LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

REVIEW OF AUDITOR-GENERAL'S REPORT NO 5, 1998

Management of Housing Assistance

STANDING COMMITTEE FOR THE CHIEF MINISTER'S PORTFOLIO (INCORPORATING THE PUBLIC ACCOUNTS COMMITTEE)

Public Accounts Committee Report Number 15

March 1999

RESOLUTION OF APPOINTMENT

The Standing Committee for the Chief Minister's Portfolio was appointed by the Legislative Assembly on 28 April 1998 to examine any matter under the responsibility of the Chief Minister's portfolio. The Assembly also resolved that the committee perform the duties of a public accounts committee, specifically:

(a) to examine:

  (i) the accounts of the receipts and expenditure of the Australian Capital Territory;

  (ii) the financial affairs of authorities of the Australian Capital Territory; and

  (iii) all reports of the Auditor-General which have been laid before the Assembly;

(b) to report to the Assembly, with such comments as it thinks fit, on any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Assembly should be directed; and

(c) to inquire into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question.

MEMBERSHIP OF THE COMMITTEE

Mr Ted Quinlan MLA Committee Chair

Mr Trevor Kaine MLA Deputy Committee Chair

Mr Greg Cornwell MLA

Secretary: Bill Symington

1. INTRODUCTION

1.1. Auditor-General's Report No 5, 1998 was presented to the Assembly on 27 October 1998.

1.2. This audit report covered the delivery of housing assistance, the provision of accommodation, the Kickstart Grants and Rental Bond Loans all activities directly managed by ACT Housing in a "provider" role. The Department of Urban Services acts as the "purchaser" of ACT Housing services although it also has policy responsibility for housing assistance.

1.3. The audit included screening of applicants for housing assistance in terms of eligibility criteria, equity and efficiency of application, rent calculation, appeals process and security of tenure.

2. AUDIT FINDINGS

2.1. In broad terms the audit opinion was that:[1]

(i) delivery of assistance through public housing has been very effective

(ii) delivery of assistance through provision of public housing has been inefficient

(iii) Kickstart grants have delivered effective housing assistance and assistance has been delivered efficiently

(v) Rental Bonds Loans assistance has been neither effective or efficient

2.2. More specifically, the audit arrived at significant findings in respect of housing assistance, the kickstart program and rental bonds loans.

2.3. The committee sought comment on the audit findings from the Minister for Urban Services who provided a Government submission.[2] The next section of this report indicates the more significant concerns raised by the audit and the Government's responses to those concerns.

3. GOVERNMENT COMMENT ON THE AUDIT FINDINGS

3.1. In a general response to the committee, the Minister advised that the audit was completed around March/April 1998, prior to rental policy changes and a number of other operational changes which were announced in the 1998/99 Budget and that

[1] Audit report pp5-19
[2] Minister for Urban Services, letter to committee dated 8 February 1999

these changes plus work currently under way will address many of the issues raised by the audit.

3.2. The Minister advised that as part of the renegotiation of the 1999 Commonwealth-State Housing Agreement, the ACT has agreed to review its public housing assistance measures with a view to national consistency and to reduce inequity between relative levels of assistance in the public and private sectors. As from I July 1998, all new public housing tenants pay 25% of their household income in rent. The amount of rent will not exceed the market rent for the property. For existing public housing tenants, these new arrangements will be phased in from January 1999. The level of rent paid as a percentage of household income will be increased by 1.5% per annum until 25% of household income has been reached.

3.3. These new rental arrangements are intended to remove the need for back-dated adjustments and provide for six monthly reviews of rental assessment. The Minister advised that a review of the Applicant Services Centre is also being undertaken with a view to removing duplication. Replacement of the current computing system, currently underway, is expected to also improve efficiency and provide better customer service.

Audit findings[3]

> **(i) the ACT income eligibility criteria for public housing is difficult for many applicants to understand and should be simplified**
>
> **(ii) the ACT income eligibility criteria is complex, generating inefficiencies for assessing public housing applications.**

Government response

3.4. The Minister agreed with the audit findings and advised that income eligibility criteria are currently being reviewed to address them. Income limits in the context of, the additional costs of living in the ACT and housing affordability in private rental would be examined. With regard to income that is excluded when assessing eligibility, it was noted that the ACT, along with other jurisdictions, exclude specific Commonwealth payments for health, disability, education and measures to address child poverty.

Audit finding[4]

> **(iii) inconsistent application of the term household income between the initial eligibility assessment stage and the rental calculation has led to the basis of calculating rentals favouring some tenants and should be simplified to eliminate errors and inequities: the benefit is estimated to aggregate around $0.6m per annum.**

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[3] Audit report, pp21-29
[4] ibid, p30

Government response

3.5. The Minister agreed that simplification was necessary and advised that assessment of household income for the purpose of rental rebate calculations was simplified as from I July 1998. Tenants now pay 25% of household income on rent, capped at market rent. Centrelink Family Allowance continues to be treated concessionally, however, resulting from an agreement between the States, Territories and the Commonwealth in 1986 to address poverty in households with children.

Audit findings[5]

> **(iv) there is a major variation between the ACT's rent setting methods and other jurisdictions is the treatment of rent payable calculated from residents' incomes**
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> **(v) the current policy whereby residents (living with tenants) are charged 10% of income, instead of the 25% typically paid by tenants provides a benefit to households with residents which is not received by households without residents; if residents' incomes were assessed at the same rate as tenants' incomes it is estimated that additional rent of around $2 million per year would by received. For equity reasons the amount of residents' incomes to be taken to account in assessing basic rents should be reviewed**

Government response

3.6. The Minister agreed that for equity reasons the amount of residents' incomes to be taken to account in assessing basic rents should be reviewed and advised that for new tenancies, treatment of residents' income is the same as for tenants' income as from I July 1998. A review of the treatment of 1760 existing residents' incomes is currently underway.

Audit finding[6]

> **(vi) the actual processes involved in setting rentals are more complex than necessary, generating errors and inefficiencies**

Government response

3.7. The Minister advised that the rent setting and rent rebate adjustment processes were simplified as from I July 1998. Tenants now pay 25% of household income on rent, capped at market rent. There are six monthly rent rebate reviews. Where household income decreases and the household becomes eligible for an increased rent subsidy, the rebate is retrospectively adjusted for a maximum period of two weeks. Where household income increases, the rent subsidy is not adjusted retrospectively.

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[5] ibid, p31
[6] ibid

Audit findings[7]

> **(vii) security of tenure practices have enabled a significant number of tenants to have accommodation in excess of their needs**
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> **(viii) current security of tenure practices do not allow for regular review that all public housing stock is being used to meet the needs of those with the greatest needs for public housing and consideration should be given to modifying the current security of tenure practices by the introduction of lease agreements with fixed periods; the agreements to include provision for renewal**

Government response

3.8. The Minister agreed and advised that current tenure arrangements provide housing assistance for tenants irrespective of any changes in the circumstances of the tenant and the extent of housing need, and may disadvantage people on the public housing Applicants' List who may be in greater need. Most other jurisdictions have introduced or are planning to introduce regular reviews of leases to determine the need for continued assistance. The Government is examining ways in which to address this sensitive issue.

Audit finding[8]

> **(ix) the process for assessing priority housing necessarily has judgemental elements and accordingly may not always lead to the correct decision being made in the first instance**

Government response

3.9. The Minister advised that eligibility assessments as well as priority allocations are being reviewed as part of the next stage of the public housing reform process. Applications for priority housing are assessed on a case by case basis to determine the relative urgency of the applicant's situation compared with other applicants in crisis. This process requires professional judgement. Centralising assessment of priority allocations from four regional offices to the Applicants Services Centre has improved the consistency of decision making. The Housing Review Committee provides a means for requesting review of ACT Housing decisions and has been an important means of independent review by community representatives. The ACT Ombudsman provides a further avenue of review of ACT Housing decisions.

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[7] ibid, p45
[8] ibid, p51

Audit finding [9]

> **(x)** **the complexity of the initial assessment processes used to assess applicants against eligibility criteria generates inefficiencies**

Government response

3.10. The Minister advised that the processing of applications for housing assistance is currently being reviewed as are the actual eligibility criteria themselves. The relative merits of undertaking several detailed eligibility assessments prior to providing housing is being examined.

Audit finding [10]

> **(xi)** **the appeals system against Housing decisions is a costly three stage system with no cost or other disincentive to appellants who may initiate frivolous or vexatious appeals, and the system should be reviewed to reduce costs while maintaining appellants' opportunities to have public housing decisions impartially reviewed**

Government response

3.11. The Minister agreed and advised that the Housing Review Committee provides an independent means by which ACT Housing decisions can be reviewed by community representatives. Better ways of coordinating appeal arrangements are currently being developed including early intervention approaches. These will take into account the role of the recently established Residential Tenancies Tribunal and the rights of tenants under the Residential Tenancies Act 1997. Reform options will also need to take into account the financial circumstances of tenants and appeal rights under administrative law.

3.12. The Minister further advised that the introduction of the Customer Liaison Line to assist the resolution of tenants' concerns has substantially reduced complaints to the Ombudsman.

Audit findings [11]

> **(xii)** **fewer applicants for public housing are removed from the list as a result of being allocated public housing than are removed for other reasons**

> **(xiii)** **the annual cost for processing applications and maintaining the applicant list is excessive at $1m and compilation and maintenance**

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[9] ibid, p52
[10] ibid, p59
[11] ibid, p67

of the list and identifying whether there is a need for a full eligibility assessment should be reviewed to reduce costs

Government response

3.13. The Minister agreed and advised that a review of the Applicant Services Centre is currently being undertaken with a view to undertaking the detailed assessment of applicants at the time of the provision of housing rather than at the time of application in order to remove duplication. The Minister advised that while this may not increase the proportion of applicants on the waiting list who are allocated public housing, it should reduce the overall cost of processing and maintaining the Applicants List

Audit findings[12]

(xiv) for many tenants there was some form of error in the calculation of their rent; the existence of errors creates inequities in that many tenants are paying more than they should while others are paying less; the errors identified were both human and system errors

(xv) the Integrated System for Information Processing (ISIP) which contains applicant records and the applicant list is inefficient and uneconomic

(xvi) the quantity of errors (if not the amounts) indicates poor management practices

(xvii) procedures for introducing changes to the ISIP have not been effective; one consequence is that a recent change to the ISIP has led to extensive corruption of the tenant incomes data on which rental charges are calculated and the ISIP should be modified or replaced to improve efficiency and management information for decision making

Government response

3.14. The Minister agreed and advised that rent rebate calculation errors will be substantially reduced by the introduction of simplified rental rebate assessment processes from I July 1998 and improved staff training. The ISIP has not kept pace with progress in housing administration and the complexity and volume of information required for efficient records management. These system issues will be addressed when the new computer system is in operation in 1999.

[12] ibid, pp76-77

Audit findings[13]

(xviii) **rental bond loans has been mismanaged in recent years resulting in many loans being in default with no action taken to recover the outstanding amounts**

(xix) **the rental bond loans program is very expensive to deliver and manage and should be reviewed in its entirety. If it cannot be made to meet its theoretical objectives it should be abandoned**

(xx) **efforts should continue to identify and recover outstanding loans where reasonably feasible**

Government response

3.15. The Minister agreed and advised that ACT Housing has completed the reconciliation of rental bond loans and is now taking appropriate recovery action. To recover loans from recipients who have defaulted can be difficult, particularly when the recipient no longer resides in the ACT. The cost of recovery needs to be balanced against amount outstanding in each case (to a maximum of $600) and the financial circumstances of recipients.

3.16. The Minister advised that a review of the Rental Bond Loan Scheme was due for completion by the end of 1998. The Minister further noted that since the scheme was introduced, assistance has also been provided by the Commonwealth Department of Family and Community Services by way of loans which may be used for private rental bonds.

Kickstart grants scheme

3.17. The audit noted that a significant amount of data is missing from the Kickstart grants program database. The audit also found that grants have been ineffective in moving people from public to private housing which was an objective of the Kickstart program.[14] The program allowed for a maximum of 500 grants in each financial year from 1996-97 but only some 350 new houses were purchased with grants assistance. The audit noted that the program had only limited impact in creating employment in the residential building sector or in taking up part of the stock of vacant new houses and land.[15] In other words, Kickstart, having made only a modest contribution, has not worked effectively and, in retrospect, was not a good idea.

3.18. The Minister advised the committee that the Kickstart program is due to cease in the near future. Nevertheless, data collection is the responsibility of private financial institutions which have been asked to improve their communication of information and reports to government.

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[13] ibid, p103
[14] ibid, p92
[15] ibid, p100

4. COMMITTEE COMMENT

4.1. The committee notes that the Government has accepted the need to address shortcomings in the management and administration of the housing assistance and associated programs.

4.2. In some cases failings have already been rectified, for example, simplification of the household income assessment and the rent setting and rent rebate adjustment processes, and improved efficiencies in calculating rents. In several cases the Government has advised that reviews are currently in progress, examples being the review of application/eligibility assessments, the processing of applications, and reform of the appeals mechanism.

4.3. In one case the Minister advised that a review of the rental bonds loan scheme was due for completion by the end of 1998. That date having passed by the time the Minister notified the committee on the Government's response to the audit findings, the committee considers it appropriate to ask for the outcome of that review.

4.4. In view of its relative ineffectiveness in moving people from public to private housing the committee endorses the decision to cease the Kickstart program.

4.5. With regard to security of tenure and the matching of tenancies to family circumstances (paragraph 3.8 above) the committee notes that the Government has recognised this as a sensitive issue. The committee would expect that lease reviews will be undertaken sympathetically and take into account that for most people houses are also homes.

4.6. Given that a number of the matters raised by the audit are subject to review the committee also considers it appropriate that the outcome of those reviews be reported to the Assembly, and it will recommend accordingly.

5. RECOMMENDATIONS

5.1. The committee recommends that the Government:

(1) inform the Assembly within six months on the outcome of:

(i) the simplification of income eligibility criteria for public housing;

(ii) simplification of the formula for assessing basic rents and elimination of errors and inequities;

(iii) the review of the treatment of the 1760 existing residents' incomes;

(iv) the modification of current security of tenure practices;

(v) the review of eligibility assessments /priority allocations for housing;

(vi) the review of the ACT Housing decisions appeals mechanism; and

(vii) the review of the Applicant Services Centre in relation to assessment of applicants; and

(2) inform the Assembly within three months on the outcome of the review of the rental bonds loan scheme.

Ted Quinlan MLA
Chair