

# Submission

March 2014

**Senate Select Committee into the Abbott  
Government's Commission of Audit**

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## Executive Summary

Access to safe, secure, affordable housing underpins the economic and social well-being of Australian households and their communities. Housing provides physical shelter as well as stability and security, from which people can participate in education and employment and actively engage in civic life. The high cost of housing in recent years has led to significant levels of housing stress among low and moderate income households and growing numbers of people seeking assistance from homelessness service providers due to financial hardship.

Shelter WA welcomes the opportunity to provide this submission to the Senate Select Committee into the Abbott Government's Commission of Audit, which is based upon Shelter WA's position as the peak body for affordable housing and homelessness in WA. It touches on a range of issues relevant to the committee:

- Of immediate concern is the future of the National Partnership Agreement on Homelessness (NPAH). In WA, like many parts of Australia, NPAH has provided critical services including assertive outreach to people exiting prisons, those with substance misuse issues, children in homeless situations, people with mental health issues, assisting people to remain housed in private and public tenancies, Safe at Home programs, rough sleepers and women escaping domestic violence. These services, along with many others, have helped thousands of people avoid becoming homelessness and/or find the accommodation and services they need.
- Embedding Homelessness Policy and Social Housing Policy in legislation as a bipartisan response, to ensure they are dealt with by any government, and to reduce fiscal inefficiency associated with new governments developing new policies and strategies in these two areas.
- Shelter WA considers housing tax policies are fuelling speculative investment and driving up house prices and rents, which impacts on the ability of certain groups to obtain or maintain housing in the private rental market. An example of a counterproductive measure with unintended consequences is negative gearing. Shelter WA urges the Committee to investigate how our tax system can support the long-term sustainability and affordability of our housing system.
- Cost effectiveness of investing in affordable housing and homelessness services.
- Service delivery by the NFP sector – delivering 'value for money' with social outcomes.
- There is still significant need to encourage investment in the private rental market. The National Rental Affordability Scheme (NRAS) has begun to do that. Shelter WA recommends continuing NRAS, with some changes, to increase the supply of affordable rentals.
- Continued investment in social housing is needed to assist those unable to access housing in the private market.

Targeted government investment in affordable housing and supported accommodation for those most vulnerable in our society can save money for governments in other areas such as health, emergency services and justice utilised by people experiencing homelessness. In other words, sound affordable housing policy and homelessness policy benefit Australian society as a whole.

## Introduction

Shelter WA welcomes the opportunity to provide feedback on behalf of the sector to the Senate Select Committee into the Abbott Government's Commission of Audit.

The rising cost of housing in Western Australia, and lack of affordable housing options, has made it difficult for people on low to moderate incomes to secure safe, affordable accommodation in this state. For those households on a low to moderate income who are housed, many experience housing stress and struggle to meet rising household expenses, which may in turn place them at risk of homelessness. For those experiencing homelessness, there are very few options, unless they fit the criteria set out in funding agreements to address issues which have led to their homelessness, when issues relate to an inability to access affordable, appropriate accommodation.

Shelter WA is the peak body for affordable housing and homelessness in Western Australia. It was founded in 1979 as an independent community based peak body committed to accessible, affordable and secure housing for every Western Australian. Shelter WA provides a link between government and the community through consultation, research, systemic advocacy, and policy advice and development. Our role is to provide an independent voice on housing rights and options in the state along the housing continuum. Our work focuses on promoting the development of appropriate affordable housing options for low to moderate income earners, those who are otherwise disadvantaged in the housing market and people experiencing homelessness.

Shelter WA's development of policy recommendations is based on sound research and consultation with housing consumers and organisations working on housing, homelessness and related issues.

This submission is based on our 2013 policy platform, *Housing in WA: Sustainability and Affordability for the Future*, developed over a number of years through consultations and forums, input from the affordable housing and homelessness sectors, and relevant national and international research. It also draws upon information received from members and stakeholders in response to requests for comment and feedback on various submissions prepared by Shelter WA.

## **Key Affordable Housing and Homelessness Issues in Australia**

Population growth, a relatively strong economy and favourable living conditions, have created significant demand for housing in Australia, and indeed in Western Australia where the resource boom has resulted in significant population growth in comparison to the rest of the country. The supply of affordable and accessible housing has not kept up with demand due to a range of factors, including: inefficiency in the planning system, a lack of diverse housing at lower price points, and a reduction in investment into social housing over time. This has led to several significant issues:

- In 2009–10, 60% of lower-income households were in rental stress and 48% of low income homeowners were in mortgage stress in Australia, paying more than 30% of their income on housing costs (National Housing Supply Council, 2012).
- In 2014, the average loan was \$322,900 (ABS, 2014). At an interest rate of 5.88% monthly mortgage payments would be \$2,056.
- Numbers of new home builds have remained constant over the last 30 years, rather than increasing in response to higher demand (ABS, 2013).
- A nationwide shortage of an estimated 539,000 dwellings available and affordable for low and moderate income earners to rent or buy (National Housing Supply Council, 2012).
- The cost of land has increased dramatically across Australia in the past decade. For example, in Perth, the cost of land per square metre has increased over 200% since 2003 (Kusher, 2013).
- The number of people experiencing homelessness has increased to over 105,000 in 2011 in Australia (ABS, 2012), and 9,592 in Western Australia. It is generally accepted that these figures are an under-estimation, with many people uncaptured in the Census, including young people, people who are itinerant and many sleeping in vehicles.
- The Australian Institute of Health and Welfare (AIHW) reported that more than 20,000 individuals, including thousands of children, have been assisted by homelessness services in WA through the 14 National Partnership Agreement on Homelessness programs consisting of 81 services across the state (AIHW, 2013).
- Homelessness services in WA all operate at full capacity and turned away over 17,000 requests in the 2012/3 reporting period (AIHW, 2013).

## Shelter WA Comments

### Investing in homelessness services and affordable housing

Homelessness services are relatively inexpensive when compared to other types of services provided by Government (i.e. hospital emergency departments, criminal justice system and welfare services) in which people may engage when unable to access appropriate crisis or transitional accommodation. According to recent Australian Housing & Urban Research Institute (AHURI) research, the potential *saving per client* to government from the changes recorded in the use of non-homelessness services following participation in homelessness services is estimated at \$3685 per annum (Zaretzky K. a., 2013).

Homelessness programs and services have been very effective in meeting the immediate needs of a percentage of people experiencing homelessness in WA, however many of those services are funded to provide short- to medium-term interventions and support. For many participants, the issues which have led to their homelessness are entrenched or complex, and for some are grounded in historical factors, hence for support to be effective for those people it needs to be long-term. For those experiencing homelessness due to financial reasons, the issues are not resolved by accessing homelessness programs alone, unless long-term affordable accommodation is available on exiting those programs. The Australian Institute of Health and Welfare (AIHW) reported that 28% of people accessing specialist homelessness services gave financial reasons as the primary reason for accessing these services (AIHW, 2013). It must also be remembered that very few specialist homelessness services accept clients who are homeless simply because they can't afford to pay rent in this housing climate.

New facilities such as those at St. Bart's Lime Street complex, The Oxford Foyer and the Beacon development all provide much needed relief for people experiencing homelessness in inner city Perth. These investments in buildings and services represent an important step to address homelessness in WA. Further investments of this kind are required to support other groups requiring assistance, such as single women, seniors, women with children (not escaping domestic violence) and young people (not linked to education but to employment).

In order to build upon the successes thus far and continue providing essential supports to people experiencing, or at risk of, homelessness, the existing services must be funded beyond the current funding cycle, and beyond the current funding constraints, to include longer term support and more affordable housing. Shelter WA contends that people experiencing homelessness, but unable to address issues, need shelter which is appropriate to their needs. In the current housing climate, these people are unable to access affordable accommodation which is not linked to a specific program, but still require some form of suitable housing.

Shelter WA has identified gaps in services and resources for the specific groups from consultations with the sector, listed below:

- Single women – this group has the least options
- Not enough services for Aboriginal people experiencing homelessness or at risk of homelessness
- Low barrier night shelters for homeless persons
- Prevention and early intervention services for young people
- Crisis and ongoing affordable accommodation options for seniors, and in particular older women
- Homelessness prevention services for Culturally and Linguistically Diverse (CALD) families
- Crisis and emergency accommodation for families
- Suitable accommodation for individuals and families who have exhausted their housing options and have been evicted due to disruptive behaviours
- Support options for people in community housing at risk of homelessness

Government initiatives to respond to homelessness in Western Australia have had a significant impact on the lives of people experiencing homelessness and those at risk of homelessness. The National Affordable Housing Agreement (NAHA) and associated National Partnership Agreement on Homelessness (NPAH) represent much needed funding for services and programs in WA. With these funding arrangements, WA has made considerable strides towards providing much-needed accommodation and support services to people experiencing homelessness. In order to ensure essential supports are available to people experiencing, or at risk of, homelessness, existing services must be funded beyond particular funding cycles, and beyond current funding constraints, to include longer term supports for specific groups, and diverse crisis interventions to support those most at risk, but who fall outside the existing criteria.

## **Value of homelessness funding**

On any given night, 1 in 200 people are homeless in Australia. This includes rough sleepers as well as people living in crisis accommodation or in severely overcrowded conditions. People experiencing homelessness require a range of supportive services and appropriate accommodation, not simply a roof over their head. There were 9,595 people experiencing homelessness on Census night in 2011 in WA. The number of people experiencing homelessness increased from 8,277 in 2006. The main increase (from 2,983 to 4,154) was in the category of people in severely overcrowded dwellings, which refers to a dwelling where four or more bedrooms are needed to adequately house the number of people in the household. In addition to those who were homeless, a further 7,068 were marginally housed, which includes people in improvised dwellings, caravan parks and overcrowded households (ABS, 2012). Domestic violence (27%) continues to be one of the main reasons people require homelessness services, along with financial difficulties (28%).

The *National Partnership Agreement on Homelessness (NPAH)* has allowed specialist homelessness services to support thousands of people in need. NPAH services support both people experiencing homelessness as well as those 'at risk' of homelessness. In 2012-2013, homelessness services in WA assisted 21,409 people. Service providers found accommodation for 74% of the people who required it and assisted 87% of the people needing support to sustain their housing tenure (AIHW, 2013). These are significant successes.

By assisting people to remain housed – or helping them access housing quickly – households have been stabilised, minimising the compounding disadvantage and impacts on physical and mental health that comes from repeated or prolonged periods of homelessness.

Funding homelessness services is more cost effective for governments than not funding them. Research conducted by AHURI has shown that the net *savings* to Government (through reduced costs in health, and justice services) of providing specialist homelessness services is up to \$3685 per client per year. In their study, Zaretsky et al (2013, p. 1) assert that, 'Given the costs of homelessness, the provision of homelessness services may result in "whole-of-government" budgetary savings as a result of improved client outcomes'. They describe that, 'Persons at risk of homelessness are heavy users of health, justice and welfare services, as well as being more likely to have children placed in out-of-home care and experience eviction from a public tenancy. This higher than population use of non-homelessness services represents both a cost to government and a potential cost saving to government where support is provided to prevent homelessness' (Zaretsky, Flatau, Clear, Conroy, Burns, & Spicer, 2013, p. 7). This research reveals that clients participating in homelessness services present less often at emergency health facilities, and are less likely to have ongoing engagement with the justice system, including courts and the prison system.

A research project in Sydney by Wilhelm et al (2012) found that 'Overall, it was estimated that the cost of a person sleeping rough is \$28,700/person/year, approximately \$26,000/person/year more than the cost for the general population, and \$10,200/person/year more than the average cost of street-to-home support. The study concluded that it was cheaper over the long term to house people rather than service homelessness' (Zaretsky, Flatau, Clear, Conroy, Burns, & Spicer, 2013, p. 11). These studies indicate that investing in services that help people get into long term accommodation saves money in other areas of government expenditure. These economic benefits complement the social benefits to individuals and society as a whole.



## **Increase in unmet demand for homelessness services and affordable housing**

There has been a steadily growing demand for specialist homelessness services with the main reason for seeking support listed as financial hardship. As we see an increase in the number of people seeking homelessness services primarily due to financial reasons - from 11.2% in 2006-07 then 14.4% in 2010-2011 to 28% in 2012-2013 (AIHW, 2013; AIHW, 2011) - the severe affordable housing shortage in WA will continue to increase demand on services. The housing situation in Western Australia, which has seen property prices increase disproportionately in relation to income and private rental vacancy rates at times fall below 2% over the last few years, has resulted in a severe lack of exit points for people participating in homeless services. This situation has also meant a dearth of affordable accommodation generally for people on a low to moderate income, and a severe shortage of options for homeless persons.

Homelessness Australia notes that the most significant demand for homelessness services may be yet to come. The largest increases in demand in 2011-2012 occurred among older people, particularly women aged over 55. Almost 14,000 people in that age group sought assistance from homelessness services in 2011-2012. This group is likely to grow as baby boomers age and housing is increasingly unaffordable for many seniors on income support payments.

## **The National Rental Affordability Scheme**

The National Rental Affordability Scheme (NRAS) aims to increase the supply of affordable rental properties. The initial commitment from the Federal Government was for 50,000 affordable dwellings under this Scheme. In the five years to 30 June 2013, NRAS has delivered 14,575 dwellings with 23,884 dwellings in progress. In WA, the scheme subsidises affordable housing through tax credits of \$10,000 per year over 10 years, provided that dwellings are leased to eligible households at 20% below market rent, and up to 40% below market rent in some resource towns in WA where rental housing is considerably higher than other areas. The Scheme has gained strong support, leading to collaboration between community and private sector housing providers.

NRAS is encouraging changes to the patterns of investment in the private rental sector, by shifting away from small investors and moving towards institutional investors and structures that develop long-term rental investment. NRAS has allowed Local Governments to collaborate in the provision for housing. For example, the City of Perth's Penny Lane apartments were viable due to NRAS funding. NRAS has also been a significant driver in the expansion of not-for-profit community housing organisations, which have roles as both developers and tenancy managers of NRAS properties. More than half of all recipients of the NRAS are community housing organisations.

Shelter WA urges this scheme to be continued long-term as it appears to be attracting capital investment in Western Australia, but also urges the Federal government to review the functioning of this scheme to ensure it is working to increase the supply of affordable rentals and that it is aimed at helping low to moderate income earners to secure affordable rental accommodation.

The far larger number of incentives reserved than those allocated indicates that after a slow start the take-up of incentives has begun to pick up pace. It is Shelter WA's view that it is important that this momentum is maintained by continuing to provide investment incentives beyond the initial 50,000 provided for under the current scheme. There are a number of ways to improve the program, included in the recommendations below.

## **Commonwealth Rent Assistance**

Commonwealth Rent Assistance (CRA) provides assistance to low income renters in the private sector and community housing and prevents even more widespread housing stress among this group. However, CRA has not kept pace with increasing rents and rising household expenses and must be increased in order to provide the intended benefit of income support to low income households.

The provision of rent assistance will not in itself promote adequate supply, although it does provide an important subsidy to community housing organisations which in certain conditions can make the difference between viability and non-viability of social housing projects. The recommendations below need to be taken alongside recommendations about changing private rental investment, and more specifically about rent and subsidy arrangements in social housing. That said, along with other measures, rent assistance can provide an important add-on in the financial viability of community housing providers and any changes to CRA will need to be evaluated for their impact on this sector.

## **Social housing**

Social housing includes housing subsidised directly or indirectly by government. This includes public housing managed by the government, and community housing which is owned and/or managed by non-government organisations. Social housing provides an essential service within the housing continuum, offering support to those unable to secure or maintain housing in the private rental market or access home ownership.

The Department of Housing in Western Australia currently manages in excess of 39,000 dwelling units, whilst community housing providers manage approximately 8,800 units (Department of Housing, 2014). In WA, there are 231 not-for-profit organisations and Local Government Authorities providing community housing and/or supported accommodation (such as off-site refuge accommodation). The eight largest community housing providers manage about 55% of these dwellings.

The recent Social Housing Initiative, part of the Nation Building stimulus package, has resulted in a substantial one-off increase in the supply of social housing, providing much needed housing to the affordable sector for people on a low to moderate income. However, ongoing funding commitments as they currently exist will see social housing continue to decrease as a proportion of the overall housing supply. In this situation, both public housing authorities and community housing organisations will continue to struggle to meet demand and to deal with the social implications of an increasingly high-needs group of tenants. A substantial funding injection is required over a number of years to maintain a viable social housing system.

At 30 June 2013, there were 21,121 households on the waiting list for public and/or community housing in WA (Department of Housing , 2013). Waiting times in some metropolitan or regional areas are up to 8-10 years. Public housing waiting lists across the country are showing similar issues to WA, with more than 225,000 applicants on waiting lists nationally. Programs and dwellings are urgently needed to assist people to secure alternative affordable accommodation to prevent them from becoming homeless and overwhelming homelessness services, which already operate at capacity.

The WA Department of Housing has indicated it is unlikely to build and manage the properties required to address this problem within the current funding commitments, therefore alternatives are required to increase the supply of affordable housing across tenures to accommodate the large growth in population in WA and the pressures this has placed on all aspects of the housing market, including homelessness services.

Ongoing funding commitments are far from sufficient to maintain a viable social housing system that can cope with the growing level of demand. This Senate Select Committee provides the opportunity to commence a review process into the long term viability and sustainability of the National Affordable Housing Agreement and its attendant sub-agreements. The first challenge is to deliver a sustained increase in the supply of social and affordable rental housing over the coming decades. This housing needs to be provided through a mix of programs including the continuation of an improved NRAS program, and the continued expansion of social housing at the rate achieved under the Social Housing Initiative, National Building Economic Stimulus Plan.

The reorientation of social housing towards housing higher-need households has placed increasing financial pressure on the system. This has meant that for the past decade or more, the capital funds provided to build new housing have been offset by the sale of older housing to subsidise maintenance of the remaining stock, leaving a static or declining supply. If social housing is to continue to house Australia's highest-need households at affordable rents, governments need to recognise that rental income will not cover the operating expenses of social housing operators, and identify an ongoing subsidy stream to meet the revenue shortfall in the system.

## **Not-for-profit sector delivering 'value for money'**

The not-for-profit sector has the ability to deliver high quality services, offering 'value for money' for government funded programs. NGOs provide a range of services often at a significant cost savings to government (Productivity Commission, 2010). However, value for money should not be the main reason to deliver services through NGOs. It is their expertise, local knowledge and highly skilled, professional staff and volunteers that are most valuable to communities. Like government agencies, NGOs should be held accountable to high standards for the services they deliver.

Shelter WA shares the view with Homelessness Australia that the provision of homelessness services by the NGO sector has other benefits:

- Knowledge of local issues resulting in better provision of services to rural and regional areas;
- The sector makes effective use of volunteers - on boards and to assist in operational matters;
- Homelessness services make use of financial contributions and assets which contribute to service delivery.

To reap the benefits of NFP service delivery, governments need to work closely with the NFP sector to provide security of funding and medium to long-term contracts in order to ensure the sector can retain skilled staff and provide smooth, uninterrupted services. The current uncertainty around the continuation of the National Partnership Agreement on Homelessness is an example of how uncertainty has had a devastating impact on the sector, its employees and those it serves.

## **Counterproductive tax policy needs to be included in the Commission of Audit**

Tax policy is currently beyond the scope of the Commission of Audit, but must be considered as any conversation about government expenditure must include foregone revenue that distorts markets and creates additional demand for government services.

Taxation policies can be effective tools to promote the supply of suitable housing and encourage investment in affordable housing. On the other hand, tax policies can favour and protect existing asset holders, creating barriers to new entrants seeking to buy housing, restricting new supply and stimulating demand, which in turn encourages higher prices. Tax concessions include the exemption of owner-occupied housing from capital gains tax and land tax (which is open to exploitation by tax-savvy investors), discounts on capital gains tax for investment properties, and negative gearing (the ability to offset the costs of owning investment properties against other income) (Brody & McNess, 2009). Many of these tax concessions are counter-productive. They encourage people to build larger houses than they need to tie up their savings in 'tax-free' residential home-ownership that is non-productive and environmentally wasteful, restricting diversity in smaller types of built form and contributing to inflated prices and rents (TaxWatch, 2010).

The Henry Review released its report, *Australia's Future Tax System*, in May 2010 (Australian Government Treasury, 2010). The report contained 16 housing and land-related recommendations covering the tax treatment of owner occupied and rented housing, land tax, planning processes and infrastructure charging, stamp duty, housing payments through the income support system, and funding for social housing. While Federal Governments have not accepted the housing related recommendations, these provide a solid basis for an ongoing dialogue in relation to tax reform.

Among other recommendations, the Henry Review recommended reforming how states collect revenue on housing. *Stamp duties* are widely considered inefficient taxes that inhibit people from moving through the housing system according to their housing needs. Abolishing stamp duty and replacing it with a broad-based land tax would remove a significant cost to home buyers and help keep house price inflation under control. This would make housing more affordable for low and moderate income households and also provide existing home owners the ability to downsize, which is especially important as a significant amount of baby boomers reach retirement age (Australians for Affordable Housing, 2012). Removing the upfront cost of stamp duty will allow people to move as their housing needs change.

Like many other housing and community organisations, Shelter WA is concerned about the impact of negative gearing on house prices. Julian Disney, Director of the Social Justice Project at the University of New South Wales recommends that, like most other OECD countries, taxation policy in Australia should be modified so that interest and other housing investment expenses to the owner are deductible only against income from the property investment, and not from other sources such as an executive salary or stocks and shares (Disney, 2009). Brody and McNess (2009) found that people in the top income quintile are able to access up to \$15,000 every year in tax concessions related to housing. This is up to nine times the tax concessions accessed by people in the lowest income quintile. Taxation benefits of negative gearing itself are heavily skewed, providing ten and a half times more benefit to the top 20 per cent income households. This effect of negative gearing is potentially becoming significant, and inflating prices for low and moderate income earners, as figures indicate 36% of all property owned by individuals, and 47% of all property other than owner-occupied dwellings, is owned by households in the top 20% of the income distribution (ABS, 2013).

There are many different ways that negative gearing could be altered to ensure it does not have an inflationary effect. Shelter WA recommends that the Productivity Commission examine negative gearing and how it could be changed to increase the supply of affordable rentals, without inflating house prices. Although currently beyond the scope of the Commission of Audit, Australia's tax system has a profound impact on house prices, housing affordability and rates of homelessness. Changes to the tax system have the potential to increase housing affordability, while at the same time decreasing government expenditure due to reduced demand of housing subsidies.

## The Way Forward

To ensure that government funding is used in the most efficient and effective way to improve housing affordability and assist people to move out of homelessness, Shelter WA urges the committee to consider several proposals:

- Better coordination of housing and homelessness related programs, including the National Partnership Agreement on Homelessness, CRA and NRAS with the National Affordable Housing Agreement to ensure an integrated, sustainable approach to affordable housing and homelessness policies and funding in Australia;
- Invest in homelessness services that focus on prevention and early intervention and continue to develop a range of appropriate support models to best meet the varied needs of people experiencing homelessness;
- Continue to support the National Rental Affordability Scheme to increase the supply of affordable rentals, revising it to ensure timely completion of new properties and appropriate targeting to low and moderate income renters;
- Expand the social housing sector through growth and operational funding, as well as stock transfers to the not for profit sector, to meet increasing demand, including supporting Aboriginal and Torres Strait Islander community housing providers; and
- Embed Homelessness Policy and Social Housing Policy in legislation, to ensure they are dealt with by any incumbent government, and reduce inefficiency associated with developing new policies and strategies by newly appointment governments.

## Conclusion

Shelter WA acknowledges that addressing homelessness and housing affordability in this current climate is a substantial challenge. However, it is a challenge which must continue to be met if Western Australia is to meet the demands of our increasing population vis a vis our (relatively) static social housing sector. The cost of the housing crisis to the community may be quantified by intensification of demand for all existing housing and homelessness support services, including crisis services and accommodation, emergency relief, financial counselling, tenancy support and day centres, as well as the increases in the social housing wait list. There are also hidden costs on society, such as increased emergency department attendances in hospitals, increases in crime and offending behaviours and hence court and custodial services, and a growth in family violence, causing childhood trauma and disruptions to education and the issues which emanate from all of this.

An adequate supply of affordable housing and homelessness services is required to meet the growing, diverse housing needs of Western Australians. In order to effectively meet those needs, WA will need a variety of accommodation types, including crisis and transitional housing, public and community housing, affordable rentals in the private rental market partly subsidised through NRAS and Commonwealth Rent Assistance, and affordable home ownership opportunities. The WA State government has made a strong commitment to increasing the supply of affordable housing in its Affordable Housing Strategy.

We strongly believe that funding homelessness services and affordable housing is not only a financial investment for the future of Australia, but an economic cost saving exercise in the areas of health, justice, education and social services, and a valuable contributor to the increased well-being of our society.

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