

## Outsourcing Community Service Delivery

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**Submission to the Community Services Committee of the  
NSW Legislative Assembly  
on the  
Inquiry into Outsourcing Community Service Delivery**

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## 1. The NSW Federation of Housing Associations

The NSW Federation of Housing Associations (the Federation) is the industry peak body for housing associations in NSW.

'Housing associations' is a term adopted from the UK for not-for-profit community housing enterprises whose principal business is managing and developing long-term housing for low and moderate income households. All such organisations are registered as Class 1, 2 or 3 community housing providers in NSW. Housing associations manage over 85% of the tenancies managed by registered community housing providers in NSW. There are also a large number of providers of shorter term or crisis housing, in particular specialist homelessness services. Recently, a small number of organisations whose core business is disability or aged care, have added community housing provision to their business.

There are 27 mainstream community housing enterprises in NSW; all of which are full members of the Federation. In addition we have 10 other full members and 69 associate and affiliate members providing housing related services or who are housing associations in other jurisdictions. While 'mainstream' and Aboriginal community housing have been distinct systems, seven Aboriginal community housing providers in NSW have recently become members of the Federation.

Together, our full members manage over 29,000<sup>1</sup> mainstream long-term tenancies<sup>2</sup>, which is almost 20% of all social and affordable rental housing in NSW.

The Federation provides a range of services to support the development and performance of housing associations and the wider social housing system in six core areas:

- **Representation and sector co-ordination** – this is our fundamental role as the peak industry body for housing associations in NSW. We provide a voice for members, and enable them to work together as a mutually supportive sector and to articulate and pursue their common aspirations.
- **Research and sector development** – this supports the members' directions and aspirations with effective research and policy development on key issues affecting the development of the sector.
- **Relationships and alliances** – this ensures that associations are promoted and well-known to all other stakeholders who might help our development, and to allow associations to play their part in the wider community sector.
- **Training** – this is our most prominent direct service to members and others in the social housing sector. We are a Registered Training Organisation. Through our Centre for Training in Social Housing, our accredited vocational training and other short courses support and build the capacity of organisations and the careers of workers in the sector. In

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<sup>1</sup> Some data will differ from that available through Housing NSW, since our members also manage a range of properties that are not part of the government programs administered by HNSW.

<sup>2</sup> As distinct from crisis accommodation or Aboriginal controlled housing.

addition we deliver the training for public sector staff employed by Housing NSW and in the ACT, Tasmania and Queensland. We broker access to high level courses for senior managers and association directors in partnership with bodies such as the UTS Graduate School of Management and the Australian Institute of Company Directors.

- **Supporting organisations** – the Federation directly supports individual members, their boards and management, in their work as housing providers. This ranges from free advice provided through our Housing Hotline for front line staff, to advice on strategic planning, organisational reviews, tenant participation, through to intensive organisational change with organisations experiencing management difficulties. We also facilitate a range of professional peer networks through which practitioners in the industry work with peers to support and develop practice.
- **Good practice resources and business tools** –we also support our members and other providers by developing and continually updating resources on good practice social housing management and developing or brokering access to business tools to support the most professional business management. These include comprehensive Good Practice Guides, an on-line resource bank, brokerage of compliance and risk management systems.

Particularly through our Centre for Training in Social Housing and Good Practice Unit, the Federation has become recognised as one of the leading experts in community housing management in Australia.

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## 2. The submission

The Federation of Housing Associations welcomes the decision by the Community Services Committee to conduct an Inquiry into the outsourcing service delivery from the Government to the Non-Government sector. This inquiry is particularly timely as all governments – State and Federal – look to ways to respond to the deepening problem of the lack of affordable housing; and as the NSW Government considers new approaches to secure the greatest public benefit for NSW out of a limited asset base.

While the submission addresses most of the terms of the Inquiry, it is located against this background, which comprises the strong the policy objectives for increased role of the community housing sector in provision of low cost housing for bottom and lower end of the housing market.

### *Housing affordability*

There is a critical shortage of rental housing in Australia that is affordable and available to low and moderate income households. This gives rise to social exclusion and disadvantage. It places significant constraints on labour availability in critical areas of the economy, as essential workers are unable to live in reasonable proximity to where jobs are located. One example is the critical shortage of care workers in high cost areas such as the North Shore of Sydney to support the increasing demand for ageing in place.

The National Housing Supply Council in its 2011 State of Supply report has found a severe housing shortage of 73,700 homes in NSW alone, with the predicted shortfall of 640,000 homes nationally in the next 20 years. For the bottom two quintiles of households, the problem is even more acute as the limited supply of housing that is available for rent at prices that are affordable to these households is occupied by those who could afford to pay more, but who have been squeezed out of other parts of the market, leaving a shortage of 493,000 rental properties affordable and available nationally for renters in the bottom two income quintiles.

While the NSW Government is focussing on responding to the undersupply of new homes by identifying new land release, this alone will have little impact on the availability of rental housing for low and moderate income renters in locations where it is needed.

The lack of affordable and available rental housing for the bottom end of the housing market will have dire consequences not only for the wellbeing of the most vulnerable, but also for the NSW economy and productivity.

### *The ability of public housing to provide a response*

Public housing is no longer able to provide a response to this crucial issue.

Between 2001 and 2010, the social housing portfolio owned by the NSW government<sup>3</sup> fell by 3,000 dwellings (3%). The total supply of housing for social housing tenants fell by a smaller 500 because of an increase in the number of properties head-leased from the private market.

Since then, the number of social housing properties owned by the government has increased by around 5,400<sup>4</sup> due to the largest investment in social housing for many years, the

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<sup>3</sup> Through the Land and Housing Corporation

Commonwealth Nation Building Economic Stimulus Program (NBESP). But this is a one-off increase, barely making up for the loss over previous years.<sup>5</sup>

The reason for this failure of the public system to respond to the growing gap in affordable housing for lower income households is that it has become unsustainable<sup>6</sup>. There are three main reasons for this:

- A substantial reduction in new public investment by the Commonwealth over the past 25 years – matched by the States.
- A major backlog in maintenance liabilities, compounded by the need to reconfigure large poorly designed public housing estates.
- Steadily reducing income streams – as a direct result of tighter targeting of a rationed system to households with the lowest income and the highest additional social needs, and an income-related subsidy provided by the state housing authority itself (an internal subsidy). As a result of the unviable revenue streams, the available annual Commonwealth funding has changed from being a source of investment for new housing to become an operating subsidy for an unviable system.

#### *Responding to the needs of tenants*

Finally, the public policy challenge is compounded the twin impacts of deinstitutionalisation over the past 30 years and the loss of a housing pathway for low income working households into secure housing and usually home ownership.

Deinstitutionalisation occurred without any commensurate accommodation or support in the community. Combined with a rationed supply of public housing, this has led to a concentration of households with complex needs in social housing and a growing demand for the very substantial number of people who are homeless. This requires very supportive and specialised styles of housing management and of an array of support partnerships.

On the other hand, low income working households – at whom public housing had originally been aimed – were locked out of this option at precisely the time that private market housing became less and less affordable.

#### *The argument for changing the delivery of housing services from public housing to community housing*

The growth of a not-for-profit sector whose mission is to meet the needs of such households is central to the public policy response to these problems.

- Community housing enterprises have access to higher income streams. Unlike public housing tenants, community housing tenants are eligible for an external rent subsidy

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<sup>4</sup> In fact, the ownership almost 3,000 of these have been transferred to community housing enterprises. A further 1,000 social and affordable housing properties have been constructed or procured by the community housing sector, through Commonwealth and State investment programs through which community housing enterprises raise additional debt and other investment to stretch the public investment.

<sup>5</sup> This is a significantly better record than almost any other jurisdiction.

<sup>6</sup> Like public housing systems in all other jurisdictions.

(Commonwealth Rent Assistance) thus substantially reducing the internal subsidy required from the housing provider.

- These income streams provide the capacity to have fully funded long-term asset management programs. This is combined with lower costs due to GST exemptions available to charities.
- Unlike government agencies, community housing providers are able and prepared to borrow to fund increased supply. Combined with charitable tax exemptions and other contributions, this provides investment that has been missing from the public system. The Commonwealth Government has pursued a number of measures to achieve this objective, most notable the introduction of the National Rental Affordability Scheme (NRAS) which provides investment incentives that significantly increases leveraging capacity.
- Community housing providers were established 30 years ago in NSW, precisely to respond to the special needs of particular tenant groups (at that time) being excluded from public housing. As community service organisations with a strong local base, they maintain a wide range of formal support agreements with local support providers and a highly responsive style of tenancy management designed to sustain tenancies. These are reflected in higher rates of tenant satisfaction in all national surveys undertaken by the Australian Institute of Health and Welfare.
- While the public housing system has become targeted to only the highest needs groups, community housing has maintained a range of responses to include low-income working families who are locked out of the local housing market. This provides a response that meets the population and workforce needs of local communities and economies; creates mixed communities that are socially sustainable (rather than concentrations of disadvantage); provides balanced and sustainable income streams to strengthen the overall capacity to deliver new housing. It also adds to the capacity of community housing enterprises to innovate with new products such as shared equity to create pathways into home ownership.
- A final strength of community housing enterprises is their ability to establish effective partnerships with the private sector – particularly developers – in the delivery of new supply.

### *Public policy consensus*

The overall public policy approach of shifting the balance of delivery of housing services between public housing and community housing has had bipartisan support over many years. In the early 1990s, the expansion of the sector was driven by the then Coalition Housing Minister, Robert Webster, and later embodied in the first Community Housing Strategy by Labor



Minister, Craig Knowles. The Parliament itself inquired into the benefits of community housing system in 2002 and recommended its further expansion.

The 'outsourcing' of housing services under this approach has had three aspects:

- The targeting of new resources to fund the expansion of the sector – with the aim of building a network of robust enterprises able to provide a more effective range of services and to take on the more of the roles of the public housing system;
- The transfer of management of public housing tenancies to the community housing sector – particularly in localities where the staffing and service delivery capacity of public housing were stretched, and on estates where mixed management could build more sustainable communities;
- The transfer of government assets to enable community housing providers to leverage these assets to increase supply. To date this has only involved an undertaking to transfer somewhat over 5,500 mainstream houses built under the NBESP<sup>7</sup> and 500 properties owned by Land and Housing Corporation but managed by community housing. To date, half of these have been transferred.

Under these approaches, community housing enterprises in NSW have grown from a group of small providers into a large and viable sector, now managing twenty per cent of all social housing in the state, and increasingly developing new housing in partnerships with developers and financiers.

Continuing this trend into the future will require a housing policy certainty and strong government commitment to expand affordable housing provision by enhancing the capacity of community housing to borrow private finance. The vesting of title of properties already under management of community housing will be central strategy to enable this growth.

#### *Responding to the Inquiry*

The terms of reference of this inquiry explore whether this outsourcing approach is being effective in meeting its public policy objectives.

It is the Federation's submission that the strategy has been a demonstrable success, and that the three 'outsourcing' approaches described above should be substantially expanded.

Our submission focuses on the sector's capability to meet demand for social housing and its approach in responding to the needs of tenants to meet their life goals. This covers the Inquiries terms relating to:

- Outcomes and impacts
- Service integration
- Incentives for private philanthropy (or in the case of community housing enterprises, a range of forms of private sector engagement).

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<sup>7</sup> The remainder have been dedicated to Aboriginal social housing

It also discusses the elements of a robust community housing system or industry sector that supports a very high level of professionalism, capability and accountability. In particular, it responds to the Inquiries terms relating to:

- Capability
- Regulation
- Employment trends , and
- The use of technology.

### 3. Recommendations:

**Recommendation 1.** The strategy of outsourcing housing delivery in NSW has been pursued in a bipartisan way in NSW for the past 30 years. Particularly in the last five years, this has begun to bear fruit to a very significant extent. Part of the foundation for this has been the establishment over at least 20 years of framework designed to build the capability and institutions of a robust and efficient sector – quality assurance systems, professionalization of the workforce, business management system IT, strong government, effective regulation designed to support the sector and provide assurance about risk. The sector enjoys advantages in terms of income streams and costs that contrast markedly to an unviable public housing system. Most of all, the local base and mission of community housing enterprises has delivered a particularly responsive and supportive service to disadvantaged tenants – born out repeatedly in the annual national satisfaction surveys.

**Recommendation 2.** As the sector stands on the cusp of taking a major and leading role in the delivery of all these services, it is crucial that the government continues to support this direction and take the next steps to outsource both services and transfer the assets which will significantly support it.

#### 4. What is community housing?

Community housing is medium to long term subsidised housing for low and moderate income households, managed by registered non-government, non-for-profit organisations.

The term 'community housing' may also refer to the sector of the industry that manages this housing, and in this submission we generally use it in this way. The community housing enterprises that undertake the largest part of the activity of this sector provide tenancy management services, property management services, finance and develop housing, and undertake a range of social enterprise and community building activities to support their tenants and the communities in which they work.<sup>8</sup>

In NSW, community housing enterprises account for approximately 20 per cent of all social and affordable rental housing properties in NSW, the remainder of which is publicly managed.

All of the long term community housing enterprises are registered charities with PBI status. They manage over 29,000 tenancies, the majority of which have been funded through Housing NSW and more recently, the National Building Economic Stimulus. With ongoing transfers of properties from the public sector to the community housing sector, and with the government objective of increased borrowing (including that supported by NRAS), the sector is growing rapidly.

Not-for-profit and charitable community housing is not predominantly funded by recurrent government grants, with the main income source being rents charged to tenants. Most tenants' rents are both internally subsidised by providers and subsidised by Commonwealth Rent Assistance. The main State contribution to the sector has been through the allocation of housing procured with Commonwealth grants to the State under the National Affordable Housing Agreement, State matching of NRAS funding, and subsidies for private rental housing head-leased by community housing providers under the Leasehold Program.

Community housing providers aim to increase the supply of housing provided at less than market prices by borrowing and by entering into partnerships with other organisations, including for-profit entities.

##### *Characteristics*

Community housing is predominantly part of the social housing system, targeted to low income households. All community housing providers house a majority of tenants who are eligible for public housing. In addition to social housing, community housing providers increasingly provide affordable housing programs, at sub-market rents, targeted to low and moderate income households disadvantaged in the private rental market.

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<sup>8</sup> It is important to note that the term 'community housing provider' is now used to describe all those organisations registered and regulated by the NSW Community Housing Registrar. While there are 233 such organisations registered, the vast majority (190) are registered as Class 4 and are mainly specialist homelessness services that do not provide long term housing. (In this respect they are not outsourced government services). A small number of the remain registered providers are large agencies whose main business is in other areas such as aged care, but who have a small number of community housing tenancies.

Community housing has a strong local focus on its operations. In the past, this meant restricting their activities to a defined region. However, an increasing number of community housing providers are now operating across wider market, in some cases across at least two jurisdictions. Even in these cases, a capacity to have local knowledge, local relationships and a strong capacity for local response remains a business imperative.

The ownership of the housing managed by community housing providers in NSW is fairly evenly divided between the government, the private market and community housing provider themselves. Approximately 30% are owned by the government, through the Land and Housing Corporation. A further 32% are head leased from the private rental market – in which case the organisational cost of managing these tenancies and the difference between the market rent and the affordable rent is subsidised by government. Recently, a growing number of providers have come to hold title to some properties (although this is a smaller proportion of stock than in some jurisdictions such as Victoria). According to the NSW Registrar of Community Housing<sup>9</sup>, 9,672 properties are owned by community housing providers (approx 32%). The remaining 6% of properties are managed by community housing providers, on a fee-for-service basis, on behalf of other organisations such as Aboriginal Land Councils.

Currently almost all community housing is rental housing. But in other countries, such as the UK or the US, providers offer a range of products including shared equity and home ownership products for low income households.

The principal activities of community housing providers in NSW are property and tenancy management. An increasing number of larger providers have been undertaking procurement and development of new housing. It is envisaged that providers in NSW will be able to take up this role on a larger scale, so that they will be ideally placed to expand the supply of social housing.

Community housing associations place a great emphasis on tenant participation. This ranges from facilitating active engagements in the life of the community of tenants, through advice on service delivery, to participation in the management or governance of the organisation. Many housing associations have tenant board members. For other providers, tenants will be a large proportion of the membership of the organisation. Some CEOs of housing associations began their associations with the sector as tenants.

A very significant part of the work of effective community housing association is undertaken in partnerships. The most obvious of these are with support providers. However, they frequently include partnerships with local government, church and other welfare agencies. A number of associations work in partnerships with public housing managers on predominantly public housing estates. In recent years, a number of significant partnerships with developers have been established. The most significant of these are the partnerships with the major developers and financial institutions involved in re-development of the Bonnyrigg housing estate in Western Sydney. Other such partnerships are also in the pipeline.

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<sup>9</sup> NSW Registrar of Community Housing, *Sector Snapshot 2012*.

### *Types of community housing providers*

There are several types of mainstream community housing providers<sup>10</sup>:

*Generalist community housing providers* – these are specialist not-for-profit housing management and development organisations. There are 27 providers in NSW, managing from 30 to over 4,000 properties. Together they manage over 30,000 properties, majority of which are funded through the National Affordability Housing Agreement (NAHA), previously the Commonwealth State Housing Agreement (CSHA).

*Housing cooperatives* – housing cooperative are tenant managed, and they are usually smaller than many housing associations. There are over 40 housing co-ops managing over 500 properties. Co-ops provide a very strong basis for enhancing the participation and social capital of tenants.

*Group or innovative structures* – As well as stand-alone community housing providers, new structures have emerged to add value to strengthen capacity. Common Equity Housing was established to take over the ownership of housing assets for the future development and asset management of co-operative housing, while co-operatives retain responsibility for day-to-day tenancy management and minor maintenance. Blue CHP is a company set up by five community housing providers<sup>11</sup> to undertake new development and the ownership of the newly developed stock while the tenancy management is undertaken by the member organisation. Finally, Ecclesia Housing aggregates the property and tenancy management of church acquired properties, with the church agencies retaining responsibility for much of the tenant support.

### *Historical overview*

Over the past 30 years, community housing has complemented public housing, particularly by providing response in areas not prioritised by the various policy objectives of public housing in particular periods.

Non-government managed housing models emerged in significant way in the 1950s through the Menzies Government Aged and Disable Persons Homes Act funding. This was a model that mixed public investment with investment by non-government organisations. Most of that stock is now integrated into the retirement industry in the form of independent living units.

Community housing emerged in the late 70s, largely as a response to the limitations of the public housing system of the day. At that time, public housing focussed on construction rather than responding to the particular needs of tenants, and it was targeted to low-income working families. Community housing models such as tenant managed co-operatives emerged to provide far better control by tenants of their housing. By the 1980s specific non-government social housing managers have been established – particularly in NSW- to provide a local

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<sup>10</sup> As well as the mainstream community housing organisations, there are 4,627 Aboriginal controlled managed properties, administered through the Aboriginal Housing Office. A significant number of these properties are community managed. This submission does not cover this sector.

<sup>11</sup> These are Women's Housing, Wentworth Community Housing, Argyle Community Housing, Southern Cross Community Housing and Hume Community Housing.

alternative to public housing that responded to local needs, often targeting the special needs groups missed by public housing. In NSW, these have become specifically identified as housing associations- that is, specialist non-government not-for-profit social housing managers.

Over the past 30 years housing associations have grown to create a network of small to medium sized business across the state. They currently manage 20 per cent of all social housing stock in the state.

### *The Growth of Community Housing*

We noted earlier that there has been a bipartisan objective to increasingly outsource to the community housing sector, and to build a network of providers that is robust enough to do so with confidence.

There have been a number of phases of growth in the sector. NSW Government has started expansion of the sector in the mid-1990s. This led to consolidation of the sector (with a decline in the number of providers from 62 to 47 through a series of amalgamations) and the growth in the average size of providers from 110 tenancies to over 200, particularly with the identification of 'growth providers'. Over the next five years there was modest progress in consolidation and the average size of providers increased to 335 properties by 2006.

In 2007 government led a second growth phase by transferring the management of tenanted properties from Housing NSW to selected community housing providers.

The *Planning for the Future* strategy has envisioned a strong and vibrant sector, growing from 13,000 to 30,000 properties over ten years, from 2007 to 2017. The main actions of the strategy supporting the sector's growth were the establishment of the Affordable Housing Innovations Fund (\$49.8 million); direct funding to community housing providers to develop housing; and government support for debt financing by offering long term leases (Planning for the Future. p 6). The 30,000 homes target has now been met five years ahead of target.

Driven by this strategy, in the five years from 2006 to 2011, the number of community housing enterprises fell from 39 to 29 (despite some new entrants) and the average number of tenancies under management grew to almost 1,000. The largest community housing enterprise, St George Community Housing, manages over 4,000 tenancies.

There has been a significant Australian Government investment in housing partnerships and affordable housing in recent years, through the National Housing Affordable Agreement (NAHA), the Nation Building Economic Stimulus Plan Social Housing Initiative, and the National Rental Affordability Scheme (NRAS). The new supply made through the Nation Building Economic Stimulus is the most significant government boost in the supply of housing for very low income earners in recent times. The NSW Government made a commitment that almost all of this new supply be owned and managed by community housing providers. In 2009 the Australian Housing Ministers agreed to grow community housing so it encompasses up to 35 per cent of all social housing stock in Australia. (The Housing Ministers Conference, 2009).

The objectives of such a transfer were to develop the social housing system; diversify social housing delivery and de-concentrate areas of social disadvantage; and transform housing assets and places (NSW Treasury, 2011).

### *Title vesting*

In April 2010, 11 community housing providers in NSW won competitive tenders to own and manage properties built under the Nation Building Economic Stimulus Package. A further 6 were awarded smaller numbers in an early stage of the program. The condition of the tender was that the community housing providers borrow against these assets to build more housing, and the successful community providers have made a number of commitments with banks and financiers.

Titles to 3,099 properties were vested with providers in April 2011, but around 2,900 were delayed while building was completed or titling on some redevelopment sites was finalised.

The strengthening of the balance sheets of community housing enterprises, the consequent ability to carry risk in a range of partnerships and to borrow to procure additional stock is the final stage of the creation of a sector that is positioned to play a major role in responding to challenges faced by the public housing system and the public housing portfolio, and to play a significant role at the low cost end of the housing market generally. It is important that this be followed through.

## 5. Outcomes and impacts of transferring housing from Government to non-Government agencies

The outcomes of transferring housing services to non-government agencies fall in at least five areas:

- *Service quality and effectiveness* – The community housing sector, because of its responsive approach, has the capacity focus on local needs and allocation of sustainable tenancies and to work in close partnership with local support agencies. As a result, the tenant satisfaction rates are significantly higher than in public housing tenants. Nationally, in 2010, 73.1% of tenants in public housing were satisfied or very satisfied (45.9% and 27.2%, respectively) with the service provided, compared to 79.1% of tenants in community housing who were satisfied or very satisfied (41% and 38.1%, respectively) with services provided by their community housing provider (SCRGSP, 2011).

Community housing providers (CHP) are mission driven organisations whose purpose encompasses community building approach. As part of their mission they run various social enterprise initiatives such as employment opportunities for tenants, micro-business, no interest loan schemes and tenant education programs.

- *Support for the homeless* – in just the past year, three major projects to respond to homelessness have been delivered by the sector – the ‘common ground’ Camperdown Project, Platform 70 targeting rough sleepers in Woolloomooloo and Project 40 in outer Western Sydney.
- *Transparency, accountability and quality assurance* – Community housing enterprises are independently regulated by the Registrar of Community Housing, with rigorous levels of oversight, transparency and probity. This is not the case with public housing, as they are not regulated by an independent housing regulator.
- *Viability and sustainability* – The unsustainable and unviable condition of the public housing system is well known. In contrast, the stronger income streams and cost advantages of community housing have led to organisations with a sustainable financial position. The ongoing assurance of this is part of the role of the regulator. In her Sector Snapshot, the Community Housing Registrar reported that Class 1, 2 and 3 providers at 30 June 2011, had a net profit of almost \$800 million and total retained earnings of almost \$1.9 billion. This provides for sustainable asset management and reinvestment.
- *Increasing supply through borrowing* – Because of this, over the past few years providers have taken out around \$147 million in borrowing and have developed over 400 units with around 1,500 currently planned. Over 1,000 units have been procured and tenanted using NRAS funding.

These are simply illustrative of the outcomes from outsourcing social housing management.

In order to sustain a balanced housing system that delivers housing affordability to renters across the state, it is crucial to have more opportunities for long term sustainable housing than



the current market is able to provide. Strong and viable community housing sector providing low cost housing service is essential to achieving this goal.

## **6. The role of regulation in the NSW not for profit housing sector**

The community housing sector has had a strong performance focus for almost 20 years. Over this time there has been a steady progression from a voluntary industry Code of Practice established by Federation members almost 20 years ago; followed by an externally assessed, community housing specific set of quality assurance standards developed first in NSW in 1999 which have become national standards now in their third edition; to the most effective system of statutory regulation of any area of human service in the country that has been operating since 2008.

Crucially, all of these measures have been developed with the sector and with its support and commitment.

### *Regulation*

The sector has been regulated by an independent government agency, the NSW Registrar of Community Housing since 2008. All NSW community housing providers are required to undergo registration against the NSW Regulatory Code every three years.

The role of regulation was critical to success of community housing providers and it will continue to be crucial to enable access to finance at an effective price. While the sector is still relatively unknown and affordable rental housing is not a recognised asset class by banks and private investors, it is essential to remove unnecessary complications in introducing lenders or investors to the product. Experts have argued that a lack of nationally consistent regulation has been an inhibiting factor in community housing sector expansion (Milligan et al, 2009).

Robust data about the sector is a crucial requirement for establishing the risk profile of the community housing sector and reducing the cost of funds, and national regulation is one of the main sources of such data. Appropriate regulation can be a significant driver in reducing the cost of funds as the experience from the UK shows, where introduction of regulation led to reducing the borrowing cost of capital for 100 basis points (Barbato et al, 2004).

The regulatory approach adopted in NSW has provided a risk based approach, that balances one of the most robust systems of providing assurance about the viability, governance, and service delivery of providers in any part of the human service system in Australia with a proportionate approach that is sensitive to regulatory burden and risk.

The sector has also been advocating for a single national regulator since 2005 to enable the sector's growth and to reduce regulatory burden for providers operating in more than one jurisdiction. The movement towards the national regulation is now well underway and the new national system is expected to begin in 2013.

### *Accreditation*

Eleven years ago NSW introduced a voluntary quality assurance system of external assessment against the set of quality standards. Since 2010, the standards have been adopted across all

jurisdictions and set the benchmarks for the good practice. The quality standards were developed jointly by the Government and the industry and are consistent across different jurisdictions, with the set of additional expectations for larger and growing community housing providers. In NSW accreditation is administered by Global Mark, a non government certification provider. The majority of community housing providers are accredited.

For links to the standards:

[http://communityhousing.org.au/C6\\_quality\\_excellence.html#accreditation](http://communityhousing.org.au/C6_quality_excellence.html#accreditation)

### *Code of practice*

The historically strong performance focus of the industry is also reflected in the Community Housing Code of Practice. The Federation of Housing Associations together with the sector has developed and administered a voluntary code of practice to drive quality and performance some years ago before introduction of accreditation. The Code is administered by the Federation and provides a basis for complaints against Code signatories to be investigated.

### *A focus on good practice and transparency*

The establishment of the Federation in 1993 as the peak industry body for community housing reflected and helped build the sector's dedication to quality assurance and accountability to governments and tenants. The Federation works closely with its members to promote and implement transparent and accountable governance structures, including brokering training from the Australian Institute of Company Directors for association's board members.

The high level of sector dedication to accountability and transparency has recently been recognised by the prestigious Price Waterhouse Coopers transparency and accountability in annual reporting award given to Bridge Community Housing this year.

More recently, the Federation and the sector have embarked on enhancing good practice by setting shared indicators for benchmarking across many areas of housing practice, including tenant participation, workforce diversity and housing development.

## **7. Service integration among service providers**

Community housing providers have been operating in close partnerships with wide range of support providers, rather than providing a full service integration model. The partnerships with support providers are essential for sustainability of tenancies, and are preferred model in the community housing sector. Community housing system has always targeted special needs groups and households with very high needs and the recent successes in winning competitive Commonwealth tenders (the Supported Accommodation Innovation Fund) will see community housing providing more housing for people with disabilities.

Community housing providers also manage housing specifically designed to provide a pathway for homeless people from crisis to long term independent living. There is a range of well established partnerships with organisations providing support and crisis accommodation under the Supported Accommodation Assistance Program (SAAP). Some arrangements enable such

agencies to nominate clients receiving transitional support into housing managed by community housing providers.

Specific support services are almost always delivered by specialist agency, external to the housing manager, both to ensure that the level of expertise required is available and to guard against conflicts of interest that may arise between an appropriate standard of tenancy management and support provision. Nonetheless, the housing management required for tenants with special needs is at a different level to that required for general tenancies. It includes expertise in managing relationships with support providers and brokering in the range of support services needed by tenants.

Some housing associations also manage dwellings for people with disabilities. These include range from boarding houses and group homes. Several housing associations in NSW were recently successful in winning Commonwealth tenders for provision of community-based accommodation for adults with severe or profound disability. The homes will be purpose-built and will be managed in close partnership with local disability service providers, following the principles of person centred approaches.

There are some emerging examples in community housing that would generally classify as service integration models, and are in early stages of exploring the full benefits of service integration. These are undertaken mainly by large community housing providers, and are arising from the 'housing first' approach in resolving homelessness to youth refuge service for adolescents at risk of homelessness. While service delivery is provided in house by a community housing provider, partnerships with support agencies are absolutely critical for successful outcomes for clients, and usually involve a number of specialist agencies as partners. In the case of Wentworth Community Housing, for example, the number of active partners is more than eighty, operating across three large local government areas (Blacktown, Nepean and Blue Mountains LGAs) and delivering a supportive housing service for people and families experiencing chronic homelessness. The number of partnerships and multi-layered service delivery models are powerful statement as to capability of community housing providers to adopt innovative approaches in resolving the most pressing needs of vulnerable clients.

## **8. Capability frameworks**

Community housing sector in NSW is guided by strategic policy objectives outlined in two documents: *Planning for the Future: New Directions for Community Housing 2007-2013* and *NSW Community Housing Industry Development Framework*. Both strategies predict the rapid growth of the sector and outline a number of actions to enhance the sector's capacity in order to undertake housing development and procurement while maintaining high level of service provision and tenant satisfaction.

As the industry peak body, NSW Federation has supported the sector development since its inception in 1993. In addition to its representative role, The Federation is also a provider of good practice advice and resources, a facilitator of the ongoing development of the sector, and a leading provider of social housing training in Australia. Through our Centre for Training in

Social Housing, we have supported new community housing staff by delivery of accredited vocational training and qualifications in social housing.

We also provide support in governance and risk management functions for community housing associations. The Federation has recently brokered two significant partnerships with the private sector providers in support of strategic actions emerging from the Industry Development Framework, integrated risk management software in partnership with Complispace; and governance training and board review services in partnership with the Walton Group and Australian Institute of Company Directors. Other similar partnerships are also underway in the areas of workforce satisfaction and provision of benchmarking services for sector development.

Community housing providers have also undertaken internal reviews of their capabilities in the past three years in preparation for growth and development. This has resulted in appointment of highly skilled and specialised positions to lead increased financial and property development responsibilities, such as chief financial officers, project development managers, engineers and surveyors and property acquisition specialists. For example, six providers have property development teams on their staff to lead the property procurement and development. The sector has also attracted candidates from private and public services sectors with substantial expertise and business acumen. The Federation workforce survey data shows that in the case of senior employees, the most likely sector of previous employment prior to community housing was either a senior or executive level position in Housing NSW or private sector industry.

In support of these new business functions, The Federation facilitates a number of regular professional networks and seminars with leading industry experts.

## **9. Employment trends and future expectations**

The community housing workforce has grown from being a typical community services workforce into one which has all the strengths of highly professional medium-sized business.

This was influenced by two trends: firstly, by the community housing sector's business model which departs from the traditional funding of community services (funder-purchaser); and secondly, the significant growth in properties also meant growing number of workers and their professionalization which enhanced the sector's capability to respond to the needs of tenants and regulators.

As noted above, the NSW community housing sector entered a phase of substantial growth as the consequence of several initiatives, such as the Nation Building Economic Stimulus Plan Social Housing Package (NBESP), the introduction of tenders for new developments, stock transfers and NRAS. The community housing providers responded by increasing number of staff not only in front-line but also in senior level management levels. Many new positions that emerged required very high level of expertise, and were filled with senior level professionals from both the private and public sectors.

As part of the sector's workforce strategy to support the sector's growth, the Federation undertakes workforce surveys every year to produce overall picture of the workforce and salary benchmarks. Our workforce data collection is the only data available on the community housing

workforce, as community housing professions are not defined as a separate occupation in the Australian and New Zealand Standard Industrial Classification of occupations (the ANZICS), routinely used as a base for ABS data collections on community services (AIHW, 2011).

The latest workforce data collected by the Federation last year show that the workforce has grown 42% in the year 2010/2011, and it has more than doubled in the period of two years, from 2009 and 2011 in preparation to the overall sector growth (31% between 2009/10 and 2010/11). The majority of new workers (67%) were employed in the service provision roles, as housing and asset managers, followed by employees in business support roles (20 %) and senior managers (13%). This has significantly enhanced the sector's capacity to respond to increased expectations of government, regulators as well as tenants.

Similar to the wider community services, female employees constitute 78 per cent of the community housing workforce with the vast majority employed in front-line service delivery roles. This trend has changed little over the years. The gender imbalance is less pronounced at senior management levels with 61 per cent of women in senior management positions, and almost 50 per cent at CEO level. In terms of age profile, the community housing workforce is on average younger than the NSW public sector workforce. When compared with the age distribution of the SACS industries in NSW, the community housing workforce also has higher proportions of younger workers than wider community services, suggesting sustainability and increased productivity of the workforce in the long term.

#### *Specialisation and professionalization*

Community housing providers have undergone a process of professionalization and specialisation in recent years.

Many providers have noted that they were trying to raise the level of expertise every time they recruited and found that productivity had increased from specialising roles. New specialist positions that have been created over the last three years that may not have existed before include asset managers, chief financial officers, middle management staff and community development workers. Many of these positions have been created in response to recent growth in the number of properties managed by community housing providers. Parallel to these processes, the shift from part-time to full-time work has also occurred. Smaller community housing providers, on average, have a larger proportion of part-time staff relative to full time staff, whereas large providers employ more full-time staff.

#### *The future of community housing workforce*

Addressing challenges in workforce supply and emergence of new positions and new skills as organisations become more complex will be of imperative in order respond to the needs of tenants as well as government and regulators.

The Fair Work Australia's decision in Equal Pay Case grants outcome of Equal Pay Case granted significant wage increases to community services workers (between 18 to 40 per cent, phased in over eight years). The majority of community housing providers are well placed to meet those increases, as this will potentially remove the pay barriers between the public housing workforce and the sector's workforce, and allow for greater movement of workers within social housing sector. The impact on small housing providers on the other hand could be

considerable, as they are less likely to cross-subsidise their income streams and typically have set budgets of which staffing cost is significant part.

## 10. Incentives for private philanthropy

Community housing does not usually rely on, or attract philanthropic contributions for its core housing services. These are funded through the rental income from tenants.

That being said, there are two areas in which contributions and donations play a significant part in the services delivered. Moreover, the charitable status of providers is an important aspect of their financial viability and a benefit to government arising from outsourcing its housing services.

The two areas for contributions and donations are:

- Services and direct donations from businesses
- Contributions and donation to the development of additional supply.

### *Services and direct donations from businesses*

Most providers have benefited to varying degrees from a range of direct or indirect donations. The areas in which these have been most common are: high cost expert services such as pro-bono legal advice or communications design services; donations from local business to fund community development or tenants support initiatives (such as scholarships for young people); and 'donations' from local government, such as rate reductions. These are usually dependant on the charitable status of the provider.

### *Contributions and 'donations' to the development of additional supply*

Local authorities and special planning conditions also play a role in the supply of affordable housing by community housing providers. There are a number of occasions in which councils have donated land to community housing provider in a joint venture to enable affordable housing to be delivered. This substantially reduces the costs that have to be financed and can then be bundled with other investment incentives such as NRAS to create a viable project. In a number of areas planning powers have been used to require developers who have are receiving a substantial value uplift to contribute to affordable housing managed by a community housing provider. The most significant of these has been in the urban renewal areas of Pymont-Ultimo and Green Square.

### *Charitable status and financial viability*

The most important effect of the charitable status of community housing providers is the in the cost reduction associated with their status as a Public Benevolent Institutions (PBIs). In the first instance both income tax exemption and Fringe Benefit tax exemptions (salary packaging) reduces the cost structure of delivering housing at sub-market prices. FBT exemptions are particularly important in attracting staff who would command substantial remuneration packages in the market. These include CFOs, development managers, as well as middle managers and front line staff who would receive far higher salaries for equivalent work in the public sector.

From a government point of view, however, one of the most important cost savings associated with delivery through the community housing provider registered as charities is the GST exemptions available for the costs of procurement and maintenance.

It is worth noting that the charitable concessions available for the work of community housing providers (and most other charities) is currently being reviewed under a range of Commonwealth Government reforms to charities. These include the introduction of a statutory definition of charity, the establishment of the Australian Charities and Not-for-Profits Commission, and the proposed changed arrangements for the taxation of unrelated business activities of charities.

### *Private sector engagement*

However, while this term of the Inquiry refers to private sector philanthropy, the most important strength of the community housing enterprises is their engagement with the private sector as partners in delivering outcomes. From this, they often leverage additional social outcomes from the private partners.

At the simplest level, most community housing enterprises have contracts with local maintenance contractors or local builders. Increasingly, conditions of these contracts will include a requirement to employ tenants as part of the work. It should also be noted, that the flip side is that community housing enterprises often provide the stable floor of business for local businesses to enable them to be sustainable in smaller communities and to increase their employment in that community.

However, with an increasing role in development, community housing enterprises also work in partnerships with developers large and small which deliver a mix of social and affordable housing and market product. Not only is this a particularly effective relationship, but it also opens the door for these partners to better understand what they can do as part of a triple bottom line.

## **11. The use of technology to improve service delivery and increase effectiveness**

With the growth of the sector, the scale and the complexity of their business have also grown considerably, requiring more sophisticated tools for effective business management. In preparation for the growth, the sector has identified information technology systems as a business risk and an area for improvement. There was a need for an IT system that seamlessly integrates the main functional areas of the business, including tenancy management, asset and financial management and 'back-office' functions. The size of the community housing sector in NSW attracted a number of leading IT vendors (such as Technology One, SDM and Kinetic) able to create the complete IT housing system product suitable for the sector. The large and medium sized community housing providers have already implemented the enhanced systems for their businesses. The Federation is currently supporting the sector in the procurement of IT systems with the expectation that all community housing providers will have the enhanced systems in place by the end of next financial year.

## 12. Conclusion

The strategy of outsourcing housing delivery in NSW has been pursued in a bipartisan way in NSW for the past 30 years. Particularly in the last five years, this has begun to bear fruit to a very significant extent. Part of the foundation for this has been the establishment over at least 20 years of framework designed to build the capability and institutions of a robust and efficient sector – quality assurance systems, professionalization of the workforce, business management system IT, strong government, effective regulation designed to support the sector and provide assurance about risk. The sector enjoys advantages in terms of income streams and costs that contrast markedly to an unviable public housing system. Most of all, the local base and mission of community housing enterprises has delivered a particularly responsive and supportive service to disadvantaged tenants – born out repeatedly in the annual national satisfaction surveys.

As the sector stands on the cusp of taking a major and leading role in the delivery of all these services, it is crucial that the government continues to support this direction and take the next steps to outsource both services and transfer the assets which will significantly support it.



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