13.0
Social housing

This chapter explores issues associated with the provision of social housing in remote and discrete Aboriginal and Torres Strait Islander communities. The issues presented in this chapter are also related to many of the issues presented in the chapter examining land tenure, even though that chapter mainly deals with the use of land for home ownership.

Key points

- Remote and discrete Aboriginal and Torres Strait Islander communities suffer from high levels of overcrowding.

- There is a high dependency on social housing in discrete communities—this is largely the result of historical policies. The need for subsidies in the communities will remain for the foreseeable future. However, there has been no commitment from the Australian Government to fund remote social housing past 2018.

- Many of the social housing tenancy and maintenance functions previously performed by community organisations and councils have been transferred and mainstreamed through the Department of Housing and Public Works (DHPW).

- Stakeholders have raised concerns that the new arrangements are overly bureaucratic, inefficient and inappropriate for remote settings. This is supported by evaluations. Similar concerns have been raised about new construction that is coordinated by Building Asset Services (BAS).

- Some stakeholders have also raised concerns about the suitability of housing design, questioning its suitability for Indigenous residents in remote and discrete communities.

- Social housing in remote communities:

    - is expensive to manage. Even when capital costs are excluded, rent collections are estimated to cover only 16 per cent of costs

    - creates a range of perverse incentives that may discourage the uptake of economic opportunity, entrench disadvantage and discourage travel for medical treatment.

- Many of the discrete councils are dependent on revenues from the construction and maintenance of housing. This is unsustainable over the longer term and likely to crowd out private opportunities— caution is required to ensure that perverse incentives are avoided.

- Solutions are not simple, but may include:

    - greater involvement of Aboriginal and Torres Strait Islander people in property and tenancy management

    - the removal of red tape associated with construction and maintenance

    - the use of innovative programs to increase resident's 'skin in the game'.

- Social housing that is made available for home ownership uses a schedule of prices that are higher than reasonable market value. Given the high costs of managing social housing and the significant home ownership opportunities it would create, benefits could be realised by offering existing social housing stock to long-term tenants at zero (or low) cost.

13.1 Background

Housing in remote and discrete communities is overcrowded

The latest Census[40] data (ABS 2017) show that, across all remote and discrete communities, 22 per cent of indigenous households were overcrowded. This is more than seven times the average rate for all households in Queensland (3 per cent).

The rate of overcrowding varies considerably between communities. Rates are much higher in the discrete communities (31 per cent), with some communities experiencing extremely high levels of overcrowding. For example, close to 50 per cent of all households in Yarrabah are overcrowded (ABS 2016a).

Official estimates may significantly understate the actual level of overcrowding in Indigenous households (see Box 13.1).

Box 13.1 Assessing housing need—Yarrabah case study

Housing need is normally assessed by the level of overcrowding. Most indicators of overcrowding (including the Census) are based on the Canadian Occupancy Standard (AIHW 2012). It states:

- There should be no more than two persons per bedroom.

- Children younger than five years of age, of different sexes, may reasonably share a bedroom.

- Children five years of age or older, of opposite sex, should have separate bedrooms.

- Children younger than 18 years of age, and of the same sex, may reasonably share a bedroom.

- Single members 18 years or older should have a separate bedroom, as should parents or couples.

Using this standard, Census data show that almost half of Indigenous households in Yarrabah are overcrowded, around 10 times the rate for all Queensland households. Although the official rate of overcrowding is very high, it may significantly understate the true level of overcrowding.

Using unpublished data from the Department of Housing and Public Works (DHPW 2017), official population statistics (QGSO 2016) and data from the 2016 Census, the Commission estimates that the average occupancy rate for Yarrabah is around two persons per bedroom.

Yarrabah Council's submission (sub. 11, p. 20), suggests that there are significantly higher levels of overcrowding in Yarrabah than are suggested by official data. The submission suggests that the population of Yarrabah may be as high as 4,400 people, much higher than official estimates. If this figure is correct, this would mean that there are more than three people for every bedroom in Yarrabah—around 50 per cent higher than suggested by the official data.

This underestimation occurs because the ABS Census excludes Aboriginal visitors when calculating household size—however, residential mobility is high amongst Aboriginal communities and long-term visitors are common (Memmott et al. 2013).

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[40] Some caution needs to be exercised with Census data, since it significantly undercounts the Indigenous population. For example, a recent estimate suggests the 2016 Census will undercount the Indigenous population by 17.5 per cent (ABS 2017).

Housing affects wellbeing

The quality and quantity of housing is a fundamental factor in the wellbeing of residents in remote and discrete communities, determining the extent to which residents have access to shelter, privacy, safety and security.

High levels of overcrowding are associated with negative effects on health, family relationships and children's education:

- Health can be negatively affected if houses are not appropriately designed for the number of residents, and inadequate bathroom, kitchen and laundry facilities can make it difficult to control the spread of infectious disease (Hall et al. 2017).

- Overcrowding increases wear and tear on health hardware (such as doors, toilets and taps)—taking steps to ensure health hardware is maintained has been shown to have large positive effects on health outcomes (Box 13.2)

- Overcrowding has been shown to negatively affect economic participation since it encourages 'humbugging', and can make it challenging to manage other household responsibilities and disrupt sleep (DPMC 2017b).

- Learning and cognitive development in children are negatively affected by crowding, particularly if there is insufficient space in which to study without disruption (SCRGSP 2016a, p. 10.4).

- Insufficient control over living space has been shown to increase domestic tension and can increase the chance of domestic violence (SCRGSP 2016a, p. 10.4).

A lack of housing options in communities means that even those with secure jobs are not immune from the effects of overcrowding.

Box 13.2 What works—NSW Housing for Health Program

The Housing for Health Program was initially developed in the late 1980s by a small group called HealthHabitat, and still operates today. The program is based around research that found improving essential health hardware (fixing a leaking toilet, ensuring working hot water for washing, having somewhere to wash children, reducing dust, etc.) could lead to improvements in health status and reduce the risk of disease and injury.

The program works with communities and trains local staff to work with technical specialists to inspect, test and repair household fixtures. Only fixtures that have been related to health outcomes are targeted, and works are prioritised in terms of their evidence-based health benefit. The program encourages the use of local tradespeople to carry out specialist works (electrical and plumbing).

The program operates on a small budget—between 1998 and 2009, around $10 million was allocated to the program.

An evaluation conducted in 2010 found that 9,528 people had benefited from the program, with over 51,700 items fixed. Those who received the Housing for Health intervention had a significantly reduced rate of hospital separations for infections diseases—around 40 per cent less than for the rest of the rural NSW Aboriginal population who did not receive the intervention.

Source: NSW Health 2010.

Social housing is the main way overcrowding has been addressed

Social housing has become the primary way overcrowding has been addressed, particularly in the discrete communities.

The supply of social housing is primarily funded by the Australian Government through agreements with states and territories. In 2007, the Australian Government committed to a $5.4 billion National Partnership Agreement for Remote Indigenous Housing (NPARIH)[41], which had the objective of reducing overcrowding and improving poor housing conditions. Although NPARIH is the primary funding available to remote and discrete communities, other funding for social housing in discrete communities (particularly those not classified as remote) is available under the National Affordable Housing Agreement (NHHA).

Social housing built under the NPARIH appears to have made significant inroads to addressing overcrowding. The Commission estimates that overcrowding rates across all remote and discrete communities have fallen by around a third since 2006. However, overcrowding in the remote and discrete communities remains more than seven times higher than the state average.

Funding for NPARIH[42] is due to end on 30 June 2018. The Australian Government has committed $245 million to remote Indigenous housing in Queensland, with a target of 338 new builds, over the period 2016–18 (DPMC 2016b). Although this funding will help address overcrowding rates, it will not be sufficient to bring rates in line with the rest of the state.

The LGAQ (sub. 14, p. 33) estimates that a further 1,800 to 2,000 new homes will be required to meet current demand. Yarrabah Shire Council (sub. 11, p. 21) has conducted a review of their housing needs which found that 700 new houses need to be built to bring overcrowding levels in line with those in mainstream communities.

At the time of writing, no agreement is in place to provide funding for new housing in remote and discrete Aboriginal and Torres Strait Islander communities after 2018.

High dependency on social housing

Almost all housing in the discrete communities is social housing (Table 28). In 2016, 90 per cent of households in discrete communities lived in social housing. This is not necessarily by choice—in discrete communities, a lack of individual title means that there is little opportunity for private rental markets to operate, and historically, there has been no opportunity for home ownership. Up until 2008, it was not legally possible for a resident in a discrete Aboriginal and Torres Strait Islander community to own their own home, and until a few years ago, cadastral surveys had not been conducted to identify individual lots (DATSIP 2017, Habibis et al. 2016).

The Queensland Government's RILIPO has played a significant role in addressing many of these issues; however, there are still a number of outstanding concerns (see Chapter 12, Land tenure).

Home ownership rates are very low in discrete communities. In 2011, 3 per cent of households in mainland discrete communities lived in a home they owned. Outside of the discrete communities, home ownership rates are much higher, with 38 per cent of Indigenous households living in their own home.

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[41] NPARIH was re-badged as the Remote Housing Strategy in 2016.
[42] As of 1 July 2016, the National Partnership on Remote Housing (NPRH) replaced NPARIH. NPRH has refocused outcomes on improved housing sustainability and Indigenous business and employment opportunities (DPMC 2016a).

Table 29 Tenure types, Indigenous households, 2016

Tenure type	Torres discrete (%)	Mainland discrete (%)	Other remote (%)	Rest of Queensland (%)
Own home	7	3	38	38
Rented—social housing	80	94	24	14
Rented—private	2	0	26	44
Rented—not stated	10	3	12	3
Other or not applicable	1	1	1	1

Source: ABS 2017.

Housing policy has shifted between community and state control

Responsibility for the construction and management of social housing defaulted to Indigenous councils following their establishment in the 1980s. Prior to this, housing had been administered by the State or by the former Missions.

Housing transferred to Indigenous councils in the 1980's was in poor condition and overcrowded, had been poorly managed, and the transfer of management responsibility failed to adequately provide any system of tenancy management, housing policies and procedures for the training of staff (Habibas et al. 2013).

Up to 2007, the Community Housing and Infrastructure Program (CHIP) was the predominant source of funding for social housing, with housing managed by Indigenous councils or by Indigenous Community Housing Organisations. A review of CHIP found that an absence of regulation and enforcement of housing standards had resulted in poor quality construction, a lack of appropriate maintenance and poor financial controls (PWC 2007). The review recommended that future management of social housing stock be undertaken by the state rather than Indigenous Housing Organisations.

In 2007, the Australian and state governments agreed to reform social housing in remote and discrete communities through NPARIH, which provided funding for construction, maintenance and management of new housing to be managed by DHPW. To secure government funded dwellings, 40-year leases were created for new and existing dwellings (DPMC 2016b, Habibis et al. 2016). For those dwellings that were secured under the 40 year leases, property and tenancy management was 'normalised' to public housing standards and managed by DHPW.

By 2017, most social housing in discrete communities had been transferred under the control of DHPW (Table 30). The exceptions are Yarrabah and Cherbourg (which are not classified as remote and are therefore not eligible for funding under NPARIH) and the Torres Shire Council (who resisted the transfer of their social housing stock). Under these arrangements, tenancy management, such as rent setting, arrears management, allocations and eligibility came under state control and became subject to public housing policy (Habibis et al. 2016).

Table 30 Social housing management in the discrete communities, 2017

Manager	Number of houses
Government	3196
Community	1722
Total	4918

Source: DHPW 2017.

13.2 Issues and challenges

Reliance on government subsidies

Demand for housing in the remote and discrete communities is likely to remain high for the foreseeable future:

• The natural rate of population growth in remote and discrete Aboriginal and Torres Strait Islander communities is significantly higher than for the population in the rest of the state.[43]

• Many Aboriginal and Torres Strait Islander people living outside of the discrete communities would like to return to their communities but cannot due to a shortage of housing—Yarrabah Shire Council, for example, estimate that there is significant unmet demand for housing, with many individuals living in Cairns due to housing shortages in Yarrabah.

While a range of measures could improve housing in communities, it is likely that the communities will remain reliant on public subsidies for the foreseeable future:

• There is little private rental market activity in remote communities and almost none in discrete communities.

• Construction costs in remote areas are high and harsh weather conditions results in high rates of depreciation (Szava et al. 2007).

• Banks are hesitant to provide loans for home ownership in remote and discrete communities because construction costs are high, incomes are low and markets are shallow (ANZ 2007, Crabtree et al. 2012).

• Residents have limited experience with home ownership (Memmott et al. 2009).

• The use of alternative financing options, such as social impact investments is challenging, because of the high costs of constructing and managing housing, and the low incomes of most residents (Nous Group 2017).

Property and tenancy arrangements are a work in progress

DHPW sets social housing rents as a proportion of income up to the market rent. In the remote and discrete communities, the Commission understands that maximum rents are set using benchmark market rents from Burketown (pers. comm. DHPW staff). Under this model, social housing rents are very low (Table 31) and do not cover costs.

The majority (83 per cent) of social housing tenants in remote and discrete communities have no or only very minor arrears.[44] Conversations with department staff suggest rental arrears have fallen significantly since the NPARIH reforms.

Table 31 Rents in DHPWW-managed housing in discrete Aboriginal and Torres Strait Islander communities

Number of properties	Average rent payable	Average market rent on tenancy	Average subsidy	Properties in arrears	Average arrears
2988	$116.35	$124.24	$8.41	668	$380.40

Source: DHPW 2017.

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[43] Net population growth in most discrete communities is constrained by high levels of out-migration. There is some evidence that the construction of new housing has reduced incentives for residents to move away from community, in turn, working to offset gains to address overcrowding (see Yarrabah Shire Council sub. 11).

[44] While 17 per cent of residents are 4 weeks or more in arrears, these arrears do not make a significant contribution to the net cost of service delivery.


Habibis et al. (2016) found that the NPARIH reforms provided some improvements to tenancy management. However, these positive effects were most evident in jurisdictions that used a hybrid tenancy management model where the state had worked to build capacity rather than take control. The authors found that, for the Queensland communities reviewed, changes to tenancy management had been less successful, with little change in tenants' perceptions of change and low levels of satisfaction around tenancy management arrangements.

Property and tenancy management costs are high—as a result rent collections fall far short of covering costs

Although the Commission was not able to determine the total cost of managing social housing stock in communities, it appears that these costs are high.

Data show that, of the $4.3 billion[45] NPARIH funding provided to state and territory governments, over the life of the agreement, around $930 million or around 21 per cent was on property and tenancy management. Over the last five years of the reforms, property and maintenance accounted for $630 million, or around 30 per cent of all NPARIH funding over the same period (Figure 64).

Figure 64 NPARIH funding to the States and Northern Territory – last 5 years
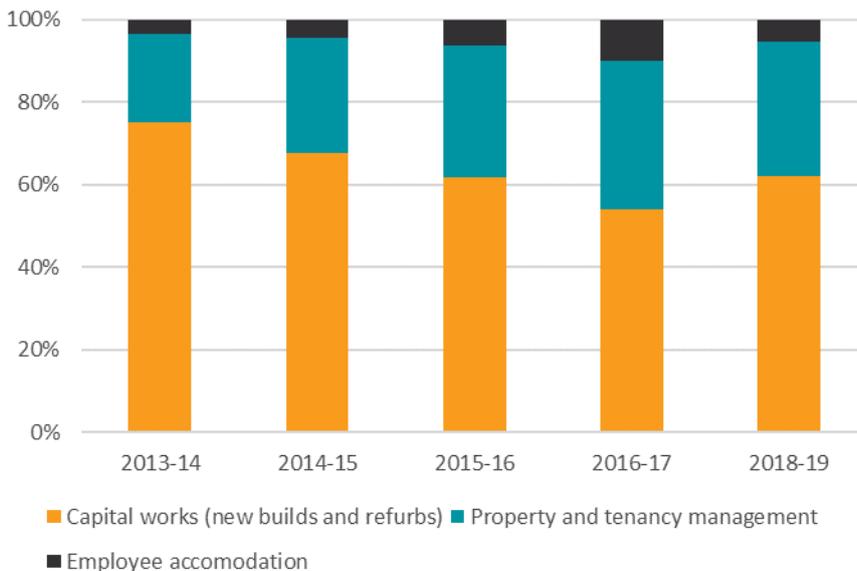
Source: DPMC 2016b

One of the main reasons that these costs are so high is that the cost of maintenance in remote communities is much higher than the rest of the state. The Nous Group (2017), found that most maintenance and repair activities in remote Indigenous housing cost between 1.4 and 4.5 times the cost of the equivalent activity in mainstream public housing, with some specific items up to 47 times higher. For example, they found that the per-unit cost of replacing a smoke alarm in very remote and island communities is between $500 and $2,000.

Emergency repairs were found to be particularly costly, with unplanned maintenance around 75 per cent higher, on average, than planned maintenance. At the extreme, some emergency repairs were 20 times higher than for planned maintenance.

[45] Total excludes expenditure on Indigenous community housing reforms.

The primary drivers of cost of maintenance in remote communities were labour and travel costs, with travel costs accounting for up to 96 per cent of total costs for emergency repairs.

Although accounting for a smaller proportion than repairs and maintenance, tenancy management costs are also high.

While the Commission has not been able to allocate all Queensland Government expenditures on tenancy management to the remote and discrete communities, data from DATSIP show that these are large in the communities where data are available. For example, data show that in 2015–16, over $400,000 was allocated to tenancy management in Hope Vale—a community with 226 state-managed houses.

The high ongoing costs associated with property and tenancy management in remote communities means that the majority of costs are not covered by rental income. A recent review (Nous Group 2017) estimated that only 16 per cent of delivery costs, excluding capital costs, are covered by rental income. This compares to 87 per cent in non-NPARIH public housing.

Figure 65 Rental income as a proportion of annual ongoing costs (2017–18 Budget)
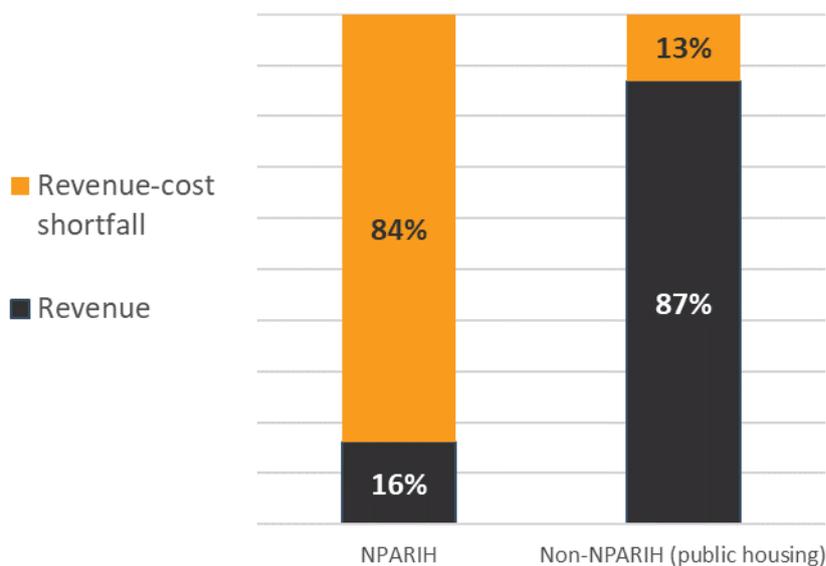
Note: costs include recurrent maintenance, capital upgrades and other expenses such as motor vehicles, travel costs and administration costs. Costs do not include depreciation or tenancy management costs.
Source: Nous Group 2017

Maintenance arrangements could be more efficient

The changes to property and tenancy management under NPARIH (where management moved to state control) have had mixed success, with maintenance arrangements appearing to have significant room for improvement.

Maintenance for properties covered by 40 year leases are now managed through Building Asset Services (BAS), a business area of DHPW. Maintenance issues are reported through a public housing call centre. These changes appear to have resulted in a system that is both inefficient and culturally inappropriate.

Maintenance is the aspect of the model that works least well in the case study communities. A high level of dissatisfaction from tenants and other stakeholders was evident regarding maintenance arrangements. A variety of concerns were reported: blue phones often don't work or tenants are reluctant to use them for a range of reasons including delays getting through, language barriers and the call centre operators not understanding the remote community context… Tenant complaints about delays in repairs and maintenance as maintenance budgets are stretched and it is increasingly only urgent health and safety issues that is undertaken. Tenants also complain about not receiving information about maintenance, including maintenance contractors arriving without notice … Stakeholders also raised concerns about the efficiency and cost of repairs and maintenance due to the duplication of effort and cost where the Building Assets Services, council and private contractors are all involved. (Habibis et al. 2016, p.58)

These concerns were echoed by many stakeholders, particularly regarding the way that maintenance is reported:

The principal means of reporting maintenance issues for social housing is via "BluePhones" in each community which connect directly to a BAS call centre in South East Queensland. Call centre staff frequently lack awareness of the existence, location and culture of the Torres Strait. When this lack of cultural awareness is combined with the fact that English is the 2nd or 3rd language of many callers, it makes the system very difficult for community members to navigate.

Tenants frequently report having made multiple reports of maintenance requirements with no feedback or work completed. This in turn impacts on rental collection rates, as tenants cease paying rent with the belief that they are not required to pay rent until maintenance is completed. (TSIRC sub. 12, p. 29)

This is not a new issue and was raised by stakeholders when the reforms were first implemented.

I am sure that there are no blue phones anywhere still extant in the former Soviet Union. The last holdouts of bureaucratic socialism on the planet live under the name of housing reform in remote indigenous communities. (Pearson 2010)

Stakeholders also raised concerns about inefficiencies in the way that maintenance works happen, particularly the relationship with BAS. TSIRC (sub. 12, p. 27) identifies inefficiencies in the current system, including in the way that works are priced, scoped and inspected. These include:

- excessive bureaucracy causing delays to approvals for works that leave works needing to be completed quickly, exacerbating the difficulties associated with remote works

- scoping errors that lead to houses already upgraded being scheduled for works, while others in need of upgrading are ignored

- inspections to verify work completions being undertaken by fly-in, fly-out BAS staff, when this could be done using existing local qualified residents for less cost

- a lack of holistic planning meaning BAS staff need to fly in and out on a regular basis, when this could be done in a single trip.

Community involvement seems to improve housing design but bureaucratic processes do not support this

There has been a longstanding concern that social housing is not always constructed in a way that best meets the needs of Aboriginal and Torres Strait Islander residents living in remote and discrete communities (Habibis et al. 2013). For example, a review conducted in 2008 (that included some remote communities in Queensland) identified significant liveability problems relating to a lack of concern for 'core cultural issues', a general lack of liveability in internal and external spaces and the ineffective management of the planning process (Fien et al. 2008, p. 1).

These concerns were raised by several stakeholders:

> Poor design of housing settlement and planning, require more transparency and active input from an inclusive approach that provide much needed desire for community to have input into planning a design that give prior informed consent. (NWQICSS sub. 23, p. 8)

> Housing needs to respond to the market rather than rely on historical approaches to housing in Indigenous communities. It has been proven time and time again that the current design parameters fail in Yarrabah. Houses are being worn out prior to the end of their useful life because they are an inappropriate design … the standard departmental design policy is totally inappropriate for community style living …The current design policy is therefore outdated and culturally insensitive and would never survive if Yarrabah people had the same choices as if they could engage in the free market. (YSC sub. 11, Annexure D, p. 5)

The recent review of NPARIH (DPMC 2017b) found that the fast roll-out of the program compromised design. While the review found that, in Queensland, the build quality was of a high standard (using mostly besser block construction) but more work was needed to improve amenity. The review also found, however, that where local councils where actively involved in construction, houses were better designed to meet the needs of communities, and communities were able to negotiate around build prices and additions.

Although there appears to be a consensus that community involvement in design was beneficial, stakeholders raised some concerns that excessive bureaucracy made community involvement challenging. For example, TSIRC (sub. 12, p. 29) said the process for design and approval processes for the construction of new dwellings are overly bureaucratic, does not comply with industry standards and creates unnecessary delays. They state that this occurs because under the current arrangements BAS is required to review completed design drawings prior to certification, despite there being design guidelines in place. TSIRC suggest that a design contractor should be able to submit certification for their architect confirming that the completed design complies with the New Housing Design Guidelines, in line with industry standards.

There is also a concern that the mix of housing could better match community needs. Hannan (sub. 24, p. 1) proposed that hostel type accommodation might fulfil an important role in reducing overcrowding and household tension. Such accommodation would provide single men (who may be returning from prison) with their own quarters, instead of with families who may be obliged to provide them accommodation. That submission also makes a case for housing specific to young single mothers who have high priority for housing, but are relatively powerless to prevent extended kin from moving in once they obtain a house.

The social housing system has created a range of perverse incentives

Social housing creates inefficiencies

As social housing is not owned individually, it can result in a moral hazard problem—this occurs because individuals are not responsible for the costs of repairs and hence have limited incentives to care for housing. This can increase the cost of housing provision by making repairs more frequent and/or reducing the lifespan of housing—the cost of which is borne by public housing authorities (and ultimately tax payers).

In a similar vein, a lack of 'say' in the management of one's housing has been associated with poor tenant wellbeing and taking worse care for housing (Kraatz et al. 2015, p. 36).

While a lack of property rights weakens individuals' incentives to care for property, intentional damage accounts for a relatively small proportion of housing costs in remote and discrete communities. Studies have shown that intentional resident damage accounts for less than 10 per cent of non-functioning household infrastructure, with the majority maintenance costs arising from poor design, low quality materials, poor cyclical maintenance and high levels of wear and tear from overcrowding (Brackertz and Wilkinson 2017).

A reliance on social housing erodes social norms

A key complaint about the social housing system in discrete communities is that it works to erode positive social norms, particularly those relating to individual responsibility (for example, see Cape York Institute 2007).

> *Housing in Aboriginal communities is central to the problem of passive welfare. (Pearson 2010)*

This erosion of norms occurs because people living in communities rely heavily on social housing and the current system requires little in return, apart from paying a small contribution to the cost of running the system. Rather than taking an active role in the management of housing, Indigenous communities have become passive recipients of externally managed housing.

Habibis et al. 2013 examined interactions between the state, Indigenous citizens and Indigenous governance structures. This research found:

> *These accounts provide a consistent narrative that when the state attempts to position Indigenous people according to its own norms and expectations it leaves a legacy of distrust and cynicism. Undifferentiated expectations about what constitutes 'good citizenship' and insufficient attention to the capacity of populations to meet such expectations risk generating apathy and resistance amongst target populations resulting in 'lose-lose' policy outcomes. (Habibis et al. 2013, p. 4)*

Schuele and Ellerman (2017) go further and argue that imposing inappropriate housing solutions on Indigenous people creates an environment of apathy and lack of care, which in turn encourages the growth of a range of social problems. They cite examples from the Americas, and highlight how community-led planning in Mapoon resulted in better outcomes than in Aurukun where planning was led by government, with little community involvement.

Tenancy rules seem to create disincentives to work

As noted in Cape York Institute's (2005) assessment of the economic viability of Cape York communities, a high degree of mobility is likely to be required if the residents of discrete communities are to take up employment opportunities.

Tenancy rules, combined with housing shortages and a lack of a private rental market (see Chapter 12) mean that community members have few incentives to leave communities for work since they may face losing housing they have waited years to attain. As noted by the Torres Strait Island Regional Council:

> *There are families not on the waiting list who hold professional and trade qualifications and cannot return to the Torres Strait due to lack of housing. Similarly, there are highly skilled people living in the Torres Strait who are ready to leave due to overcrowding. Our housing situation therefore also acts as a barrier to building capacity in the region by preventing highly skilled Torres Strait Islanders returning home, and forcing people to leave due to overcrowding. Lack of housing hinders mobility into and out of the Torres Strait and so also impacts on the development and retention of skills and experience in the region. (TSIRC sub. 12, attachment 3, p. 16)*

The low rents on offer in social housing can also leave people worse off if they move to take up work. As noted in the Forrest review, this problem is exacerbated in remote communities where moving not only means leaving kin, it also is most likely to entail taking up a low-skilled and low paying job, leaving families financially worse off after rents are accounted for (Forrest 2014).

The system can discourage people from seeking treatment and cause social disharmony

Grant et al. 2017 noted that, despite a high prevalence of disability in remote Indigenous populations, housing often lacked relevant amenities for disabled tenants, who were often unaware of or did not understand processes for enabling even basic modifications. The authors found that these issues meant residents often had to leave their community, at great personal cost.

The current tenancy management arrangements for social housing may exacerbate things:

> *Those accessing rehabilitation are expected to transfer their Centrelink funds through to pay for their stay. This can mean that a potential rehab client cannot retain their community based housing which they may have had to wait months or even years to secure. (Hannan sub. 24, p. 2)*

> *There are also Islanders who have been bought down from the Torres Strait for health care that the Torres Strait does not have living in self containing holiday units, some for over five years, … Most are on disability income or pension. Some still pay rent to property on their own communities fearing losing them. This then chock housing availability in remote communities. (Pau Enterprises sub. 19, p. 4)*

Some stakeholders raised concerns that the shortage of housing was resulting in perverse behaviours in order to secure a home:

> *DFV [Domestic and family violence] is also an item of currency that is manipulated to secure immediate housing in other settlements to accommodate personal gratification—fuelling anger and rejection of those in need of accommodation who will have to extend their waiting period whilst in limbo of homelessness and overcrowding. (NWQICSS sub. 23, p. 8)*

Others considered that social housing eligibility rules create problems:

> *Single men are unlikely to be granted social housing as families are the priority. This means single men permeate the housing occupied by families. Single men are often those that disrupt houses through their alcohol consumption. This is why children are scared at night and tired at school. (Hannan sub. 24, p. 1)*

Incentives may crowd out private sector activity

There is evidence that Indigenous councils have large financial incentives, created by fiscal sustainability issues, that encourage them to undertake construction works on behalf of DHPW. For example, TSIRC (sub. 12, attachment p. 4) shows that around 46 per cent of its revenue is sourced from recoverable works, primarily undertaken by the council's in-house Building Services Unit on social housing. This seems to be a growing practice amongst councils:

> *Under this program, councils have built capacity and capability over the past 5 years to become Principle Contractors, maximising the amount of government funding that stays within Indigenous communities through the employment of local building crews and through the use of local service providers. In 2017-18 over 70% of houses will be built by Indigenous councils acting as principal contractors, up from 10%, 5 years ago.*

> *Lockhart River Aboriginal Shire Council is a good example of this in practice. This financial year they expect to show a profit to council of just under $1 million from key projects like NPARIH, allowing council to re-invest in programs in response to identified community need or to leverage additional grants. (LGAQ sub. 14, p. 33)*

While councils' ability to undertake building works helps to retain income in remote communities and create local employment opportunities, it is also possible that it also crowds out other private activities and discourages individuals to start up their own businesses. Councils appear to be undertaking this work, at least in part, because they face significant shortfalls in income to meet their basic service delivery requirements:

> *We have to operate commercially in order to cross subsidise government funding levels of key services and to self-fund key community and cultural programs. We have year on year shortfalls in funding provided by government for core municipal services. (CEO of Lockhart River, LGAQ sub. 14, p. 33)*

13.3 Possible solutions

Actively involving Aboriginal and Torres Strait Islander people in property and tenancy management

The NPARIH reforms have achieved an increase in housing stock—which has gone some way to address the chronic levels of overcrowding in the discrete communities—and have made progress towards normalising tenancy arrangements. However, this has come at a cost, both in financial terms and in terms of the lost opportunity to develop community capability. Arguably, a better outcome may have been achieved if effort had been put into developing the capacity and capability of communities, rather than simply subsuming tenancy and property management into state control.

Many of the issues relating to the management and construction of housing in remote and discrete communities stem from a system that does not include Indigenous participation. Improving things requires a move away from a centrally managed approach to one that more deeply involves communities:

> *Our research adds to the existing evidence base that where housing is delivered by Indigenous people much can be achieved to improve Indigenous housing outcomes. But despite this, and a policy context that encourages Indigenous involvement in housing delivery, little has been done to increase the size of the Indigenous community housing sector. There is an urgent need for governments to support capacity building of Indigenous community organisations so that they can compete in the community housing provider sector. (UTAS sub. 1, p. 2)*

Although the evidence suggests that an important solution is to find ways to move social housing into community control, some care needs to be exercised in how this is done. Change needs to be managed so that capabilities are developed in communities and gains that have been made under the NPARIH reforms are not lost.

Lessons from the past suggest that capacity will need to be established in community organisations prior to the transition of social housing into community control. Most importantly, it must be recognised social housing rents will not cover tenancy and maintenance cost, and that ongoing and appropriate funding will be required. One of the key reasons for the failure of Indigenous controlled housing management under the CHIP was that Indigenous organisations were not properly resourced to manage housing stock, instead relying on ad-hoc funding (PWC 2007).

The recent NPARIH review (DPMC 2017b) recommends that, if community management of social housing is to be considered, a regional approach to build capacity and scale economies is likely to be required. Under the wider reform agenda outlined in Chapter 7, authorising bodies will have an important role to play in this regard.

There is also a need to allow greater flexibility in the way that tenancies are managed. This needs to include Indigenous perspectives on living (Habibis et al. 2013) and might include alternative rent setting systems (Box 13.3).

Box 13.3 Alternative rent policies

A levy system

Prior to 2007, many Indigenous councils moved to a levy system in lieu of rents. This is made possible through a provision in the *Local Government Act 2009*, which allows Indigenous Councils to enact a 'poll tax'-like levy on residents.

This was a preferred model for some townships, since it allowed rents to be charged to all residents, rather than having responsibility for rent collection falling to a head tenant. This prevented the creation of perverse incentives, where tenants with good records were penalised by having visitors stay for extended periods.

A cost-recovery model

A local land council on the Central Coast of New South Wales runs an Affordable Housing Program based on cost recovery. For each dwelling, a base rent is set each year, which covers the cost of rates, insurance and cyclical maintenance.

Costs are reviewed annually and rents adjusted accordingly. If a tenant has taken good care of their home and maintenance costs are lower then expected than rent is lowered. Conversely, if the tenant has been careless and maintenance costs are higher than expected, rents are raised to cover the difference.

Ensuring eligibility for Commonwealth rental assistance

Most community housing rent policies base rental charges in a way that maximises tenant's access to rent assistance from the Australian Government. This can significantly increase the rental incomes available to manage housing, but is likely to require significant increases over the rents currently charged in most remote and discrete communities.

Source: DPMC 2017b, Limerick et al 2012.

Removing red tape associated with construction and maintenance

As discussed in this chapter, stakeholder feedback suggests that the arrangements for contracting maintenance and construction works are excessively bureaucratic.

The broader reforms proposed in Chapter 7 will help to resolve many of these issues by bringing contracting of works under community control. For example, if social housing stock moves to community control, there is no reason why the managing body cannot also contract maintenance works and construction directly if this is desired and the capacity exists. As discussed in Chapter 8 (structural reform), these issues should be solved by negotiation between communities and the state.

During the transition to any new arrangements, the state could review the processes through which it contracts work, and take into account the concerns raised by stakeholders.

As a start, the state could remove arbitrary times for completion dates relating to maintenance and construction work. End-of-financial-year completion dates appear to serve no purpose other than to meet agency acquittal needs, and exacerbate delivery pressures in remote settings. Further, slower timeframes allow greater community involvement, helping to build capacity and employment (Box 13.4).

A longer-term focus on funding would help address this issue—providing multi-year funding and delivery cycles (5–10 years) would better facilitate training needs and avoid the creation of boom and bust conditions in remote and discrete Aboriginal and Torres Strait Islander communities.

Box 13.4 Community engagement—Bynoe Community Advancement Cooperative Society (CACS), Normanton, Qld

Bynoe CACS, an Indigenous organisation, and an external mainstream contractor were each contracted to construct four to five houses in the Normanton region. Each delivered housing that was similar in terms of cost and quality (after 10 years there was no noticeable difference between the houses).

The key difference was that Bynoe used local training and employment, while the external contractor did not. Bynoe took around twice as long to construct the housing, and was able to train workers, resulting in ongoing employment for community members in repairs and maintenance programs.

While Bynoe's pre-existing strong governance structures were key to the success of the construction program, the organisation's internal governance structures were strengthened through the procurement process.

Table 32 Outcomes from a community-controlled construction project

Contractor	Number of houses	Start date	Completion date	Unit cost
External contractor	5	21-11-1997	03-08-1998	$184,140
Bynoe CACS	4	27-02-1998	25-09-1999	$176,475

Source: Davidson et al. 2011, pp. 44–57.

Using more caution in relation to social housing procurement

In discrete communities, Indigenous Councils are the preferred provider for much of the maintenance and construction works to support social housing. While preferential procurement policies can be successful in generating local employment and capacity (Pholeros & Phibbs 2012), they can also have unintended consequences.

Under current funding arrangements, Indigenous councils face ongoing revenue shortfalls (discussed more in chapter 14). This places these councils in the position where they need to maximise returns on works to fund basic municipal services. Given their position as monopoly providers, this is likely to keep the costs of maintaining and constructing housing higher than they should be, and may crowd out the ability of individuals to engage in private sector activity (such as starting up a maintenance business).[46]

Solutions are not straightforward—in most communities, local residents have little experience engaging in private sector activity, and many councils play an important role in engaging local residents in economic activity and in engaging their communities in housing decisions.

Nevertheless, a longer term perspective suggests that local councils need to have a transition path that reduces their dependence on construction and maintenance works. Over the long run, this will provide communities with more options for managing housing construction and maintenance and encourage the development of private activity.

Using innovative approaches so communities and individuals have 'skin in the game'

To address perverse incentives associated with externally provided social housing, residents of remote and discrete communities need to be actively involved in the management and construction of housing. This will be difficult to achieve while housing in a community is centrally managed by the state.

There are many ways that community and residents can increase their 'skin in the game'.

Within community-based housing it may be possible to create incentives that mimic some features of home ownership, and that pursue community objectives. For example, an affordable housing program on the NSW Central Coast sets rents annually based on rates, insurance and cyclical maintenance, with the rent adjusting up or down to reflect the impact of tenant care or carelessness (DPMC 2017, p. 51). Similarly, individual or community-level financial incentives can be used to encourage greater individual responsibility for maintenance.[47]

The most complete way to increase 'skin in the game' is to grow the levels of home ownership in remote and discrete communities (Hughes et al. 2010). While there is some debate about the extent to which home ownership is a suitable instrument for remote Indigenous communities (SCRGSP 2016a), studies have shown that there are high levels of desire for, and understanding of, home ownership (Memmott et al. 2009; Moran et al. 2002).

Data also provide some support for this view—home ownership rates have increased steadily in the non-discrete communities, where there are few impediments to home ownership, but have not changed in the discrete communities where the impediments to ownership are much higher (Table 33).

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[46] Conversations with CEOs in some communities suggest that Indigenous councils are making large margins on maintenance and construction works, artificially increasing costs. While this creates income for the community, it puts pressure on housing, resulting in fewer houses being built or maintained.

[47] For example, a program that allows communities or individuals to keep the returns from any savings they generate would provide incentives for more efficient use of maintenance expenditures.

Table 33 Indigenous home ownership rates in remote and discrete communities

	Discrete communities %	Other remote communities %
2006	4.0	27.7
2011	3.4	34.0
2016	3.9	37.8

Sources: ABS 2011a; ABS 2016a.

While there has been significant progress in making land available for home ownership in the discrete communities (see Chapter 12), a number of impediments including high construction costs and low incomes of most residents, are likely to make it difficult for traditional home ownership models to operate on a broad scale, particularly where land is held communally or tenure is inalienable.

Despite these constraints, there are several ways in which home ownership could be encouraged in the discrete communities:

- Changing rent policies to encourage well-paid local residents to move into home ownership.

- Exploring alternatives to direct home ownership that provide similar benefits—Crabtree et al. 2012 suggest that community land trusts have been used extensively overseas and may offer opportunities for Indigenous housing.

- Using self-build initiatives—O'Brien (2011) provides examples of where self-build initiatives have been successful and have allowed houses to be constructed at a fraction of the cost of similar state-funded construction. Peter & Ayora (2011) identified significant benefits to proponents from self-build projects (including self-confidence, a sense of pride and ownership), but noted that there was little support available for self-builders in remote locations.

- Using vouchers to encourage user choice—the Empowered Communities Design Report (Empowered Communities 2015) suggests that vouchers can be used to replace existing subsidies provided through Indigenous Business Australia, or can be used to encourage more user choice in the construction of social housing.

- Alternative financing options, where the state provides subsidies for loans instead of directly funding housing, may also offer solutions (see Box 13.5).

Box 13.5 The Kāinga Whenua Program—enabling home ownership on Māori land

The Kāinga Whenua loan scheme is a joint initiative between Kiwibank and Housing New Zealand (HNZ). The scheme aims to make it easier to borrow and construct dwellings on land with communal ownership. It allows applicants to borrow to build or relocate a home, using only that home as security for the loan.

There is a requirement for the housing to be removable (built on wooden piles, be single-storey of at least 70 square metres, with road access and located on the mainland of the North or South Islands). This allows the house to be repossessed in the event the owner defaults on the loan. This requirement can be waived if alternative security is provided. At least one borrower must live in the house full-time (so the house is not available for rent or use as a holiday home).

Interest rates for the loan are set at market rates. Under the scheme, Kiwibank operates as the exclusive lender and HNZ acts as Guarantor. Normal credit requirements are applied by Kiwibank.

Applicants can loan up to $200,000. The scheme has been extended to allow Maori Trusts access to the loans and to provide grants for connecting to infrastructure.

The original scheme was launched in February 2010, as an extension of the Welcome Home loan scheme that provided low or no deposit loans for first home buyers.

An initial review of the scheme in 2011 indicated that only one loan had been made. Key issues were that:

- Loans took additional time to complete—up to 30 steps could be required to effect the loan
- securing land owner approvals was problematic when those owners were not represented by a land trust, requiring individual signatures of all the owners
- applicants below the income eligibility thresholds (initially $85,000 per annum for a two-income household) would have difficulty servicing the loan and satisfying Kiwibank credit criteria.

Following that review, eligibility criteria were relaxed, increasing the income limits to $120,000 for one borrower and $160,000 for two borrowers.

A follow-up review in 2014 indicates that an additional ten loans had been agreed.

A further issue raised by the initial review was that if the home owner wished to sell, only Maori able to obtain licences to occupy would be able to purchase the home. The limited secondary market for such houses would place owners seeking to sell at a disadvantage, reducing the price that could be obtained for the house. The prospect of being unable to repay the principle would mean triggering repossession, and HNZ seeking redress for the unpaid amount. The practical effect would be that original owners were effectively locked into owning their house. The review was concerned that applicants should be made aware of the likely financial constraints on future sale.

Sources: Toomey et al. 2017; Controller and Auditor-General 2011, 2014.

Consideration should also be given to offering existing long-term tenants the option of moving to home ownership at low or zero cost. Currently, social housing is available for purchase to residents at prices that, while below the cost of replacement, are likely to be well above market prices.[48]

Given the large and ongoing subsidies being paid by the state to manage existing social housing stock, there is a strong financial and economic basis to transfer housing to existing tenants at low or zero cost should they have the desire and capacity to manage their own housing. The key proviso should be that there has been some assessment of tenant capacity, and that land tenure arrangements have been clearly established prior to transfer.

While there are a range of options that may provide greater opportunities for local residents, the options are unlikely to be successful or cost-effective where they are initiated by the state. Success is more likely to be achieved where communities demonstrate a commitment and desire for change, and are heavily involved in developing solutions (Box 13.6).

Box 13.6 Lessons learned from Katter leases

In 1985, the Queensland Government enabled Indigenous community residents to enter into home ownership leases under the *Aborigines and Torres Strait Islanders (Land Holding) Act 1985*—known colloquially as' Katter' leases. Under the Act, leases were created and existing houses on these properties sold to the leaseholders.

The Katter leases are now widely acknowledged as being problematic. Many leaseholders were left with houses in poor condition and were subsequently abandoned. Many of the leases were approved under the Act, but were never finalised, leaving the tenure of the land in limbo. In many cases, the original applicant has since deceased, and tenure resolution has yet to be resolved.

The following key lessons have been learned from the experience with Katter leases:

- it was a government initiative pushed by external stakeholders rather than the community itself

- councils were only recently established and had little capacity to negotiate.

- houses were already old and at the end of their life cycle

- people did not understand that maintenance was their responsibility

- land tenure was not dealt with from the outset and remains largely unresolved today (although the Queensland Government has commenced a program of resolution, and has committed to resolving all outstanding leases within the next 5 years).

Sources: Moran et al. 2002; Queensland Government 2016.

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[48] It is difficult to establish market values in the discrete communities because markets are so shallow. However, given the inalienable nature of land, the remoteness of most communities, the high costs of maintenance and the low incomes of those eligible to purchase housing, it is likely that market rates would be very low.

13.4 Homelessness

It is difficult to determine the extent of homelessness in the remote and discrete communities covered by this inquiry. Not only are there limited data on homelessness, but the definition of homelessness is not clear, as many Indigenous people dwelling in public places may not consider themselves homeless and may not require physical accommodation services (AIHW 2011a).

Nevertheless, the data show that while homelessness rates are significantly higher amongst Indigenous populations than non-indigenous populations (AIHW 2011a), homelessness is significantly less prevalent in remote regions than in regional and urban areas (ABS 2016a). Although homelessness is lower in remote areas, there appears to be strong links between lack of services in remote regions and homelessness experienced in regional centres:

> *… this results in persons from Cape communities being forced to relocate either temporarily or permanently to Cairns because of a lack of sustainable lifestyle and services in their community … when services have failed to provide robust return to country programs, community members have become dislocated and substandard living arrangements have been adopted including rough sleeping and overcrowding. (Cairns Regional Council sub. 3, p. 1)*

Solutions to homelessness may need to include education and assistance to Aboriginal and Torres Strait Islanders migrating to urban areas—either temporarily for health or justice purposes, or permanently for economic or family reasons:

> *Pau Enterprises do not want to only provide a housing solution to the Torres Strait Islander migration but a migration program to educate Islander migrants how to live in an urban setting, the services available, the opportunities, how their skills can be valuable to the Cairns community, be involve in the Cairns communities, understanding finance, budgeting, investment and social and civic responsibilities. (Pau Enterprises sub. 19, p. 4)*

Box 13.7 What works—Return to Country Program

An increase in the number of Indigenous homeless people in Cairns prompted the Queensland Police Force to commence a pilot return to country program. The program was designed to assist homeless people who were voluntarily seeking to return to their home communities in Cape York, but could not afford to do so.

The Central Queensland University undertook a study to assess the running costs of the program and evaluate its net economic benefit.

The 'return to country' model, was first trialled in Alice Springs. It facilitates transport and health checks and coordinates subsidised airfares to participants' home communities. The Cairns return to country model also made sure there was adequate housing when a participant returned to their home community.

The total cost of the program was estimated at $135,831, or $970 per participant. By assisting 140 individuals, the program potentially saved $2.7 million worth of health and justice services.

The program shows that relatively simple, low-cost programs can generate significant savings and facilitate psychological wellbeing and social cohesion for Aboriginal and Torres Strait Islander people and their communities.

Source: Kinchin et al. 2016.

Recommendation 16

To provide better support for housing, the Queensland Government should:

- transition property and tenancy management to community control

- ensure that, where housing management is moved into community control, sufficient capacity is established, including funding for maintenance and tenancy management

- identify and remove unnecessary red tape from construction and maintenance practices

- revise construction and maintenance procurement policies so that they do not impede the development of private providers in the communities

- explore providing support for home ownership by offering social housing stock to long-term tenants at low or zero cost

- examine ways to increase financing for home ownership, including home ownership models that support communal land ownership.

- work with the Australian Government to finalise an agreement on funding for social housing before 30 June 2018.