

Submission

It is assumed that the Issues Paper will provide the basis for the Plan when completed. My submission relates only to the indicators that will be used for assessing housing affordability going forward.

I submit that:

1. Section 3.5 of the Issues Paper be reworded as-

In Australia, most policy makers focus on the proportion of people in housing stress, using the 30/40 indicator. This indicator considers a household in housing stress when a household in the bottom 40% of the income range spends more than 30% of its gross income (including rental assistance) on housing costs, which are regular outlays made by household members in providing shelter for themselves (including rent, mortgage payments, rates, taxes, house insurance, home repairs & maintenance, and utilities).

2. That if the term 'rental stress' is to be used in the Plan, that its function in the Plan be defined, and its definition to include that income includes rental assistance.

My reasons for these are set out below.

1. Section 3.5

The NHH Plan Issues Paper is stated to be towards a national approach to several issues including addressing affordable housing.

Housing Affordability is defined in 3.5 as the relationship between housing costs and household income, and -

In Australia, most policy makers focus on the proportion of people in housing stress, using the 30/40 indicator. This indicator considers a household in housing stress when a household in the bottom 40% of the income range spends more than 30% of its gross income on housing (including rent, mortgage payments, rates, taxes and insurance).¹¹¹

The indicator as defined above in the Issues Paper, is an excellent basis. However, I believe that that the Plan would be improved if the components of the 30/40 indicator are more clearly defined. This is because of its importance in being the indicator for assessing housing affordability going forward during the life of the Plan.

1.1 Housing Expenses

There are currently some variations in the Paper on what comprises housing expenses, namely-

- Section 3.5- (including rent, mortgage payments, rates, taxes and insurance).
- Ref 111 to Section 3.5- Housing costs include rent, mortgage payments (including both the principal and interest), rates, taxes, household insurance, repairs and maintenance, as well as interest payments on loans for alterations and levies on strata-titled dwellings.

The ABS definition is: *Housing costs are regular outlays made by household members in providing shelter for themselves.*

Currently the ABS - *presents a measure of housing costs defined simply as the sum of rent payments; rate payments (water and general); and mortgage or unsecured loan payments. A fuller measure of housing costs would include a range of outlays, some of which are not collected in the SIH but which are necessary to ensure that the dwelling can continue to provide an appropriate level of housing services. These include body corporate fees, repairs, maintenance and dwelling insurance, and are costs that tend to be incurred by owner occupier households but not by renting households.*

The United Nations Department of Economic and Social Affairs Statistics Division, Classification of Individual Consumption According to Purpose, provides this definition of housing costs that enable the use of the dwelling as-

- i. Imputed rentals for housing
- ii. Maintenance, repair, and security of the dwelling
- iii. Water supply and miscellaneous services relating to the dwelling
- iv. Electricity, gas and other fuels

The components of this UN definition of housing costs is basically the same as the ABS definition, with both comprising-

- i. Rent, mortgages etc
- ii. Home maintenance & repair and insurance
- iii. Utilities

I therefore submit that the Plan. Indicator for assessing the performance of the Plan should include-

Definition of housing expense- *Housing costs are regular outlays made by household members in providing shelter for themselves (including rent, mortgage payments, rates, taxes, house insurance, home repairs & maintenance, and utilities)*

1.2 Income

This submission raises this matter because there has been controversy as to whether or not rental assistance (RA) is included in income in the indicator formula and it is considered important that there should not be any controversy on such an important indicator for the Plan.

The Productivity Commission report-

‘In need of repair: The National Housing and Homelessness Agreement’, included the following:

In practice, CRA is an income supplement for renters, not a direct rent subsidy. It is an untied cash transfer, paid directly to recipients with their other social security payments — recipients are not bound to spend the payment on rent.

It is therefore submitted that the words (including rent assistance) be added after ‘gross income’ in section 3.5.

2. Rental Stress

The term rental stress is only mentioned three times in the Issues Paper, without any particular context as to its function in the Plan.

- P60 While there is limited data on the experiences of people with disability in the housing market, the available data suggests some people with disability struggle to find housing they can afford, and are vulnerable to housing or **rental stress**.
- P66. Rent Choice is a time-limited program, designed to provide an immediate mechanism to increase access to housing that is affordable, and reduce **rental stress** for key workers in the Northern Territory.
- P67 CRA has a considerable impact on reducing **rental stress**

The above would seem to indicate that the term ‘rental stress’ is inter-changeable with ‘housing stress’ which it is assumed was not the intention, as they are two quite different formulas.

It is therefore submitted that if the term ‘rental stress’ is to be used in the Plan, that its function in the Plan be clearly defined.

Also, because of the above-mentioned controversy regarding the way rental assistance is used in such formulae, it is submitted that if ‘rental stress’ is to be used in the Plan, that its definition should include that income includes rental assistance.