Housing Assistance Bill 1989

Date Introduced: 1 November 1989
House: House of representatives
Portfolio: Community Services and Health

Digest of Bill

Purpose
To introduce a new ten year agreement for the payment of housing assistance to the States, Northern Territory and the A.C.T. The agreement will replace a 1984 agreement.

Background
Accommodation related poverty is an important problem in Australia, partly as a result of the inability of a percentage of the population to afford rent or house repayments and a fall in the public housing stock that may be acquired at a given price due to increased costs for established premises and increased land and construction costs for new premises. For example: at 30 June 1988, there were 195 370 households on waiting lists for public housing; the 1986 Census indicated that 77 000 households were living in caravan parks; and at 30 June 1988 722 000 pensioners, beneficiaries and those in receipt of the family allowance supplement were receiving rent assistance. The main groups effected are low income families with children, single parent families, the elderly and young, and people with disabilities.

Total Commonwealth expenditure on housing, including the first home owners scheme, and rent assistance, was $1 876.1 million in 1987–88. In the same period, housing expenditure by the States (including the Northern Territory and A.C.T.) was $1 654.5 million. The main form of Commonwealth assistance for housing occurs through grants to the States and this has existed since 1945. Since the re-negotiation of the previous agreement governing the terms and conditions for grants, assistance has been provided under the Housing Assistance Act 1984 (the Principal Act). Assistance under this Act is paid to provide publically funded rental housing and to help low income earners buy a home. As well as direct grants, from 1982–83 the States and Northern Territory could nominate a proportion of their advances from the Loan Council borrowings for public housing so long as they provided matching amounts. The loans are repayable over 53 years and the rate of interest is 4.5%. For 1988–89, the States etc. nominated all of their advances, $310.5 million, for this purpose. At the 1989 Loan Council meeting, the Commonwealth announced that these would be converted to grants. The majority of funds are provided as untied grants, subject to the agreement.
Grants under the Principal Act have been increasing slowly in recent years. From $656 million in 1986–87, the grants increased to $664.1 million in 1988–89. The base level of funding for 1989–90 will be $700 million and, for the Commonwealth, to this should be added the additional cost of converting the loans to grants, which is estimated at $110 million per year. States are required to match Commonwealth grants and half of the matching grant may be used for home purchase assistance loans.

The funds from the housing assistance scheme are used to provide public rental housing and home purchase assistance. In 1987–88, the Commonwealth provided $688 million for rental housing assistance ($537 million in untied grants), compared with $17 million for home purchase assistance. Commonwealth and State funding contributed an additional 11,421 dwellings to public rental stock and completions of public rental dwellings accounted for 8.3% of all completions in 1987–88 (excluding the A.C.T.).

Main Provisions

Clause 4 provides that the Commonwealth may enter into a housing agreement with a State (defined to include the Northern Territory and the A.C.T.) in substantially the same form as the agreement contained in the Schedule (and to which all States have agreed). The main aspects of the draft agreement are:

Subject to a State's Parliament authorising the agreement or, if this is not necessary under State law, the State signing the agreement, it will operate from 1 July 1989 (Part I).

Part V deals with financial assistance. The agreement is to operate from 1989 to 1998. In 1989, the Commonwealth is to provide $233 for specific housing assistance and $777 million of untied assistance. The A.C.T. is to receive a total of $17.7 million. For the second, third and fourth years of the agreement, the States and A.C.T. are to receive at least these amounts plus any additional amounts determined by the Minister. The Minister is to determine the level of funding in later years.

States are to provide matching funds (Part VI). The amount of funds provided must be equal to the untied assistance provided to that State, with at least half of this amount to be grants paid to the Rental Capital Account. The balance will be largely met by the value of agreed home purchase assistance programs (these may involve private institutions). For grants otherwise applied to the Rental Capital Account, State matching grants are to be on the basis of $3:$12 for the first year, increasing to $1:$2 basis in the fourth year.

Home purchase assistance is dealt with in Part VIII. There is to be a home purchase assistance account which is to contain the Commonwealth grant and funds from State housing programs. The account is to be operated according to certain principals, including that it is to provide the basis for future home purchases and funds are to be used in a way that will maintain their real value; the account is to be used efficiently, e.g. the State is to maximise the use of
funds from sources other than the agreement; and the effectiveness of assistance is to be maximised, e.g. the amount of the loan is to take account of the market; and loan repayments are to be affordable and related to income. Repayment rates in the private market are to be taken into account in determining this. Funds may be used to meet a number of costs, including repayments of principle and interest, the costs of providing the assistance, loans to co-operative organisations for housing assistance, the construction and purchase of dwellings.

Part IX deals with rental housing assistance. Funds in the account will include Commonwealth and State grants, proceeds from the sale of premises acquired under previous agreements and any funds not spent under the previous agreement. Amongst other purposes, funds may be used to construct rental housing, to provide certain infrastructure directly related to rental housing, to purchase houses for rental, for payment to local government for similar projects, and to pay principle and interest due to the Commonwealth for loans provided under previous schemes, with the maximum from the account being 50% in the first year, 75% in the second and 100% in the third year. The Part also provides for a proportion of funds to be paid to non-profit charitable, co-operative or other such housing groups. Rent is to be determined in accordance with the principles contained in the part. They include that the person pay market rent if they have sufficient capacity to pay and in other cases that it be based on the tenants capacity to pay with regard to the alleviation of hardship and poverty. In determining capacity to pay: income, number of children, the minimisation of work disincentives and whether the household receives the Family Allowance Supplement are to be taken into account. Rents are to be reviewed annually.

Commonwealth/State housing assistance plans are to be agreed to by the Commonwealth and State Ministers, and will set out, for each year the agreement operates other than the first year, how housing assistance will be provided (Part X).

Part XII provides that the Minister may issue, after agreement with the State Minister, guidelines dealing with grants provided for specific areas, including rental assistance for pensioners, Aborigines, mortgage and rent relief, crisis accommodation, local government and community housing or any other project determined by the Minister.

The clauses of the Bill deal with appropriation and the allocation of grants. Clause 7 will appropriate the funds for the first year, clause 8 appropriates funds ($9.8 million) for housing assistance for young people through grants to the States, other than the A.C.T. Similarly, clause 9 will appropriate $14.75 million for grants to States, other than the A.C.T., for mortgage relief. For the A.C.T., clause 10 provides that certain moneys already appropriated under the Appropriation Act (No. 2) 1989–90 will be taken to be for housing grants during the first year of the scheme, and that during the next three years $17.77 million be appropriated for grants to the A.C.T. (clause 10).

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Clause 12 will allocate $310.5 million to the States (excluding the A.C.T.) for the first year of the scheme, subject to their entering an agreement. The allocation will be in accordance with Schedule 2 of the Bill. As well, the Minister will be authorised to distribute $146 million in proportions determined by the Minister, although no State is to receive less than $7.3 million. In the next three grant years the $146 million is to be distributed on as near as possible a per capita basis, although the same minimum funding guarantee will apply. Other distributions will be in accordance with Schedule 3.

Clause 15 provides for matching grants from the States in accordance with the agreement. Other provisions allow the re-allocation of grants after agreement between the appropriate Ministers, and provide for advances.

References
2. Ibid., pp. 33–37.
3. Ibid., p. 56.

For further information, if required, contact the Education and Welfare Group.

22 November 1989

Bills Digest Service

Legislative Research Service

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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