



COMMONWEALTH RENT ASSISTANCE
- A CHANGING WORLD ?

DISCUSSION PAPER PREPARED

FOR THE CHCSA

POLICY FORUM

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1. Introduction and Background

This Discussion Paper has been prepared to assist Community Housing Organisations to discuss the issue of Commonwealth Rent Assistance (CRA).

It has been the practice for a long time in South Australia for tenants of Community Housing Organisations to apply for CRA from Centrelink. At the present time, a tenant's rent is set at 25% of assessable income. The tenant then applies to Centrelink for an amount of CRA based on this rent. This amount of CRA then forms part of assessable income for a further adjustment of rent. It is not known how widely this practice is followed by Community Housing Organisations.

Under the Funding Agreement introduced by SACHA on 1st January 2006, 25% of this CRA flows to SACHA while the balance is kept by the tenant. The new Agreement reduces the amount of money flowing to the CHO in the form of maintenance allowance.

In Western Australia and Queensland, rent is set in such a way that the tenant attracts the maximum amount of CRA possible for that person. This produces rents which are higher before CRA but the same as or similar to the rent produced under the South Australian approach ie 25% of assessable income. However in Western Australia and Queensland the full value of this CRA flows from the tenant to the Community Housing Organisation, to form part of operational income.

An example will help illustrate how this works. This example is taken from the Rent Manual prepared by the Community Housing Coalition of Western Australia. Please note the figures used were accurate as at July 2005 but are now out of date. A single adult tenant who is in receipt of Disability Support Pension received \$459.00 per fortnight in pension from Centrelink at the time of the example. This tenant's rent is set at \$114.75 per fortnight under the 25% rule. However in Western Australia, the rent would be set at \$198.00 per fortnight. This enables the tenant to apply to Centrelink for CRA of \$83.25 (\$198.00 - \$114.75) which is paid to him/her then by him/her to his Community Housing Organisation. The effect is that the tenant's actual rent is still only \$114.75 per fortnight.

In South Australia, a tenant in this position would have received \$20.80 in CRA, a quarter of which (\$5.20) would flow to his Community Housing Organisation, leaving him/her \$15.60 per fortnight better off. (The Commonwealth Government is effectively saying that a tenant in this position needs additional money in order to afford the rent, notwithstanding that this is set at 25% of assessable income).

Under the Western Australia system, using the above figures, the Community Housing Organisation is \$67.65 per fortnight better off while the tenant is \$15.60 per fortnight worse off. In total, the amount of CRA attracted has been multiplied fourfold.

In South Australia, the question of obtaining maximum CRA is under active consideration within SACHA and the Housing Executive Committee of the Department of Families and Communities. The reason is that it has been estimated that if all eligible tenants of all Community Housing Organisations obtained maximum CRA in this way, there would be an influx of a very substantial amount of additional money into South Australia for community housing. While it is difficult to calculate a precise figure, even a rough estimate suggests the amount would run into several million dollars a year. This is one of the main advantages of community housing over public housing.

This additional income could be used either to improve the position of tenants, or assist Community Housing Organisations to meet their expenses or service borrowings, or could flow to SACHA to be injected into the community housing budget.

2. Principles

Following considerable discussion over the last few months, the CHCSA's Policy Committee has adopted the following set of draft principles as a basis for discussion :

- No tenant should be financially disadvantaged
- No CHO should be financially disadvantaged compared to the current situation
- No significant additional administrative burden should be imposed on CHOs
- CHOs should be given effective support with training
- The policy should take account of current arrangements with service providers which some CHOs may have – this particularly affects CHOs which house people with disabilities
- A simple rent calculator should be available to CHOs to assist with calculations
- Any CRA attracted by tenants and collected by CHOs should be kept within the community housing sector

3. Key issues

a) Policy Issues

A number of policy issues have been identified by the Community Housing Council of SA in respect of maximising CRA.

- Is such an approach morally justified or is it 'working the system' ? (Note that this approach has been accepted by the Commonwealth Government in respect of WA and Queensland)
- Whose money is CRA ? Is it the tenant's ? Is it the landlord's ? Is it the State Government's ? (Under current rules, it is partly the tenant's and partly SACHA's. Under the previous Funding Agreement, Community Housing Organisations also got a small cut)
- Should the policy apply to existing tenants of Community Housing Organisations funded under the usual SACHA program ?
- Should it apply only to new tenants of Community Housing Organisations funded by SACHA ? If so, should it apply in full at once or should it be phased in ?
- Should it only apply to tenants of properties funded under the new Affordable Housing Innovations Program ('Growth CHOs'), on the grounds that these Community Housing Organisations will need to service borrowings used to acquire the properties ?
- If this happened, is it fair that tenants in similar financial positions will pay different rents and retain different amounts of income ?
- If the new policy applies to all tenants, should the share of CRA which they currently retain be protected ? (For tenants on higher Centrelink payments, the difference between the current policy and the Western Australian policy is substantial)
- If the policy applied to all CHOs, should the CHO be allowed to retain the extra income for agreed purposes such stock acquisition, upgrade to disability standards or major maintenance ?
- Or should all the extra money go to SACHA to allow program expansion or for other purposes of benefit to community housing ?
- Or should CRA obtained under the changed policy be split between tenant, Community Housing Organisation and SACHA ? If so, on what basis should it be split ?

- Would a changed policy impact on the level of participation within co-operatives ?
- Community Housing Organisations operating under the changed policy would be exposed to sovereign risk ie the possibility that the Commonwealth might change the rules to prevent tenants of Community Housing Organisations obtaining CRA. Is there a way to guarantee that if this happened rent would revert to 25% of assessable income ?
- Would Community Housing Organisations be more inclined to house people capable of attracting CRA if CRA is retained by the Community Housing Organisation ?
- If the policy applied to existing tenants, it would reduce their real after-rent incomes – is this defensible ?

b) Operational Issues

There are also a range of operational issues which would need to be taken into account if a policy of setting rents to obtain maximum CRA were to be introduced by SACHA.

- Would a policy of maximising CRA have implications for GST status particularly in regard to the 75% rule ? How could this be addressed ?
- Is it feasible to impose different sets of rules on Community Housing Organisations when rent-setting is already a complicated enough issue ?
- What assistance would Community Housing Organisations require in order to operationalise a policy of attracting maximum CRA ?
- Would it be feasible to have a system where the maximum CRA is captured and then split three-ways between tenant, Community Housing Organisation and SACHA ?
- What complications can you see in administering such a system eg when tenants may have fluctuating incomes and may be in and out of work over a period of weeks or months ? What about tenants who have been breached by Centrelink ?

4. Policy Options

CHCSA could eventually arrive at one of several policy options :

- 1 We prefer to retain the status quo
- 2 We support attracting maximum CRA but only if it does not apply to existing tenants
- 3 We support attracting maximum CRA only for tenants of projects funded under the Affordable Housing Innovations Program
- 4 We support attracting maximum CRA but only if the CRA is split fairly between tenant, Community Housing Organisation and SACHA
- 5 We support attracting maximum CRA for all tenants, with the money being passed to the Community Housing Organisation

Hopefully the Forum will be able to reach consensus on one of these options or will be able to suggest another option.