



Rent Choice

Analysis further to the evaluation

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Glossary

Acronym / Term	Description
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CRA	Commonwealth (Rent Assistance), as provided through the Commonwealth welfare system
D&FV	Domestic and Family Violence
DCJ	Department of Communities and Justice (former FACS and former Department of Justice)
HR	Housing Register
Income support	Centrelink welfare payments spanning the following: <ul style="list-style-type: none"> ▪ Disability Support Pension ▪ Working age payments, predominantly Jobseeker (formerly Newstart Allowance) ▪ Parenting Payment ▪ Student payments, including Austudy, ABSTUDY and Youth Allowance ▪ Carers Payment and allowances
RC	Rent Choice
SH&HS	Social Housing & Homelessness Strategy team in DCJ
SS	Start Safely
TA	Temporary Accommodation – Emergency accommodation in low-cost hotels, motels, caravan parks, boarding houses and similar accommodation for people who are experiencing a housing crisis or homelessness.
Youth	Rent Choice Youth

Executive Summary

ARTD and Taylor Fry ('We') have been asked by the Department of Communities and Justice ('DCJ') to provide further review and analysis of the Rent Choice program, as part of the evaluation of Future Directions in Social Housing NSW. Pressures in the NSW rental market in NSW have increased rapidly, creating the need for further analysis including:

- The suitability of current deeper subsidy thresholds and whether to increase them
- The coverage of deeper subsidies across NSW and whether to extend to any DCJ Districts currently without coverage
- Program duration, viz. whether Rent Choice should be extended from the existing three years to a longer program and, if so, what the revised program duration should be?
- Current eligibility and target client groups and whether the program should be extended to a broader target group.

This work is part of a broader review process, Social Housing & Homelessness Strategy (SH&HS) in DCJ is exploring options to improve the Rent Choice program.

While we have attempted to cover all product types in our analysis, our reporting is largely focused on than the largest two, Start Safely and Youth. Reporting on other products is limited due to small populations (particularly when considering subsidies which have ended) and associated privacy considerations.

We carried out qualitative and quantitative analysis framed around answering a series of questions. These questions and our key findings are summarised in the table below.

Question	Answer
Program length review	
1. What is the number and proportion of clients who are sustaining a private rental tenancy on their own after exiting the Rent Choice program? And for how long?	
a. What is the average time in program by product? How many clients exit in year 1, year 2 and year 3 and at the end of year 3 by product?	<p>Rather than most people accessing the subsidy to full term, Rent Choice exits occurred across the full duration. After one year 70% of subsidies were still in force, 43% at two years and 25% at the full three-year duration. Almost no subsidies extended beyond the three-year mark.</p> <p>For Rent Choice subsidies starting prior to June 2019 the average duration was 96 weeks of subsidy, or 1.8 years.</p> <p>Start Safely clients remained on subsidy for longer durations on average, compared to other product types. Time in program by product results are included in Section 2.2.</p>
b. How many clients are not paying the full market rent on their own (no subsidy) at program exit? What is the proportion of subsidies paid by number of clients by proportion range (50%-60%, 70-80%, etc.),	<p>Many clients are still receiving a significant subsidy on exiting the program. At exit across Start Safely and Youth:</p> <ul style="list-style-type: none"> ▪ Just over a quarter (28%) of recipients were receiving a weekly subsidy of less than \$50. This was 25% for Start Safely and 38% for Youth.

Question	Answer
product, program exit year (Year 1, 2, 3 and end of year 3)?	<ul style="list-style-type: none"> ▪ Another quarter (24%) were receiving a weekly subsidy of between \$50 and \$99. This was 24% for Start Safely and 26% for Youth. ▪ Nearly half (48%) were receiving a weekly subsidy of \$100 or more. This was 51% for Start Safely and 37% for Youth. ▪ Looking specifically at recipients who received close to 3 years (148 weeks) of subsidy and were given the ‘End Period’ exit reason, 42% were receiving less than \$50 of weekly subsidy and exit, and 29% were receiving between \$50 and \$100. The remaining 29% were receiving at least \$100 of weekly subsidy at exit. <p>A small but material cohort (10%) of recipients were still receiving more than 45% of their weekly rent as subsidy on exit from Rent Choice. Compared to all other exits, a larger proportion of this group can be attributed to early leavers due to negative outcomes, such as ‘Breach’ or ‘Disengaged’ as well as subsidies that were ended for administrative purposes, such as to start a new Rent Choice product or avoid applying a taper. The high subsidy on exit for these early exits reflects the short duration. Recipients that stay on Rent Choice for longer, experience more tapers, so the subsidy level decreases more.</p>
<p>c. What is the number and proportion of clients by product who are maintaining and not maintaining a private rental tenancy after three years in the program? For the clients maintaining a private rental, what is the length of time a private rental tenancy is maintained for after exit (average and distribution up to 24 months)? Is there is a relationship between subsidy duration and amount at exit, and tenants independently sustaining tenancies in the private market?</p>	<p>In the main evaluation report, we looked over the year following exit from Rent Choice, using Commonwealth Rent Assistance (CRA) as a proxy for maintaining private rental tenancies. We found 90% of those receiving some CRA during Rent Choice, also received CRA over the year following exit. Here we have examined this on a quarterly basis to provide more insight into the change over time since exit from Rent Choice. Because people can start and stop receiving CRA, the proportion who get CRA over a year is higher than the proportion in any given quarter. This means the quarterly rates reported here are slightly lower, but they still aggregate up to 90% on an annual basis.</p> <p>After their subsidies ended, around 80% of Rent Choice recipients receive CRA in the quarter afterwards, implying they were sustaining their private rental. The proportion of recipients receiving CRA decreased thereafter at a reducing rate, with 69% still receiving CRA after a year and 64% after two years.</p> <p>For subsidies with exit reason ‘End Period’, the rate of receiving CRA was higher; 94% received CRA in the quarter afterwards, reducing to 79% after two years. Combined with the fact that the likelihood of continuing to receive CRA was highest for longer duration (2+ years) subsidies, there is no evidence that recipients reaching program duration limits required a longer subsidy.</p> <p>The likelihood of continuing to receive CRA showed no relationship to ending subsidy amount or deeper subsidy receipt. There is no evidence from this measure that deeper subsidies are leading to unsustainable rental costs.</p>

Question	Answer
d. What is the proportion of subsidy for the clients who had a negative outcome post exit?	<p>Less than 20% of people exiting Rent Choice subsidies return for further housing support in the form of new Housing Register (HR) applications, further Rent Choice (Rent Choice) or Temporary Accommodation (TA). Shorter duration recipients and those with negative exit reasons were more likely to return. Overall, the rates of return for further support are low:</p> <ul style="list-style-type: none"> ▪ The rate of return for TA was highest, with 1 in 8 (12%) Rent Choice recipients receiving TA in the year after exiting Rent Choice ▪ Closer to 1 in 15 recipients (7%) returned for further Rent Choice subsidies ▪ Around 1 in 30 (4%) returned and were approved to the housing register. <p>The rate of return for further support was lowest for those who were on Rent Choice for a longer duration and for those with the 'End Period' exit reason. Specifically the rates of return for recipients who were assigned the 'End Period' were 4% for TA, 1% for further Rent Choice and 3% approved to the housing register. Therefore, there is no evidence that recipients reaching program duration limits required a longer subsidy.</p> <p>Of Rent Choice subsidies that lasted less than a year, 1 in 4 (25%), returned for at least one form of further housing support, with 16% returning for TA and 10% returning for further Rent Choice.</p> <p>Rates of return for further support are very similar for recipients of deeper subsidies (20% returned for any form of further support) and standard (non-deeper) subsidies (19%).</p>
e. For clients who were receiving a substantial subsidy at exit (three years or otherwise) and have sustained a private rental post exit, what other supports enabled them to sustain a tenancy without a rental subsidy? Was the subsidy level paid at exit appropriate? Was the taper too low or taper increases not made as intended during case reviews prior to exit?	<p>There is no data available on the supports that clients are receiving on exit. The key factor appears to be the ability of clients to secure their finances and increase their participation in education and employment.</p> <p>After their subsidies ended, around 80% of Rent Choice recipients continued to rely on income support benefits for financial security.</p> <p>There is no evidence of higher exit rates subsequent to a taper. The ability to use discretion in applying tapering may be providing protection against this.</p>
f. What is the number and proportion of clients who re-apply for Rent Choice following exit from the program after three years because they are not able to pay full market rent on their own?	<p>Overall around 1 in 15 recipients (7%) returned for further Rent Choice subsidies in the year following exit from the program. This is likely slightly inflated due to administrative coding of continued subsidies as new subsidies.</p> <p>Of Rent Choice subsidies that lasted over two years, the rate of return for further Rent Choice in the following year is only 2%. Similarly, the rate or return for those who exited with 'End</p>

Question	Answer
2. Should there be an optional extension to the current three-year limit, to provide added flexibility for an ultimate positive client exit and transition to housing independence? Or should the default three-year limit be updated to a longer duration?	<p>Period' exit reason was lower at 1%. Therefore, there is no evidence that recipients reaching program duration limits required a longer subsidy.</p> <p>Analysis from question 1 above indicates that clients who are on Rent Choice for longer, or have the exit reason 'End Period':</p> <ul style="list-style-type: none"> ▪ Were on lower ending subsidies ▪ Were more likely to continue to receive CRA more after exit, and ▪ Were less likely to return for further housing support (Rent Choice in particular). <p>Therefore, there is no evidence to suggest longer duration of Rent Choice would improve client outcomes.</p> <p>The data and views of Officers tend to agree that positive exits tend to occur well before the 36-month period of the subsidy ends. Some discretion for Rent Choice Officers to extend by 3-6 months in extenuating circumstances where a subsidy is still in place, could be appropriate to minimise the risk of a negative exit.</p>
3. If the program were to be extended, what would be the optimal maximum extension?	No recommendation to extend.

Deeper subsidy affordability limits and market rents

<p>4. Consider whether deeper subsidy thresholds reflect current market rent and affordability levels for prospective or approved Rent Choice clients across the state.</p> <p>a. Would an increase in deeper subsidy thresholds provide a net benefit to clients being able to activate a Rent Choice subsidy, over the cost of potentially being unable to sustain a tenancy and transition to housing independence by the end of the subsidy period (i.e. being 'set up to fail')?</p>	<p>Rent Choice recipients are heavily reliant on income support, even following exit from Rent Choice. Despite this, the large majority are still able to sustain a private rental tenancy.</p> <p>Current deeper subsidies are working well:</p> <ul style="list-style-type: none"> ▪ They enable people to find a private rental that otherwise would not have been able to (evidenced by a 15 percentage point increase in likelihood of activation) ▪ Program durations appear similar to those without deeper subsidies ▪ Post-program outcomes are similar for those with deeper subsidies to those on regular subsidies, in terms of sustaining tenancies, as proxied by CRA receipt and rates of return to housing support. <p>In the absence of evidence of poorer outcomes for deeper subsidies, there is potential to test greater use of deeper subsidies and potentially higher deeper subsidy affordability limits. Particularly in the Sydney metro region where the affordability limits are below the 25th percentile rents. Rather than increase the deeper subsidy affordability limits, we suggest providing further discretion to Rent Choice officers (either those</p>
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Question	Answer
	<p>in Sydney Metro districts, or State-wide) to approve deeper subsidies beyond the current deeper subsidy limits.</p> <p>There are already some deeper subsidy approvals made in Districts that are beyond the deeper subsidy affordability limits. Outcomes should be monitored for these clients, compared to others. In doing so it would be useful to consider improvements to recording ambiguous categories to gain a better sense of positive and negative exits.</p>
<p>b. What should the deeper subsidy thresholds (and affordability limits) be?</p>	<p>We do not recommend large increases to deeper subsidy affordability limits, rather some minor adjustments and additional flexibility:</p> <ul style="list-style-type: none"> ▪ Deeper subsidy affordability limits should be standardised across the state – available in all regions and bedroom combinations ▪ Deeper subsidy affordability limits should be increased slightly to reflect market changes to June 2022. An annual update cycle would then make Rent Choice more adaptive to changes in the rental market. This could be done by tying to the market rent for the 25th percentile in that location. This means a tacit acceptance of increasing affordability limits (for example 60% of income) on the understanding this is based on current income and income in three years is difficult to predict. It is also noted that Jobseeker and CRA have recently (11/05/2023) had modest increases in the recent Federal Budget. This should make a small contribution toward improving affordability. ▪ Some judgement of whether the 25th percentile is plausibly affordable may be needed. Particularly in the Sydney Metro regions where rents are relatively unaffordable.
<p>c. What key criteria should be put in place to ensure that clients offered a deeper subsidy are not ‘set up to fail’?</p>	<p>The data shows that deeper subsidies are not tied to higher rates of tenancy failure. The data also shows that many clients exit positively before three years occur, that is before they are required to pay full market rent.</p> <p>Independence Support Plans (ISP) should be retained. For many people an ISP will focus on dealing with trauma and access to education and employment. Support providers may be unwilling to provide continuous support to all clients once housed it is necessary that an ISP ensures clients can easily access supports in the event of a destabilising life event.</p> <p>It is difficult to ‘ensure’ any individual client will be able to afford the market rent in their property in three years’ time. The rent may increase. The person’s household membership or other circumstances may change. income may increase or it may decrease. Providing Rent Choice to the intended target group and giving officers the discretion to apply deeper subsidies and an ISP may mitigate this risk. In many cases the alternative is</p>

Question	Answer
d. Consider whether deeper subsidy thresholds reflect current market rent and affordability levels for prospective or approved Rent Choice clients across the state.	<p>homelessness or more expensive social housing which will generally not be appropriate for most people in the target group.</p> <p>Deeper subsidy affordability limits have not increased with the rental market, however outside of Sydney Metro they are largely still above the 25th percentile of rents (as at June 2022). The exceptions are the 1-bedroom rate in Northern NSW and Southern NSW.</p> <p>The current deeper subsidy affordability limits give people with deeper subsidies a similar footing in the market as around half of non-deeper subsidy Rent Choice recipients. The exception is in the Illawarra Shoalhaven and Southern NSW districts – here the limits could be increased to be closer to those for other districts to provide equity of rules.</p> <p>The Sydney-metro region</p> <p>Rents are higher in Sydney-metro regions, both historically and currently. While incomes are limited, the current affordability limits are likely to prevent future activations. The Sydney metro market may not be compatible with the current Rent Choice design. The likely alternative is further pressures on social housing.</p> <p>A blanket increase of the deeper subsidy affordability limits to the 25th carries some risk clients cannot afford these rents at the end of Rent Choice. Instead of a blanket increase, one approach would be to, rather than increase the affordability limits, provide further discretion to housing officers in Sydney Metro districts to approve deeper subsidies beyond the deeper subsidy affordability limits. Monitoring of the outcomes for these clients compared to others could provide feedback on this.</p>
5. Should a deeper subsidy be available across the whole state? 6. Should a deeper subsidy be offered across all bedroom categories?	<p>Yes.</p> <p>Our analysis suggests that deeper subsidies are working well enabling activations, and with recipients achieving similar outcomes to people without deeper subsidies. It makes sense to consider making deeper subsidies State-wide and available for all bedroom sizes.</p> <p>Rent increases across the State mean that there is a greater need for deeper subsidies in general than when they were first introduced.</p>
7. What should the deeper subsidy thresholds (affordability limits) be for each bedroom category in each district?	<ul style="list-style-type: none"> ▪ Rent Choice recipients are heavily reliant on income support, even following exit from Rent Choice. After their subsidies ended, around 80% of Rent Choice recipients continued to receive income support benefits. This limits their ability to pay high market rents, and means incomes are closely tied to CPI increases, which have been much smaller than rental market increases. ▪ To make Rent Choice more adaptive to changes in the rental market, outside of Sydney metro regions deeper subsidy

Question	Answer
	<p>affordability limits could be capped at the 25th percentile for the region and relevant number of bedrooms. As a simpler option they could be indexed to CPI as per most income support payments.</p> <ul style="list-style-type: none"> ▪ We recommend additional flexibility and discretion is provided in Sydney metro regions.

Program eligibility criteria review and expansion

<p>8. Consider whether Rent Choice should be expanded to capture a broader target group or additional target groups beyond the current scope.</p>	<p>Rent Choice works when the officer providing it and the client receiving understand that it is a short-term product that can divert the person from the need to enter social housing. The ability to identify clients suitable for Rent Choice is currently and likely for the foreseeable future to rely on expertise and therefore subjective judgment (See Section 4).</p> <p>Increasing eligibility for Rent Choice based on demographic factors (while retaining suitability requirements) is a budgetary and policy decision rather than one that can be based on causal relationships identified in data.</p>
<p>a. Which target groups should be eligible for a Rent Choice product under a broader cohort? How many households would be eligible?</p>	<p>On average there are about 13,500 applications for housing assistance approved for permanent housing options:</p> <ul style="list-style-type: none"> ▪ 9,700 for the housing register (priority and wait turn) ▪ 3,800 for Rent Choice. <p>This means Rent Choice already comprises 28% of the total number of approved applications for permanent housing options. This suggests a natural limit to the growth of Rent Choice, as not everyone will be suitable, even if age requirements and other eligibility criteria are broadened.</p> <p>In terms of expansion Rent Choice officers suggested the following cohorts:</p> <ul style="list-style-type: none"> ▪ People on low income, especially parents with children approaching school age where their potential for earning is increasing. There could be useful overlap with Department of Social Services employment programs too (e.g. ParentsNext). ▪ Apprentices or trainees older than 25. ▪ Non-permanent residents that would otherwise be eligible. ▪ People on moderate income experiencing D&FV regardless of whether they have been referred through a Safety Assessment Meeting (SAM). <p>The first two reflect capacity for future earnings. While the latter two reflect equity considerations.</p>
<p>b. What would be the annual cost of expanding to a larger group?</p>	<p>We estimate about 1,090 additional Rent Choice activations per year if people of all ages under the low income thresholds were eligible (essentially making Rent Choice Youth also available to</p>

Question	Answer
	<p>people aged 25 and over). Total Rent Choice subsidy payments for the ongoing expansion reach a steady state at the end of four years of \$3.95 million per quarter or around \$16 million per year.</p> <p>We estimate about 1,700 additional Rent Choice activations per year if all age groups were eligible and some applications were accepted up to moderate income threshold (similar to making Start Safely available to everyone, not just people experiencing domestic and family violence). This is about a 50% increase above the current volume of Rent Choice. Total Rent Choice subsidy payments for the ongoing expansion reach a steady state at the end of four years of \$7.3 million per quarter or around \$29 million per year.</p> <p>These estimates rely on numerous assumptions and carry a large amount of uncertainty. A joint relaxation of eligibility rules and increase in affordability limits could create demand from outside the current pool of applications for housing assistance. The size of this is unknown and hard to estimate. In undertaking any expansion the number of approvals and activations should be closely monitored and potentially limited.</p>
<p>c. Through which product should a broader target group be supported if expansion is considered? Should it be a new product or an expansion of Rent Choice Assist?</p>	<p>This would likely depend on the target group. Rent Choice appears to work well for many demographic groups. The existing Rent Choice products appear to achieve similar outcomes. The capacity and desire to increase income and gain independence is a key factor. An eligibility expansion can be broad but still require subjective assessment by RC officers of suitability. It may be useful to consider the additional supports and expertise in education and employment support that is needed. The Future Directions evaluation noted most clients had experiences of trauma, so taking a trauma informed approach may be beneficial.</p> <ul style="list-style-type: none"> ▪ RC Start Safely could be expanded by relaxing the need for a person on moderate income to be referred by a SAM. ▪ RC Youth could be expanded by increasing the age limit and to include older apprentices. ▪ RC Assist is likely to be appropriate in other situations as the product is targeting those who have historically demonstrated their ability to establish and maintain a private rental tenancy.

Key Findings

Throughout the report we have noted key findings, collated here.

Program duration analysis

- Rather than most people accessing the subsidy to full term, Rent Choice exits occurred across the full duration.
- Start Safely tended to have a longer duration than other Rent Choice subsidies.
- Duration patterns have remained stable over time.
- Ended Rent Choice subsidies were assigned a wide range of exit reasons. Earlier exits were more likely to be associated with negative exit reasons.
- If possible, it would be useful to consider improvements to recording ambiguous categories to gain a better sense of positive and negative exits.
- Most subsidies at exit were small due to tapering, however there were some recipients ending while still on significant subsidy amounts. These recipients were far less likely to have reached the end of their Rent Choice term.
- There is no evidence of higher exit rates subsequent to a taper. The ability to use discretion in applying tapering may be providing protection against this.
- After their subsidies ended, around 80% of Rent Choice recipients continued to receive Commonwealth Rent Assistance after one quarter, implying they were sustaining their private rental. The proportion of recipients receiving CRA decreased thereafter at a reducing rate, with 69% still receiving CRA after a year and 64% after two years. Aggregating over the full year following Rent Choice exit 90% of people received CRA.
- The likelihood of receiving CRA was highest for longer duration subsidies and showed no relationship to ending subsidy amount or receipt of deeper subsidies.
- After their subsidies ended, around 80% of Rent Choice recipients continued to receive income support benefits.
- Ended subsidies with the positive exit reasons of 'Education/Training', 'Employment' or 'Secure Finance' were the least likely to continue to receive income benefits and had the lowest average payment size even if they did continue on benefit.
- Less than 20% of people exiting Rent Choice subsidies return for further housing support. Shorter duration recipients and those with negative exit reasons were more likely to return.
- Throughout the analysis we have generally found there are not particular demographic, or product related features which consistently identify groups for which Rent Choice works extremely well or does not work at all. Rather, it appears to work well for a wide range of people. This is consistent with qualitative research that's it is about the identification of people who will succeed by Rent Choice officers.

Deeper subsidy and market rent analysis

- Market rents have spiked since June 2021 – led first by regional areas, but more recently in Sydney too. This has coincided with falling vacancy rates and lower Rent Choice activations.
- Regression modelling gives strong evidence of activation rates varying by market rents, approved rent, product and client characteristics. Deeper subsidies are associated with a 15 percentage point increase in activations. A regression parameter attached to market rents (which implicitly includes vacancy movements) sees a large drop in activations for every \$10 increase.

- The regression modelling also indicates that there are factors predicting success activating Rent Choice outside those in the model. The model is restricted to observable characteristics of people and rental markets. Model gains were 38% that of a perfect model. This difficulty in reducing success to a formula based on demographics and market dynamics is consistent with views expressed by Rent Choice officers that obtaining a rental was related to many factors outside market dynamics.
- Rental market increases have not been uniform across districts or bedrooms sizes. However, the smaller increases have been in the historically less affordable regions (e.g. Metro Sydney region).
- Affordability limits have not increased with the rental market, however outside of Sydney Metro they are largely still above the 25th percentile of rents as at June 2022. The exceptions are the 1-bedroom rate in Northern NSW and Southern NSW. Within Sydney Metro they are below 25th percentile rents.
- Our analysis suggests that deeper subsidies are working well enabling activations, and with recipients achieving similar outcomes to people without deeper subsidies. It makes sense to consider making deeper subsidies State-wide and available for all bedroom sizes. While we don't have a clear measure of how often it occurs, there is also some discretion for Rent Choice officers to approve deeper subsidies beyond the deeper subsidy affordability limit (with higher approval sought in the district).
- Rent Choice recipients are heavily reliant on income support, even following exit from Rent Choice. This limits their ability to pay high market rents, and means incomes are closely tied to CPI increases, which have been much smaller than rental market increases.
- In the Sydney metro region the affordability limits are below the 25th percentile rents as at June 2022. While incomes are limited, the current affordability limits are likely to prevent activations. The likely alternative is further pressures on social housing. One approach would be to, rather than increase the affordability limits, provide further discretion to RC officers (either those in Sydney Metro districts, or State-wide) to approve higher rents. Monitoring of the outcomes for these clients compared to others could provide feedback on this.
- The current affordability limits give people with deeper subsidies a similar footing in the market as around half of non-deeper subsidy Rent Choice recipients. The exception is in the Illawarra Shoalhaven and Southern NSW districts – here the limits could be increased to be closer to those for other districts to provide equity of rules.
- To make Rent Choice more adaptive to changes in the rental market, deeper subsidy affordability limits could be capped at the 25th percentile for the region and relevant number of bedrooms. As a simpler option they could be updated now, then indexed to CPI as per most income support payments.

Program eligibility analysis

- About 28% of the total number of approved applications for non-temporary housing options are for Rent Choice, which represents about two fifths of the number joining the Housing Register. This suggests that a natural limits to the growth of Rent Choice.
- We estimate about 1,090 additional Rent Choice activations per year if people of all ages under the low income thresholds were eligible (essentially making Rent Choice Youth also available to people aged 25 and over). Total Rent Choice subsidy payments for the ongoing expansion reach a steady state at the end of four years of \$3.95 million per quarter or around \$16 million per year.
- We estimate about 1,700 additional Rent Choice activations per year if all age groups were eligible and some applications were accepted up to moderate income threshold (similar to making Start Safely available to everyone, not just people experiencing domestic and family violence). This is about a 50% increase above the current volume of Rent Choice. Total Rent Choice subsidy payments for the ongoing expansion reach a steady state at the end of four years of \$7.3 million per quarter or around \$29 million per year.
- These estimates rely on numerous assumptions and carry a large amount of uncertainty. In undertaking any expansion the number of approvals and activations should be closely monitored and potentially limited.

Recommendations

Rent Choice appears to be producing good outcomes. As a time-limited diversion from social housing, our main evaluation found it represented good value for money compared to entry into public or community housing. We believe it makes sense to expand the scope of the program – although doing so requires a broader consideration of the overall incentives, as well as costs and benefits of different products and services to meet housing need in the private market in the immediate and longer term.

As an effective diversionary product and given the extremely low rates of voluntary positive exits from social housing, products such as Rent Choice and many other forms of private market assistance provided by DCJ, as well as more broadly with Affordable Housing, build to rent schemes and other policies have the potential to increase the attractiveness of the private market in contrast to social housing as a person's final housing destination. Our main evaluation found benefit cost ratio for Rent Choice compared to a social housing entry (as opposed to being on the register) of 4.4.

Therefore we recommend:

- 1. Expand Rent Choice as a product for people on low to moderate incomes who have the capability, capacity and motivation to engage with education and employment.** Given the reasonable outcomes and diversionary nature of the program, we believe expanding eligibility makes sense. It also appears relatively affordable, given the likely number of the additional participants from known AHAs. It also complements broader social and affordable housing investment since it can be actioned more quickly and adapted as other housing options become available. Ultimately this would come at a fiscal cost, since it is increasing the total number of people receiving housing supports. Eligibility is not the same as suitability. Suitability is not something that can currently be established based on objective indicators and requires an expert but subjective assessment of the intention and ability of a client to maintain a private rental tenancy.
- 2. Support a culture of private rental assistance as a core part of social housing assistance.** A district KPI focusing on numbers of people supported into Rent Choice as well as the proportion of clients engaged in education and employment has the potential to drive a major cultural change that supports private rental assistance as legitimate form of cost-effective short term of social housing assistance. Such a change could also include a focus on improving the experience of renting in the private market with the support of rental subsidies and other NSW government initiatives.
- 3. Recognize that the provision of private rental assistance is a specialist skill different to assessment and demand or tenancy management.** All efforts need to be made to recruit staff with the appropriate skill sets and dispositions– which must extend to an understanding of how real estate agents operate. Current officers emphasise the importance of ‘responsiveness’ and the ability to ‘partner’ with a diverse range of real estate agents, landlords and support providers. Increasing opportunities for mentoring and sharing information between the Rent Choice officers is critical to ongoing success. It is also necessary to ensure all staff engage with the objectives of Rent Choice as a legitimate but short-term form of social housing assistance that can prevent the need for long term reliance on social housing.
- 4. Consider providing capped nomination rights to Non-Government Organisations (NGOs) working with clients that they judge suitable for Rent Choice.** These rights could be accompanied by a responsibility to achieve a certain degree of housing independence for their clients, say at least 90% in the 12 months after the subsidy ends (setting the target would depend on the way it is to be measured). This would remove the pressure on teams to have all the expertise to make the judgement about someone they hardly know relative to an NGO who may know a person better. It allows the HCC to process the paperwork rather than district teams. This would also manage the risk of support providers ending the support once a person is housed. By providing capped nomination rights it puts a cap on the numbers of people eligible thus limiting fiscal outlay.
- 5. Explore what additional supports could prevent very short duration subsidies (excluding positive exits).** There are positive exits at all durations, however durations <1 year correlate with higher rates of negative exits and higher rates of return for further Temporary Accommodation. There

is no clear group or reason for these exits in the data. There is also no natural visibility of people whose subsidies have ended. However, a focus on finding out why the private rental ended would be useful. Focussing efforts on supporting people more during their first year may also prevent some of these exits.

6. **Improve exit codes and consistency of use.** Consider improvements to recording ambiguous categories to gain a better sense of positive and negative exits. It would be useful as part of ongoing training and continuous improvement for Rent Choice Officers to provide a table of the codes that will likely be considered as positive, negative and neutral to inform RC Officers in uncertain situations.
7. **Updating the deeper subsidy affordability limits.** This could be done by starting with the current deeper subsidy affordability limits and:
 - Making deeper subsidies available state-wide and bedroom wide
 - Making the deeper subsidy affordability limits consistent across the state by increasing the 1-bedroom limits in non-Metro regions to match those in Sydney
 - In the Sydney-metro regions further increases are potentially needed. Either increasing the deeper subsidy affordability limits to the 25th percentile of rents in the region (noting this is relatively high). Or encouraging more use of discretion for RC officers to approve rents higher than the deeper subsidy affordability limits where they think the client is likely to be able to sustain the rental without the subsidy in three years time.
 - This would provide an update to June 2022. From there the limits could be updated once a year to avoid falling too far behind rental increases. This could be done by either:
 - Outside Sydney Metro, checking if any of the limits have fallen behind the 25th percentile for the region, and if so updating the limit to the 25th percentile. Then also applying these limit increases to the Sydney Metro regions (so that Sydney Metro regions always have the maximum deeper subsidy affordability limits). This approach requires more analysis work but would reflect changes the rental market.
 - Inflating the previous years values with CPI. This is a simpler approach which reflects increases in welfare income, rather than increases in rents.
8. **Explore options for the Sydney metro region to ensure Rent Choice still works in these regions.** If providing additional flexibility and discretion to approve deeper subsidies beyond the deeper subsidy affordability limits monitor how often approvals are being made for deeper subsidies beyond the deeper subsidy affordability limits, as well as subsequent activation rates, durations and exits. Strengthening relationships with real estate agents may also be necessary to enable activations for clients with relatively deep subsidies.
9. **Monitor uptake of any expansion closely.** The number of Applications for Housing Assistance (AHAs), Rent Choice approvals and Rent Choice activations should all be closely monitored. A spike in the number of AHAs will provide the earliest sign of tapping into a large latent demand. Having limits in place may provide protection against unexpected costs.

1 Introduction

ARTD and Taylor Fry ('We') have been asked by the Department of Communities and Justice ('DCJ') to provide further review and analysis of the Rent Choice program, as part of the evaluation of Future Directions in Social Housing NSW. Pressures in the NSW rental market in NSW have increased rapidly, creating the need for further analysis including:

- The suitability of current deeper subsidy thresholds and whether to increase them
- The coverage of deeper subsidies across NSW and whether to extend to any DCJ Districts currently without coverage
- Program duration, viz. whether Rent Choice should be extended from the existing three years to a longer program and, if so, what the revised program duration should be?
- Current eligibility and target client groups and whether the program should be extended to a broader target group.

This work is part of a broader review process, Social Housing & Homelessness Strategy (SH&HS) in DCJ is exploring options to improve the Rent Choice program.

This analysis has focused on four areas:

1. Program duration analysis
2. Deeper subsidy review and expansion
3. Who does Rent Choice work for, how and in what context?
4. Program eligibility criteria review and expansion.

2 Program duration analysis

2.1 Introduction

Rent Choice is currently primarily offered for a maximum of 3 years. During a recipient's benefit period, their subsidy amount is tapered up to five times, with the intention that they build gradual capacity to pay the full rental amount over the duration of the program.

This section explores the duration clients spend in the program and how this may impact outcomes. This is to support the program length review, particularly whether an extension to the duration of the program would be useful. We cover:

- Section 2.2 Duration of Rent Choice subsidies – How long Rent Choice subsidies currently last and which clients are staying for longer durations
- Section 2.3 Exit reasons – Analysis of recorded exit reason codes
- Section 2.4 Subsidies at exit – The size of subsidies being received at program exit and the effectiveness of tapering, to address the issue that recipients may be “set up for failure” due to the sudden retraction of a large subsidy
- Section 2.5 Commonwealth Rental Assistance and income support post Rent Choice – How Rent Choice recipients fare after exit from the program, as measured by continuing to receive Commonwealth Rental Assistance (a proxy for sustaining a private rental) and increasing financial independence
- Section 2.6 Returning for further housing support following Rent Choice – How Rent Choice recipients fare after exit from the program, as measured by housing independence
- Section 2.7 Key Findings then collates our key findings noted throughout.

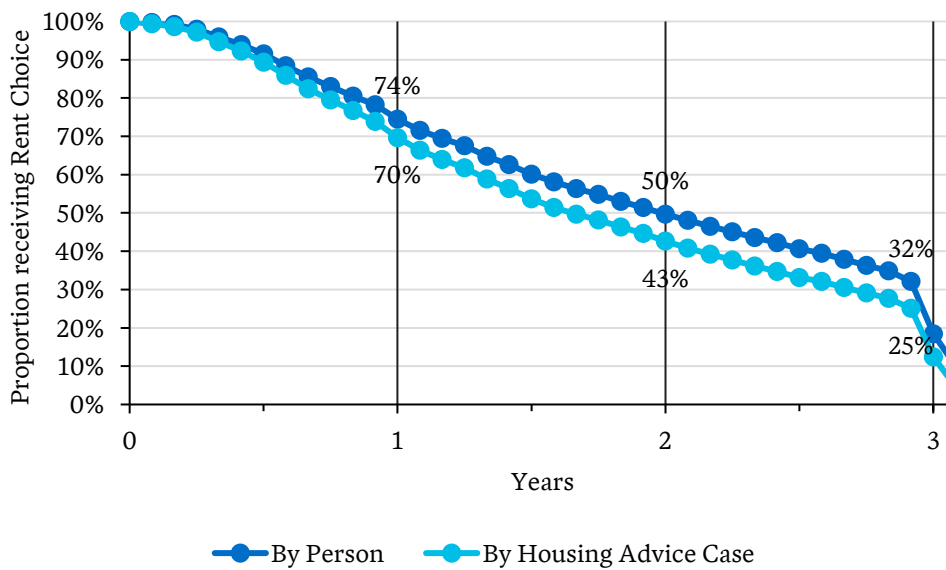
2.2 Duration of Rent Choice subsidies

Rather than most people accessing the subsidy to full term, Rent Choice exits occurred across the full duration.

We track Rent Choice duration primarily by looking at the pattern of monthly payments attached to a housing (advice) case. When payments stop we count this as an exit.¹ Figure 1 shows the fraction of subsidies still in force by duration. ‘By Housing Advice Case’, the lighter blue line, indicates that 70% of subsidies were still in force at one year, 43% at two years and 25% at the full three year duration.

¹ This may not always correspond to an exit. If a client leaves one property, they have up to six months to secure a new property without exiting Rent Choice. However, we validated the payments ending with recorded exits and saw good agreement.

Figure 1 – Proportion of Rent Choice recipients continuing to receive a subsidy by time since first payment



Start Safely subsidies tend to have longer durations than other Rent Choice subsidies.

Figure 2 shows the fraction of subsidies still in force by duration, for the different Rent Choice products.²

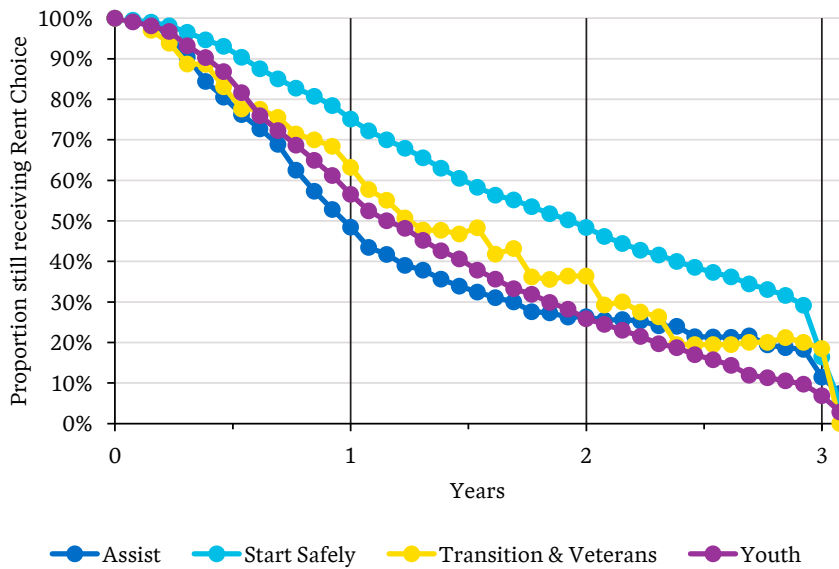
We had adjusted for cases where less than three years of duration is possible in our data window. We see that the subsidy was received for:

- Less than 1 year for 22% of Start Safely recipients and 39% of Youth recipients
- 1-2 years for 28% of Start Safely recipients and 33% of Youth recipients
- 2-3 years for 21% of Start Safely recipients and 19% of Youth recipients
- 3 years to 3 years and 2 months, for 24% of Start Safely recipients and 7% of Youth recipients.

Results for smaller products were more variable, but were broadly comparable to Youth. The average duration of Rent Choice subsidy for those starting prior to June 2019 was around 96 weeks of subsidy, or 1.8 years.

² While we have attempted to cover all product types in our analysis, reporting is primarily focused on the largest two, Start Safely and Youth. Reporting on the other products is limited due to small populations (particularly when considering just subsidies that have ended) and associated privacy considerations.

Figure 2 – Proportion of rent choice recipients continuing to receive a subsidy by duration since first subsidy, by product



Duration patterns have remained stable over time

Figure 3 shows the proportion of recipients for which the subsidy lasted close to 3 years (≥156 weeks), 2 years (104 weeks) and 1 year (52 weeks) by time in which the subsidy started. Duration patterns have been stable over time. Although there is a slight decrease in the fraction of ended subsidies with a duration of at least 52 weeks in the latest year of data. This means recently there have been slightly more exits in the first year of subsidy.

Figure 3 – Proportion of ended subsidies of at least certain durations by starting quarter

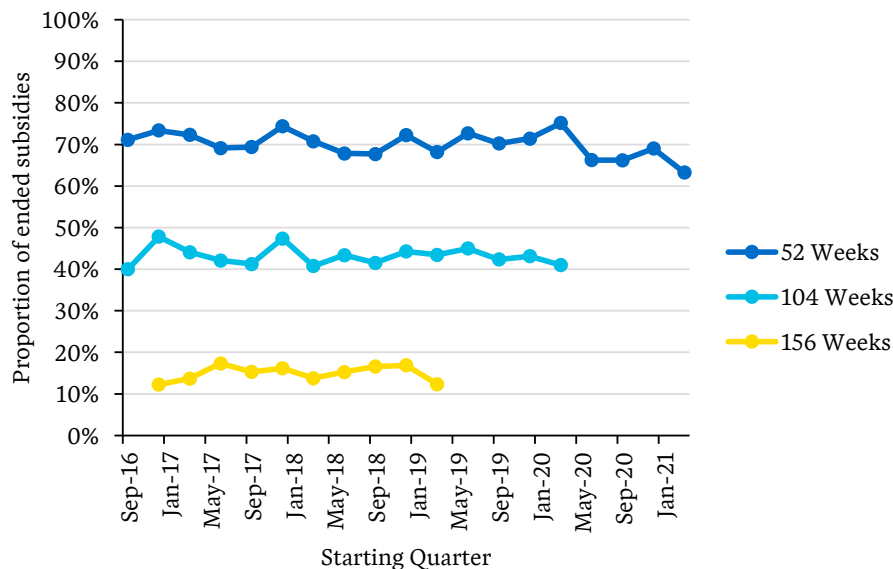
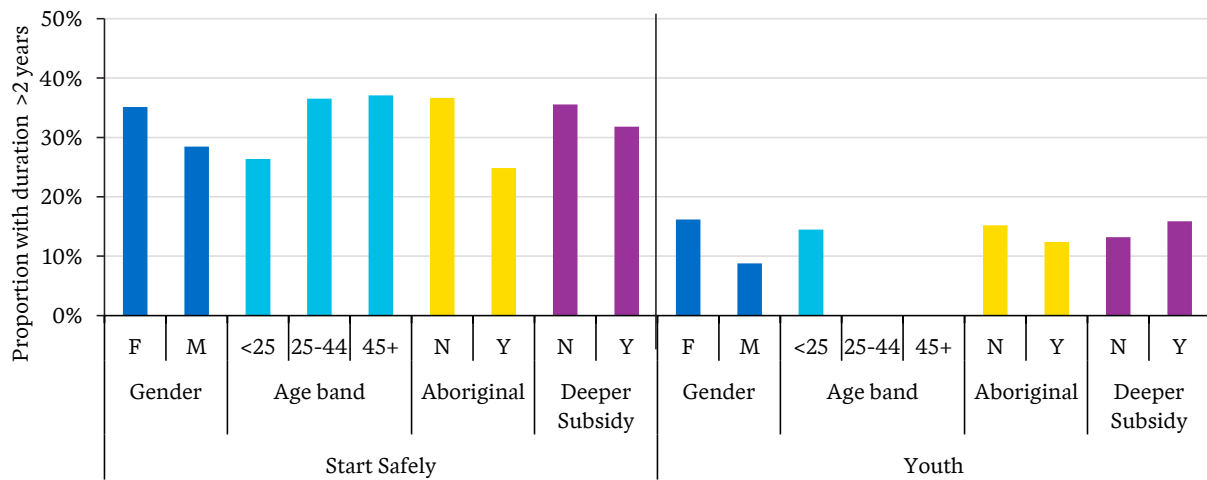


Figure 4 below analyses ended subsidies split by client characteristics and program. The proportions for Start Safely all exceed those of Youth. This highlights that the longer durations for Start Safely seen in Figure 2 is not isolated to specific groups of recipients. Across both programs Aboriginal recipients, young recipients and male recipients were less likely to stay on Rent Choice for more than 2 years. Early exits are not necessarily a bad outcome and recipients leave the program for a variety of reasons, as discussed in Section 2.3.

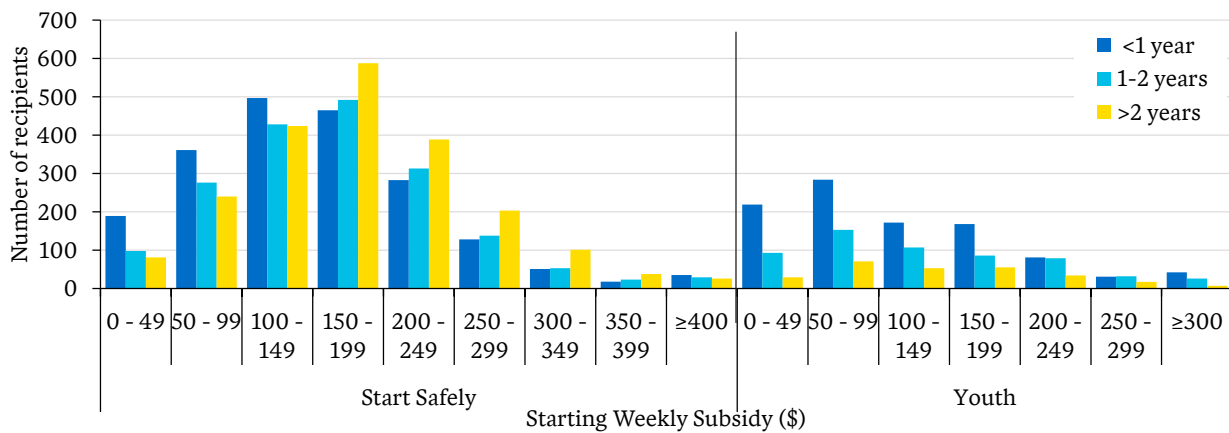
Figure 4 – Proportion of ended subsidies with duration greater than 2 years, split by client characteristics and program, for subsidies ended prior to June 2022



These percentages are lower than those in Figure 2 because the group of ended subsidies is skewed towards shorter durations.

Figure 5 below analyses ended subsidies split by starting subsidy level and program. This shows that recipients on lower starting subsidies were more likely to leave the program earlier. Additionally, the difference in distribution of starting subsidy amounts can be seen, with Start Safely recipients more likely to receive higher starting subsidies. This reflects both the larger households and higher average affordable rents for Start Safely recipients.

Figure 5 - Duration in program by weekly starting subsidy (\$) for ended subsidies to June 2022



2.3 Exit reasons

Recipients leave Rent Choice for a variety of reasons over the course of the full subsidy duration. Leaving before the full 3 years is not clearly a positive or negative outcome. At opposite ends of the spectrum it can reflect the subsidy no longer required, or that the private rental has failed.

We have examined exit reasons assigned to ended subsidies in HOMES to attempt to differentiate positive, neutral or negative exits. Table 1 lists the 15 most commonly used codes for ended subsidies to June 2022, as well as their categorisation into positive, negative and neutral outcomes, as provided by DCJ staff. There is ambiguity in a number of these, particularly 'End Period' and 'Family/ Friends'. A more complete description of exit reasons is provided in Appendix A.

Table 1 – Categorisation of common exit reasons

Categorisation	Description
Negative	Disengaged – Disengaged program goals or no contact Breach – Client is responsible for Tenancy breach Social Housing – Reassessed priority social housing required Final Notice – Cannot get another appropriate tenancy Rehab – Not ready - move to transitional or rehab No longer wants program
Neutral	Unexpected – Unforeseen events e.g. illness, accident Other – e.g imprisoned, death End period – Reached maximum time period Family/Friends – New partner, moving to family, friends
Positive	Secure Finance – Achieving financial security Employment – Achieving primary goal of employment Education of Training – Achieving goal of education or training Not required – Subsidy purpose no longer required

Note: some of these are older codes are not active in the current system (for example. ‘Not required’).

How Rent Choice Specialists view exit codes

All Rent Choice officers interviewed identified issues with the exit codes available in Rent Choice for indicating positive exits. The actual percentage of clients with a ‘positive exit’ that is sustained is difficult to measure precisely and not available in HOMES data. This is in part because it is often difficult to know objectively if an exit is in fact ‘positive’. In other cases, it is because some exit codes are ambiguous such as ‘end period’.

The code ‘end period’ is technically neutral, and Rent Choice officers confirmed that when a person reached the end of their maximum Rent Choice duration (usually 36 months), regardless of whether they were on a positive or negative trajectory they would be recorded as ‘end period’. Based on data provided by a small number of Rent Choice officers (N=3) about their most recent Rent Choice exits, it would appear the most ambiguous code was ‘Family/Friends’. These were almost equally likely to refer to a positive (33%), negative (30%) or neutral exit (37%). In the majority of cases, around two-thirds (63%) the codes ‘Rehab/Breach/Final Notice/ Social housing’ and ‘disengaged’ were negative – while most instances of the code ‘other’ were neutral (78%).

Table 2 – Proportion of positive, neutral or negative exits by exit code used and based on data provided by Rent Choice specialists (N=3) about their 10 most recent Rent Choice exits

Exit code	% Positive	% Neutral	% Negative
Secure finance	100	0	0
Employment/education	100	0	0
End period	81	10	9
Family/Friends	33	37	30
Rehab/Breach/Final Notice/ Social housing	28	8	63
Disengaged	17	17	67
Other	11	78	11

Defining positive, negative and neutral exits

Specialists gave the following descriptions:

Positive exits

The most commonly described positive reasons for exiting Rent Choice was a person increasing their participation in education and employment – this was particularly true for Rent Choice Youth. . Others relate to family court related settlements or decisions to the ability to ability of person escaping domestic violence to retain financial independence. In some other cases financial situation appeared to have improved due to a new relationship – although others suggested this was not always a recipe for success. While achieving financial security is the ideal, in some cases the resolution is simply finding stability in life. With stability and the lack of destabilising life events a person is better able to establish their life and develop their supports -this may happen in a relatively ‘organic’ and difficult to specify manner.

Negative exits

Negative reasons for exiting a tenancy tended to focus on the inability to actually afford the rental for which they were approved leading to rental arrears. It was also related to breaching terms and conditions of participation such as reconciling and living with the alleged perpetrator of domestic violence. In the case of youth it was described that sometimes they ‘gave up’ and found the responsibilities too difficult.

Neutral exits

In some cases, clients relocate. In other cases, the person may have moved in with family or friends, but no further information is available to identify if that is likely to be a stable situation. Clients may also disengage and exit from the program, and it is unclear if the reason for the exit is positive or negative. In some instances, it appears that Rent Choice have lost contact with the person, and the reason is essentially unknown.

Program exits by exit codes

Ended Rent Choice subsidies were assigned a wide range of exit reasons. Earlier exits were more likely to be associated with negative exit reasons.

Because the neutral exit codes are likely mixed in terms of outcomes the true rates of positive (and negative) exits are likely under-represented by looking at just the positive or negative subset. However, the positive and negative exit reason codes do provide a useful check on outcomes. The overall distribution of exit reasons by program are shown in Figure 6:

- Youth sees both more positive and more negative exit reasons than Start Safely. The difference is driven by the longer client durations for Start Safely (less early exits than Youth) leading to more neutral ‘end period’ exit reasons. Of Start Safely recipients 23% had exit reason of ‘End Period’, meaning they reached the end of the program, compared to 5% of Youth recipients.
- Youth recipients were more likely to have exit reasons related to employment, education and training (13% for Youth compared to 4% for Start Safely).
- Youth recipients were more likely to have exit reasons related to family and friends (20% for Youth compared to 15% for Start Safely).
- Youth recipients were more likely to have exit reasons relating to disengagement (25% for Youth compared to 15% for Start Safely).
- Secure Finance was recorded for 12% of Start Safely exits and 13% of Youth.

While it may be used in a variety of circumstances, 'End Period' is used much more frequently for longer duration subsidies. More than half (54%) of all ended subsidies that lasted more than 2 years had the exit reason 'End Period' compared to 18% in total.

Figure 6 - Distribution of exit reasons by program for ended subsidies to June 2022

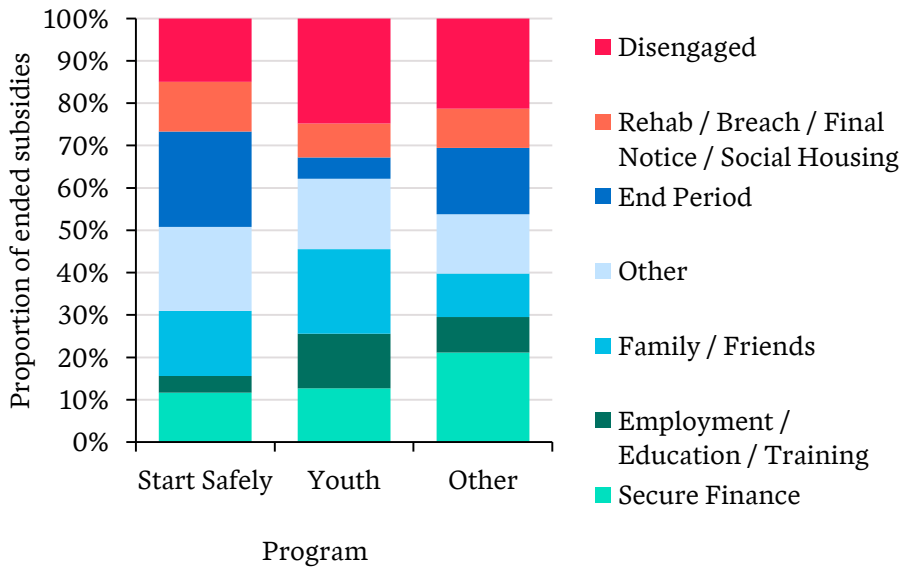


Figure 7 shows the proportion of positive and negative exits across all program types, by certain client characteristics. Overall, 20% of exits are categorised positive, 50% neutral and 30% negative. There are small variations across most characteristics, but notably:

- Male recipients were less likely to have a neutral exit reason (and consequently more likely to have a positive/negative exit). This is likely a program effect – female recipients are more likely to be from the Start Safely program, which observed a higher rate of reaching the end of the program.
- Aboriginal recipients were more likely to have a negative exit reason (40%, compared to 28% for non-Aboriginal recipients).

Figure 7 - Distribution of exit reasons for ended subsidies to June 2022, by selected client characteristics

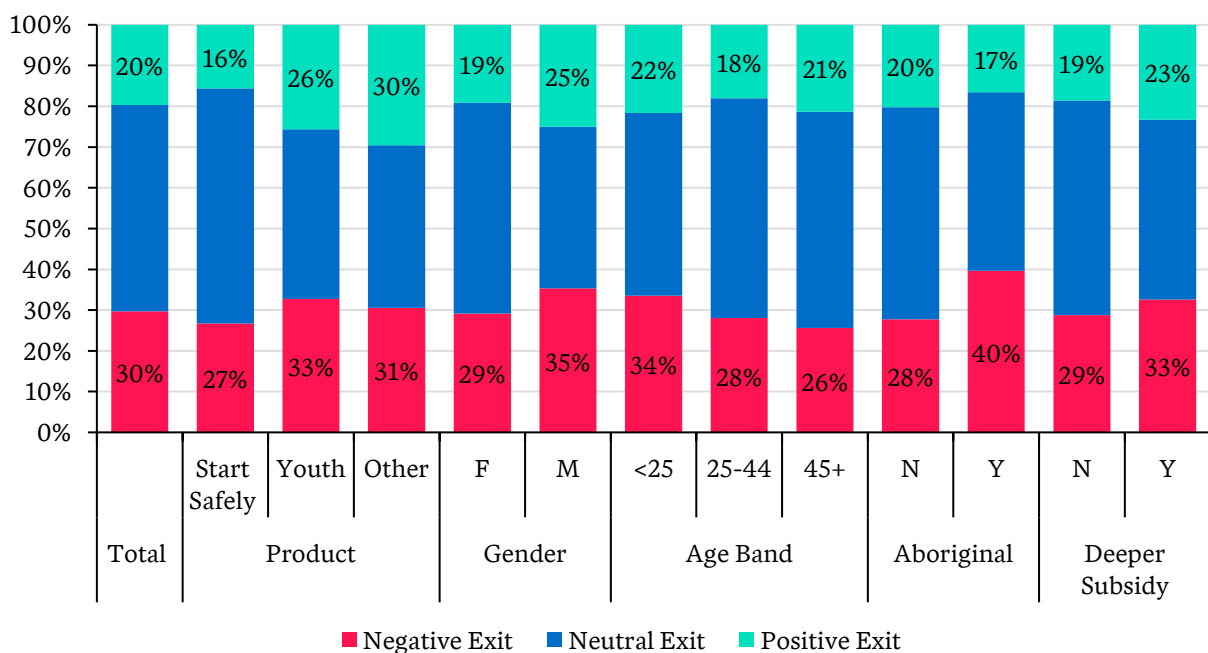


Figure 8 further breaks down the positive, neutral and negative exit reasons by duration of subsidy. There are mixed views on whether reaching the full duration is a positive outcome, however there is a clear trend of earlier exits being more likely to be coded with negative exit reasons.

Figure 9 shows the proportion of exits which are positive, neutral and negative within each duration band:

- 36% of exits in the first year for Start Safely were related to negative codes, compared to 20% of those exiting in the final year.
- 36% of exits in the first year for Youth were related to negative codes, compared to 27% of those exiting in the final year.

In terms of positive exits, the rates are higher for people of durations 1-2 years or 2+ years than for <1 year. This is consistent with the qualitative analysis which suggests the most successful group in terms of positive exits may be those not going to the full duration of Rent Choice.

Figure 8 - Distribution of exit reasons by program and duration for ended subsidies to June 2022

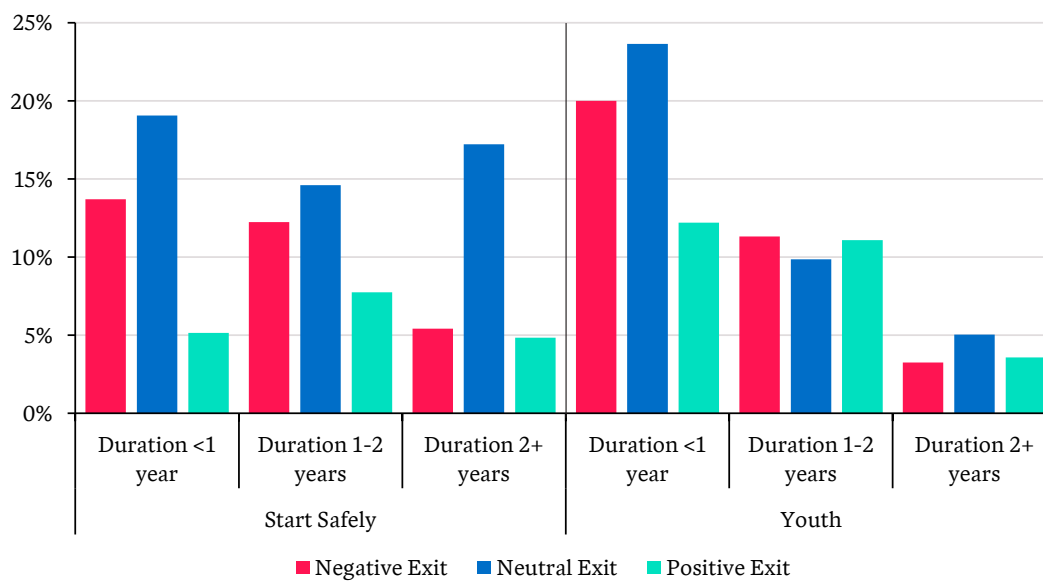
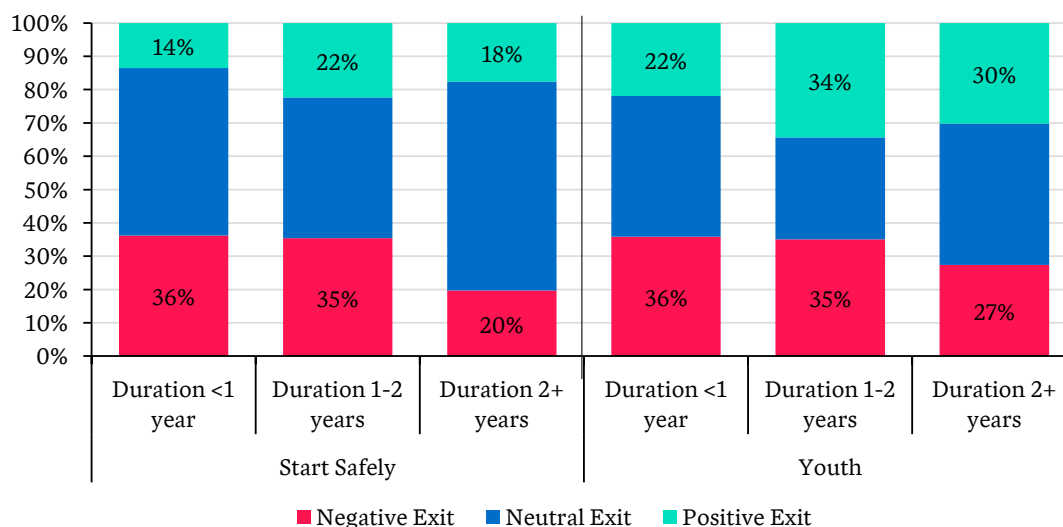


Figure 9 - Distribution of exit reasons within each duration band, for ended subsidies to June 2022



The demographic variation observed in Figure 7 was similar when examined, split by duration on program. These figures are included in Appendix A.5.

It would be useful to consider if improvements could be made to recording ambiguous categories as to gain a better sense of positive and negative exits.

While we have performed analysis of these outcomes, it is important to note that the exit codes are not necessarily used consistently by different administrative staff. Qualitative analysis suggests that exits recorded as positive exists are likely to be positive, but undercount the actual number of positive exits – many ‘end period’ exists will also likely be positive as will a reasonable proportion of other codes, even some exits marked ‘disengaged’ were considered as ‘positive’ by some Rent choice officers.

Averaging the specific estimates of seven current or former Rent Choice officers provided in interviews suggests that across Youth and Start Safely an average of around:

- 70% of clients exit positively
- 15% of clients exit neutrally
- 15% of client exit for negative reasons.

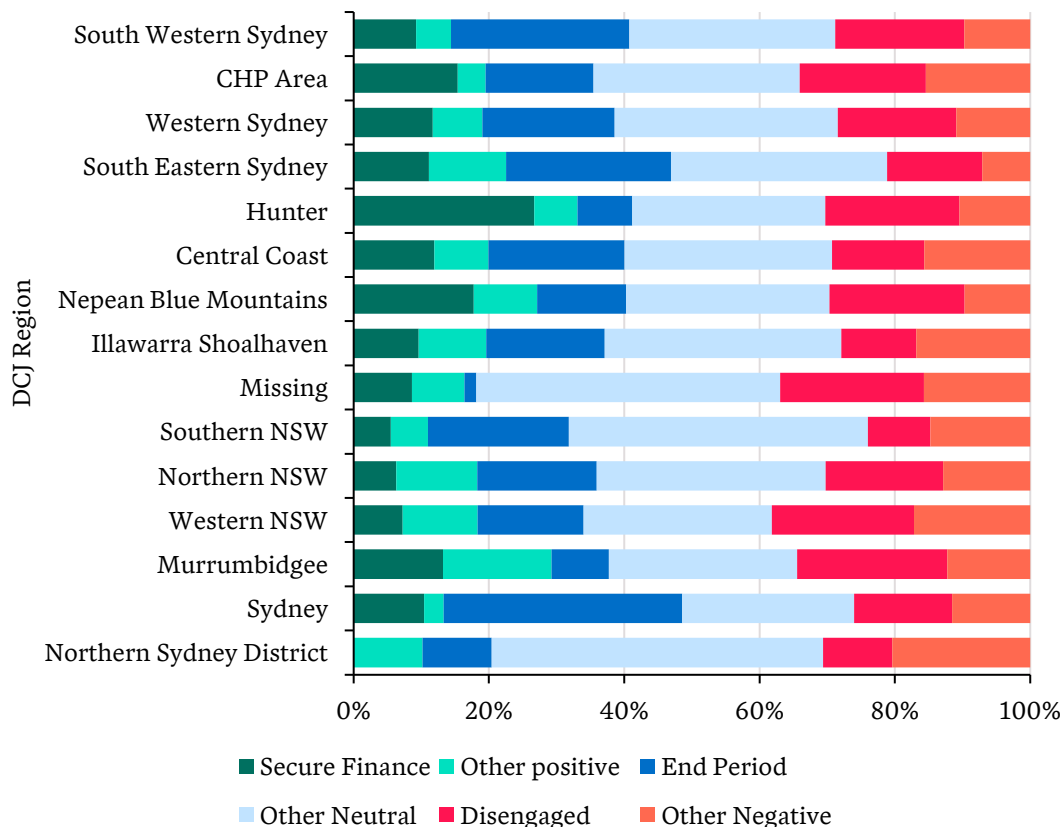
This is based on the descriptions in ‘Defining positive, negative and neutral exits’ above.

Officers’ familiar with both products tended to suggest that Youth had a slightly higher proportion of positive exits. It must be cautioned however that Rent Choice officers held very divergent views about the long-term success of people accessing different Rent Choice products.

It would be useful as part of ongoing training and continuous improvement for Rent Choice officers to provide a table of the codes that will likely be considered as positive, negative and neutral to inform Specialists in uncertain situations. For example, when a person reaches the end of their subsidy it might be that there is a hierarchy of codes to apply that include ‘employment’ and leave ‘end period’ only to be used when the officer essentially does not know. We heard in interviews that there was little awareness of how to select codes – with one Rent Choice officer saying they just looked down the list until they found one that seemed ‘OK’ and then used that code.

In particular, Figure 10 shows significant variation in exit reasons used between different DCJ districts. For example, ‘End Period’ is used far less frequently in the Hunter New England district and it seems like ‘Secure Finance’ is used more frequently in its place. A full breakdown of exit reasons by DCJ region is provided in Appendix A.4. While there are market and case-load reasons for these geographical differences, the variance is higher than one would expect if they were being applied consistently.

Figure 10 - Distribution of exit reasons by DCJ region for ended subsidies to June 2022



2.4 Subsidies at exit

Most subsidies at exit were small due to tapering, however there were some recipients ending while still on significant subsidy amounts. These recipients were far less likely to have reached the end of their Rent Choice term.

Part of the design of Rent Choice is tapering of payments so that recipients are supported to incrementally step towards pay the full rental amount. This means subsidies at exit are expected to be much lower than at entry – if five full taper steps are applied the final subsidy will be 20% of the initial. With recipients exiting at different time points for different reasons the final subsidies may be higher than this, and recipients may face a reduction on exit.

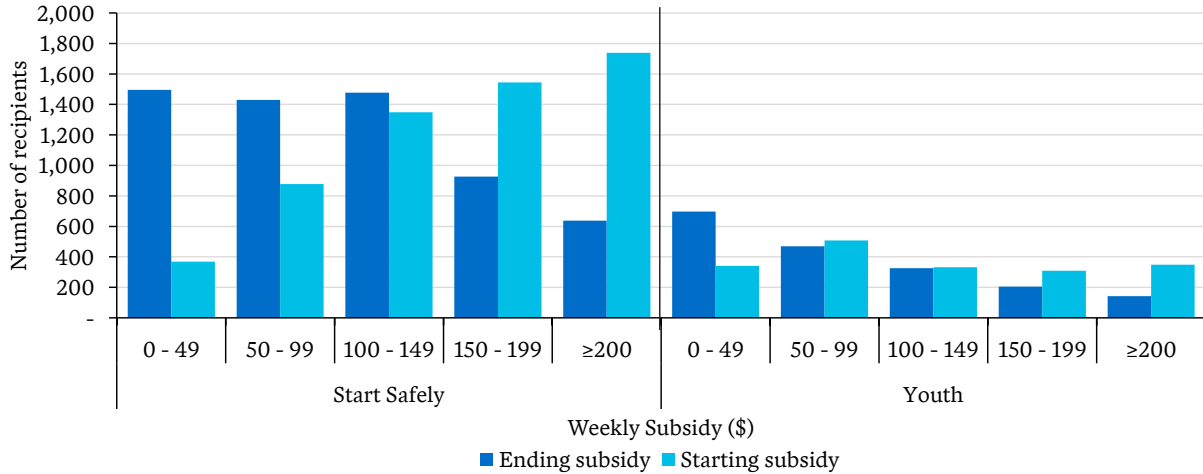
Figure 11 shows the number of recipients in each subsidy band at the end of their subsidy and compares it to the number at the start. The change in the subsidy distribution of Start Safely recipient is larger, reflective of more tapering over their longer stays on program as well as higher average starting subsidies.

At exit across Start Safely and Youth:

- Just over a quarter (28%) of recipients were receiving a weekly subsidy of less than \$50. This is:
 - 25% for Start Safely (1,495 people)
 - 38% for Youth (698 people)
- Another quarter (24%) were receiving a weekly subsidy of between \$50 and \$99. This is:
 - 24% for Start Safely (1,430 people)
 - 26% for Youth (469 people)

- Nearly half (48%) were receiving a weekly subsidy of \$100 or more. This is:
 - 51% for Start Safely (3,042 people)
 - 37% for Youth (672 people).

Figure 11 – Number of starting versus ending subsidies for ended subsidies to June 2022



In considering if the program duration is sufficient, people remaining the full years are of interest because this is the group that a potential duration extension would impact. Looking specifically at recipients who received close to 3 years (148 weeks) of subsidy and were given the ‘End Period’ exit reason, 29% were receiving at least \$100 of weekly subsidy at exit. People in this group were 1.67 times more likely to have been receiving a deeper subsidy and 0.74× less likely to have received 5 tapers compared to those who ended on less than \$100 after at least 148 weeks. Figure 12 splits this cohort by the size of their ending subsidies.

Figure 12 – Number of subsidies of duration > 148 weeks with ‘End Period’ exit reason, by ending weekly subsidy

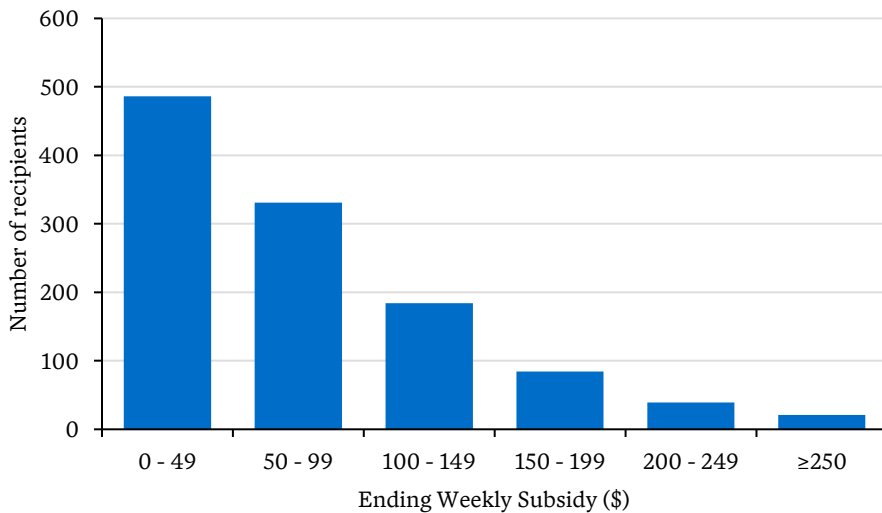
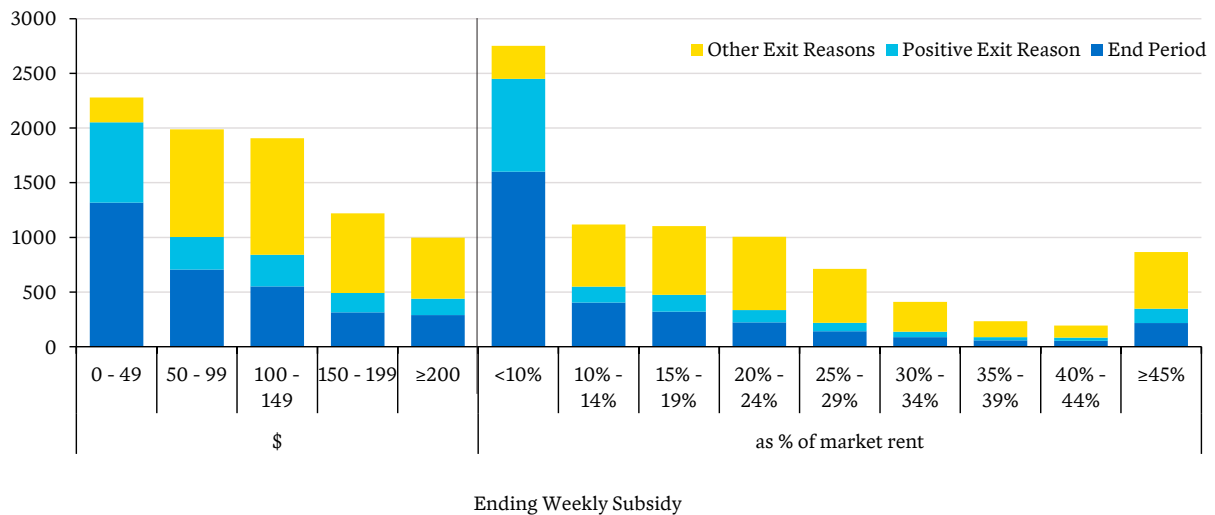


Figure 13 shows the distribution of ending subsidies by weekly subsidy and also as a proportion of market rent. One-third of recipients were receiving a subsidy equivalent to less than 10% of their market rent on exit. Figure 13 also shows these low-subsidy exits were more likely to be given the ‘End Period’ exit reason (58% of this group had ‘End Period’ compared to 37% overall).

Figure 13 - Ending weekly subsidy amounts in dollars and as a percentage of weekly market rent, by exit reason for ended subsidies to June 2022



People exiting with significant subsidy levels are also a point of interest as they face a large increase in rent. Figure 13 shows that there was a small but material cohort (10%) of recipients who were still receiving more than 45% of their weekly rent as subsidy on exit from Rent Choice. A quarter of this cohort were assigned the 'End Period' exit code. Close to a third of clients (2,415 or 29%) were still receiving at least 25% of their weekly rent as subsidy on exit from Rent Choice. Of this group nearly one fifth (18%) had an 'End Period' exit reason. Compared to the exits while receiving subsidies of less than 10% of market rent, a larger proportion of other exits can be attributed to early leavers due to negative outcomes, such as 'Breach' or 'Disengaged' as well as subsidies that were ended for administrative purposes, such as to start a new Rent Choice product or avoid applying a taper. The high subsidy on exit for these early exits reflects the short duration. While undesired, having some exits for negative reasons is likely unavoidable in the context of people's life events. Recipients that stay on Rent Choice for longer, experience more tapers, so the subsidy level decreases more, as seen in Figure 14. This effect is most prominent in the Start Safely program, where recipients generally start on higher subsidies (in terms of dollar values) and have a higher likelihood of exiting due to reaching the maximum benefit duration. For the Start Safely >2 year duration group the most common subsidy on exit is <\$49, in contrast, the <1 year duration group are split much more evenly between different subsidy levels on exit. Note that tapering only begins after the first year, so the similar distribution of ending subsidy for those ending before 1 year and between 1 and 2 years is to be expected.

Figure 14 - Number of recipients by ending weekly subsidy (\$) for ended subsidies to June 2022, split by Program and duration on Rent Choice

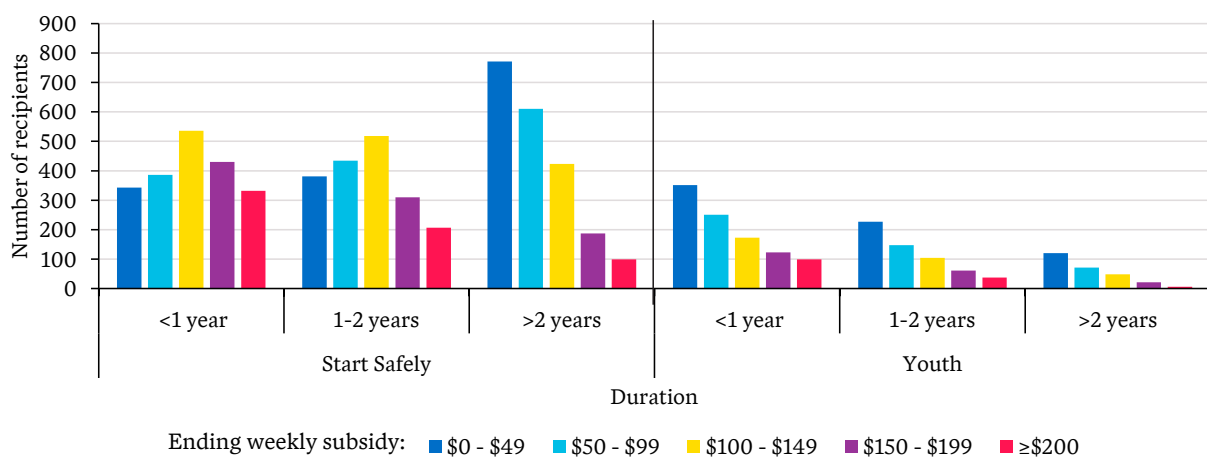
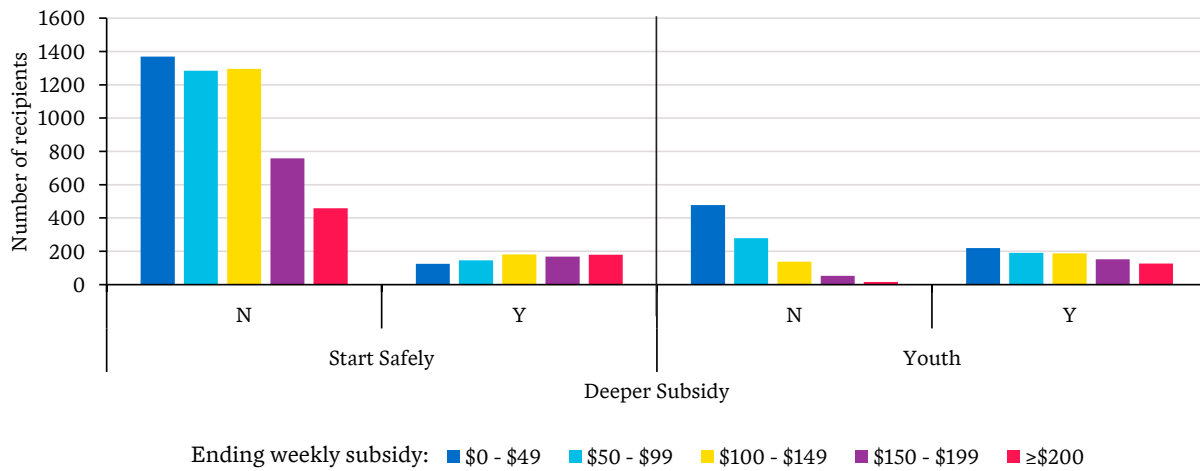


Figure 15 shows this distribution of ending subsidies split by deeper subsidies. Recipients of deeper subsidies were less likely to have low ending subsidies. This is natural impact of a higher starting subsidy – the ending subsidy will naturally be higher, even with five tapers applied.

Figure 15 – Number of recipients by ending weekly subsidy (\$) for ended subsidies to June 2022, split by Program and Deeper Subsidy

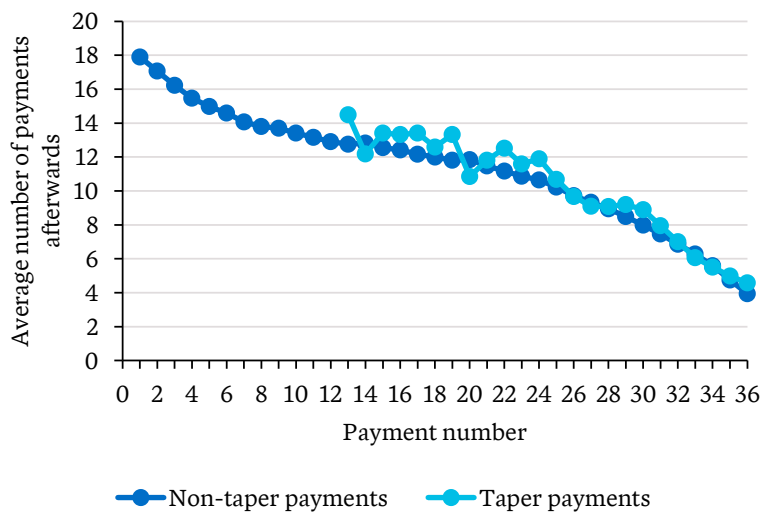


There is no evidence of higher exit rates subsequent to a taper. The ability to use discretion in applying tapering may be providing protection against this.

Tapering is a key component of the program structure to ensure recipients are not “set up for failure” upon exit and the analysis above indicates that it is functioning as expected. A natural question is whether tapering events have led to early exits. If recipients are unable to sustain their higher contribution to rent they may exit. Figure 16 shows the average number of payments received after a payment, split by whether that payment was identified as a taper payment³ or not. It shows that, at the same payment number, whether a payment is a taper or not does not seem related to how much longer the recipient continues to receive the subsidy. Rent Choice housing officers have the discretion to skip a taper if they assess participants are not ready. This may contribute to tapering not appearing to trigger exits from the program. This suggests the current framework of discretion is working.

³ We have identified payments as tapers when they are a reduction of 10% to 60% compared to the previous payment at durations of more than 6 weeks.

Figure 16 - Number of payments after taper payments versus non-taper payments, for subsidies ending by 31 December 2021



2.5 Commonwealth Rental Assistance and income support post Rent Choice

After their subsidies ended, around 80% of Rent Choice recipients receive Commonwealth Rent Assistance (CRA) in the quarter afterwards, implying they were sustaining their private rental. The proportion of recipients receiving CRA decreased thereafter at a reducing rate, with 69% still receiving CRA after a year and 64% after two years. Aggregating over the full year following Rent Choice exit 90% of people received CRA.

Following subsidies ending, Rent Choice participants become fully responsible for the payment of their rent in the private market. It is hard to know exactly what happens to people and for how long the private rental may last. This is particularly true for those who do not return to DCJ for further housing support. One proxy of continued renting is receipt of Commonwealth Rent Assistance (CRA). CRA is a Commonwealth income supplement provided to low-income earners renting in the private rental market or community housing. Most Rent Choice recipients (85%) can be identified as receiving some CRA while in the program. These participants would likely continue to receive CRA if they are sustaining their private rental, assuming income requirements are still met (most Rent Choice recipients continue to receive income support following exit). In addition, recipients of Family Tax Benefits can also be eligible for CRA (depending on income and household structure) this is particularly relevant for Start Safely recipients.

We can therefore attempt to measure the longer-term success of Rent Choice by examining whether participants continue to receive CRA after Rent Choice subsidies end. While CRA provides the best available view on sustained tenancies it is just a proxy and has limitations. Through the analysis we view continued CRA as a positive sign of sustaining a rental, and the absence of CRA likely reflecting the private rental failing. Limitations of CRA as a proxy include:

- People receiving a financial settlement or getting a high-paying job may no longer be eligible for CRA.
- The benefit relies on self-reporting of departure from a private rental, which may result in over-stating the rate of genuinely sustaining private rentals.

We also note the moratorium on rental evictions following COVID-19 lockdowns may have resulted in some recipients sustaining private rentals who otherwise would not.

Figure 17 shows that the proportion of Rent Choice participants continuing to receive CRA following exit from Rent Choice. In the main evaluation we looked over the year following exit from Rent Choice. We found 90% of those with some CRA during Rent Choice, also received CRA over the year following exit.

Here we have examined this on a quarterly basis to provide more insight into the change over time since exit from Rent Choice. Because people can start and stop receiving CRA, the proportion who get CRA over a year is higher than the proportion in any given quarter. This means the quarterly rates reported here are slightly lower, but they still aggregate up to 90% on an annual basis.

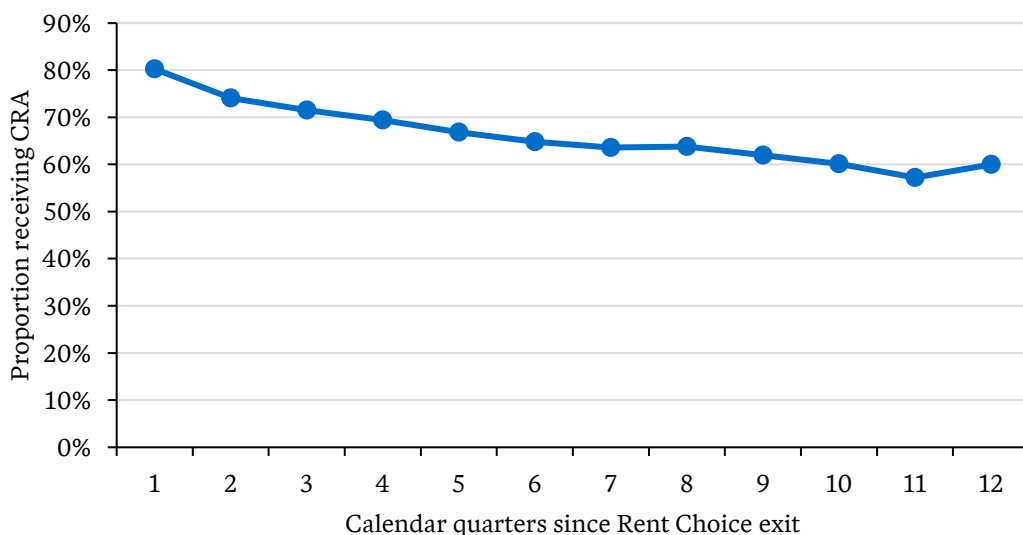
The proportion receiving CRA is high:

- 80% were still receiving CRA in the calendar quarter after their subsidy ended
- 69% were still receiving CRA after a year
- 64% were still receiving CRA after two years.

The last Rent Choice subsidy payment occurs in quarter 0, so that quarter 1 is entirely after Rent Choice has ended. There is an initial step down in rates of CRA, then the decrease is quite gradual over the subsequent 3 years.

In this analysis, we have only considered the 85% of participants that received CRA during their time on Rent Choice. The 15% not receiving CRA likely reflects a combination of linkage failures between the datasets and people genuinely not receiving CRA. We have also excluded those who have returned for a further Rent Choice subsidy and those who are recorded in the Community Housing data. This is to provide the clearest picture of ongoing CRA receipt.

Figure 17 - Proportion of Rent Choice participants on CRA by calendar quarters since Rent Choice exit



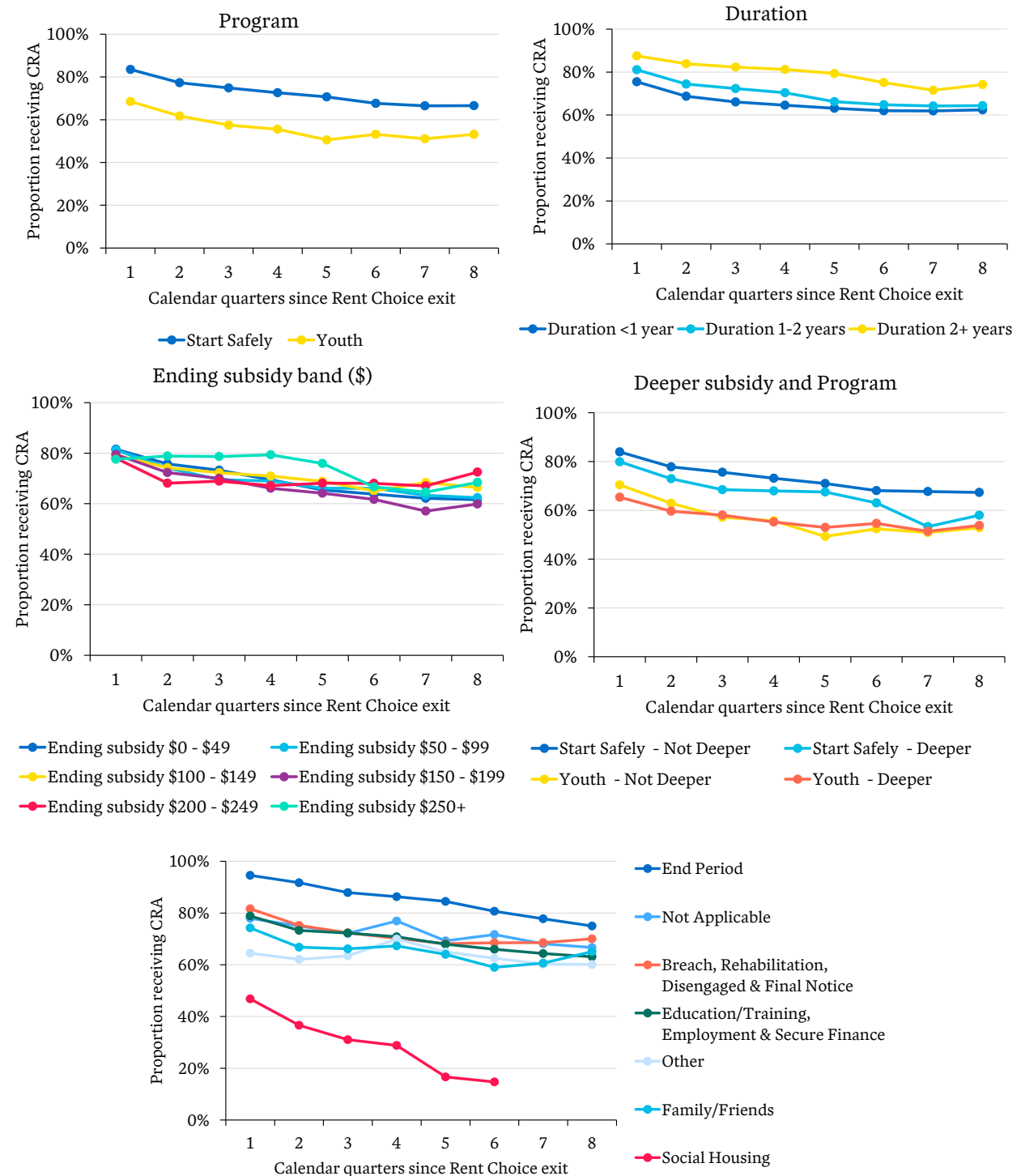
The likelihood of continuing to receive CRA was highest for longer duration subsidies and showed no relationship to ending subsidy amount or receipt of deeper subsidies.

Figure 18 shows the proportion continuing to receive CRA following exit, split by selected characteristics. The charts show that:

- Recipients were less likely to continue to receive CRA following the end of a Youth subsidy (56% after 1 year), compared to the end of a Start Safely subsidy (73% after one year).
- Recipients who spent longer on the program were more likely to continue to receive CRA. Of people receiving at least 2 years of Rent Choice subsidies, 81% were still receiving CRA one year after exit. For people receiving less than 1 year of Rent Choice subsidies this was 65%.
- The rate at which recipients continued to receive CRA did not seem to be significantly influenced by the ending subsidy amount or receipt of deeper subsidies.

- Rent Choice recipients who were assigned the exit reason 'End Period' on exit were most likely to continue to receive CRA. Those given positive exit codes like 'Education', 'Training' and 'Secure Finance' were less likely to continue to receive CRA – this probably in part reflects positive exits such that CRA is no longer required. Those given the 'Social Housing' and 'Family/Friends' exit reason were the least likely to continue to receive CRA, which is intuitive as they would not be eligible for CRA in those situations. Those given positive exit codes like 'Education', 'Training' and 'Secure Finance'

Figure 18 – Proportion of recipients with CRA by quarters since the subsidy ended, by selected characteristics



After their subsidies ended, around 80% of Rent Choice recipients continued to receive income support benefits.

Similarly, we can look at income support payments to get an indication of whether the financial situation of recipients improves subsequent to Rent Choice. Figure 19 shows that the proportion staying on income support was high, having remained at a steady 80% one year after Rent Choice exit. The average benefit amount increased steadily after Rent Choice exit, partly due to younger people becoming eligible for higher payment amounts as they age or become parents.

Figure 19 – Proportion of Rent Choice recipients on income support benefits after Rent Choice subsidy ends and their average quarterly benefit

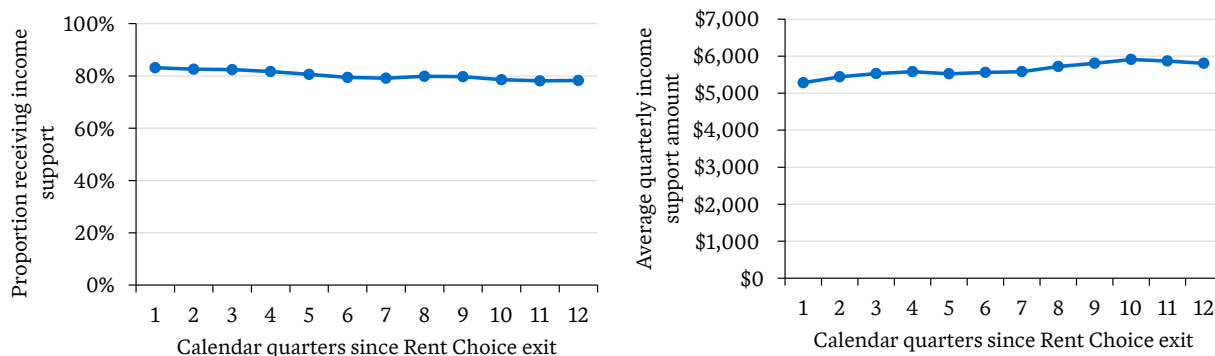


Figure 20 shows that the income supports being received differed by program and that average payment amounts differed by income support type. Very few non-Youth recipients received student benefits, whereas the majority of Youth recipients did (41% in quarter 1), although the proportion decreases over time. Working age and student benefits had the lowest average payment sizes. The movements of Youth recipients from student benefits to others with higher payments is clear and somewhat expected for a young cohort. The exact grouping of benefit types is provided in Appendix A.1.

Figure 20 – Proportion of Rent Choice recipients on income support benefits after Rent Choice exit and their average quarterly benefit, by income benefit type and program



Ended subsidies with the positive exit reasons of ‘Education/Training’, ‘Employment’ or ‘Secure Finance’ were the least likely to continue to receive income benefits and had the lowest average payment size even if they did continue on benefit.

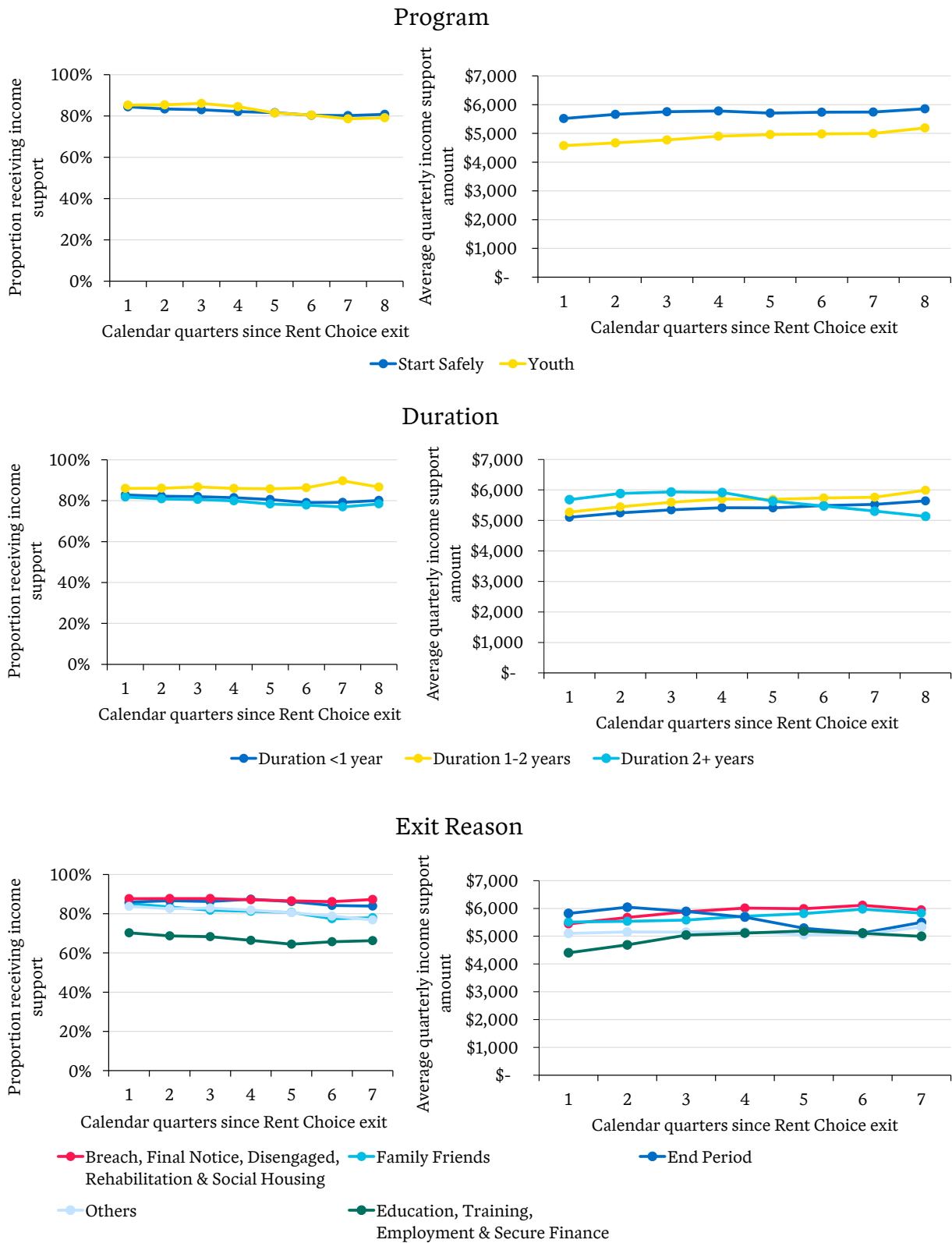
Figure 21 presents the above trends in income support, split by other selected characteristics. The charts show that:

- The average quarterly payment size was higher for those exiting the Start Safely program (\$5,800 after one year), compared to those on the Youth program (\$4,900 after one year). Those in the Start Safely program are older on average and eligible for higher income support payment types – particularly parenting payments.
- Those who were on Rent Choice for more than 2 years were more likely (86% after one year) to be on income support following exit compared to others (81% after one year), however their average

payment size decreases over time. Average payment size increases over time for shorter duration recipients. Younger people tend to leave Rent Choice earlier, and their income support benefits naturally increase as they age.

- There are some interesting differences when splitting by exit reason. Recipients who had 'Education/Training', 'Employment' or 'Secure Finance' exit reasons were the least likely (66% after one year) to continue to receive income benefits and had the lowest average quarterly payment size (\$5,100 after one year) even if they did continue on benefit. This provides validation of these as positive exit codes, and indicates positive outcomes are sustained following exit.

Figure 21 –Income support pattern for Rent Choice recipients by quarters since the subsidy ended, by selected characteristics



2.6 Returning for further housing support following Rent Choice

Less than 20% of people exiting Rent Choice subsidies return for further housing support. Shorter duration recipients and those with negative exit reasons were more likely to return.

We have measured the rate of returning for further housing support following Rent Choice through analysis of approved applications to the Housing Register (HR), Temporary Accommodation (TA) or Rent Choice (Rent Choice). Figure 22 shows the rate of return for further support in the year following ending a Rent Choice subsidy. Overall, the rates of return for further support are low:

- The rate of return for TA was highest, with 1 in 8 (12%) Rent Choice recipients receiving TA in the year after exiting Rent Choice
- Closer to 1 in 15 recipients (7%) returned for further Rent Choice subsidies
- Around 1 in 30 (4%) returned and were approved as a new application to the housing register. Note this only counts new applications, many Rent Choice recipients remain on the housing register during and subsequent to their subsidy.

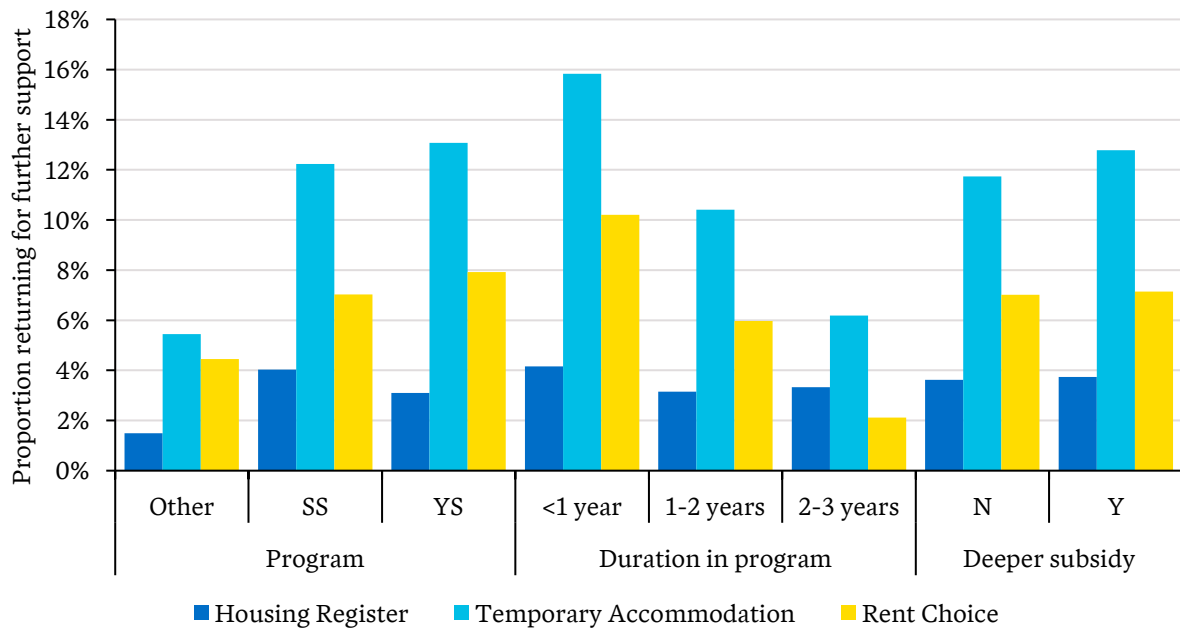
While overall around 7% returned for further Rent Choice subsidies in the year following exit from the program this is likely slightly inflated due to administrative coding of continued subsidies as new subsidies.

Of Rent Choice subsidies that lasted over two years, the rate of return for further Rent Choice in the following year was only 2%. Similarly, the rate of return for those who exited with 'End Period' exit reason was lower at 1%. The rate of return for other supports was also lowest for those who were on Rent Choice for a longer duration and for those with the 'End Period' exit reason. Therefore, there is no evidence that recipients reaching program duration limits required a longer subsidy.

Of Rent Choice subsidies that lasted less than a year, 1 in 4 (25%), returned for at least one form of further housing support, with 16% returning for TA and 10% returning for further Rent Choice. Rates of return for further support are very similar for recipients of deeper subsidies (20% returned for any form of further support) and standard (non-deeper) subsidies (19%).

There was strong overlap between applicants approved for TA and the other support types, with almost half (49%) of those approved for HR and a quarter (26%) of those approved for further Rent Choice, also being approved for TA in the year.

Figure 22 - Proportion of Rent Choice recipients returning for further support within the first year of subsidy end, by program, duration and deeper subsidy



With duration being a large effect, we have examined the same outcomes for those who received Rent Choice for at least 2 years ('full duration cohort') to provide a clearer picture of outcomes for this group. Figure 23 shows the rate of return for further support of the full duration Rent Choice cohort:

- Younger recipients were more likely to return for TA (51% of returns) or further Rent Choice (31% of returns), whereas older recipients returned more frequently to the HR (33% of returns).
- Aboriginal recipients were also more likely to return for all forms of further support. Of the full duration cohort Aboriginal recipients, 11% returned for TA, compared to 6% of non-Aboriginal recipients in the same cohort.

Figure 23 – Proportion of Rent Choice recipients returning for further support within the first year of subsidy end, by age band and Aboriginal identification, for subsidies ended prior to 30 June 2021 and duration longer than 2 years.

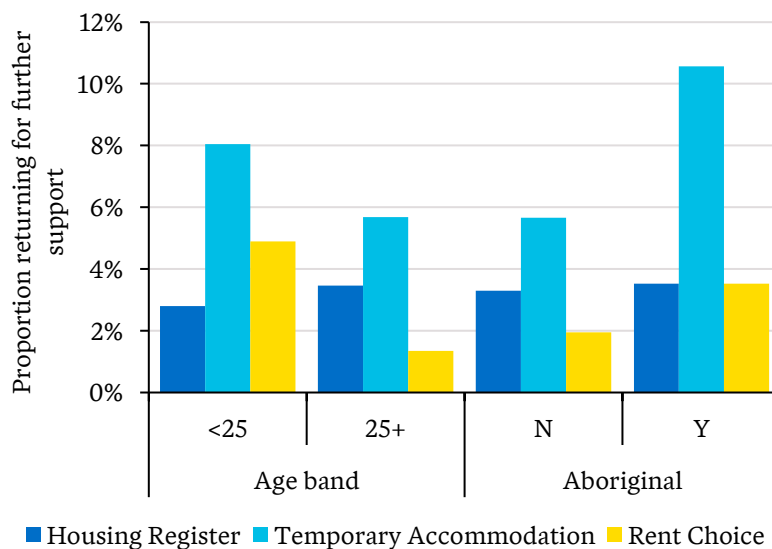
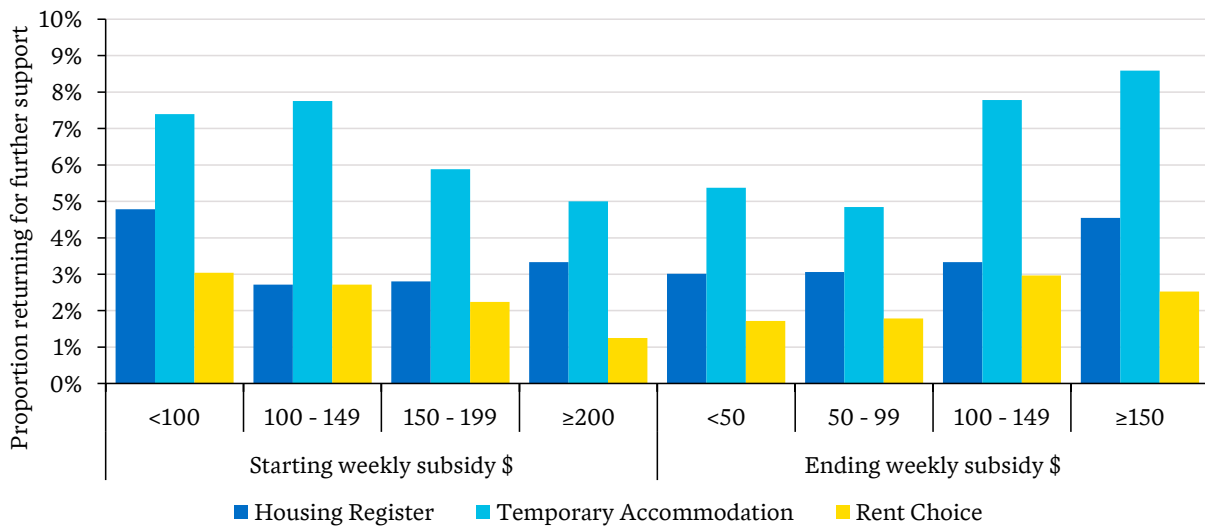


Figure 24 shows that the rates of return for further support for the full duration cohort by starting and ending subsidies. After controlling for duration on Rent Choice recipients:

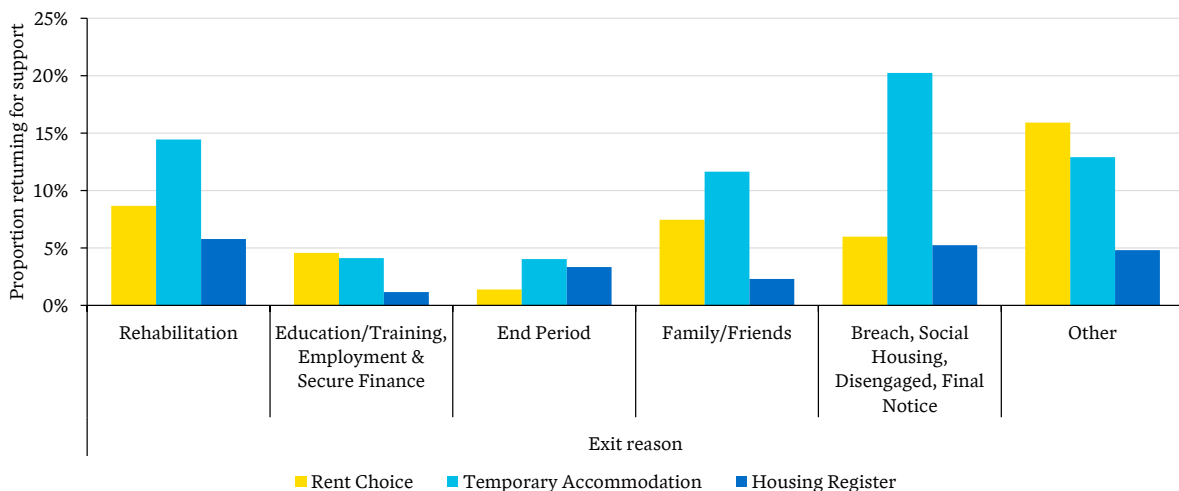
- Who started on lower subsidies were more likely to return for further support. Of those in the full duration cohort who started on less than \$150 of weekly subsidy, 8% returned for TA, compared to 5% for others. This likely reflects Youth being more likely to start on lower subsidies.
- Who ended on higher subsidies were more likely to return for further support. Of those in the full duration cohort who ended on more than \$100 of weekly subsidy, 8% returned for TA, compared to 5% for others. This group faced relatively large steps ups in the amount of rent they needed to pay, and so require higher rates of subsequent support.

Figure 24 – Proportion of Rent Choice recipients returning for further support within the first year of subsidy end, by starting and ending subsidy, for subsidies ended prior to 30 June 2021 and duration longer than 2 years.



The likelihood of a Rent Choice recipient returning for further housing support varied by exit reason, as shown in Figure 25. Recipients who were assigned the reasons ‘Breach’, ‘Social Housing’, ‘Disengaged’, ‘Final Notice’ and ‘Rehabilitation’ had the highest rate of returning to TA (355 people, 19%). Recipients who were assigned the ‘End Period’ reason returned at the lowest rates to Rent Choice (12 people, 1%) and TA (35 people, 4%). They also returned at a relatively low rate to the housing register (29 people, 3%).

Figure 25 - Proportion of Rent Choice recipients returning for further support within the first year of subsidy end, by exit reason, for subsidies ended prior to 30 June 2021



There is a lot of variation in rates of return for further support by DCJ district. Table 3 shows that there was a variance of up to 2.2 times the rate of return for further housing support (any of HR, Rent Choice or TA) between DCJ regions. Rent Choice recipients were:

- Least likely to return in South Eastern Sydney (13%)
- Most likely to return in Southern NSW (30%).

There is also lot of variation in the typical duration by DCJ district as shown in Table 3. At the extreme ends recipients in South Western Sydney were more than three times as likely to receive the subsidy for more than 2 years compared to those in the New England region (39% vs. 12% respectively), noting potential differences in administration seen in Section 2.3.

This is consistent with information from interviews with Rent Choice officers. Rent Choice officers had diverse opinions about the appropriate length of time for the subsidy. This ranged from surprise that any client would not use the full ‘entitlement’ of 36 months – others that felt that almost all positive exits would occur prior to 36 months. It was explained that when the product is provided as intended a person will be supported to secure their independence much earlier than 36 months. For some officers the subsidy lasting the full term was an indicator that participation in Rent Choice had not been effective at helping a client secure their financial independence.

Despite this there was general trend that regions with higher rates of receiving Rent Choice for 2 or more years had the lower rates of return for further support.

Table 3 - Recipient outcomes by DCJ district, for subsidies ended prior to 30 June 2021

DCJ district	Total Number	% of all RC subsidies with duration > 2 years	% returning for further housing support
Northern NSW	203	23%	18%
Mid North Coast	420	20%	21%
New England	361	9%	24%
Hunter	768	19%	21%
Central Coast	439	23%	17%
Nepean Blue Mc	442	22%	17%
Western Sydney	593	25%	17%
Northern Sydne	145	24%	14%
Sydney	109	16%	22%
South Eastern Sy	270	29%	13%
South Western S	1027	30%	18%
Murrumbidgee	155	17%	15%
Western NSW / .	329	13%	19%
Illawarra Shoalh	414	25%	21%
Southern NSW	232	23%	30%

Throughout the analysis we have generally found there are not particular demographic, or product related features which consistently identify groups for which Rent Choice works extremely well or does not work at all. Rather, it appears to work well for a wide range of people. This is consistent with qualitative research that’s it is about the identification of people who will succeed by Rent Choice officers. Further evidence about how Rent Choice works and for whom is provided in Section 4.

We have used a segmentation analysis to try and identify groups key cohorts of Rent Choice recipients who had considerably higher or lower rates of returning for housing support. The results are shown in Table 4 below. Of all the cohorts in the segmentation:

- Aboriginal people under the age of 25, with subsidies more than \$150 and incomes of less than \$450 per week OR Aboriginal people over the age of 25, with subsidies less than \$150 and incomes of less than \$450 per week were most likely to return for further housing support. This group returned for further housing support 33% of the time, almost 3 times as often as the lowest risk group.
- The group with the lowest rate of return for further support was non-Aboriginal people aged under 25, with subsidies more than \$150 but incomes of more than \$450 per week. This group returned for further support 13% of the time.

While the variation is modest, the groups with higher rates of return are likely facing additional barriers to housing independence. There may be further support that could be provided alongside Rent Choice to Aboriginal people, and those on high subsidies relative to their income. There are intuitive reasons these groups may require further support.

The correlation between duration and probability of returning of further housing support can also be seen in Table 4; the groups with the highest rate of return are also those that had the lowest proportion lasting at least 2 years on Rent Choice.

Table 4 – Segmentation of ended Rent Choice subsidies that ended by 30 June 2021

Characteristics				Number of people	% of all RC subsidies with duration > 2 years	% returning for further housing support
Under 25	Starting Subsidy <150	Income ≥450	Not Aboriginal	1,426	35%	15%
			Aboriginal	155	24%	30%
		Income <450	Not Aboriginal	535	26%	18%
			Aboriginal	66	18%	23%
	Starting Subsidy ≥150	Income ≥450	Not Aboriginal	830	24%	13%
			Aboriginal	140	18%	22%
		Income <450	Not Aboriginal	560	19%	21%
			Aboriginal	104	15%	33%
25+	Starting Subsidy <150	Income ≥450	Not Aboriginal	281	23%	17%
			Aboriginal	63	19%	19%
		Income <450	Not Aboriginal	380	16%	21%
			Aboriginal	107	10%	33%
	Starting Subsidy ≥150	Income ≥450	Not Aboriginal	250	20%	23%
			Aboriginal	99	10%	25%
		Income <450	Not Aboriginal	663	9%	23%
			Aboriginal	244	8%	24%

2.7 Key Findings

Throughout this section we have noted key findings, collated here:

- Rather than most people accessing the subsidy to full term, Rent Choice exits occurred across the full duration.
- Start Safely tended to have a longer duration than other Rent Choice subsidies.

- Duration patterns have remained stable over time.
- Ended Rent Choice subsidies were assigned a wide range of exit reasons. Earlier exits were more likely to be associated with negative exit reasons.
- If possible, it would be useful to consider improvements to recording ambiguous categories to gain a better sense of positive and negative exits.
- Most subsidies at exit were small due to tapering, however there were some recipients ending while still on significant subsidy amounts. These recipients were far less likely to have reached the end of their Rent Choice term.
- There is no evidence of higher exit rates subsequent to a taper. The ability to use discretion in applying tapering may be providing protection against this.
- After their subsidies ended, around 80% of Rent Choice recipients continued to receive Commonwealth Rent Assistance after one quarter, implying they were sustaining their private rental. The proportion of recipients receiving CRA decreased thereafter at a reducing rate, with 69% still receiving CRA after a year and 64% after two years. Aggregating over the full year following Rent Choice exit 90% of people received CRA.
- The likelihood of receiving CRA was highest for longer duration subsidies and showed no relationship to ending subsidy amount or receipt of deeper subsidies.
- After their subsidies ended, around 80% of Rent Choice recipients continued to receive income support benefits.
- Ended subsidies with the positive exit reasons of 'Education/Training', 'Employment' or 'Secure Finance' were the least likely to continue to receive income benefits and had the lowest average payment size even if they did continue on benefit.
- Less than 20% of people exiting Rent Choice subsidies return for further housing support. Shorter duration recipients and those with negative exit reasons were more likely to return.
- Throughout the analysis we have generally found there are not particular demographic, or product related features which consistently identify groups for which Rent Choice works extremely well or does not work at all. Rather, it appears to work well for a wide range of people. This is consistent with qualitative research that's it is about the identification of people who will succeed by Rent Choice officers.

3 Deeper subsidy and market rent analysis

3.1 Introduction

A deeper subsidy is currently offered against one, two or three-bedroom categories in limited DCJ Districts that historically were considered high-cost locations. A deeper subsidy enables a client to lease a property with a higher weekly rent than they otherwise would be able to, with the obvious implication that they will have to pay a higher ongoing rent once the subsidy tapers and ends. Existing deeper subsidy thresholds were based on private rental data prior to 2020. In light of the significant changes to the rental market, this Section explores:

- Whether deeper subsidy thresholds reflect current market rent and affordability levels for prospective or approved Rent Choice clients across the state.
- Whether an increase in deeper subsidy affordability limits would provide a net benefit to clients being able to activate a Rent Choice subsidy, over the cost of potentially being unable to sustain a tenancy and transition to housing independence by the end of the subsidy period (i.e. being 'set up to fail')
- Deeper subsidy affordability limits
- Key criteria that should be put in place to ensure that clients offered a deeper subsidy are not 'set up to fail'?
- Expanding deeper subsidies to be available across the whole state and/or for all bedroom categories
- Deeper subsidy affordability limits by bedroom category and district.

3.2 Rental market changes and deeper subsidy affordability limits

3.2.1 Rental market changes

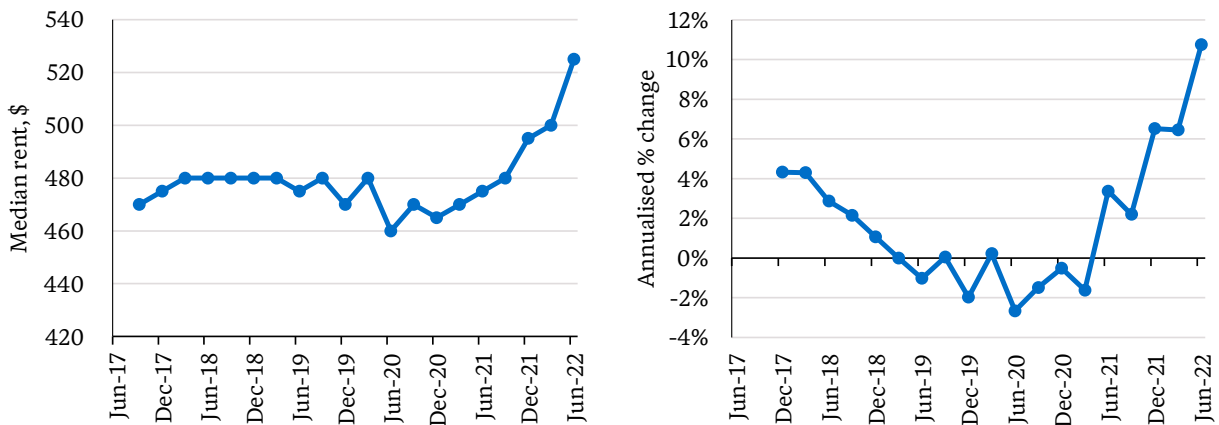
Summarising rental market movements

Market rents have spiked since June 2021 – led first by regional areas, but more recently in Sydney too. This has coincided with falling vacancy rates and lower Rent Choice activations.

Market rents have recently increased rapidly in NSW. Figure 26 shows how median rent has changed over the past five years. At a State level median rent:

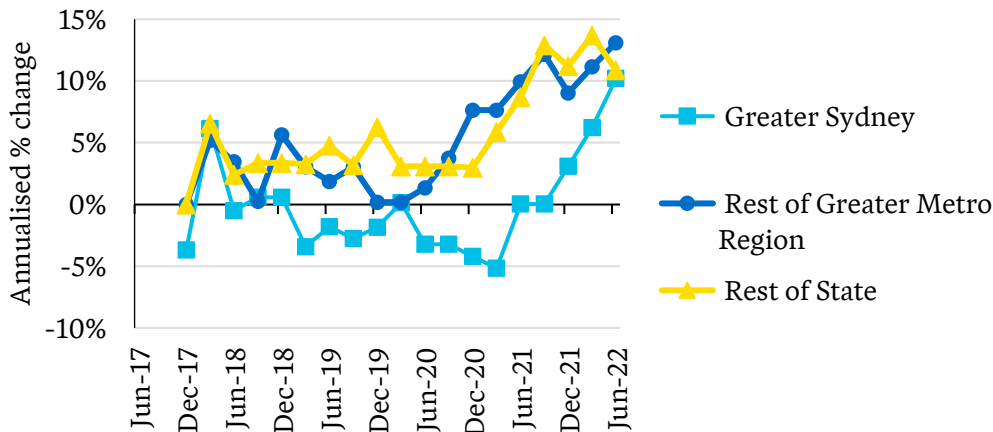
- Was stable from September 2017 to April 2019.
- Decreased slightly over April 2019 to December 2020.
- Has increased over December 2020 to June 2022, the increases have accelerated over this period with the rate of increase also increasing.
- Was \$525 per week at June 2022, compared to \$460 per week at June 2020. This \$65 increase represents a 14% increase over two years, or 6.8% per year.

Figure 26 – Median rent and annualised change in median rent for new bonds (NSW) by quarter



These recent increases are seen across new bonds for all bedroom numbers. The recent increases are also seen when looking across the Greater Sydney Region, the greater Metro Region and the Rest of State. Figure 27 shows the annualised change in median rent for each of these geographical regions over the past five years. The increases in the Greater Sydney region have been slightly delayed compared to outside the greater Sydney region.

Figure 27 – Annualised change in median rent for new bonds by quarter, split by geography

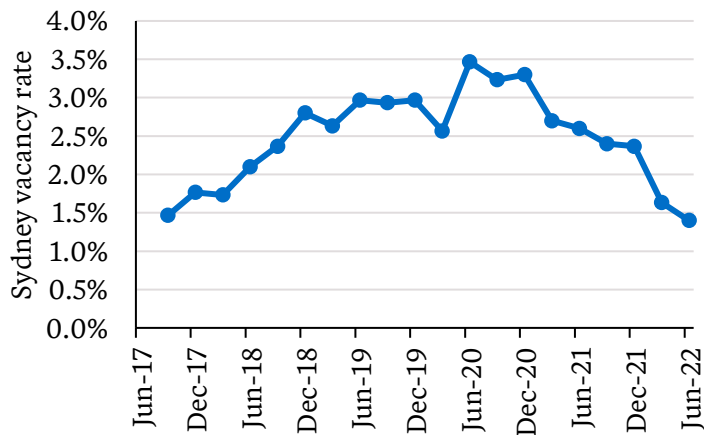


Greater Sydney includes the following LGAs: Bayside, Blacktown, Blue Mountains, Burwood, Camden, Campbelltown, Canada Bay, Canterbury-Bankstown, Central Coast, Cumberland, Fairfield, Georges River, Hawkesbury, Hornsby, Hunters Hill, Inner West, Ku-Ring-Gai, Lane Cove, Liverpool, Mosman, North Sydney, Northern Beaches, Parramatta, Penrith, Randwick, Ryde, Strathfield, Sutherland Shire, Sydney, The Hills Shire, Waverley, Willoughby, Wollondilly, Woollahra

Higher market rents interplay with lower vacancy rates, and impact the ability for Rent Choice clients to secure a private rental property. Figure 28 shows the Sydney vacancy rate over time as reported by Domain⁴.

⁴ Domain Sydney vacancy are reported on regularly, for example: <https://www.domain.com.au/research/vacancy-rates-january-2023-1192737/>

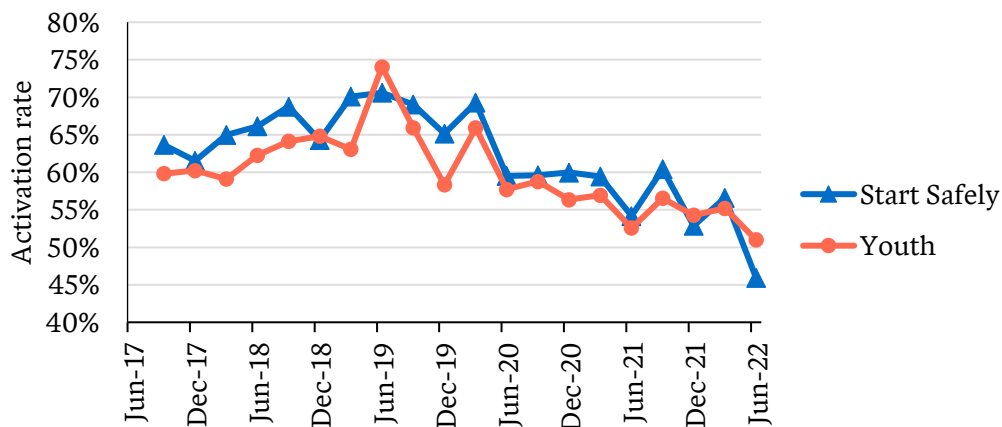
Figure 28 – NSW vacancy rate over time as reported by Domain.



Accordingly, the activation rate (the proportion of people approved for Rent Choice who secure a private rental activate their product) has fallen. Figure 29 shows the activation rate by Rent Choice product over time. The trends are similar across the different Rent Choice programs. The activation rate:

- Was slowly increasing over June 2017 to around December 2019 where it reached around 70%
- Has since decreased steadily to around 50% by June 2022.

Figure 29 – Activation rates by quarter for Start Safely and Youth products



These time trends are consistent with increases in market rents having an influence on the ability of clients approved for Rent Choice to activate their subsidy. However, market rents are not the only factor. The correlation between median market rents and the activation rate is 69%. There are additional individual and localised factors which also influence activation rates.

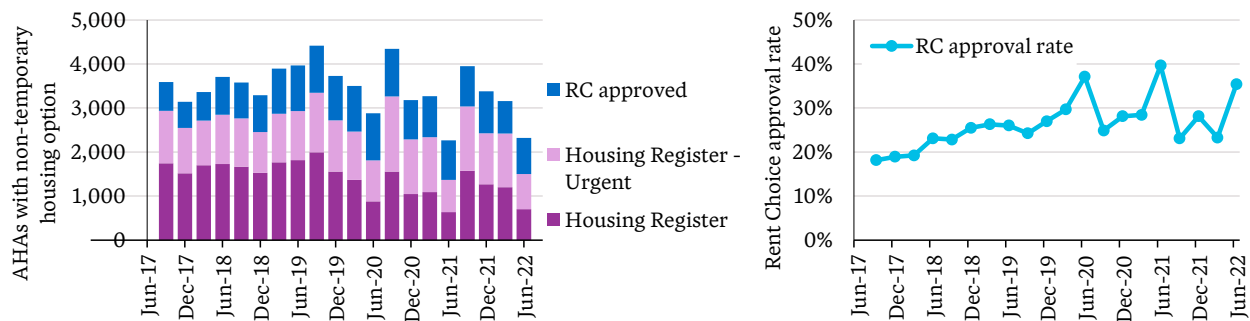
Figure 30 shows the number of applications for housing assistance (AHAs) which result in approvals for the main non-temporary housing options and the proportion which are approved for Rent Choice.

Over the two years to 30 June 2022:

- The total number of AHAs with non-temporary housing option approved has decreased slightly
- The proportion that are approved for Rent Choice has been steady, or even increased slightly.

This suggests that Rent Choice officers are still approving similar people for Rent Choice despite the increased market rents and reduced activation rates (consistent with policy).

Figure 30 – Number of AHAs with long term housing option approved, by option and Rent Choice approval rate by quarter



Note there are data maturity effects visible in these charts for the latter financial years which the extracts following 30 June.

Attribution of activation rate movements

- **Regression modelling gives strong evidence of activation rates varying by market rents, approved rent, product and client characteristics. Deeper subsidies are associated with a 15 percentage point increase in activations. A regression parameter attached to market rents (which implicitly includes vacancy movements) sees a large drop in activations for every \$10 increase.**
- **The regression modelling also indicates that there are factors predicting success activating Rent Choice outside those in the model. The model is restricted to observable characteristics of people and rental markets. Model gains were 38% that of a perfect model. This difficulty in reducing success to a formula based on demographics and market dynamics is consistent with views expressed by Rent Choice officers that obtaining a rental was related to many factors outside market dynamics.**

To explore the impact of market rents on Rent Choice activations further we built a model to predict activations. The model used was a logistic regression using a generalised linear model with a logit link. This prediction is the likelihood of a person activating Rent Choice once approved. The model achieves a high level of differentiation in likelihood of activation. An alternative measure of performance is the gains ratio based on the gains chart. The gains ratio for this model was 38%. To create a gains chart people are ordered from highest to lowest likelihood of activation. The chart then compares the cumulative proportion of activations for a perfect model, the actual model, and a random model. The gains ratio is the area between the random model curve and actual model curve as a proportion of the area between the perfect model and the random model. A gains ratio of 100% indicates a perfect model, and 0% is no better than random guessing.

Figure 31 shows the predicted rate of activation by 1-percentile bands (i.e. people are ranked by their modelled risk and assigned to 1-percentile groups):

- The leftmost point of the chart shows the 1% least likely to activate (as predicted by the model). 17% of this group activated their subsidy.
- The rightmost point of the chart shows the 1% most likely to activate (as predicted by the model). 93% of this group activated their subsidy.

Figure 31 – Actual and predicted rate of activation by 1-percentile bands

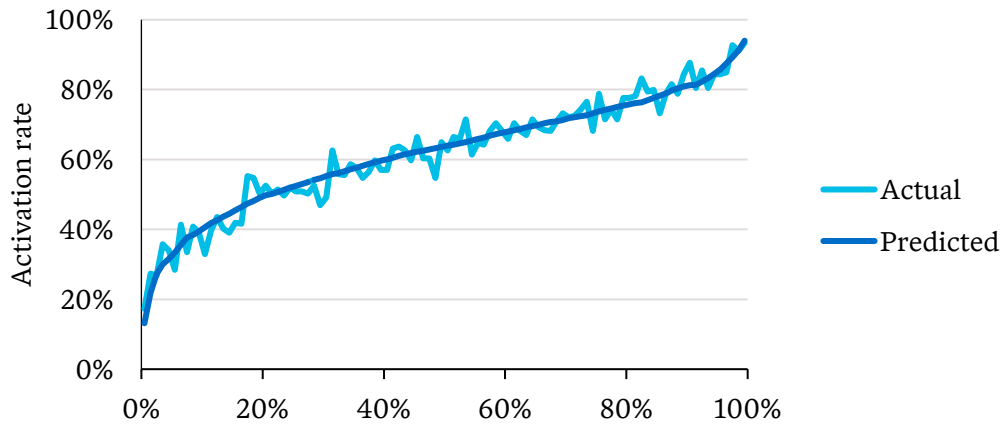


Table 5 shows the parametrisation of the model. The 'odds ratio' Table 5 in is a measure of how much more (or less) likely activation is for a given parameter. As an example related to the impact of time of the year, the second row (December quarter) shows the odds of activation change by a factor of 0.96 for in the December quarter. The 'odds' is the probability of activation compared to the probability of not activating. This generally means the impact on the relative probability of activation is smaller than the impact given by the odds ratio. So, comparing two people – one approved for Rent Choice in the December quarter and one approved in the March quarter the odds ratio is 0.96 for the December quarter. The difference in likelihood of activation is slightly smaller – about 3% lower.

Table 5 – Coefficient file for the generalised linear model of Rent Choice activation

Parameter	Coefficient estimate	P-value	Odds ratio
Intercept	-1.095	<0.01	
December quarter ^(a)	-0.038	0.37	0.96
June quarter ^(a)	0.233	<0.01	1.26
June 2021 quarter	-0.796	<0.01	0.45
September 2021 quarter	-0.510	<0.01	0.60
Median NSW rent spline from \$460 to \$480 p/w	0.031	<0.01	1.03
Median NSW rent spline from \$480 to \$525 p/w	-0.033	<0.01	0.97
Aboriginal	-0.483	<0.01	0.62
Aboriginal*Financial year 2022	0.008	0.94	1.01
Rent Choice: Youth	0.483	<0.01	1.62
Rent Choice: Assist	1.067	<0.01	2.91
Rent Choice: Transition	-0.969	<0.01	0.38
Deeper subsidy approved	0.885	<0.01	2.42
Approved rent missing ^(b)	2.745	<0.01	15.56
Approved rent split \$200 to \$300 p/w	0.007	<0.01	1.01
Approved rent split \$300 to \$450 p/w	0.005	<0.01	1.01
Approved rent split \$450 to \$600 p/w	0.003	<0.01	1.00

Table notes:

- (a) These are seasonality effects; they apply to the relevant quarter every year.
- (b) There are a small number of people with approved rent missing of which zero activate, they likely did not complete the application process. This makes it a strong predictor of not-activating, but non-informative.

From this model parametrisation:

- After accounting for variations in seasonality, client characteristics such a Rent Choice product approved and identifying as Aboriginal and approved rent (which is a function of income):
 - We are attributing average decrease in activation rates largely to recent sharp increases in rents in NSW
 - Each recent \$10 increase above \$480 per week is associated with approximately an 8 percentage point decrease in likelihood of activation, all else being equal.
- Deeper subsidies are associated with a higher likelihood of being able to activate all else (in the model) being equal, the impact is approximately a 15 percentage point increase in likelihood of activation.
- Youth products are associated with a higher likelihood of being able to activate than Start Safely all else (in the model) being equal. This is after controlling for differences in approved rent (related to income). The impact is approximately a 10 percentage point increase in likelihood of activation.
- People identifying as Aboriginal are less likely to activate, all else (in the model) being equal the impact is approximately a 7 percentage point decrease in likelihood of activation.

This model provides a system level view of the broad impacts of recent changes in rents. However, there are two key limitations:

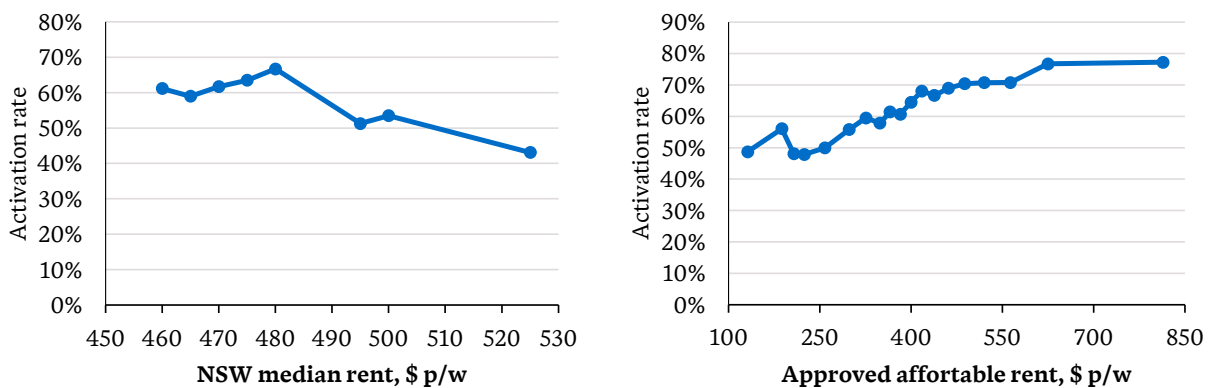
- There is more complexity at the individual level which is not fully modelled. The relationships between rents, approved rent, income, personal characteristics and individual DCJ regions has further

complexities – in particular, qualitative data suggests the relationships between Rent Choice officers and real estate agents is important for driving activations in any rental market (see below).

- We have not fully unpacked the relationship between vacancy rates, and market rents. These are typically correlated. We tested including vacancy rates in the model, but this did not add predictive power and gave unintuitive relationships.

Figure 32 shows the average activation rate by NSW wide median rents and approved affordable rent. This is the actual (not modelled activation rate). Both show clear, and expected, trends – the activation rate decreases as rents increase, but increases as approved rent increases. In the model the impact of market rents is much larger. One way to imagine this is that while there is a large variation in activation rates by approved affordable rents, much of this remains after controlling for market rents (or, the slope by approved affordable rent exists at all points along the slope by median rent). The impact of higher market rents is to shift everyone’s likelihood of activation downward, but there is still a lot of variation between individuals.

Figure 32 – Average activation rates by NSW wide median rents and approved affordable rent, covers the period 1 July 2017 to 30 June 2022



Qualitative data collected from Rent Choice Officers contributes to an understanding of activation rates. The necessary condition for a person to activate their subsidy is the availability of a rental property they can afford (discussed in the next section) and real estate agents or landlords agreeing to accept an application.

Real estate agents are reported by Officers to have diverse views about Rent Choice clients – one driver of success for the program is the development of trust between Rent Choice officer and agents. Agents with more experience working with Rent Choice officers tend to value the Rent Choice officer as an intermediary with their tenant and view the subsidy as providing greater certainty that rent will be paid. Others may attach stigma to clients with a subsidy as ‘damaged goods’. It’s been some years since we spoke with real estate agents directly – but the industry is reported to have large turnover of staff working rental properties at the lower end of the rental market. Rent Choice staff must continually work with a diverse range of agents to build networks and trust.

3.2.2 Deeper subsidy affordability limits

How rental market movements have impacted different regions

Rental market increases have not been uniform across districts or bedrooms sizes. However, the smaller increases have been in the historically less affordable regions (e.g. Metro Sydney region).

As noted earlier, recent state-level rent increases have been consistent across different bedroom sizes. The increases are also consistent across first quartile, median and third quartile rents. However, this State-level view masks variations by DCJ region and number of bedrooms.

Table 6 shows how median rents have changed over July 2020 to June 2022 by DCJ district, as well as absolute differences in rents in different regions.

Table 6 – Median rents over the past 2 years by DCJ district

DCJ Region	Median rent, new bonds in quarter to 30-Jun-20	Median rent, new bonds in quarter to 30-Jun-21	Median rent, new bonds in quarter to 30-Jun-22	Change Jun-20 to Jun-21	Change Jun-21 to Jun-22
Northern NSW	435	530	588	22%	11%
Mid North Coast	381	430	474	13%	10%
New England	312	327	351	5%	7%
Hunter	409	454	502	11%	11%
Central Coast	410	460	520	12%	13%
Nepean Blue Mountains	405	425	460	5%	8%
Western Sydney	458	453	500	-1%	10%
Northern Sydney	580	561	607	-3%	8%
Sydney	543	520	572	-4%	10%
South Eastern Sydney	580	567	627	-2%	11%
South Western Sydney	434	431	470	-1%	9%
Murrumbidgee	291	327	356	12%	9%
Western NSW	324	366	414	13%	13%
Far West	216	250	280	16%	12%
Illawarra Shoalhaven	426	479	538	12%	12%
Southern NSW	379	441	482	16%	9%

Within Sydney metro regions rents were slightly decreased over the year to 30 June 2021 while outside of Sydney metro regions increased dramatically. This reflected initial movements away from metro areas during the COVID-19 pandemic. Over the year to 30-June 2022 rents have increased fairly consistently across all regions.

- Within Sydney metro regions where rents were not increasing, activation rates were relatively steady or even increased in the Sydney district which saw a 4% decrease in median rent.
- Outside of Sydney metro regions activation rates fell as rents increased.

There are additional trends by number of bedrooms. The table below shows the percentage increase median rents from financial years 2020 to 2022. The increase in rents is not distributed uniformly, with larger increases outside the Sydney metro regions areas and higher bedroom counts. Rents for 1 bedroom or 2 bedrooms within the Sydney metro region have slightly reduced. While our analysis is as at June 2022, there is evidence of increases following that time, both across the state and for Sydney-metro regions.

The results for 25th percentile rents are very similar – the change in rental market has been an upward shift rather than a change in distribution.

Despite Sydney-metro regions having the smallest rent increases, these regions have historically had high rents. Despite being least impacted by recent increases in rents these areas are still relatively unaffordable.

Table 7 – Increase in median rents over two financial years from 2020 to 2022 by number of bedrooms and DCJ district

DCJ Region	1 Bedroom	2 Bedrooms	3 Bedrooms
Northern NSW	23%	25%	28%
Mid North Coast	23%	26%	25%
New England	6%	11%	13%
Hunter	11%	20%	22%
Central Coast	11%	18%	22%
Nepean Blue Mountains	12%	10%	15%
Western Sydney	0%	-2%	8%
Northern Sydney	-2%	1%	8%
Sydney	-6%	-3%	2%
South Eastern Sydney	-5%	-1%	5%
South Western Sydney	1%	0%	10%
Murrumbidgee	26%	21%	21%
Western NSW	25%	24%	23%
Far West		20%	14%
Illawarra Shoalhaven	15%	19%	20%
Southern NSW	42%	23%	24%

Current market rents and deeper subsidy maximum affordability limits

Deeper subsidy affordability limits have not increased with the rental market, however outside of Sydney Metro they are largely still above the 25th percentile of rents as at June 2022. The exceptions are the 1-bedroom rate in Northern NSW and Southern NSW. Within Sydney Metro they are below 25th percentile rents.

Existing deeper subsidy affordability limits were based on private rental data prior to 2020. As above rents have increased over the subsequent period. Therefore, the deeper subsidy affordability limits have not kept pace with increases in the private rental market.

Table 8 shows the first quartile rents for the year ending 30 June 2022 and deeper subsidy affordability limits for deeper subsidies by bedrooms and DCJ district. The ratio of the deeper subsidy affordability limit to the 25th percentile is also shown.

Despite Sydney-metro regions having the smallest rent increases, it is in these regions where the maximum affordability limits are furthest behind first quartile rents. This reflects the historically high absolute level for rents in these regions.

Table 8 – Mean 25th percentile rents for year ending 30 June 2022 and maximum affordability limits for deeper subsidies by bedrooms and DCJ district

DCJ Region	Mean 25th percentile rents				Maximum affordability limits			Ratio of affordability limit to 25 th percentile		
	1 Bed	2 Beds	3 Beds	4+ Beds	1 Bed	2 Beds	3 Beds	1 Bed	2 Beds	3 Beds
Northern NSW	337	404	528	680	300	450	*	0.89	1.11	
Mid North Coast	253	355	450	566	300	450	*	1.19	1.27	
New England	176	246	331	412	300	450	*	1.70	1.83	
Hunter	205	394	463	540	300	450	*	1.46	1.14	
Central Coast	287	392	477	604	300	450	*	1.05	1.15	
Nepean Blue Mountains	252	332	425	555	300	450	*	1.19	1.36	
Western Sydney	340	376	464	617	350	450	*	1.03	1.20	
Northern Sydney	410	512	764	1,079	350	450	550	0.85	0.88	0.72
Sydney	399	499	684	804	350	450	550	0.88	0.90	0.80
South Eastern Sydney	421	541	743	997	350	450	550	0.83	0.83	0.74
South Western Sydney	268	331	461	594	350	450	*	1.31	1.36	
Murrumbidgee	197	260	347	452	*	*	*			
Western NSW	242	304	381	481	*	*	*			
Far West		210	251		*	*	*			
Illawarra Shoalhaven	271	389	502	594	300	450	*	1.11	1.16	
Southern NSW	305	345	435	558	300	400	*	0.98	1.16	

Table notes:

* Deeper subsidies are not currently offered for this Region and bedroom combination

The ability to pay rent following Rent Choice

Rent Choice recipients are heavily reliant on income support, even following exit from Rent Choice. This limits their ability to pay high market rents, and means incomes are closely tied to CPI increases, which have been much smaller than rental market increases.

While current deeper subsidies are working well (with similar program durations and outcomes), having some deeper subsidy affordability limits is clearly sensible. Future affordability – the ability to pay full rent once the Rent Choice subsidy is a key concern. Supporting clients temporarily in a rental they have little likelihood of being able to sustain longer term at the end of Rent Choice is not the program intent. There is currently some discretion for Rent Choice officers to approve deeper subsidies beyond the deeper subsidy affordability limit (with higher approval sought in the district).

Most Rent Choice recipients receive Centrelink welfare payments as their main source of income. Figure 33 shows the weekly average total welfare payments for Rent Choice recipients receiving income support (the vast majority) by time since exit from the program.

Figure 33 – Weekly average total welfare payments for Rent Choice recipients receiving income support, excludes any COVID-19 supplement payments as these are not ongoing, inflated to June 2022

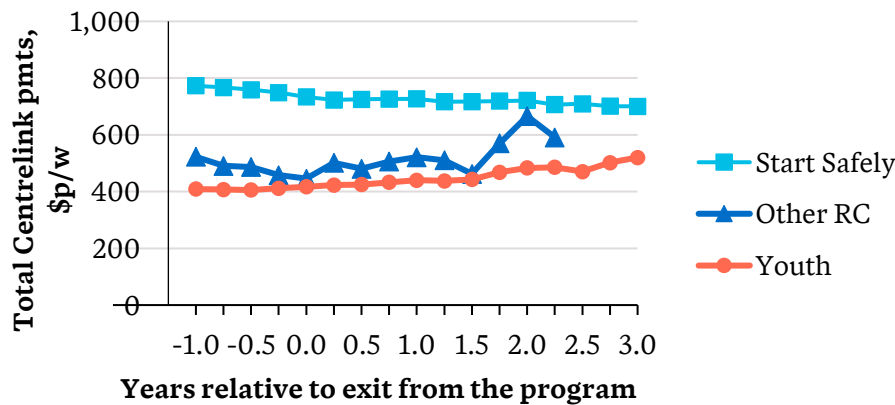
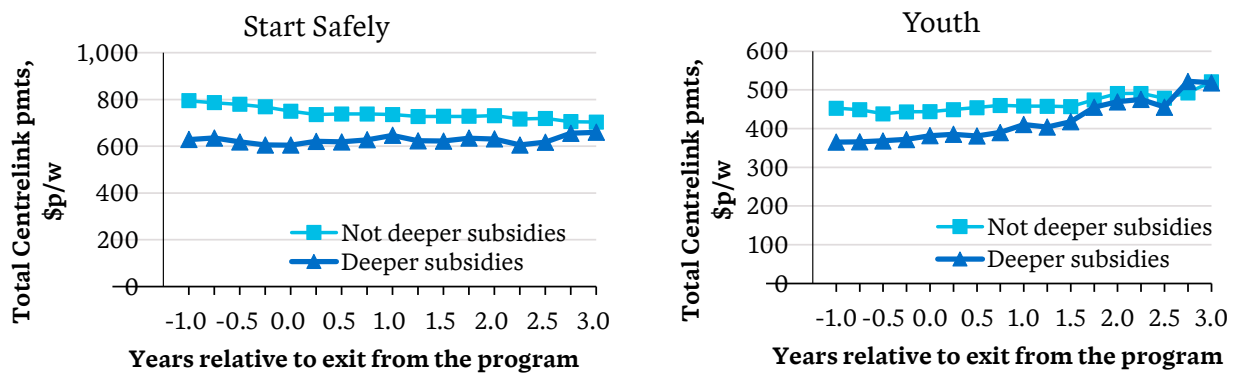


Figure 34 – Weekly average total welfare payments for Rent Choice recipients receiving income support, excludes any COVID-19 supplement payments as these are not ongoing, split for deeper and non-deeper subsidies, inflated to June 2022



With most Rent Choice clients receiving income support benefits as their main source of income the level of market rent they can sustain independently at the end of the subsidy is limited. As in Figure 33:

- Start Safely recipients average total welfare payments (including CRA) of around \$700 a week. Start Safely recipients require a range of bedrooms, and the higher income means three bedroom rentals are potentially affordable.
- Youth recipients average total welfare payments (including CRA) of between \$400-\$500 a week. As Youth typically only need 1 bedroom this is the key affordability limit for this group.
- Those receiving deeper subsidies initially have lower average payments, but the gap closes in the period after exiting Rent Choice. Possible this reflects changing eligibility – particularly as Youth recipients age.

While Youth incomes are much lower (corresponding to lower income support payment rates), they typically only require one bedroom and hence face lower rents than Start Safely clients.

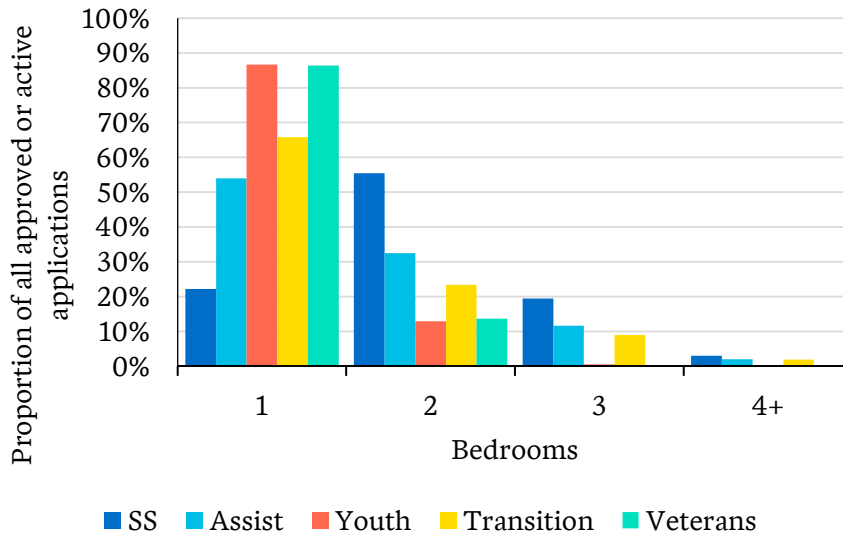
Figure 35 shows the distribution of Rent Choice approvals by calculated⁵ number of bedrooms required:

- Majority of people approved for Youth, Transition and Veterans products require only one bedroom

⁵ This is based on the number of adults and children assuming the first 2 adults can share a bedroom, any adults beyond that need an additional bedroom. At most two children can share a bedroom.

- People approved for Start Safely most commonly require two bedrooms
- People approved for Assist most commonly require one bedroom, but about half require two or three
- Very few people require more than three bedrooms.

Figure 35 – Required bedrooms based on number adults and number of children by product



Availability of deeper subsidies

Our analysis suggests that deeper subsidies are working well enabling activations, and with recipients achieving similar outcomes to people without deeper subsidies. It makes sense to consider making deeper subsidies State-wide and available for all bedroom sizes.

Our analysis here and in Section 2 suggests that deeper subsidies are working well:

- They enable people to find a private rental that otherwise would not have been able to (evidenced by a 15 percentage point increase in likelihood of activation). Although this effect may be reduced in the future if rental increases continue relative to the deeper subsidy affordability limits.
- Program durations appear similar to those without deeper subsidies (Section 2.2)
- Post-program outcomes are similar for those with deeper subsidies to those on regular subsidies, in terms of sustaining tenancies, as proxied by CRA receipt (Section 2.5) and rates of return to housing support (Section 2.6).

From this perspective there is no reason not to make deeper subsidies State-wide and available for all bedroom sizes. The current take-up indicates they are required in the districts in which they are currently offered. Even more so given the recent increases in rent mean they are likely even more required now. The districts where they are not currently offered (Murrumbidgee, Far West and Illawarra Shoalhaven) are more affordable areas so deeper subsidies were not initially established. In these regions the current rents are lower than in some other regions – they are still relatively affordable. Table 8 show the first quartile rents are sitting below current deeper subsidy affordability limits in non-Metro regions. This suggests there is no particularly pressing need to implement in these regions. However, the first quartile rents in these districts are similar to other districts where deeper subsidies are offered (e.g. Mid North Coast and Hunter districts). Therefore, it may make sense to implement deeper subsidies State-wide to:

- Provide simple state-wide rules and equity of rules
- Future proof the program – these regions may see increases in rent in the future creating more need for deeper subsidies

- Be available for those temporarily on very low income who otherwise still would not be able to rent in relatively affordable regions – particularly if there are people who are likely eligible, but not yet receiving, for higher levels of income support than jobseeker (e.g. parenting payments)
- The higher income of Start Safely recipients, who are typically those requiring 3 bedrooms mean deeper subsidies may usefully be extended to 3-bedroom units state-wide.

The Sydney-metro region

In the Sydney metro region the affordability limits are below the 25th percentile rents. While incomes are limited, the current affordability limits are likely to prevent activations. The likely alternative is further pressures on social housing. One approach would be to, rather than increase the affordability limits, provide further discretion to Rent Choice officers (either those in Sydney Metro districts, or State-wide) to approve higher rents. Monitoring of the outcomes for these clients compared to others could provide feedback on this.

Incomes and ability to pay future rent are limited, and incomes have not seen the same increases as the rental market. However, the reality is Sydney-metro region is relatively unaffordable with the current deeper subsidy affordability limits.

Table 8 shows rents are much higher in the Sydney-metro regions: Northern Sydney, Sydney and South Eastern Sydney than elsewhere in the State. The affordability limits are now sitting about \$50 -\$60 below the 25th percentile rents in these regions. In South Western Sydney and Western Sydney the affordability limits are similar to the 25th percentile of rents.

In the absence of evidence of poorer outcomes deeper subsidies there is potential to test greater use of deeper subsidies and potentially higher affordability limit.

These regions also see the highest rates of deeper subsidies. Table 9 shows the proportion of activated subsidies which are deeper subsidies by year. While increases in rents in other areas such as Northern NSW have seen increased rates of deeper subsidies deeper subsidies have always been almost half of subsidies in the Metro regions – due to the higher rents. With the affordability limits below the 25th percentile of market rents, a large portion of potential Rent Choice clients may not be able to find a rental.

Table 9 also shows the number and proportion of all activated Rent Choice subsidies in year to 30 June 2022 by region. The metro region represents only 10% of all subsidies – likely due to the higher rents in these regions making it less suitable.

Table 9 – Proportion of activated subsidies which are deeper subsidies, by year and region

DCJ Region	Year to June- 20	Year to June- 21	Year to June- 22	# of activated Rent Choice subsidies, Year to June-22	% of activated Rent Choice subsidies, Year to June-22
Northern NSW	33%	51%	41%	186	6%
Mid North Coast	10%	18%	11%	184	6%
New England	0%	5%	9%	209	7%
Hunter	28%	14%	16%	597	19%
Central Coast	29%	21%	17%	164	5%
Nepean Blue Mountains	28%	29%	32%	203	6%
Western Sydney	28%	33%	41%	367	12%
Northern Sydney	51%	49%	39%	92	3%
Sydney	51%	51%	47%	86	3%
South Eastern Sydney	48%	52%	42%	147	5%
South Western Sydney	31%	34%	40%	503	16%
Murrumbidgee	0%	0%	0%	58	2%
Western NSW	0%	0%	0%	87	3%
Illawarra Shoalhaven	18%	19%	15%	200	6%
Southern NSW	0%	14%	14%	97	3%

If potential clients cannot find a rental, they likely enter the social housing register. This creates further pressure on limited social housing stock and does not necessarily resolve immediate housing needs if they are waitlisted for a significant period.

A sensible approach may be to provide further discretion to RC officers (either those in Sydney Metro districts, or State-wide) to approve deeper subsidies for rents beyond the deeper subsidy affordability limits. While some ability to do this already exists (with higher approval sought in the district), this could be encouraged and used more often. Monitoring the outcomes for these clients compared to others, could provide evidence toward either increasing or maintaining the standard affordability limits.

Rent Choice officers participating in interviews did not support major changes to the subsidy amounts or tapering protocols. In general, they were ambivalent about any changes to subsidy amounts other than a slight update to maximum affordability limits. There was no suggestion from Rent Choice officers that major changes to the subsidy amounts or taper protocols would create a significant benefit for clients. It was stressed that a client needs to be able to afford the rent when the subsidy is removed. Making a deeper subsidy now is possible, but then taper points become more painful for the client. Further, in the view of Rent Choice officers a deeper subsidy may not actually improve activation rates. However, greater discretion for officers to approve slightly higher amounts was identified as positive given the uniqueness of individual situations and the difficulty in predicting income in three years and therefore what might be affordable for that person based on their future income. RC officers did suggest that given the deeper subsidy affordability limits were calculated a long time ago, they could be updated.

Real estate agents rather than Rent Choice officers ultimately make the judgment about a client’s ability to afford a property and whether they will approve their rental application:

- DCJ will usually approve a property for the subsidy if the rental amount no more than 50% of the household income plus CRA.

- Real estate agents each use their own approach but may consider 30% of all income including CRA as an affordability limit. Further:
 - Some may approve Rent Choice clients for lower rental amounts than Rent Choice officers because they are worried about affordability post subsidy, even though the person will initially only pay 25% of their income in rent with DCJ paying the rest.
 - Other agents may consider that 12-36 months of subsidised income and a Rent Choice officer as an ‘intermediary’ is a good prospect.

In the current rental market, RC officers indicated they were less likely to be approached by agents who had a property they felt might be suitable for a Rent Choice client – but it does happen. Findings relating to working with real estate agents are provided in Section 4.

How do the current affordability limits compare to the rents for (non-deeper) Rent Choice tenancies

The current affordability limits give people with deeper subsidies a similar footing in the market as around half of non-deeper subsidy Rent Choice recipients. The exception is in the Illawarra Shoalhaven and Southern NSW districts – here the limits could be increased to be closer to those for other districts to provide equity of rules.

When considering what are the limits of future affordability – the cohort getting Rent Choice subsidies to date, and particularly those that are not deeper subsidies, are a useful information source.

Table 10 below shows the average market rents for activated rent choice subsidies over the year to June 2022 for non-deeper subsidies. This provides a picture of:

- The current level of rent required to activate a subsidy.
- The affordability limits which would be required to give someone on a deeper subsidy an equal footing in the rental market as someone not on a deeper subsidy.
- Affordable rent for those not on deeper subsidies, which reflects the assessed affordable rent based on current income for those not on deeper subsidies. This seems a reasonable indication of future income levels and hence affordability for those requiring deeper subsidies.

Table 10 – First quartile and median market rents for activated (non-deeper) rent choice subsidies over the year to June 2022

DCJ district	25th percentile rent of activations (non-deeper subsidies)			Median rent of activations (non-deeper subsidies)		
	1 Bed	2 Beds	3 Beds	1 Bed	2 Beds	3 Beds
Northern NSW	225	380	435	260	395	
Mid North Coast	200	320	350	250	410	475
New England	150	300	310	250	370	450
Hunter	195	360	430	200	340	360
Central Coast	240	385	435	230	410	480
Nepean Blue Mountains	325	380	405	265	430	495
Western Sydney	290	360	435	360	420	450
Northern Sydney	270	460	465	380	400	500
Sydney	240	440		360	495	480
South Eastern Sydney	300	375	500	350	490	
South Western Sydney	330	380	440	370	450	550
Murrumbidgee	225	285	420	350	400	500
Western NSW (incl. Far West)	235	340	335	310	340	450
Illawarra Shoalhaven	245	380	455	320	400	395
Southern NSW	305	330	375	295	420	535

Note: The Far West district relates to small numbers of Rent Choice approvals and activations – numbers have been grouped with Western NSW to protect privacy.

From Table 10 and the current affordability limits in Table 8:

- The maximum affordability limits are generally equal or above the first quartile for rents of recent activations (exceptions being Nepean Blue Mountains 1 bedroom, Northern Sydney 2 bedrooms and Southern 1 bedroom)
- The maximum affordability limits are also mostly above median rents, except in:
 - Nepean Blue Mountains 1 bedroom
 - Western Sydney 1 bedroom
 - Northern Sydney 1 and 2 bedrooms
 - Sydney 2 bedrooms
 - South Eastern Sydney 1 bedroom
 - Southern NSW 1 bedroom and 2 bedrooms.

We interpret this as the current affordability limits:

- Are not prohibitively low such to be preventing activations for deeper subsidies
- Are giving people approved for a deeper subsidy a similar footing in the market as around half of non-deeper subsidy Rent Choice recipients. This is supported by the change in activation rate over the last two years while rents have risen steeply. There is a lot of variation, but those with deeper subsidies do not seem disproportionately impacted.
- Could be increased in the non-Metro regions to give the same rates state-wide. The key concern with the deeper subsidy affordability limits is the future earnings and associated ability to rent independently. This does not necessarily need to vary by region. Consistent deeper subsidy affordability limits across the State by bedrooms would provide simple and equitable rules.

Potential future rental market increases

To make Rent Choice more adaptive to changes in the rental market, , deeper subsidy affordability limits should be capped at the 25th percentile for the region and relevant number of bedrooms. As a simpler option they could be updated now, then indexed to CPI as per most income support payments.

While the rental market has seen significant increases over the past two years, wage growth and CPI increases (which most income support payments are indexed too) have not increased at the same rate.

Increasing affordability limits to match the increases in the rental market would increase the implicit assumed proportion of income which can be spent on rent in the future. This is consistent with recent increases in household spending on housing costs.

To protect against future increases, deeper subsidy affordability limits could be indexed to either of:

- Increases in the rental market (better reflecting housing costs). For example, they could be capped at the 25th percentile for the region and relevant number of bedrooms.
- CPI as per most income support payments (reflecting affordability).

Further discretion could be provided to exceed a person's affordability limit – potentially requiring a Education and Employment support plan to be in place. As noted above real estate agents may perform their own assessment of affordable rent.

3.3 Key Findings and Recommendations

Throughout this section we have noted key findings, collated here:

- Market rents have spiked since June 2021 – led first by regional areas, but more recently in Sydney too. This has coincided with falling vacancy rates and lower Rent Choice activations.
- Regression modelling gives strong evidence of activation rates varying by market rents, approved rent, product and client characteristics. Deeper subsidies are associated with a 15 percentage point increase in activations. A regression parameter attached to market rents (which implicitly includes vacancy movements) sees a large drop in activations for every \$10 increase.
- The regression modelling also indicates that there are factors predicting success activating Rent Choice outside those in the model. The model is restricted to observable characteristics of people and rental markets. Model gains were 38% that of a perfect model. This difficulty in reducing success to a formula based on demographics and market dynamics is consistent with views expressed by Rent Choice officers that obtaining a rental was related to many factors outside market dynamics.
- Rental market increases have not been uniform across districts or bedrooms sizes. However, the smaller increases have been in the historically less affordable regions (e.g. Metro Sydney region).

- Affordability limits have not increased with the rental market, however outside of Sydney Metro they are largely still above the 25th percentile of rents as at June 2022. The exceptions are the 1-bedroom rate in Northern NSW and Southern NSW. Within Sydney Metro they are below 25th percentile rents.
- Our analysis suggests that deeper subsidies are working well enabling activations, and with recipients achieving similar outcomes to people without deeper subsidies. It makes sense to consider making deeper subsidies State-wide and available for all bedroom sizes. While we don't have a clear measure of how often it occurs, there is also some discretion for Rent Choice officers to approve deeper subsidies beyond the deeper subsidy affordability limit (with higher approval sought in the district).
- Rent Choice recipients are heavily reliant on income support, even following exit from Rent Choice. This limits their ability to pay high market rents, and means incomes are closely tied to CPI increases, which have been much smaller than rental market increases.
- In the Sydney metro region the affordability limits are below the 25th percentile rents as at June 2022. While incomes are limited, the current affordability limits are likely to prevent activations. The likely alternative is further pressures on social housing. One approach would be to, rather than increase the affordability limits, provide further discretion to RC officers (either those in Sydney Metro districts, or State-wide) to approve higher rents. Monitoring of the outcomes for these clients compared to others could provide feedback on this.
- The current affordability limits give people with deeper subsidies a similar footing in the market as around half of non-deeper subsidy Rent Choice recipients. The exception is in the Illawarra Shoalhaven and Southern NSW districts – here the limits could be increased to be closer to those for other districts to provide equity of rules.
- To make Rent Choice more adaptive to changes in the rental market, deeper subsidy affordability limits could be capped at the 25th percentile for the region and relevant number of bedrooms. As a simpler option they could be updated now, then indexed to CPI as per most income support payments.

An approach to updating the deeper subsidy affordability limits

We recommend updating the deeper subsidy affordability limits. This could be done by starting with the current deeper subsidy affordability limits and:

- Making deeper subsidies available state-wide and bedroom wide
- Making the deeper subsidy affordability limits consistent across the state by increasing the 1-bedroom limits in non-Metro regions to match those in Sydney
- In the Sydney-metro regions further increases are potentially needed:
 - This could be done by increasing to the deeper subsidy affordability limits to the 25th percentile of rents in these region. However, this is relatively high – there is a high risk of clients being unable to sustain the rental independently.
 - Instead we suggest encouraging more use of discretion for RC officers to approve rents higher than the deeper subsidy affordability limits where they think the client is likely to be able to sustain the rental without the subsidy in three years time.

This would provide an update to June 2022. From there the limits could be updated once a year to avoid falling too far behind rental increases. This could be done by either:

- Outside Sydney Metro, checking if any of the limits have fallen behind the 25th percentile for the region, and if so updating the limit to the 25th percentile. Then also applying these limit increases to the Sydney Metro regions (so that Sydney Metro regions always have the maximum deeper subsidy affordability limits). This approach requires more analysis work but would reflect changes the rental market.
- Inflating the previous years values with CPI. This is a simpler approach which reflects increases in welfare income, rather than increases in rents.

4 Who does Rent Choice work for, how and in what context?

Rent Choice works when the officer providing it and the client receiving understand that it is a short-term product that can divert people from the need to enter social housing. Quantitative and qualitative data suggests the product appears to be effective in a range of rental markets. With the obvious caveat that there must be a property that is available for rent and a client who is approved and accepted as the tenant. The analysis has shown that demographics and market dynamics account for about 38% of the variation in Rent Choice activations (Section 3.2.1).

A Rent Choice officer's decision to approve Rent Choice as a housing option is the result of a complex interaction between their knowledge and experience of the product, their ability to understand the deeper capability, capacity, and incentive of a client to find education and employment, and their relationships and the willingness of real estate agents in their local market to recommend a tenant they put forward to the owner of a property. Fundamentally, the Rent Choice officer must believe that the client is likely, within 3 years, to be able to afford to pay market rent for the property they are seeking to rent.

4.1 Who does it work for?

Rent Choice officers were unanimous and consistent about the circumstances in which Rent Choice provided as intended works to meet housing need. A person with less 'complex' on needs or needs that may be addressed in the next 6-12 months is more likely to benefit from Rent Choice than a person with little prospect or real desire to engage in education and employment and meet their housing needs in the private market. The key group of people for whom Rent Choice works, as summarised by one Rent Choice officer is 'those with a gleam of hope in their eye'. Lest this comment be dismissed as overly subjective – it is important to fully appreciate the subjective nature of the product itself and the circumstances in which it works.

The evaluation did not discover stable cause and effective relationships in demographic variables in the administrative data that were subject to quantitative methods for casual inference. It also did not establish these connections using 'theoretically' important variables in the longitudinal case study data (qualitative methods for causal inference). Unless there are other means of making a judgement of suitability, the evaluation concludes based on the current data it would be illogical to identify new cohorts of clients suitable for Rent Choice based on demographic data. This does not rule out expanding eligibility to other suitable demographic groups within which there may be additional clients suitable for Rent Choice.

An eligible person without the intent, capacity, and support necessary to engage in employment and earn sufficient income to pay market rent for their property within three years should not be approved for Rent Choice. While some clients may successfully re-partner or exit for other reasons, it is the ability and actual engagement in education and employment that stands out for Rent Choice Officers as the key factor for a successful Rent Choice client. The ability to identify clients suitable for Rent Choice is currently and likely for the foreseeable future to rely on subjective judgment.

4.2 How does it work?

Equally as important at identifying the 'supply' of suitable clients is the ability to link to 'demand' for their clients. Rent Choice Officers point to the ability to work with real estate agents and support providers is crucial to success in linking suitable clients with suitable properties.

The knowledge, experience, dedication, judgment, peer-support and networking ability of officers with real estate agents and support providers is critical to the success of the program.

In Section 3.2 we noted that real estate agents and landlords make the ultimate decision about whether a client activates their subsidy and establishes a private rental tenancy. RC officers identified this relationship as key to overall success. One RC Officer summed it up as 'contact, contact, contact' and another as 'being available', and another as 'be responsive'. Officers spoke about being proactive and

engaging with Real Estate agents and making them aware they can get in touch with the Officer if there is an emerging threat to a client being able to sustain their tenancy as they can work with the tenant or support services to find resolutions. Real estate agents are diverse – while all want a successful tenancy, some are more inspired by the social justice nature of Rent Choice. In some markets working with support providers and then directly approaching real estate agents had been successful. All identified turnover of agents as an issue that meant they were constantly explaining Rent Choice. It was for this reason that some targeted the smaller agencies who were perceived to have less turnover. The relationship with agents is two way – a number of Officers talked about developing a relationship of trust which meant only referring clients likely to be successful and being transparent (with the consent of the client) about a client's needs and supports.

Rent Choice is effective but will never be perfect. It cannot address all causes of housing instability. Many clients continue to experience the effects of past traumas and destabilising life events. They may have violent ex-partners find where they are living, they may suffer from an unexpected illness or disability.

A key factor moderating success and positive exists appears to be the provision of supports to find and maintain employment, and deal with unexpected events, when needed. A support provider is a default requirement of participation in Rent Choice Youth (as a young person must be 'approved' by the multi-agency Partnership Facilitation Group (PFG) as a reason they expected more positive exits. For Rent Choice Start Safely Officers were divided as to whether an individual support plan was necessary – some felt increasing their focus on having one for each participant had increased the number of positive exits and worked against the 'set and forget' mentality of staff and the 'entitlement' mentality of clients. Many Officers were of the view that the most successful clients did not 'drop out' early, nor did they exhaust their full entitlement – but were 'striving' for independence and tended to exit midway through the subsidy period. This is supported in the quantitative data that suggest those with 1-2 years program duration had more positive exits than those with a greater or lesser amount of time on the subsidy (Figure 8).

Support is a difficult thing to maintain – support providers often perceive the establishment of a tenancy as the end of their assistance, not a milestone. In the broader *Evaluation of the Future Directions Service Improvement Initiatives*, we discussed the importance of support 'when needed' rather than the unrealistic (and often unwanted) supply of support across the entire period of all Rent Choice tenancies. Ensuring a client is empowered and able to access supports (including peer supports, family and friends) when needed to overcome challenges and support participating in education and employment will likely be an ongoing challenge for the program that will require ongoing attention.

4.3 What features of the local housing context are important for success?

We already know that observable characteristics of local housing markets (rents and vacancy rates) only provide part of the story of the context in which Rent Choice works. At a more systemic level, qualitative data and the results of previous evaluations of Rent Choice suggest the following systemic barriers and enablers to Rent Choice within a local housing system.

- Real estate agents' attitudes including racism and towards people on welfare
- Support providers willingness to support the client beyond the initial settlement phase
- District Directors support for the work of Rent Choice officers as service a common purpose but distinct from the rest of the team.

4.3.1 Suggestions for operational efficiency

Rent Choice officers offered the following suggestions to increase operational efficiency.

- Marketing or 'selling' the product to clients, other housing staff and real estate agents as a short-term hand up, not hand out.

- District level attention to the role of Rent Choice as a diversionary product – including outcome KPIs related to participation in education and employment and process KPIs related to completion of quarterly reviews and applications of tapers.
- Streamline the review and tapering process to reduce the administrative burden. It was suggested in some instances this had led good staff to leave the role. It was suggested in one district that providing ‘portfolios’ or allocating staff to regions in their district resulted in clearer responsibility for reviews and updates.
- Creating more explicit links with Affordable Housing providers as a means of increasing the supply of suitable properties.
- Training and networking for Rent Choice Officers to better understand the intent of the product as a short-term assistance and share techniques and resources to maximise positive exits.

5 Program eligibility analysis

5.1 Introduction

Rent Choice is currently offered to the following target groups:

- Start Safely – people affected by Domestic and Family Violence (DFV)
- Rent Choice Youth – young people between 16-24 years old
- Rent Choice Veterans – people who are former members of the permanent ADF
- Rent Choice Assist (Trial) – low-income households that have experienced an unplanned financially destabilising event and live in any one of the trial locations (Blacktown, Campbelltown, Hurstville and Newcastle/Lake Macquarie, and considered on a case-by-case basis elsewhere).
- Rent Choice Transition – social housing tenants who would like to move to the private rental market.
- Family Assist (pilot) – families undergoing restoration (where children are reunited with their families from out-of-home care) or preservation (where support is provided to families to prevent children from entering the OOH system). Pilots running in Sydney, South Eastern Sydney and Northern Sydney, and Western NSW districts.

This Section considers what a potential expansion of Rent Choice eligibility could look like in terms of:

- Potential target groups for expanded eligibility in terms
- Possible numbers and associated costs of providing Rent Choice to these groups.

The following are key dimensions in which Rent Choice could be expanded:

- Eligibility for priority groups based on demographics
- Increased income eligibility thresholds, for example applying the moderate-income thresholds which apply to Start Safely to Youth
- Increased age eligibility thresholds for Rent Choice Youth.

Rent Choice is successful when the right clients are assisted in the right way. It is not perfect, and clients sometimes return for housing assistance – but the majority appear able to meet their needs in the private market in the two years after the subsidy ends.

The qualitative data suggests that a person who is eligible for housing assistance for whom there is a reasonable prospect that they will increase their engagement in education and employment within the next three years may be suitable for Rent Choice. Rent Choice has been shown to reduce reliance on long term social housing. There is little evidence to suggest that once a person experiences the social housing system, and the incentives created by tax and transfer policy, that they will voluntarily, and positively exit out of social housing in favour of meeting their needs in the private market.

5.2 Potential target groups based on demographics

About 28% of the total number of approved applications for non-temporary housing options are for Rent Choice, which represents about two fifths of the number joining the Housing Register. This suggests that a natural limits to the growth of Rent Choice.

People making applications which are approved to the social housing register (either priority or wait-turn) represent a large part of the pool of people that could be suitable for a new or expanded Rent Choice product. These people all meet the low-income thresholds which apply to the waitlist. People approved for Temporary Accommodation are another source of potential Rent Clients. There are additional people who may benefit from Rent Choice if the income thresholds were higher. We do not have information on these

people from the housing register, but can infer some information from applications approved for Start Safely (which is subject to moderate-income thresholds).

Table 11 shows the average number of AHAs approved to the housing register, for Rent Choice or for Temporary Accommodation (TA) each year by key demographic groups over the three years to June 2022.

This provides a view of the size of demographic groups that might be targeted by extended Rent Choice eligibility. It also shows for Start Safely and Youth the current rate of Rent Choice approval among applications meeting the basic eligibility criteria that are approved for Rent Choice or the waitlist. This provides an indication of whether the demographic groups are more or less likely to be approved as suitable for Rent Choice (but does not control for other correlated factors).

Table 11 – Applications approved to the social housing waitlist, for Rent Choice or Temporary Accommodation, annual average of three years to June 2022

Group	Total of non-TA	HR	HR Priority	Start Safely	Youth	Rent Choice Other	TA	Relative rate of Rent Choice for D&FV	Relative rate of Rent Choice for Under 25
CALD	905	307	397	186	10	16	3,207	1.1	0.7
Aboriginal	2,846	1,163	996	404	232	154	34,491	0.8	0.8
Disability	6,624	1,395	3,728	1,063	263	524	75,451	0.8	1.0
Female	9,156	3,324	2,474	2,484	673	604	57,647	1.1	1.1
Male	4,308	1,632	2,232	44	235	495	71,217	0.3	0.8
age <25	3,003	1,182	507	372	908	102	22,298	1.0	1.0
age 25-29	1,700	663	482	512		128	17,545	1.1	
age 30-34	1,718	640	517	507		161	18,700	1.1	
age 35-39	1,628	546	553	467		184	19,737	1.1	
age 40-44	1,339	447	531	309		152	17,042	1.0	
age 45-54	1,956	647	942	287		239	23,035	0.8	
age 55-64	1,132	422	619	58		97	7,722	0.6	
age 65+	989	407	555	15		36	2,784	0.3	
All	13,464	4,955	4,706	2,528	908	366	42,955	1.0	1.0

While Temporary Accommodation is by far the most common support option – this is a more short-term option than the Housing Register or Rent Choice. People typically have many more instances of TA support than Housing Register or Rent Choice approvals and are often approved for both TA and a longer-term support option within the three-year of applications data used here. Table 12 shows the average number of applications approved for each support type per person over three years.

Table 12 – Number of applications approved to the social housing waitlist, for Rent Choice or Temporary Accommodation over three years to 30 June 2022 and average per person by housing option

Housing option approved	# AHAs over 3 years	Average # AHAs per person	Proportion of applications
Housing Register	14,866	0.2	9%
Priority Housing Register	14,117	0.2	8%
Rent Choice	11,408	0.1	7%
Temporary Accommodation	128,864	1.6	76%
Total applications	169,256	2.1	100%
Total number of people	80,225		

From Table 11:

- In total, about 28% of the total number of approved applications are for Rent Choice, which represents about two fifths of the number joining the Housing Register. This suggests that, given the existing level of housing assistance requests, there will be natural limits to the growth of Rent Choice.
- There are significant numbers of applications going to the waitlist by most the demographic groups shown.
- The variation in Rent Choice approval rates across different groups is low, the largest effect visible is for the oldest age group, although some smaller differences can also be seen:
 - From about age 40 the rate of being approved to Rent Choice decreased, it is very low for people aged 65 and over
 - CALD people are more likely to be approved for Start Safely, although less for Youth
 - Aboriginal people are less likely to be approved for Rent Choice
 - People with Disability are less likely to be approved for Start Safely, but similar for Youth. This likely reflects that people who need modifications to housing are unlikely to be suitable for Rent Choice.

Note that even within the subset of applications approved for the housing register to Rent Choice people may appear multiple times if they make multiple applications which are approved to housing register or for Rent Choice. About one in eight people have more than one application (13%), only a small number have three or more (1.5%).

While Table 11 provides a sense of the scale of Rent Choice, Housing Register and Temporary Accommodation, we note that Rent Choice will never be a complete substitute for the Housing Register. Rent Choice is a product for people who have capacity to increase earnings and achieve financial and housing independence. There are people that would not be considered suitable for Rent Choice. For example, the following groups would likely not be suitable for Rent Choice, and instead apply to the housing register (like with priority status):

- People who need modifications in the household
- Elderly household members
- Clients with complex needs or disabilities.

In interviews a number of Rent Choice officers mentioned other cohorts that might be made eligible for Rent Choice. These included:

- People on low income, especially parents with children approach school age where their potential for earning is increasing.
- Apprentices or trainees older than 25.

- Non-permanent residents that would otherwise be eligible.
- People on moderate income experiencing D&FV regardless of whether they have been referred through a Safety Assessment Meeting (SAM).

Others noted that were many private rental subsidy products being developed or trialled for different groups – including Rent Choice Assist, Family Assist, and Transition to Home that filled an otherwise important gap.

It is difficult to estimate the quantum of unmet demand in terms of the number of people seeing housing assistance that may be suitable but who are currently not eligible or able to be supported into Rent Choice. This is not just the number of people who are both eligible and judged suitable. Currently the PFG acts as a filter into Rent Choice youth and the SAMs act as a filter for people with moderate income into Rent Choice Start Safely.

5.3 Altering the age or income eligibility thresholds

We estimate about 1,090 additional Rent Choice activations per year if people of all ages under the low income thresholds were eligible (essentially making Rent Choice Youth also available to people aged 25 and over). Total payments for the ongoing expansion reach a steady state at the end of four years of \$3.95 million per quarter or around \$16 million per year.

We estimate about 1,700 additional Rent Choice activations per year if people of all age groups were eligible and some applications were accepted up to moderate income threshold (similar to making Start Safely available to everyone, not just people experiencing domestic and family violence). This is about a 50% increase above the current volume of Rent Choice. Total payments for the ongoing expansion reach a steady state at the end of four years of \$7.3 million per quarter or around \$29 million per year.

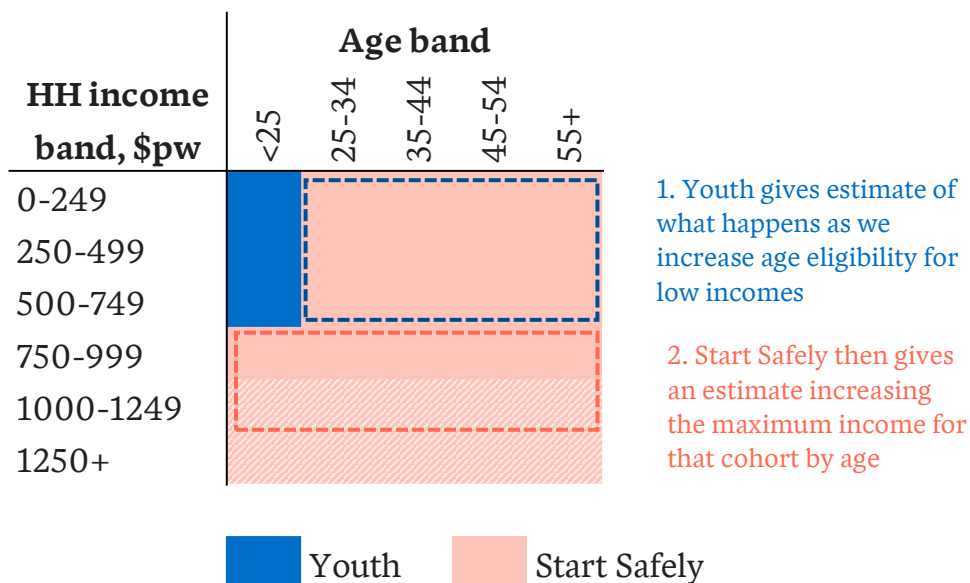
These estimates rely on numerous assumptions and carry a large amount of uncertainty. In undertaking any expansion the number of approvals and activations should be closely monitored and potentially limited.

Current Rent Choice clients provide a basis to explore the number of applications and costs associated with increasing age or income eligibility thresholds:

- Up to the low-income thresholds, we see all AHAs which are approved to the waitlist. Those under 25 are eligible for Rent Choice Youth and we see these AHAs too. This provides a base to estimate what proportion of older age groups may take up an expanded Rent Choice product with low-income thresholds.
- Between the low and moderate income thresholds we see all AHAs experiencing domestic violence approved for Start Safely. This provides a partial view of the potential pool of people up to moderate income (limited to a niche cohort).

We use both information sources to estimate the number of potentially eligible households if age or income criteria were altered. This is depicted in Figure 36 below – we are effectively extending demand in the dotted rectangles by relaxing existing eligibility constraints.

Figure 36 – Expanding age and income eligibility thresholds



Note: The hashed shading indicates that as income increases our view becomes less complete (as people may not apply, and as people are not eligible for the housing register).

The table below shows the annual number of AHAs approved for either the housing register or Rent Choice by age band and income band. The aged under 25 and approximately meeting low income thresholds group are highlighted blue.

Table 13 – Annual number of applications approved to the social housing waitlist or for Rent Choice by age band and income band

HH weekly income band	Housing Register (Priority and Wait-turn)						Rent Choice					
	Age band					Total	Age band					Total
	<25	25-34	35-44	45-54	55+		<25	25-34	35-44	45-54	55+	
0-249	621	245	184	124	165	1,338	321	50	42	35	12	461
250-499	949	1,379	1,391	1,284	1,780	6,783	470	166	151	106	52	945
500-749	271	604	454	214	196	1,739	411	461	290	132	30	1,324
750-999	27	104	100	33	13	277	108	321	251	69	10	759
1000+	5	25	28	8	4	69	30	168	165	47	8	418
Total	1,872	2,356	2,156	1,663	2,158	10,206	1,341	1,166	900	389	111	3,907

This is an average over the three years to 30 June 2021.

First we consider expanding Rent Choice Youth to other age groups for incomes up to approximately the low income thresholds. The estimated number of additional Rent Choice approvals is shown in the table below. This is based on the proportion of applications that are approved for Rent Choice (out of those approved to the waitlist or for Rent Choice) observed by income band up for Rent Choice Youth / those aged <25. There are no additional approvals for people aged under 25 as they are already eligible.

As noted above, Rent Choice is not suitable for everyone. Even with the hypothetical expanded eligibility criteria there still more applications made approved to the register than for Rent Choice. The approach

assumes the proportion of applications judged suitable for Rent Choice is similar for those aged 25 and over as for those under 25.

Table 14 – Annual number of additional applications approved for Rent Choice by age band and income band – expanded age eligibility for Rent Choice Youth

HH weekly income band	Proportion approved for Rent Choice for ages <25	Estimated additional Rent Choice approvals				
		< 25	25-34	35-44	45-54	55+
\$0-249	34%	0	50	35	19	48
\$250-499	33%	0	346	360	355	555
\$500-749	60%	0	181	158	77	107
\$750-999	Estimates made from Start Safely					
\$1000+						

To estimate the number of applications in the higher income bands we use Start Safely approvals to estimate the number of applications (by people experiencing D&FV) that would (hypothetically) be approved to the housing register in these higher income bands based. We then divide by the proportion of applications made by people experiencing D&FV to expand this to the broader population. We use the proportions approved for Rent Choice by income and age band for the D&FV cohort to estimate the proportion approved for Rent Choice. The table below shows the estimate of additional Rent Choice approvals.

Table 15 – Annual number of additional applications approved for Rent Choice by age band and income band – expanded eligibility for Rent Choice Start Safely

HH weekly income band	Proportion approved for Rent Choice for those experiencing D&FV				Estimated additional Rent Choice approvals			
	< 25	25-34	35-44	45+	< 25	25-34	35-44	45+
\$0-249	44%	68%	71%	69%	Estimates made from Youth			
\$250-499	46%	38%	37%	27%				
\$500-749	78%	74%	69%	69%				
\$750-999	78%	74%	69%	69%	53	223	200	94
\$1000+	78%	74%	69%	69%	6	100	118	55

The table below shows combined estimated annual number of additional Rent Choice approvals if eligibility criteria were expanded by age and/or income group:

- For all ages groups up to \$750 per week income the underlying assumption is essentially Rent Choice Youth is expanded to all age cohorts.
- For incomes above \$750 per week, the underlying assumption is essentially Rent Choice Start Safely is made available to all people (not just those experiencing Domestic and Family Violence). This could also be thought of as expanding Rent Choice Youth income thresholds to moderate incomes and making available to all ages.

Table 16 – Estimated annual additional Rent Choice approvals per year if eligibility criteria were expanded to include the relevant age and income group

HH weekly income band	< 25	25-34	35-44	45+	Total
\$0-249	0	40	30	60	130
\$250-499	0	310	320	810	1,440
\$500-749	0	160	140	160	460
\$750-999	50	200	180	80	510
\$1000+	10	90	110	50	260
Total	60	800	780	1,160	2,800

Note: We have reduced the estimate by 11% to allow for people making multiple applications in the data period.

From Table 16 we estimate there would be around 2,800 additional approvals per year:

- 60 from Youth of moderate incomes
- 800 from people aged 25-34
- 780 from people aged 25-44
- 1,160 from people aged 45 and over.

Table 17 shows the proportion of applications approved for either Rent Choice or the Housing Register both currently, and under the hypothetical expansion above.

Table 17 – Proportion of applications being approved for Rent Choice, out of those approved for Rent Choice or the Housing Register

HH weekly income band	Existing proportion approved for Rent Choice				Hypothetical proportion approved for Rent Choice			
	Age band				Age band			
	< 25	25-34	35-44	45+	< 25	25-34	35-44	45+
\$0-249	34%	17%	19%	14%	34%	34%	34%	34%
\$250-499	33%	11%	10%	5%	33%	33%	33%	33%
\$500-749	60%	43%	39%	28%	60%	60%	60%	60%
\$750-999	80%	76%	72%	63%	62%	57%	53%	47%
\$1000+	87%	87%	85%	82%	69%	58%	54%	48%

The rate of activation of Rent Choice varies with income and age bands. The table below shows the estimated annual number of additional Rent Choice activations if eligibility criteria were expanded by age and/or income group. The activation rate is extremely low for the lowest income group. Overall, the estimate is 1,700 additional activations per year. This is about a 50% increase in volume of Rent Choice.

Table 18 – Estimated additional Rent Choice activations if eligibility criteria were expanded to include the relevant age and income group

HH weekly income band	< 25	25-34	35-44	45+	Total
\$0-249	0	0	0	0	0
\$250-499	0	130	160	470	760
\$500-749	0	110	90	130	330
\$750-999	40	170	140	60	410
\$1000+	0	70	90	40	200
Total	40	480	480	700	1,700

The average total subsidy payments over the course of the Rent Choice products is shown by income group in the table below. This is incurred over up to three years (the current maximum duration).

Table 19 – Average total subsidy payments per household, \$k, inflated June 2023

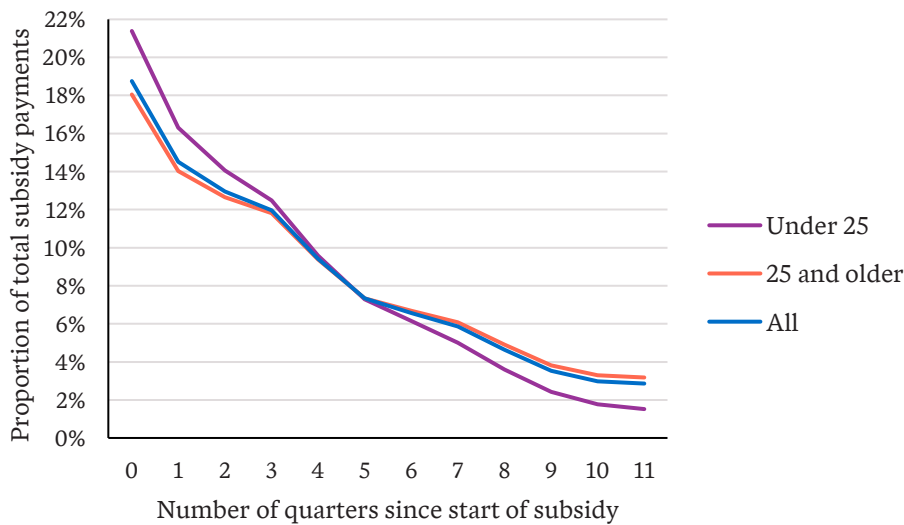
HH weekly income band	Not Deeper subsidies	Deeper subsidies	Total
\$0-249	4.4	15.2	8.3
\$250-499	7.3	16.4	11.4
\$500-749	14.3	19.4	15.2
\$750-999	16.7	20.2	17.0
\$1000+	17.9	21.5	18.1
Total	14.1	17.8	14.9

The combined effects of tapering and many subsidies not lasting three years the total payments are not incurred evenly over the three years. The figure below shows the proportion of payments by quarter since starting subsidy. Overall

- 58% of the cost is incurred in the first year
- 29% in the second year
- 14% in the final year.

Because Youth tend to have shorter durations, a higher proportion of total costs are incurred earlier.

Figure 37 – Payments as a proportion of total over maximum period of subsidy, average across all and smoothed



The per person costs and payment patterns can be used to create estimates of the cost of expanded eligibility.

For example, in Table 18 we estimated there could be an additional 1,700 Rent Choice activations over a year if the income threshold was expanded to moderate incomes and all age groups were eligible (this is equivalent to making Start Safely available to everyone, not just people experiencing domestic and family violence). The estimated total cost of this would be $1,700 \times \$15,000$ (average cost) = \$25.5 million dollars.

Table 20 below summarises the payments by quarter for this expanded eligibility cost, assuming an additional 425 people per quarter (1,700 per year). Table 20 also shows the total payments by quarter assuming this is an ongoing expansion, and people continue to enter in subsequent years.

- Total payments to the first-year cohort increase to a peak in the fourth quarter as the new Rent Choice recipients begin receiving subsidies. Their payments then gradually decrease over the next three years.
- For the first year cohort payments extend up to four years, as some people do not start receiving a subsidy until the end of the first year of expanded eligibility.
- Total payments for the ongoing expansion reach a steady state at the end of four years of \$7.3 million per quarter or around \$29 million per year.

Table 20 below summarises the payments by quarter for this expanded eligibility cohort, assuming an additional 425 people per quarter (1,700 per year). Table 20 also shows the total payments by quarter assuming this is an ongoing expansion, and people continue to enter in subsequent years.

- Total payments to the first-year cohort increase to a peak in the fourth quarter as the new Rent Choice recipients begin receiving subsidies. Their payments then gradually decrease over the next three years.
- For the first year cohort payments extend up to four years, as some people do not start receiving a subsidy until the end of the first year of expanded eligibility.
- Total payments for the ongoing expansion reach a steady state at the end of four years of \$7.3 million per quarter or around \$29 million per year.

These estimates rely on numerous assumptions and carry a large amount of uncertainty. Key limitations are discussed in Section 5.5 below. We highlight this with one example – To estimate the rate of Rent Choice being approved relative to the Housing Register for people over age 25, we have used the rates observed for people under age 25. If we instead to use the rates for Start Safely (people experience domestic and family violence) our estimate of additional annual approvals would increase from 1,700 to

2,000 (+18%). As this is only one assumption in a series, so the uncertainty is large. In undertaking any expansion the number of approvals and activations should be closely monitored and potentially limited.

Table 20 – Payment pattern calculation for ongoing expansion of 1,700 annual extra Rent Choice recipients

Quarter	Uninflated payments, 1st year cohort, \$m	Uninflated payments, later entries, \$m	Total uninflated payments, \$m	Inflated payments, 1st year cohort, \$m	Inflated payments, later entries, \$m	Total inflated payments, \$m
Sep-23	1.20	0.00	1.20	1.24	0.00	1.24
Dec-23	2.05	0.00	2.05	2.16	0.00	2.16
Mar-24	2.84	0.00	2.84	3.00	0.00	3.00
Jun-24	3.70	0.00	3.70	3.96	0.00	3.96
Sep-24	3.05	1.20	4.24	3.26	1.28	4.53
Dec-24	2.66	2.05	4.71	2.88	2.22	5.10
Mar-25	2.26	2.84	5.11	2.45	3.08	5.53
Jun-25	1.82	3.70	5.52	1.99	4.06	6.05
Sep-25	1.55	4.24	5.79	1.70	4.65	6.34
Dec-25	1.31	4.71	6.02	1.45	5.22	6.67
Mar-26	1.09	5.11	6.19	1.20	5.66	6.87
Jun-26	0.86	5.52	6.38	0.96	6.19	7.15
Sep-26	0.59	5.79	6.38	0.66	6.50	7.15
Dec-26	0.36	6.02	6.38	0.41	6.84	7.24
Mar-27	0.18	6.19	6.38	0.21	7.03	7.24
Jun-27	0.00	6.38	6.38	0.00	7.33	7.33

As another example, in Table 18 we estimated there could be an additional 1,090 Rent Choice activations over a year if all age groups were eligible (but the income thresholds were the same as for Rent Choice Youth). Essentially making Rent Choice youth available to all ages. The estimated total cost of this would be $1,090 \times \$12,600$ (average total subsidies for low income households) = \$13.7 million dollars.

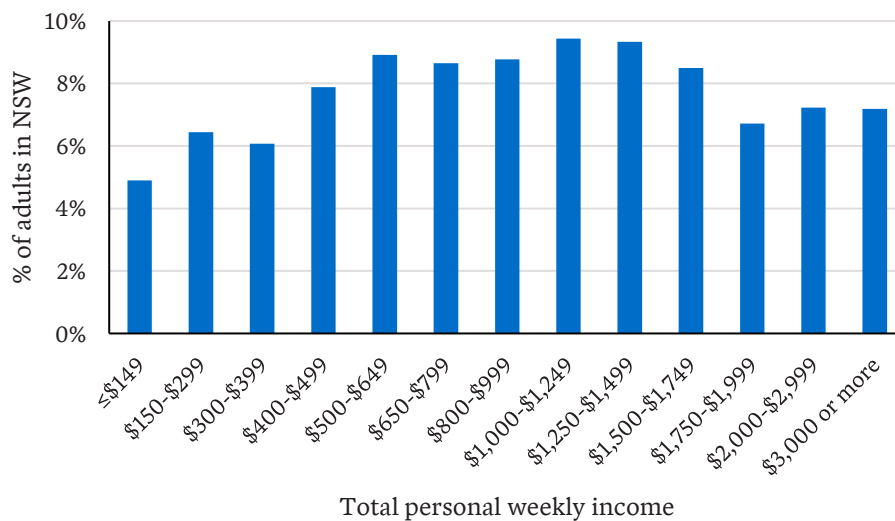
Table 21 below summarises the payments by quarter for this expanded age eligibility, assuming an additional 273 people per quarter (1,090 per year). Table 21 also shows the total payments by quarter assuming this is an ongoing expansion, and people continue to enter in subsequent years. Total payments for the ongoing age expansion reach a steady state at the end of four years of \$3.95 million per quarter or around \$16 million per year.

Table 21 – Payment pattern calculation for ongoing expansion of 1,090 annual extra Rent Choice recipients, estimate of if Rent Choice Youth was expanded to all ages

Quarter	Uninflated payments, 1st year cohort, \$m	Uninflated payments, later entries, \$m	Total uninflated payments, \$m	Inflated payments, 1st year cohort, \$m	Inflated payments, later entries, \$m	Total inflated payments, \$m
Sep-23	0.64	0.00	0.64	0.67	0.00	0.67
Dec-23	1.10	0.00	1.10	1.16	0.00	1.16
Mar-24	1.53	0.00	1.53	1.61	0.00	1.61
Jun-24	1.99	0.00	1.99	2.13	0.00	2.13
Sep-24	1.64	0.64	2.28	1.75	0.69	2.44
Dec-24	1.43	1.10	2.54	1.55	1.20	2.74
Mar-25	1.22	1.53	2.75	1.32	1.66	2.98
Jun-25	0.98	1.99	2.97	1.07	2.18	3.26
Sep-25	0.83	2.28	3.12	0.91	2.50	3.42
Dec-25	0.70	2.54	3.24	0.78	2.81	3.59
Mar-26	0.58	2.75	3.33	0.65	3.05	3.70
Jun-26	0.46	2.97	3.43	0.52	3.34	3.85
Sep-26	0.32	3.12	3.43	0.35	3.50	3.85
Dec-26	0.19	3.24	3.43	0.22	3.68	3.90
Mar-27	0.10	3.33	3.43	0.11	3.79	3.90
Jun-27	0.00	3.43	3.43	0.00	3.95	3.95

With a large amount of uncertainty in the potential size of any expansion to income thresholds, the distribution of the NSW population by income band provides some context. Figure 38 shows this based on Australian Bureau of Statistics Census (ABS) data for 2021. The proportion of population by \$150 bands is reasonably flat at around 9% per \$150 band from \$500-649 through to \$1,500-\$1,649. While this is individual incomes, rather than household, there is no large step change around the low income thresholds. This suggests that increases in the number of people seeking Rent Choice would grow in keeping with current rates if income limits were increased.

Figure 38 – Distribution of NSW adults by weekly income



Source: ABS Census 2021, downloaded from: <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/income-and-work-census/latest-release>

5.4 Potential economic impacts of expanding Rent Choice

The outcomes and economic analysis for Rent Choice suggest Rent Choice is far more cost effective than placing a person with similar characteristics in social housing. The unanswered question is, how many more people could or should be provided with a short to medium term rental subsidy to meet their immediate housing needs in the private market?

The Cost Benefit Analysis (CBA) for the Future Directions evaluation quantified a benefit-cost ratio (BCR) of 0.9 based on the people currently being provided with Rent Choice. From a cost benefit analysis, the likely return is marginal and close to break even. The BCR for Rent Choice compared to providing social housing is 4.4. The first ratio considers Rent Choice compared to no support. The second ratio considers providing Rent Choice relative to social housing. Both estimates exclude intangible potential positive and negative benefits associated with living in a private rentals. For example, the evaluation suggests that Rent Choice clients experience improvements in PWI scores. On the other hand, private renters are subject to decisions to raise their rent or terminate a lease that are treated differently in social housing.

It is not possible to make recommendations about an expansion of Rent Choice without considering the broader NSW housing and homeless policy context. Housing policy is of course itself affected by Commonwealth and state tax and transfer policies that affect the supply and demand for housing in NSW.

Rent Choice requires that a private market property exists for a person to rent. It does not require social housing to be built. This means that policy to improve the experience of people renting in the private market will affect the success of Rent Choice. It means that expenditure on Affordable Housing and Build to Rent schemes are very relevant to any expansion of Rent Choice.

Expanding Rent Choice would likely require a greater fiscal outlay by the NSW government in the form of subsidies. On the current CBA it is uncertain whether this would generate economic benefits – although if the types of people being approved had a higher rate of engagement with education and employment than the current cohort, the economic benefits would likely exceed the costs. On the other hand, if the money for subsidies was redirected from social housing it may lead to more people being supported at lower cost to the state. This would create less housing for those reliant on social housing over the longer term. Clear-eyed analysis of the people who rely on and the people who require short term assistance is required for cost effective and evidence-based policy decisions about future direction for financial outlays to meet housing need.

5.5 Uncertainty and Limitations

Estimating the number of Rent Choice recipients under hypothetical eligibility expansions naturally carries a large amount of uncertainty. We highlight the following limitations and considerations:

- A joint relaxation of eligibility rules and increase in deeper subsidy affordability limits could create demand from outside the current pool of applications for housing assistance. The size of this is unknown and hard to estimate.
- Our extrapolation assumes the volume of applications (AHAs) is constant. While it has been reasonably stable in recent years, this may not be the case in future years.
- Expanding Rent Choice eligibility could lead to higher awareness and many more applications. In undertaking any expansion, the number of approvals and activations should be closely monitored and potentially limited.
- We have an incomplete picture of applications for people with moderate incomes. Because these people are not eligible for the housing register, we only see applications which are approved for Start Safely, Rent Choice Veterans and Rent Choice Transition. The ability to match the Start Safely eligibility criteria to housing register applications and the small numbers of Rent Choice Veterans and Transition approvals means we just relied on the Start Safely cohort for the analysis of increasing income eligibility thresholds. This is a very niche cohort, and only a partial view of the potential need. As above, but particularly in relation to higher income thresholds in undertaking any expansion the number of approvals and activations should be closely monitored and potentially limited.
- Our extrapolation for low incomes assumes a new product would be similar to Rent Choice Youth. However other (existing) products do not have the same rules and we have not accounted for this. For example, Youth recipients must be part of a Partner Facilitation Group (PFG). We have assumed this does not limit the numbers of Rent Choice Youth (i.e., there is no further demand that is not met because of lack of PFG availability).
- Our extrapolation for moderate incomes assumes a new product would be similar to Rent Choice Start Safely. However, we have not accounted specific rules. There are additional safety assessments Start Safely recipients with moderate incomes go through before being approved. We have therefore implicitly assumed there will be some additional suitability and need assessments for moderate income households not experiencing domestic and family violence.
- Our extrapolation assumes additional cohorts, such as older people not experiencing domestic and family violence, have similar approval, uptake and activation rates as Youth and Start Safely. Differences in life stages and attitudes may mean actual approval, uptake and activation rates differ.
- Income information is not always available and sourced from different datasets. We have interpolated missing incomes for about 20% of housing register applications. This means the income distribution of applications may not be fully accurate, and subsequent calculations impacted.
- Low and moderate income limits depend on household structure. We have not attempted to control for this, rather considering incomes up to \$750 per week low income and above that moderate. The accuracy of the income information limits the inherent uncertainty of the estimates limits the value of further granularity or improved thresholds.

Appendix A Additional tables and notes

A.1 Data and methods

Data analysis

This analysis was carried out subsequent to the final evaluation and used both the linked data for the final evaluation which ran to 30 June 2021 and additional unlinked data extracts provide more details on Rent Choice clients and applications for housing assistance in the latest financial year.

The additional data provided was:

- Applications for Housing Assistance (AHAs) over the year to 30 June 2022.
- Rent Choice subsidy payments over the year to 30 June 2022.
- Rent Choice program data. One-off extracts covering all clients approved for Rent Choice to 30 June 2022, covering:
 - Status (not active/approved but not active, active, ended)
 - Dates of approval, activation, and end of subsidy
 - Approved affordable rent, and a deeper subsidy indicator
 - Number of adults and children in household
 - Current income, subsidy, and market rent
 - Current tapering level
 - Exit reasons.

Qualitative research

We carried out interviews with 10 stakeholders including HSS staff, HCC staff, and PRS staff in district offices and SHMT CHPs to discuss:

- The suitability of current deeper subsidy thresholds
- The appropriateness of current program length (including outcomes for those who exit the program, and the accuracy of existing exit codes)
- Current eligibility to participate in the program.

A.2 Income Support Type Grouping

We refer to ‘income support’ payments as those that are provided as a main income source for people with low or no income. Table 22 shows the benefit payment times included in each grouping.

Table 22 – Income support benefit grouping

Income support group	Benefit types included
Working Age	Newstart, Youth Allowance (Other), Partner Allowance, Sickness Allowance, Special Benefit, Widow Allowance and Jobseeker ⁶

⁶ In March 2020 the new Jobseeker benefit type was introduced to replace Newstart and some others

Income support group	Benefit types included
Student	Austudy, Youth Allowance (Student), Youth Allowance (apprentice), Youth Allowance (training), Abstudy (Schooling, also Secondary/Tertiary)
Parents	Parent Payment (partner) and Parent Payment (single)
Disability	Disability Support Pension
Carers	Carer Payment ⁷

A.3 Exit reason code categorisation

Table 23 lists the 15 most commonly used codes for ended subsidies to June 2022, as well as their categorisation into positive, negative and neutral outcomes, as provided by DCJ staff.

Table 23 - Most common exit reasons in HOMES and descriptions

HOMES Code	Number of Exits recorded	System Description	DCJ comment	Categorisation
ENDPERIOD	1,530	Reached maximum time period	The client has reached the subsidy's maximum time period.	Neutral
DISENGAGE	1,474	Disengaged program goals or no contact	Client is not engaging with the support provider, is no longer pursuing their program goals, has disengaged from program requirements, and/or is not contactable.	Negative
FAMFRIENDS	1,344	New partner, moving to family, friends	The client is leaving the program for personal reason, i.e., re-partnering, living with family, living with friends.	Neutral
SECUREFIN	1,052	Achieving financial security	The client has improved financial security for other reasons not captured above and is ready for housing independence.	Positive
EMPLOYMT	435	Achieving primary goal of employment	The client is achieving their primary goal of increased/ stable employment and is ready for housing independence.	Positive
BREACH	401	Client is responsible for Tenancy breach	The client is responsible for a Breach of Tenancy Agreement (abandoned, NCAT ended, eviction).	Negative

⁷ Note that the Carer Payment is an income support payment, not to be confused the the Carer Allowance or the Carer Supplement, which both act as supplements to income support.

HOMES Code	Number of Exits recorded	System Description	DCJ comment	Categorisation
NOTAPPLIC	304	Not applicable or not exiting program yet	Correcting a user error, or client not exiting program – Advice case replaced with new one.	Not applicable
SOCHO	245	Reassessed priority social housing required	The client now requires priority social housing.	Negative
UNEXPCTD	239	Unforeseen events e.g., illness, accident	The client is leaving the program due to illness, accident or other unforeseen events, or is deceased. Program not currently applicable.	Neutral
OTHER	836	Other - imprisoned	The client is leaving the program for any other reason (not specified above), including incarceration.	Neutral
FNLNOTICE	181	Cannot get another appropriate tenancy	The landlord did not renew tenancy and the client is unable to secure another appropriate tenancy.	Negative
C-NOLWPG	114	No longer wants program	The client no longer wants the program	Negative
EDUTRAING	89	Achieving goal of education or training	The client is achieving their primary goal of education or training and is ready for housing independence.	Positive
C-NOTRQD	74	Subsidy purpose no longer required		Positive
REHABSUPP	74	Not ready - move to transitional or rehab	The client is not yet ready for sustained independence and is moving to more suitable supported or rehabilitation accommodation.	Negative

A.4 Exit reason distribution by DCJ Region

Table 24 shows the distribution of exit reason codes by DCJ region.

Table 24 - Exit reason distribution by DCJ region

District	Number of exits	BREAC	C-NOL	C-NOT	DISEN	EDUTR	EMPLO	ENDPE	FAMFR	FNLNO	NOTAP	OTHER	REHAB	SECUR	SOCHO	UNEXP
SWSD	1,495	5%	1%	1%	>19%	1%	>4%	>26%	>16%	1%	3%	9%	1%	9%	2%	2%
ACHP	1,373	>5%	0%	0%	19%	1%	3%	16%	16%	5%	6%	6%	0%	15%	>4%	>3%
WSD	889	5%	1%	1%	18%	1%	6%	20%	16%	1%	3%	11%	1%	12%	3%	3%
SESD	648	2%	1%	<1%	14%	2%	8%	24%	9%	<1%	6%	11%	1%	11%	2%	5%
HNED	641	5%	0%	0%	20%	1%	5%	8%	23%	1%	1%	4%	2%	27%	2%	1%
CCD	587	9%	1%	1%	14%	<1%	6%	20%	15%	3%	3%	10%	1%	12%	2%	3%
NBMD	546	5%	2%	2%	20%	<1%	7%	13%	16%	<1%	2%	11%	<1%	18%	1%	1%
ISD	469	6%	<1%	<1%	11%	3%	6%	17%	20%	2%	2%	10%	2%	10%	5%	3%
Missing	452	2%	8%	5%	21%	<1%	1%	2%	9%	2%	5%	29%	<1%	9%	2%	3%
STHNSWD	346	6%	<1%	<1%	9%	1%	3%	21%	26%	3%	4%	10%	<1%	5%	3%	3%
ND	334	2%	1%	<1%	17%	<1%	9%	18%	12%	6%	2%	13%	<1%	6%	2%	7%
WESD	262	3%	4%	<2%	21%	<2%	7%	16%	16%	3%	2%	7%	<2%	7%	5%	3%
MD	212	5%	<2%	<2%	22%	<2%	11%	8%	16%	<2%	<2%	6%	0%	13%	<2%	3%
HSYDD	173	<3%	0%	0%	14%	0%	<3%	35%	12%	<3%	<3%	8%	<3%	10%	3%	<3%
NSD	49	0%	<10%	<10%	<10%	0%	0%	<10%	<10%	0%	<10%	18%	0%	0%	<10%	<10%

Note that some figures have been perturbed to preserve data confidentiality.

A.5 Exit reason distribution by client characteristics and duration

Figure 39 - Distribution of exit reasons for ended subsidies to June 2022 with durations of less than 1 year, by selected client characteristics

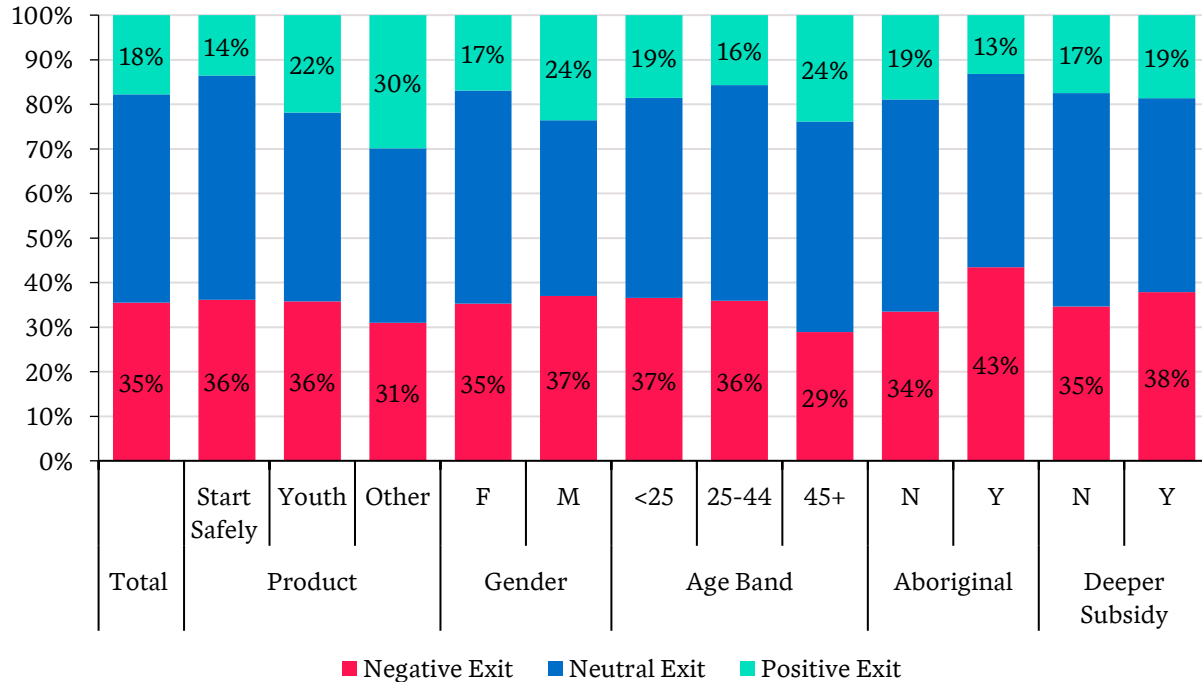


Figure 40 - Distribution of exit reasons for ended subsidies to June 2022 with durations of 1 year to 2 years, by selected client characteristics

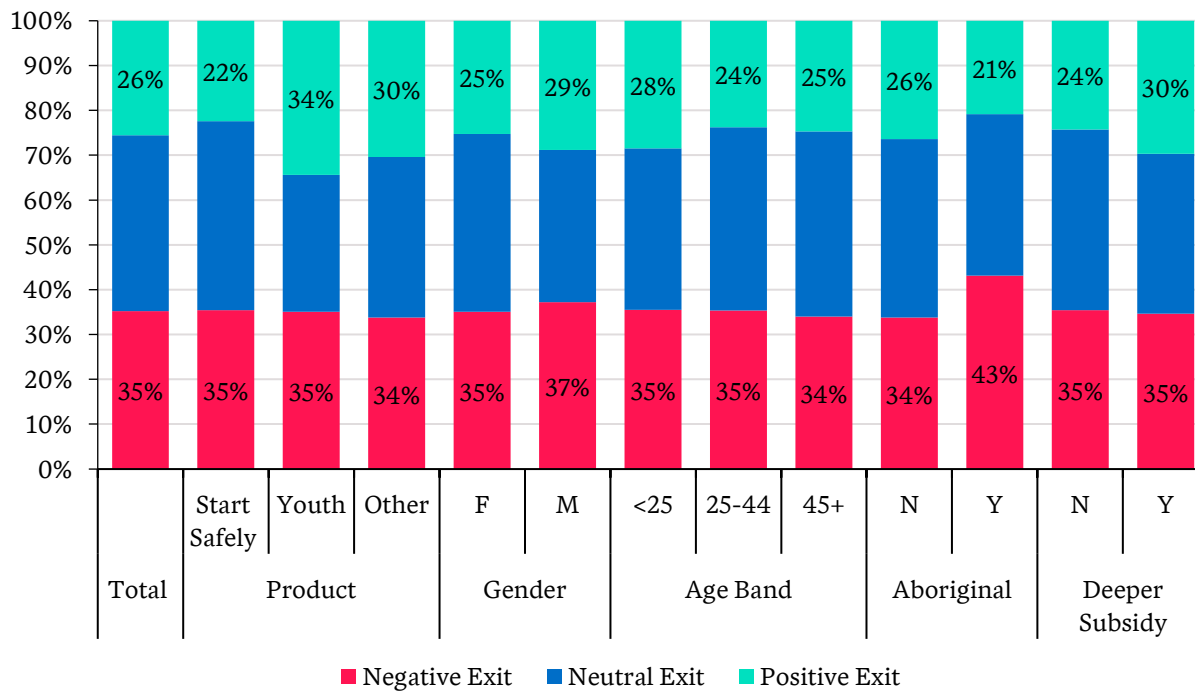


Figure 41 - Distribution of exit reasons for ended subsidies to June 2022 with durations of more than 2 years, by selected client characteristics

