

The Senate

Standing Committee on
Community Affairs

Appropriation (Nation Building and Jobs)
Bill (No. 2) 2008-2009
Provisions relating to the social
housing program

February 2009

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42nd Parliament

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APPROPRIATION (NATION BUILDING AND JOBS) BILL (No.2) 2008-2009

THE INQUIRY

1.1 The Appropriation (Nation Building and Jobs) Bill (No.2) 2008-2009 (the Bill) was introduced on 4 February 2009 as part of a package of six bills to give effect to the Government's Nation Building and Jobs Plan.

1.2 On 5 February 2009, the Senate referred the provisions of the Bill relating to the social housing program to the Community Affairs Committee (the Committee) and the package of bills to the Finance and Public Administration Committee (F&PA). The presentation of the Committee's report was made an order of the day for 12.31pm on Tuesday 10 February 2009. In taking evidence in relation to the Bill the Committee could not meet to consider the Bill at the same time as the F&PA Committee was meeting to consider the Bill and related bills. On 9 February the presentation time for the report was moved to 7.31pm on 10 February.

1.3 The Committee's inquiry concerned only the social housing program. The broader economic and fiscal issues underpinning the Nation Building and Jobs Plan were considered during the Finance and Public Administration Committee's inquiry

1.4 The Committee received 2 submissions relating to the Bill and these are listed at Appendix 1. The Committee considered the Bill at a public hearing in Canberra on 10 February 2009. Details of the public hearing are referred to in Appendix 2. The submissions and Hansard transcript of evidence may be accessed through the Committee's website at http://www.aph.gov.au/senate_ca.

THE BILL

1.5 The main purpose of the Bill is to propose appropriations from the Consolidated Revenue Fund for services that are not the ordinary annual services of the Government in relation to the Nation Building and Job Plan.¹ During the Second Reading speech of the Bill in the House of Representatives, the Treasurer, the Hon Wayne Swan MP, noted that the Commonwealth Social Housing Initiative will provide up to \$6 billion to the states and territories to fund the construction of approximately 20,000 new dwellings. The Commonwealth will also provide \$400 million for repairs and maintenance of existing public housing stock over two years.²

1 *Explanatory Memorandum*, p. 1.

2 Hon Wayne Swan MP, Treasurer, *Proof House of Representatives Hansard*, 4 February 2009, p. 7.

1.6 The initiative is intended to boost the supply of public and community housing for people who are homeless, at risk of homelessness, or who are paying very high rental costs. Details released as part of the *Updated Economic and Fiscal Outlook* (UEFO) indicated the funding will be provided over three and a half years from 2008-2009 to 2011-2012. The UEFO stated:

The first stage of this program is to fund some 2,300 new dwellings by bringing forward construction already approved. The remainder of the funding will be allocated to address areas of most urgent need. State governments will be responsible for conducting Commonwealth approved tender processes for the construction of the additional dwellings. Tenders will be structured to include spot purchases of new house and land packages to ensure both large and small builders benefit from increased construction activity.³

1.7 The funding for social housing will begin immediately and new houses should be largely completed by 2010. \$200 million will be provided this financial year for repairs and maintenance and \$60 million for new construction. The funding will be allocated to state and territory governments on a per capita basis through a new Economic Stimulus National Partnership Agreement signed on 5 February 2009 at a special COAG meeting held to ensure rapid delivery of economic stimulus measures to support employment and growth and to foster a more resilient Australia. See Table 1 for funding by jurisdiction. The actual number of new dwellings will depend on a range of factors, such as their size, type and location and the capacity of States and Territories and the not-for-profit sector to leverage additional funds from other sources.⁴

1.8 The allocation of funding will be over two stages:

- Stage One - States will initially be allocated funding (up to \$692 million) for suitable projects already in their development pipelines that can be brought forward and built in the time frame (2008-09 and 2009-10). States have agreed to submit proposals by 15 March 2009 and the Commonwealth will make allocations for stage one construction projects by 1 April 2009; and
- Stage Two - Funds from 2009-10 to 2011-12 (around \$5,296 million) will be allocated to States on the basis of an assessment of suitable proposals. States have agreed to submit proposals by 30 June 2009 and the Commonwealth will make allocations for stage two construction projects by 30 August 2009.⁵

3 Statement by the Hon Wayne Swan MP, Treasurer and the Hon Lindsay Tanner, Minister for Finance and Deregulation, *Updated Economic and Fiscal Outlook*, February 2009, p. 19.

4 Hon Wayne Swan MP, Treasurer, *Fact Sheet 011 - 2009 Updated Economic and Fiscal Outlook - \$6.4 Billion Public and Community Housing*, 3 February 2009, p. 1. Available from <http://www.treasurer.gov.au> (accessed 9 February 2009).

5 Special Council of Australian Governments Meeting, Nation Building and Jobs Plan, 5 February 2009, Communiqué, p. 6.

Table 1: Funding by jurisdiction**Social Housing Initiative: State-by-State Breakdown****New Construction - Stage One/Two**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	TOTAL
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2008-09	19.6	14.9	12.0	6.1	4.5	1.4	1.0	0.6	60.0
2009-10	1262.3	959.8	775.3	391.9	290.2	90.3	62.4	39.8	3872.0
2010-11	568.6	432.3	349.2	176.5	130.7	40.7	28.1	17.9	1744.0
2011-12	101.7	77.3	62.5	31.6	23.4	7.3	5.0	3.2	312.0
TOTAL	1952.1	1484.3	1199.0	606.1	448.8	139.6	96.4	61.6	5988.0

Repairs & Maintenance

2008-09	65.2	49.6	40.0	20.2	15.0	4.7	3.2	2.1	200.0
2009-10	65.2	49.6	40.0	20.2	15.0	4.7	3.2	2.1	200.0
2010-11									
2011-12									
TOTAL	130.4	99.2	80.1	40.5	30.0	9.3	6.4	4.1	400.0

Total Funding per Year (New Construction and Repairs & Maintenance)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	TOTAL
2008-09	84.8	64.4	52.1	26.3	19.5	6.1	4.2	2.7	260.0
2009-10	1327.5	1009.4	815.4	412.2	305.2	94.9	65.6	41.9	4072.0
2010-11	568.6	432.3	349.2	176.5	130.7	40.7	28.1	17.9	1744.0
2011-12	101.7	77.3	62.5	31.6	23.4	7.3	5.0	3.2	312.0
TOTAL	2082.5	1583.5	1279.1	646.6	478.8	148.9	102.9	65.7	6388.0

Source: Additional information tabled at hearing 10 February 2009 (Department of Families, Housing, Community Services and Indigenous Affairs).

1.9 In addition to the funding commitments by the Commonwealth, it was agreed at the COAG meeting on 5 February that the states would:

- identify, manage and report on Commonwealth approved construction projects and repair/maintenance programs in their jurisdiction;
- manage funding for successful proposals, with project payments made on achievement of project milestones with 75 per cent of these new homes to be completed by December 2010;
- ensure recurrent costs of new housing are met, with completed dwellings to be owned by State governments or community housing providers; and
- progress reforms in the sector and report to COAG by December 2009 on these. Further details were outlined in Schedule C to the National Partnership Agreement (see Appendix 3).

1.10 The initiative is also intended to stimulate the building and construction industry, through funding the building of additional dwellings and increased expenditure on repairs and maintenance. This stimulus to the housing construction sector 'will translate into about 15,000 jobs over the next two years'.⁶

6 Statement by the Hon Wayne Swan MP, Treasurer and the Hon Lindsay Tanner, Minister for Finance and Deregulation, *Updated Economic and Fiscal Outlook*, February 2009, p. 19.

BACKGROUND

1.11 Housing assistance is an important part of the social and welfare policies of the Australian and state and territory governments. In the past, the Commonwealth, state and territory governments provided funding for public housing and other housing measures through the Commonwealth-State Housing Agreement (CSHA). The Commonwealth Rent Assistance program (CRA) also provides an income supplement paid to eligible individuals who rent accommodation in the private rental market.

1.12 On 29 November 2008 the Council of Australian Governments announced a National Affordable Housing Agreement (NAHA) which brought together existing Commonwealth housing and homelessness assistance programs. The NAHA will provide \$6.2 billion over five years from 2008-09. Under the Social Housing National Partnership of the NAHA, the Commonwealth will provide \$400 million over 2008-09 and 2009-10 for capital investment in social housing and homelessness. This will increase the supply of social housing through new construction, providing approximately 1600 to 2100 additional dwellings by 2009-10.⁷

1.13 Also recently established was the National Rental Affordability Scheme (NRAS). NRAS is a Commonwealth Government initiative to stimulate the supply of up to 50,000 new affordable rental dwellings by 2012. Under NRAS successful applicants will be eligible to receive a National Rental Incentive for each approved dwelling, on the condition that they are rented to eligible low and moderate income households at 20 per cent below market rates.

ISSUES

Public and community housing demand

1.14 Witnesses generally agreed on the need for additional public and community housing units. Mr Frank Quinlan of Catholic Social Services noted that there was 'enormous pent-up demand in the community and social housing area' and noted that the '20,000 stock that is anticipated by this project only goes some way to meeting the anticipated demand and the anticipated need'.⁸

1.15 Mr Simon Smith Executive Officer of Homelessness Australia emphasised that timely access to housing is critical in responding to homelessness and noted that currently half of all people with an urgent need for housing assistance, including people experiencing domestic violence, must wait three months before they are allocated housing. He also noted that the measures in the Bill would support the

7 Council of Australian Governments, *Communique*, 29 November 2008, Attachment C, pp. 28 - 29.

8 Mr Frank Quinlan, Catholic Social Services, *Proof Committee Hansard*, 10 February 2009, p. 2.

Government's objectives, outlined in the White Paper on Homelessness, to halve homelessness by 2020.⁹

1.16 The joint submission from the major church providers noted that an estimated 100,000 Australians are homeless, including 14,000 who rely on emergency accommodation. They suggested that while the cost of housing may be easing for some, such as mortgage holders, others would suffer if economic conditions worsened. They stated:

With physical constraints in rental markets expected to persist over the next two to three years (that is, vacancy rates will remain at record lows), there is likely to be little easing of rent prices in the short-term. The greatest source of increased demand for housing services, however, is likely to be increased risk of unemployment, which will leave some individuals and families unable to meet their housing costs.¹⁰

1.17 Estimates in the UEFO project that the unemployment rate in Australia will rise to seven per cent by June 2010. Mr Simon Smith of Homelessness Australia noted that while the relationship between homelessness and unemployment was complex it was important that a robust social safety net existed in a 'deteriorating economic environment'. He stated:

It is always important, but with unemployment increasing and with homelessness invariably increasing at the same time, an increase in public and community housing will be very important to help us to address the fallout that comes from that.¹¹

1.18 The Australian Institute of Health and Welfare (AIHW) has indicated that there has been a drop in the level of public housing stock, 'decreasing nationally from around 372,000 dwellings in 1996 to 340,000 dwellings in 2007'. The availability of low-rent housing in the private rental market has also not kept pace with the increased demand by low-income households.¹²

1.19 The AIHW has highlighted a trend in government expenditure over the period from 1994-1995 to 2003-2004. While CRA expenditure increased 9 per cent over this period CSHA expenditure decreased 31 per cent. However the AIHW also noted that these trends should be viewed with caution as the CRA is a recurrent expenditure program driven by demand whereas the CSHA includes a capital component that has resulted in public housing assets that are continually used for housing assistance.¹³

9 Mr Simon Smith, Homelessness Australia, *Proof Committee Hansard*, 10 February 2009, p. 12.

10 Joint submission major church providers, *Submission 1*, Attachment 1, p. 22.

11 Mr Simon Smith, Homelessness Australia, *Proof Committee Hansard*, 10 February 2009, p. 14.

12 Australian Institute of Health and Welfare, *Housing Assistance in Australia*, 2008, p. 7.

13 Australian Institute of Health and Welfare, *Australia's Welfare 2007*, 2007, pp. 222 and 458.

Implementation

1.20 Implementation issues were highlighted by a number of witnesses and in particular the role and capacity of state and territory housing authorities. Ms Carol Croce of the Community Housing Federation of Australia noted the need for clear public criteria so that the use of funds in the initiative could be assessed. She also highlighted the need for strong accountability and enforcement measures, 'something with teeth', to ensure that funds were used appropriately. She stated:

The Prime Minister said that the government would be watching to ensure that the stimulus funds do not replace existing state money and programs. I think the states and territories must be accountable for how the funds are spent in line with the Commonwealth targets and there must be a strong enforcement component in any agreement that is signed.¹⁴

1.21 Similarly Ms Susan Helyar of UnitingCare noted that:

The other issue, I think, is to make sure that the systems in place for rolling out the money are accountable and transparent, but also simple. There are a range of legislative changes underway in states and territories. I think making sure that the reform process going through the COAG agenda continues to operate to reduce the red tape, administrative compliance and burden on providers is important because that is one of the things that slows down projects and diverts resources from delivering projects to reporting on administering funding sources.¹⁵

1.22 FaHCSIA officers advised that scrutiny around the whole of the economic stimulus package 'will be fairly vigorous'. Ms Peta Winzar stated:

We have provision in our agreement with the states to withdraw, withhold or reallocate funding if they fall behind on their delivery milestones. We will be monitoring their progress in terms of development applications, development approvals, commencements, completions and tenanting quite diligently, and we will be providing reports to our ministers on a very regular basis. I think that at this stage it is proposed to have monthly reports at headline level and then much more detailed reports at quarterly intervals.¹⁶

1.23 The ACOSS submission also highlighted a number of areas which they considered required clarification, including the definition of 'social housing' and how social mix targets will be achieved.¹⁷ In relation to the social inclusion objectives of the initiative Mr Geoff Leeper of FaHCSIA stated:

14 Mr Carol Croce, Community Housing Federation of Australia, *Proof Committee Hansard*, 10 February 2009, p. 11.

15 Ms Susan Helyar, UnitingCare, *Proof Committee Hansard*, 10 February 2009, p.4.

16 Ms Peta Winzar, FaHCSIA, *Proof Committee Hansard*, 10 February 2009, p. 28.

17 ACOSS, *Submission 2*, p. 7.

The guidance we have given in the national partnership agreement certainly leads to a view that, if I can use the term salt and pepper arrangements will be preferred rather than broadacre. We are not interested in this package resulting in 200 social housing dwellings being put in a single location. We are much more interested in buying 10, 15 or 20 per cent of a larger development, be that multiunit or detached housing, which are for social housing purposes, to sprinkle, so to speak, the social housing more appropriately and equally.¹⁸

1.24 Professor Julian Disney stressed the importance of 'this additional support for growth interacts effectively with other parts of the package that the government has developed, especially the National Rental Affordability Scheme' and the other housing initiatives and suggested an advisory panel on the program as a whole be established.¹⁹

1.25 Mr Adrian Pisarski of National Shelter highlighted that when 'much of Australia's public housing stock was built, it was built for a different kind of family structure than the ones we have now'. He stated:

Traditionally there are a lot of three-bedroom houses in that stock. The demand these days is much more for four-bedroom-plus properties for large families and for two-bedroom units, by and large. The stock has not really been matching the demand.²⁰

1.26 FaHCSIA noted that the Commonwealth did not intend to be prescriptive with the states about types of dwellings and that the mix will depend very much on the profile of clients on the waiting lists in each jurisdiction.²¹

1.27 Ms Croce also noted that the opportunities which existed in the not-for-profit and community housing sector 'to leverage additional dollars from the private sector maximising the stimulus funds and increasing the amount of new, affordable housing stock for low and moderate incomes'.²² FaHCSIA officers stated that while there was not a specific target their hope was that 'perhaps 75 per cent of the stock will eventually transfer to community housing ownership'. Mr Leeper commented on the rationale for the shift to community housing:

Initially we would like to diversify the provider base... A number of the community housing organisations and not-for-profit housing organisations of which we are aware are prepared to use the value of their balance sheets as debt equity, subject to financial approvals, to further boost the supply of

18 Mr Geoff Leeper, FaHCSIA, *Proof Committee Hansard*, 10 February 2009, p. 32.

19 Mr Julian Disney, *Proof Committee Hansard*, 10 February 2009, p. 10.

20 Mr Adrian Pisarski, National Shelter, *Proof Committee Hansard*, 10 February 2009, p. 8.

21 Ms Peta Winzar, FaHCSIA, *Proof Committee Hansard*, 10 February 2009, p. 26.

22 Mr Carol Croce, Community Housing Federation of Australia, *Proof Committee Hansard*, 10 February 2009, p. 11.

social housing. So it is a way of leveraging the Commonwealth's investment.²³

1.28 A number of concerns were raised regarding the possibilities for state housing agencies to sell down housing stock in response to additional Commonwealth funding. For example Dr Silberberg of the Housing Industry Association stated that there was an incentive for state housing authorities to transfer public housing stock to the not-for-profit sector. He continued:

That relates to the eligibility for Commonwealth Rent Assistance. Public housing tenants are not eligible for CRA, but those tenants under the management of a community housing entity would be eligible. In addition, public housing authorities are not GST free. Charitable organisations can get approval for GST-free status, which means that those GST-free entities can acquire social housing at a lower cost.²⁴

1.29 However FaHCSIA officers noted that under the National Affordable Housing Agreement the Commonwealth purchases housing outcomes and seeks to measure 'access by Australians, particularly those in the lower two income quintiles, to affordable, safe and sustainable housing'. Thus the Commonwealth would not wish to prevent state and territory housing agencies from selling some of their legacy stock which costs more to maintain and no longer meets the needs of people who are seeking accommodation with the intent of using revenue to increase appropriate housing stock.²⁵

House construction sector stimulus and job creation

1.30 Both the Housing Industry Association (HIA) and the Master Builders Association (MBA) noted that the housing construction sector was slowing. Dr Silberberg outlined that:

There are 25,000 private sector dwellings that have been approved but not yet commenced. Most of those dwellings are multi-unit and medium-density housing projects that have stalled, due in part to a lack of investor confidence and interest but also due in part to a lack of working capital. The stalling of those projects is placing jobs at risk in the industry.²⁶

1.31 Dr Silberberg highlighted that spot purchasing by state housing agencies in some of the 'stalled' private sector housing developments could reduce risk for providers of finance and allow projects to be implemented quickly. These developments could generate an additional 85,000 jobs. The multiplier effect of the

23 Mr Geoff Leeper, FaHCSIA, *Proof Committee Hansard*, 10 February 2009, p. 35.

24 Dr Ron Silberberg, HIA, *Proof Committee Hansard*, 10 February 2009, p. 19.

25 Mr Geoff Leeper & Ms Peta Winzar, FaHCSIA, *Proof Committee Hansard*, 10 February 2009, p. 27.

26 Dr Ron Silberberg, HIA, *Proof Committee Hansard*, 10 February 2009, p. 16.

funding for social housing was highlighted by Mr Wilhelm Harnisch of Master Builders Australia noting that:

...as part of the economic stimulus package, this will very much generate economic activity, particularly through the multiplier effects, through manufacturing, obviously through the construction phase and then through the retail phase. All this will provide much-needed jobs in this industry. We agree with the HIA that the housing sector is very sluggish at the moment, so this stimulus package will certainly be a welcome boost—not only, obviously, to the social housing sector but, more importantly, to the economy and therefore to jobs, which is very important in the current economic climate.²⁷

1.32 Mr Frank Quinlan of Catholic Social Services stated that the downturn in the construction sector meant there was likely to be available resources and capacity to implement projects despite the 'ambitious target'.²⁸

1.33 ACOSS reinforced the point that social housing investment makes economic and social sense:

Investment in public and community housing will provide a direct stimulus to the housing and construction industry while also responding to the acute need for more affordable housing.

Investment in construction has clear flow on effects to other parts of the economy, as the construction industry uses mostly local materials and has a very large labour component.²⁹

Environmental building standards

1.34 Concerns were raised regarding the energy efficiency standards of any new social housing constructed. For example ACOSS noted that new housing should be energy efficient 'to reduce the costs to tenants and minimise the environmental impact'.³⁰ However the HIA defended the current energy efficiency targets of new houses being constructed and noted that most public housing stock was below the 5 star rating for energy efficiency and that new buildings would meet these requirements. Mr Chris Lamont argued that there is a bigger efficiency dividend with respect to energy use to build five star rated houses and that '[d]iminishing marginal returns set in with respect to going from five to six'.³¹

27 Mr Wilhelm Harnisch, MBA, *Proof Committee Hansard*, 10 February 2009, p. 16.

28 Mr Frank Quinlan, Catholic Social Services, *Proof Committee Hansard*, 10 February 2009, p. 4.

29 ACOSS, *Submission 2*, p. 6.

30 ACOSS, *Submission 2*, p. 4.

31 Mr Chris Lamont, HIA, *Proof Committee Hansard*, 10 February 2009, p. 21.

1.35 The HIA also noted that there was a lack of uniformity between states and territories in relation to environmental building standards and this complexity was a disincentive to development. Dr Ron Silberberg stated:

We have a plethora of regulation relating to the way in which dwellings are to be prepared for the market. In some cases we have manufacturers that have been so confounded by the differences in regulatory requirements they have given up manufacturing and supplying in some states....Each state and territory is operating on five-star energy efficiency, except in the case of Queensland and Tasmania, which have agreed to move to five star—in the case of Queensland, by next month.³²

Ongoing obstacles to development

1.36 The MBA and the HIA both noted a number of ongoing obstacles to the construction of residential developments which largely originated from state, territory and local government. These included stamp duty charges, development fees, planning approvals and consultation processes.³³ The issue of waiving such fees and charges was raised with the Department:

Senator HUMPHRIES—Will any of the planning and development processes be waived, fast-tracked or otherwise altered to make these projects happen?

Mr Leeper—That would be a matter for the states to decide. We certainly would be interested in raising with the states whatever possibilities they could pursue to make sure that potential construction that does not yet have development approval gets that as fast as possible, but that is a matter for the states to determine.

Senator HUMPHRIES—So you are interested in asking them but have not actually done that as yet.

Mr Leeper—Having executed the national partnership agreement at COAG last week, we now need to do bilateral implementation plans. We could potentially raise with the states in those plans what they would be able to do or be prepared to do to get their governments' support for fast-tracking development approvals, noting that that actually involves the local government level, not the state government level.³⁴

1.37 Departmental officers confirmed that the projects to be funded in the first round of this scheme are ready for development.³⁵ The term 'shovel ready' was used in evidence to describe this level of readiness.

32 Dr Ron Silberberg, HIA, *Proof Committee Hansard*, 10 February 2009, p. 21.

33 Dr Ron Silberberg, HIA & Mr Wilhelm Harnisch, MBA, *Proof Committee Hansard*, 10 February 2009, p. 20.

34 *Proof Committee Hansard*, 10 February 2009, p. 30.

35 Mr Geoff Leeper, FaHCSIA, *Proof Committee Hansard*, 10 February 2009, p. 27.

Charitable tax status

1.38 The Community Housing Federation of Australia (CHF) emphasised the importance of understanding that the funding that goes into public and community housing is spent entirely on housing. Due to the charitable status that the community housing sector enjoys, and government status, funding is not diverted towards stamp duty or transaction fees; it goes strictly into housing. However, concern was expressed that uncertainty still exists about their charitable tax status which needs to be addressed urgently. Ms Croce from the Community Housing Federation of Australia commented that:

We took care of it for NRAS, at least in a stopgap manner, so that the people participating will not have their charitable status challenged, but I think, even though it is being examined as part of the Henry review, it needs to be moved forward and dealt with more urgently so that the people who are providing housing at a non-commercial rate do not feel that their charitable status is in jeopardy if they are trying to provide housing through this stimulus package.³⁶

1.39 The Department reassured the Committee in respect of those who participate in some of the housing measures from the stimulus package:

Our expectation is that most, if not all, of these 20,000 extra dwellings funded under this package would go to people who are currently on the public housing waiting list. We would therefore expect that they would be at the very lower end of the income spectrum. I think, therefore, that that poses much less of a problem for community housing organisations in terms of their charitable status—because there is no question of them drawing a large proportion of their income from people who the tax office might regard as not being a charitable objective.³⁷

1.40 The Department also noted that 'the broader issue of the existence of charitable status organisations and their ability to play in a space, as it were, where they might be seen to be delivering quasi-commercial services—for example, housing—is a matter, I understand, which is likely to be considered by the Henry tax review that is running through the course of this year'.³⁸

CONCLUSION

1.41 While the Committee was asked to examine only the social housing aspects of the Bill it is clearly a significant component of the Nation Building and Jobs Plan – both in terms of the sizeable funding being allocated and the significant housing needs being addressed. The social housing provisions in the Bill received strong support

36 Ms Carol Croce, Community Housing Federation of Australia, *Proof Committee Hansard*, 10 February 2009, p. 12.

37 Ms Peta Winzar, FaHCSIA, *Proof Committee Hansard*, 10 February 2009, p. 34.

38 Mr Geoff Leeper, FaHCSIA, *Proof Committee Hansard*, 10 February 2009, p. 33.

from all witnesses to the inquiry. The evidence which the Committee received highlighted that the stock of available public and community housing has declined while the demand for these services has increased, and is expected to increase further if economic conditions deteriorate.

1.42 The provisions in the Bill will clearly benefit the housing construction industry and will have a multiplier effect from additional purchases, employment and other business activity.

1.43 While concerns were raised regarding the implementation of housing projects and the efficiency of state and territory housing authorities, the Committee notes that the Plan does contain significant monitoring and compliance mechanisms.

Acknowledgements

1.44 The Committee would like to thank the witnesses for their cooperation and willingness to speak at the hearing despite the tight timeframe of the inquiry and a late scheduling change.

1.45 The Committee also records its thanks to the Parliamentary Reporting Staff for their efforts in having a Hansard transcript of the hearing available within a few hours of the hearing.

Recommendation

The Committee recommends that the provisions of the Appropriation (Nation Building and Jobs) Bill (No.2) 2008-2009 relating to the social housing program be passed.



Senator Claire Moore
Chair

February 2009

Inquiry into the Nation Building and Jobs Plan

Coalition Senators' Dissenting Report

A LEAP OF FAITH

Social housing elements of the Appropriation (Nation Building and Jobs) Bill (No. 2) 2008-2009

Summary

Coalition senators welcome the intention manifest in this legislation to increase housing choices for Australians. They acknowledge that social housing is an important component in any housing strategy, that there is insufficient social housing stock in Australia today and that this legislation takes some step towards remedying that dearth.

Good intentions however are not the basis on which a legislative package of this size should be judged. The provision of up to \$6 billion to the states and territories for the building of 20,000 new dwellings pursuant under this Commonwealth Social Housing Initiative represents a positive step, but there are simply too many unanswered questions and missed opportunities inherent in this package for it to win the support of Coalition senators.

In particular, it is noted that the \$6.4 billion package depends heavily – at least at the early stages – on the efficient delivery capacity of the state and territory public housing authorities, but evidence is scant that these authorities are equipped to properly deliver this huge additional investment. Indeed, the record of these authorities in delivering high quality and timely outcomes could generally be described as woeful, and as such the placing of so much emphasis on them for delivery of this package represents a substantial risk to taxpayers' money.

Coalition Senators are also concerned that much of the evidence presented to this all-too-short inquiry focused on the benefits of this package as a *social housing program*, rather than as a *fiscal stimulus measure*, the announced intention of the Government. The enthusiasm of stakeholders in the housing sector for the commitment of such a large amount of money is understandable; the Senate, however, has a higher duty to ensure that this investment is not only good for the construction industry, but good for the economy as a whole and that it represents the best possible value for money.

Coalition Senators strongly doubt the Commonwealth Social Housing Initiative meets this larger test.

The following paragraphs explore areas of concern arising from the hearings on 10 February.

Excessive Reliance on Public Housing Authorities

A number of witnesses made reference to concerns about the performance of state and territory public housing authorities. The Community Housing Federation of Australia acknowledged that its members had experienced "difficulties in the past in delivering new social housing or maintaining existing properties by working through or in conjunction with the state and territory housing authorities".¹ Ms Croce added

I do share your concern about the problems that have arisen in the past with the state housing authorities...²

The Master Builders Association criticised the state authorities in these terms:

Mr Harnisch—...over the last 10 years or so the Commonwealth through the Commonwealth-State Housing Agreement has pumped in something like \$10 billion, but when I look at the public housing stock, I am dismayed by the fact the housing stock has actually declined... I do not know that. My simple mind says that I would have thought we would have got a little bit more than minus X houses after spending \$10 billion.³

The Housing Industry Association was concerned about the procurement practices of the state authorities:

Mr Lamont—We would hold severe reservations about traditional forms of procurement by both the Commonwealth and the state level as to their effectiveness in providing the necessary response on this occasion... It is clear, from our perspective at least, that in this particular fiscal package there is a requirement for an amended procurement strategy, one involved in off-the-plan purchases, one that is more cohesive to the requirements of the private sector in order to deliver this package efficiently and quickly...

Senator HUMPHRIES—Is that amendment in this package?

Mr Lamont—It is not entertained as the delivery vehicle. That is probably more of concern to us.⁴

Coalition senators are aware of many criticisms on the ground of the efficiency of these same authorities. Accordingly they strongly doubt that they should be relied upon so heavily to deliver the costly and far-reaching targets in this package.

Moreover, Coalition senators believe that the Commonwealth has, with its fiscal stimulus package, missed a major opportunity to drive reform of the social housing delivery mechanism and to more closely engage the states and territories in a process to ramp up best practice.

¹ Hansard, 10th February 2009 – CA 19

² Hansard, 10th February 2009 – CA 14

³ Hansard, 10th February 2009 –CA 19

⁴ Hansard, 10th February 2009 –CA 19

Although details were provided of some conditions which would be attached to the provision of Commonwealth money, particularly around greater transparency, the overwhelming impression is of the states being merely the delivery mechanism, on their own terms, of the Commonwealth's money rather than partners in a process of change and growth for this sector.

Senator HUMPHRIES—Can I take it from that, if this is viewed as a package designed to stimulate the housing sector, that there really is not any state and territory contribution to this process, except to open their doors for the Commonwealth money to be poured into? They are not making any contribution to the net value of this exercise, except to deliver what the Commonwealth has provided. There is no cost to the states and territories in making this package possible.

Mr Leeper—It is certainly true that the entire cost of the package is being borne by the Commonwealth—the \$6.4 billion for housing.

Senator HUMPHRIES—Will any of the planning and development processes be waived, fast-tracked or otherwise altered to make these projects happen?

Mr Leeper—That would be a matter for the states to decide...⁵

Is the Package a Fiscal Stimulus Measure or a Social Housing Measure?

Witnesses repeatedly emphasised the value of the package for capacity building in the social housing sector⁶ yet there was little evidence of the comparative value of these measures against other possible stimuli to the construction industry. Coalition senators believe that incentives for the purchase and construction of private residential homes (eg by reducing state government land charges) may constitute a stronger dollar-for-dollar stimulus than the kind of investment contemplated in the Commonwealth Social Housing Initiative.

Evidence of alternative strategies was of course not available to the Committee. Coalition senators are strongly of the view that a thorough investigation of possible alternatives, judged on their comparative multiplier benefit to the economy, would have been a worth while and potentially cost saving exercise to have engaged in before this legislation was brought forward. Again, this is not to derogate the worthiness of investing in the quantity of social housing stock; as a device to maximise economic activity it may however be a second rate option.

A Disturbing Lack of Detail

Coalition Senators were alarmed at the absence of a number of crucial indicators of the capacity of state and territory authorities to roll out this package. The Committee was unable to secure the following information about the projected performance of the Commonwealth Social Housing Initiative:

- How many dwellings would be delivered in each state/territory;
- How dwelling numbers would be distributed between different regions of each state/territory;

⁵ Hansard, 10th February 2009 –CA 30

⁶ eg Ms Croce, Hansard, 10th February 2009–CA 11

- How many dwellings were delivered in the last year, or five years, by any of the states and territories;
- The average cost of construction per social housing dwelling for any state or territory;
- The average completion time for construction of those dwellings; or
- How many dwellings would be delivered by the National Affordable Housing Agreement over the next five years.

In addition, the precise mechanism whereby states and territories would be prevented from substituting Commonwealth dollars for spending on their own anticipated housing projects was not outlined to the Committee. The Committee was told that states could sell houses built using money provided by the Commonwealth under this Initiative during the life of the Initiative, but details of how the value and quality of total public housing stock would nonetheless be maintained could not be provided.

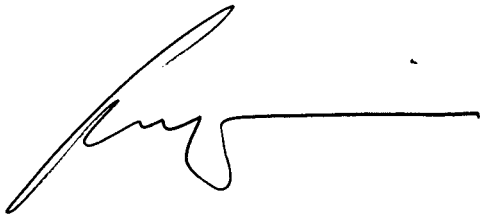
All this concerns Coalition senators. They believe that an investment of this size warrants a substantial degree of oversight and accountability, but much of the detail of those elements was simply not available to the Committee. The lack of past performance against the goals set, for example, for the Commonwealth State Housing Agreement does not bode well for accountability and transparency in this instance.

Conclusion

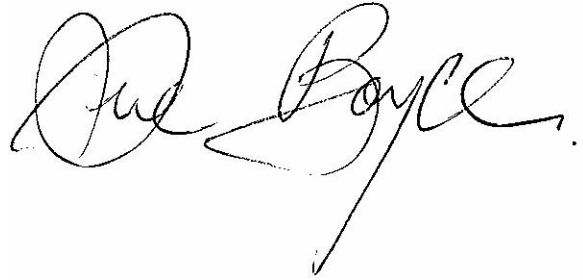
Passing the Commonwealth Social Housing Initiative into law represents a leap of faith by the Senate. At \$6 billion it constitutes an enormous opportunity... and an enormous risk that the taxpayers' outlay will not achieve a good return. Coalition senators can appreciate the potential value to the construction industry and to the social housing sector of this package, but they cannot in good conscience support it if its provisions are not adequately explained, if state and territories are not to be held accountable and the alternatives to it, as a fiscal stimulus measure, have not adequately been explored.

Recommendation

Coalition senators recommend that the provisions of the Appropriation (Nation Building and Jobs) Bill (No.2) 2008-2009 relating to the social housing program not be passed.

A handwritten signature in black ink, appearing to read 'Gary Humphries', with a long horizontal stroke extending to the right.

SENATOR GARY HUMPHRIES

A handwritten signature in black ink, appearing to read 'Sue Boyce', with a large loop at the beginning and a long diagonal stroke at the end.

SENATOR SUE BOYCE

Australian Greens Additional Comments

Energy efficiency and environmental building standards

The Community Affairs Committee heard evidence from representatives of the housing sector that stressed the need for public housing to be affordable in the long term. The Greens believe that all new buildings funded through the package, including homes and school buildings, should showcase best practice for energy and water efficiency, location and access to public transport and services.

For example, new houses should achieve a 7 star rating under the Nationwide House Energy Rating Scheme. The current requirement, administered by State Governments, is just 5 stars. This standard lags well behind building standards in comparable nations such as the United States.

It is not acceptable for the Government to fall back on the industry's assertions that there are 'diminishing marginal returns' for developers when going from a five star accreditation to six, because people on low incomes will be left with higher energy and water bills in perpetuity.

In setting a business as usual five star standard, the Commonwealth has missed an important opportunity to drive a large-scale improvement in the quality of public housing. Raising the standard would also improve the skills-base and expertise of the Australian building industry and improve its environmental performance relative to other nations.

The HIA represents developers who have a clear incentive to build homes for the cheapest possible up-front cost. The incentive and responsibility for the government is different. It is in the government's long term interest to build energy efficient homes which cost less for tenants in the longer term and won't require immediate retrofitting following the introduction of scientifically defensible greenhouse gas reduction targets.

Charitable tax status

The Community Housing Federation of Australia (CHFA) gave evidence that the two year window protecting the charitable tax status of community housing organisations was insufficient to provide the confidence that the sector needs, and that a long-term solution is required. This issue generated great uncertainty at the time of the passage of the National Rental Affordability Scheme (NRAS), which was only temporarily abated. The Australian Greens urge the Government to extend the protection of charitable organisations providing affordable housing permanently, so that these organisations can get on with the job.

Reporting and governance

In paragraph 1.41 the committee notes that 'the plan does contain significant monitoring and compliance mechanisms'. The Australian Greens contend that the plan would benefit from a substantial strengthening of these mechanisms, which are vague and poorly defined. When questioned on the reporting requirements and benchmarks for access of the new housing to public transport, employment and services, Departmental officials were unsure on what basis the applications from States and Territories would be reported, how they would be benchmarked, or whether the information would be made public.

A handwritten signature in black ink, appearing to read 'Rachel Siewert', written in a cursive style.

Senator Rachel Siewert

Senator Scott Ludlam

APPENDIX 1

Submissions received by the Committee

- 1 Major Church Providers - Anglicare Australia, Catholic Social Services Australia, The Salvation Army, UnitingCare Australia (ACT)
Supplementary information
Opening Statement provided following the hearing 10.02.09, received 10.02.09
- 2 Australian Council of Social Service (ACOSS) (NSW)

Additional information

Australian Housing and Urban Research Institute (AHURI)

Research on social housing issues – Research and Policy Bulletins and key AHURI publications

Housing Industry Association

National summary of State based energy and water efficiency planning & building regulations as at 1 January 2009 9 (tabled at hearing 10.02.09)

International comparison of Australian energy rating requirements for new homes February 2009 (following the hearing 10.02.09)

Department of Families, Housing, Community Services and Indigenous Affairs

Social housing initiative: State-by-State breakdown for New Construction - Stage One/Two 2008-09 to 2011-12 and Repairs and Maintenance 2008-09 to 2009-10 (tabled at hearing 10.02.09)

APPENDIX 2

Public Hearing

Tuesday, 10 February 2009
Parliament House, Canberra

Committee Members in attendance

Senator Claire Moore (Chair)	Senator Mark Furner
Senator Rachel Siewert (Deputy Chair)	Senator Gary Humphries
Senator Catryna Bilyk	Senator Steve Fielding
Senator Sue Boyce	Senator Scott Ludlam
Senator Carol Brown	Senator Nick Xenophon

Witnesses

Major Church Providers

**Anglicare Australia, Catholic Social Services Australia,
The Salvation Army, UnitingCare Australia**

represented by:

Mr Frank Quinlan, Executive Director, Catholic Social Services Australia

Ms Susan Helyar, Director of Services Development, UnitingCare

National Shelter *(via teleconference)*

Mr Adrian Pisarski, Executive Officer

**Professor Julian Disney, Chair, National Affordable Housing Summit
*(via teleconference)***

Community Housing Federation of Australia

Ms Carol Croce, Executive Director

Homelessness Australia

Mr Simon Smith, Executive Officer

Housing Industry Association

Dr Ron Silberberg, Managing Director

Mr Chris Lamont, Chief Executive – Policy

Master Builders Australia

Mr Wilhelm Harnisch, Chief Executive Officer

Mr Peter Jones, Chief Economist

Department of Families, Housing, Community Services and Indigenous Affairs

Mr Geoff Leeper, Deputy Secretary

Ms Peta Winzar, Group Manager, Housing Group

Ms Cathy Walters – Branch Manager, Office of Housing

Mr Andrew Jagers – Branch Manager, Affordable Housing Programs

Ms Clare Wall – Senior Policy Advisor, Housing Group

APPENDIX 3

NATIONAL PARTNERSHIP AGREEMENT ON THE NATION BUILDING AND JOBS PLAN – SOCIAL HOUSING

Schedule C

Social Housing

NATIONAL PARTNERSHIP AGREEMENT ON THE NATION BUILDING AND JOBS PLAN

PRELIMINARIES

- C1. The Social Housing Initiative represents a commitment by the Commonwealth Government and State and Territory Governments to significantly increase the supply of social housing throughout Australia and provide much needed accommodation to many disadvantaged Australians, particularly those who are homeless or at risk of becoming homeless. It supports existing initiatives that have previously been agreed by the COAG in November 2008 to improve social and indigenous housing and reduce homelessness.
- C2. Through this initiative the Commonwealth will commit funding of \$6.4 billion over the years 2008-09 to 2011-12. Over this period, around 20,000 additional social housing dwellings will be built together with around 2,500 existing public housing dwellings being refurbished so that they can remain available for occupancy, further increasing the net social housing stock.
- C3. Funding will be allocated to states generally on a per capita basis, subject to jurisdictions submitting suitable proposals that meet the requirements of the initiative.

OBJECTIVES, OUTCOMES AND AGREED REFORMS

Objectives

- C4. The Initiative will contribute to the overarching Objective of the National Affordable Housing Agreement:

“All Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation”.

- C5. The specific objectives of this Initiative are as follows:
 - (a) to increase the supply of social housing through:
 - (i) new construction; and
 - (ii) the refurbishment of existing stock that would otherwise be unavailable for occupancy.

- (b) to provide increased opportunities for persons who are homeless or at risk of homelessness to gain secure long term accommodation; and
- (c) to stimulate the building and construction industry, both through funding additional dwellings and increasing expenditure on repairs and maintenance. This will help stimulate businesses which supply construction materials and help to retain jobs in the industry.

Outcomes

- C6. Through this initiative the following key outcomes are expected to be achieved:
- (a) within three years around 20,000 new social housing dwellings will be built primarily for people who are homeless or at risk of homelessness;
 - (b) dwellings built will meet the needs of people on public housing waiting lists, including age and disability pensioners, Indigenous people and women with children escaping domestic violence;
 - (c) new dwellings will provide around a 50 per cent reduction in the waiting time for people with high housing needs on public housing lists and a reduction in the number of low income households paying more than half their income in rent;
 - (d) 75 per cent of the new dwellings constructed through this initiative will be completed by December 2010;
 - (e) around 2,500 existing public housing stock will become available that would otherwise become unfit for occupation; and
 - (f) this initiative will provide an immediate stimulus to the building and construction industry .

Reform directions

- C7. In addition to the key objectives and outcomes of this initiative, the allocation of funding to each jurisdiction under the initiative will be contingent on the jurisdiction agreeing to implement a number of reforms in the social housing sector and making a detailed progress report to COAG by December 2009. These reform directions will include:
- (a) integration of public and community housing waiting lists;
 - (b) better social and economic participation for social housing tenants by locating housing closer to transport, services and employment opportunities;
 - (c) implementation of support arrangements to assist social housing tenants to transition from social housing arrangements to affordable private rental and home ownership as their circumstances change;
 - (d) reducing concentrations of disadvantage through appropriate redevelopment to create mixed communities that improve social inclusion;
 - (e) introduction of a national regulatory and registration system for not-for-profit housing providers to enhance the sector's capacity to operate across jurisdictions;

-
- (f) increased transparency through the establishment of consistent and comparable accounting and reporting standards across jurisdictions that allow clear and objective assessments of performance that meet public accountability requirements;
 - (g) social housing providers to be subject to independent prudential supervision to protect public investment in the sector;
 - (h) improved tenancy management and maintenance benchmarks for social housing;
 - (i) improved efficiency of social housing including through better matching of tenants with appropriate dwelling types and the introduction of rent-setting policies that reflect the type of dwellings occupied by tenants;
 - (j) Introducing contestability in the allocation of funds to encourage a range of new providers and create diversification in the not-for-profit sector to enhance the ability of providers to offer housing options to a broader range of client types;
 - (k) leveraging of government capital investment to enhance the provision of social housing;
 - (l) better use of government owned land to provide more affordable housing opportunities for low income earners; and
 - (m) improved procurement practices that promote competition between proponents and provide participation opportunities for small and medium enterprises.

ROLES AND RESPONSIBILITIES OF GOVERNMENT

- C8. To realise the objectives and commitments of this initiative, each Government has specific roles and responsibilities, as outlined below.

Role of the Commonwealth

- C9. The Commonwealth will be responsible for allocating the total agreed level of Commonwealth funds to the states for the social housing proposals that are approved for funding through the initiative. The Commonwealth will:
- (a) provide a National Coordinator to oversee the measures;
 - (b) make final decisions on which proposals will receive funding; and
 - (c) negotiate and have responsibility for the management of an implementation plan with each jurisdiction that sets out the proposals and funding that will be supported through the initiative. An agreed implementation plan will need to be in place before any funding can be released through the initiative. The implementation plan will be amended as necessary to reflect additional funded proposals.

Role of the States

- C10. States will be responsible for identifying social housing projects within their jurisdiction that are already in their development pipelines and can be brought forward and be

completed before 30 June 2010. These projects will be funded through Stage 1 of the new construction element of the initiative.

- C11. States will be responsible for undertaking a competitive process to determine suitable social housing projects to be funded through Stage 2 of the new construction element of the initiative for 2009-10 onwards.
- C12. States will be responsible for identifying social housing dwellings within their jurisdiction that are not suitable for occupation and would be suitable for refurbishment through the repair and maintenance element of the initiative.
- C13. States will identify, manage and report on Commonwealth approved construction projects and Commonwealth funded repair/ maintenance programs in their jurisdiction.

IMPLEMENTATION

C14. The Initiative will comprise of two elements as follows:

(a) Element 1 – New Construction

Through this element, the initiative will support the construction of new social housing dwellings that will be managed through two distinct stages:

- (i) Stage 1 will provide funding for social housing projects within jurisdictions that are already in their development pipelines and can be brought forward so that around 6,500 dwellings will be started in 2009 and will be completed before 30 June 2010
- (ii) Stage 2 will provide funding for social housing projects following the completion of a competitive process to be conducted by each jurisdiction to identify suitable projects in the market. It is expected that around 3,500 dwellings will start in 2009 and a further 10,000 in the first half of 2010, and they will be 75 per cent completed by December 2010.

(b) Element 2 – Repair and Maintenance

Through this element, the initiative will support the refurbishment of existing social housing dwellings that are not currently suitable for occupation so that they can add to the social housing stock in each jurisdiction. The repairs and maintenance will all be started in 2009.

C15. Element 1 – New Construction (Stage 1)

States will be provided with an indicative funding allocation for this Stage and will be required to provide the Commonwealth with proposals for funding by 15 March 2009. The Commonwealth will assess the proposals against the key requirements of the initiative and subject to proposals meeting the key requirements, jurisdictions will receive approvals by 1 April 2009.

C16. Element 1 – New Construction (Stage 2)

States will be provided with an indicative funding allocation based generally on a per capita basis for this Stage and will be required to provide the Commonwealth with

proposals for funding by 30 June 2009. Each jurisdiction will be required to undertake a comprehensive process to identify suitable proposals in the market for funding and provide information to the Commonwealth on the approach that was taken and a summary of the process. As with Stage 1, the Commonwealth will assess the proposals against the key requirements of the initiative and subject to proposals meeting the key requirements, jurisdictions will receive approvals by 30 August 2009.

C17. Element 2 – Repair and Maintenance

States will be provided with an indicative funding allocation for this element, based generally on a per capita basis, and will be required to provide the Commonwealth with proposals for funding by 15 February 2009. Proposals will need to clearly demonstrate that the existing social housing dwellings were unsuitable for occupation and would otherwise remain unoccupied or sold off without the additional funding. The Commonwealth will provide approvals by 1 March 2009.

KEY REQUIREMENTS FOR PROPOSALS TO BE FUNDED UNDER ELEMENT 1 – NEW CONSTRUCTION

C18. Proposals for funding under Element 1 of the initiative will be assessed against the following key requirements:

- (a) increase the supply of social housing dwellings within a jurisdiction;
- (b) having regard to reforms listed at C7 (a), (b), (c), (d), (h), (i) and (k), and in line with the report to COAG on reforms by December 2009;
- (c) increase the allocation of housing to people with highest needs on public housing waiting lists;
- (d) facilitate or support the transition of persons who are homeless or at risk of homelessness to secure, long term accommodation;
- (e) adhere to universal design principles that facilitate better access for persons with disability and older persons;
- (f) constructed dwellings are environmentally sustainable; and
- (g) promote activity in the short term using a variety of procurement arrangements, including spot purchases of house and land packages, purchases 'off the plan'.

KEY REQUIREMENTS FOR PROPOSALS TO BE FUNDED UNDER ELEMENT 2 – REPAIR AND MAINTENANCE

C19. Proposals for funding under Element 2 of the initiative will need to demonstrate that dwellings to be refurbished under the initiative:

- (a) would be otherwise uninhabitable without an upgrade; and
- (b) are located in areas that will support the economic and social participation of tenants.

REPORTING

- C20. Each state will provide a report to the Commonwealth every three months detailing:
- the status and progress of each new social housing project within their jurisdiction that has been funded through the initiative;
 - the location of dwellings that have been constructed or refurbished through the initiative and their availability for rental; and
 - the tenant profile for each dwelling that is occupied following construction or refurbishment funded through the initiative.
- C21. The Commonwealth will use this report to measure the progress of proposals against the agreed implementation plan.

FINANCIAL ARRANGEMENTS

Funding

- C22. As the cost to the Commonwealth Budget is intended to be one-off, any ongoing administration, maintenance or co-investment costs associated with the expenditure are to be borne by the States.

- C23. Element 1 – New Construction

The following funding amounts will be available for this element of the initiative:

Stage	2008-09 (\$m)	2009-10 (\$m)	2010-2011 (\$m)	2011-12 (\$m)	Total (\$m)
Stage 1 & 2	60	3,872	1,744	312	5,988

- C24. Element 2 – Repair and Maintenance

The following funding amounts will be available for this element of the initiative:

	2008-09 (\$m)	2009-10 (\$m)	2010-2011 (\$m)	2011-12 (\$m)	Total (\$m)
	200	200	-	-	400

- C25. Total Funding Available

	2008-09 (\$m)	2009-10 (\$m)	2010-2011 (\$m)	2011-12 (\$m)	Total (\$m)
Total	260	4,072	1,744	312	6,388

Payment Schedule

- C26. The Commonwealth and each State and Territory will negotiate a payment schedule for each element of the Initiative once the first funding proposal has been approved. The schedule will be amended as necessary where additional proposals are funded through the initiative.