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The Secretary
Legal and Social Issues Committee
Legislative Council Parliament House
Spring Street East Melbourne VIC 3002

Submission to the Inquiry into Homelessness in Victoria

For those with submission fatigue, here's the short story:

The only solution to end homelessness is an extensive public housing construction boom as public housing is the sole housing type that accepts everyone in need; public housing is also the most cost-effective model; crisis housing often serves as a revolving door and is no substitute for permanent housing with rents pegged at 25% of income and no hidden costs; the Housing Association model is a neo-liberal one yet continues to rely on government handouts; the Deed of Assumption has potentially leached over half a billion dollars from public housing revenue and must be permanently wiped particularly as the debt did not originate in the public housing system.

Definitions

While social housing has become the umbrella term for both public and community housing, where appropriate here the author's preference is to refer to public housing and Housing Associations, being the dominant community housing platform.

Introduction

As a long-time public housing tenant and a former community sector worker often at the frontline of homelessness, I have witnessed the underfunding of public housing over the last 20 years and the corresponding surge in rates of homelessness.¹ I've heard stories from dozens of clients in both the housing and the generalist welfare sector who struggle to sustain private rental housing; or couch-surfers who've done the rounds of the crisis housing services and homeless shelters but after many months are still navigating precarious circumstances. While families with children are now afforded the dignity of motel accommodation and victim-survivors of domestic violence are prioritised at all stages from crisis to long-term housing, for the average homeless person there's rarely an instant solution and the long, brutal trek to securing stable housing leaves many with indelible scars.

Support for people experiencing homelessness

With Psychology and AOD qualifications I recognise the importance of practical and emotional support offered by case workers to people in homelessness – chiefly through

¹ Of course public housing was neglected during the Kennett era but expectations were high that the Bracks team would focus on public housing as a means of restoring Victoria back to a more equitable society. Indeed in their 1999 election campaign, Bronwyn Pike promised \$94.5 million but once in office she reneged on that pledge and committed the funds to community housing, signalling the demise of public housing in this state.

securing permanent, affordable housing for their clients along with the reassurance that someone cares about their all aspects of their welfare and can refer on to other appropriate services. While psycho-emotional support, along with some material aid, can be a comfort to homeless people it is ultimately cold comfort if they are still having to bed down on a cold hard pavement every night or endure the pressure-cooker environment of a rooming house.

Initial Assessment and Planning workers are run off their feet, such is the extent of homelessness. Due to the volume of presentations they simply do not have the time to refer the majority of clients into longer-term support programs and in any case, agencies have a limited caseload capacity.

General Discussion

As Professor Guy Johnston has pointed out in his address to the Panel, “we have clear evidence that poverty is the common denominator”. The myth of homelessness as chiefly a product of mental health and substance issues needs to be dispelled. The plight of COVID-19’s employment casualties who are now grappling with unaffordable rentals should at least serve to shatter the misconceptions that pathologize the homeless as victims of their own fallibilities.

Socially structured inequalities such as the inflated private rental market, the paucity of Newstart, the shortage of social housing, the cost of tertiary education and the job shortage in an increasingly robotised economy are all downplayed in favour of personal agency across all aspects of life.

I would also strongly support Professor Johnston’s appraisal of crisis and transitional housing which, due to the dearth of permanent housing, may serve as a revolving door with clients returning every 3-6 months for another week’s funded rooming house accommodation. Crisis housing agencies in Victoria receive many millions of dollars every year to provide these crucial services but imagine if over the past 20-25 years a comparable amount of funds been poured into creating genuine public housing. Instead of 24 thousand Victorians in homelessness, adequate public housing stock would have greatly eased the burden.

This is a serious question that the L &SI Committee needs to grapple with – ***why does the Victorian Government continue to prioritise crisis housing funding over genuine, permanent public housing?*** Of course crisis housing provides a vital service but it is a band-aid option.

A key point of my submission is to stress that rates of homelessness will persist as there is no evidence of a strategy that provides long-term, realistically affordable housing for a critical mass of people in severe housing insecurity, whether it be the working poor, those in entrenched disadvantage, particularly the homeless, and now, the employment & rental casualties of COVID-19.

Recent Announcements

Prolonging the timeline for this Inquiry has allowed for consideration of the State Government’s recent announcements on social housing investment and the prospects for

this funding injection to positively impact on the dire housing needs of homeless Victorians. The \$500 million stimulus package includes much-needed repairs and upgrades for thousands of public and community housing properties along with allocations for the housing needs of specific vulnerable groups².

However, broadly speaking, the only concession to Victoria's 24 thousand homeless people is funding for 168 units which may or may not be public housing³. Yet, in the 2018 election campaign Premier Andrews pledged to build 1000 public housing units⁴ following pressure from public housing advocates who highlighted the short-term opportunism fuelling the Public Housing Renewal Program (PHRP) which replaces public housing estates with public-private mixes that sacrifice public land, family accommodation and liveability.

It's not clear whether the Andrews Government has commenced construction on the above 1000 public housing units as there have been no further announcements⁵. It's also a mystery as to whether the recently-announced 168 units are additional to the 1000 units or reflect partnerships with community housing providers. This would appear to be a tokenistic response to the housing crisis faced by low-income Victorians. Those of us concerned about rates of homelessness and people in precarious housing circumstances sincerely hope that this Inquiry will motivate the Andrews Government to commit more wholeheartedly to solving the housing crisis.

In contrast, the latest round of Social Housing Growth Fund grants "will deliver more than 780 new social housing dwellings" across Victoria⁶. It is reassuring to learn that the Social Housing Growth Fund stipulates that "75 per cent of targeted social housing vacancies will be from the priority access category of the VHR"⁷. Historically this has not been the case as the growth-driven model underpinning the Housing Associations privileges applicants on higher incomes than those on low Centrelink payments. It is anticipated that the Victorian Housing Register will facilitate greater transparency of Housing Association allocation processes which have hitherto not been publicly accessible leading to speculation about their selection priorities.

As part of a road-map out of homelessness, it is vital that people in long-term homelessness are selected for the above social housing projects. It can't be assumed that other community housing programs with different funding arrangements will have the same stipulation as the Social Housing Growth Fund for 75% of "targeted social housing vacancies" to be filled from the Priority segment. Nor can we assume that "targeted...vacancies" matches the projected number of properties, being 780.

² Ilanbey, S. 'Victorian Government undertakes biggest social housing spend since GFC', *The Age*, 17/05/20 and corresponding DHHS media release 18/5/20.

³ Above article mentions 'public housing' whilst DHHS media release states 'social housing'.

⁴ <https://www.dhhs.vic.gov.au/buildingnewhomes>

⁵ While the Stokes-Penola project at Preston is headlined as 'public housing' it is part of the PHRP which will be managed by Housing First. In no way can this be construed as public housing.

⁶ Premier's media release 'Delivering New Homes For Victorians Who Need Support' 15/5/20.

⁷ <https://www.dhhs.vic.gov.au/victorian-social-housing-growth-fund>

Far greater clarity is needed on timelines and locations for the 1000 public housing units, on whether the newly-announced 168 units will be public or community housing and on whether other estates earmarked for the Public Housing Renewal Program will proceed with the same strategy of liquidating public land and privatising tenancy management. Broad-brush announcements, such as those above, should be followed up with specifics and ***I urge Parliamentarians to monitor these developments so that the public is informed as to whether the delivery of community, and particularly public, housing matches the promises.***

The rise of Housing Associations

The Bracks/Brumby Governments chose to invest over one billion dollars for the creation of Housing Associations in preference to invigorating the public housing system.⁸ However, the decision to opt for privatised Housing Associations as the State Government's main platform for delivering social housing to low-income Victorians was never subjected to economic modelling. Bracks' first Housing Minister Bronwyn Pike commissioned Hal Bisset from Ecumenical Housing to explore the UK model whereby Council housing estates were being reformed into privately-managed, growth-driven Housing Associations and that restructure formed the template for Victoria's Housing Association platform.

The original stated intention was that Housing Associations would only receive start-up capital of \$70 million,⁹ and then raise capital from external sources in order to become self-funding. However, as above, eight Housing Associations were granted a billion dollars between 2002-2011¹⁰ along with half a billion dollars from the Nation-Building Stimulus Plan. Housing Associations seek public housing assets in order to reach critical mass for financial viability. When public tenants are transferred to Housing Associations – such as via the PHRP - this entails a considerable cost burden to the Commonwealth Government as they become eligible for Commonwealth Rent Assistance (CRA), a key linchpin of the Housing Associations, revenue stream. Despite the original commitment to self-funding, these bodies seem likely to continue to rely on government funds both to manage public housing and for further asset growth.

⁸ Evidence of the one billion dollar funding to Housing Associations has 2 sources:

- a) CHFV archived webpage ““In May 2007, the Victorian Government committed \$300m for Housing Associations to deliver at least 1550 new homes by July 2011. This was built on previous funding of \$220m since 2002”. For each project the funding ratio entailed a 75% contribution from government and 25% from the Housing Association.
- b) DHS Annual Report 2010-2011 p. 161 which lists grants to 9 Housing Assocs, totalling \$347.6 million in 2010 and \$246 million in 2011. Press releases from the Bracks/Brumby govts also mentioned relevant funding but amounts were duplicated in successive statements, making it hard to keep track. These press releases also misrepresented funding for public housing by conflating it with social housing. A release 2/5/07: ‘Record \$510 Million for Public and Social Housing’ claims that \$200 million would be allocated “to build and redevelop 800 extra public housing dwellings”. There is no evidence of any massive public housing build at that time or since.

⁹ Office of Housing Consultation document 2004 ‘Strategy for Growth in Housing for Low Income Victorians’.

¹⁰ Initial funding circa 2001-2004 would have been to the Housing Associations' previous incarnations as community housing bodies.

Issues with the Housing Association model

Housing Associations are gradually replacing public housing as the dominant delivery platform firstly in Victoria and now across other states as governments offload their housing responsibilities towards people in prolonged housing stress.¹¹ In Victoria the sector has doubled capacity to 20 thousand properties in the past decade.¹² Yet the state has the lowest proportion of social (public and community) housing in Australia at 3.2 per cent of all housing, compared with the national average of 4.5 per cent. A contributing factor is that public housing stock has remained stagnant at around 63 thousand properties for the past two decades with the waiting list soaring above 80 thousand people.¹³ Hence there is tight competition for scarce public and community housing vacancies.

Due to Housing Associations' growth-driven imperatives, the preference for tenants on higher incomes than those relying on Centrelink payments means that it can never replace public housing as a sanctuary for those on low fixed incomes. A Housing Association CEO remarked to me that public and community housing should complement, not compete, with each other. It seems the Victorian Government has expected too much from Housing Associations – they have been funded to do the work of public housing yet they are designed to attract a different market, households with a moderate to average income¹⁴.

The 2010 Auditor-General's report into Social Housing noted that the Housing Association providers had failed to house applicants from the priority segment of the public housing waiting list (high needs or long-term homeless).¹⁵ The report notes "***The financial goals housing associations are required to meet provide an incentive to house higher-income tenants yet current rules about access do not protect against inequitable tenant selection.***"¹⁶

It's not clear that this practice has been reformed in the intervening years. While some providers do house people in the Priority segment who self-refer, the model has failed to ease either the public housing waiting list or the rates of homelessness in Victoria, both of which continue on an upwards trajectory. If principles of equitable 'income-blind' access had since been applied to the Housing Association's allocation processes (for DHHS-funded stock) it should have impacted favourably on homelessness rates but between the 2011 and 2016 Census's the Victorian rate rose by 11% to 24,817.¹⁷

Public housing has the flexibility to adapt rents to income fluctuations whereas there are reports of some community housing providers insisting on tenants continuing to pay the original higher rent despite a tenant's income having decreased due to changed circumstances.

¹¹ Other forms of community housing continue to operate on a smaller scale, often catering to a specific group. Formally, they are referred to as Registered Housing Providers. <http://www.housingregistrar.vic.gov.au/Who-we-regulate/Housing-providers>

¹² <https://chiavivic.com.au/wp-content/uploads/2017/08/Community-Housing-Explained.pdf>

¹³ <https://vpta.org.au/100000-waiting-for-a-home-in-2020/>

¹⁴ <https://unison.org.au/our-services/employed-and-looking-for-affordable-housing>

¹⁵ VAGO, 2010, *Access to Social Housing*. See also *The Age*, Cooke.D, 24/6/10, 'Housing groups leave most needy in the cold'.

¹⁶ Victorian Auditor-General's Report, 2010, *Access to Social Housing*, Audit Summary p. viii

¹⁷ <https://www.homelessnessaustralia.org.au/about/homelessness-statistics>

One example I'm personally aware of concerns a Housing Association tenant with disabilities. His provider placed another tenant into the two-bedroom unit and the new tenant's dog caused ongoing problems such as urinating on the first tenant's bed. Eventually the dog-owner left the unit but the provider charged the first tenant double rent as it was a two-bedroom property. The tenant was faced with sizeable arrears for which the provider took him to VCAT. This was particularly concerning as the tenant's disabilities included lapses in cognitive functioning and he struggled to access a tenancy advocate to assist him at VCAT.

Anecdotally there are occasional reports of cost-cutting and selective access to amenities. One example was a Housing Association tenant whose studies meant she was coming home late at night and was forced to park her car in a very unsafe area as her block's car park was reserved for higher-paying tenants. We have all witnessed the horrific Grenfell Tower fire which was a consequence of UK private providers' cost-cutting to maximise profits in spite of residents oft-expressed warnings of the block's fire hazards.

Affordability

Public housing advocates also contend that the rent-setting policies of Housing Associations are determined by supply-side imperatives which aren't fair to tenants on fixed Centrelink payments required to pay at least 30% of income plus 100% of CRA. As 30% of income is regarded as the benchmark of an affordable rent, rents charged above that amount become unaffordable for tenants on low fixed incomes. Hence, **30% of income is effectively on the cusp of unaffordability** particularly for Newstart-reliant community housing tenants (these days the majority of community housing bodies charge 30%, not just Housing Associations). The latter currently have a reprieve in the form of the COVID-19 supplement but it is only in the unlikely event that Newstart is fixed at a rate approaching the current temporary payment that 30% of income plus 100% of CRA would be manageable.

In short, public housing rents set at 25% of income are vastly fairer than social housing rents. Even so, it's a lot easier to pay 25% of a part-time wage than of Newstart. Burke and Ralston (2003) have shown that, after paying the household rent, substantial proportions of public tenants were left with inadequate income for other necessary living expenses.¹⁸

Some Housing Associations are now imposing various costs such as maintenance of communal areas on tenants. Amongst my network, Housing Association tenants struggle to understand why their rents increase frequently - a solid grasp of financial literacy is required to comprehend the rental statements provided to HA tenants.

Deed of Assumption

Kate Colvin, CHP, raised this matter at the Nov 22 hearing as per transcript. This controversial long-standing debt deserves to be more widely discussed and interrogated. In the transcript former Housing Minister Wendy Lovell stresses that "it was always the Office of Housing's debt" but the debt was never incurred by the public housing system. It was

¹⁸ In McNelis S & Burke T, 2004 '*Rental systems in Australia and Overseas*', AHURI Positioning Paper 74.

structured to recover debt from the Department of Housing's bad home loans of the 1990s. Due to the poor design of the loan scheme most borrowers defaulted or sold their homes.¹⁹

Over many years until 2011-12 \$50 million was annually debited from public housing revenue for this purpose (page 159 of the 2011 DHS Annual Report lists 'Housing Debt Assumption costs' as an annual expense of \$50.5 million).

As Minister, Wendy Lovell promoted the notion that public housing was unfair because there were so many people doing it tough in the private rental market who missed out on public housing's cheaper rents. Yet this debt to the public housing system was, and is, demonstrably unfair. It wasn't incurred through public housing operations yet is apparently deducted from rental revenue. As VCOSS stated in 2012 *"the Deed of Assumption should be discontinued as part of any meaningful strategy to reach financial sustainability of the public housing system."*²⁰

As Minister, Ms Lovell renegotiated the debt and this is recorded in the 2011-12 Annual Report as follows, *"The main contributor to the department's net deficit from transactions of \$537 million has been the amendment to the deed of borrowing between the Treasurer and the Director of Housing which resulted in a one-off expense to the department of \$450 million"* (p.65, see also p.162 & p.193). Since then the Annual Reports show that payments continue to be deducted in amounts between \$28-31 million then forgiven in 2016 until 2023.²¹ As annual payments continued and will resume in 2023 in spite of the \$450 million lump sum payment to Treasury, is this akin to running two sets of accounts?

One question arising is why Minister Lovell agreed to this renegotiation resulting in a massive deficit to the Housing & Community Building Division when her office had commissioned a report which claimed the public housing system was already running a deficit?²² In opposition Labor complained about the Deed of Assumption but have failed to conclusively wipe the debt since regaining Government.

Investing in Public Housing

There are many revenue options available such as land tax, stamp duty and gambling taxes along with raising bonds specifically as an investment-generator for a public housing building program. The State Government is able to borrow money for infrastructure programs at favourable interest rates. There is ample government-owned land that could

¹⁹ VCOSS 2005 'Key housing facts and figures', a working group paper available from this writer on request.

²⁰ VCOSS 2012 'Submission to social housing framework', no longer available online.

²¹ DHHS Annual Report 2015-16, p.190 "For administrative simplicity, the Government has forgiven the outstanding balance of the loan on 14 April 2016 and the Director of Housing will no longer be required to make repayments. Instead, grant revenue provided to the Director of Housing will be reduced by an amount equal to the annual repayment."

²² VAGO 2012 'Access to Public Housing'. The Auditor-General states "In 2011, the Minister for Housing commissioned a review of the financial position of public housing. The review found that 2011 operating costs exceeded rental revenue by 42 per cent, up from 30 per cent in 2002." However the review on which these findings were based was never released, the VAGO report is scant on supporting figures and using DHHS's own criteria for calculating rental operating costs: 'maintenance, rates and charges, tenant utilities and operating expenses', when these are deducted from 'rental income and income from services' annual profits of at least \$80-100 million remain almost every year.

be utilised for this purpose. Economies of scale enable governments to roll out big projects economically whilst this doesn't need to imply that public housing can only be provided on large estates. Smaller plots can also be utilised as they have been in the past and as community housing currently does. This would temper the exaggerated social panic that affluent NIMBYs project onto large public housing estates.

In conclusion, unless the public housing system is regenerated rates of homelessness will continue to spiral. Housing Associations will invariably continue to focus on their bottom line by opting for financially desirable tenants. Whilst crisis housing and support programs could always be better funded to capture more people and prevent them from having to sleep rough or couch-surf or endure the indignity of grotty rooming houses, this is simply kicking the can down the road, as is another round of white papers dedicated to solving homelessness. I urge Members of Parliament, in particular those from the two major political parties, to contemplate the kind of society they want to be responsible for shaping.
THE END