

Illawarra Legal Centre Inc. - Tenants Service

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Welfare Review C/- Welfare System Taskforce
Department of Social Services
PO Box 7576
Canberra Business Centre, ACT 2610

To the Reference Group,

The review of Australia's Welfare System

About the Illawarra and South Coast Tenants Service

Thank you for providing the Illawarra & South Coast Tenants Advice and Advocacy Service ('ISCTAAS') with the opportunity to contribute a submission as part of the national review into Australia's Welfare System. ISCTAAS is auspiced by the Illawarra Legal Centre, and is funded by NSW Fair Trading to provide information, advice and advocacy to tenants, with a focus on vulnerable tenants and those whose tenancies are at risk. We service the Wollongong, Shellharbour, Kiama, Wingecarribee, Shoalhaven, Eurobodalla, and Bega Valley regions. The vast majority of our clients reside in social housing and are in receipt of a Centrelink pension or benefit. Our submission will focus on how Rent Assistance can be better targeted to meet the needs of people residing in New South Wales ('NSW') public housing.

The status quo

Where tenants are eligible for a rental subsidy, the public housing provider in NSW, Housing New South Wales ('HNSW') calculates rent as a portion of household income, specifically between 25-30% of the household income.¹ Approximately 90% of public housing tenants in NSW are eligible for such a rental subsidy,² which means that they do not pay market rent. The recent NSW Auditor-General report into public housing titled "Making the best use of public housing" notes the widening gap between public housing rent and market rent,³ and how in 2012 the NSW public housing portfolio could have generated market rent income of approximately \$1.5 billion, but close to \$860 million was forgone to fund rental rebates for eligible tenants. The current subsidy system is not only failing to generate sufficient income for HNSW, but is an overly complex and convoluted system which the Reference Group's Interim Report correctly notes does not encourage tenants to seek or maintain paid employment, but rather acts as a disincentive.

Of the 5% of public housing tenants who report wages as their main source of income, the majority are employed on a casual basis. Casual employment, by its very nature, means that weekly hours and subsequent income will vary week to week. Under HNSW policy, where a tenant receives a varying income, for example due to being employed on a casual basis, HNSW can use one of two mechanisms to predict the tenants' future weekly income. Under the first mechanism, HNSW will average the person's income according to the amount of time the person has worked within a 26-week period. Under the second mechanism, HNSW will use the actual amount received in the tenant's first pay and undertake a rental subsidy assessment in two months time. Here, the tenant is again required to apply for a rental subsidy and to provide evidence of actual income received. This is problematic in that rent is

¹ HNSW Charging Rent Policy, 16 July 2014.

² NSW Auditor-General, 'Making the best use of public housing' (2013) New South Wales Auditor-General's Report – Key findings, p 20.

³ NSW Auditor-General, 'Making the best use of public housing' (2013) New South Wales Auditor-General's Report, p 34.

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calculated according to perceived future income, not actual income, and can result in backdating of rent in situations where income actually received exceeds the estimated income. It is our experience that in an attempt to avoid backdating of rent and the raising of significant arrears under this practice, tenants consider or do relinquish employment and revert to receiving a Centrelink benefit as their income has fallen to such that they become eligible for a rental subsidy.

Rent assistance

Across Australia, approximately 1.26 million people receive Rent Assistance.⁴ A recent report by the National Welfare Rights Network found that 40% of Rent Assistance recipients still experience housing stress.⁵ Recent data from the Australian Institute of Health and Welfare confirms that 19.5% of all households in NSW are in housing stress.⁶ It is our experience that people in a situation of housing stress often go without other necessities such as health care, necessary schooling expenses, and adequate nutrition, which further perpetuates inequalities.

Within the debate concerning how Rent Assistance can be targeted to meet the needs of people residing in public housing in NSW, consideration must be given to the likely gap between market rent and Rent Assistance payments. To counteract this, we submit that an additional payment should be provided to low-income earners to assist them bridge this gap. Without this additional payment, tenants will likely be forced to move to areas where housing is more affordable. These areas are likely to be characterised by high unemployment, and poor proximity to essential services and workplaces. This may create a greater concentration of disadvantage and perpetuate inequality, as well as act as a disincentive to those having to travel significant distances to seek or maintain work.

Consideration should also be given to the ability of tenants to transfer their tenancy to areas where there is less demand for rental premises and housing is more affordable, in an attempt to have their Rent Assistance cover a higher portion of their rent. It is likely that tenants relying entirely on Rent Assistance, even at the current maximum rate, would undoubtedly be placed in a situation of rental stress. HNSW transfer policy would need to be amended to allow tenants to transfer to other areas on this basis. We would welcome further dialogue with tenants and their representatives in the sector with respect to how Rent Assistance may be targeted to meet the needs of people residing in New South Wales.

ISCTAAS thanks the Reference Group for the opportunity to provide a submission.

Kind Regards,



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⁴ The impact of Rent Assistance on housing affordability for low-income renters, National Welfare Rights Network, p 4.

⁵ Ibid, p 14.

⁶ Housing assistance in Australia 2013, Australian Institute of Health and Welfare, 100.