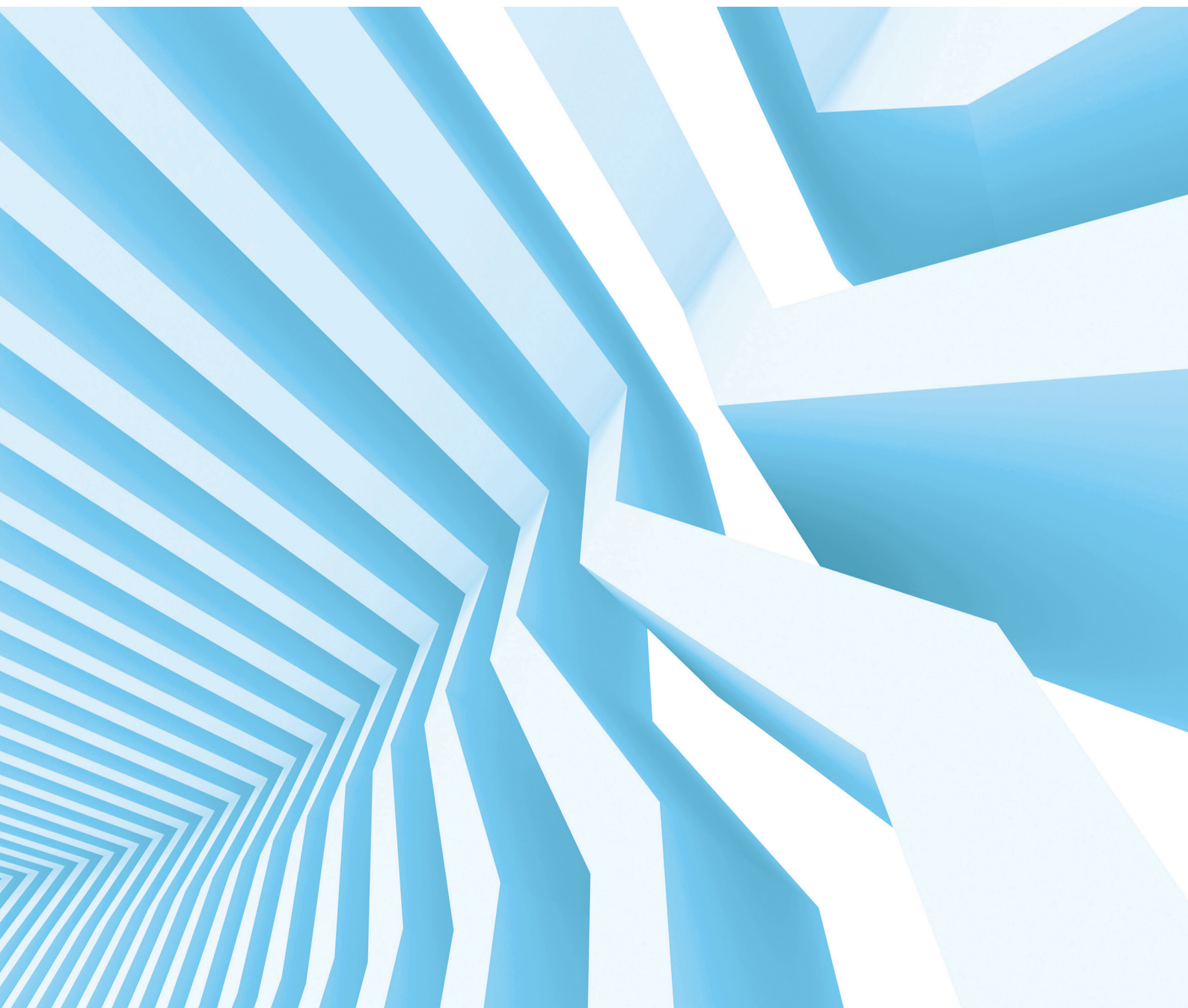




In need of repair: The National Housing and Homelessness Agreement

Study report

Overview



The Productivity Commission acknowledges the Traditional Owners of Country throughout Australia and their continuing connection to land, waters and community. We pay our respects to their Cultures, Country and Elders past and present.

The Productivity Commission

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission's website (www.pc.gov.au).

© Commonwealth of Australia 2022



With the exception of the Commonwealth Coat of Arms and content supplied by third parties, this copyright work is licensed under a Creative Commons Attribution 4.0 International licence. In essence, you are free to copy, communicate and adapt the work, as long as you attribute the work to the Productivity Commission (but not in any way that suggests the Commission endorses you or your use) and abide by the other licence terms. The licence can be viewed at: <https://creativecommons.org/licenses/by/4.0>.

The terms under which the Coat of Arms can be used are detailed at: www.pmc.gov.au/government/commonwealth-coat-arms.

Wherever a third party holds copyright in this material the copyright remains with that party. Their permission may be required to use the material, please contact them directly.

ISBN 978-1-74037-749-2 (online)

ISBN 978-1-74037-748-5 (print)

An appropriate reference for this publication is:
Productivity Commission, *In need of repair: The National Housing and Homelessness Agreement*, Study Report, Canberra

Publication enquiries:

Media, Publications and Web | phone 03 9653 2244 | email publications@pc.gov.au

Foreword

Governments provide a range of policies to make housing more affordable, safe and sustainable. In a complex and interconnected system like the housing market, it is important that governments work in a coordinated way to ensure the policies together improve how the housing market works and the best outcomes are achieved from the housing assistance provided.

This review of the National Housing and Homelessness Agreement is timely. Governments are now looking at new ways to work together to improve housing outcomes for Australians, including developing a National Housing and Homelessness Plan.

We would like to thank the people and organisations who contributed to this review, including those who participated in meetings and roundtables, and those who made submissions and provided brief comments. We are particularly appreciative of the stories and insights people shared with the Commission about their lived housing experience. We also want to thank staff working in Australian, State and Territory Government agencies for their valuable insights on the National Housing and Homelessness Agreement and broader housing policy issues.

Malcolm Roberts

Commissioner

Romlie Mokak

Commissioner

Contents

Foreword	iii
Acknowledgments	vi
Overview	1
1. Affordable, safe and sustainable housing	3
2. Assessing the performance of the NHHA	9
3. What then for a future Agreement?	13
4. Making housing more affordable	18
5. Homelessness and housing services and programs	25
6. Housing outcomes for Aboriginal and Torres Strait Islander people	33
Recommendations and findings	37

Acknowledgments

The Commissioners would like to express their appreciation to the staff who worked on the review — Rosalie McLachlan, who led the review, Catherine Bain, Elizabeth Baldwin, Vanessa Boltman, Mark Bryant, Cordelia Buntsma, Cate Everitt, Bronwyn Fisher, Nick Fransen, Geoffrey Go, Katharine Hagan, Catherine McCombe, Rebecca Perry, Annie Savvas and Erin Turner. Our thanks are also extended to Pragya Giri who provided administrative and project support, Melisa Bubonya and Rebecca Chin for assistance with data checking, and many other Commission staff who helped out on the review.

This report used unit record data from the Household, Income and Labour Dynamics in Australia Survey conducted by the Australian Government Department of Social Services (DSS). The findings and views reported in this paper, however, are those of the authors and should not be attributed to the Australian Government, DSS, or any of DSS' contractors or partners [DOI: 10.26193/3QRFMZ].

The report also used confidentialised unit-level administrative data on Commonwealth Rent Assistance recipients provided by the Australian Government Department of Social Services.

Overview

Key points

- * **Australia has a housing affordability problem. Australians, particularly those on low incomes, are spending more on housing than they used to. Many low-income private renter households spend a large share of their income on rent. Demand for social housing is rising. More people are seeking help for homelessness and more are being turned away. Home ownership rates are falling, particularly for young Australians.**
- * **The National Housing and Homelessness Agreement — intended to improve access to affordable, safe and sustainable housing — is ineffective. It does not foster collaboration between governments or hold governments to account. It is a funding contract, not a blueprint for reform.**
- * **The next intergovernmental Agreement (and the proposed National Housing and Homelessness Plan) is an opportunity for governments to work together on a national reform agenda to make housing more affordable. Rising rents and low vacancy rates are placing private renters under pressure, which increases demand for government-funded housing and homelessness services.**
- * **The focus of the next Agreement should be on improving the affordability of the private rental market and the targeting of housing assistance. Improving the capacity of low-income renters to pay for housing and removing constraints on new housing supply are key to making housing more affordable.**
 - The Australian Government should review Commonwealth Rent Assistance as a priority. There is a strong case for changes to improve its adequacy and targeting.
 - State and Territory Governments should commit to firm targets for new housing supply, facilitated by planning reforms and better co-ordination of infrastructure.
 - The \$16 billion governments spend each year on direct housing assistance could achieve more if it was better targeted to people in greatest need. The nearly \$3 billion given to first home buyers works against improving affordability. This money would be better spent preventing homelessness.
 - Social housing is an important part of the affordable housing solution, but it has a number of shortcomings. Governments should trial a housing assistance model that provides equivalent assistance to people in need regardless of whether they live in public, community or privately-owned housing. It should also test innovative ways to help people at risk of homelessness sustain tenancies in the private market and assist social housing tenants move to the private rental market.

These changes will help more low-income households in the private rental market and reduce the number of people who experience homelessness or need social housing.
- * **The next Agreement can support these changes by including:**
 - principles to guide how housing assistance should be provided and assistance dollars spent
 - a broader scope, covering all forms of direct housing assistance
 - achievable and measurable targets focused on outcomes for people
 - a new performance monitoring framework with annual reporting on outcomes and performance indicators
 - effective governance, including oversight by a ministerial council and channels for key stakeholders to be involved in the design and delivery of major programs
 - a new approach to supporting Aboriginal and Torres Strait Islander housing and homelessness services
 - a greater focus on building the evidence base essential for good policy and accountability.

Housing affordability is one of the most pressing policy issues facing Australia. With rises in house prices and rents in recent years, many Australians are concerned about the lack of rental properties that are affordable for low-income earners, the increasing demand for homelessness services and social housing, and the prospect of younger Australians being locked out of home ownership.

One avenue for governments to address these issues is the *National Housing and Homelessness Agreement* (NHHA) — the intergovernmental agreement between the Australian, State and Territory Governments on housing and homelessness. The NHHA sets the framework for shared responsibility for housing and homelessness, and provides for the transfer from the Australian Government of about \$1.6 billion each year to the States and Territories to fund homelessness and housing services and programs.

The Australian Government asked the Productivity Commission to review the NHHA, and assess how well governments have achieved the objectives, outcomes and outputs in the Agreement and the suitability of the Agreement for the future. We were also asked to consider the impact of social and economic factors, including the COVID-19 pandemic, on housing and homelessness in Australia.

1. Affordable, safe and sustainable housing

The NHHA's objective is to 'contribute to improving access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation'. Access to affordable, safe and sustainable housing is essential to the wellbeing of all Australians.

Housing is a basic human need and is central to our physical and mental health and quality of life. The COVID-19 pandemic gave us a fresh appreciation of the importance of housing for our health and wellbeing. Housing is also important for economic and social outcomes. Not having affordable, safe, and secure housing can be a barrier to finding and holding down a job and engaging in education, and it can affect family relationships and community connections.

Housing is often the largest item for household budgets, and as a necessity is one of the first expenses paid. High housing costs can force people to cut spending on other essentials (such as food, medicine and heating) and/or compromise on the suitability of their housing. Because low-income households spend a higher share of their income on housing than other households, declining affordability particularly affects these households.

Access to safe housing also matters. Poor housing can harm physical health, mental health and people's ability to participate fully in society. For example, living in overcrowded and poor-quality housing increases the likelihood of acquiring chronic health conditions. These conditions can affect children's long-term development. The health and social issues caused by overcrowding can increase the risk of domestic and family violence. Access to safe housing is also critical for people escaping family violence. And poor design and build quality can put people's safety at risk and see renters and home owners incur significant and unexpected costs.

Sustainable housing has a number of dimensions, including to support people to maintain housing over time, provide accessibility for people with disability and support social, cultural and environmental wellbeing. Using environmentally sustainable design and materials can reduce energy use, energy costs and greenhouse gas emissions but can involve trade-offs with affordability.

Improving access to affordable and safe housing can reduce government spending on homelessness services, health, child safety and criminal justice. It can also reduce poverty, improve the functioning of the labour market and improve equality of opportunity and social inclusion.

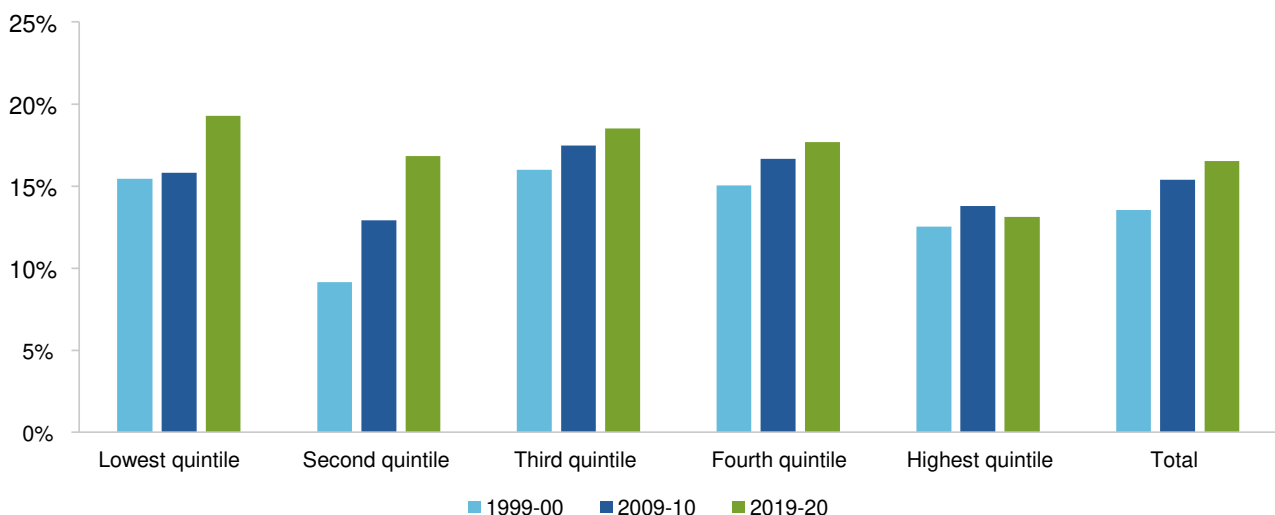
Housing is less affordable for many Australians

Australians are spending more on housing

Australians are spending more of their income on housing than they did 20 years ago (figure 1). The median share of disposable income spent on housing increased from 14 per cent in 1999-00 to 17 per cent in 2019-20. For some, higher spending on housing may reflect higher incomes, changed preferences or better-quality housing. But households in the lowest income quintile spend more of their income on housing than others. And housing costs as a proportion of income have increased the most for households in the bottom two quintiles of the income distribution.

Figure 1 – Housing costs have increased for low-income earners^a

Median ratio of housing costs to disposable household income, by equivalised disposable household income quintile



a. Equivalised disposable household income is a measure of income that adjusts for differences in household size and composition, allowing relative economic wellbeing to be compared. For a lone person household, equivalised disposable household income is equal to actual disposable income.

Housing affordability for private renters

House prices are often the focus of debates about housing affordability, but rents are a better reflection of the true cost of housing. Rents reflect how much it costs to have a place to live, whereas house prices capture both this value and the value of housing as a financial investment.

About a quarter of Australians rent in the private market. More Australians are renting, for more of their lives, than in the past. And renters tend to be younger and have lower incomes than the Australian population.

Affordability in Australia's private rental market, in aggregate, has been steady. The median proportion of income spent on rent has hovered around 25 per cent since 2000 and rents have largely tracked incomes (unlike property prices). However, some indicators suggest that the rental market has tightened since 2019-20 (the most recent year for comprehensive data). Rents dipped slightly at the beginning of the COVID-19 pandemic, but indexes of advertised rents suggest strong growth in rents and very low vacancy rates over the past year. In June 2022, median advertised rents were 9.5 per cent higher than a year before, and the vacancy rate was 1.2 per cent (compared to 2.2 per cent a year before).

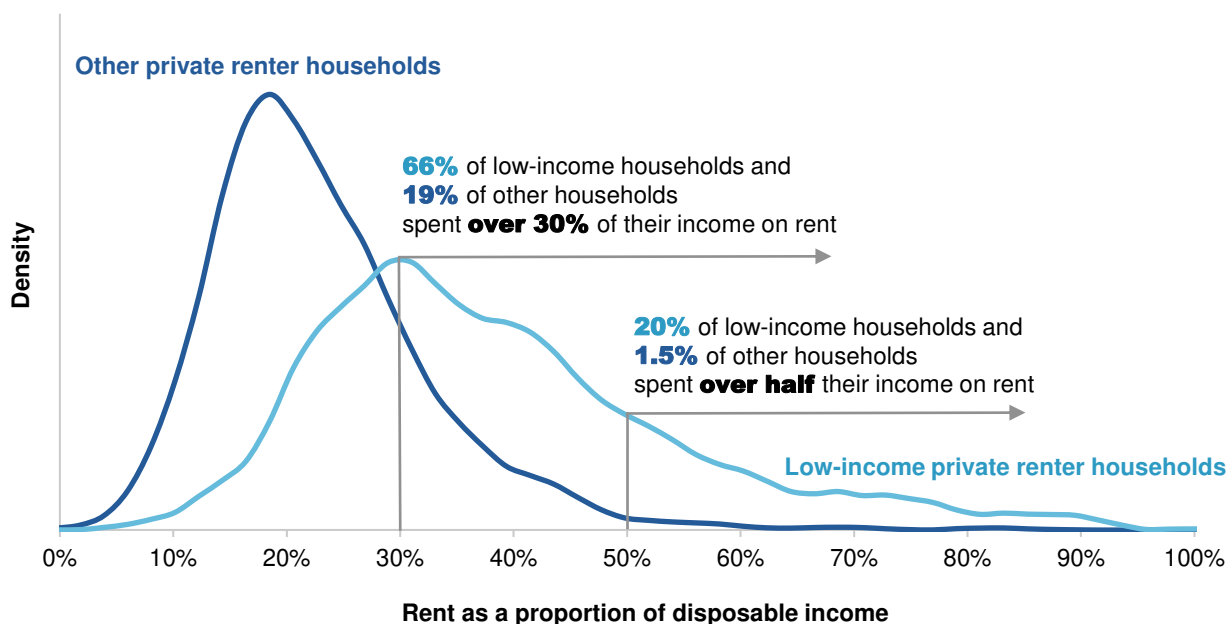
Many low-income private renters face heavy rent burdens

Low-income households spend a higher proportion of their income on rent ('rent burden') than the median renter. The median rent burden for households in the lowest income quintile was 43 per cent in 2019-20, and 32 per cent for households in the second quintile.

Median values can hide very different experiences of rental affordability. The majority — 66 per cent — of private renters with low incomes spent over 30 per cent of their income on rent in 2019-20,¹ while 20 per cent spent over half their income on rent (figure 2).

Private renters who are unemployed, aged over 65 or sole parents tend to spend a larger proportion of their income on rent.

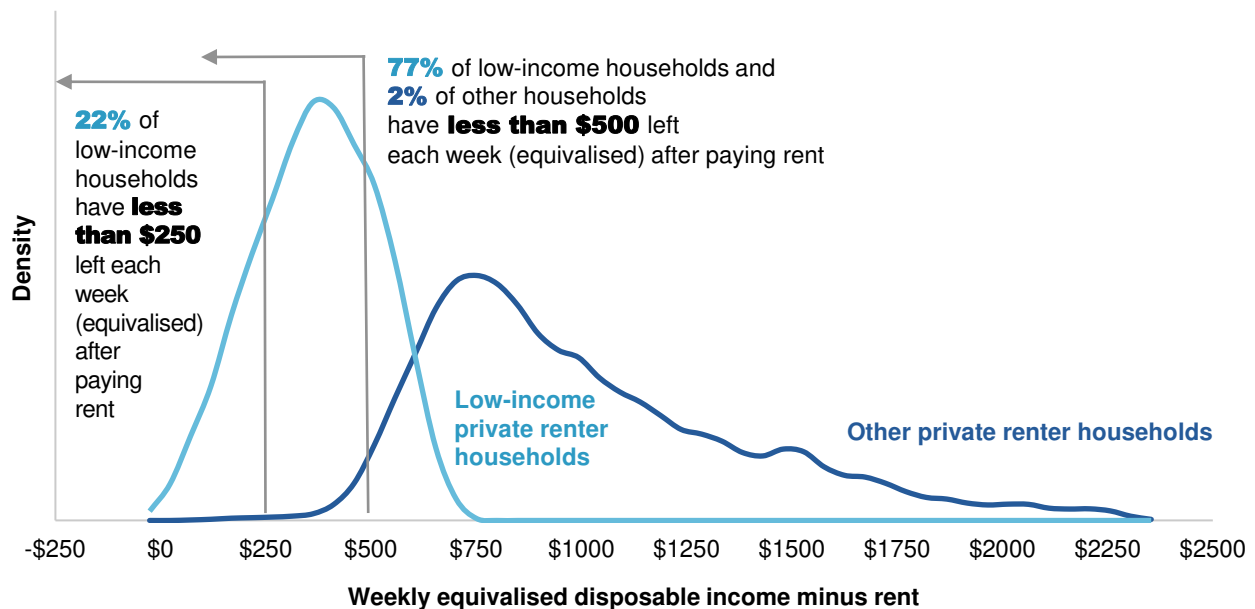
Figure 2 – Many low-income private renters spend more than 30 per cent of their income on rent
Distribution of rent as a proportion of disposable income, private renters, 2019-20



Some low-income households have little income left after paying their rent. About 22 per cent of low-income households have less than \$250 left each week after paying rent (figure 3).

¹ In Australia, households are typically considered to be in 'rental stress' if they spend more than 30 per cent of their income on rent and are in the bottom two quintiles (40 per cent) of the income distribution — the '30/40 rule'.

Figure 3 – Some low-income households have little income left after paying for housing
Distribution of weekly disposable income minus rent, equivalised values, 2019-20



Private rental unaffordability is fuelling demand for NHHA-funded assistance

Private rental unaffordability and low vacancy rates are fuelling demand for NHHA-funded homelessness services and social housing.

When rents rise, high-income renters can move to cheaper accommodation, but low-income renters already occupying lower-cost properties have fewer places to go. Their only options in the private market may be poorer-quality properties or informal or marginal rental properties (such as renting a room or a site in a caravan park). Higher housing costs can also make households more vulnerable to shocks (like job loss or a personal crisis) that can lead to homelessness. Adelaide Day Centre for Homeless Persons commented that:

... rental vacancies have decreased while rent has gone up resulting sometimes in bidding wars between people desperate to secure somewhere to live. People who have otherwise been able to live a reasonable working class life until recently are now having to live in their vans and cars. (sub. 13, p. 1)

More people are seeking homelessness services and more are being turned away. In 2020-21:

- about 278 300 people were assisted by specialist homelessness services (SHSs). The number of people seeking support from SHSs has increased each year since 2011-12
- about 114 000 requests (or an average of 312 requests each day) for assistance to SHSs were 'unassisted' — that is, people were turned away. This is up from 95 000 unassisted requests for assistance in 2016-17.

Faced with fewer affordable private rental options, renters are more likely to seek social housing (the income-based rents in social housing mean very few tenants face rental stress). There were 176 000

households on social housing waiting lists in 2021. Almost 40 per cent of households on the waiting list in 2021 were assessed as being in 'greatest need'.²

Once a tenant is in social housing, rental unaffordability can be a barrier to transitioning to the private rental market, because social housing assistance is more valuable when market rents are higher. The security and accessibility of the private rental market can also affect the attractiveness of social housing. Insecure tenure in the private market can prevent tenants from considering it as an alternative to social housing. This is especially the case for people with long-term needs, or who require modifications to their home.

A lack of affordable and appropriate private rental accommodation also affects the cost and effectiveness of NHHA-funded services. For example, service providers are less able to help people experiencing homelessness move out of crisis or transitional accommodation if affordable private rental properties are not available.

Housing affordability for home owners

Most — about two-thirds — of Australians own their own home and aspirations for home ownership among younger people are high.

Home owners with a mortgage typically spend less of their income on housing than private renters. Low interest rates in recent years have meant the costs of mortgages have been more affordable.

- The proportion of home owners with a mortgage who spent more than 30 per cent of their income on mortgage repayments decreased from 28 per cent in 2007-08 to 21 per cent in 2019-20.
- The proportion of first home buyer households who spent more than 30 per cent of their income on mortgage repayments decreased from about 54 per cent to about 27 per cent over the same period.

That said, consecutive interest rate rises since May 2022 could reverse this trend. Low-income owners with a mortgage also typically spend a much greater proportion of their income on housing — about 39 per cent of low-income owners spent more than 30 per cent of their disposable income on mortgage repayments in 2019-20 and 17 per cent spent more than 50 per cent.

Home buyers typically pay off their loan over many years, if not decades, so mortgage payments over the lifetime of the loan are also important. Notwithstanding the relatively low interest rates, with house prices rising faster than incomes (median house prices are now around 8 times the median income, compared to 4 times in the 1980s and early 1990s), the share of working-life income needed to buy a home has increased.

Home ownership is increasingly out of reach for young people

Home ownership rates in Australia are falling³, particularly for younger people.

- The share of younger households owning their home fell from about 44 per cent to about 36 per cent from 1997-98 to 2019-20.⁴
- Home ownership rates at any given age have fallen for successive birth cohorts and there is limited evidence of 'catching up' later in life.

² A household is in 'greatest need' if they are homeless, have their life or safety at risk in their current accommodation, have housing inappropriate to their needs or have very high rental housing costs.

³ Australia is not alone in experiencing falls in its home ownership rate. The majority of OECD countries saw declines in home ownership over the period 2010 to 2020.

⁴ Younger households refers to households where the ABS identified reference person for the household is aged under 35 years.

The sharpest falls in home ownership have been among middle-income households. There has not been a noticeable shift in the income distribution of first home buyers over the past 20 years — although most first home buyers are on relatively high incomes.

Saving for a deposit is often the most significant barrier

The main barrier preventing many prospective home owners from purchasing a home is saving a deposit. The average deposit has more than doubled from under \$50 000 in 2002 to well over \$100 000⁵ in mid-2022, far outstripping growth in earnings and prices (figure 4). The average first home buyer deposit now exceeds 80 per cent of average annual household disposable income.

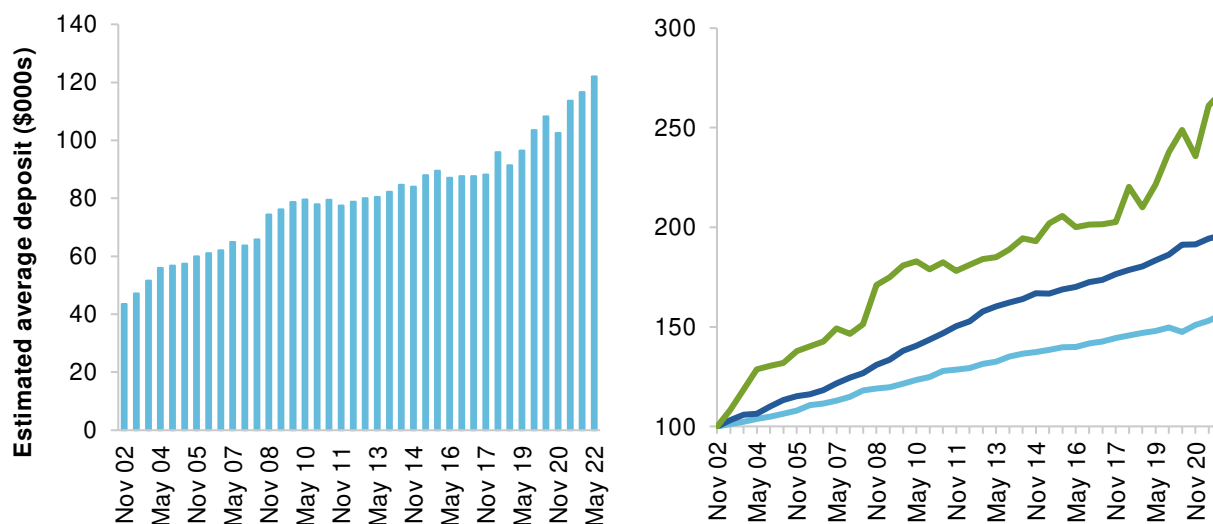
With larger deposits required, first home buyers are taking longer to save a deposit. The time required for a 24–35 year old household to save a 20 per cent deposit for a median priced dwelling has increased significantly for most capital cities since the mid-2000s (between 2005 and 2021, across all capital cities, the time taken to save a deposit has increased from about five to seven years).

With low interest rates, prospective home buyers may have the income to afford mortgage repayments, but can struggle to save a deposit (although with recent interest rate rises, the share of income needed to service a mortgage will increase — particularly for recent purchasers).

Figure 4 – First home buyer deposits have grown strongly

Estimated average deposit of first home owners^a

Index of estimated average deposit of first home owners, average full-time earnings and CPI^b



a. Average deposit was derived from ABS lending data. It assumes that a typical first home owner borrows 80 per cent of the property’s value with the deposit comprising the remaining 20 per cent. b. Average earnings refers to average full time adult earnings. November 2002=100.

Some prospective first home buyers have turned to their family — sometimes referred to as the ‘bank of mum and dad’ — for help with a deposit. Some have also reduced the size of their deposit (relative to purchase prices). More borrowers are choosing to borrow over 80 per cent of the principal — a recent survey found that the share of prospective first home buyers planning on saving a deposit of at least 20 per cent has

⁵ Based on a 20 per cent deposit.

dropped from just over 40 per cent in 2019 to about 27 per cent in 2021. That said, a 20 per cent deposit is still about the median among first home buyers.

2. Assessing the performance of the NHHA

The NHHA is a funding contract

Australia has a strong history of co-operation between governments through intergovernmental housing agreements. Under the first agreement, in 1945, the Australian Government supported post-war construction of rental housing for ex-defence force personnel and families. And the intention of the Intergovernmental Agreement on Federal Financial Relations (IGA FFR), under which the NHHA was established, was to help governments collaborate on policy development and service delivery, and to enable nationally important reforms.

However, the NHHA is more of a funding agreement⁶ for homelessness and housing services than an agreement for coordinated policy action. While it facilitates the transfer of funds from the Australian Government to States and Territories to support housing and homelessness programs, it does not foster intergovernmental collaboration nor set out a national reform agenda.

In a complex system like the housing market, where different segments are connected and all levels of government use various policies to achieve their objectives, cooperation is essential. Policies affecting one segment of the housing spectrum ripple through other segments. Cooperation helps ensure policies pull in the same direction rather than work against each other, and that the best outcomes are achieved from limited housing assistance dollars.

Intergovernmental agreements under the IGA FFR were also meant to provide States and Territories with greater flexibility in service delivery while improving public accountability for outcomes. As funding is largely untied, State and Territory Governments have wide discretion about how they use NHHA funds. However, the NHHA is a highly transactional agreement that focuses on State and Territory Government accountability to the Australian Government, rather than all levels of governments being accountable to the Australian community.

A sound and broad objective

The Agreement's objective of contributing 'to improving access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation', is a sound policy goal. However, the Agreement's objective would benefit from definitions of affordability, safety and sustainability, and an acknowledgement that there can be trade-offs between these goals.

One of the NHHA's strengths is that its objective is broad — it is intended to improve housing outcomes *across the housing spectrum*. The housing spectrum covers the full suite of housing tenures — from homelessness to home ownership. Including the housing spectrum in the objective recognises that the different segments of the housing spectrum are connected — including, as discussed earlier, that an important driver of demand for homelessness services and social housing is the extent to which people can afford suitable housing in the private rental market. Policy makers across different levels of government need

⁶ Financial transfers are a necessary feature of a federated system with decentralised responsibility for service delivery and high vertical fiscal imbalance.

to be aware of the effects of their housing policies across the spectrum, and the wider effects of policies targeted at different parts of the spectrum.

The broad objective also recognises that the functioning of the housing market cannot be assessed by only looking at the effectiveness of homelessness services and social housing. A well functioning housing market overall should be the goal.

And despite its broad objective, the NHHA has a narrow focus on funding for homelessness and housing services. It also does not include some important housing policy levers — such as Commonwealth Rent Assistance (CRA) and support for home buyers. These gaps in coverage limit governments' ability to work together to achieve the Agreement's objective. It is a missed opportunity that should be remedied in a new Agreement.

An inadequate performance framework ...

Well-designed performance frameworks hold governments to account by measuring and reporting progress against agreed outcomes. The NHHA sets out six desired outcomes and 14 national performance indicators (figure 5). The breadth of outcomes recognises that achieving the Agreement's objective depends on outcomes across the housing spectrum.

Some of the performance indicators in the NHHA have limited value. For example, the performance indicator for zoning reform is not increased housing supply (the goal of reform) but the far less useful measure of the change in the number of potential dwellings permitted by zoning. In other cases, such as the performance indicator 'the stock of affordable rental housing relative to the population', data are not available to report against the indicator.

The NHHA requires the Australian Government to publish an independent, annual report on national performance indicators. The Productivity Commission's Performance Reporting Dashboard was developed to fulfil this function. However, the Dashboard only reports on four of the 14 indicators and, for some of these indicators, data are collected infrequently. The Agreement provides for a Data Improvement Plan to improve the data available, but delays to the Plan being agreed has meant that many of the promised improvements are still being developed.

State and Territory Governments must also report annually on their expenditure through statements of assurance. These are meant to provide accountability for spending to the Australian Government, but they are of limited value, including to the Australian Government.

There is no agency or body responsible for ensuring that performance reporting is meeting the intent of the performance framework. As a result, there is little discourse on how policy and non-policy influences interact to produce outcomes, and how different government actions are (or are not) working together to achieve the NHHA's objective.

... and the objective has not been achieved

While the Agreement's objective has not been achieved, this is unsurprising given several features of its design. First, excluding housing policy levers that are important for improving outcomes is a severe handicap. Second, funding in the NHHA is disconnected from the objective (discussed below). And thirdly, supply-side policy levers, which are an important part of the solution to housing affordability (section 4), are mentioned in the Agreement, but not linked to any meaningful actions.

Figure 5 – The NHA performance framework

Objective						
Contribute to improving access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation						
Outcomes	A well-functioning social housing system that operates efficiently, sustainably and is effective in assisting low-income households and priority homelessness cohorts to manage their needs	Affordable housing options for people on low-to-moderate incomes	An effective homelessness service system, which responds to and supports people who are homeless or at risk of homelessness to achieve and maintain housing, and addresses the incidence and prevalence of homelessness	Improved housing outcomes for Indigenous Australians	A well-functioning housing market that responds to local conditions	Improved transparency and accountability in respect of housing and homelessness strategies, spending and outcomes
Performance indicators	The stock of social housing dwellings relative to the target population for social housing	The stock of affordable rental housing relative to the population	A decrease in the number of people experiencing homelessness*#	An increase in the proportion of Indigenous Australians purchasing or owning their own home* Other performance indicators disaggregated for Indigenous Australians where appropriate	The total number of dwellings relative to the population#	
	An increase in the proportion of social housing occupants that are housed in homes that match their needs #		A decrease in the number of people that experience repeat homelessness #		An increase in the number of dwellings that are permitted by zoning in cities or urban areas #	
	An increase in the number of social housing occupants with greatest need as a proportion of all new allocations*	A decrease in the proportion of rental households with household income in the bottom two quintiles that spend more than 30 per cent of their income on rent*#	An increase in the proportion of people who are at risk of homelessness that receive assistance to avoid homelessness #		A reduction in the average time taken to decide the outcome of a development application or residential building permit (as applicable) in cities or urban areas	
	An increase in the proportion of social housing occupants whose needs are met and are satisfied with services provided by their housing organisation		An increase in the proportion of people who are homeless that are assisted to achieve housing#			

* Data are reported on the PC Performance Reporting Dashboard. # Included in the Data Improvement Plan.

The NHHA has not spurred reform

Intergovernmental agreements can be a catalyst for reform. However, the NHHA does not commit governments to implementing any specific reforms. And while all States and Territories meet the requirement to have a publicly available housing and homelessness strategy addressing the NHHA's national priority policy areas and priority cohorts, this requirement has not prompted reforms. State and Territory Governments already had incentives to pursue reforms and many jurisdictions had strategies before the NHHA came into effect.

Some participants also noted that the NHHA does not require the Australian Government to have a housing strategy. They argued that a national strategy led by the Australian Government was essential for:

- providing a clear vision and strategic direction for housing in Australia
- taking account of all the factors affecting housing and homelessness, including significant policy levers outside the scope of the NHHA, such as taxation policy and immigration
- bringing all parties to the table, including the non-government sector and people with lived experience.

The Australian Government has recently announced it will develop a National Housing and Homelessness Plan, which can be expected to fill this gap.

The NHHA also does not have a specific forum for policy coordination and discussion. In 2020, the Ministerial Council responsible for the NHHA disappeared during the shift to the National Cabinet. There is also no formal oversight of the Data Improvement Plan. State and Territory Governments said that not having governance structures makes coordinating with other jurisdictions time consuming, and results in bilateral rather than multilateral communication between governments.

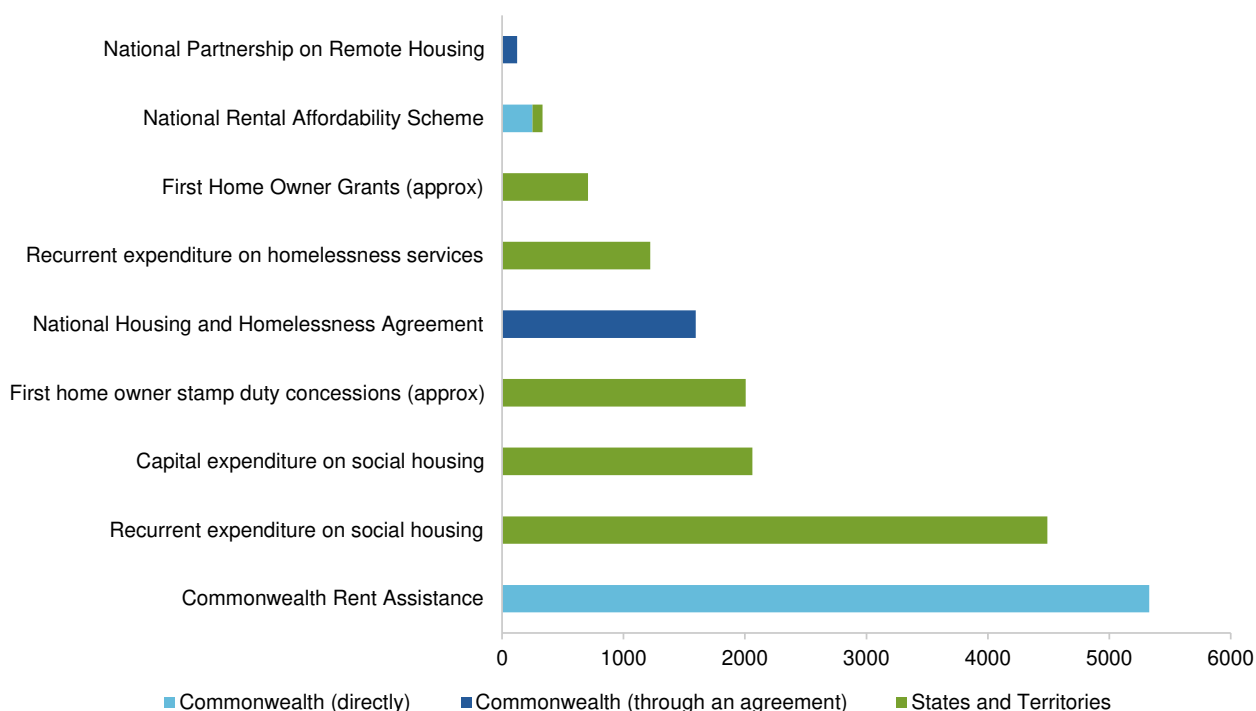
Demands on funding are increasing

NHHA funding is critical for enabling States and Territories to provide services to people who need housing assistance. However, as highlighted by State and Territory Governments, other sources of funding for housing programs have ceased (including funding for remote housing) and demand for housing and homelessness services has increased, meaning there is additional pressure on funding delivered through the NHHA to deliver housing outcomes.

There is also a disconnect between the amount of funding under the Agreement and the broad objective — one jurisdiction described the Agreement as having the ambition of a Ferrari with funding for a wheel. The NHHA funding is only a small proportion of the total housing assistance dollars — it is \$1.6 billion compared to around \$16 billion spent in total on housing assistance (figure 6).

Recent announcements by the Australian Government will see more funds directed to housing and homelessness services, including for social and affordable housing, remote Aboriginal and Torres Strait Islander housing and crisis and transitional housing.

Figure 6 – Spending on housing assistance, 2020-21 (\$m)^a



a. State and Territory expenditure on homelessness services and social housing includes funding provided to the States and Territories under the NHHA, meaning there is some double counting in state and territory recurrent and capital expenditure on social housing and homelessness services. State and Territory Governments spent about \$7.8 billion on social housing and homelessness services in 2020-21, which includes the \$1.6 billion provided through the NHHA.

There is also little connection between need and the allocation of NHHA funding between States and Territories. Homelessness funding is distributed according to outdated data (from the 2006 Census) and general funding is based on population. Funding is not based on need nor the different costs of providing services in each jurisdiction.

3. What then for a future Agreement?

While the NHHA has not improved access to affordable, safe, and sustainable housing, or collaboration on housing policy, it has some features which could be improved and carried over into the next Agreement.

- The IGA FFR provides a strong base for improved coordination and accountability.
- Many of the NHHA’s key elements are sound, including its policy objective, focus on outcomes, requirements for State and Territory Government housing and homelessness strategies, focus on improving data and five-year funding certainty.

However, to be effective, a new national Agreement for housing and homelessness will need to more closely reflect the principles of the IGA FFR,⁷ with a greater focus on governments working together to improve housing and homelessness outcomes.

⁷ Primary responsibility for service delivery; focus on improving the wellbeing of Australians; coordinated federal action; accountability; financial support; greater incentives for economic and social reform.

The next Agreement should be a living document, with the main part of the Agreement setting out the objective, outcomes, principles and governance arrangements, while the detail of reform commitments should be included in schedules and bilateral agreements. This will simplify the process for revising or updating the Agreement when policy or the broader environment changes. The next Agreement should also include:

- a better-defined objective, with key terms defined and the trade-offs between affordable, safe and sustainable acknowledged
- an agreed reform agenda
- an endorsed set of principles for designing and delivering housing assistance
- a broader scope, covering all government-funded housing assistance policies and programs
- clearer roles and responsibilities
- revised outcomes focused on improving outcomes for people across all tenure types
- a new performance monitoring and reporting framework with annual reporting against outcomes and performance indicators
- meaningful, achievable and measurable targets
- a single base funding pool for housing and homelessness services that is allocated to jurisdictions according to need and the costs of providing services
- effective governance arrangements, including oversight by a Ministerial Council
- alignment with other agreements and policies, including the National Agreement on Closing the Gap and Australia's Disability Strategy
- a schedule outlining support for Aboriginal and Torres Strait Islander housing and homelessness services, including capability building and effective involvement in the co-design of policies and programs.

The Agreement's scope should be broader

Some argued that the next Agreement should be confined to housing and homelessness services with a focus on what can be delivered within the funding envelope. Instead, the Commission considers that the funding envelope should be expanded to include all government-provided housing assistance — including Commonwealth Rent Assistance and first home buyer assistance.

Bringing all forms of housing assistance under the umbrella of the next Agreement should:

- encourage governments to consider how to best spend the housing assistance dollars to improve housing outcomes in a holistic way, guided by principles for housing assistance
- support decisions about the design of housing assistance, including eligibility criteria
- clarify which level of government is (or should be) responsible for what assistance
- provide a forum for governments to resolve any conflicts or overlaps in the assistance programs
- provide a forum for sharing data, evaluations and lessons learnt
- help ensure all measures are 'pulling in the same direction'.

But the next Agreement should not have a narrow focus on housing assistance measures alone. It should also have a focus on improving housing affordability and increasing the level and responsiveness of housing supply to changes in demand (section 4).










Several stakeholders called for policies that indirectly affect the housing market — including tax and immigration policy — to be included in the scope of the NHHA. While these policies affect the housing market, decisions on these policies usually require a whole-of-government perspective, reflecting the fact that a host of policy objectives are involved. It is appropriate for the NHHA to focus on policies and programs that are designed to improve housing outcomes. That said, housing policy settings should take into account the effects of these broader policies.

The next Agreement will need to align with and support the National Housing and Homelessness Plan. The Australian Government has indicated that it has offered State and Territory Governments an additional year of funding under the NHHA to provide funding certainty while the National Plan is developed. The Commission encourages governments not to defer worthwhile policy or other changes that can be agreed to and implemented immediately (including a review of Commonwealth Rent Assistance, section 4).

Principles for housing assistance

The Australian, State and Territory Governments should agree to a set of principles for housing assistance to be included in the next Agreement (figure 7). The principles should promote equity, choice of housing, economic and social participation and targeting of scarce funding to people in need. The principles should also provide direction for future reforms.

Figure 7 – Principles for housing assistance

Sufficient	Fair	Effective
 <p>People receiving assistance can access housing that meets their needs</p>	 <p>Assistance is targeted to people most in need</p>	 <p>Assistance is flexible and tailored to individual circumstances</p>
 <p>Household incomes after paying for housing costs are sufficient to cover other essential items (such as food, clothing and health care)</p>	 <p>People in the same circumstances are treated in the same way</p>	 <p>Assistance is delivered in a timely way</p>
		 <p>Assistance responds to changes in need over time</p>
		 <p>Assistance supports social and economic participation</p>
		 <p>Assistance delivers the best use of taxpayers' dollars</p>

Reforms rather than ‘priorities’

The NHHA has national housing priority policy areas, homelessness priority policy reform areas and national priority homelessness cohorts, but all these priorities are largely for the purposes of reporting. Requiring States and Territories to include these priorities in their strategies has not driven reforms or improved outcomes.

Rather than reporting on priority areas, governments should commit to specific reforms aimed at improving housing affordability in the next Agreement.

The Commission suggests the Australian, State and Territory Governments commit to:

- reducing homelessness, expanding early intervention and prevention interventions and Housing First-type responses

- accelerating the shift to longer-term contracts for providers of homelessness services, and offering more flexible and, where appropriate, open-ended funding for homelessness support
- auditing the unmet need for homelessness support and conducting a stocktake of homelessness services
- reforming CRA, informed by recommendations from a CRA review
- trialling rental assistance that is portable across social and private rental housing
- winding back support for home buyers
- setting targets for new housing supply in major urban areas
- identifying the unmet housing needs of Aboriginal and Torres Strait Islander people and undertaking stocktakes of the supply and quality of social housing for Aboriginal and Torres Strait Islander people
- establishing a National Committee on Aboriginal and Torres Strait Islander Housing to work with governments to develop the Aboriginal and Torres Strait Islander housing schedule
- commissioning a housing Targeted Action Plan under Australia's Disability Strategy.

A stronger performance monitoring and reporting framework

The Australian, State and Territory Governments should develop a new performance monitoring and reporting framework which includes measurable targets and performance indicators.

To hold governments to account, targets should be achievable, rather than aspirational. The framework should have indicators for each target, as well as for the NHHA outcomes and reform areas, and for the National Plan.

An independent body (discussed below) should report annually on housing outcomes in Australia. This report would cover:

- governments' performance against the framework, including analysis and commentary about performance
- what governments are doing to improve outcomes, including new policies and interventions
- expenditure on housing assistance
- qualitative evidence from key stakeholders, including people with lived experience of homelessness, social housing and housing stress.

The independent body will require support and information from the Australian, State and Territory Governments. Governments should be required to provide information to the body at least annually, including data for the performance indicators, and information on expenditure, programs and reforms.

A stronger performance monitoring and reporting framework would mean that statements of assurance are unnecessary.

Funding should be based on need

The arrangements for distributing funding under the NHHA should also be changed.

- The Australian, State and Territory Governments should commission the development of a new model for distributing funding between States and Territories. The model should consider the need for housing and homelessness services, and the cost of developing and managing housing stock and providing services across jurisdictions.
- There should be one pool of untied funding for housing and homelessness services so that jurisdictions have the flexibility to use funding to best meet their needs.
- The funding for higher wages under the Equal Remuneration Order in the Social, Community, Home Care and Disability Services Award should be considered ongoing and included in the general housing and homelessness funding.

Crafting a new, more equitable ‘needs-based’ formula will be complex and contested. The task could be given to an independent party such as the Commonwealth Grants Commission or an expert group created for the task. The final arrangement is likely to require transitional arrangements to avoid disruptions to services.

Stronger governance

The next Agreement should be bolstered by stronger governance. A council — made up of housing and homelessness ministers from each jurisdiction — should be established to oversee the negotiation, implementation and ongoing operation of the Agreement and the National Housing and Homelessness Plan.

An independent body that is arm’s length from housing policy and programs should undertake the monitoring and reporting functions.

One option is to establish a body for performance monitoring and reporting on all National Agreements under the IGA FFR. The Commission raised this option in its review of the National Agreement on Skills and Workforce Development.

Another option is to give the task to the proposed National Housing Supply and Affordability Council. Given its proposed research, analysis and reporting functions, performance monitoring and reporting could be a good fit. However, given the Council’s ‘home’ will be the proposed Housing Australia (currently the National Housing and Finance Investment Corporation), there may need to be governance arrangements to ensure full independence for the Council in this role.

Other independent bodies, such as the Australian Institute of Health and Welfare, the National Competition Council and the Productivity Commission, could also support the Council to undertake performance monitoring and reporting, by providing data and other information, undertaking analysis and/or reporting.

Building a better evidence base

Data and evidence are critical for governments to effectively direct resources to meet people’s housing needs. However, the evidence base is lacking in some areas. In the next Agreement, the Australian, State and Territory Governments should commit to bolstering the housing and homelessness evidence base, including by expanding the scope of the Data Improvement Plan, changing how the National Housing Research Program is delivered, and establishing a ‘what works’ centre to draw together insights and make evaluations publicly accessible.

A Targeted Action Plan under Australia’s Disability Strategy

The Commission was asked to consider the extent to which the NHHA is meeting the obligations of governments under *Australia’s Disability Strategy 2021–2031*. One of the Strategy’s outcomes is ‘people with disability live in inclusive, accessible and well-designed homes and communities’. It is supported by two priority policies directly related to housing.

- Increasing the availability of affordable housing.
- Housing is accessible and people with disability have choice and control about where they live, who they live with and who comes into their home.

The NHHA predates the Strategy so it is not surprising that the Agreement has not contributed to either goal for people with disability. The next Agreement should align with Australia’s Disability Strategy. The Australian, State and Territory Governments should also commission a housing Targeted Action Plan under Australia’s Disability Strategy to improve the availability of affordable and accessible housing for people with disability.

4. Making housing more affordable

Given the rental affordability challenges faced by many low-income Australians, the next Agreement should have a greater focus on improving housing affordability. Housing affordability is a function of both income and housing costs. Tackling housing affordability from both the cost and income side will be important for ensuring that the private rental market is accessible to low-income households. This, in turn, will help to reduce the number of people who experience homelessness or need social housing.

CRA is a key tool for improving rental affordability

Addressing renters' income is one way to improve rental affordability. Many factors affect low-income renters' income, including depressed wage growth for low-wage workers, unemployment and underemployment, as well as income support and other government services.

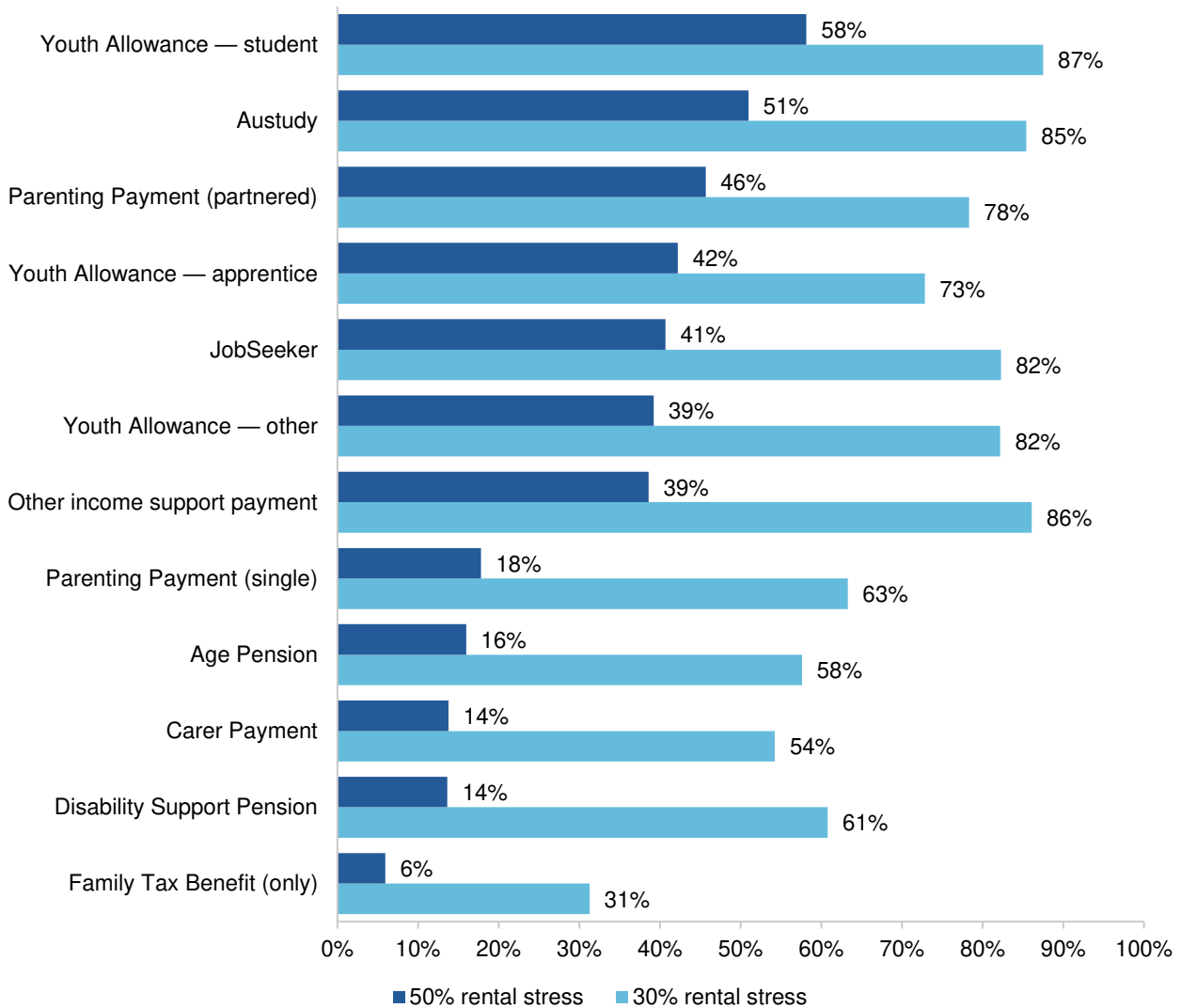
CRA provides an income supplement for about 1.35 million renting households. At a cost of \$5.3 billion per year, CRA is the largest single housing assistance program. CRA is paid to people renting privately (or from community housing providers) who receive an income support payment or Family Tax Benefit Part A above the base rate. It is just one part of the broader income support system, but it plays an important role. Private renters often face high housing costs and typically have little scope to adjust their spending on housing in the short term if their circumstances change. CRA helps shield renters from significant fluctuations in rents that could otherwise affect their social and economic participation.

CRA is designed on sound principles. As a payment directly to renters, it aligns with many of the Commission's suggested principles for effective housing assistance (figure 7) — it is a flexible payment that responds to recipients' needs in a timely way, supports housing choice and adjusts as needs change over time. But it falls short on the principles of sufficiency and fairness.

Even after receiving CRA payments, many recipients experience high rent burdens and rental stress (figure 8). In June 2022, 63 per cent of CRA recipients paid more than 30 per cent of their income on rent, and 23 per cent paid more than half of their income on rent. And CRA's capacity to shield renters against rent shocks has deteriorated — 79 per cent of recipients paid enough rent to receive the maximum CRA payment in June 2022, so their payment does not increase if their rent rises. There is also evidence that some payments are not targeted to people in greatest need, and some people in similar circumstances might be treated differently because of their eligibility for income support. There is a strong case for changes to CRA.

The Australian Government should review CRA as a priority. The review should cover all aspects of the payment design (including minimum and maximum rates, the co-payment rate, indexation, income tapering and eligibility) with the aim of improving the sufficiency, fairness and effectiveness of the payment.

Figure 8 – Some CRA recipients experience high rates of rental stress
CRA recipient households spending more than 30 per cent or 50 per cent of income (including CRA) on rent, June 2022, by primary payment type



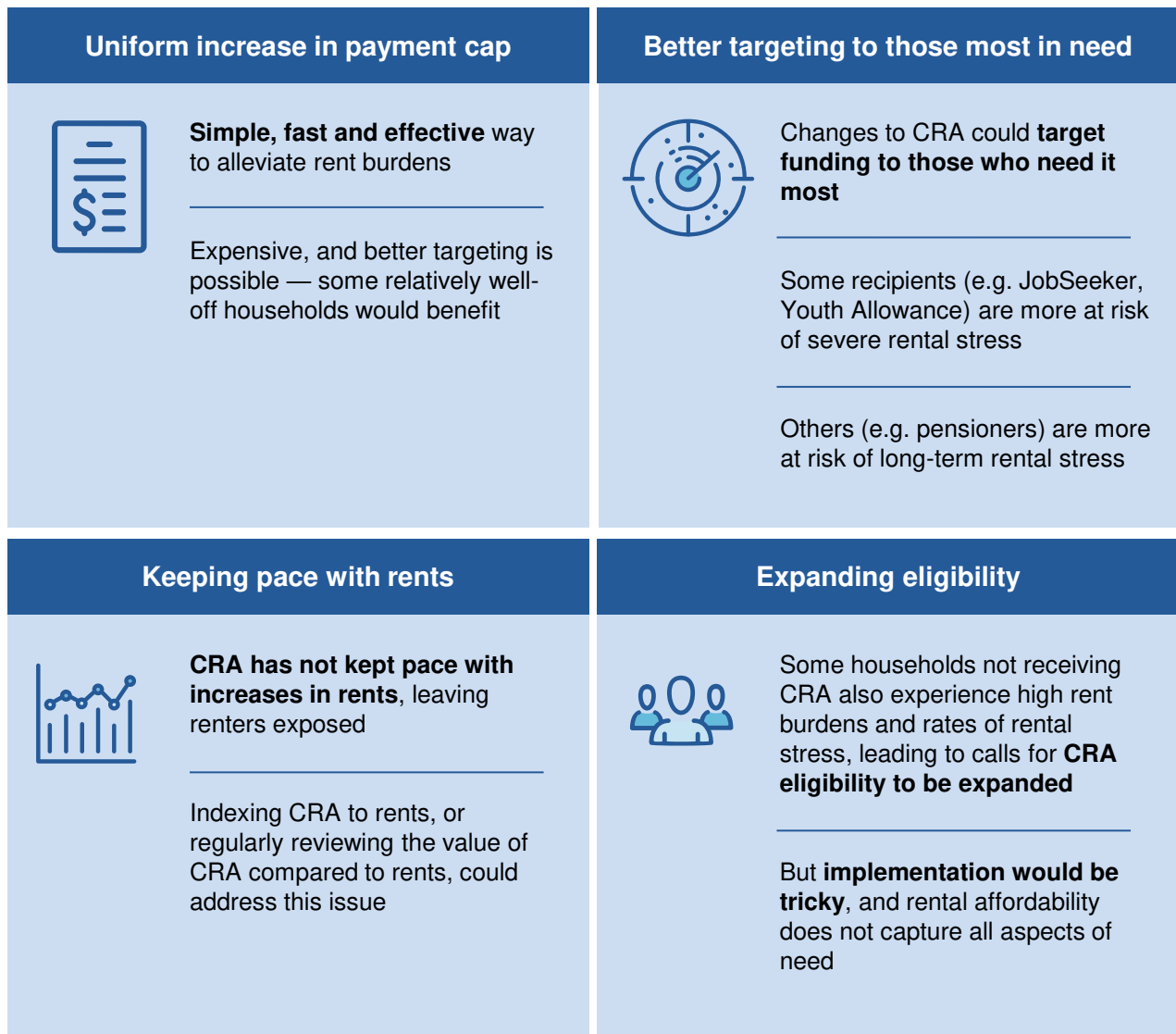
The review should also consider how changes to CRA will affect, and interact with, other housing and social policies of both the Australian and State and Territory Governments. For example, CRA is an important source of funding for the community housing sector, and it assists many people on social housing waiting lists or receiving other assistance (such as tenancy support services). CRA policy settings will affect the success of the Commission's recommended social housing reforms (section 5), including introducing a portable rental assistance model.

CRA should be brought into the scope of the next Agreement. The recommendations from the review of CRA could be part of the Australian Government's actions under the next Agreement's reforms. CRA could also be reflected in the performance monitoring and outcomes framework, informed by the review of CRA, as well as work on new rental affordability measures.

Some options a CRA review should consider

The Commission conducted some preliminary analysis of options that a CRA review should consider, including a uniform increase in the maximum rate, changes to better target funding to those most in need, indexing CRA to rents and expanding eligibility (figure 9).

Figure 9 – Some options for CRA reform



Many participants called for a uniform increase to the maximum rate of CRA. A uniform increase would be a simple, fast and effective way to deliver relief for many renters. Increasing the maximum threshold only benefits CRA recipients paying relatively high rents, so assistance would be somewhat targeted toward those with relatively high housing costs. But this option would be costly. Treasury estimated that a 40 per cent increase in the maximum rate of CRA would cost \$1.7 billion per annum (in 2019-20 dollars).

Better targeting of CRA dollars is possible. CRA is paid to some households that appear to be at little risk of financial stress due to renting. In 2019-20, 27 per cent of recipients had household income in the top three quintiles of the income distribution.⁸ About 28 per cent of CRA recipients would not experience rental stress if

⁸ That is, equivalised disposable household income greater than \$794 per week in 2019-20 dollars.

they did not receive CRA. In part, this is because income support recipients remain eligible for the full value of CRA even if their primary payment is reduced because their income or assets exceed the relevant thresholds (for example, part pensioners are eligible for the full value of CRA).

A review could consider options to target support where it is needed most, including changes to eligibility, income tapering or maximum rent thresholds according to payment or household type. This will involve trade-offs and fine judgments about need. Recipients of lower-value allowances, like Youth Allowance and JobSeeker, have lower residual incomes, and experience more severe rental stress, than people receiving pensions or Family Tax Benefit (figure 8). But other recipient groups, such as full pensioners, tend to receive CRA for longer periods of time, so might experience more persistent rental stress. A range of rental affordability and wellbeing metrics should be considered, because there is no single reliable measure of rental stress or affordability. And reform options should be assessed in the context of the aims of the broader income support system.

A review could also consider the degree to which CRA payments should move with market rents. CRA is indexed to the consumer price index, which leaves renters exposed to fluctuations in rents. These fluctuations can have a disproportionate effect on low-income renters' budgets — rent makes up only 6 per cent of the bundle of goods and services that form the consumer price index, but absorbs 36 per cent of the median low-income private renter household's income. A review should look at the case for other indexation options, as well as alternative approaches like regular appraisals of the relative value of CRA.

About 43 per cent of low-income private renters — or 395 000 households — did not receive any CRA payment in 2019-20. These households (often low-wage workers who do not have children) also face high rent burdens and rates of rental stress, leading to calls for CRA to be expanded to all low-income private renters. But point-in-time rental affordability metrics are a poor basis for decision making. The CRA review could consider other measures of poverty and deprivation, as well as the broader income support landscape. It should also explore data and implementation challenges to expanding CRA, the potential for rental market distortions and the effects of any changes on work incentives.

Some stakeholders expressed concern that any increase in CRA would just pass into rents. On balance, this effect is likely to be small. CRA serves as an income supplement, not a rental subsidy, so increases in CRA will not translate one-for-one into increases in housing demand.

The risk of increases in CRA passing into rents is greater when vacancy rates are very low and supply is relatively inelastic. The risk can be reduced through reforms that increase the responsiveness of supply (discussed below). CRA changes could also be designed to reduce the chance that increases pass into rents. For example, decreasing minimum rent thresholds (rather than increasing maximum thresholds) would increase the amount of assistance to recipients without changing the relative price of housing, minimising potential distortions. But this approach would be less targeted to households with the highest housing costs. The review of CRA should investigate evidence regarding the potential effect of CRA increases on rents to help weigh up these conflicting aims.

Housing will also be more affordable if more homes are built

The supply side of the housing market (including the level and responsiveness of supply) is a key determinant of rents and house prices. There are many reasons why housing in Australia has become more expensive, including record low interest rates. But, holding constant these factors, housing would be more affordable if more homes had been built and the supply of housing responded more quickly to demand.

Australia has 411 dwellings per 1000 people. This is among the lowest housing stock per person in the OECD. But across OECD countries, Australia ranks highly in terms of the flow of new housing, reflecting in part our

relatively low base. In recent years, about 200 000 new dwellings were added to the stock of housing each year (equal to almost 2 per cent of the stock). Most new dwellings were detached houses, but there has been an increase in the number of new apartments and townhouses, particularly in Sydney and Melbourne.

A large body of research shows that building more homes can reduce aggregate house prices and rents. Increasing the supply of rental properties lifts vacancy rates and improves renters' bargaining power. Australian studies have found that increases in building approvals and housing construction lead to lower rents, and some countries that have undertaken supply reform have quickly seen lower rents and improved housing affordability. For example, in 2016 Auckland upzoned about three-quarters of its core residential land area to promote construction of higher density housing. Land-use regulations were eased to enable higher density development, such as terraces and apartments. In five years, the reforms added around 20 000 additional new dwellings, or 4 per cent of the city's housing stock, with most being dense, multi-unit, urban infill development. Since upzoning, rents in Auckland have grown significantly slower than in the country as a whole.

Some question whether building more housing does enough to lower rents for low-income earners. They argue that the market will not build housing that is affordable and governments need to promote 'affordable housing', tailored specifically to low-income households. But the data shows that low-cost housing is being built. In 2016-17, twice as many houses in Australia were built in the lowest house price decile relative to the highest decile. And because housing is an integrated, dynamic market, supply does not need to be targeted to the low-cost segments of the housing spectrum to improve affordability. New supply across the housing spectrum can flow through to improve housing affordability in lower-cost segments. As people move into new homes, they vacate their old homes, which become available for new residents (so called movement chains). Many low-cost rental properties are occupied by people who could afford to pay more for housing — if new construction provides opportunities for these renters to purchase homes, there will be less demand for low-cost rental stock. And, over time, some ageing properties may also become affordable to successively lower-income households.

The responsiveness of housing supply matters for affordability

Given the importance of supply to improving affordability, it is critical that housing supply is able to quickly, and sufficiently, respond to changing demand.

The evidence suggests that when housing demand in Australia increases (for example, because of low interest rates), there is little response in supply and house prices and rents increase rather than the supply of housing (that is, supply is 'inelastic'). Inelastic housing supply can reflect geographical constraints that make developable land scarce, or regulatory policies such as land use and planning regulations that do not permit new developments.

Some types of housing supply are more inelastic than others.

- The supply of detached housing is more inelastic than the supply of apartments, probably because detached housing requires more land.
- Supply is more inelastic in areas with greater density, reflecting that there is less available land or tighter planning restrictions.

Reforms to housing's two main inputs — land and construction — can increase the responsiveness of supply and therefore improve affordability.

Land use planning and zoning reforms can improve affordability

The planning system affects the number, type and location of new dwellings built in Australia. Planning and zoning can facilitate the supply of new housing. However, planning regulation can also constrain supply and push up prices.

Despite planning and zoning reform being a priority policy area in the NHHA, the Agreement has not driven reform in this area. All State and Territory Governments are undertaking land use planning and zoning reforms, but more needs to be done to ease constraints on new supply.

The next Agreement should explicitly recognise the importance of housing supply as a solution to housing affordability and include a requirement for States and Territories to commit to targets for new housing supply in major urban areas.

State and Territory Governments should work with local Governments to meet these targets. This would help to ensure sufficient new housing to meet demand, including through infill development. Setting targets at the state and territory level would allow governments to tailor their approaches based on local need.

A targets approach will need to be supported by better data and indicators that measure changes in housing stock, density, zoning and supply of land at key points in the development pipeline. Targets should be publicly available, updated regularly and supported by transparent data, assumptions and methodology.

States and Territories should also set and publish annual progress against long-term and short-term rolling land supply objectives for major growth areas.

The Australian Government has announced it will establish a National Housing Supply and Affordability Council. Depending on the Council's remit, it could promote consistency in the measures and methods used by States and Territories in setting and reporting progress on land supply — or go as far as setting the land supply targets itself, in consultation with States and Territories, experts and industry.

States and Territories should require local Governments to meet targets through local strategic planning instruments, and consider transferring responsibility for assessing development applications to independent planning panels when housing targets are not being met. State and Territory Governments should also consider new, or review existing, payments to local Governments to support meeting the housing targets and/or step in to resolve infrastructure issues.

To support meeting their housing targets, State and Territory Governments should revise zoning regulations that restrict greater density, especially in established suburbs and locations with good access to jobs and transport. Increasing density will increase supply and lower house prices and rents. But there is no one-size-fits-all solution to achieving greater density. Any changes to zoning regulation should balance the benefits of additional supply against the costs, including costs to the environment, amenity and liveability of cities.

The changes should also be supported by existing or proposed infrastructure, public transport, community facilities and access to jobs. A starting point would be for State and Territory Governments to strongly consider:

- reforming zoning rules that allow only single detached houses
- allowing more dense development 'as of right' along key transport corridors, with height limits set up front
- relaxing regulations limiting the building and use of secondary dwellings
- relaxing minimum carpark requirements around existing public transport
- relaxing minimum floor sizes.

Relaxing does not necessarily mean removing. Regulations may remain but be made less stringent.

State, Territory and local Governments should also review planning rules to facilitate greater diversity in housing types, including lower cost or innovative housing models such as ‘tiny’ houses. Demonstration projects on government land could help to build community acceptance of diverse housing types.

The timely delivery of infrastructure is critical to unlocking new housing supply. Local governments can lack the financial capacity, or be unwilling to borrow, to fund infrastructure — greater use of debt financing could help to address infrastructure bottlenecks. Some jurisdictions have supported housing development through infrastructure ‘accelerator’ funds. A similar facility is offered by the National Housing Finance and Investment Corporation. A whole-of-government approach to economic and social infrastructure such as schools, hospitals and transport can best support residential development. While a user-pays approach to funding local infrastructure can be efficient and equitable, governments should not use developer charges to cost-shift the funding of general community services onto new home owners.

Building and construction conditions also affect affordability

Conditions in the construction industry affect housing affordability in two ways.

Construction costs directly affect the cost (and therefore the price) of each new dwelling built. On average, construction costs account for between 45 and 60 per cent of infill development costs and between 36 and 53 per cent of greenfield development costs.

Construction industry productivity affects the number of dwellings that can be built in each period (and therefore the balance of aggregate supply and demand). Building a residential dwelling requires both equipment and workers. The more that must be used for each dwelling, the fewer dwellings can be built in the short term (when the availability of these inputs is largely fixed). And if equipment and workers are tied up in projects for long periods, the industry will be less responsive to changes in demand.

Construction industry productivity is a key determinant of construction costs and has been declining in recent years. The causes of slow productivity growth, and the solutions to it, are not clear. An independent review of the construction sector, with a focus on identifying reforms that can boost productivity (and improve affordability) should be commissioned.

Since the mid-1990s, governments have regulated key aspects of the construction sector including through the intergovernmental National Construction Code. Past code reforms lifted sector productivity and cut construction costs. However, code changes also have the potential to inhibit productivity and increase costs, despite the requirement for proposals to be subject to cost–benefit analysis. There will also be inevitable trade-offs between affordability, accessibility and sustainability which need to be carefully considered.

Subsidising properties is not a good way to tackle rental affordability

Some participants called for government subsidies for affordable rental properties in response to private rental affordability issues. These initiatives usually involve payments or concessions to property owners to compensate them for accepting below-market rent from eligible renters (usually low- and middle-income households). Sometimes, eligibility is further restricted — for example, ‘key worker housing’ is reserved for particular groups of essential workers.

The largest subsidised affordable rental program was the National Rental Affordability Scheme, which provided regular payments to investors who built new dwellings and rented them to low- and middle-income households at 80 per cent of market rents for ten years. Governments can also provide in-kind subsidies (such as giving or leasing land at below-market rates) or use inclusionary zoning policies.

Subsidies for affordable rental properties are not a good way to tackle rental affordability. Subsidised construction can partly displace private construction of market-rate housing — it competes for the same finite pool of land, finance, construction materials and workers as private developments. This lessens the effect on overall affordability. And subsidies have hidden costs. For example, when governments provide land for housing at below-market rates there is an opportunity cost — governments could have used the proceeds from the sale of land to fund other government services, pay down debt or reduce taxes, but their choices are not explicit.

Subsidies tied to properties have inherent disadvantages — they give people fewer options in the homes they can choose and may lock them in because, even when their needs change, they cannot move without losing assistance. Subsidies are often poorly-targeted and, because the number of people eligible is usually greater than properties available, assistance is often distributed unfairly.

Governments should consider alternatives to subsidising affordable rental housing, including key worker housing. Social housing should provide the safety net for people in most need. Portable rental subsidies, supply-side and tenancy reforms, and expanding tenancy support services are more effective and equitable ways to improve affordability and security in the private rental market.

5. Homelessness and housing services and programs

Homelessness services

Homelessness services support people who are homeless or at risk of homelessness (box 1). Services include short-term and emergency accommodation, medium-term or transitional housing, help obtaining long-term housing, assistance to sustain tenancies, assistance to prevent foreclosures or for mortgage arrears, care coordination, counselling, advocacy, health, education and employment services, outreach support, brokerage and meals services.

While many people are well supported by homelessness services, many others are not receiving support, not receiving support early enough to avoid prolonged homelessness, or not receiving the right support for their needs. For example, people in prison, hospital and other types of care are often discharged into homelessness — 54 per cent of prisoners expect to be homeless on release and 30 per cent of people who leave out-of-home care experience homelessness within the first year of leaving.

The supply of good quality crisis, transitional and medium-term accommodation for people experiencing homelessness is limited. Many people cycle in and out of homelessness and poor-quality accommodation, such as motels and rooming houses. People stay in unsafe or inappropriate housing situations (such as staying in violent situations and sleeping rough or in cars) because they cannot access support and accommodation.

People often do not receive support until they are homeless. This results in more expensive support and poorer outcomes. Others who receive support are not being supported 'out of homelessness' because suitable permanent housing is not available. One service provider reported giving tents to clients because no suitable permanent housing was available.

Box 1 – About homelessness in Australia

On any given night, more than 100 000 people in Australia are homeless. Rough sleeping is the most visible and extreme form of homelessness, but it is only a small proportion of all homelessness (accounting for about 8200 people). The most common form of homelessness is people living in severely crowded dwellings, followed by people in supported accommodation for the homeless and people staying temporarily with other households.

Some people are more likely to experience homelessness than others. Young people, Aboriginal and Torres Strait Islander people, people experiencing family and domestic violence, people with mental and physical ill-health, people from culturally and linguistically diverse backgrounds, people leaving institutions and care, recent migrants and asylum seekers, and people in the LGBTIQ+ community all experience higher rates of homelessness.

Homelessness is caused by a range of structural and individual factors. The main cause of homelessness is not being able to afford a place to live in. Other factors include family and domestic violence, family breakdown, mental and physical ill-health, trauma, barriers to accessing housing or support services — such as the discrimination many Aboriginal and Torres Strait Islander people face in the private rental market — low incomes, low educational attainment and unemployment.

Homelessness can have devastating effects. Homelessness affects people's mental and physical health, their ability to participate economically and socially in the community and their security and safety.

The issues of housing stress and homelessness have impacted every facet of my life in ways that have, at times, been beyond my understanding, let alone control. When you are in housing stress or you are at risk of or experiencing homelessness, you are in fight or flight/survival mode and you simply cannot be productive or participate within society to your full capability. Every ounce of your energy is spent just trying to get through the day. (Sarah Nelson, sub. 96, p. 1)

Homelessness also imposes costs on governments and the wider community, including the cost of providing homelessness services, as well as higher costs in sectors such as justice and health care.

There is good evidence about what works to address homelessness. Housing First — which is based on placing people experiencing homelessness into long-term housing, then giving them the support to address the underlying cause of their homelessness — has been shown to be effective for people with even the most complex needs. It has been embraced globally as a best practice approach to ending long-term homelessness.

The COVID-19 pandemic highlighted significant issues in the homelessness service system and presented challenges to service providers in adapting their model of care, but the response to the COVID-19 pandemic also showed that governments can respond quickly to house people. Many of the homelessness programs implemented in response to COVID-19 adopted Housing First principles.

There are two key drivers of the problems in the homelessness service system. First, there are insufficient funds and resources to meet demand. In 2020-21, about 114 000 requests for assistance to specialist homelessness service providers were unassisted. This is up from 95 000 unassisted requests in 2016-17.

Second, there is a shortage of long-term affordable and secure housing. In 2020-21, 70 per cent of people did not receive the long-term accommodation they needed. The success of homelessness services relies on

being able to transition people out of homelessness support into social or private housing. The Salvation Army explained that:

Without adequate exit points and transition supports, systems experience a backlog as they are unable to find adequate accommodation for clients out of immediate crisis. This has knock-on effects for all other homelessness services, and precludes these resources from assisting others experiencing homelessness. (sub. 42, p. 30)

People becoming and remaining homeless is often the result of failures in other parts of the housing market. Improving access to housing that is affordable to low-income households, including social housing, would help to prevent people becoming homeless and help people transition into long-term and secure housing more quickly. In addition, making improvements to the private rental market, including better access and security of tenure, and improving CRA, would help people to sustain their tenancies. It would also help them to successfully transition from social housing or homelessness services to the private rental market (when private rental is suitable to their needs).

Improving homelessness support through the NHHA

The next Agreement should include a commitment to improve support for people facing homelessness.

- Governments should establish an additional separate pool of funding for prevention and early intervention. Preventing people from becoming homeless results in better outcomes for people and is less costly for government (taxpayers) than addressing homelessness. Prevention includes supporting:
 - people leaving health and correctional facilities and out-of-home care. There should be a national policy of no exits into homelessness
 - young people at risk of homelessness and their families, including their engagement in education, employment, or training and the community
 - people at risk of losing their social housing or private rental tenancies — tailored tenancy support services to help tenants maintain their tenancies and avoid evictions.
- Governments should scale up the use of Housing First-type support.
- State and Territory Governments should ensure longer-term funding for homelessness services and trial flexible funding arrangements that enable services to provide long-term support to people with complex needs, rather than support with arbitrary time limits.
- Governments should undertake a stocktake of homelessness support and estimate the unmet need for support, to better identify the funding required for services, and to tailor support for vulnerable groups.
- As part of the performance monitoring and reporting framework, governments should commit to agreed targets for improving homelessness support and outcomes, including reducing the prevalence of homelessness and the number of people exiting health and correctional facilities and out-of-home care into homelessness.
- Governments should continue improving homelessness data.

Social housing

Social housing is an essential safety net for people on low incomes (mostly people who receive income support) who cannot access appropriate or adequate housing in the private market. Social housing is a small but important part of the affordable housing solution — just over 4 per cent of households (about 418 000 households) or around 800 000 people live in social housing.

As demand for social housing outstrips supply (there have been less than 4000 dwellings added to the stock since 2018 when the NHHA commenced), properties are highly rationed, with priority given to people who are homeless or at risk of homelessness. Compared to the general population, people in social housing are

far more likely to be receiving income support and living in single adult households. With tenants' limited capacity to pay rent, governments cover a large funding gap between the costs of providing housing and the revenue from rents, as well as additional costs from supporting clients with complex needs.

For people who can access social housing it provides affordable rent (tenants typically pay 25 per cent of their income as rent) and secure tenancy. Secure tenure is an important benefit, as are tenancy support services.

The evidence shows that social housing is an effective response to addressing and preventing homelessness (it facilitates a Housing First response). But social housing has many shortcomings.

- Waiting times are long, especially for people not in a priority category, which constrains timely housing support to people who most need it.
- Tenants have little choice about where they live and are not always matched to a suitable property. It is not equitable between people who have access to the system and people with similar characteristics who rent privately and receive other forms of housing assistance.
- There are inequities within the social housing system — the in-kind subsidies vary depending on the location, size and quality of the dwelling that a tenant is allocated.
- It can create work disincentives, because a tenant's rent rises when their income rises (until the market rate rent cap is reached). Tenants may lose eligibility if their income increases.
- There are few incentives for people to leave social housing as rents are below market rates and tenure is often long term, if not life time. Almost half of public housing tenants have stayed in the same property for 10 or more years. The low exit rates from social housing limit the capacity of providers to assist more people with timely assistance.
- Housing providers have little incentive to respond to tenants' needs and preferences. This can result in homes not meeting tenants' requirements on size, location and accessibility, underutilisation and overcrowding (a particular issue in State Owned and Managed Indigenous Housing).

More social housing — the answer to improving housing affordability?

A common proposed solution to declining affordability for low-income renters, increasing homelessness and long social housing waiting lists is to build more social housing. The Australian Government and some State Governments have announced new investment in social and affordable housing (box 2).

This investment in social housing will improve access to social housing for many people. However, some stakeholders argue that governments should invest much more.

The 'right' amount of social housing is hotly debated. Comparing the proportion of social housing stock with historical levels, with other countries and across Australian jurisdictions, or estimating housing need based on the number of people on social housing waiting lists, provides little insight on the 'right' amount of social housing.

The need for social housing depends on:

- the level of income support
- how well private rental markets are working for vulnerable and low-income people
- the other types of housing assistance available
- demand in particular communities and the resources available to those communities.

Box 2 – Governments have announced investment in social housing

During 2021 and 2022 State Governments announced the following spending on social housing.

- The New South Wales Government announced \$812 million to deliver new and upgraded social housing.
- The Victorian Government announced \$5.3 billion to build 12 000 new social housing, and affordable and low-cost homes.
- The Queensland Government announced \$526 million for new and upgraded social housing.
- The Western Australian Government announced \$875 million for about 3300 social housing dwellings.
- The South Australian Government announced a \$76 million construction stimulus for social and affordable housing.
- The Tasmanian Government announced plans for about 2350 new social housing dwellings.

The Australian Government has also committed to establishing the Housing Australia Future Fund. The returns from this \$10 billion fund will be used to build 30 000 social and affordable housing properties over five years.

While social housing eases affordability pressures for some households, providing substantially more social housing is an expensive option. Estimates of the cost to government of additional social housing dwellings range from \$10 000 to \$17 000 each year, or an upfront capital contribution of between \$240 000 to \$330 000. This compares to about \$3800 each year for a single income support recipient receiving the maximum rate of CRA, noting that CRA on its own will not always make housing affordable for low-income households.

Social housing is also not the best long-term option for many people. Social housing should be targeted to people who are at risk of long-term homelessness and people who are unable to access or sustain housing in the private rental market.

More tailored and time-limited assistance could be provided to people who may only need short-term support, such as young people who are homeless or at risk of homelessness, and families affected by domestic and family violence. For people who can access private rental properties, financial support and tenancy support services, and reforms that make the private rental market work better, may improve their outcomes and reduce the pressure on the social housing system.

The next Agreement should support innovation in providing housing assistance. Better information on people needing support with housing can help to tailor housing assistance to people's needs and better target housing assistance. Undertaking evaluations of alternative approaches will be critical to understanding what works and for whom. Trials of alternative approaches, if effective, could be scaled up and adopted in other jurisdictions.

Under the next Agreement, Governments should commit to:

- reforming social housing based on the agreed housing assistance principles
- improving data and evaluation to support evidence-based decision making and a comprehensive comparison of the full costs and benefits, including the opportunity cost, of different approaches to providing housing assistance
- improving reporting, including outcomes for recipients of all types of housing assistance.

Portable rental assistance should be trialled

The Commission's inquiry into Competition and Choice in Human Services recommended making rental assistance portable across social and private rental housing. Public housing tenants would become eligible

for CRA. States and Territories would provide a housing supplement based on need. All social housing tenants would pay market rent. This approach continues to have merit.

Portable rental assistance has a number of benefits. It would:

- address the inequities in the social housing system
- put public housing authorities on a more sustainable financial footing
- give new and existing tenants greater choice about where they live and improve outcomes for tenants (including by allowing them to locate closer to family or services they need) and the responsiveness of the social housing system (by increasing competition between housing providers). Greater choice between social and private rental housing could also take some pressure off the social housing system.

The distribution of funds across jurisdictions would change and additional funding is likely to be required. The Commission's Human Services inquiry did not consider replacing NHHA funding to the States and Territories with CRA to public housing tenants but this approach could be considered.

In the first instance, the Australian Government could negotiate with one State or Territory (through a bilateral agreement) to trial portable rental assistance, with evaluation outcomes shared to inform wider take up.

Tenancy laws and support services

Residential tenancy laws and tenancy support services are important complements to affordability and supply measures (section 4) to make the private rental market function well. These policies and programs aim to improve security, safety and accessibility for renters.

- Private renters have less secure tenure than home owners or social housing renters, which can be a source of stress, disruption and financial cost. About 19 per cent of private renters' moves were involuntary in 2019-20. Some vulnerable renters — including older renters, people with disability or low levels of education are disproportionately likely to face involuntary moves.
- Low-income renters' dwellings are more likely to have major structural problems and need repairs than other properties. In 2019-20, 15 per cent of private renters reported that their home had major structural problems, compared with 9 per cent of owner-occupiers and 21 per cent of social housing renters. Poor-quality rental properties can threaten renters' health and wellbeing. And these issues are much worse in the informal and marginal rental market, where dwellings often violate basic safety standards.
- People with disability face particular challenges finding rental properties that are safe and meet their needs. Few rental properties are accessible, and it can be difficult to secure funding or permission from property owners to make modifications.
- Some renters face direct or indirect discrimination in the private rental market.
 - Participants reported that many people experience direct discrimination, including Aboriginal and Torres Strait Islander people, people from culturally and linguistically diverse backgrounds, and people with disability. One Aboriginal elder submitted:

I would ask my Aboriginal friend who has light skin to approach the real estates and ask if they had properties for rent. He would be received favourable, and usually told yes there were homes for rent. However when the Aboriginal family in desperate need would front up to the office, they would be told that the houses were all gone. (SEARMS Aboriginal Corporation, sub. 44, p. 13)
 - Renters without a secure income, good rental history or understanding of 'how the system works' can also be at a disadvantage when navigating the private rental market and are more likely to be refused rental accommodation, especially when vacancy rates are low.

Tenancy reform that encourages security of tenure in the private rental market is a national housing priority policy area in the NHHA. Several States and Territories have introduced, or are considering introducing, changes such as prohibiting without-grounds evictions and increasing minimum standards for rental properties. These changes improve security and safety for renters, but they can also increase landlords' costs, potentially pushing up rents. There is little evidence on the size of these effects, making it difficult for jurisdictions considering reform to weigh up the costs and benefits.

Tenancy support services, or private rental brokerage services, provide tailored support for tenants who face challenges finding or sustaining a tenancy. This typically involves assistance to search and apply for properties, one-off grants for moving or other costs and links to other support services. These services can help renters achieve sustainable housing outcomes, and could play a greater role in the private rental market. But expanding tenancy support services will not be straightforward and more evidence is needed to understand what works, where and for whom.

The Commission's recommended 'what works' centre (section 3) can help develop the evidence base for both tenancy reform and tenancy support services. The Commission's recommendations to improve private rental affordability (section 4) will increase renters' bargaining power, which will also improve the security, quality and accessibility of the private rental market and make support services more effective.

Government support to help people buy a home

The Australian, State and Territory Governments have a range of measures to assist people to buy a home. Most — but not all — of this assistance is directed at first home buyers.

In 2020-21, more than 55 000 people received a state or territory first home owner grant, at a cost to taxpayers of over \$700 million.

Most State and Territory Governments — the exceptions being South Australia and the Northern Territory — also offer stamp duty concessions to first home buyers. The value of these concessions is about \$2 billion a year.

The value of assistance provided through state and territory first home owner grants and stamp duty concessions more than doubled from \$1.2 billion in 2016 to just under \$3 billion in 2020. Home buyer assistance is a sizeable proportion of state and territory spending on housing — for context, States and Territories spent about \$1.2 billion on specialist homelessness services and about \$6.6 billion on social housing in 2020-21 (figure 6).

Many governments also operate low deposit loan schemes, shared equity schemes and concessional savings vehicles for first home buyers. And more assistance is likely. As part of its election platform, the Australian Government pledged to establish a national shared equity scheme. NSW is also trialling its own shared equity scheme. The result is a hodgepodge of overlapping programs — often with the same broad goal but pursued through different eligibility criteria.

The economic case for supporting home ownership is not strong

The evidence that home ownership delivers clear benefits for society (beyond the benefits that accrue to home owners) is not strong, especially if tenancy reforms reduce the insecurity and other problems associated with the rental market.

There is some evidence that home ownership can reduce wealth inequality. Several studies point to a strong inverse relationship between home ownership rates and wealth inequality across countries. What is less clear is whether declining rates of home ownership lead to greater wealth inequality. One OECD paper suggests that countries with declining home ownership rates tend to have a decreasing share of wealth held

by the bottom 40 per cent of households in the wealth distribution, but this relationship was less clear in countries with rising house prices (such as Australia). This may be because rising house prices increase the share of wealth held by home owners, including those in the bottom 40 per cent of the wealth distribution, offsetting falls in shares of wealth due to declines in home ownership.

If reducing or moderating wealth inequality is the aim, support would need to be tightly targeted to households who would not be able to buy a home without assistance. Assisting households who can buy a home without support could compound wealth inequality and would not be a good use of taxpayer's money.

The bottom line is that the case for governments providing assistance to help people buy a home is not strong unless it is targeted at specific cohorts who experience persistent marginalisation in the housing market. Governments would be better spending the money allocated to assist first home buyers to support the housing needs of people who are homeless or at risk of homelessness. Given that the amount of assistance provided to home buyers has increased (while the number of people seeking assistance for homelessness has also increased) governments should consider this in the context of the potential funding envelope of the next housing and homelessness agreement.

And supporting home ownership can reduce housing affordability

It is well known that assistance to first home buyers can contribute to higher house prices. Assisting prospective home buyers increases the number of people wanting to buy a home and the amount they can borrow. The additional demand, if not accompanied by an increase in the number of homes available, places pressure on house prices and reduces housing affordability. It is not typically home buyers who benefit from the assistance,⁹ it is the sellers who receive a higher sale price. What this means is that assisting home buyers can (somewhat counterintuitively) make housing less affordable, particularly for people who do not qualify for assistance.

There is also a risk that, over time, governments may fuel an 'assistance spiral', where the assistance makes house prices more expensive by increasing demand, prompting governments to increase assistance, pushing up prices further, and on it goes.

The absence of a clear cut economic case for government support for home buyers, together with the potential for home owner assistance to reduce housing affordability, means that there are better community returns from providing more assistance to people at who are (or are at risk of) experiencing homelessness. As a first step, governments should phase out first home owner grants and stamp duty concessions (ideally in concert with wider reforms to stamp duty) unless these measures are targeted at people experiencing marginalisation in the housing market. Savings should be redirected to supporting people who are homeless or at risk of homelessness (including because of rental stress).

⁹ Home buyers could benefit if they are buying a property where there is little competition.

6. Housing outcomes for Aboriginal and Torres Strait Islander people

Housing outcomes for Aboriginal and Torres Strait Islander people, on average, are poorer than those for non-Indigenous Australians (figure 10). While many of the housing issues faced by Aboriginal and Torres Strait Islander people are similar to those faced by other Australians, some of the additional challenges (and factors that contribute to some Aboriginal and Torres Strait Islander people needing higher levels of housing support) include socioeconomic disadvantage, discrimination in the private rental market, difficulty accessing mainstream financial services, limited opportunities to strengthen financial literacy and build credit and rental histories, geographic location (households living in remote areas) and overcrowded conditions.

Figure 10 – Housing outcomes are poorer, on average, for Aboriginal and Torres Strait Islander households and people

Aboriginal and Torres Strait Islander households , compared with other households, are:	Aboriginal and Torres Strait Islander people , compared with other Australians, are:
1/2 as likely to own their own home (with or without a mortgage)	10x more likely to be classified as homeless
6x more likely to live in social housing	16x more likely to live in severely overcrowded dwellings
3x more likely to live in overcrowded dwellings	10x more likely to access Specialist Homelessness Services

A spotlight on overcrowding

Addressing the housing needs of Aboriginal and Torres Strait Islander people has been a long-term focus of Australian governments with efforts at improving housing outcomes for Aboriginal and Torres Strait Islander people often centred on addressing overcrowding.

At the national level, the *2020 National Agreement on Closing the Gap* (NACTG) acknowledges the importance of addressing overcrowding in Aboriginal and Torres Strait Islander households and includes a housing target to direct policy attention and monitor progress.

Between 2008 and 2018, the Australian Government allocated \$5.4 billion to the *National Partnership Agreement on Remote Indigenous Housing* and the *National Partnership on Remote Housing* (NPRH) to address overcrowding. This reduced overcrowding and narrowed the gap of overcrowding between Aboriginal and Torres Strait Islander people and non-Indigenous people. But overcrowding remains a significant problem for Aboriginal and Torres Strait Islander people living in remote areas.¹⁰

The COVID-19 pandemic highlighted that overcrowded housing increases the risks of contracting and spreading infectious diseases. In some Aboriginal and Torres Strait Islander communities, people had to live temporarily in tents and campervans when they needed to isolate to stop the spread of COVID-19. The

¹⁰ Rates of overcrowding (based on the 2018-19 National Aboriginal and Torres Strait Islander Health Survey) are highest in the remote areas of the Northern Territory (63 per cent) and Queensland (34 per cent).

National Aboriginal and Torres Strait Islander Housing Association, commenting on the spread of COVID-19 through the community of Wilcannia in New South Wales, reported that one family:

... had to find a way to protect themselves while living with three other families in the same home where 20 people were crammed into just four bedrooms. All caught COVID-19 and there was nowhere to isolate. Three weeks into the outbreak, NSW Health finally offered isolation accommodation to COVID-19 patients in 30 campervans it hired for the town, too late to avoid some 40% of Aboriginal people in the town ending up with COVID-19. (NATSIHA 2022, p. 5)

Most Aboriginal and Torres Strait Islander people (70 per cent) who were homeless on Census night 2016 were living in severely overcrowded dwellings. The remainder were living in supported accommodation, tents or sleeping out, staying temporarily with other households and living in boarding houses. And there is also the hidden homeless (box 3).

Box 3 – The hidden homeless — Uncle Tom Slockee’s^a reflections

Drifting homelessness

In regional towns we have Aboriginal people living in the bush, close to the town, in makeshift tents. Many are the drifting homeless, moving from place to place just to survive. They won't fill in the white fella forms to register their homelessness because the forms are complicated. Most have given up hope. Can't get private houses, racial prejudice exists. Can't get into Community Housing. Centrelink and Job Provider breach them all the time. Have no constant form of income. Can't get work. Homeless and without hope. (SEARMS Aboriginal Corporation, sub. 44, p 16)

Moving between families

This is an example of the life of many Aboriginal families: an Aboriginal man and wife have two small girls (5 and 3) and nowhere to live. They alternate by staying at either the man's fathers place (social housing) and the wife fathers and mothers place (again social housing). They both love and care about their parents but they do bring pressure on both households. They do not report the staying to the community housing organisation nor do they apply for housing. The travelling costs are expensive but it's the only way they can find somewhere to live. They say the forms are too complicated and invasive. This family is homeless and these people are invisible, non-existent on statistics. (SEARMS Aboriginal Corporation, sub. 44, p. 12)

a. Tom Slockee is the current chair of SEARMS Aboriginal Corporation.

A number of factors influence household size and contribute to overcrowding in Aboriginal and Torres Strait Islander households, including:

- the greater prevalence of multi-generational and multi-family households in Aboriginal and Torres Strait Islander communities
- limited supply of housing in many Aboriginal and Torres Strait Islander communities, with housing often priced so it is out of reach of many Aboriginal and Torres Strait Islander people, which leads to increased house-sharing arrangements
- temporary and semi-permanent visitors, including people who would otherwise be homeless
- seasonal and cultural movements by family members and strong family obligations.

In 2018, the NPRH expired and the Australian and Northern Territory Governments committed to the joint funding of \$1.1 billion over 5 years to improve housing outcomes in remote communities of the Northern Territory, under the *National Partnership for Remote Housing 2018–23, Northern Territory*. Also in 2018, under the NHHA governments committed to improved housing outcomes for Aboriginal and Torres Strait Islander people. However, the NHHA has been a missed opportunity to articulate how governments are working together to address the persistent inequality in housing outcomes, including overcrowding, that Aboriginal and Torres Strait Islander people face.

The NHHA should articulate the needs, priorities and principles of housing assistance for Aboriginal and Torres Strait Islander people

Under the NHHA, Aboriginal and Torres Strait Islander people are identified as a national priority homelessness cohort and one of the national performance indicators is an increase in the proportion of Aboriginal and Torres Strait Islander people purchasing or owning their own home. What the NHHA is missing is:

- an articulation of the housing needs and priorities of Aboriginal and Torres Strait Islander people
- principles to guide housing assistance for Aboriginal and Torres Strait Islander people
- targets to drive improvements in housing outcomes for Aboriginal and Torres Strait Islander people.

The NHHA was agreed before the NACTG. The next NHHA will need to align with the commitments governments made under the NACTG, including the four Priority Reforms (formal partnerships and shared decision making; building the community-controlled sector; transforming government organisations and; shared access to data and information at a regional level), the Aboriginal and Torres Strait Islander housing target and the national sector strengthening plan for housing.

If a future NHHA is to contribute to improving housing outcomes for Aboriginal and Torres Strait Islander people, it should include:

- a schedule on Aboriginal and Torres Strait Islander housing developed with a new National Committee on Aboriginal and Torres Strait Islander Housing
- effective state and territory housing and homelessness strategies for Aboriginal and Torres Strait Islander people
- clearly defined roles and responsibilities for remote Aboriginal and Torres Strait Islander housing
- commitment to self-determination and increasing the proportion of services delivered by Aboriginal and Torres Strait Islander housing organisations
- identifying unmet housing need for Aboriginal and Torres Strait Islander people
- indicators and targets to measure outcomes and progress
- transparency and accountability to the community.

Recommendations and findings

Housing in Australia



Finding 2.1

Policy needs to take account of the interconnectedness of the housing spectrum

Housing markets are interconnected, which means policy decisions in one part of the housing spectrum affect outcomes in other parts (including demand for housing assistance). To design good housing policy, policy makers need to consider these connections, including when the effects of policy decisions cross over lines of responsibility and departmental silos.

Affordable, safe and sustainable housing?



Finding 3.1

Housing affordability measures should reflect the outcomes that matter most

House prices are often the focus of the housing affordability debate, but rents are the cost of living in a home, and matter most for low-income households and people experiencing vulnerability.

Rental affordability is often reported through measures of rental stress (a National Housing and Homelessness Agreement performance indicator). An increasing proportion of low-income households are experiencing rental stress. But rental stress alone is a poor predictor of other outcomes such as financial stress and wellbeing. Looking at the depth and duration of affordability pressures can provide a more complete picture of affordability.



Finding 3.2

Australians are spending more on housing

Australians are spending more of their household budgets on housing than they did 20 years ago. For some people, higher spending on housing reflects higher incomes, changed preferences or better quality housing. But the lowest-income earners spend more of their income on housing than others. And housing costs as a proportion of income have increased the most for households in the bottom two quintiles of the income distribution. Many low-income households have little income left after paying for housing.

Performance of the NHHA



Finding 4.1

The NHHA's objective may not cover all aspects of adequate housing

The National Housing and Homelessness Agreement's objective refers to improving access to affordable, safe and sustainable housing, but these terms are not defined, meaning that it is not clear if the objective covers all aspects of adequate housing. The objective also does not acknowledge the trade-offs between affordability, safety and sustainability.



Finding 4.2

Roles and responsibilities in the NHHA are administrative

Governments' responsibilities under the National Housing and Homelessness Agreement are largely administrative, and not focused on policy actions to achieve the Agreement's objective.



Finding 4.3

The NHHA's performance framework is not sufficient to hold governments to account

The National Housing and Homelessness Agreement's performance framework is not sufficient to hold governments to account on their contribution to improving access to affordable, safe and sustainable housing across the housing spectrum. The performance indicators are not comprehensive, and some are ambiguous. Reporting is incomplete and data development has been slow.

The Data Improvement Plan is narrow in scope and the statements of assurance do not provide much useful information for understanding expenditure on housing across jurisdictions. Expenditure reporting requirements for statements of assurance do not support analysis of the full costs of providing housing assistance.



Finding 4.4

There is no strategic oversight of performance monitoring

There is no agency or body responsible for ensuring that performance reporting reflects the intent of the performance framework.

The Data Improvement Plan is focused on a small set of technical data issues, and does not inform strategic judgements about whether the measures used are the most appropriate to monitor progress against the National Housing and Homelessness Agreement's outcomes and objectives.

**Finding 4.5****Greater demands are being placed on NHHA funding, and funding is not distributed according to need**

Greater demands are being placed on the National Housing and Homelessness Agreement's funding and some other sources of funding for housing programs have ceased or reduced in value, placing additional pressure on the NHHA to deliver housing outcomes.

NHHA funds are not allocated between States and Territories according to need — homelessness funding allocations are based on outdated data on each jurisdiction's share of the homeless population, and general funding is based on total population.

**Finding 4.6****Governance arrangements are missing from the NHHA**

Governance arrangements are missing from the National Housing and Homelessness Agreement. There are no intergovernmental forums, and there is no oversight of performance or regular communication between the Australian Government and State and Territory Governments on housing policy.

**Finding 4.7****The practical value of homelessness priority cohorts, housing priority policy areas and homelessness priority reform areas in the NHHA is questionable**

The requirement under the National Housing and Homelessness Agreement for State and Territory Governments to address national homelessness priority cohorts, national housing priority policy areas and homelessness priority reform areas in their housing and homelessness strategies does not appear to have driven reforms. The value of national homelessness priority cohorts, housing priority policy areas and homelessness priority reform areas is questionable.

**Finding 4.8****The NHHA is not meeting governments' requirements under Australia's Disability Strategy**

The National Housing and Homelessness Agreement preceded Australia's Disability Strategy, and has not contributed to meeting governments' requirements under Australia's Disability Strategy to increase the availability and accessibility of affordable housing for people with disability, and for people with disability to have choice and control over their housing.

Future arrangements



Recommendation 5.1

The next Agreement on housing and homelessness

The Australian, State and Territory Governments should develop and agree to a new intergovernmental, person-centred agreement for housing and homelessness. The next Agreement should include:

- a better-defined objective, with key terms defined and trade-offs articulated
- principles for how housing assistance should be provided
- a broader scope, covering all forms of government-funded housing assistance
- clarified roles and responsibilities
- outcomes focused on improving outcomes for people across all tenure types
- an agreed agenda of reforms
- a new performance monitoring and reporting framework with annual reporting against outcomes, targets and performance indicators
- a single base funding pool for housing and homelessness services that is allocated to jurisdictions according to need and the costs of providing services
- oversight by a ministerial council
- provisions to align the Agreement with other agreements and policies, including the National Agreement on Closing the Gap and Australia's Disability Strategy 2021–2031.

The next Agreement should be a 'living' document and make use of schedules to set out more detailed arrangements or operational matters, with the schedules amended as circumstances warrant. It should be reviewed by an independent body periodically.



Recommendation 5.2

An improved objective for the next Agreement

The Australian, State and Territory Governments should ensure the National Housing and Homelessness Agreement's objective covers all aspects of adequate housing. All key terms used in the objective should be defined and trade-offs involved in meeting different parts of the objective articulated in the next Agreement.



Recommendation 5.3

The next Agreement should cover all government-provided housing assistance

The scope of the next Agreement should be expanded to cover all forms of housing assistance provided by governments, including:

- Commonwealth Rent Assistance
- Australian, State and Territory Government home buyer assistance
- State and Territory Government private rental assistance
- Australian Government homelessness services
- subsidies for affordable rental housing, including key worker housing
- the announced Housing Australia Future Fund.



Recommendation 5.4

Outcomes in the next Agreement should focus on people, not systems

The outcomes in the next Agreement should focus on improved outcomes for people across all tenure types. In addition:

- the outcome 'improved housing outcomes for Indigenous Australians' should be revised to align with the National Agreement on Closing the Gap
- an outcome on improving housing outcomes for groups at a high risk of homelessness should be added
- the outcome 'improved transparency and accountability in respect of housing and homelessness strategies, spending and outcomes' should be removed.



Recommendation 5.5

Base funding should be untied and distributed according to need and the cost of delivering services

In the next Agreement, there should be a single pool of Australian Government housing and homelessness base funding. Homelessness funding and funding for increased wages under the Equal Remuneration Order in the Social, Community, Home Care and Disability Services Award should be considered ongoing and included in the general housing and homelessness base funding.

Australian Government funding should be allocated across jurisdictions according to need and the cost of providing services. The Australian, State and Territory Governments should commission the development of a new model for determining the distribution of funds across jurisdictions.

Base funding should be untied. The requirements under the current Agreement for the State and Territory Governments to deliver outputs and under the *Federal Financial Relations Act 2009* (Cth) for State and Territory Governments to have housing and homelessness strategies to be eligible for funding should be removed.



Recommendation 5.6

Performance monitoring and reporting framework

The Australian, State and Territory Governments should develop a new performance monitoring and reporting framework to cover the performance of governments under the next Agreement and the National Plan.

An independent body should be responsible for monitoring and reporting progress against the next Agreement. This could be a body set up to undertake monitoring and reporting across all national agreements or an independent council supported by a secretariat for monitoring and reporting progress for the next Agreement.

The performance monitoring and reporting framework should be a schedule to the next Agreement.



Recommendation 5.7
A ministerial council

A council — made up of housing and homelessness ministers from each jurisdiction — should be established to oversee the next Agreement and the National Plan.



Recommendation 5.8
A more comprehensive Data Improvement Plan

The Australian, State and Territory Governments should ensure that the 2023–28 Data Improvement Plan (DIP) develops data for all performance indicators in the new performance monitoring and reporting framework (recommendation 5.6). The DIP should also identify improvements to existing housing and homelessness datasets, develop new datasets to address gaps in the housing evidence base and identify opportunities to link data sets. The Australian and State and Territory Governments should ensure that the DIP is sufficiently funded to carry out this work.



Recommendation 5.9
More contestable National Housing Research Program funding

The Australian, State and Territory Governments should widen eligibility for funding under the National Housing Research Program to researchers beyond those from the Australian Housing and Urban Research Institute's (AHURI) partner universities. Governments should also have greater control over the grant allocation process, which is currently with AHURI.



Recommendation 5.10
A 'what works' centre to draw together insights and disseminate evidence

The Australian, State and Territory Governments should establish a 'what works' centre for housing policy to gather, and make accessible, evaluations on housing policies and programs, and pull together insights from the housing evidence base. The centre could be established within an existing institution such as the Australian Housing and Urban Research Institute, or the proposed Housing Australia.



Recommendation 5.11
Targeted action plan under Australia's Disability Strategy

In the next Agreement, the Australian, State and Territory Governments should commit to commissioning a housing targeted action plan under Australia's Disability Strategy 2021–2031, to improve the availability of affordable and accessible housing for people with disability.

Homelessness



Finding 6.1

The NHHA has not improved homelessness outcomes

It is unlikely the National Housing and Homelessness Agreement (NHHA) has met its objective of contributing to preventing and addressing homelessness.

- Homelessness does not appear to have declined over the life of the Agreement.
- The homelessness-related requirements do not appear to have changed State and Territory Government homelessness investment and activities, and identifying homelessness priority policy reform areas and priority homelessness cohorts has not led to increasing expenditure and focus in these areas.
- Homelessness funding is not allocated to jurisdictions based on need.

However, the NHHA has made some positive contributions to the governance and funding of homelessness services.

- The five-year funding contribution has provided certainty to homelessness services.
- The requirement for State and Territory Governments to have a publicly available homelessness strategy is a positive step towards improving information, transparency and accountability.



Recommendation 6.1

Prevention and early intervention should be a higher priority

Prevention and early intervention programs should be a higher priority under the next Agreement. The Australian, State and Territory Governments should establish a separate pool of funding for prevention and early intervention programs to address the causes of homelessness for the main 'at risk' cohorts, including but not limited to people leaving health and correctional facilities and care, Aboriginal and Torres Strait Islander people, young people and people needing support to maintain their tenancy.



Recommendation 6.2

Expanding Housing First should be a key reform area

In the next Agreement, the Australian, State and Territory Governments should commit to expanding Housing First programs to improve housing outcomes for people experiencing homelessness.



Recommendation 6.3

Determining the funding required to meet need

In the next Agreement, the Australian, State and Territory Governments should commit to a study into the unmet need for homelessness support and a stocktake of current services, to determine the level of funding required to adequately meet the needs of people experiencing or at risk of homelessness.



Recommendation 6.4

Improving funding arrangements for service providers

In the next Agreement, State and Territory Governments should commit to reforming contract arrangements for specialist homelessness services.

- State and Territory Governments should trial flexible funding that allows services to provide a range of supports to meet people's needs, for however long they are needed.
- Funding to specialist homelessness services should be provided for a minimum of five years, where this is not already the case, in line with the recommendations of the Productivity Commission's Human Services and Mental Health inquiries.

Social housing



Finding 7.1

Social housing is an essential part of the affordable housing solution

Social housing is an essential safety net for people experiencing, or at risk of, homelessness and for people unable to access or sustain housing in the private rental market. And it is effective at preventing and addressing homelessness.

However, social housing tenants often have little choice about the location and type of property they are offered. The gap between housing assistance provided in social housing compared with private rental markets discourages people from changing homes if their family or other circumstances change. Income-based rents help with affordability, but can also create work disincentives. The mismatch between social housing stock and tenants needs (and underutilisation of properties) also points to the potential for better management of the social housing stock.



Finding 7.2

Social housing waiting lists are not a useful basis for new social housing investment decisions

New social housing investment decisions should prioritise meeting the housing needs of people experiencing, or at risk of, long-term homelessness and people who are unable to access or sustain housing in the private rental market, not on the numbers of people on social housing waiting lists and others eligible for social housing.

**Recommendation 7.1****The Australian, State and Territory Governments should trial portable rental assistance based on need**

The Australian, State and Territory Governments should trial tenure-neutral rental assistance that is portable across social and private rental housing. This will involve extending Commonwealth Rent Assistance to public housing tenants, removing income-based rent settings in social housing and designing a high-needs based housing subsidy to ensure housing is affordable and tenancies can be sustained.

In the first instance, the Australian Government could negotiate with one State or Territory (through a bilateral agreement) to trial portable rental assistance, with evaluation outcomes shared to inform wider take up.

Subsidised affordable rentals

**Recommendation 8.1****Governments should consider alternatives to subsidies for affordable rental properties**

Subsidies for affordable rental housing are inflexible, inefficient and often unfair. Going forward, governments should consider other uses for funds that better align with the Commission's suggested principles for housing assistance (recommendation 5.1).

Private rental

**Recommendation 9.1****Developing new measures of rental affordability**

The next Agreement should move away from rental stress as the headline measure of rental affordability. Governments should develop a suite of new rental affordability measures as part of a new performance monitoring and reporting framework (recommendation 5.6).

**Finding 9.1****Addressing system-wide barriers is the most effective way to increase the supply of rental properties**

Addressing barriers to the supply of housing is the best way to increase the supply of rental properties and moderate rents. Removing distortionary barriers to institutional investment could marginally increase supply, but governments should not tip the scales in favour of this investment.



Finding 9.2

There is a strong case for changes to Commonwealth Rent Assistance

Commonwealth Rent Assistance (CRA) is the Australian Government's largest housing assistance measure. It is designed on sound principles — CRA is flexible, portable and responds to changes in renters' circumstances. But issues of sufficiency and fairness need to be addressed.

- Many CRA recipients experience high rent burdens and have little income left to afford other essentials after paying for rent.
- The value of the payment has declined over time, relative to rents, reducing its effectiveness.
- Some relatively well-off households, whose rent payments appear affordable, receive the payment.



Recommendation 9.2

The Australian Government should review Commonwealth Rent Assistance

The Australian Government should review Commonwealth Rent Assistance. It should assess all aspects of the design of the payment (including minimum and maximum rent thresholds, the co-payment rate, indexation, income tapering and eligibility), with the aim of improving the sufficiency, fairness, and effectiveness of Commonwealth Rent Assistance.



Recommendation 9.3

Commonwealth Rent Assistance should be within the scope of the next Agreement

Commonwealth Rent Assistance (CRA) should be brought into the scope of the next Agreement (recommendation 5.3). Informed by recommendations from the Australian Government's review of CRA (recommendation 9.2), changes to CRA should be a reform area in the next Agreement and CRA should be included in the performance monitoring and reporting framework.



Finding 9.3

Tenancy reform and support services can improve renters' experiences

Tenancy reform can enhance renters' security of tenure and the safety of rental homes, and tenancy support services can help some renters to find and sustain private rental tenancies.

There is merit in State and Territory Governments exploring further reform options and expansion of support programs, but the limited evidence base is a constraint. The Commission's recommended 'what works' centre (recommendation 5.10) can play a key role in building and sharing this evidence base.

Home ownership



Finding 10.1

There is little evidence that the NHHA is supporting home ownership

While home ownership is identified in the National Housing and Homelessness Agreement as a 'priority policy area', there is little evidence that the Agreement is boosting home ownership.

- There is little evidence that the funds available to the States and Territories through the Agreement are used to fund programs supporting home ownership.
- The Performance Indicators in the Agreement do not require reporting on home ownership outcomes, except for reporting on the proportion of Aboriginal and Torres Strait Islander people purchasing or owning their own home.



Finding 10.2

The public and private benefits from assisting people who are — or at risk of — experiencing homelessness are likely to be greater than helping people buy a home

The public benefit argument for governments to subsidise home ownership is not strong and assistance provided to people to buy a home can work to inflate house prices (which works against affordability). The benefits from assisting people who are experiencing — or are at risk of — homelessness are likely to be greater than supporting people (particularly people on middle to high incomes) to buy a home.



Recommendation 10.1

Governments should redirect assistance provided to home buyers

State and Territory Governments should phase out assistance provided to first home buyers through grants and stamp duty concessions, unless measures are tightly targeted to support people experiencing marginalisation in the market and who would otherwise be locked out of home ownership. Savings from phasing out grants and concessions to assist first home buyers should be diverted to assist other people in the housing market who are experiencing — or at risk of — homelessness.

Governments should avoid other forms of home buyer assistance unless it can be demonstrated that it is tightly targeted and effective at assisting people experiencing marginalisation in the market and who would otherwise be locked out of home ownership.

State and Territory Governments should use the phasing out of stamp duty concessions for first home buyers as a stepping stone to replace stamp duties on residential properties more broadly with a broad-based land tax, consistent with recommendation 4.8 in the Commission's *Shifting the Dial* report.



Recommendation 10.2

All home buyer assistance should be brought under the next Agreement

All home buyer assistance that continues to be provided by governments should be included in the next Agreement (recommendation 5.3). Under the next Agreement, governments should commit to:

- revising their assistance measures to tightly target support to people who otherwise would be unable to buy a home. As part of this, governments should make more use of income testing to target their assistance, with eligibility restricted to households towards the lower end of the income distribution
- addressing overlap and duplication arising from the Australian, State and Territory Governments having similar assistance measures in place
- a holistic, public and independent evaluation of any support they provide to home buyers.

Governments could direct any savings from these actions to supporting people who are experiencing — or at risk of — homelessness.

Housing outcomes for Aboriginal and Torres Strait Islander people



Recommendation 11.1

An Aboriginal and Torres Strait Islander Housing schedule in the NHHA

A National Committee on Aboriginal and Torres Strait Islander Housing should be established under the next National Housing and Homelessness Agreement to work with Australian and State and Territory Governments to develop a schedule on Aboriginal and Torres Strait Islander housing.

The Aboriginal and Torres Strait Islander housing schedule should:

- align with the housing outcome in the *National Agreement on Closing the Gap 2020* (NACTG)
- articulate the housing needs, priorities and principles for Aboriginal and Torres Strait Islander housing
- be framed around the four Priority Reforms, and commitments made by governments under the NACTG
- include indicators and targets for monitoring and evaluation (recommendation 11.6).



Recommendation 11.2

Effective housing and homelessness strategies for Aboriginal and Torres Strait Islander housing

State and Territory Governments should have housing and homelessness strategies in place for improving Aboriginal and Torres Strait Islander outcomes that:

- are developed using co-design processes
- clearly specify objectives and priorities
- include an implementation plan with clear timelines and the responsible agencies identified
- link to other strategies, agreements and outcomes such as in the areas of health, and social and economic participation
- include a monitoring and evaluation strategy measuring and publicly reporting on progress on housing outcomes from the perspectives of Aboriginal and Torres Strait Islander people
- are based on continuous improvement processes.



Recommendation 11.3

Roles and responsibilities for Aboriginal and Torres Strait Islander remote housing

Bilateral agreements under the next National Housing and Homelessness Agreement should clarify the roles and responsibilities of each level of government for improving remote housing for Aboriginal and Torres Strait Islander people.



Recommendation 11.4

Strengthening the Aboriginal and Torres Strait Islander community-controlled housing sector

The next National Housing and Homelessness Agreement (NHHA) should be aligned with the *National Agreement on Closing the Gap 2020* sector strengthening plan for the housing sector.

State and Territory Governments, under bilateral agreements, should specify the proportion of funding in the next NHHA that will be allocated to Aboriginal and Torres Strait Islander organisations (particularly community-controlled organisations) to improve housing outcomes for Aboriginal and Torres Strait Islander people.



Recommendation 11.5

Identify housing need for Aboriginal and Torres Strait Islander people

State and Territory Governments should identify the unmet housing needs of Aboriginal and Torres Strait Islander people and undertake stocktakes of the supply and quality of social housing for Aboriginal and Torres Strait Islander people. Decisions on data selection and collection should be led by the proposed National Committee on Aboriginal and Torres Strait Islander Housing (recommendation 11.1).



Recommendation 11.6

Indicators and targets to measure progress and drive reform

State and Territory Governments working in partnership with the proposed National Committee on Aboriginal and Torres Strait Islander Housing (recommendation 11.1) should agree on indicators and targets for the next National Housing and Homelessness Agreement (NHHA) that can be used to monitor and evaluate outcomes for Aboriginal and Torres Strait Islander people, across the housing spectrum.

The *National Agreement on Closing the Gap 2020* housing target, that by 2031 the proportion of Aboriginal and Torres Strait Islander people living in appropriately sized (not overcrowded) housing is increased to 88 per cent from the 2016 baseline of 79 per cent, should be included in the next NHHA.

Areas where indicators and targets should be considered in the next NHHA include:

- overcrowding in remote areas
- homelessness outcomes for Aboriginal and Torres Strait Islander people
- transitions from social housing into private housing markets for Aboriginal and Torres Strait Islander people
- the proportion of housing and homelessness services delivered (to Aboriginal and Torres Strait Islander households) by Aboriginal and Torres Strait Islander organisations
- Aboriginal and Torres Strait Islander housing supply
- housing quality, reflecting suitability of housing to climate under the anticipated impacts of climate change.

State and Territory Governments and the proposed National Committee on Aboriginal and Torres Strait Islander Housing should focus on developing clear and achievable targets for Aboriginal and Torres Strait Islander housing.

Processes for monitoring, reporting and evaluating indicators and targets should be based on the perspectives of Aboriginal and Torres Strait Islander people and led by the proposed National Committee on Aboriginal and Torres Strait Islander Housing. Targets should be revised once they have been met.



Recommendation 11.7

Transparency and accountability

As part of the performance monitoring and reporting framework (recommendation 5.6) State and Territory Governments should report on the funding of key programs targeted at improving housing and homelessness outcomes for Aboriginal and Torres Strait Islander people and distinguish between where funding is sourced from State and Territory own funding and the National Housing and Homelessness Agreement funding. This reporting should also provide links to program monitoring and evaluation on these key programs.

Housing supply



Finding 12.1 **Restrictions on supply are affecting affordability**

The supply-side of the housing market is not functioning well, due in part to restrictions on supply, and this is affecting affordability. High rents and house prices are rationing demand and resulting in:

- Australians forming larger households than they prefer
- low-income households being bid out of the market, leaving some people becoming homeless and/or requiring social housing.

Supply-side reforms, particularly reforms that make supply more responsive to price, are needed to improve housing affordability.



Finding 12.2 **More supply — in any segment of the market — can improve affordability for low-income households**

Most new housing is being built in lower-cost segments of the market, but there is still a housing affordability problem because the overall level, and responsiveness, of housing supply is inadequate.

Given the effects of 'movement chains' and 'filtering', *any* increase in the supply of housing can improve housing affordability for people on low-incomes, irrespective of where it occurs in the housing spectrum.



Finding 12.3 **Supply reform can put downward pressure on rents**

Supply-side reforms can lift rental vacancy rates and decrease rents, leading to improved rental affordability for low-income households over the short to medium term.

However, supply, and its effects on rents, is only one side of the affordability story. Without changes to lift incomes, and income supports, many households will not be able to find affordable rental housing.

Land use planning



Finding 13.1

Infrastructure can do more to unlock housing supply

The timely delivery of economic and social infrastructure to greenfield and infill development sites is critical to the supply of new housing. Better coordination across State and Territory government agencies and between governments can help to align infrastructure delivery with housing developments. There is also evidence that infrastructure funding is not as efficient as it can be in some jurisdictions.

- There appears to be instances of governments using developer charges to cost-shift the funding of general community services onto new home owners, which has a detrimental impact on housing affordability.
- Local governments are making little use of debt to fund infrastructure. Greater use could help to address infrastructure bottlenecks that constrain housing supply.



Recommendation 13.1

States and Territories should report annual progress against land supply targets

State and Territory Governments should set rolling long- and short-term land supply targets for major growth areas and report annual progress against these targets.

- States and Territories should set out how they estimate future demand for land, and report on the number and location of zoned and development-ready lots, disaggregated by infill/greenfield and permitted density.



Finding 13.2

Relaxing zoning constraints can encourage greater density in residential areas

There is no one-size-fits-all solution to achieving greater density, because the restrictions that constrain supply will be different in each jurisdiction. Any changes to zoning regulation should balance the benefits of additional supply against costs to the environment, amenity and liveability of cities. The changes should also be supported by existing or proposed infrastructure, public transport, community facilities and access to jobs. But a good starting point to encouraging greater density in residential zones would be to:

- review zoning rules that allow only single detached houses
- allow more dense development 'as of right' along key transport corridors, with height limits set up front
- relax regulations limiting the use of secondary dwellings
- relax minimum carpark requirements for developments where there is good access to public transport
- relax minimum floor sizes.

**Recommendation 13.2****State, Territory and local governments should revise their planning regulations to promote greater housing density and diversity**

States, with their local governments, and Territories should revise their planning regulations to promote greater density to meet demand for well-located housing in established suburbs and locations with good access to jobs, services and transport.

States, Territories and local governments should also revise planning regulations to facilitate greater housing diversity, including low-cost or innovative housing types.

**Recommendation 13.3****All States and Territories should set housing targets and work with local governments to meet the targets**

States and Territories should set housing targets for their main urban areas and work with local governments to meet the targets. Targets should be publicly available, updated regularly in response to changes in demand, and the data, assumptions and methodology underpinning the targets should be transparent.

States should require local governments to meet their targets through local strategic planning instruments, and consider transferring responsibility for assessing development applications to independent planning panels when housing targets are not being met.

State Governments should consider new or review existing payments to local government to support meeting the housing targets and/or step in to resolve infrastructure issues.

**Recommendation 13.4****The next Agreement should acknowledge the importance of housing supply as a solution to housing affordability and replace planning reforms with housing targets**

The next Agreement should acknowledge the importance of housing supply as a long-term solution to housing affordability. It should also include a requirement for States and Territories to commit to transparently setting housing targets, and regularly reporting progress on meeting the targets.

This requirement should replace the housing policy priority area 'planning and zoning reforms and initiatives, including consideration of inclusionary zoning and land release strategies'.

Building and construction



Recommendation 14.1

Governments should commission a review into the construction industry's productivity

Governments should commission an independent review of the productivity of the construction industry. The focus of this review should be on identifying microeconomic reforms (including but not limited to reforms to existing regulation such as the National Construction Code) that would improve construction industry productivity.



Recommendation 14.2

Improving the evidence base on building defects

State and Territory Governments should improve the evidence base on the prevalence, nature and severity of defects in their jurisdiction, including through better data collection and reporting.



Finding 14.1

The NHHA has no influence on the construction industry

The National Housing and Homelessness Agreement has no influence over Australia's construction industry, despite it being a key factor for achieving the Agreement's objective of improving access to affordable, safe and sustainable housing.



Recommendation 14.3

Incorporating construction into the next Agreement

The next Agreement should:

- articulate the importance of the construction industry for delivering more affordable, safer and sustainable housing
- where possible, explain how governments will balance inevitable trade-offs between affordability, safety and sustainability
- recommit governments to rigorous, transparent assessment of the costs and benefits of regulatory and other reforms affecting the construction industry
- contain indicators related to the physical quality and characteristics of Australia's housing stock
- consider construction market conditions when designing and reporting on indicators and targets.



Recommendation 14.4

Some requirements and references to building regulation should not be included in the next Agreement

The next Agreement should not include the requirements and references to building regulation found in Clauses 23(d), 23(e), 25(f) and 25(g) of the National Agreement on Housing and Homelessness.