

Submission to the Victorian Government's Consultation on Minimum Standards for Rental Properties and Rooming Houses

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About Financial Counselling Victoria and the financial counselling sector

Financial Counselling Victoria (FCVic) is the peak body and professional association for financial counsellors in Victoria. We provide resources and support to financial counsellors and their agencies who assist vulnerable Victorians experiencing financial difficulty. We work with governments, banks, utilities, debt collection and other stakeholders to improve approaches to financial difficulty for vulnerable Victorians.

Financial counselling is a free, confidential, and independent service. It provides vital help for people experiencing, or at risk of, financial hardship. Financial counsellors are uniquely qualified professionals, specially trained to deal with complex financial matters. They assist more than 23,000 Victorians each year – including people impacted by catastrophic natural disasters, newly arrived migrants and refugees, and more than 3,800 family violence victim-survivors.

About this submission

We welcome the opportunity to provide a submission to the Victorian Government's Consultation on Minimum Standards for Rental Properties and Rooming Houses. Our submission is informed by what our members have told us about the needs and experiences of vulnerable clients.

We give special thanks to the members of the FCVic Utilities Working Group for sharing their expertise, experience with the most vulnerable consumers, and recommendations for ensuring housing and energy standards are fair for all.

Further questions about this submission can be sent to achan@fcvic.org.au.

Our commentary and recommendations

Financial counsellors welcome the proposed minimum energy efficiency standards for rental properties, recognising that those who are on the lowest incomes are likely to have the highest energy bills and poor health due to poor quality of rentals.

One financial counsellor reported to FCVic –

“Poor quality housing is rented below minimum standards, expensive to heat and cool, and is unhealthy. Many clients have hot water systems or heaters that fail in

some way and very high bills result to the renter, however the failure was the landlord's fault.

New, repaired heating/cooling or hot water service or appliance should be energy efficient technologies, not just replacements using old and inefficient technology. Phase out inefficient technology by certain dates so not available in a rental."

Another financial counsellor noted –

"In my client list, a significant portion of bill stress is exaggerated or caused by poor quality rental housing; poorly maintained, lacking in energy efficiency design, materials, technology and solar panels. The failure of a hot water service has too often caused unexpected debts. It is most difficult for these people to self-advocate or accept assistance of an advocate due to fear of blacklisting and becoming homeless. The lack of affordable housing stock has exaggerated these concerns.

The burden of bad debts caused by these systemic issues falls too often on the consumer, or if the customer is judgment proof, these expenses fall to the utility company or government subsidies such as URGs. Landlords lack a financial incentive to upgrade energy efficiencies."

With this feedback in mind, we believe that these minimum standards are a good start which will provide a minimum level of amenity for rental homes, improve the physical and financial health and wellbeing of renters, and ultimately result in reduced costs and demand on government supports through the health system¹, energy subsidies through URGs, and other community supports.

The minimum standards are critical for supporting the health of renters against extremes of temperature and climate and hazardous home environments including instances of mould, and consequently relieving cost of living pressures for renters through reduced energy costs. **As such, the minimum standards as they stand should be passed in full.**

However, we believe that there is still much more that can be done to address minimum standards in rental homes to the future to better respond to ever-evolving climate challenges. We provide commentary below which can be applied to the next review of the minimum standards.

¹ "For every \$1 saved in energy, more than \$10 is saved in health" – from Sustainability Victoria's "The Victorian Healthy Homes Program: Research findings" report.

Case Study: Sarah

Sarah has five children and is living in public housing. She receives Centrelink payments, is a victim-survivor of severe family violence and lives in fear of her life. She has extremely high electricity consumption/bills and a large debt which she cannot afford to pay despite paying each fortnight and using the Utility Relief Grant.

Her electricity consumption is largely due to her landlord's lack of attention to the ongoing maintenance issues. The home she is renting has had significant mould issues for many years. After many requests, for a period, the family were moved to a motel whilst housing undertook rectification works to resolve the issue. Upon returning to the property, Sarah found that the house was repainted and carpets replaced, but the mould issues soon returned. The actual mould issue was never dealt with, simply painted and carpeted over.

Sarah was advised to run her split systems 24/7 in both summer and winter and to keep her windows open to prevent the mould from reoccurring. There was no acknowledgement of the financial impact of this advice, and the safety concerns given her circumstances.

Protection from rental price hikes and evictions

Firstly and above all other recommendations, we urge the Victorian Government to consider building in greater protections for renters from adverse action such as rental price hikes and evictions as part of the implementation of these minimum standards. We recommend that these protections should include a minimum 12-month period between the date of any compliance works to the property and the next rental price increase or eviction notice.

After all, these are minimum standards requiring compliance by landlords to ensure a minimum quality of housing, not additional enhancements to housing that warrant a rental rate increase, or eviction of a tenant.

Timing of compliance works

We note that a number of the minimum standards are only required to be enacted when current systems are at 'end of life', when there is a new rental agreement or when there is a conversion from fixed term to periodic rental agreement. We suggest that there should be other trigger points for implementation of some of these minimum standards including:

- change in ownership of the property;
- change in insurance or financing of the property; and
- rental disputes through official regulatory and dispute channels.

The above trigger points are times in which property conditions are reviewed by external stakeholders, being new owners, insurance companies, banks and mortgage lenders, and regulatory bodies including the newly established Victorian Renting Taskforce and

the Victorian Civil and Administrative Tribunal. With external eyes on a property, these are prime opportunities for ensuring that the property meets the minimum standards.

Insulation

Financial counsellors have reported their clients resorting to collecting cardboard to put into the roof cavity of their poorly insulated homes in an attempt to stave off the cold.

We recommend that the requirement for applying R5.0 ceiling insulation to rental properties should be applied not only when new rental agreements commence, but should be applied for **all** properties regardless of whether there is an ongoing or new rental agreement.

This is particularly important as long-term tenants may be less likely to speak up about poor insulation in their properties – financial counsellors regularly report that tenants often choose to not ‘rock the boat’ with their landlord or property manager, in order to maintain their tenancy without risk of increased rents.

Case Study: Asylum Seeker client and his family

The client and his family of six are asylum seekers who receive no Centrelink payments and have no working rights. They are reliant on assistance from humanitarian organisations. He has a physical disability and other illnesses requiring controlled temperatures, but that are exacerbated by the poor conditions of their private rental.

The rental is an old house, which is draughty and poorly insulated. The client reports that there are high ceilings, leakage around doors and windows, and that the house is too cold in winter, and too hot in summer. There is an old and inefficient gas heater, no fixed heating, and poor quality appliances.

The financial counsellor was able to assist in negotiations with the energy provider and in applying for the Utility Relief Grant, however this does not address the source of the issue – the poor housing. The client was reluctant to have the financial counsellor advocate with the landlord on his behalf, as he was afraid that he would be penalised with a rent increase or be evicted and have to seek other accommodation. As a result, the house remains in poor condition and energy bills continue to increase.

Heating and cooling

As noted by financial counsellors, poor quality housing is expensive to heat and cool, especially where there is a reliance on old gas systems that should be phased out.

We support the move to using reverse cycle air conditioners for both heating and cooling in the main living area at the end of life in the case of an existing appliance, and at the start of a new lease in the case of no existing appliance. Further, we suggest that higher ratings in the efficiency rating system should be considered with a minimum requirement of at least 3 star rating across both heating and cooling standards per Option 3 in the Regulatory Impact Statement (RIS).

We suggest that the difference in upfront cost to the landlord is negligible, and ongoing savings in running costs for tenants are significant. The concerns noted in the RIS relating to supply chain issues of insufficient stock of 3 star heaters should be addressed by the phased nature of this requirement (“at the end of life”), especially as we expect that the open market will adapt and respond to growing demand.

While Victoria has a temperate climate overall, the combination of cold winters, hot summers and thermally inefficient housing stock creates a serious population health risk. This recommendation of a consistent star rating system across both heating and cooling will better ensure consistent energy savings for renters across the whole state who can experience vastly different temperature variations depending on their location.

Hot water systems

Where the move to heat pumps or solar hot water is not feasible in the property, we recommend that a report from a fully qualified and accredited plumber should be required with this determination. This will help to ensure that the decision is based on expertise, rather than a decision solely by a property manager or landlord.

In these instances, instant electric water heaters should be considered as compliant with the minimum standards, and preferred over using gas water heaters.

Cooktops

While cooktops were not considered as part of the minimum standards, we suggest that gas cooktops should be phased out and replaced with induction cooktops, as an additional measure to Victoria’s Gas Substitution Roadmap.

This would help protect renters from the health impacts associated with gas cooktops², and would help renters move towards the realisation of all health and cost benefits associated with a fully electrified home.

Home energy ratings

In the United Kingdom, there are ‘Minimum Level of Energy Efficiency’ standards which require compliance by nearly all domestic private rented properties. As part of these standards, properties are required to have a minimum Energy Performance Certificate rating of E. Where properties fail to meet this minimum standard, landlords are required to spend up to £3,500GBP (or \$6,667AUD) to make energy efficiency improvements. If after expending this amount on improvements, the property still does not reach the minimum standard, exemptions are available.

We believe that a requirement like this - a holistic performance-based standard based on a whole home energy rating tied to mandatory disclosure – would have a positive impact on the overall liveability and energy efficiency of housing stock across the state. The expectation of a set monetary amount for a property investor to spend on maintaining their investment is reasonable in the circumstances, and where compliance with regulations and minimum living standards represents financial hardship for an investor, then we suggest they should not be investing in property.

² Ewald, B., Crisp, G., & Carey, M. G. (2022). Health risks from indoor gas appliances. *Australian Journal of General Practice*, 51 (12), 935-938.

We note that this recommendation shifts the expenditure burden of addressing thermally inefficient housing stock to the property-owner in a once-off transaction, rather than requiring ongoing financial costs to tenants in the home, utility retailers through their hardship programs, government utility relief schemes, and government health care costs. As such, this would be a fiscally responsible move by the government.

We acknowledge that significant consultation and work will be required to implement these holistic whole home energy standards. We look forward to working with the Victorian Government on this opportunity.

Compliance with minimum standards

We note that as with any other regulation, they are only as powerful as the accompanying compliance and enforcement powers. We suggest that opportunities for enhancing compliance should include:

- Relevant obligations for property managers to check and communicate compliance, with significant monetary fines and potential loss of professional registration for any breaches.
- Relevant obligations for landlords to ensure that their properties are meeting the minimum standards.
- Funding Consumer Affairs Victoria and the newly-established Renting Taskforce to undertake statewide spot-checks and audits of properties and their compliance.

Further notes

Financial counsellors work with clients who are the most vulnerable to changes in the market due to low incomes combined with higher living costs because of the poverty premium of inadequate housing and oversized energy and essentials bills.

We reiterate that the most crucial addition to these critical minimum standards is **protection for renters**. This includes protection from any adverse action such as rent increases or eviction notices that are the result of compliance with these minimum standards, or any complaints from the tenant relating to non-compliance.

Thank you for the opportunity to provide this submission to the Victorian Government's Consultation on Minimum Standards for Rental Properties and Rooming Houses on behalf of Victorian financial counsellors who each year, assist over 23,000 vulnerable people experiencing financial hardship.