



Minimum supply of social housing,
knox
(2014-2036)

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NOTE:

Please refer to the companion paper (September, 2011)

- **‘Defining affordable housing and a minimum supply of social housing for Knox – A methodology for meeting social housing needs 2010-2030’**

for background information on developing a methodology for defining a minimum supply of social housing.



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Updated using data from 2011 Census, May 2015



introduction

Housing affordability is a growing problem in Knox (and Australia-wide). While many of the factors that influence housing affordability are structural and beyond the control of local government, a clear understanding of the scale of affordable housing needs in Knox is the first step to enabling a response to increasing affordability.

01. Quantifying social housing need

For the purposes of quantifying local affordable housing need, the following methodology focuses on **social housing** (as a subset of the broader affordable housing umbrella) as this responds to the needs of the most vulnerable and disadvantaged households in Knox, and is an area where Council has greater capacity for influence¹.

The methodology was developed by Knox City Council in response to a commitment in September 2010 to a series of strategies and actions to strengthen the council's approach to affordable housing. One of these strategies was to identify the need for affordable housing, provide a definition and set targets for Knox, subsequently dealt with in the paper 'Defining affordable housing and a minimum supply of social housing in Knox' (September, 2011).

It was recommended that a minimum supply of social housing figure be calculated using the following method – **Minimum supply benchmarked to the “need” of low-income, non-home-owning households, adjusted to reflect the supply of social housing dwelling and availability of affordable private lettings.**

The method of calculating social housing needs and a timeframe for how needs could be met up to 2030, was subsequently adopted by Council in early 2012. **The data in that paper has been updated in the tables and that follow so as to build upon 2011 Census data as a base, with social housing needs, and the timeframe for meeting these needs, forecast out to 2036.**

Quantifying this need will provide social housing providers (such as the State Government and Registered Housing Associations) a basis for targeting developments in Knox to meet local need; inform negotiations with private housing developers for

voluntary contributions to affordable/social housing; and provide baseline data against which changes in the affordable housing supply in Knox can be monitored. Identifying a minimum social housing supply figure also assists with advocacy and in highlighting the affordable housing issue in marketing and communications.

The following summarises local social housing need in Knox and a time frame for how these needs could be met up to 2036. This is based on framing the need for social housing in the context of a '**target market**' – defined as very low income households (in the lowest 10% of equivalised household incomes, nationally calculated²) – that are currently either renting or purchasing their home.

(Lowest income households that own-their-own home would not have any need for social housing and are excluded from the assessment. This takes account of the significant proportion of older people in particular, reliant on government pensions as their principle source of income ('income poor'), but self-sufficient in terms of housing.)

The number of households in the identified target group that cannot have their needs met with either existing social housing dwellings or affordable private lettings in Knox³, represents the shortfall of social housing in Knox – effectively a measure of social housing need in the community.

This methodology is linked to the most vulnerable and disadvantaged households in Knox – those in the lowest 10% of household incomes. This group, together with 'low' income households (the next lowest 30%), represent the lowest 40% of household incomes group which is traditionally subject to concerns about housing affordability and calculations defining 'housing stress' in a community.

As a result, the following data on need for social housing in Knox should be read in the context of the **minimum** (rather than optimal) supply.

¹ Council is better positioned to influence the (public sector) social housing market in partnership with social housing providers rather than affordable housing which is largely a function of the private sector housing market (home purchase and private rental). The primary means for influencing private development (through the Victorian Planning System) does not allow Councils to require developers to contribute to affordable and/or social housing.

² Less than \$201 a week in 2006; less than \$313 in 2011.

³ Affordable rents are those that are affordable for lower income households in Victoria – based on a maximum 30% of the income of indicative household types on a Centrelink income (plus Rent Assistance). Assumes that all affordable private lettings are accessed by those most in need (ie those in the lowest 10% of household incomes)



02. Social housing shortfall

The following table summarises the social housing shortfall in Knox anticipated over the next twenty years in the absence of any intervention to increase the social and affordable housing supply.

Table 2.1 Shortfall of social housing summary, Knox, 2014-2036

Current (2014)	390
By 2016	460
By 2021	570
By 2026	670
By 2031	770
By 2036	860

- Table 2.1 above, sets out the additional dwellings needed to supplement the existing supply of social housing and estimated affordable, private rentals in Knox in order to fully meet the low-cost housing needs of the 'target market' now and into the future.
- Note: the figures are not cumulative, but specific totals by each year nominated assuming the absence of any action to increase the low-cost housing supply.

- Clearly, the current and estimated supply of low-cost housing will not be capable of fully meeting the needs of the target market, now or into the future unless there is some form of intervention to increase the supply of social housing, availability of affordable private rentals, or both.
- The current level of social housing and estimated affordable private rentals is capable of meeting the low-cost housing needs of just over 80% of Knox's lowest income households. Without action, this capacity will decline over time (Table 2.2)
- **The need for 860 additional social housing dwellings in Knox by 2036 would equate to 39 additional dwellings per year over the next 22 years (2014-2036)**
- Refer Section 4 'Social housing supply timeframe' below, for discussion on the number of additional dwellings required annually if social housing needs are to be met within a shorter time frame –within 2, 7, 12, or 17 years (that is, by 2016, 2021, 2026, or 2031)

Table 2.2, below, sets out the specific data used to calculate the shortfall of (or need for) social housing in Knox over the next 20+ years.

Table 2.2 Social housing needs, Knox, 2014-2036

Year	'Need' Est. number of very low income households* that do not own their own home (4.1% of total households at 2011 Census)	Number of social housing units 1452 as at June 2012 (DHS)**	Estimated number of affordable private lettings 5.6% of private rentals***	% of need met by existing social housing & estimated affordable private lettings	Shortfall of social housing
Current (2014)	2310	1450	473	83%	-390
2016	2400	1450	491	81%	-460
2021	2540	1450	521	78%	570
2026	2670	1450	547	75%	-670
2031	2790	1450	571	72%	-770
2036	2900	1450	593	70%	-860

Note: Future household numbers (2016, 2021, 2026, 2031) based on averaging .id forecast (2014 review) and VIF (2014 update) figures for projected households. 2036 figure .id projection only.

*Low household income based on *equivalised* household income – adjusted using equivalence factors to remove the effect of household size on income. 'Need' is defined as very low income households -in the lowest 10%of equivalised household incomes (nationally)- that *do not own their own home*.

**Latest available data @ September 2014 (DHS Summary of Housing Assistance Programs 2011-12). Note: 1119 dwellings reported in 2011 Census data.

***Affordable private letting calculation over time based on assumption that 15%of housing stock in Knox is private rental stock (as per findings at the 2011 Census⁴) of which 5.6% would be affordable to low-income households (based on a *two year average* of affordable rentals as a percentage of all rentals in Knox, June quarter 2012 to March quarter 2014 – the latest available data at time of preparation of the social housing shortfall calculation, August, 2014).

⁴ 2011 Census, Renting – Private (14.8%) Renting – Not stated (0.3%). This figure *excludes Renting – Social housing which is accounted for under number of social housing units in the previous column*.



03. Social housing needs in Knox – an analysis of change between 2010 and 2014

The initial social housing needs calculations to estimate social housing need (2010-2030) were prepared in 2011 on the basis of:

- 2006 **Census data** (for data on proportion of very low income households; the proportion of private rental households; and the number of social housing dwellings available locally);
- the averaging of **2010 .id** and **2012 Victoria In Future (VIF)** household projections (for forecasts of household numbers in Knox out to 2030); and
- **Department of Human Services** Rental Report Statistics, June quarter, 2010 to December quarter, 2011 (for data on the averaged proportion of affordable private lettings in Knox).

The current analysis (May, 2014) reviews the social & affordable housing calculations in light of

- 2011 **Census data**,
- updated household projections (**.id**, **2014** and **VIF**, **2014**);
- and more **recent rental housing statistics** (June quarter, 2012 to March quarter, 2014).

The ability to review the calculation in line with updated data on local (and possibly changing conditions) was seen to be a major benefit of the method for defining a minimum supply of social housing.

Since the initial review, however, Department of Human Services data on the total number of social housing dwellings at a *local government area level* has become readily available through the DHS Summary of Housing Assistance Program reports. These reports define 'total social housing dwellings' as Director-owned (including leases and other Director-managed dwellings) as well as Community-owned dwellings.

This data source most likely provides more accurate information on the number of social housing units available locally, given its availability annually (as

opposed to five yearly from the Census) and that Census data is incomplete since some households that rent do not state from whom (whether publically or privately), while others do not state housing tenure at all. As a result it was always known that Census data on social housing numbers was likely to be an *undercount*.

The annual release of Department of Human Services data on social housing numbers is also beneficial for updating the social housing needs formula. This leaves only 'need' – the lowest 10% of household incomes that do not own their own home – as the only component of the formula that will rely on the five yearly information from the Census. As a result, Table 2.2 above, and future updates to the social housing needs formula will use the Department of Human Services figures on the number of social housing dwellings available locally.

The following summarises change in social/low-cost housing needs between reviews undertaken in 2011 and 2014.

Target market⁵ (Data source; ABS Census 2006 & 2011)

- There has been an increase in percentage of households in the lowest 10% of incomes nationally that do not own their own home (from 3.3% of Knox households in 2006 to 4.1% as at the 2011 Census). This represents a quite substantial increase in our target market. Numerically, the number of households in Knox in the lowest 10% of incomes nationally, has increased from 1668 households in 2006 to 2146 households by the time of the 2011 census (a 29% increase)

Amount of social housing stock⁶ (Data source: DHS June 2006 & 2012)

- Between censuses there has been a net 22% increase in the number of social housing dwellings (from 1190 dwellings in 2006 to 1450 in 2011)

Availability of affordable private rentals (Data source: DHS, averaged data 2010/11 and 2012/14)

- Over the same period the affordable rental supply has also improved somewhat – from 5% of local rental stock when the projections were last prepared in 2011 to 5.6% by the 2014 calculation- though is still only a negligible proportion of total private lettings.

⁵ Households in Knox in the *lowest income category that do not own their own home*.

⁶ Based on DHS figures on social housing supply (as at 2006 and 2012) in both comparison years to ensure accurate comparison. Note that the 2006 DHS figures by LGA pertain to *Government-owned* social housing only and *excludes* community-owned social housing, so the % increase in availability of social housing between reviews is likely to be a little inflated. The amount of community-owned stock in 2006, however, was relatively negligible.



Capacity to meet low-cost housing needs

(Data source: correlation between supply and demand data, as above)

- Currently (2014)⁷ the proportion of 'need' that could be met by existing social housing together with the (estimated) supply of affordable private rentals in Knox, stands at 83% (1450 social housing units plus an estimated 473 affordable rentals, to service a local target market of 2310 households)
- Despite considerable increase in supply (in the number of social housing dwellings and affordable private lettings), growth in demand or 'notional need' measured in terms of the most vulnerable and disadvantaged households in Knox, has also increased such that the level of supply that was already unable to meet local need, has slipped further. Capacity to meet low-cost housing needs

has *contracted* slightly since the initial review benchmarked the situation (in 2010) at 85%.

- Whilst supply has improved, growth in the target market has effectively wiped out these gains -the shortfall in affordable housing, predicted to be around 330 dwellings by 2015, is currently (2014) estimated at 390 dwellings.

The number of households in Knox is forecast to grow by 25% to around 70,000 by the mid 2030's. If nothing is done to significantly increase the supply of affordable housing (social or affordable private lettings), and the proportion of households in the most vulnerable category remains stable over that time, the ability to meet projected needs with local affordable housing will continue to decline to 70%, representing a **shortfall of approximately 860 social housing dwellings by 2036**.

Table 3.1 Change in shortfall of social housing, 2010-2014

Year	2011 calculation* (Initial)		2014 calculation	
	% 'need' met by existing social housing plus estimated affordable private lettings	Shortfall in number of social housing dwellings	% 'need' met by existing social housing plus estimated affordable private lettings	Shortfall in number of social housing dwellings
2010	85%	-280		
2014			83%	-390
2015	83%	-330		
2016			81%	-460
2020	79%	-420		
2021			78%	-570
2026			75%	-670
2030	75%	-550		
2031			72%	-770
2036			70%	-860

* Revised as per DHS figures on social housing supply in lieu of census figure to ensure accurate comparison between reviews.

⁷ Based on June 2012 social housing stock (most recent reported by DHS) and 2014 estimates of size of target market and affordable rentals (based on extrapolating data from the 2011 Census and 2012-14 average of affordable rentals data)



04. Social housing supply timeframe

The time period taken to reach a minimum supply level is another important consideration in addressing social housing need.

While a rate of 39 social housing additions per year would meet the needs of 100% of Knox’s lowest income households in the target group by 2036,

it would take over twenty years to do so. This would effectively leave a generation of partially unmet housing needs.

Table 4.1 indicates the number of new social housing dwellings⁸ required per annum in order to fully meet social housing needs at different points along the time span – within 2 years, 7 years, 12 years, 17 years or 22 years

Table 4.1 Social housing need – annual supply required to fully meet need within 2,7,12,17, 22 years						
Year	Social housing shortfall	Annual minimum supply (Calculated over 2 years 2014-2016)	Annual minimum supply (Calculated over 7 years 2014-2021)	Annual minimum supply (Calculated over 12 years 2014-2026)	Annual minimum supply (Calculated over 17 years 2014-2031)	Annual minimum supply (Calculated over 22 years 2014-2036)
Current (in 2014)	390					
By 2016	460	230 per year (2015 & 2016)				
By 2021	570	(+ 20 per annum over twenty years, 2017-2036)	80 per year (2015-2021)			
By 2026	670		(+20 per annum over fifteen years, 2022-2036)	55 per year (2015-2026)		
By 2031	770			(+20 per annum over ten years, 2027-2036)	45 per year (2015-2031)	
By 2036	860				(+19 per annum over five years, 2032-2036)	39 per year (2015-2036)

8 Per annum figures rounded .



**MINIMUM SUPPLY OF SOCIAL HOUSING,
KNOX (2014-2036)**





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