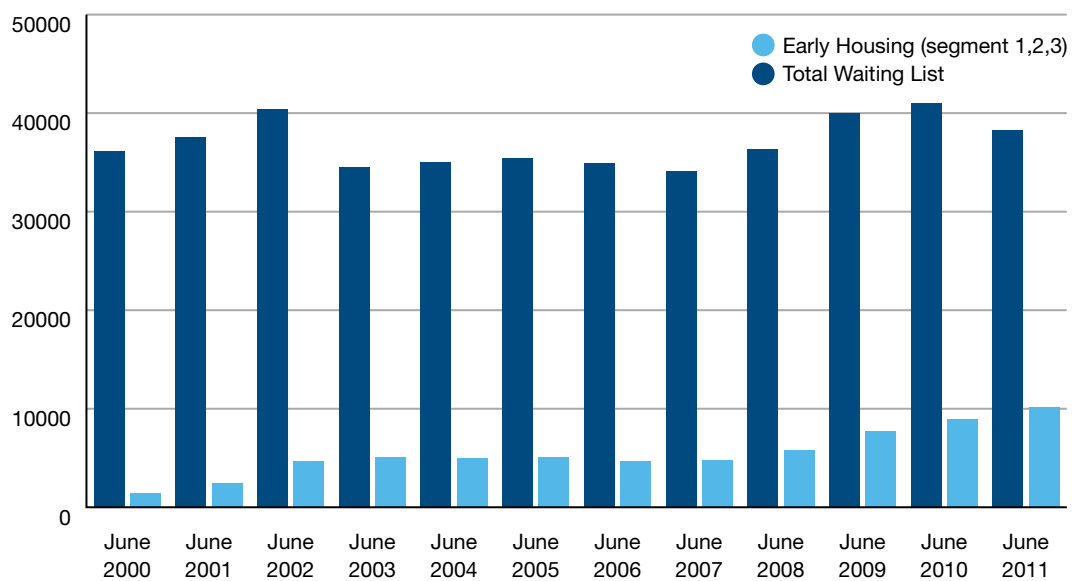
81 Internal Department of Human Services data

82 Internal Department of Human Services data

Public housing waiting lists over the last decade

Figure A4 indicates the waiting lists for public housing as at June each year. The number of people on the general waiting list (Segment 4) has remained steady at around 35,000 to 40,000 over the decade, the number of people on the 'early' waiting lists (Segment 1, 2 and 3) has increased significantly year on year.

Figure A4: Public housing waiting lists 2000 to 2011



Source: DHS internal data

APPENDIX B – INCOME AND ASSET ELIGIBILITY FOR PUBLIC HOUSING

Income limits for public housing in Victoria

Table B1 outlines how the income limits for public housing differ by segment. Households receiving income higher than the specified limit are not eligible to be considered for public housing or be placed on the public housing waiting list.

Table B1: Income limits for public housing in Victoria as at 20 March 2012

Household type	Weekly income limits	
	Homeless with support and special housing needs weekly income limit (Segments 1 and 3)	Supported housing and general public housing (Segments 2 and 4)
Single person	\$483	\$483
Couple, no dependants	\$838	\$838
Family with one dependent child	\$872	\$872
Family with two dependent children	\$906	\$961* \$992**
Family with three dependent children	\$940	\$1,050* \$1,112**
Family with four dependent children	\$974	\$1,139* \$1,232**
Family with five dependent children	\$1,008	\$1,229* \$1,352**
Family with six dependent children	\$1,042	\$1,317* \$1,472**
Family with seven dependent children	\$1,076 plus \$34 for extra child	\$1,406* \$1,592**

*Income limit if child is aged under 13 years
**Income limit if child is aged 13 to 17 years

Asset limits for public housing in Victoria

The asset limits for public housing vary depending on the segment a person is applying under. Generally, a person's assets include their money in the bank, shares, mobile homes, property and business.

The asset limit does not include personal belongings, cars or furniture.

The asset limits for people applying for public housing under Segment 1 and Segment 3 were based on the cost of entering the private rental market. These costs included the bond payment, one month's rent in advance and relocation costs. Given the priority provided to Segments 1 and 3, the asset limit is much lower than Segment 4. The higher asset limit for Segment 2 reflects the potential costs that people in the 'supported housing' category may incur.

Table B2: Asset limits for public housing

Segment	Asset limit if applying for a 1 or 2 bedroom dwelling	Asset limit if applying for a 3 or more bedroom dwelling	Significant disability modification
Segment 1 – Homeless with support	\$1,300	\$2,100	Up to \$60,000 if a person requires significant disability modification to their housing.
Segment 2 – Supported housing	\$30,000	\$30,000	Up to \$60,000 if a person requires significant disability modification to their housing.
Segment 3 – Special housing needs	\$1,300	\$2,100	Up to \$60,000 if a person requires significant disability modification to their housing.
Segment 4 – General housing	\$30,000	\$30,000	Up to \$60,000 if a person requires significant disability modification to their housing.

Accessibility

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