

## **VPTA Policy Position Statement – Rent Setting Policy and related matters.**

### **Executive Summary:**

There are a number of options that should be considered in order to build a fairer public housing system that better takes into account the needs of individuals and facilitates improved management practices and a more cost effective system.

The current rent options, being the lesser of 25% of household income (rebated rent) or market rent, lack flexibility and for some public housing tenants on very low incomes is unaffordable. Additionally, the system of calculating and collecting rents may be subject to rounding and needs to be tightened up.

The VPTA wants to ensure that public housing remains as a viable and affordable option for those in genuine need. Those living in public housing must continue to meet the eligibility criteria and comply with the prescribed rules and regulations.

Tenancies should be reviewed on a regular (risk assessed) basis with tenants being obliged to notify the Department as their individual circumstances change. A change in circumstances should trigger a review of the tenancy.

The Department should look at tightening its legislation and investigative powers to ensure that compliance matters can be properly and thoroughly investigated. This may include a more timely income and rent assessment process and strengthened data matching arrangements with other agencies.

Rent collection options should be limited to Centrepay (preferred) and direct debit for clients not in receipt of Centrelink payments. Manual payment methods should apply only where there is no alternative.

### **DHS Current Rental Policy**

According to the DHS website:-

*"Every person living in public housing must pay rent.*

*There are two types of rent, 'market rent' and 'rebated rent'. The rent you are required to pay is calculated using your total household income. This calculation ensures that you never pay more than 25 per cent of your household income on rent.*

*Household rents are set twice a year and are fixed for up to 26 weeks even if your household income goes up. If your income goes down during this time, you can apply to reduce your rental payments. However if your income changes, you should always contact your local housing office immediately.*

*Your rent is reviewed twice a year and whenever you report a change in your household details (i.e. household composition, income or assets). Each review may change the amount of rent you need to pay. If this happens you will be notified in writing."*

The VPTA questions whether the lesser of market rent or rebated rent are the best options for rent assessment. Do they achieve what they are intended to do? Is there a better approach that could be taken?

Additionally, the VPTA has concerns about how well the rental policy is understood and the clarity of advice issued by the Department in relation to rental reviews which, based on the number of enquiries we receive, many tenants find confusing.

## **Fairer Rents – Getting what you pay for.**

What is a fair rent?

The VPTA believes rents should be levied more equitably and consistently across the board based in part on an individual's circumstances, ability to pay and the living qualities of the property that is on offer. Properties could be ranked on a combination of factors including its location, size, age and condition of the property, taking into account the features of the property and its amenity. The VPTA believes that all properties should be allocated a rating that is a starting point for rent calculations. Higher rated properties may command a higher rental and not simply an across the board % of household income or market rate as is currently the case.

One feature of such a system would be that it introduces an element of choice. Under choice based letting tenants are more likely to get what they want and what they pay for and occupancy rates maximised. Property condition and overall quality of properties on offer must be of the requisite standard.

The VPTA believes the current 25% of household income should remain the upper limit for public housing rental and that the rate should be less if the property does not warrant the maximum rental rate.

There currently are a number of anomalies in regard to properties on offer e.g.:-

- Someone on 25% rebated rent living in a single bedroom unit pays the same as someone living in a three or four bedroom home.
- Older, high maintenance dwellings are charged out at the same rate as better designed energy efficient contemporary buildings.
- Some residences have gardens and other features that provide greater amenity and perhaps could command a higher rate or level of subsidy.
- Some are in more desirable locations being close to places of employment, public transport and services.
- Properties in isolated or remote locations command the same rental as inner city dwellings.
- Quality and suitability of properties on offer varies wildly.

The VPTA would like to see a thorough review of the rent system with other models being considered. What is the current 25% subsidised rent amount based on?

We believe that a better system would be to consider the rating of the property in the first instance and that 25% be the upper ceiling for highest rated properties unless a tenant elects to pay more for a premium property of his/her choice. The lowest rated properties might attract a 20% rental, increasing to the upper ceiling amount depending on the rating scale employed.

Where a property is poorly maintained or has out lived its intended service life this property should attract a lower rental. This may help "encourage" a more responsive and timely property management and asset replacement program and overall serve to raise the standard of properties on offer from the Department.

Delivering value and the best return on investment must be tied to the value proposition for the property being offered. Tenants, like any other client, should be given value for money.

### **Special Considerations - Hardship**

At present there are many people living in public housing who simply cannot make ends meet. We note that certain categories of Centrelink income support payments are paid at lower rates than others and have little if no bearing on the real cost of living. Sole parents and single persons on Newstart are two examples. For some of these tenants what is left after rents are deducted is insufficient to meet their needs – they may be unable to support themselves or their dependents. This is exacerbated for those with legitimate unavoidable costs such as medicines which are not available on the National Pharmaceutical Benefits Scheme. In these cases the 25% rental impost may be too

high and some consideration needs to be given for higher rent subsidy for genuine cases of extreme hardship beyond their control.

One alternative to rent assessment being based on household income would be to look at what is left after genuine and reasonable living expenses are deducted and any negative value could be deducted from the rental rate. This would require the establishment of a minimum cost of living figure (excluding rent) for individuals and families, with or without dependants.

If household income is to remain the determining factor for some cases the VPTA recommends a fixed lower rental of say 20% for low income categories. It may be possible for the Federal Govt. to provide additional subsidy to the State Government in such exceptional cases.

Alternatively Commonwealth Rent Assistance (CRA) may be applied as a form of additional subsidy paid to the State Government. This would require change in CRA eligibility criteria as people in receipt of subsidised rent are presently not eligible.

A simple funding option for a hardship scheme would be for the Dept. to with-hold and invest a small percentage of rents collected for such an eventuality.

Any subsidy paid under this scheme could be non-refundable or may be in the form of a refundable loan to be repaid without interest by the tenant when his/her situation improves and the special consideration is no longer required.

### **Temporary Subsidies**

One way of providing special consideration to those suffering temporary hardship would be to increase the rent subsidy paid by Govt. for a specific short term period or for an indefinite period subject to review.

Short term rent reduction may be applied in circumstances where the tenant has higher than normal, unforeseen, non discretionary expenses, such as when undergoing medical treatment or attending rehabilitation or training as a precursor for employment or to assist in making the transition from public housing. There may be many circumstances that may warrant this consideration, all of which could be identified as an outcome of a proper functioning case management system.

The VPTA would not endorse any program where the subsidy is likely to be abused or where additional tenant funds freed up by the scheme are used for inappropriate, illegal or improper purposes. Should this be the case the monies discounted from rent would be repayable as a debt under the terms of the agreement.

### **Permanent Situations**

Where a tenant has a legitimate and permanent need for a reduced rental the case must be considered on its merits and, where possible, external agencies be engaged for additional and ongoing support; again as an outcome of an effective case management system.

### **Tenant Contribution other than rent**

In some instances rentals might be set and reduced based on the contribution being made by the tenant to the overall management of the property and support to the broader tenant community. Model tenants who contribute more than rent by maintaining their residence to a high standard, helping others do the same and generally improving the public housing community by being a good neighbour should be encouraged and rewarded. Incentives by way of rent reductions could be applied to recognising and rewarding sustained positive contribution.

### **Bond Schemes**

The VPTA believes tenants with a poor tenancy record including damage to property should be required to provide a bond or security sufficient to cover the cost of any likely damage or maintenance that may be required to bring the property back to a habitable state before it can be

offered to new tenants. The level of any bond would equate to the value of any damage by the tenant on their previous property, based on the assumption that any previous damage has been repaid.

The money invested in these schemes could be used as a surety and to provide rent reductions in times of hardship.

### **Market Rent - Home Truths**

The VPTA questions whether the lesser of market rent or rebated rent is the best option for rent assessment. Market rent in many cases appears to be too low and is not a true reflection of the rent that could or should be charged for a particular dwelling. An artificially low market rent may encourage and attract more people to live in public housing when they may be able to access the private market. This is to the detriment of genuinely needy cases, given the severe shortage of public housing stock and unacceptably long waiting lists.

The system of market rents needs revision. If public housing is for low income households then rents should be income based. Household incomes must be fully assessed and any changes should be notified immediately.

Those who can afford to move to the private rental market should be required to do so. Public housing should only be available to those in need with no other realistic housing option.

Being on a market rent assessment is not a true indicator of need. Rather it is a cheaper option when household incomes are higher than the current 25% ceiling for rebated rent.

Market rent should only be applied in temporary circumstances where increase in household income would preclude the tenant from rebated rent for up to 3 months, beyond which a detailed review should be undertaken. In many instances the tenant's own income would be well under the 25% threshold – the tenant would never be able to afford market rent if it was not for other higher income residents sharing with them.

The public housing system should not provide subsidised rent for those who could afford private rent and would not be eligible for public housing in their own right. The assets and income test should apply to all prospective residents not just to tenants.

The VPTA believes that payment of market rent, albeit discounted, should not be a qualifier for Public Housing.

### **Fixing the Rorts**

Market rent should be set at a comparative and realistic market rate giving incentive for people who can afford it to move into the private rental market.

Anecdotally the VPTA hears of many cases where one or more persons are residing with the tenant, thereby saving money by paying cheaper rent than they would otherwise have to pay in the private rental market. In these cases, public housing is subsidising people with realistic options outside the public housing system. This is surely not the intent or purpose of the public housing system. The situation is made worse whilst there are many people in genuine need on the waiting list who are unlikely to be housed.

We understand that if household income is properly notified, where 25% of that amount exceeds what would be charged by way of market rent, the market rent figure is used for rent payable purposes. In these cases, full market rent should be charged as if the property was in the private rental market.

We hear of cases of relatives, friends, "carers" and acquaintances of bona fide public housing tenants moving in and sharing a residence without additional rent being paid or where a token rent is paid based on the shared market rent assessment.

A tenant is required to notify a change in income or when somebody moves in or out of the property.

The tenant is in breach if he/she fails to notify or provides false information. The Dept. is entitled to know who resides at its premises.

The VPTA believes that the Department's investigation and legislative powers may need to be strengthened, particularly if it is losing cases at VCAT due to lack of evidence.

Strengthened data matching with other agencies and wider powers of investigation would assist in prosecuting cases, particularly when it comes to assessing whether someone is a bona fide visitor or a resident. At present the Dept. can request the name of anyone residing in its property but appears to have little power in determining the identity and residential status of "visitors" to the property where residency is denied.

The VPTA supports the Dept. having the stronger investigate tools and legislation to maintain the integrity of the public housing system.

In this regard the terms "carer" or "visitor" may need to be better defined.

### **Rent Collection Methodologies**

The VPTA recommends that the Centrepay system be mandatory for all DHS clients in receipt of a Centrelink income support payment.

The option to pay by direct debit should be limited to non-Centrelink clients and those in employment. We recognise that direct debit can be an issue where there are insufficient funds in the client's account. Where this occurs tenants should contact the Dept. immediately to make alternate arrangements for the payment to be made or to negotiate a payment plan to address any rental arrears problem rather than run the risk of eviction.

Where a manual payment system is requested without a compelling reason an administration fee on top of the rental amount may be warranted.

### **Income Based Rents**

Where income varies we recommend use of the Centrelink income confirmation service for Centrelink clients. This allows for the rent amount to be automatically adjusted based on actual income.

For non-Centrelink clients, rise and fall changes in income and subsequently on rental rates are based on notification date and the rent adjusted based on average income – subject to confirmation 12 weekly. The current rent review process can be confusing, particularly where income varies significantly, and needs to be more responsive to tenant/resident changes in circumstances to encourage greater compliance.

### **Market Demand and Allocation Policy**

The VPTA wants to see allocations based on need and the suitability of the property for the tenant underwritten by an effective case management regime.

Where properties are difficult to tenant a discounted rate should be applied, particularly if the property location and standard is an issue and the property is consistently vacant. Alternatively, under-performing assets should be sold or, if cost effective to do so, brought up to an acceptable standard. The money realised from sale of undesirable properties should be invested in better properties in more sought after areas.

### **The Waiting List Imperative - the last word**

There are some 37,000 people on the waiting list for public housing and a chronic shortage of properties available for public housing rental. Whilst this is the case, everything that can be done must be done to ensure that public housing is available for legitimate cases of those in greatest need.