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Title of paper

Social housing over the horizon:
Creating a contemporary social housing system

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Abstract

We are all too familiar with the problems of the social housing system, particularly public housing. This paper argues that the system is no longer capable of addressing client needs, current national housing problems, or those looming over the horizon. It briefly examines the causes of the system's parlous state and outlines proposals for reform to change it into one which is more contemporary. These include a new funding system (dependent on a new rent assistance model) which draws private rental housing into the social housing system, a reconfiguration of the roles of community and public housing (the latter to focus on low income households, not complex needs), and a new organisational structure for public housing which makes area and regional offices more autonomous and more closely linked to local communities and local government.

The paper challenges a lot of the current orthodoxies of thought around the relationship between the market and the state, between social housing provision and support, and between past housing needs and those of the future. The objective is to advance debate as to what a contemporary social housing system should look like and what are its objectives.

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Like the first chapter of a textbook, the function of a keynote speaker is to set the framework so that subsequent speakers (or chapters, in the case of a book) can do all the hard work of fleshing out the details, providing exemplification and case studies, or outlining relevant concepts and theories. The framework I want to talk about is the social housing horizon – where social housing is going and what is its long-term role in relation to both the market and the state. This is an issue at the heart of what many of us at this conference are about, either because we are employed within the social housing system or it is the housing tenure that many of our clients are in or desire to be in, because we believe that one measure of a civilised inclusive society is the quality of the social housing safety net.

As a starting point I think we can accept that social housing as we have known it for the last fifty years is close to dead. Various reports and studies have drawn attention to the lack of long-term financial viability (Hall and Berry 2003b), the inability to deal with the growing housing problems of homelessness and affordability, and the fact that the institutional arrangements which **underpin** the system (such as the CSHA) or which in principle should **support and complement** the system, e.g. income support and taxation programs, are no longer effective or even relevant in providing long-term sustainability for social housing. How we respond to the problems of an increasingly moribund system in part depends on where we want it to go and what issues we want it to deal with. There has been considerable discussion of this problem in the last year, not least at the recent national affordable housing conference in Sydney, out of which there emerged some broad directions for reform (Milligan 2005). This paper builds on that debate and attempts to take it further by looking over the housing horizon to try and understand what the future might hold and by suggesting new ways of making the social housing system more contemporary.

But before we look over the horizon, let's review the recent and longer-term past, as such an exercise can give us some insights into the future. As a starting point we need to affirm that, whatever the problems of the Australian social housing system at present, historically it has served us well. It has been an effective safety net for millions of households over the years, the estates (despite problems of obsolescence) by and large have not degenerated into the squalid sinkholes of depression and social exclusion that characterise many in the US, the UK and Europe, the conscious decision to disperse stock across our cities and regions has helped mitigate the spatial divides that are also manifest in many US and UK cities, and in earlier decades it played a key role in the economic development of states and their regions. Importantly, various studies have concluded it is still the most effective long-term way of providing housing assistance (Industry Commission 1993; Hall and Berry 2003a). Similarly the larger housing system, i.e. that of market provision, has also served us extremely well, with the bulk of Australians enjoying housing conditions that are rivalled in few other countries.

But being sanguine about history is no guarantee that the future will see the same conditions. Despite having in many respects a successful history, the last decade or so has not been easy for the social housing sector and it is poorly positioned for the

future. This has been partly an issue of funding cuts by both Commonwealth and state governments, but also an element of self-administered hardship created by excessive client targeting, uncritical acceptance of the new public sector reforms (particularly in the 1990s), over-zealous rejection of the positives embodied in the history of Australian public housing, and incessant organisational and program reform to the degree that the sector now suffers a certain degree of reform weariness.

And is the Australian housing system, including its social housing component, any better positioned to deal with the contemporary housing problems – yet alone those over the horizon – as a result of all the hardships, reforms, restructuring and policy shifts of the last decade? The available evidence such as numbers of homeless, size of wait lists, numbers experiencing housing affordability problems in the private sector, falling rates of first home ownership and declining availability of low cost private rental stock would suggest not. In fact, after fifty years of continuous progress in housing outcomes subsequent to the first CSHA in 1945, we are now on the retreat again; for low and moderate income Australian households, the housing situation is probably worse than it was twenty years ago. And the social housing sector and the major mechanism which supports it, the CSHA, is singularly ill equipped to deal with the housing problems Australia faces.

One of the major reasons for this is that the sector has become increasingly marginalised from the mainstream of housing provision, not just in numbers, i.e. percentage of all housing stock, but in terms of how we see its purpose and underlying philosophy and its role in the Australian economy and society. The most interesting thing about this process is that it occurred without malice or ill intent. By and large, the managers of the social housing system and most politicians (irrespective of party) have been well intentioned in their reforms and the sector is clearly much better managed than it has ever been. But a Formula One car that was designed fifty years ago with successive modifications will not perform as well as a Formula One car purpose designed for, and with, current technology and race track conditions. No matter how professional the driver, he or she could not compensate for the outdated design. And unfortunately many of the reforms to the social housing system designed to update an old structure have actually made it worse.

The Mant report (1992) on the New South Wales public housing system can accept some of the blame for the sorry state the system is now in. At the time, many people enthusiastically accepted its recommendations and saw it as a solution to the problems of the sector. The new public sector managerialism that underpinned the report and which – no pun intended – became the mantra for social housing reform for the next decade can now be seen as part of the problem, not the solution. The most important of the Mant reforms were the interrelated ones of focusing on core business and greater targeting, subsequently interpreted as the role of providing affordable housing for those in greatest need. In principle this is a worthy objective but making it effectively the **only** one fundamentally weakened the political position of public housing, not to say, after ten years of implementation, the financial position. Social housing has never had until this era such a narrow focus and arguably nor should it have. Social housing is more than about providing affordable shelter for households however these are defined through locative rationing. It should also be about ensuring that our cities and towns have economically and socially sustainable urban forms, it should be a check or balance on price or rent increases in the private sector, i.e. a force for mitigating rental inflation, it should be about providing opportunities for assisting households to integrate into the economy and society, not about further marginalising the already marginalised, it should be a mechanism for urban and economic development in locations, e.g. some older outer suburbs, where

there is currently under-investment and evidence of urban decline. Finally, it should be a vehicle for facilitating choice, by enabling even low income households to acquire a housing product or service of their choice and appropriate to their personal requirements.

The social housing system that emerged post Mant and post the Industry Commission report (which was also imbued with the new managerialism) has not been able to do any of these things, although more recently there have been some steps in the right direction. And that is because it was politically neutered by the managerial reforms that narrowed and marginalised its role so that (a) there is little awareness or political support for social housing from the wider public or the private housing industry, (b) there was little debate about growth or expansion of the sector but instead enormous navel gazing about internal management reform – a process that is continuing, (c) for central agencies such as Treasury and Finance, it disappeared off their radar screens because it has been rendered financially unimportant, and (d) most public sector housing advocates, imbued by the perceived fairness and logic of targeting, accept the need for such, thereby blunting the ability to mobilise support for a larger, wider and different role for social housing. In a number of states, the political residualisation was reinforced by locating housing in Human Services Departments; effectively this was official acknowledgement that social housing's role was to be little more than a support agency for health, disability, aged and homeless services.

Social housing by 2005 has been reduced to a state of near irrelevancy in terms of addressing national housing problems. What we now have is a national housing system, including the social housing component, confronting a scale of housing problems that we have not experienced for a long time but with a policy and organisational framework for the provision of housing assistance totally ill equipped to deal with these problems. At worst we face a situation where a key component of the system, namely, the social housing sector, faces financial ruin if the current policy and financial levers remain locked in place.

If we thus have a social housing system ill equipped to deal with contemporary problems, how well is it likely to deal with the future? Answering this question is of course a fraught exercise as no-one knows what the future may hold. However, there are enough threads floating in the wind to hint at, and in some cases be reasonably accurate about, what the future might hold.

As Judy's address has illustrated, we do know quite a lot about future demographic trends. For example, that by 2025 the population of Australia will be around 25 million, requiring an additional 2 million dwellings to be provided (Australian Bureau of Statistics 2005). And that more of the population will be over 65 years of age and that migration will have to be sustained at the current relatively high levels to achieve population growth but also to provide the labour as older persons exit the workforce.

We also know that the world is becoming environmentally more fragile and those environmental issues will figure more substantially in any policy debate. We know from policy directions over the last twenty years that Australia is becoming more marketised and taking on, even more so than in the past, the characteristics of a market liberal society. And internationally we can see the trend is away from direct government provision in housing, even in social democratic societies where historically there has been greater commitment to the role of the state. In addition we can see that affluence, aspirationalism and recognition of diversity in its many forms means that Australians, almost independent of where they sit on the income ladder, value individual choice and opportunity. At the same time, the growing awareness of the fragility of society and of threats to social

cohesiveness means that we also value inclusiveness and fairness, even though there may be clear tensions in how one manages to achieve choice and opportunity simultaneously with the achievement of inclusiveness and fairness. Finally we can assume, and this is probably the most problematic assumption, that Australia's economic growth will be sustained but with ups and downs around the steady upward trend.

What might these future trends mean for social housing? Well, let's start with need. As indicated earlier, estimates for Australian household numbers in the year 2025 suggest at least another 2 million households. If we assume conservatively no worsening of income inequality (unlikely in the face of the push for labour market reforms and greater marketisation generally), then current patterns of income equality and associated poverty levels would suggest around 10 to 11 per cent of these additional households will be poor. The experience of the last decade suggests that this is not an unreasonable assumption. It has been one of historically high economic growth yet the existing evidence suggests that virtually no inroads were made into the proportions experiencing poverty. Economic growth does not by itself guarantee reductions in poverty! These figures would therefore suggest that around 200,000 to 210,000 **additional** households would have such a level of income that they could not afford private market housing of any form. This is on top of the existing wait list of 200,000. This means **at a minimum** we should be aiming at around 15,000 additional social housing units per annum, where at the moment we are providing less than 1,000. If we were to include the provision of affordable housing for those on low but not poverty line incomes, we should probably be providing an additional 20,000 units per annum.

But absolute provision is one issue. Where to put the growth of housing and households is another. As both the UK and the USA illustrate, a combination of market processes and inappropriate public sector investment (or lack thereof) in areas with the cheapest housing can over time create spatial concentrations of disadvantage. If low income migrants gravitate to these areas, problems of disadvantage can be overlaid with issues of social intolerance and racism and become enclaves of exclusion.

In the absence of appropriate policy intervention, the emergence of such areas has a high probability, with threats to urban sustainability and to Australia's ability to lay claim to having some of the most liveable cities in the world. This means that social housing decision making, including decisions around new construction, must be integrated into a wider urban planning and renewal process whereby social housing provision, as it was in its first four decades, is a mechanism for achieving better urban form outcomes. Integration of social housing asset management strategies into the larger urban and regional development process will also be dictated by greater need to accommodate to pressures for environmental sustainability and the achievement of greater affordability. Australian cities face an enormous dilemma in the coming decades. To make them more environmentally sustainable requires building at much higher density. This increases public transport usage and decreases car dependency and reduces water and energy consumption. However, it places a premium on existing land use and bids up land and residential property prices, thereby undermining affordability. Addressing this problem will require social housing provision and related planning and land use strategies that explicitly identify areas for affordable housing and in a way which locks in affordability rather than having it eroded by price escalation.

Any scan of the past and present for what it may tell us about the future would suggest the days of monolithic state housing enterprises are over. In the UK, as Hal Pawson will talk about later in this conference, substantial amounts of government housing have been transferred to the community sector, while in Europe community rather than public housing has long been a tradition. What might this mean for social housing in Australia? For me, it

suggests we have to rethink its role, form and institutional arrangements in a way which will provide a contemporary system rather than one which is a monument to the past.

Thus my first point of change for a system more suited to the future environment is one which gets away from the now common understanding that social housing is *not-for-profit* housing provided by *government and community managers* for reasons of *household affordability and appropriateness*. Note the emphasis on 'not-for-profit', 'government' and 'community', the 'individual household' and 'affordability and appropriateness'. This is all too narrow a definition and restricts thinking about the how, to whom and to what of housing assistance.

A more contemporary definition of social housing which could take us into the future in a more constructive way is *government assisted housing with the objective of household and community wellbeing*. This eliminates the term 'not-for-profit' and potentially enables the private sector to have a role in its provision. This for many is heresy, but if the outcome is a more contemporary system that is much better than the current dying one, does the fact that there may be a profit element in it for some of the players matter? More importantly it reflects the reality that private landlords are already in low income rental provision and through rent assistance are indirectly assisted to take on that role. By formally drawing such housing into the social housing definition we are better able to argue about the system holistically and what is the best mechanism for achieving quality housing outcomes. I will return to this point.

Similarly the replacement of household affordability and appropriateness with tenant and community wellbeing recognises that the role of social housing extends beyond the individual household to community impacts, and that objective may be much wider than affordability or appropriateness. Wellbeing is a sufficiently broad and generous term to allow considerable flexibility and expansiveness in its interpretation, thereby extending ability for debate around what represents the objectives of housing assistance. In short, the objective of this definition is to allow for a reconstructed model of social housing that can encompass housing either owned, managed or financed by the private sector (as well as government or the community sector), just so long as the objectives are socially focused and the housing is government subsidised. Objectives such as choice, opportunity, inclusiveness and sustainability could become as much a part of the language of social housing as affordability and appropriateness. Table 1 fleshes these objectives out in more detail by specifying what they could mean in terms of housing and urban outcomes.

Table 1: Objectives of a contemporary social housing system

Diversity	Opportunity	Inclusiveness	Affordability	Sustainability	Security
Dwellings of a form which is appropriate for different users and uses	Ability to relocate without limiting employment, educational or health care opportunities	Housing of a form which helps build or maintain community and local economy	Appropriate dwellings which are affordable for all income ranges	Housing of a form which reduces energy and water consumption	Equivalence of security of tenure across tenures
Generating urban diversity	Reduced barriers to moving within and between tenures	Urban and regional locations which do not exclude or divide		Housing provision which is consistent with local environmental capacity	Communities and neighbourhoods which instil a sense of safety and security
Allocations systems which facilitate greater choice and movement between tenures	Housing assistance to minimise barriers to workforce opportunity			Housing which is of sufficient durability to reduce long-term economic costs	
Dwellings which are flexible to changing needs and circumstances	Expanding home ownership opportunities				

With this broadened concept of social housing, we can look at housing assistance more holistically and not see rent assistance and the CSHA as quite separate funding programs with no relationships and no common objectives. The approach would now be one of saying what we should be trying to get out of the entire housing system (in all its permutations) and how best can this be achieved. Outlining the principles of a more contemporary system with all its funding, management, policy and delivery implications are beyond the remit of this paper but I would like at least in raw form to suggest some.

Thus the starting point for a system more consistent with this expanded concept of social housing is funding. Back in the early 1990s there was major debate as to whether CSHA payments should be replaced by extending rent assistance to public housing. It never got off the ground because, among other reasons, the rent assistance offered in the private sector would not have enabled public housing agencies to be economically viable, particularly when greater targeting meant ever lower incomes and greater financial strain on public housing.

In principal, having a funding system that offers some uniformity across the entire rental system and enables an element of portability is good. But how can it be done in a way which does not bankrupt public housing or place excessive budgetary strains on the Commonwealth? One way is to have a two tiered rent assistance system for both public and private rental. One tier is basically as is (although even this needs improvement), and the other is an additional payment (which I will call 'rent assistance plus') payable to the landlord (not the tenant) who is willing to offer long-term secure leases, e.g. five or more years, and to take tenants from a common wait list. Thus public and community housing agencies would get income from RA basic and RA plus, while private landlords who operate under current rental agreements and rent through estate agents would get RA basic as at present but, if they were willing to commit to long-term leases and take tenants from the wait list (non-complex needs households only), they too would get RA plus. For the public and community sectors, RA basic and RA plus would bring in a household

income much the same as the average household payment from the Commonwealth in the CSHA¹ but in recognition of the parlous state of social housing finances at, say, 10 per cent higher than the last annual payment of the current CSHA. This would still leave a funding shortfall as it excludes any state subsidy, but the shortfall would be made up from state treasury funds and in effect would be the equivalent of matching funds in the CSHA.

This arrangement has the advantage that it would sever the link between state and commonwealth payments and eliminate the politics of state/federal relations that surround the CSHA. For the last ten years we have seen the Commonwealth cut their share of CSHA funding and, while the states have complained about this, they have made matching cuts at the state level, therefore compounding the resourcing problem.² They have done this because they say that if they were to maintain funding while the Commonwealth cuts theirs, this would play into the Commonwealth's hands in terms of their cost shifting objectives. Severing the link to Commonwealth contributions means that states would be less politically constrained as to what they put into housing and of course the more they grow the sector the more rent assistance the Commonwealth would pay. This creates an incentive for expanded contributions from state treasuries.

In this model, not all private landlords would receive RA plus or would indeed be interested in doing so. However, to control budgetary costs that might flow from private landlords switching to long-term leases and taking up RA plus, the program (like Section 8 rental allowances in the USA) could be rationed to, say, \$100 million a year. By itself, RA plus, which would be perhaps another \$25 a week, would be insufficient to attract many private landlords to effectively become social landlords, thus, in order to encourage them to take up RA plus, a special tax depreciation provision could be struck whereby for the duration of their participation in the assisted housing program they could for example claim an annual 1 per cent depreciation allowance on the capital value of the property or have a negative gearing rate of, say, 120 per cent of allowable costs rather than the current 100 per cent. Such subsidies might represent an additional amount of around \$1,500 per property per annum.

The effect of this in principle, although the detail would have to be worked out, is that public and community housing would have an income stream per annum that would enable commitment to new capital construction and would expand as new stock was added. It would give greater capacity for low income households to move between public and private providers and it would bring some long-term security to the private rental sector for those low income households where security might be essential for stabilising children's educational experience, for workforce participation or saving for ownership. Moreover, the problem identified by Wulff, Yates, and Burke (2001) and by Yates, Wulff, and Reynolds (2004) of much of the low cost stock being occupied by higher income earners would be partly addressed by providing a mechanism for encouraging private landlords to explicitly house lower income households.

¹ For administrative simplification it would be desirable that the Commonwealth made a common payment, e.g. \$90 per fortnight, but this fails to recognise the different cost structures of social housing across the jurisdictions. For example, in 2002-03 the CSHA allocation of the Commonwealth to New South Wales was \$2,328 per household, compared to \$2,237 to Tasmania. This might require a different RA plus rate per jurisdiction or a small block grant allocation to compensate for the difference.

² In some states, such as Victoria and Tasmania, the reduction in state finances was compensated for by a special funding initiative packaged up as a new and innovative program, e.g. SHIP (Victoria) or Affordable Housing Strategy (Tasmania), but in reality these offered little new funding over and above what would have been the case if they had not matched the Commonwealth's reduction. Most states, however, did not even do this!

Finally, if we define social housing as government assisted housing with certain social objectives, then \$200 million of RA plus and perhaps \$100 million of forgone taxation for the private sector on top of existing RA outlays would in principle be sufficient to bring another 60,000 housing units into the social housing net. In recent years, much of the debate has been about how to bring private finance into the social housing system (McNelis, Hayward and Bissett 2002; Allen Consulting Group 2004). This model proposes bringing private stock into the system instead. The fact that the ownership is private and making a profit is not important. It is effective housing outcomes, not who owns the stock, that should be the subject of debate!

This idea does not exclude other subsidy programs for social housing as this is about bringing **existing** private rental stock into the social housing rubric. It does not negate the argument for additional funding measures to ensure there was new supply of social housing. These could be in the form of housing bonds as promoted over the years by Berry and Hall (2001) and the Affordable Housing National Research Consortium (2001) or they could be tax credits as promoted by Gavin Wood (2003) and the Brotherhood of St Laurence and CEDA (2004).

The definition of affordable housing, whether for bonds or negative gearing provisions, could be such that it specifies for what client group, what locations, e.g. areas requiring community renewal, and what housing types and rent ranges. These would effectively be defining the social objective (household and community wellbeing) that the Commonwealth and states wished to achieve. It is important to appreciate that such provisions do not represent greater regulation of the private rental sector or investors. All existing provisions, e.g. rental assistance, residential tenancy legislation and negative gearing, would remain. The difference is that investors could have the choice between investing in the existing financial and regulatory environment or between a new one offering much higher subsidy. But there is a mutual obligation principle here. To receive the benefits of the new subsidy environment, they would have to accept the concomitant social objectives.

A second major change to the system would be to make public housing agencies much less bureaucratic by giving greater management and policy autonomy to area or regional offices. Within broad parameters set by central policy, these offices would have the ability to set their own tenancy and asset management policies and would be required to build relationships with local communities and local government in ways that are not currently done. Desirably, they would have advisory boards drawn from the local community and particularly local government. One rationale for this devolution of management is to enable policies and programs that are more sensitive to the nuances of local private and public housing submarkets. A formalised process whereby local governments and other community interests, including those of the private sector, are engaged in local decision making would facilitate greater knowledge and awareness of the role and importance of social housing and how its activities could be integrated with local policies, most notably, urban planning. Part of the condition of giving area or regional offices substantial operating autonomy would be to move towards a much more choice based system of allocation such that public housing approximated the private sector in the provision of client choice (Hulse 2004; Hulse and Burke 2005).

A third and related reform would be to reconfigure the relationship of public housing to community housing. Reflecting the mantra of 1990s public sector reforms, considerable attention was given to the notion of competition and building up the community sector to provide customers (the then language) with the choice of managing providers. As a result of targeting in the public sector, expansion of the community sector and the imposition on the latter of an increasingly similar regulatory involvement to that of the public sector, both

are taking on the same roles and management practices, and arguably neither of them particularly well. Community housing is becoming more like the old public housing, and public housing is becoming more like the old community sector. If you are the working poor, your choice in this system is zero; both are targeting to the multiply disadvantaged, and by default locking out of the social housing system those households whose only hardship is poverty or low income. No less importantly, the public housing system in this new model largely cannot cope. It has neither the dwellings, the staff, nor the experience in managing support packages for complex clients to be able to undertake the support housing role very well. As a result, a disproportionate share of priority allocations are dropping out of their tenancies and the system is suffering all the costs of a revolving door program. Moreover, client service officers are experiencing enormous stress and turnover as they are required to extend their tasks beyond skill levels or knowledge. And as most complex clients are singles, the public system is trying to fit square pegs into round holes by having to work around the fact that the bulk of the stock is three bedroom dwellings while clients want smaller units and townhouses.

On the other hand, the community sector is confused about its role in this environment, taking on more and more diverse client groups and moving away from its original skill base that both connected them to local communities and/or provided specialised skills for specific client groups.

Rather than watering down the functions of both sectors under the rubric of competition, I would prefer a model whereby their specific qualities are recognised and strengthened. Thus the regionalised public housing agencies and the subsidised private rental sector (which I will talk about in just a moment) have the role of housing low income families, while nominated parts of the community sector focus on complex need households. Of course the community sector in its present form would not be large enough for this and I would envisage reasonably substantial transfers of public stock to the sector to enable this to occur. As the prime objective is not to use the charity free status to grow the sector but to strengthen its capacity for managing complex need households, there would be no reason for transfers to be of title; they could remain public stock with a different management structure and role.

This delineation of roles would take enormous pressure off the public housing system to realign its stock as by virtue of once again focusing on families it would have less need for housing for singles, although a certain amount of stock redevelopment will still be necessary. On the other hand, for providers of support packages, having fewer but more specialist housing agencies to deal with and with more skilled workers (as managing complex clients is **the** sole role of these nominated community agencies) would hopefully enable a more consistent support service than at present.

Not all of the community sector would have the task of managing and supporting complex needs households. Other parts would have traditional roles, e.g. cooperatives with the focus on tenant participation and empowerment and importantly in the emergent affordable housing role (Milligan et al. 2004).

Finally in terms of reconfiguration of the social housing sector I believe that part of the community sector could take on the role of re-institutionalisation. This is not a popular notion but is one which recognises that de- and non-institutionalisation have only been a partial success. A minority of clients presenting for conventional community housing are not appropriate for this form of housing and the attempts to house them in such are turning out to be inappropriate for the clients as well as the community. These clients require permanent support and integration into a housing environment which prevents the isolation of independent living worsening their condition, with their behaviour making life difficult for themselves but also uncomfortable for their neighbours. We need to be

evolving new forms of micro-institutions managed by the community sector and funded at levels with recognise the costs of permanent support. We cannot continue in the blind believe that de-institutionalisation has been 100 per cent successful

Conclusion

The Australian social housing system is no longer financially, organisationally or philosophically (i.e. what is its role?) appropriate for the challenge of current housing problems, yet alone those over the horizon. To build a contemporary system requires challenging a lot of the current orthodoxies of thought around the relationship between the market and the state, between social housing provision and support, and between past housing needs and those of the future. The objective of the address and paper has been to advance debate as to what a contemporary social housing system should look like and what are its objectives. Thank you!

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