

**Submission
No 3**

TENANCY MANAGEMENT IN SOCIAL HOUSING

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Submission to the

Public Accounts Committee

of the

Legislative Assembly

of the

NSW Parliament's

**Inquiry into tenancy
management in social housing**

From Ross Smith

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For publication along with the other papers and material arising from the inquiry.

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I would like to make the following submission to the Inquiry into tenancy management in social housing being conducted by the Public Accounts Committee of the Legislative Assembly of the NSW Parliament.

The submission has been prepared in the format of a list of salient points that I would ask the Committee to consider in their deliberations.

Ross Smith

1. Bringing the operation of the NSW Lands and Housing Corporation and Housing NSW back into alignment with the Aims and Objects¹ of their enabling legislation, the Housing Bill 2001 will restore their cost effectiveness, including cost effectiveness in the areas of tenancy management. The economy of scale options available to both NSW Lands and Housing Corporation and Housing NSW provide them with a far superior capacity to achieve economies of scale, and thus enhance their cost effectiveness, when compared to the Community and Private sectors.

The primary accountability of the NSW Lands and Housing Corporation is to the government of New South Wales and through the government to the people of New South Wales. The Corporation retains Housing NSW to provide selected services as set out in the empowering legislation.

The Private sector operates under a fiduciary based duty of care obligation which requires them to maximise the return to their shareholders whilst they have no such duty of care towards their customers/clients.

The Community sector operates under a financial system whereby their borrowing capacity is subject to Sovereign Risk assessment by the financial services providers and a significant part of their income stream is dependent on the Commonwealth government maintaining the current Federal Rent Assistance scheme which their tenant base can access.

¹ see attachment 01 - Housing Bill 2001, Part 2, Objects of Act

2. The historic financial model for Public Housing was that the maximum rebated rental stream was sufficient to cover the day to day operating costs plus the Maintenance charges, with the extra rent paid by those with a higher level of income provided the funding for expansion of the housing stock. Unfortunately this model of increasing supply whilst remaining cost neutral in the operational side has been progressively discarded over the period.

3. The original maximum subsidised rent for public housing in NSW was 20% of income which included water supply related charges. This was increased to twenty-five percent of income, i.e. a 25% increase, over a five year period to allegedly address the accumulated maintenance backlog. Then Water Charges were introduced, which were initially set at 4.5% of the tenancy's assessable income. This brought the maximum subsidised rent up to 29.5% of the tenancy's assessable income. The progressive change in minimum income of NSW Lands and Housing Corporation and Housing NSW from 20% to 29.5% of the tenants' incomes was meant to have removed the Maintenance backlog and restored the funding stream to expand housing stock.

The failure to have achieved this outcome points to a moribund bureaucracy whose activities are not being properly monitored on both a day-to-day and a long term basis. In its current format the bureaucracy is not delivering efficiency in its management practices, much less achieving maximum efficiency.

4. The failure to increase Public Housing stock levels at least at the rate of the overall rental market sector expansion has resulted in ever increasing rents in the private market sector due to demand side pressures arising from supply side shortages.

5. The failure to utilise Triple Bottom Line accounting practices whilst creating the financial records of both the NSW Lands and Housing Corporation and Housing NSW, and when developing housing policy for use in both the public and private sectors, has denied the ability to properly and accurately quantify and evaluate the delivery of services to the tenant body. This denial of opportunity to properly assess and evaluate denies the ability to ensure achievement of maximum outcome for money spent.

6. Calculating the costs born by NSW Lands and Housing Corporation and Housing NSW arising from them supplying housing and other services to various other government agencies e.g. Corrective Services and Health, for the benefit of their clientele/service users to the detriment of NSW Lands and Housing Corporation and Housing NSW's respective budgets, and gaining reimbursement of those costs from those government agencies, would enable the entire budgets of NSW Lands and Housing Corporation and Housing NSW to be spent on their core business – the provision of safe and secure rental housing to the bottom end of the marketplace.

It may well be that NSW Lands and Housing Corporation and Housing NSW could be engaged under a contractual process to supply housing and associated services to various other government agencies at a pricing that others in the non-government and private sectors could not match, especially when the potential economy of scale factors were taken into account.

7. The added recurrent costs to the state arising from not having people permanently living in safe and secure housing should be recognised and factored into the government budget. Housing people on a revolving door basis in the prison system and the health system has been quantified by many major Australian organisations as being far more expensive than housing people in government owned and operated public housing infrastructure.

8. The evaluations of the various Pilot Projects and Tenancy Management Schemes conducted by NSW Lands and Housing Corporation and Housing NSW public should be made public so as to enable both external scrutiny and input/comment from those outside of the NSW Lands and Housing Corporation and Housing NSW immediate grouping. The current ‘closed door’ system denies accountability, scrutiny and transparency.

9. The current Maintenance delivery model is badly flawed in that it has multiple layers of contractors engaged under a Head Contractor system with a very dubious performance monitoring system in place. The Head Contractor is a Management Services provider who uses a multi level subcontractor system, complete with administration/management fees being levied at each and every level, to deliver the contracted outcomes. The complexity of the overall system is such as to pose major barriers to ensuring the achievement of the most cost effective outcome for both NSW Lands and Housing Corporation and Housing NSW. The ongoing end result is that NSW Lands and Housing Corporation, Housing NSW, and the tenants are enduring the results of a nonperforming system under constant review that is failing to maintain government owned infrastructure. Its cost effectiveness was recently examined by the NSW Auditor² and found to be woefully lacking. This finding was consistent with the Auditor General’s earlier reports³ of 2001 and 2005, as was the finding of inadequate reporting by NSW Lands and Housing Corporation and Housing NSW.

² <http://www.audit.nsw.gov.au/Publications/Performance-Audit-Reports/2013-Reports/Making-the-best-use-of-public-housing/Making-the-best-use-of-public-housing>

³ <http://www.audit.nsw.gov.au/publications/reports/performance/2001/depthousing/contents.htm>
http://www.audit.nsw.gov.au/publications/reports/performance/2005/followup_housing/Follow-up%20Housing-March2005.pdf

10. The knowledge and expertise of those outside of NSW Lands and Housing Corporation and Housing NSW bureaucracies, especially the tenant body, in matters relating to the activities of the NSW Lands and Housing Corporation and Housing NSW should be respected and accessed. Many of the major non-government sector 'Peak Bodies' historically relied on by the government for advice related to the housing sector are funded by the government, which restricts their candour and frankness, plus lack genuine connectivity with the tenant body and its membership.
11. That there is no single answer that is universal in its application to all scenarios arising from the operations of NSW Lands and Housing Corporation and Housing NSW should be recognised.
12. The staff of NSW Lands and Housing Corporation and Housing NSW are another asset that needs continual maintenance and upgrading. The current long standing practice of utilising 'agency' and/or casual staff as a significant part of the workforce, particularly in the case of Housing NSW where the level frequently exceeds 60% of the departmental workforce, has an adverse impact on the staff morale, ethos and corporate knowledge. This adverse impact in turn reduces the cost effectiveness of the departmental staff whilst generating disconnect with the tenants and those wishing to engage/deal with the department(s).
13. Steps should be taken to ensure that any use of non-departmental staff and/or contractors to deliver services currently undertaken by NSW Lands and Housing Corporation and Housing NSW does not generate costs and/or charges that are then passed on to the tenants. Any reduction in 'post-rent' income has the potential to generate extra demand on other government agencies including Health, Child Welfare, Corrective Services and Education.

14. It should be recognised that the ongoing viability of the Community Housing sector is dependent on the Federal Government continuing to provide Rental Assistance payments to those dependent on Pensions and/or Income Support payments. Without access to those payments the Community Housing sector's income flow is adversely impacted, which in turn places pressure on their ongoing viability. In the event of collapse of individual components of the sector on a scale not capable of being absorbed by the balance of the sector the consequences, and the associated costs, will fall back on the state.
15. It should be recognised that the Community Housing sector can not borrow money for housing stock expansion as cheaply as the Government can.
16. It should be recognised that the Community Housing sector is exposed to Sovereign Risk factors when seeking to borrow money – unlike the Government – which impacts on their ability to borrow.
17. It should be recognised that the Community Housing sector has only one source of income – the rents paid by their tenants – from which to repay any monies borrowed to expand their housing stock plus fund their operational costs including maintenance. Any increase in the rents charged in the sector reduces the 'post-rent' income of their tenants which in turn will lead to increased demand on other services resulting in either higher operating costs for those services/government agencies or increased unmet need. Either scenario has potential adverse budgetary impact for the state.

18. The establishment of a positive two way open collaborative engagement with the tenant body and its membership has the capacity to provide an enhanced return to the state on the funding utilised by NSW Lands and Housing Corporation and Housing NSW through the acquisition of early identification of problems arising in the service delivery model of either structure. This cost reducing beneficial capacity can be enhanced by the formal recognition that both NSW Lands and Housing Corporation and Housing NSW do gain benefit from volunteers drawn from the tenant body as a precursor to resourcing and providing training to the volunteers.

19. There should be a change from the current model of supplying short term assistance to those seeking housing to a model that resolves the long term problem of a lack of access to secure rental housing at the bottom end of the marketplace. Resolution of this problematic short supply of universal access to safe and secure housing provides a positive flow-on effect to the whole New South Wales community by means of the attendant reduction in the cost of housing throughout all areas of the housing marketplace in both the rental and owner-occupier sectors.

Attachment 01

Housing Bill 2001

Part 2 Objects of Act

5 Objects of Act (cf Act No 163, 1985, s 4, Act No 15, 1993, s 4)

(1) The objects of this Act are as follows:

- (a) to maximise the opportunities for all people in New South Wales to have access to secure, appropriate and affordable housing,
- (b) to ensure that housing opportunities and assistance are available to all sections of the community with housing needs,
- (c) to ensure that public housing is developed as a viable and diversified form of housing choice,
- (d) to ensure that public housing reflects the housing standards of the general community and is designed to cater for the ongoing needs of consumers,
- (e) to maximise the opportunities for tenants of public and community housing programs to participate in the management of their housing and in the development of public and community housing policies,
- (f) to promote orderly and economic urban development and the adequate supply of affordable and suitably located land for housing at the minimum practicable cost to consumers,
- (g) to promote equity between levels of assistance provided to people living in public housing, private rental housing and those who own or are purchasing their homes,
- (h) to maintain an efficient housing administration to ensure the effective co-ordination and provision of all housing services,
- (i) to encourage social mix and the integration of different housing forms in existing and new communities,
- (j) to encourage the planning and development of new urban areas as communities with a full range of appropriate services and facilities available in the shortest practicable time,
- (k) to promote a viable and stable building and construction industry in the residential sector,
- (l) to facilitate the provision of assistance to home purchasers on low to moderate incomes,

- (m) to provide for the management of such existing and future home purchase assistance schemes (including the portfolio of loans under HomeFund schemes) as the Minister directs,
- (n) to provide for the funding of such other rental and home purchase assistance schemes as the Minister directs,
- (o) to encourage the development of flexible and innovative financial arrangements to facilitate access to home ownership for persons in receipt of low and moderate incomes,
- (p) to ensure appropriate mechanisms and forums are established to allow input into housing policy by representative community organisations and non-government agencies involved in housing policy and provision,
- (q) to attract investment in public housing, including related activities such as tenant employment and the provision of integrated services,
- (r) to enable the provision under this Act of corporate, technical and information technology services, in or outside New South Wales, to government and non-government agencies.

[http://www.parliament.nsw.gov.au/prod/parlment/nswbills.nsf/0/1315688a5d9a4e28ca256a730011c0dd/\\$FILE/b01-033-p03.pdf](http://www.parliament.nsw.gov.au/prod/parlment/nswbills.nsf/0/1315688a5d9a4e28ca256a730011c0dd/$FILE/b01-033-p03.pdf)