

**The Department of the Prime Minister and Cabinet
Submission to House of Representatives, Standing Committee on Economics
Inquiry into Home Ownership**

This submission outlines the role of the Department of the Prime Minister and Cabinet (PM&C) in supporting Indigenous housing and home ownership.

PM&C's role

PM&C has responsibility for Indigenous affairs, and works on Indigenous housing and home ownership issues.

PM&C also provides advice to the Prime Minister on a range of housing-related issues, including housing affordability and supply, housing assistance and homelessness, tax arrangements, interest rates and construction activity. In particular, PM&C provides advice on housing-related agreements between the Commonwealth and States and Territories such as the National Affordable Housing Agreement and the National Partnership Agreement on Homelessness. However, PM&C is not the policy lead within the Commonwealth for these issues.

PM&C is also leading the White Papers on the Reform of Federation and Developing the North, and is supporting Treasury on the Tax White Paper, which all touch on housing.

Indigenous home ownership

PM&C works to support and increase rates of remote Indigenous home ownership through a range of mechanisms including through funding the States for remote Indigenous housing and through funding provided under the Indigenous Advancement Strategy for projects which provide pathways to Indigenous home ownership. PM&C also seeks to increase rates of Indigenous home ownership across Australia by jointly managing, with Indigenous Business Australia (IBA), policy relating to home loan products for Indigenous Australians.

Home ownership is an important goal for Indigenous Australians. People who have secure housing are more likely to access the benefits correlated with home ownership, such as a more stable environment for schooling and employment. This supports the Commonwealth Government's priorities of getting children into school, adults into jobs, and making communities safer.

Indigenous home ownership is affected by a range of factors. Some, such as house prices and supply, interest rates and income levels, go to the affordability of housing for all Australians. But other factors, such as the administration and use of Indigenous land, availability of finance, employment opportunities and limited financial understanding and exposure to home ownership, tend to affect Indigenous Australians more than others.

The Government considers the most important factor in lifting Indigenous home ownership rates is increasing Indigenous employment and economic participation. The Government's priorities include getting Indigenous Australians into jobs to encourage economic development and advancement for Indigenous people.¹ Regular and increasing incomes will enable more Indigenous people to afford to buy their own homes and enjoy the benefits home ownership can bring. The implementation of the Community Development Programme (which will replace the Remote Jobs and Communities Programme) is one way in which this outcome is being supported. It will engage unemployed people in meaningful activities and focus on providing real pathways to employment, and supporting people on those pathways.

¹ Minister for Indigenous Affairs, <http://minister.indigenous.gov.au/media/2015-03-17/commonwealth-taking-steps-increase-indigenous-jobs>, accessed 11 June 2015

Rates of Indigenous home ownership

The national rate of Indigenous home ownership is 36 per cent, compared to 68 per cent for the Australian population generally.² In order for the rates of Indigenous and non-Indigenous home ownership to reach parity, approximately 65,000 new Indigenous households would need to enter home ownership.³ The rate of remote and very remote Indigenous home ownership is lower than the national rate of Indigenous home ownership, at 18 per cent in 2011.⁴ According to the 2011 Census, the rate of Indigenous home ownership slightly increased between the 2006 and 2011 Census.⁵

Lower median incomes and higher rates of unemployment than other Australians are key factors affecting Indigenous Australians' ability to own their own home. In 2011, the average disposable income for an Indigenous Australian was 70 per cent of the income earned by a non-Indigenous Australian.⁶ The proportion of Indigenous Australians aged 15-64 years who are employed fell from 53.8 per cent in 2008 to 47.5 per cent in 2012-13. At the same time, the proportion of employed non-Indigenous Australians rose, leading to the employment gap between Indigenous and non-Indigenous working age people widening from 21.2 to 28.1 percentage points.⁷

Commonwealth support for Home Ownership

Indigenous Business Australia

Indigenous Business Australia (IBA), a Commonwealth statutory corporation, provides Australia-wide credit for Indigenous Australians for home ownership through its Indigenous Home Ownership Programme (IHOP). This programme is targeted at first home buyers and addresses barriers to Indigenous home ownership such as loan affordability, low savings, impaired credit histories and unfamiliarity with long-term loan commitments.

IHOP helps Indigenous Australians who can support a mortgage, but cannot access commercial finance, become home owners. IBA provides targeted assistance to its customers when they are suffering hardship or are in loan arrears. IBA may also provide part of the required loan funds to assist people into home ownership, with the balance being sourced from another lender. For example, IBA may provide, by way of a second mortgage, 30 per cent of the loan which reduces the size of the remaining loan sufficiently for the other 70 per cent to be funded by a commercial lender. Many IBA customers move to a mainstream lender when they wish to use the equity they have acquired for other purposes and in doing so freeing up IBA's capital to lend to other people.

In the 2015-16 Budget, the Government announced it would reform the delivery of Indigenous home loans to improve home ownership in remote areas. Home loans and financial supports will be portable to Indigenous Australians living in remote communities who choose to move to another location to take up a job or education. Additionally, Indigenous Australians will be supported in the transition from renting to home ownership by extending financial support grants to cover start-up and ongoing home ownership expenses (such as repairs and maintenance). The cost of this is being met from within existing resources.

² 2011 Census, quoted in *Housing circumstances of Indigenous households: tenure and overcrowding*, p.3, Australian Institute of Health and Welfare (AIHW), July 2014.

³ *Submission to Affordable Housing Inquiry*, IBA, March 2014, p.10

⁴ 2011 Census, quoted in *Housing circumstances of Indigenous households*, op. cit. p.8

⁵ 2011 Census, quoted in *Housing circumstances of Indigenous households*, op. cit. p. 6

⁶ CAEPR Indigenous Population Project, 2011 Census Papers, No 11/2013, Biddle, N. p. 5

⁷ *Closing the Gap Prime Minister's Report 2015*, February 2015, p. 13

Remote Indigenous Housing Strategy

Under the National Partnership on Remote Indigenous Housing (NPARIH), signed in 2008, the Commonwealth committed \$5.5 billion to the construction and refurbishment of social housing in remote Indigenous communities. The NPARIH aimed to increase the remote housing stock and improve the stock's average life span. Across Australia, 2,698 new houses and 7,071 refurbishments and rebuilds were completed as at 30 April 2015. Under the NPARIH, the Commonwealth's investment in remote Indigenous housing has been used to leverage home ownership, for example by:

- jurisdictions agreeing to progress resolution of land tenure for remote Indigenous land to facilitate home ownership and economic development opportunities;
- encouraging states to implement and support sale of social housing policies for existing tenants. A carefully-planned sale of social housing stock can boost the supply of properties in communities, help create a market and diversify housing options;
- funding elements which support home ownership, such as cadastral surveys to define lots; and
- focusing on regularising tenancy arrangements for remote community residents, which helps develop tenants' readiness to maintain their own houses if they become home owners.

Progress in Indigenous home ownership flowing from the investment in remote Indigenous housing includes: in Queensland, a sale under its sale of social housing policy in Yarrabah and a 99-year home ownership lease registered for a house on Palm Island; and in the Northern Territory, progress in land tenure reform and implementing a sale of remote social housing policy.

The Government announced in the 2015-16 Budget its intention to replace the NPARIH with a new Remote Indigenous Housing Strategy (the Strategy) over three years totalling \$1.1 billion. Home ownership objectives will form part of the new Strategy. Details of the new Strategy are currently being negotiated.

Challenges in remote Indigenous housing

Current administration and use of Indigenous land can be a barrier to Indigenous home ownership. Only certain tenure types offer sufficient security of title and transferability for a lender (generally, IBA) to provide a loan. For example, in the NT, where approximately 50 per cent of land is Indigenous-owned,⁸ six communities have agreed 99-year township leases (under section 19A of the *Aboriginal Land Rights (Northern Territory) Act 1976* (Cth) (ALRA)) which offer sufficient transferability for home ownership. In these communities, the head lease is held by the Executive Director of Township Leasing and there can be long-term residential subleases. As an alternative to township leases, individuals can take out leases under section 19 of the ALRA in order to pursue home ownership. However, unless these leases are taken out in communities where other factors are suitable for home ownership, such as where a real estate market exists, it is unlikely lending secured by this land will be possible. In Queensland, anecdotal evidence from some communities suggests while people are interested and apply to purchase social housing, the complex process means many people drop out before becoming home owners.

In many remote communities, social housing is the only, or primary, form of housing available. 70 per cent of people rely on social housing in remote communities.⁹ This means there is a market gap in these communities - there are few or no houses to buy, and for people who have bought houses, there is no secondary market if they wish to sell. This is a risk for both lenders and borrowers, which discourages commercial banks from lending in these areas.

⁸ *People, Land, Opportunity NT 2013 – 2017*, Indigenous Land Corporation p. 19

⁹ 2011 Census, quoted in *Housing circumstances of Indigenous households*, op. cit. p.7

The cost of construction and servicing remote dwellings is typically high, but market valuations are low, leading to a risk of a borrower having negative equity in their home. The high costs and, in some cases, difficulties with access, and low likelihood of capital return or gain also discourages private investment and development. This means there is only a very small supply of new houses being released onto the market. In many remote and even regional areas, repairs and maintenance costs can also be higher than in urban areas. This can be due to a lack of a competitive market for supplies, no tradespeople in a town, and higher costs arising from being cut off during certain periods of the year, such as during the Wet in northern Australia.

Other Relevant Work

The recently released White Paper on Developing Northern Australia sets out the Commonwealth's vision for developing the potential of the north. The White Paper reflects the importance of Indigenous people and Indigenous land to this development and announced directions for reform which could support more home ownership opportunities on Indigenous land in the future.

Some of this work is being pursued by the COAG Investigation into Indigenous Land Administration and use. This Investigation is due to report to COAG in late 2015. The Investigation is looking at ways Indigenous land administration systems and processes can effectively support Indigenous land owners to leverage their land assets for economic development. As part of this process, advice will be provided on how land administration processes could be improved to enable home ownership.

The Reform of the Federation White Paper will seek to clarify the roles and responsibilities of the Commonwealth and the States and Territories in housing assistance (social housing and rent assistance) and homelessness services. Affordability in the housing market influences demand for these services. A discussion paper was released on 23 June 2015 which canvassed possible future directions for housing. The White Paper will be released in the first half of 2016.