

Inquiry into Homelessness in Victoria

Infrastructure Victoria submission to the
Legislative Council Standing Committee on
Legal and Social Issues

About us

Infrastructure Victoria is an independent advisory body, which began operating on 1 October 2015 under the *Infrastructure Victoria Act 2015*.

Infrastructure Victoria has three main functions:

- preparing a 30-year infrastructure strategy for Victoria, which is refreshed every three to five years
- providing written advice to government on specific infrastructure matters
- publishing original research on infrastructure-related issues

Infrastructure Victoria also supports the development of sectoral infrastructure plans by government departments and agencies.

The aim of Infrastructure Victoria is to take a long-term, evidence-based view of infrastructure planning and raise the level of community debate about infrastructure provision.

Infrastructure Victoria does not directly oversee or fund infrastructure projects.

About this Submission:

This submission responds to the Legislative Council Standing Committee on Legal and Social Issues Inquiry into Homelessness in Victoria.

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1. Introduction

Infrastructure Victoria welcomes this opportunity to provide a submission to the Legislative Council Standing Committee on Legal and Social Issues Inquiry into Homelessness in Victoria.

Every Victorian needs affordable and appropriate housing, and homelessness is clear evidence this need is not currently being met. As an infrastructure body, Infrastructure Victoria is focused on infrastructure responses that address the economic, social and environmental needs of Victorians. Infrastructure Victoria's published research finds living in social housing significantly reduces the likelihood a person will become homeless.¹ This submission therefore mainly discusses social housing infrastructure as a response to homelessness. We acknowledge that there are other means of addressing homelessness.

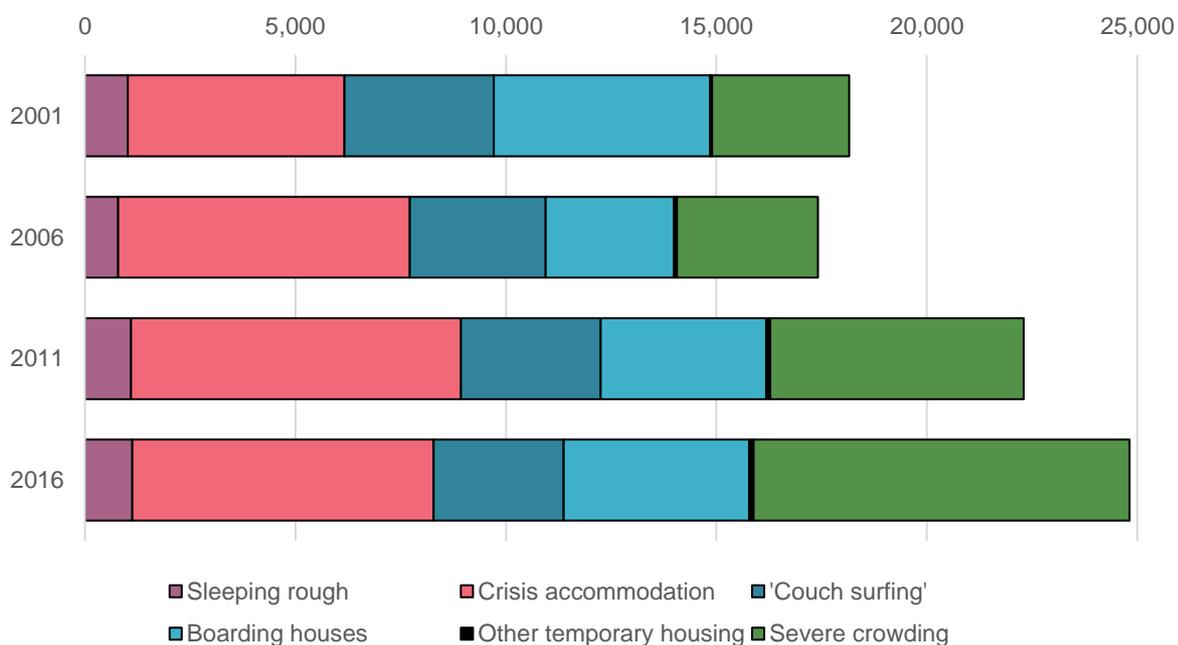
In *Victoria's 30-year Infrastructure Strategy*, we identified increasing social and affordable housing supply as one of our top three recommendations.² We concluded building approximately 30,000 new social and affordable dwellings in 10 years is an appropriate infrastructure response to meeting current demand for access to housing for vulnerable Victorians.³ This number represents an achievable and significant response, but we recognise it would not fully meet demand.

To reduce homelessness, and ensure Victorians have appropriate affordable housing, major social housing investment is necessary. Social housing is not the only homelessness response, but sustained reductions in homelessness are unlikely without extra social housing.

2. Census homelessness estimates

According to the definition of the Australian Bureau of Statistics (ABS), approximated 25,000 Victorians were homeless on census night in 2016. Numbers have been rising since the ABS first reported on homelessness in the 2001 census. However, not all categories identified by the ABS have been changing at the same rate. People classified as homeless due to living in severely crowded dwellings has been the largest contributor to the increase in Victoria over the last decade (Figure 1).

Figure 1: Census estimates of Victorian homelessness



Source: Australian Bureau of Statistics, *Census of Population and Housing: Estimating homelessness, 2016*, Data Cube.

3. Social housing prevents homelessness

Our published research examines social housing outcomes,⁴ using Centrelink's 'Journeys Home' dataset. This survey identifies a nationally representative sample of Centrelink income support recipients, identified as being vulnerable to homelessness, and tracks them over three years. Our analysis showed social housing has a statistically significant positive impact in reducing the likelihood of becoming homeless. The effect is large; in the period following social housing the probability of being homeless is around 0.13 lower for social housing residents relative to similar individuals not in social housing, who feature a homelessness rate of about 0.2. In other words, people living in social housing were around two-thirds less likely to become homeless.

This finding has been replicated by similar research, using a different methodology, which found "public housing's strong protective effect is confirmed by model simulations suggesting that approximately 73 per cent of cases flowing into homelessness could be avoided if the vulnerable were placed in public housing."⁵

4. Social housing is infrastructure

Since our establishment in 2015, Infrastructure Victoria has considered social housing to be infrastructure. Infrastructure Australia has now also adopted this position, including social housing in its 2019 Infrastructure Audit for the first time.⁶

Social housing is government delivered or subsidised infrastructure meeting the basic social need of providing adequate, appropriate and affordable housing. Stable housing has been linked to improved health and wellbeing, better educational outcomes, greater capacity for social and economic participation, and community cohesion.⁷ Social housing comprises a considerable Victorian Government asset held by the Director of Housing, totalling \$26.5 billion in June 2019.⁸ Social housing directly addresses the failure of private housing markets to generate enough housing affordable for people living on very low incomes or with special needs. Homelessness is one demonstration of this market failure. Indeed, estimates of the homeless population are often a component of housing need or demand forecasts.

Viewing social housing as ‘infrastructure’ can encourage governments to manage their social housing portfolio in a planned, financially sustainable way, like other infrastructure sectors. This can include undertaking a planned asset management cycle to procurement, operation, maintenance and disposal of assets, combined with a long-term pipeline for planned expansion at an appropriate scale. The Victorian Auditor-General noted in June 2017 that despite improvements, the Victorian Government “is still not managing its public housing effectively”, with “an asset management framework that is disjointed, poorly communicated and lacking in a comprehensive understanding of asset performance.”

The Governor of the Reserve Bank of Australia has recently drawn attention to the potential of infrastructure investment as an alternative to monetary policy in managing Australia’s economy. He notes the current usefulness of infrastructure investment, especially with interest rates at a record low, the economy having spare capacity and some of our existing infrastructure struggling to cope with ongoing population growth.⁹

However, the current volume and scale of infrastructure construction in Victoria are consuming and, in some cases, exceeding industry capacity. This has led to reduced competition and ability of governments to achieve value for money outcomes.¹⁰ In contrast, social housing construction does not require the same complex construction capabilities as major transport projects, and can utilise capacity from the residential construction sector, at a time when Victorian building approvals have declined from recent peaks.¹¹

5. Social housing experiences large and growing demand

The supply of affordable housing for low-income households in Victoria, including people experiencing homelessness, is already extremely limited and is likely to worsen as private housing costs rise and the population grows. People experiencing homelessness, or at risk of homelessness, are currently prioritised for social housing.

Housing need has many different estimates, and there is no standard methodology for estimating it.¹² Some estimates use the homeless population as one component of demand for social housing.

Another measure of demand often used for social housing is the number of low-income households paying a large proportion of their income for housing. For example, the National Housing and Homelessness Agreement includes a performance indicator to reduce the proportion of low-income renters living in “rental stress”, defined as households in the bottom 40% of the population by income paying more than 30% of their income in rent.¹³ In Victoria, the number of low-income households in rental stress has grown by nearly 60% over the decade to 2018, numbering more than 140,000 households (Figure 2).

Figure 2: Low income rental stress in increasing in Victoria



Source: Australian Bureau of Statistics, *Housing Occupancy and Costs, 2017-18*, Data Cube 21: Rental Affordability, Lower Income Renter Households, National Housing and Homelessness Agreement basis.

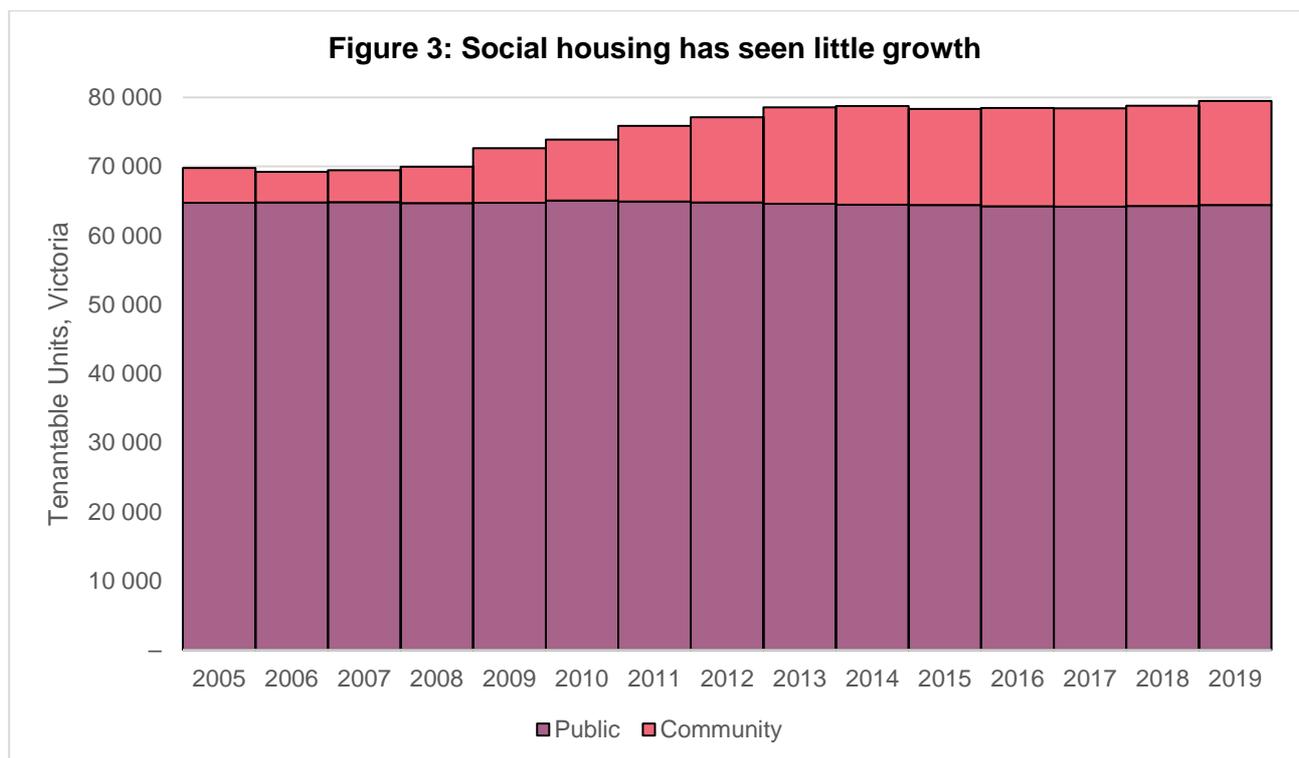
For *Victoria's 30-year Infrastructure Strategy*, Infrastructure Victoria commissioned research that estimated between 75,000 and 100,000 vulnerable, low-income households are not having their housing requirements appropriately met. This is based on estimates of lower income private renter households in rental stress who receive Commonwealth Rent Assistance, plus a minimum need to redevelop and replace up to 10,000 existing nearing obsolete public housing dwellings to maintain

existing base rate supply.¹⁴ This research did not determine that all these households necessarily needed a social housing response. Other responses may suit the housing needs of some of these households, including shorter-term financial assistance.

Other estimates have been generated. In 2010, the then National Housing Supply Council projected around 150,000 additional social housing dwellings would be required nationwide by 2028 to keep pace with household growth.¹⁵ The Victorian Family Violence Housing Assistance Implementation Taskforce estimated 1,700 more social housing dwellings are needed each year in Victoria over the next 20 years to maintain social housing at its current 3.5 per cent share of the total homes in Victoria, and double that (3,400 each year) if lower income households, currently facing housing stress in the private rental market, are to have affordable housing.¹⁶ The Australian Housing and Urban Research Institute projected social housing need of an additional 166,000 households by 2036, or 8,300 extra homes each year.¹⁷

6. Social housing supply is restricted, and allocation is tightly targeted

Victoria's social housing supply has experienced only minimal change over many years. Public housing has experienced little change in dwelling numbers. Community housing supply increased during the Australian Government's Social Housing Initiative, but otherwise experienced minimal growth since (Figure 3).

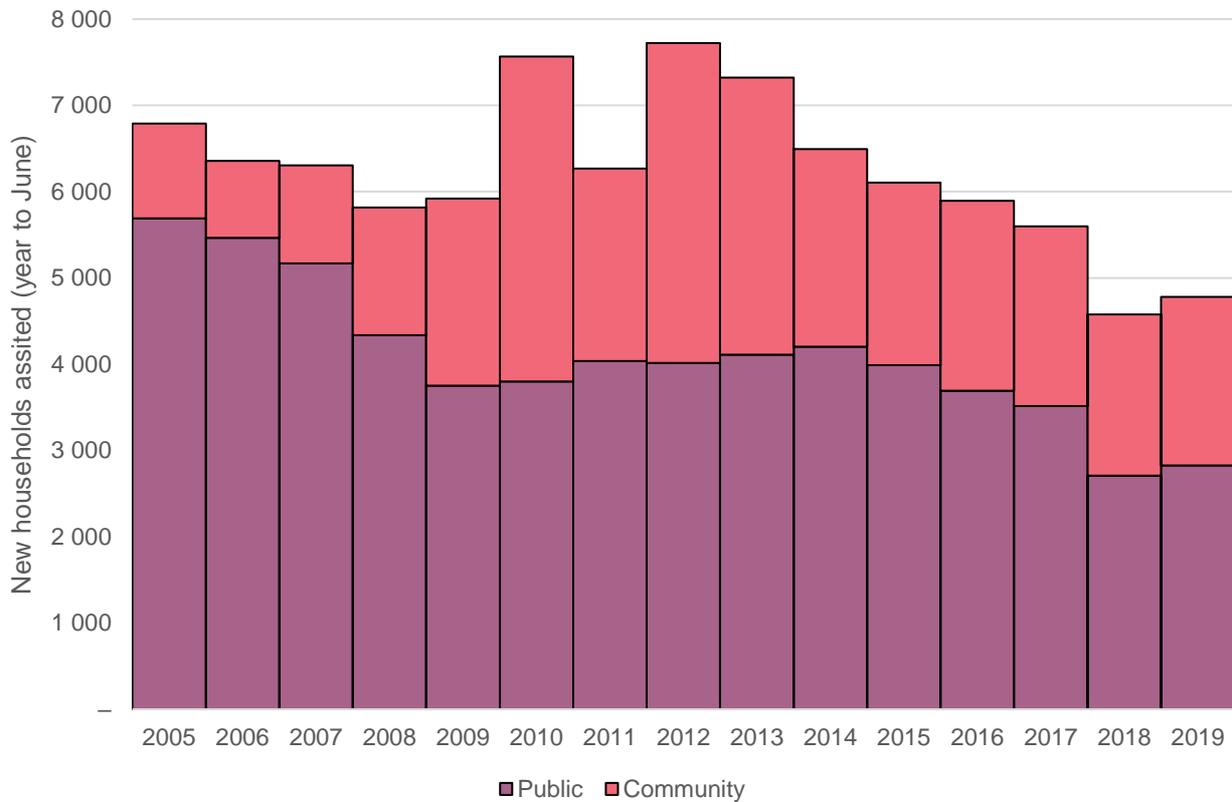


Source: Steering Committee for the Review of Commonwealth/State Service Provision, *Report on Government Services 2010, 2015, 2020*, Part G: Housing and Homelessness, Productivity Commission. Excludes State Owned and Managed Indigenous Housing and Indigenous Community Housing.

Social housing is rationed by allocation from the Victorian Housing Register. The Register is segmented into 'priority' categories, with priority segments receiving about 90% of new allocations.¹⁸ This system targets social housing to those in greatest need.

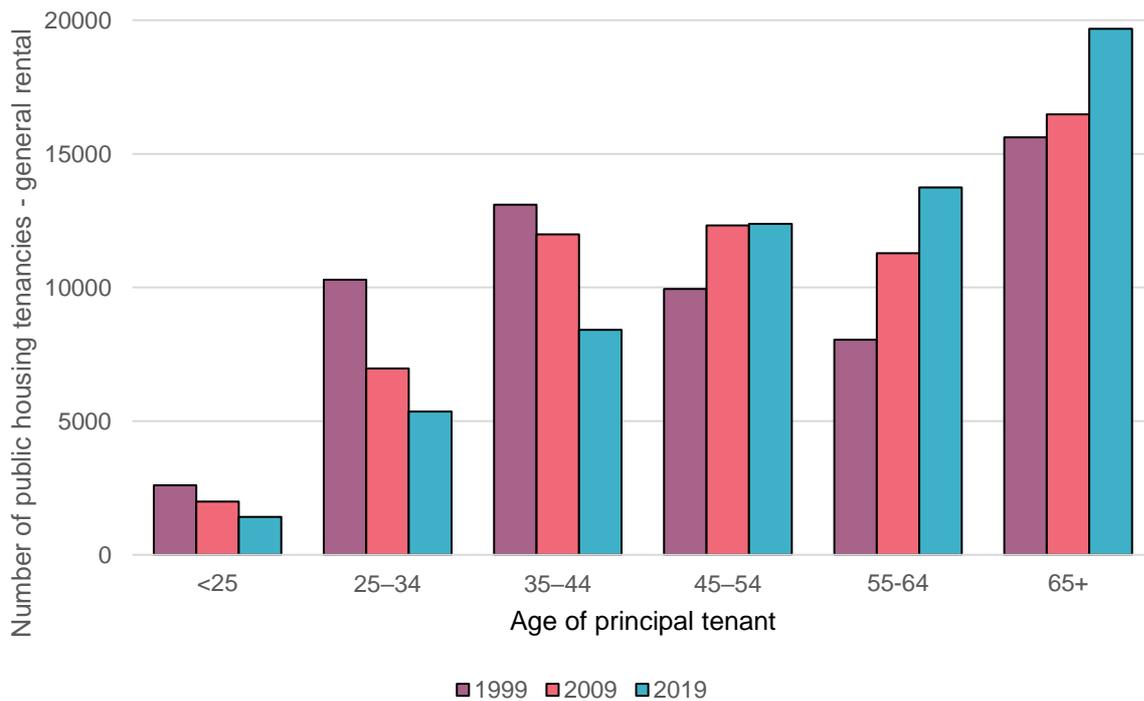
However, a consequence of this targeting is people selected are often those whose need will be of the longest duration, often for life. This means fewer people leave social housing, meaning fewer vacant dwellings to house new tenants. Despite maintaining stock levels, this means the number of new households being offered social housing has declined over time. In each of the last 2 years, fewer than 5,000 new households have been offered standard public and community housing in Victoria (Figure 4).

Figure 4: Fewer Victorians are accessing social housing



Source: Steering Committee for the Review of Commonwealth/State Service Provision, *Report on Government Services 2010, 2015, 2020*, Part G: Housing and Homelessness, Productivity Commission. Excludes State Owned and Managed Indigenous Housing and Indigenous Community Housing.

Figure 5: Victorian public housing tenants are ageing



Source: Department of Health and Human Services, *Housing assistance: Additional service delivery data 2018-19*, p.4; Department of Human Services, *Summary of Housing Assistance Programs 2008-09*; p.16, Department of Human Services, *Summary of Housing Assistance Programs 1998-99*, p.19.

Low supply growth, long tenancy duration and few allocations mean the tenant profile of social housing is ageing. Most principal tenants in Victorian public housing are aged over 55 (Figure 5). More than two-thirds of Victorian public housing tenants have a pension as their main source of income (67.3%),¹⁹ and most others receive an allowance payment.

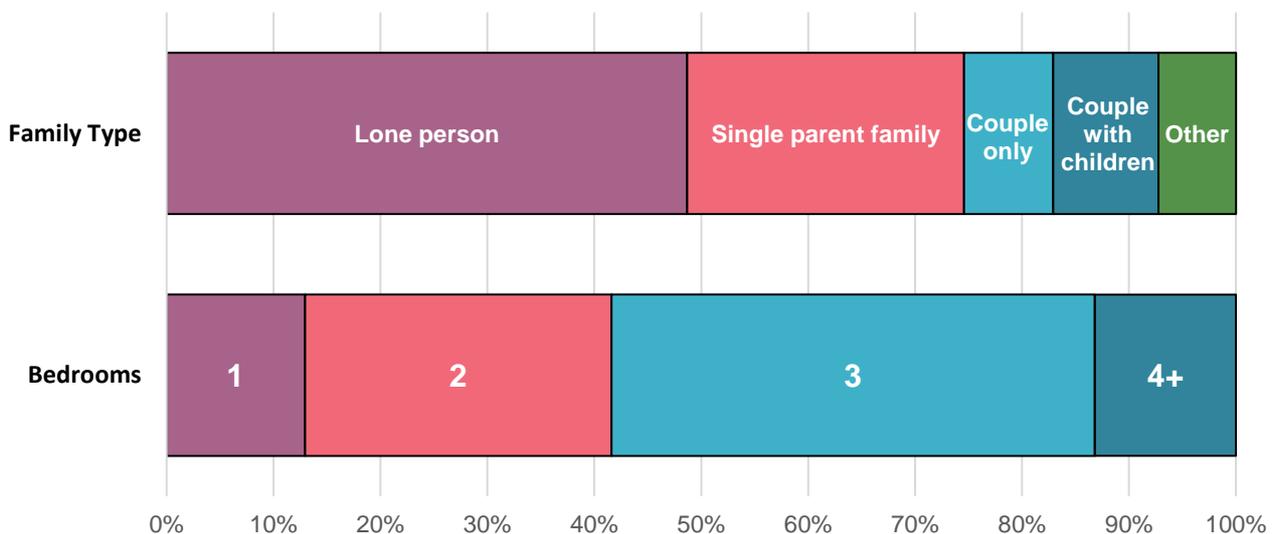
In our 2016 *30-year Infrastructure Strategy*, we concluded that the provision of approximately 30,000 new social and affordable dwellings in 10 years could be an appropriate infrastructure response to contribute to the current unmet demand for access to housing. This would not fully meet demand but represented an achievable and significant response.²⁰

7. Public housing stock is in poor condition and not configured for demand

Victoria's public housing stock is deteriorating, with over 60% of dwellings aged over 30 years.²¹ Housing over 30 years old has higher maintenance expenditures than newer homes.²² The ageing of the portfolio is increasing maintenance costs, which places extra pressure on the system's financial sustainability.

Victoria's social housing portfolio is not configured to meet the current needs of its tenants. Nearly half of Victorian social housing tenants live alone, and nearly half of social housing dwellings have three bedrooms (Figure 6). This problem is even more pronounced for new applicants, of which around 80% of are single adults.²³

Figure 6: Mismatch of Victorian social housing stock and tenants



Source: Australian Bureau of Statistics, *Census TableBuilder, Census 2016, Counting Dwellings, Place of Enumeration*, accessed January 2020; Department of Health and Human Services, *Housing assistance: Additional service delivery data 2018–19*, p.26

Combined, ageing and inappropriately configured stock reduces social housing's capacity to offer appropriate housing to people experiencing homelessness. Too little stock is suitable for single adults and high maintenance requirements add to costs and squeeze the resources available for growth. Investing in growth can improve asset management strategies. If new stock is used to relocate tenants living in inappropriately sized older dwellings, these can then be redeveloped, or sold to provide investment capital for new homes.

To reduce homelessness, and ensure Victorians have appropriate affordable housing, major social housing investment is necessary. Social housing is not the only homelessness response, but sustained reductions in homelessness are unlikely without extra social housing. The cost of expanding and renewing social housing for vulnerable Victorians is significant, but not acting will come with even greater costs to society and the economy, which will be felt by generations to come.²⁴

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https://www.infrastructurevictoria.com.au/wp-content/uploads/2019/03/IV_30_Year_Strategy_WEB_V2.pdf
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- ⁹ P. Lowe, Governor of the Reserve Bank of Australia, *Remarks at Darwin Community Dinner*, 2 July 2019
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<http://www.infrastructurevictoria.com.au/wp-content/uploads/2019/04/Affordable-Development-Outcomes-Improving-access-to-affordable-housing-for-vulnerable-Victorians.pdf>
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https://treasury.gov.au/sites/default/files/2019-03/stateofsupplyreport_2010.pdf
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https://www.ahuri.edu.au/_data/assets/pdf_file/0025/29059/AHURI-Final-Report-306-Social-housing-as-infrastructure-an-investment-pathway.pdf
- ¹⁸ Steering Committee for the Review of Commonwealth/State Service Provision, *Report on Government Services 2020*, Part G: Housing and Homelessness, Housing Data Tables, Table 18A.15, Productivity Commission
<https://www.pc.gov.au/research/ongoing/report-on-government-services/2020/housing-and-homelessness/housing/rogs-2020-partg-section18-data-tables.xlsx>
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<https://www.dhhs.vic.gov.au/housing-assistance-additional-service-delivery-data-2018-19>
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