

Review of Rent Models for Social and Affordable Housing

NSW Government Response to IPART Draft Recommendations

Introduction

Under *Future Directions for Social Housing in NSW*, the NSW Government's 10-year strategic vision for social housing, there is a commitment to provide more opportunities, support and incentives to help social housing tenants move towards housing independence. One of the actions under this strategy was to review rent models to remove disincentives to work for social housing tenants.

In June 2016, the former Premier wrote to IPART instructing it to undertake a review of social and affordable housing rent models. The Terms of Reference asked IPART to recommend an appropriate rent setting framework that improves incentives for workforce participation. IPART was also asked to consider eligibility criteria, waitlist prioritisation policies and other subsidised housing assistance.

IPART's draft recommendations address rent models, funding for social housing, the roles of Family and Community Services (FACS) and the Land and Housing Corporation (LAHC), and eligibility, prioritisation and allocations policy for social housing.

This review provides an opportunity to look for ways to make the social housing system more sustainable and to make the best use of social housing while maintaining fairness and affordability for tenants.

Further work is required to fully understand the impacts associated with the draft recommendations. The development of any proposed reforms will require a full analysis of the potential costs and benefits, and impacts on affordability for tenants.

Impacts on tenants

Consistent with IPART's Terms of Reference, the NSW Government is conscious of the need to ensure affordability for tenants. This will be important, for example, when considering IPART's recommendation to include additional income sources when calculating rents (including the Family Tax Benefit Parts A and B at the full rate of 25% and the Pension Supplement).

IPART has recommended changes to the process of allocating and prioritising social housing, including the potential for more frequent relocation of tenants to ensure they are in a suitable dwelling. This will require consideration of the social impacts when tenants have to move, as well as the potential costs. This also needs to be considered based on the experience of overseas jurisdictions and the merit of applying this in the NSW context.

The NSW Government is committed to ensuring that those who can achieve independent housing do so. This means ensuring that the right incentives are in place for tenants to seek work and transition to private rental or home ownership. IPART's recommendations include providing greater security of tenure for tenants. This requires careful consideration. In particular, further analysis is needed as to whether providing ongoing access to social housing for those who can pay market rent is in fact likely to increase employment. It is also necessary to consider the impact this recommendation could have on people waiting for social housing. Similarly, a 'right to return' for two years post a social housing 'positive exit' should be judged against the impact on applicants for social housing who are in need of support.

The NSW Government is also interested in further analysis around the recommendation to charge market rent plus 5% for social housing tenants above the subsidy eligibility threshold. In particular this analysis should investigate the impact on affordability, ability to transition out of social housing and workforce disincentives.

Value for money in housing services

IPART recommends a shift towards delivering stock and tenancy management services on a fully commercial footing. Under this recommendation, LAHC would become the NSW Government's commercial rental housing provider. Issues requiring further consideration include:

- impacts of any sector wide purchaser-provider arrangements on housing providers' autonomy;
- how to regulate to ensure consistency of approach between a government provider and non-government providers.

The role of affordable housing requires further consideration. Affordable housing has the capacity to provide a path out of social housing for those tenants who are able to find employment. Affordable housing also alleviates housing stress for those above social housing income thresholds.

A sustainable social housing system

The NSW Government is committed to ensuring that the social housing system is targeted to housing the most vulnerable in our society. One of the reasons the NSW Government asked IPART to examine eligibility criteria was to ensure that social housing is properly targeted where the need is greatest.

IPART's draft recommendations also need to be considered in the context of existing NSW reforms. NSW is committed to pursuing innovative and cost-effective methods of providing social housing that have the potential to impact the sustainability of the system. The Government's 10 year *Future Directions* Social Housing strategy aims to break the cycle of disadvantage through housing assistance and support services. Such actions under *Future Directions for Social Housing* include:

- A large-scale building and replacement program through Communities Plus with up to 23,500 new and replacement social and affordable housing dwellings to be built over ten years, widely recognised as the biggest social housing building program in Australia;
- Innovative approaches to providing social and affordable housing in partnership with the private sector, including through private contributions of land and funds, through the \$1.1 billion Social and Affordable Housing Fund (SAHF). In its first phase, this fund will create 2,200 new social and affordable housing dwellings and will provide tenants access to tailored support services;
- Transferring tenancy management to community housing providers to improve outcomes for clients and shifting to a more sustainable system by allowing more tenants to receive Commonwealth Rent Assistance;
- \$280m over four years on service improvement initiatives, including education and employment programs to help divert people from long-term social housing;
- Expanding private rental assistance products to assist people to transition out of social housing or to prevent them from needing social housing in the first place.

These initiatives share in common the aims to enhance outcomes for tenants, increase the number of social housing places, dilute social housing concentration, improve tailored support services and make the housing portfolio more relevant to tenants' needs.



Next steps

The NSW Government will carefully consider IPART's final recommendations and their costs, benefits and potential impacts on tenants. It is crucial to ensure that the social housing system provides a safety net for the most vulnerable in our community. It is also a priority of the NSW Government to provide the right supports, opportunities and incentives to help those who can move towards housing independence, and to ensure that the system is ultimately sustainable. This will also require consideration of other reforms already underway. The NSW Government will only consider and implement changes to the system that are fair and help to improve people's lives.