



SOUTH PORT COMMUNITY HOUSING GROUP

SUBMISSION TO THE SOCIAL HOUSING REGULATION REVIEW

SEPTEMBER 2021.

South Port Community Housing Group (SPCHG) congratulates the Victorian Government on initiating this review and is grateful for the opportunity to express our ideas. Many of these ideas, sometimes in more detail, were also expressed in our submission to the development of a 10-Year Strategy for Social and Affordable Housing. In this case we have set out our ideas in response to a number of the specific questions contained in Consultation Paper 2.

#### 1. VICTORIAN GOVERNMENT SOCIAL HOUSING POLICY OBJECTIVES.

##### Consultation Questions 1 - 2. The guiding principles for the regulatory system.

One of the issues raised in our response to the 10 Year Strategy was the need for the Victorian Government to develop a more clearly articulated set of social housing policy objectives. These, we proposed, are a necessary starting point for the development of an effective long term strategy. They are also, it seems, a necessary starting point for the further development of a regulatory system for social housing in Victoria. The central purpose of the regulatory system should be to ensure that the social housing policy objectives of the Victorian Government are effectively implemented and protected. These social housing policy objectives, we are proposing, also need to form the guiding principles of the regulatory system.

##### **Purpose of the Social Housing System.**

The development of a set of social housing policy objectives, in turn, needs to start with an agreement on the fundamental purpose of social housing. A commonly expressed view is that the purpose of social housing is to meet the housing needs of people whose housing needs are not adequately met by the “housing market”. This basic idea is expressed, for example, several times in Consultation Papers 1 and 2. The purpose of social housing is to provide, *“a safety net for people who face barriers renting in the private rental market, whether for reasons of affordability, personal issues and health conditions or other circumstances.”*<sup>i</sup> We strongly support this idea and have proposed that it needs to be more formally adopted by the Victorian Government as the fundamental purpose of social housing. This purpose should also, in our view, become the guiding principle for the regulatory system. The more formal adoption of this purpose has a range of social housing policy implications.

##### **Eligibility Criteria and Allocation Policies.**

If the fundamental purpose of social housing is to provide a “safety net” for those members of the Victorian community who cannot access housing in the private rental market then allocation policies need to be fully aligned with this purpose. Social housing would then be allocated to those Victorians who are assessed as facing the greatest levels of “difficulty” in accessing housing in the private rental market. The implementation of this allocation policy approach would also require the development of a consistent and transparent methodology for assessing relative levels of “difficulty” across a range of factors such as household type, income level, and location. These levels of “difficulty” would then be translated into levels of social housing “need”. The methodology would also need to take into account other factors which increase the level of “need” such as age, cultural background, disability, mental illness, addiction, experience of chronic homelessness, criminal history and history of tenancy failure. One of the most critical barriers to accessing housing in the private rental market, of course, is the current level of Commonwealth Government pensions and benefits. Particularly the current rate of JobSeeker for single person households. Social housing, in order to achieve its purpose, would be allocated, as a high level priority, to Victorians receiving a Centrelink income.

A guiding principle for the regulatory system, if this purpose was formally adopted, would be to ensure that social housing is allocated to those Victorians facing the greatest levels of difficulty in gaining access to housing in the private rental market. Those people with the highest levels of social

housing “need”. These are also the Victorians, of course, who experience the highest risk of recurring homelessness.

### **Social Housing Design**

One of the arguments often used against a choice to allocate social housing to those with the highest levels of social housing “need” is the risk of creating geographical communities which concentrate and exacerbate levels of “disadvantage”. This perceived “problem” has been challenged by some housing academics.<sup>ii</sup> At a more practical level, however, it could be effectively managed by avoiding the creation of large scale social housing “estates”. The physical design of social housing would also need to be aligned with the purpose.

### **Financial Viability.**

Another argument is that only allocating social housing to people with the highest levels of social housing “need” undermines the “financial viability” of the social housing sector. This argument also needs to be considered in relation to the fundamental purpose of social housing. In some European countries, it is true, the social housing sector is large enough to create a level of “financial viability”. In these countries the social housing sector is large enough ( 20 - 40 % of all housing ) to provide housing for households with a much broader range of income levels – as well as providing housing for all those on the lowest incomes who are most excluded from the “housing market”. In this case the higher income households pay higher rents and effectively subsidise the lowest income households. In the Victorian context, however, the social housing sector ( 3% ) is not large enough to provide housing for those on the lowest incomes with the highest levels of social housing “need”. The allocation of scarce social housing units to a broader range of lower-middle income households, in the Victorian context, may reduce the need for government social housing subsidies. But it will also result in more people with the “highest” levels of need missing out. This policy, in the Victorian context, will merely result in increasing levels of homelessness and increased government costs in other areas.

At an “ideal” level we support the creation of a social housing sector in Victoria that is large enough to meet the housing needs of all those with the highest levels of “need” as well as people with lower levels of “need”. We support the idea of a large social housing sector that can achieve a greater level of financial viability through cross subsidisation. While the social housing sector in Victoria remains so small, however, we support the allocation of all social housing to those with the highest levels of “need”. If the purpose of social housing is to meet the housing needs of those most excluded from the “housing market” then, by definition, it will always require a level of government subsidy. Otherwise the “housing market” would provide this housing. The Victorian Government needs to make a clear policy choice. Either to have a social housing sector that allocates social housing to those Victorians with the greatest levels of “need” or to have a social housing sector that requires lower levels of government subsidy. These two objectives are in conflict with each other. The Victorian Government cannot have both.

### **Growth Targets.**

The formal adoption of this purpose also has clear implications for the required size of the social housing sector. It provides a basis for the development of a long term strategy to achieve this required size and the development of more specific growth targets for social housing allocated to specific groups of Victorians assessed as experiencing the greatest levels of “need”. It allows, for example, the development of specific growth targets for social housing allocated to single person households receiving a Centrelink income. The specific growth targets, for example, might include the following.

- Number of new social housing units per year.
- Number of new social housing units per region or LGA.

- Number of new social housing units per household type. ie. singles, couples, families.
- Number of new social housing units per age group i.e. youth, adult, aged person.
- Number of new social housing units per income level. i.e. JobSeeker, Disability Support Pension, Age Pension, employed.
- Number of new social housing units per special needs group. e.g. First Nations persons, people escaping family violence.
- Number of new specialised supportive housing units by target group. e.g. long term homeless, people exiting prison.

Another of the guiding principles of the regulatory system, if this purpose was adopted, would be to ensure that the growth in numbers of social housing units was fully aligned with this purpose. To ensure that the growth targets across various locations, income levels, household types and other factors were based on relative levels of social housing “need”. To ensure that all new social housing units were allocated to those Victorians facing the highest levels of “need”.

### **Financial Model**

The formal adoption of this purpose for social housing also has significant implications for the financial model used by the Victorian Government to fund social housing. This includes the financial model used to provide capital funding for new social housing projects as well as the model used for funding the operation of long term community housing. The current financial model effectively replicates the financial pressures and incentives operating in the “housing market”. It creates incentives for registered agencies to allocate housing to people who can pay higher rents and are less likely to increase operating costs as a result of anti-social behaviour, property damage, rent arrears and evictions. The current financial model effectively creates incentives for registered agencies to also exclude the “highest risk” groups who are most excluded from the private rental market. If the purpose of social housing is to provide housing for these people then the financial model, again, needs to be fully aligned with this purpose. Currently it works against this purpose.

### **Capital Funding.**

The current financial model for funding new social housing projects requires registered agencies to provide a level of “co-contribution”. These “co-contributions” are mostly provided from cash reserves or through commercial loans. Currently the levels of required co-contributions are not adjusted to take into account the type of housing, the target group or the location. The current financial model puts pressure on registered agencies to develop social housing projects for higher income households who are also assessed as being lower cost. This allows registered agencies to accumulate higher amounts of cash reserves and to meet the costs of higher amounts of commercial debt finance. It allows them to provide a more “competitive” level of co-contribution and secure capital funding. The funding of new social housing projects needs to be based on relative levels of social housing “need” rather than the levels of co-contribution provided by registered agencies. The financial model needs to create incentives for registered agencies to develop new social housing projects for those people with the highest levels of social housing “need”.

### **Operational Funding.**

The current financial model for the operation of long term community housing requires registered agencies to operate on a “business” model. The financial viability of registered agencies requires the agency to generate enough rental income to meet all operational costs, all financing costs and the costs of long term capital maintenance. Under this “business” model the allocation policies of registered agencies can never be solely based on providing housing to those Victorians with the highest levels of “need”. The policies also need to consider the issue of financial viability. To ensure the renter profile generates an adequate level of rental income. The financial model effectively replicates the financial pressures operating in the private rental market – which often leads to the

exclusion of those on the lowest incomes. The financial model often means these same groups are also excluded from social housing – such as young people receiving Youth Allowance. The financial model for long term community housing needs to be quite different from the model operating in the private rental market. It needs to create financial incentives for registered agencies to allocate housing to groups on the lowest incomes – and also those who are assessed as higher cost. This would require a system of operating subsidies - similar to the Availability Contribution model adopted as part of the Social Housing Growth Fund – Round 1.

Another guiding principle of the regulatory system, if this purpose was more formally adopted, would be to ensure that the financial models for the acquisition and operation of social housing were fully aligned with the purpose of social housing. It would also mean a fundamental change in how the performance of a registered agency is assessed by the regulators. The assessment of performance would start with an assessment of the renter profile. An assessment of the performance of the registered agency in providing housing for those Victorians with the highest levels of social housing “need”. This would be the starting point for assessing and comparing levels of performance – including financial performance. A registered agency which was able to achieve high levels of surplus by allocating housing to higher income and lower “risk” households, for example, would be assessed as achieving an “unsatisfactory” level of performance.

## 2. REGULATION OF THE PRIVATE RENTAL MARKET.

### Consultation Question 3.

Do you agree that people who are eligible for social housing and renting in the private or non-social rental market should be afforded the same protections and benefits as those renting from a social housing provider ?

Our response to this question, at a first level, is a clear and emphatic “yes”. At a more practical level, however, the nature of the question creates some further questions. If renters in the private rental market could be given the same protections and benefits as social housing renters, including levels of affordability, there would be no need for a social housing system. The implementation of these protections and benefits would effectively transform these parts of the private rental market into a form of social housing. This question, in practice, seems to become a question about the most cost effective way the Victorian Government can provide these protections and benefits. Either by funding the creation of social housing or by regulating, and subsidising, various segments of the “housing market”. The “housing market” will always require a level of profit – which suggests that the creation of a not-for-profit social housing system will often be more cost effective. Our preferred policy outcome is that the Victorian Government creates a social housing sector that is big enough to address the needs of all those who are currently excluded or exploited by the “housing market” while, at the same time, regulating minimum standards for all rental providers. This question also raises the broader issue about whether the provision of such a basic human need as rental housing should be left, at all, to a “housing market” based on the principle of maximising profits. Or whether all forms of long term rental housing should be provided by not-for-profit organisations.

## 3. RENTER EXPERIENCE AND VOICE.

### Consultation Questions 4-8.

4. What are the key problems with the current system for regulating social housing in relation to tenant experience and service delivery ? What should be the key priorities for reform ?
6. How can regulation be used to bring about a greater focus on tenant experience ?
8. How can tenant voice and empowerment be further improved in both public and community housing?

### **Membership Structure of Registered Social Housing Agencies.**

In our response to the 10 Year Strategy we also proposed the idea that all registered social housing agencies should be required to have a membership structure that extends beyond the current Board of Directors. All registered social housing agencies should be accountable to a broader group of members who represent the interests of the people for whom the organisation exists. These include current renters and other low income people who require social housing. The interests of this broader second group might, for example, be represented through the membership of other not-for-profit organisations providing support and advocacy to these people. The key role of these members would be to elect the Board, or a proportion of Board members, and to provide a wider level of community accountability. Many registered social housing agencies are currently able to operate with a membership structure that is solely limited to members of the Board. In the absence of a wider membership structure the social housing agency effectively becomes a “private” company under the control of a relatively small number of people. In this case the Board effectively elects itself and is directly accountable, at a constitutional level, only to itself. In the absence of a wider membership structure the Board of a social housing agency can easily become a “self-perpetuating oligarchy” with decreasing levels of diversity and no direct accountability, at a constitutional level, to the wider Victorian community. The regulatory system, we are proposing, should require a wider membership structure that effectively represents the interests of those Victorians for whom registered agencies exist.

### **Renter Representation on Social Housing Agency Boards.**

The values of any organisation need to be expressed at the highest levels of governance and organisational decision making. In the case of social housing agencies this is the level of the Board. The Boards of social housing agencies, we have also proposed, should include a diverse range of people with a diverse range of experience and expertise relevant to the provision of social housing. One of the most relevant areas of experience and expertise is the “lived experience” of those members of the Victorian community who are social housing renters. These are people who directly experience the impact of strategic decision making in relation to the provision of social housing. Including strategic decisions about physical and social design, tenancy management, asset management and support. SPCHG believes all social housing agencies should be required to have at least two Board members who currently live in the social housing properties managed by the agency. The presence of social housing renters on the Boards of social housing agencies, in our experience, can powerfully contribute to cultural change. It can lead Boards to more carefully consider their decisions from the perspective of those who will directly experience the impact. It can also create a stronger sense of partnership and empowerment. We believe this is the most effective means of ensuring that social housing renters have an effective level of influence over decision making. The regulatory system, we are proposing, should require registered agencies to appoint at least two current renters as members of the governing body.

### **Renter Consultative Structures.**

Social housing agencies, we have proposed, should also be required to establish a formal structure through which the Board and senior management can consult with a broader range of social housing renters. The process through which renters are appointed to this consultative structure should be open and transparent. The structure should be properly resourced and should meet regularly during the year. The structure should be used to consult with renters on key strategic decisions including business planning and budgeting. The structure should also provide an opportunity for renters to receive ongoing training in governance related areas. The Renter Consultative Structure can also be used as an effective training ground for prospective Board members.

#### 4. VICTORIAN HOUSING REGISTER

##### Consultation Questions 10 – 12.

Is the level of flexibility for community housing providers to allocate prospective renters from the VHR appropriate? If not what changes need to be made?

The introduction of the VHR was a significant step forward in ensuring that social housing in Victoria is allocated to people in line with Victorian Government social housing policy objectives. These social housing policy objectives, however, also need to be further developed and articulated. In relation to the VHR they need to be further developed into a set of specific allocation targets for specific target groups based on relative levels of social housing “need”.

The current financial model for long term community housing still creates incentives for community housing providers to allocate their housing on the basis of financial viability. This means that community housing providers, in practice, will still allocate housing to people on the VHR on the basis of an assessed level of “financial risk” as well as an assessed level of social housing “need”. Registered agencies still face strong pressure to create an overall renter profile that generates the level of rental income required to meet their organisational costs. They still face strong pressure to only allocate a certain proportion of their units to people who are assessed as representing the highest level of social housing “need”. This pressure will not change until the current financial model also changes.

#### 5. CULTURALLY SAFE SOCIAL HOUSING.

##### Consultation Questions 13. And 14.

The guiding principle for the development of social housing for First Nations Victorians, including a regulatory framework, should be self-determination. Homes Victoria and the Registrar should consult directly with AHV and other ACCOs.

#### 6. PERFORMANCE REPORTING

##### Consultation Questions 15 and 16.

The Performance Standards for registered agencies should also be fully aligned with the agreed purpose of social housing. Registered agencies should be required to achieve Victorian Government social housing policy objectives. The Performance Standards, for example, need to include a simple and transparent method for assessing the allocation policies and renter profile of registered agencies as well as their performance in sustaining tenancies and improving tenant wellbeing.

Public housing and community housing should be required to meet a common set of Performance Standards – based on a common allocation policy and a comparable financial model. The results of an annual assessment against Performance Standards should be made public.

#### 7. INCLUSION OF “FOR – PROFIT” ORGANISATIONS AS REGISTERED AGENCIES.

##### Consultation Question 30.

We do not support the registration of “for-profit” agencies. The inclusion of “for-profit” organisations creates a clear tension between achieving the purpose of social housing and maximising profits. The inclusion of “for-profit” agencies will only increase the risk that the social housing sector is gradually transformed into the image of the private rental market. The pressure to increase rental income and reduce costs is exactly what makes it so difficult for some Victorians to gain access to housing in the private rental market. This is what creates the need for social housing.

## 8. STANDARDS FOR THE PRIVATE RENTAL MARKET.

Consultation Questions 31 – 38.

Also see our response to Question 3.

We support an increasing level of regulation of the private rental market and the development of a set of higher minimum standards for those parts of the private rental market which have traditionally provided housing options for those “vulnerable” Victorians on the lowest incomes. Any increase in standards, however, will increase operator costs and will require operators to increase rent levels in order to achieve the same level of profit. The vast majority of “vulnerable” Victorians on the lowest incomes are receiving a Centrelink payment provided by the Commonwealth Government. Without a significant increase in the level of Centrelink payments any increase in minimum standards may have unintended consequences. It may further reduce the amount of housing available to those Victorians receiving an income from the Commonwealth Government – and further increase levels of homelessness.

## 9. SOCIAL HOUSING SUPPORT SERVICES

Consultation Questions 41 - 44.

If the purpose of social housing is to provide a “safety net” for Victorians unable to gain access to the private rental market then an increasing proportion of social housing renters will require a level of support to establish and sustain their tenancies. The provision of a holistic and flexible model of support focussed on sustaining tenancies, and closely integrated with housing management, is an essential element of the Housing First model. Without this type of support the placing of highly vulnerable people into long term social housing will often result in tenancy failure and recurring episodes of homelessness.

We support the development of a single model of support that operates across both public and community housing. The model of support for the social housing sector needs to include the following elements

- Available to all social housing renters through every stage of their tenancy. An assessment of support needs becomes part of every social housing allocation process.
- Flexible in terms of the level and duration of support.
- Clearly focussed on sustaining social housing tenancies.
- Fully integrated with social housing management.
- Requires support workers and tenancy managers to develop a common set of values, objectives and processes in relation to the shared task of sustaining tenancies.

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<sup>i</sup> Consultation Paper 2. Page 6.

<sup>ii</sup> See, for example, Jama.A and Shaw.K (2017). “ Why do we need a social housing mix ?.”  
<https://katesshaw.files.wordpress.com/2018/05/jama-and-shaw-20178.pdf>