

Review of the operation of the National Housing Finance and Investment Corporation Act 2018

Submission provided by David Cant

Introduction

This submission into the review of the operation of the NHFIC Act 2018 is provided in a personal capacity by David Cant.

I am a board director of the NHFIC, an independent director of PowerHousing Australia and Independent Chair of Uniting Housing Victoria and Uniting Housing Australia. I have been involved with social and affordable housing over four decades initially in the UK and for the last 18 years in Australia. I worked for the UK Housing Corporation as a regulator and funder of housing associations for 10 years. I was CEO of a UK housing association with 6000 homes and was appointed as inaugural CEO of Brisbane Housing Company in 2002 and relinquishing that role in 2017.

The views expressed in this submission are my own and do not necessarily represent in any way the opinions or policy positions of the organisations that I am presently associated with.

The focus of this submission is on the wider “other issues” relevant to the operation of the NHFIC Act as invited on page 9 of the Issues Paper.

The Objects of the NHFIC Act 2018.

Notwithstanding the useful overview of the NHFIC’s purpose and functions provided in the Issues Paper published in December 2020 as part of this review, I consider that a valuable context for these comments is provided by the Objects of the NHFIC Act 2018 as set out in section 3 of the Act.

“The object of this Act is to establish the NHFIC to improve housing outcomes for Australians by:

- (a) strengthening efforts to increase the supply of housing; and
- (b) encouraging investment in housing (particularly in the social and affordable housing sector); and
- (c) providing finance, grants or investment that complement, leverage or support Commonwealth, State or Territory activities relating to housing; and
- (d) contributing to the development of the scale, efficiency and effectiveness of the community housing sector in Australia.”

What is apparent from the breadth of this object in the 2018 Act (which of course was supplemented further by the amendments legislated in 2019) is that NHFIC is expected to operate in a variety of ways to further an extremely broad goal of “improving housing outcomes for Australians”.

A widespread view of the NHFIC at the outset of its operations (which was shared by me) was that it was principally concerned with funding for CHPs by means of the Bond Aggregator (BA) mechanism. This was an understandable misconception given the innovation that the BA represented in the Australian context, the significance of this reform for the growth and sustainability of the CHP sector and the speed and success achieved in its implementation.

The more recent additions to the role of NHFIC in 2019 (i.e., the research function and measures to assist first time buyers) are in fact totally consistent with the initial statutory goal.

That said, my key point for this review is that NHFIC's role and scope should now be further enhanced to enable much needed progress addressing the overarching goal of improving housing outcomes for Australians.

Affordable housing in a federal context

The Australian constitution imposes considerable challenges for effective implementation of policy on affordable housing in my view.

Clearly, it is the case that State Governments have primary carriage of housing policy and this is not expected to change. However, it is apparent from observation of the performance of different state and territory jurisdictions that their success in fulfilling this responsibility is very varied and fluctuates in its effectiveness in individual jurisdictions over time.

The reasons for this variability within and between jurisdictions are many, but a significant aspect is that delivery of affordable housing is technically complex, requires a programmed approach (over a period of years) and is capital intensive. Occasionally a state or territory will make this goal a priority, acquire suitable capacity within its staffing and achieve important results. Sadly, in many instances, this focus falls away after a disappointingly short period and the results diminish, supply shortages increase and wait lists grow. Capacity, once lost, is difficult and time-consuming to rebuild.

These inconsistencies are profoundly damaging to the Australian population given the key role that the provision of adequate amounts of appropriate affordable housing plays in supporting health, educational and social policy goals.

Over the 18 years in which I have worked in housing in Australia I have frequently heard Ministers and officials in the Commonwealth Government bemoan the fact that the Commonwealth funds state and territory housing activities but is poorly informed about the results achieved and largely unable to ensure that Commonwealth funds achieve good value for money. Investment made through NHFIC does not suffer this longstanding deficiency.

I have been excited to see the way that NHFIC has been able to build strong partnerships with some state and territory governments and amplify their

achievements. There are excellent examples since NHFIC was established of tri-partite collaborations of government (both state and territory), CHPs and NHFIC. These partnerships have, I believe, incentivised increased investment by state and territory governments, accelerated the transmission of skills and built capacity amongst all participants in the process. More of this is needed across more aspects of the housing system. The simplest way for the Commonwealth to facilitate this would be for a further broadening of the scope of NHFIC. By this means NHFIC would be a key resource on all aspects of housing policy for all parts of the Federation. More transparent, consistent, economic, effective and efficient results would be forthcoming.

Three areas where “break-through” policy and practice innovation is needed in Australia

Three areas where the broadening of NHFIC’s role could be directed are:

- Making better use of existing housing assets (reducing under occupancy in both public and privately owned housing accommodation).
- Aligning transport investment with housing investment.
- Pin-pointing deficiencies in stock condition and prescribing remedies.

Comments on these three areas of focus are set out below.

Better use of existing housing assets

There is ample evidence of the waste of housing resources in the publicly owned and managed housing portfolio where a single resident rents a property that could accommodate three or more people. What is less well documented and understood is the (reluctant) over consumption of privately owned housing. The latter is a pernicious result of the combined force of taxes (e.g., stamp duty) that deter households from moving to a more suitable home and the lack of well-located downsizing options. Market forces alone cannot address this policy “knot”. A combination of research, well designed demonstration projects and funding facilitation for innovation will be required. NHFIC has some of these tools at its disposal already. The NHFIC mandate could be broadened to impose an obligation on NHFIC to develop solutions to this policy challenge with 5- and 10-year targets for achieving better utilisation.

Aligning transport investment with housing

Public transport investment in Australia is constrained by low utilisation. Investment in fast and affordable public transport is vital for facilitating increased delivery of affordable housing. ‘Smart’ alignment of increased investment in public transport infrastructure with greatly increased housing investment can provide mutually supporting solutions. More households residing near transport hubs will increase passenger numbers and public transport infrastructure will increase the supply of potential sites for development of affordable housing. This goal has been pursued in various locations at different times. The results have disappointed. Here again, a sustained focus on innovative techniques informed by good research coupled with

demonstration projects and appropriate access to funding will create successful models for replication. The NHFIC mandate could be broadened to impose an obligation on NHFIC to develop solutions to this policy challenge with 5- and 10-year performance targets.

Pin-pointing deficiencies in stock condition

Stock condition issues are becoming more pressing in Australia driven by three factors. These are the deficiencies in construction methods and certification that have come to light in the last three years, global warming which potentially renders much housing as unfit for purpose without remedial investment, and ageing owner occupied accommodation where the low-income owners lack the resources to take timely measures to preserve their accommodation. Whilst these issues are broad and complex, there is a valuable role that can be played by an authoritative agency with research capability coupled with property and funding expertise. Here again, the NHFIC mandate could be broadened to enable targeted interventions to test and support innovative remedies.

Summary and Conclusion

The NHFIC Act 2018 had an ambitious goal to “to improve housing outcomes for Australians”.

The experience of the NHFIC in the early years of its work has been to demonstrate the huge potential in the housing policy context for stimulating innovation and investment that can be achieved by of a specialist Commonwealth agency with appropriate skills, resources, and clout.

Housing policy in Australia is a cornerstone for many public policy goals concerned with the health and well-being of Australians. Housing policy ‘wins’ leverage broader social policy success and enhance returns on broader public spending.

As described in this submission there are major policy and performance issues in housing that need to be addressed where NHFIC could be the ‘pathfinder’ for change.

Whilst implementation of housing policy is primarily located with the state and territory governments, an expanded contribution could be made by ‘smart’ use of Commonwealth funding and expertise by means of NHFIC initiated tri-partite collaboration between government, for-profit/charitable agencies, and the expertise of an empowered NHFIC with a broader mandate.

Transparent, economic, efficient, and effective returns on Commonwealth housing investment will finally be possible.

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