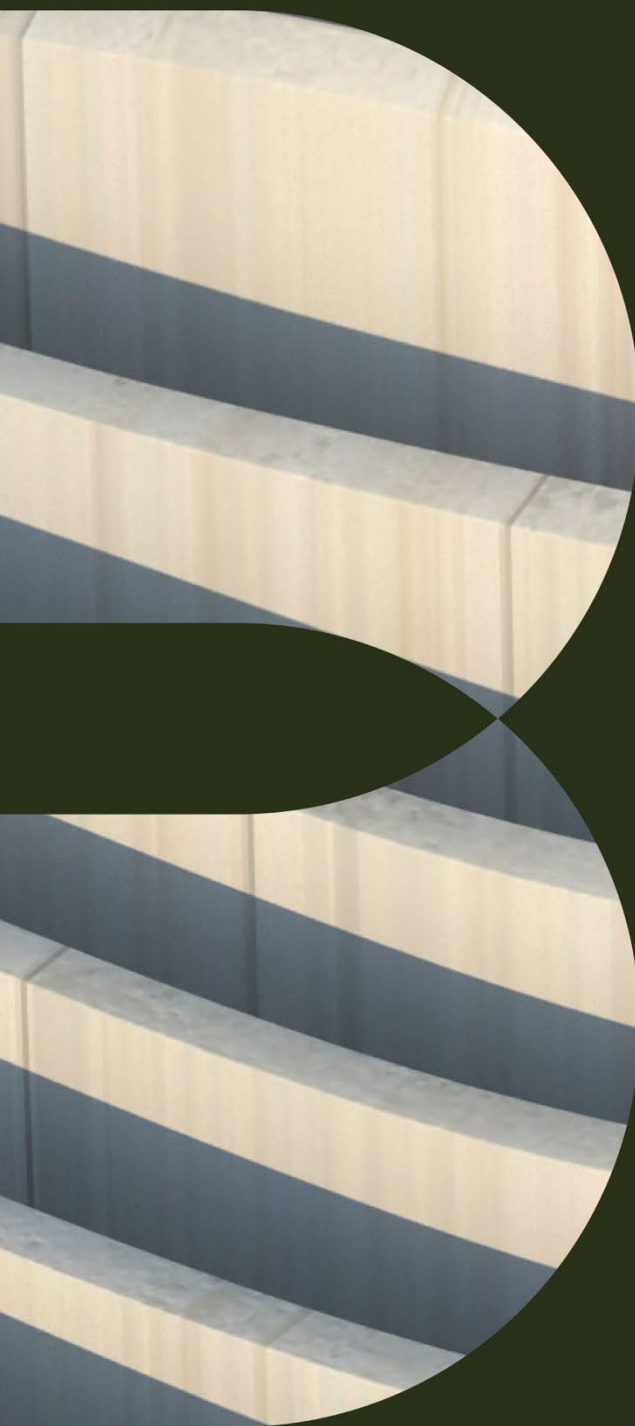


A circular inset image on the left side of the cover shows a close-up of wooden stairs with a dark blue or grey carpet. The perspective is looking down the stairs, creating a sense of depth and movement.

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Social Housing in Australia

Submission to the Senate Economics References
Committee

24 September 2026

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Bower Insights is committed to working respectfully on Country and with First Nations communities as we deliver services to our clients.

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Social Housing in Australia

Submission to the Senate Economics References Committee

Our view – certainty should be central in social housing policy

Our primary proposition in this submission is that **certainty** is foundational to any sustained response to address shortages in social housing.

We have developed this view over our extensive work with government and community housing providers. Throughout this document we outline some of the persistent challenges we've heard from clients through this work, applicable lessons from other sectors and reforms, and why certainty should be viewed as a core component to future policies and programs that seek to address the supply of social housing.

We have prepared this in our own right and note that this does not seek to represent the views of any client. Our objective is to support better community and economic outcomes through better policy informed by market realities and evidence.

About us

Bower Insights is a forward-thinking professional advisory firm that exists to bridge the gap between policy intent and delivery. We work across many sectors including community and social housing, and through this work we have identified several key insights that we believe would be beneficial for the Senate Economics References Committee (the Committee) to consider.

Overview and scope of our response

Our submission corresponds to Terms of Reference c. onwards. We have focused on how government investment and policy settings can deliver a sustained increase in social housing. That is, we have not sought to focus on the economic and social benefits of social housing, or historical levels of investment. Rather, our response is focused on how to improve policy and implementation across any proposed policy target or goal.

Our central proposition is that certainty is the key challenge that drives system participant behaviours and outcomes of social housing investment and policy levers. We believe that increased certainty is critical to support social housing as an investable asset class, in turn driving increased and sustainable delivery. This is informed by our work in the social housing sector, as well as our economic and policy expertise and work across other sectors with similar drivers.

Bower Insights' submission to this inquiry therefore seeks to provide the Committee with:

- Insights into the characteristics of social housing providers and why certainty is a valuable lens through which to view the terms of reference
- Examples of where similar challenges have been observed and/or addressed across other sectors and reforms that help to inform solutions
- Recommendations for how the Committee might seek to address some of the terms of reference.



Certainty in the supply of social housing

We see social housing as critical community infrastructure. In our work with clients and governments across the social and community housing sectors we repeatedly see the importance of certainty in strategic decisions and risk management. These have clear implications both for what government programs look like, and how market participants respond. Below we outline some of the key aspects of social housing that reflect the importance of certainty.

The first is that social housing is **asset heavy**. Particularly in relation to programs aiming to boost supply, social and community housing providers are required to make decisions about long-term investments with significant capital exposure. A volatile policy landscape creates risk in this context. While new investment structures and settings related to incentivising the construction of social housing can create short-term boosts in supply, they can also create overly complex or unfamiliar settings which add uncertainty in the short to medium term. At the same time, social housing providers are also required to factor in lifecycle costs when considering whether they participate in boosting supply. This means that uncertain policy settings or inadequate consideration of operational risk can strongly influence the degree to which these settings can stimulate supply and meet the need.

In the development of new social housing, the process of **planning, financing and construction** all add to a cost base that needs to be recovered throughout the life of assets. This is particularly the case for providers that are engaging in delivery of new housing without a long track-record of involvement in such processes. For example, we have identified in many of our clients the challenge of engaging in HAFF without the requisite capability to understand what the risks to investment are, let alone which they should take on themselves, or require financiers to embed and mitigate. There are several potential policy solutions to this, including embedding clear risk management guidelines in program design.

Construction costs pose another risk to social housing, as they do across many sectors of the economy. Here centralisation does not appear to be as effective a lever. Instead, this is where we believe the **modern methods of construction**, and other national strategies such as skills agreements, may have a role in reducing uncertainty.

Certainty also matters in social housing in order **to achieve the full benefit** from this infrastructure. As is being increasingly acknowledged in rental laws, as well as through initiatives to increase home ownership, housing is most beneficial when it is adequate and stable. However, our work shows that many of the system settings push a significant proportion of social and affordable housing towards being either inadequate or viable only for the course of a program. For example, the Australian National Audit Office outlines that HAFF involves fixed support payments for 25 years and interest-free government loans are repayable in full at the end of that term. This can drive both losses in dwelling adequacy to reduce costs at the program outset, or significant stock reductions at the conclusion of the funding program. Under the HAFF, it is estimated that around half of the social housing stock for many providers will be required to be sold or potentially repurposed at the end of the 25-year support period to realise greater value. At a minimum this creates a distinction between structural and medium-term benefits to investment. For many people this may result in housing inadequacy or instability that compounds their vulnerability.

Finally, uncertainty around **operational cost** limits the appetite of providers to boost supply, as well as reducing benefits for tenants. Social and affordable housing providers are subject to a range of costs such as asset maintenance and financing that are subject to market conditions. To recover increases in these costs they can be faced with a dilemma – increase costs for their tenants where they can, or to reduce their outlays to match available revenue. While doing the latter may at first be more appealing for the benefit of their tenants, the result is increased lifecycle costs on their assets and long-term decline of housing quality and value. Policy settings that provide more certainty that income and operational costs can be reconciled will provide long term sustainable investment certainty.



Examples of how certainty has been addressed in other sectors

Certainty, or lack of it, has been a central issue in several other sectors over the past decade. To demonstrate the practical impacts of a lack of certainty and how it may manifest in social housing in the future, we provide two examples below. These reflect our thinking that the challenges faced by social housing are not unique and that lessons and approaches can be adopted from similar national challenges and responses.

Example 1. The clean energy transition

Australia's clean energy transition provides useful lessons about the importance of both policy certainty and the underlying economics of investments. Over the past decade there has been a substantial increase in renewable generation, storage and supporting network infrastructure. Similar to what is being considered or experienced in relation to social housing, this has occurred in a market with significant capital costs, which is impacted by long-term targets and with contested and varied policy settings.

Credible and stable policy settings have had a clear impact on the effectiveness of markets to deliver clean energy infrastructure. Where market or policy settings are uncertain, investors have needed to price those risks into their returns or defer investment. The Capacity Investment Scheme is an example of addressing this uncertainty, by underwriting revenue for renewable generation investments. Similarly, the Integrated System Plan (ISP) has repeatedly sought to provide long-term guidance on what the system needs to support investment activities.

Electricity markets make the cost of uncertainty more explicit than social housing. Futures contracts provide clear signals of the impacts of a lack of certainty and provide the incentive for government to act. Although there is no equivalent signal in the social housing sector, it is important to note that uncertainty will likewise have a cost. This cost may be reflected up front in investment business cases, if providers seek to price it explicitly. However, if pushed to 'efficient' costs, providers seeking to take a funding opportunity when it is available may instead inadvertently incorporate the risk into their balance sheets, reducing their own financial sustainability.

Another lesson is that while policy settings are one part of investment, technology costs and market factors materially change the investment decisions of providers. Falling technology costs have improved the business case for renewables investment. Likewise, addressing the level of variability of cost involved in delivering social housing is likely an important complement to any social housing policy platform.

Example 2. Market based funding and other social infrastructure

A second relevant example is the movement from block funding toward more contestable and activity-based funding models in education and social services. These sectors, such as disability, aged care and vocational education, demonstrate the importance of maintaining stewardship and ensuring provider sustainability, particularly where essential social outcomes are involved.

TAFE provides a particularly relevant example for social housing. Like community housing providers, TAFEs maintain significant assets and organisational capability that has struggled to expand or contract in response to short-term changes in funding or demand. When Victorian VET funding became contestable, TAFE funding became more reliant on student activity and utilisation of that infrastructure to fund lifecycle costs. The policy direction in many jurisdictions since market reforms has been to re-centre TAFE within the system, recognising the important social infrastructure that is provided by their existence and operation. Indeed, this is part of the current National Skills Agreement and the basis of initiatives such as Melbourne Polytechnic's Future of Housing Construction Centre of Excellence.

Separate capital recovery or differentiated delivery payments to TAFEs have also been utilised at various times to ensure appropriate cost recovery of asset maintenance, compared to operational costs. Similarly, social housing requires not only funding for current tenants, but an asset base that is maintained, renewed and capable of continuing to provide housing over many decades.



It should also be noted that with efforts to address national challenges, collaboration and coordination has been leveraged within the sector. The National TAFE Association seeks to ensure that capabilities can be shared across TAFEs, doing work once for the benefit of all. Similarly, Victoria's model of shared services through the Office of TAFE Coordination and Development has sought to ensure consistency in capability and maturity between TAFEs, rather than requiring duplicative efforts to respond to new challenges.

For social housing, the lesson is that failing to fund lifecycle asset costs may impact overall sustainability of providers and reduce public benefit. There may also be value in common capability, coordinated procurement, shared tools and other forms of sector-wide support that reduce duplication and allow individual community housing providers to focus their resources on delivery.

Our view on the way forward

Bower Insights believes that many of the challenges associated with increasing Australia's stock of social housing can be addressed through the lens of certainty. In relation to the terms of reference and the way forward, we encourage the Committee to consider the following recommendations.

- **ToR 3. Establishing a target** – A social housing target would be a helpful signal to enable the sector to invest in the capabilities and workforce required to deliver increased social housing. However, it should be backed by tangible policy that addresses long-term need. A target by itself may provide a signal but shared agreement across jurisdictions that have a role in delivering that target will ensure a target drives structural change in the stock of social housing. We also note that a target should consider total stock of social and affordable housing and proportion of all dwellings, rather than simply new housing delivery, which only provides a partial picture.
- **ToR 4. Current programs** – At present, programs at the state level are varied in their definition and scope of social and affordable housing, as well as having different access and support parameters for tenants within those programs. This reinforces the need for a consistent definition, especially if a national target is to be set, so performance can be meaningfully aggregated across states and territories.
A primary issue for clarification under the HAFF is what happens to the social housing capacity created through the program once the current 25-year support period ends. Our view is that the objective should be to preserve the social benefit created by the initial public investment, even where financing arrangements, ownership or individual assets change over time.
We recommend that the HAFF statutory review due in December 2026 examines the treatment of concessional loan repayments, refinancing and ownership at the end of the support period, and the mechanisms required to ensure that supported housing remains within the social housing system.
- **ToR 5. Modern Methods of Construction** – There is potential for modern methods of construction to help meet the supply of social housing, as well as other forms of housing. Through the lens of managing certainty, we see a reduction in risk associated with construction as a potential benefit of these forms of changes. For community housing providers to see this benefit it should be accompanied by continued effort to streamline other construction challenges and risks such as planning regulations and financing, which all contribute to the ability of community housing organisations to contribute to social housing stock.
- **ToR 6. Steady pipeline of investment** – A steady pipeline of investment would improve certainty for providers, industry, and government, while supporting better value for money. Time-limited and inconsistent funding rounds can incentivise providers to take on projects when funding is available, rather than when projects best align with their balance sheet and capability. A steady pipeline of investment would ensure that providers can take a longer-term portfolio approach, which supports ongoing sustainability of these organisations and improved adequacy.
A steady pipeline of investment also provides opportunities to standardise procurement, share specialist



capability and coordinate financing, which can help to reduce duplication and transaction costs. It would also provide a stronger basis for policy consideration of coordinated responses to workforce and other delivery constraints.

Finally, a steady pipeline of investment in social housing may be an opportunity to pilot and support adoption of new methods of construction. For example, it could act as a national initiative to help to establish supply chains and workforce capability. Having a sufficient and continued source of work would help to expedite uptake and recover the initial cost of investment in those approaches.

- **ToR 7. Investment models** – Our experience in procurement, partnerships, transactions and development across social and community housing, as well as within other sectors, points to the importance of addressing the core funding model. Specifically, we see significant benefit in efficiently addressing the structural gap between the whole-of-life cost of providing and maintaining social housing, and what revenue is recoverable from tenants. While availability payments aim to address this gap, the current procurement approach means that both consistent underestimation of lifecycle costs throughout the sector and the time-limited nature of funding support diminish their effectiveness. Consideration of how to more effectively bridge this gap will help to minimise lifecycle costs for assets by limiting short-term avoidance of maintenance to ensure cash-flow. It would also help to ensure social and affordable housing provides the intended benefit by extending the life, adequacy and rental stability of social housing assets.
- **ToR 8. Governance and administrative arrangements** – governance should be designed to ensure certainty and build capability across the system, rather than to simply administer individual funding programs. We believe that HAFF, NASHH, state programs, planning concessions and other initiatives should sit beneath a common national objective for social and affordable housing capacity. Each program can have different delivery mechanisms, but they should all contribute to the same stock measure, definitions and long-term outcome. Otherwise, governments can simultaneously fund new dwellings through one mechanism while losing dwellings through disposals, redevelopment or expiring affordability requirements elsewhere.

A model we believe will be more effective is ensuring that states, territories and the Commonwealth have clear responsibilities and roles in contributing to social housing stock, rather than individual targets and overlapping programs across states and territories. For example, the Commonwealth could provide fiscal support and sector stewardship and capability, while states commit to enabling land, planning and infrastructure.



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