

Commissioner for Residential Tenancies

Submission to Parliamentary Inquiry into homelessness in Victoria

January 2020

The Commissioner for Residential Tenancies was established by the Victorian Government in September 2018 to provide independent advice about changes to renting laws, programs and services to improve rights, industry practices and tenants' experience across Victoria.

Our submission primarily focuses on the role of the private rental sector in contributing to homelessness or the risk of homelessness.

Summary of Recommendations

The Victorian Government should:

1. Ensure that the 'housing first' approach is supported and assured through funding and delivery of homelessness services.
2. Develop an action plan in collaboration with the community services sector that includes specific strategies to reduce the risk of homelessness from the private rental market including at least:
 - a. addressing access barriers for some cohorts at risk of homelessness through expanding private rental access and brokerage programs. Brokerage programs have the added benefit of reducing industry prejudice.
 - b. increasing the amount and flexibility of financial assistance available to vulnerable renters experiencing housing insecurity from short-term financial hardship
 - c. increasing statutory incomes and rent assistance to improve the broad affordability problems in the rental market
 - d. continued reform of the residential tenancies laws to improve private rental security by tracking and limiting evictions and mitigating excessive rent increases
 - e. directly addressing overcrowding as a key risk of homelessness
 - f. more effective compliance and monitoring of private rooming houses (and some long-stay caravan parks) to reduce the exploitation of vulnerable residents who are locked out of the mainstream rental market
3. Develop a clear plan for creating the additional social housing dwellings needed to address current demand and to keep pace with future population growth.

4. Develop a long-term plan for funding and commissioning support services for homeless Victorians and those at risk of homelessness to address current demand and keep pace with population growth including at least:
 - a. establishing a support-based program for at risk tenancies in the private rental market (like the current Tenancy Plus program for social housing tenancies) including the availability of flexible funding to meet diverse client needs
 - b. broadening the current tenancy rights program funded by Consumer Affairs Victoria and ensuring effective integration with the proposed support-based program

Background

On 7 June 2019, the Legislative Council in Victoria agreed to the following motion:

That this House requires the Legal and Social Issues Committee to inquire into, consider and report, within 12 months, on the state of homelessness in Victoria, and in particular, the Committee should —

1. provide an independent analysis of the changing scale and nature of homelessness across Victoria;
2. investigate the many social, economic and policy factors that impact on homelessness; and
3. identify policies and practices from all levels of government that have a bearing on delivering services to the homeless.

The scale of homelessness in Victoria

The scale of homelessness is deeply concerning in a prosperous country such as Australia. In Victoria there were:

24,817 persons were counted as homeless on Census night in Victoria in 2016.¹

36,019 persons who were homeless at first presentation to specialist homelessness services in Victoria in 2018/19.²

76,900 additional persons who were at risk of homelessness at first presentation to specialist homelessness services in Victoria in 2018/19.³

In addition to the assistance provided by specialist homelessness services, there was an average of **105** requests for assistance per day that were **not** met.⁴

¹ ABS, Census of Population and Housing 2016, Estimating Homeless, Table 2.3

² AIHW, Specialist Homelessness Services Data, Table Clients.25

³ AIHW, Specialist Homelessness Services Data, Table Clients.25

The demographic profile of homeless people or those at risk of homelessness was never as narrow as the popular image of the isolated, generally alcoholic, older male.

Figure 1 in Attachment A shows the trends in demographic profile for those assisted by specialist homelessness services since 2011-12. Figure 2 in Attachment A shows the trends in geographic profile for those clients assisted by specialist homelessness service since 2011-12. In summary:

- there is a proportionally significant increase in the number of clients experiencing **family violence** and those with a **mental health problem**
- there is a proportionally significant increase in clients presenting from **major cities** in Victoria

For those people counted as homeless at the 2016 Census:

- **21.7%** (c. 5,400 persons) were 18 years old or less
- **13.3%** (c. 3,300 persons) were 55 years or older
- **42%** (c.10,430 persons) were female

Most people enter homelessness services from the private rental sector

47.5 % of clients who received support from specialist homelessness services in Victoria in 2018-19 were living in private rental housing at presentation.⁵

While most households can manage in the private rental market, the private market does not provide appropriate housing for a large cohort of vulnerable renters.

The most useful proxy for vulnerability is low-income but vulnerability can also be associated with other characteristics of disadvantage such as disability, language proficiency or mental health.⁶ Low income is generally defined as those incomes in the bottom 40 per cent of the income range.⁷

Adverse private rental events are common for vulnerable renters in the private market due to a range of market factors including:

Unaffordability: The most recent data from the Rental Report in Victoria shows that only 7.2 per cent of lettings in metropolitan Melbourne were affordable for a household on a pension or benefit or equivalent wages in the September quarter 2019.⁸ Most of the affordable lettings in

⁴ AIHW (2019) Fact Sheet: Specialist homelessness services 2018-19 Vic

⁵ AIHW, Specialist Homelessness Services Data, Table Clients.25

⁶ Productivity Commission, Report on Government Services 2019. p.42 [Data retrieved from <https://www.pc.gov.au/research/ongoing/report-on-government-services/2019/housing-and-homelessness> on 9 January 2020]

⁷ Productivity Commission, Report on Government Services 2019, p.44

⁸ DHHS, Affordable Lettings by Local Government Area, September quarter 2019. [Data retrieved from <https://www.dhhs.vic.gov.au/publications/rental-report> on 9 January 2020.]

metropolitan Melbourne were in the fringe LGA's.⁹ Figure 3 in Attachment A shows the long term trend in affordable lettings for both metro and non-metro lettings since the March quarter 2000. In the alternative of finding affordable rental housing, 39 per cent of CRA recipients in Victoria in 2018 (c. 113,940 recipients) were in 'housing stress'.¹⁰ In metropolitan Melbourne, 43 per cent of CRA recipients were in 'housing stress'.¹¹

Insecurity: The average length of tenancy remains relatively short at 20 months for metropolitan Melbourne and 18 months for non-metropolitan Victoria.¹² There were also more than 22,360 applications for possession (eviction) to the Victorian Civil and Administrative Tribunal in 2018/19.¹³ A large majority (87 per cent) of those applications were for rent arrears demonstrating the strong nexus between affordability and insecurity.

Unsuitability: Unsuitability includes several factors that may make a rented premises unsafe or unsuitable including overcrowding or the physical quality of the dwelling. About 8,900 (or 36 per cent) of persons counted as homeless at the 2016 Census were living in severely 'crowded' dwellings.¹⁴ A further 19,780 persons were identified by the Census as living in other 'crowded' dwellings.¹⁵ Rented premises are more likely to be in serious disrepair than owner occupied premises.¹⁶ The most recent available data from the Australian Housing Conditions Dataset estimated that 21 per cent of private rental dwellings in Victoria had serious structural problems (compared to about 12 per cent of owner occupied dwellings).¹⁷ As noted above, most of the affordable private rental lettings are in fringe suburbs with lower social amenity (poor access to jobs, transport and services) demonstrating the nexus between affordability and suitability. Many lower cost rental dwellings lack basic facilities and thermal efficiency increasing the cost of maintaining the home and reducing the benefit of lower rent.

This situation has been aptly summed up by the Productivity Commission:

Vulnerable renters are more likely to incur severe consequences from adverse private rental market events, such as from involuntary moves, or broader struggles with affordability. These can include falling into marginal housing, homelessness or

⁹ *ibid.*

¹⁰ Productivity Commission, Report on Government Services 2019, p.4

¹¹ *ibid.*

¹² DHHS, Rental Report September quarter 2019. [Retrieved from <https://www.dhhs.vic.gov.au/publications/rental-report> on 9 January 2020.]

¹³ VCAT Annual Report 2018-19, p.57

¹⁴ *ibid.*

¹⁵ *ibid.*

¹⁶ Baker, E., Daniel, L., Bentley, R., Pawson, H., Stone, W., Rajagopalan, P., Hulse, K., Beer, A., London, K., Zillante, & Randolph, B. (2018), The Australian Housing Conditions: Technical Report, The University of Adelaide – Healthy Cities Research, Adelaide, South Australia.

¹⁷ *ibid.*

overcrowding (with rates of overcrowding particularly high among Indigenous households).¹⁸

There are also significant **access barriers** to the private rental market for some vulnerable cohorts. Access barriers in the private rental market prolong the experience of homelessness.

The high transaction costs of moving between tenancies (for example, the need to provide the equivalent of eight weeks rent as bond and rent in advance) are prohibitive for many low-income renters.

Gate keepers such as real estate agents and private landlords make formal and informal risk assessments that disadvantage many prospective renters. Formal risk assessments include a rental history obtained from a tenant database. Informal assessments may be based on prejudice or unlawful discrimination.

Most people exit homelessness services to the private rental sector

50.7 % of clients who received support from specialist homelessness services in Victoria in 2018-19 were exited from support into private rental housing.¹⁹

Most people coming out of homelessness will enter private rental, with a much smaller number (c. 13 per cent) going into social housing. Many of the people exiting specialist homelessness services can access the private rental market and be able to sustain their private market tenancies. However, there simply isn't enough social housing available for exiting clients who will be vulnerable private renters.

Access to the social housing system is chronically bottlenecked. At 30 June 2019 there were 42,723 applications for long-term social housing on the Victorian Housing Register.²⁰ 22,723 applicants on the Register are in priority categories signifying urgent or immediate need.²¹ There was a further 7,307 applications at 30 June 2019 for transfers within the social housing system.²²

Figure 4 in attachment A shows the recent trend in clients of specialist homelessness services in Victoria. The increase in clients to specialist homelessness services in Victoria since 2014-15 is a product of an increasing number of *returning clients* rather than an increase in *new clients*. At face value, this trend is concerning and requires deeper exploration to identify the key cohorts affected and the underlying causes of return presentations.

¹⁸ Productivity Commission, *Vulnerable Private Renters: Evidence and Options*, September 2019, p.4

¹⁹ AIHW, *Specialist Homelessness Services Data*, Table Clients.25

²⁰ DHHS, *Housing assistance - Additional service delivery data 2018-19* [Retrieved from <https://www.dhhs.vic.gov.au/publications/annual-report-department-health-and-human-services> on 10 January 2020.]

²¹ *ibid.*

²² *ibid.*

Breaking the cycle

The solutions to homelessness are well known and often demonstrated. There are some simple principles which successful efforts to address homelessness are based on.

1. Clearly adopting the 'housing first' approach.

It needs to be acknowledged that stable housing is the foundation on which any successful intervention into homelessness must be built. Individual problems and client characteristics can rarely if ever be addressed in the absence of stable housing.

The Victorian Government should ensure that the housing first approach is supported and assured through funding and delivery of homelessness services.

2. Acknowledging the limits of the private market.

Given the structural factors at work in the private rental sector, it is inconceivable that homelessness will be addressed by continued or increased reliance on that sector. The private rental sector cannot provide stable housing for most vulnerable households.

However, some reliance on the private rental market will be necessary while better solutions are pursued. There are ameliorations that are possible to address private market failures including:

- addressing access barriers for some cohorts at risk of homelessness through expanding private rental access and brokerage programs. Brokerage programs have the added benefit of reducing industry prejudice.
- increasing the amount and flexibility of financial assistance available to vulnerable renters experiencing housing insecurity from short-term financial hardship
- increasing statutory incomes and rent assistance to improve the broad affordability problems in the rental market
- continued reform of the residential tenancies laws to improve private rental security by tracking and limiting evictions and mitigating excessive rent increases
- directly addressing overcrowding as a key risk of homelessness
- more effective compliance and monitoring of private rooming houses (and some long-stay caravan parks) to reduce the exploitation of vulnerable residents who are locked out of the mainstream rental market

The Victorian Government should develop an action plan in collaboration with the community services sector that includes specific strategies to reduce the risk of homelessness from the private rental market.

Such a strategy would include but not be limited to the measures noted above. The Fairer Safer Housing rental reforms create a strong foundation for further work. The impact of these

reforms needs to be monitored to identify any impact on presentations to specialist homelessness services.

3. Creating an adequate supply of affordable housing.

No approach to homelessness can succeed without investment in social housing. Social housing directly addresses the major limitations of the private rental sector through affordable rents and secure tenure.

Community-based transitional housing is also a preferable approach to medium-term housing assistance than continued reliance on warehousing in the private rooming house sector or overcrowding in the mainstream market.

The Victorian Government should develop a clear plan for creating the additional social housing dwellings needed to address current demand and to keep pace with future population growth.

4. Providing the necessary social and service supports to assist people to maintain their housing and address any underlying problems.

While bricks and mortar are a necessary condition for stable housing, for many vulnerable renters supports services are essential to sustain their housing and reduce the risk of further homelessness.

Support services currently operate across a broad range of needs and providers of various scale and approach. The funding arrangements and deliverables for such services are often opaque.

There have been many efforts to integrate support services with housing provision and this remains a challenge. This challenge is further hampered by the terms and conditions of some support provision such as predefined periods of support that do not align with ongoing needs.

The broad principal applied to support services should be that a person in need can access the level and type of support required for the period that the need remains. Ongoing support may be required for some individuals to minimise the risk of further homelessness.

This raises a broader issue about whether it would be more effective to generalise effective support services rather than maintaining boutique or limited services for specific cohorts or situations.

The Victorian Government should develop a long-term plan for funding and commissioning support services for homeless Victorian to address current demand and keep pace with population growth.

In the short-term support services can be improved by:

- establishing a support-based program for at risk tenancies in the private rental market (like the current Tenancy Plus program for social housing tenancies) including the availability of flexible funding to meet diverse client needs

- broadening the current tenancy rights program funded by Consumer Affairs Victoria and ensuring effective integration with the proposed support-based program

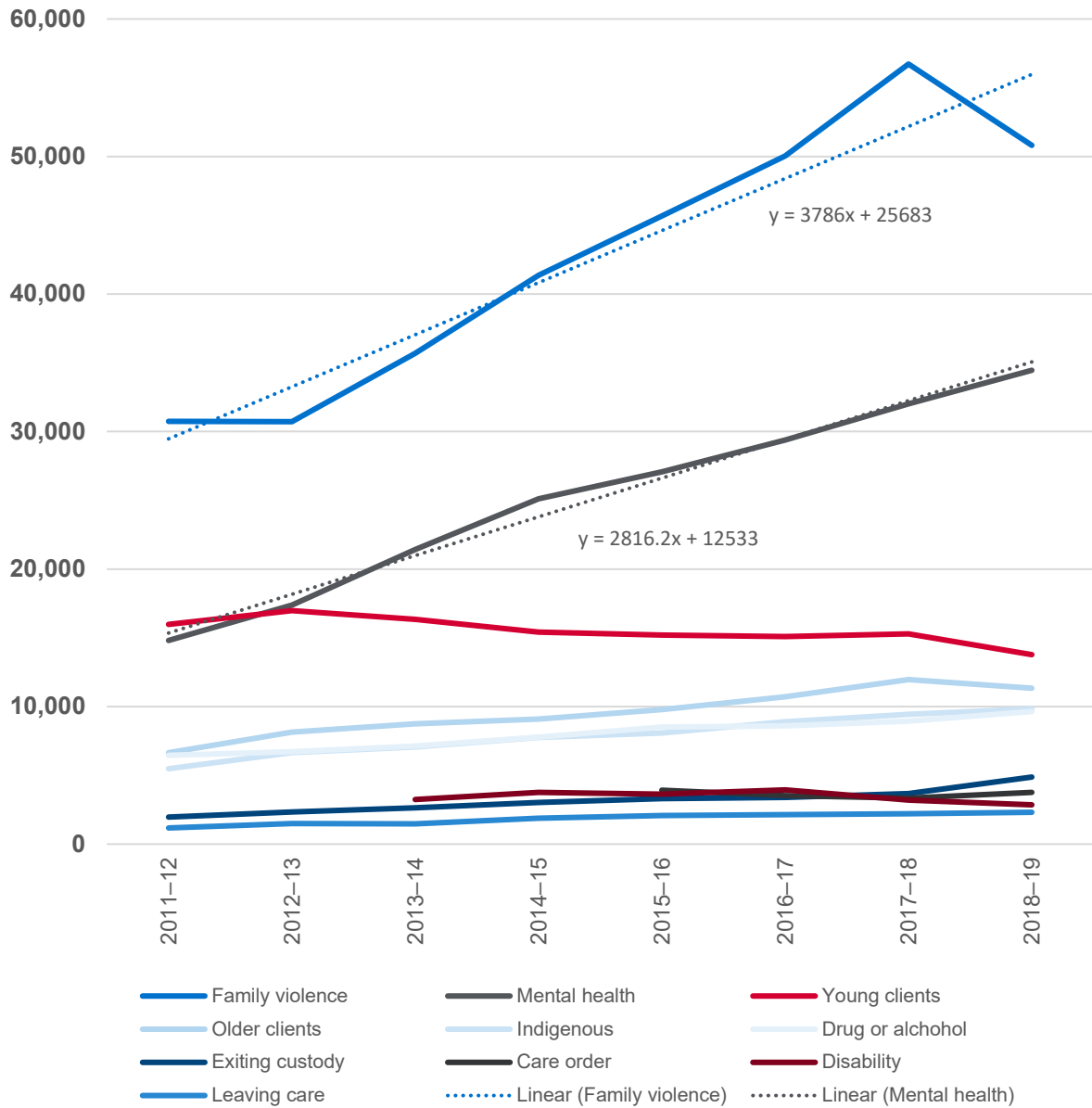
When homelessness has been effectively responded to, it has been with a mixture of increasing rights and protections for private renters with an emphasis on the most vulnerable, building social housing that is targeted according to need, and high-quality support services. This needs to be aligned with broader social reform such as decent wages, job security and the social welfare system.

To address homelessness effectively will require a substantial investment of time and money from the Victorian Government and the Commonwealth.

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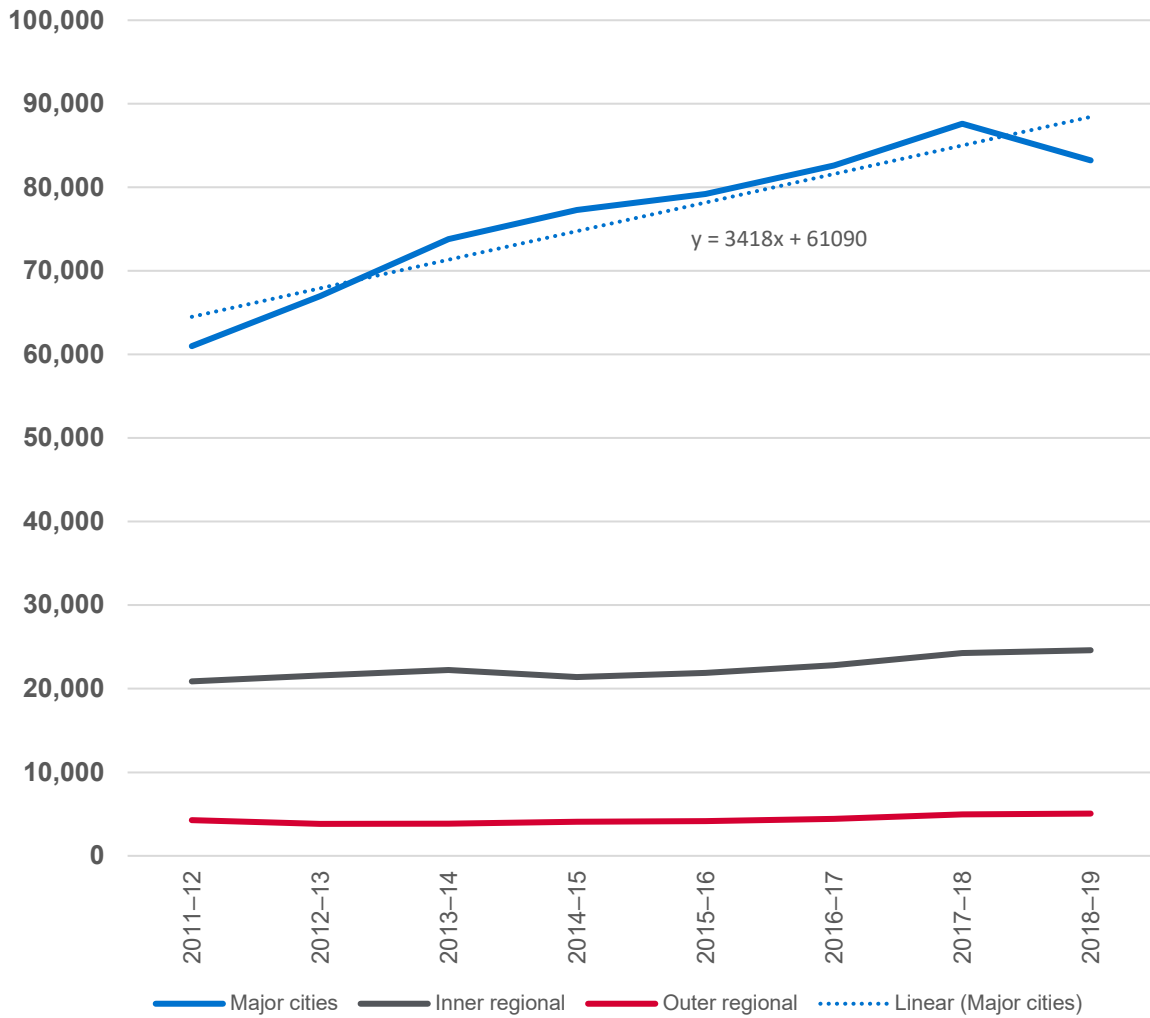
Attachment A: Charts

Figure 1: Demographic profile of SHS clients from 2011-12



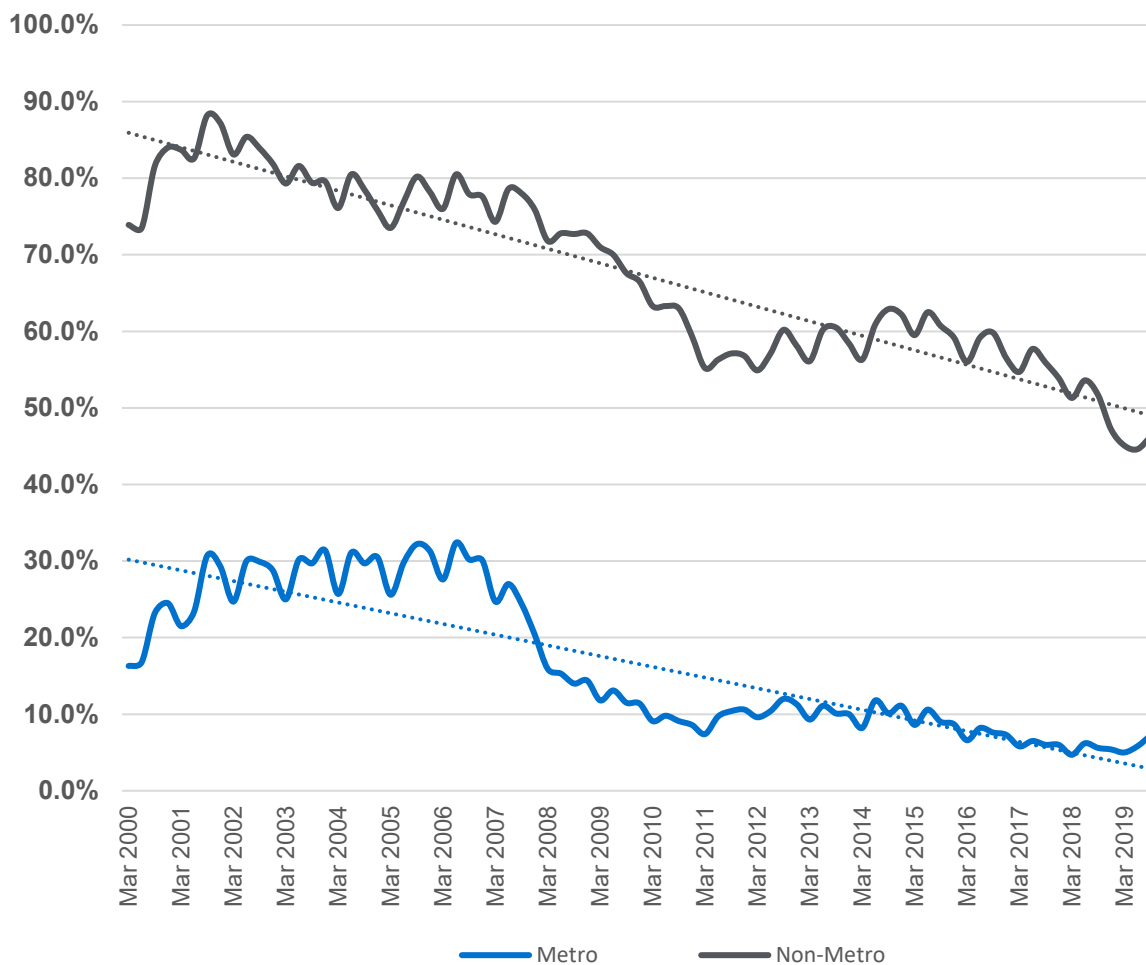
Source: AIHW, Specialist homelessness services historical data 2011-12 to 2018-19

Figure 2 Geographic profile of SHS clients from 2011-12



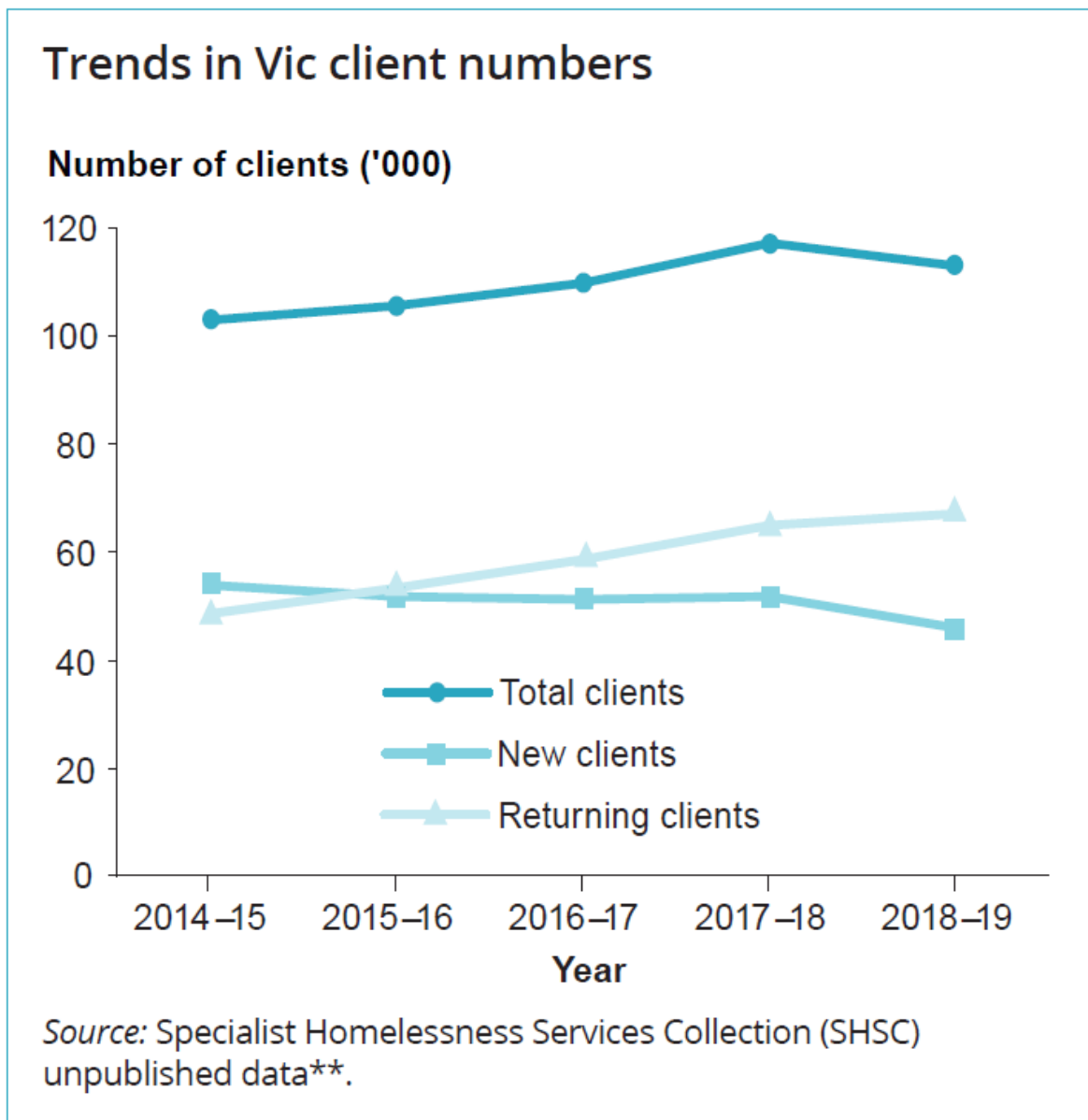
Source: AIHW, Specialist homelessness services historical data 2011-12 to 2018-19

Figure 3 Trend for percentage of affordable lettings in Victoria



Source: DHHS, Affordable Lettings by Local Government Area, September quarter 2019. [Data retrieved from <https://www.dhhs.vic.gov.au/publications/rental-report> on 9 January 2020.]

Figure 4 Trends in new and returning clients to SHS's in Victoria



Source: AIHW, Specialist homelessness services 2018-19: Victoria

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