

**Submission  
No 19**

## **TENANCY MANAGEMENT IN SOCIAL HOUSING**

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# Inquiry into Tenancy Management in Social Housing

Parliament of NSW Legislative Council:  
Public Accounts Committee

Submission by SGCH

Better lives, stronger communities through affordable quality housing

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The Hon Jonathan O’Dea MP  
Chair, NSW Parliament Public Accounts Committee  
Parliament House  
Macquarie Street  
NSW 2000

8 August 2014

Dear Mr O’Dea

### **Inquiry into social housing tenancy management**

On behalf of SGCH (St George Community Housing Limited) I am pleased to contribute to the Public Accounts Committee Inquiry. As one of Australia’s largest and most awarded not-for-profit CHPs, we wish to draw on our experience to support Government in planning and delivering cost effective and efficient social housing management services.

We have proven that our model of contemporary community housing delivery works to provide great tenant service, encourages tenants to gain independence and work skills, and helps stabilise troubled communities. SGCH use public assets wisely and sparingly, and through our people and neighbourhood support programs we help reduce health, policing and other costs to Government. This is what community housing does best - combining traditional tenancy management with a range of activities reflecting the high needs of many people who live in social housing.

This submission provides evidence-based research on the Inquiry’s key areas:

- Cost effectiveness

Data analysed by the independent Productivity Commission indicates that community housing in NSW is both more efficient and effective, and delivers better outcomes, than public housing.

The not-for-profit sector has a range of cultural, organisational, taxation, regulatory and financial settings that make it more able to deliver value in social housing management than the public or private sectors. That is why the sector is growing, both in Australia and overseas.

- Support services

Organisations like SGCH provide a significant range of support services to tenants, and are adept at connecting very high needs tenants with specialist support. We have an excellent track record in enabling tenants to sustain their tenancies, and have pioneered unique innovations such as our Vulnerability Assessment Tool. Furthermore, we have a number of schemes with a track record in helping tenants into education, training and joining the workforce.

- Tenant outcomes

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Our success in achieving positive outcomes for tenants is shown in our high score for tenant satisfaction - significantly higher than the NSW community housing average, and nearly 20 percentage points higher than for NSW public housing. Improved outcomes are also seen in our tenants' health and wellbeing, workforce participation, and the new-found stability of many communities across south-western Sydney.

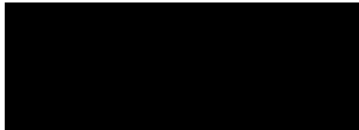
- Improving services

NSW Government needs to adopt the recommendations of the Auditor General and introduce a comprehensive Social Housing Policy. This would establish a clear and strategically planned pathway for public, private and not-for-profit organisations with each delivering the services they do best.

In the medium term, improved data gathering and benchmarking will help identify the most efficient social CHPs and encourage other organisations to improve their performance – regardless of which sector they are in.

I would be pleased to discuss the recommendations in this paper with you at any stage.

Yours sincerely



Nazha Saad  
Chief Executive Officer, SGCH

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## 1. Background

*NSW, along with other Australian states, faces serious issues with delivering social housing. Costs are rising as the housing stock ages, and an ever-increasing burden is placed on State Government finances to maintain the status quo. Data on cost effectiveness is limited, especially in the public housing sector where most tenants are housed.*

### 1.1. Key points

Housing issues are impacted by a variety of organisations and agencies. However, increasingly it is community housing providers such as SGCH that are key to social housing delivery. Due to their ability to work closely with partners in other sectors and retain surpluses for public good, they are a key way of delivering excellent outcomes for taxpayers, communities and residents.

### 1.2. Social housing tenancy management challenges

The NSW social housing portfolio, standing at 146,000 dwellings in June 2013, is the largest in the developed world. Only housing agencies in Singapore and Hong Kong have larger portfolios. As a result, the costs and complexities of managing this vast portfolio are considerable.

The public sector manages 79% of NSW social housing tenancies, and not-for-profit Community Housing Providers (CHPs) such as SGCH manage 21%. Private sector organisations do not manage social housing tenancies, though they are the main provider of outsourced asset management services.

Most social housing tenants now have multiple and complex needs; the 2014 Productivity Commission 'Report on Government Services' noted that in NSW in 2012-13 some 69.7% of new tenancies were allocated to people with special needs. The proportion was even higher for CHPs, at 70.3%. 'Special needs' groups include Indigenous people, those with a disability, and older people over 75 years.

#### Unsustainability of the NSW public housing system

The NSW Auditor General's 2013 report 'Making the best use of public housing' found publicly managed housing stock is ageing and increasingly not fit for purpose. There are insufficient funds available for maintenance and properties are being sold to meet funding shortfalls. The sale of properties exacerbates the housing shortage in the low to moderate income bracket.

The public housing portfolio faces simultaneous problems of both under-occupancy in some locations, and over-crowding in others. In June 2013, there were 111,216 public housing spaces available to tenants in NSW. However, there was a social housing waiting list of 55,000 households at this date, and the Auditor General estimates the waiting list could increase to 86,000 by 2016. In the core areas where SGCH operates, the minimum waiting time for social housing is over ten years, for all types of properties.

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A growing number of tenants are single people, people with disabilities and the elderly. For example, 43% of SGCH tenants are seniors, and in coming years this percentage will increase. In NSW the Auditor General noted that just under one third of three or more bedroom detached properties are occupied by a couple or single person. Often 'priority housing' applicants have to be placed in larger properties than they need because of a shortage of smaller properties in areas that meet their locational requirement.

The Auditor General also noted that the NSW Government's annual rental operations would be in deficit by \$490 million in 2012-13, even after reducing its maintenance expenditure by \$100 million per annum less than required to maintain asset quality. Operating expenditure is forecast to continue exceeding revenues over the next five years, with annual deficits as high as \$700 million in 2013-14.

### **1.3. Community housing's contribution**

Community housing forms an integral part of Australia's housing system by providing housing options that are reasonably priced, secure and responsive to the needs of their neighbourhoods. Unlike larger and centrally controlled public housing agencies such as Department of Family and Community Services, Housing NSW, CHPs like SGCH are more locally responsive. They work closely with local service agencies and not-for-profit partners, building social cohesion in what were once concentrated areas of social and economic disadvantage.

With the support of Commonwealth and State governments of both political parties, there has been a significant increase in the number of properties managed by the community housing sector since the 1980s. This has helped boost funding in NSW as community housing tenants are eligible to claim Commonwealth Rental Assistance (CRA), unlike their counterparts in public housing.

From the mid-2000s, larger and professionally run community housing organisations like SGCH have raised private finance. This provides funds to build new affordable rental housing and the borrowing does not appear on State Government's balance sheet. This finance, combined with its charitable status, means that the community housing sector provides a greater return on every dollar spent.

#### **Modern housing businesses**

Contemporary CHPs such as SGCH are run by professional managers, and governed by highly skilled boards. Most directors are business people with experience as senior executives in finance, development, risk management and corporate governance. Organisations like SGCH are accountable to the community, to governments and to their tenants for the effectiveness of the service provided and their use of public funds.

NSW led the way with state-based community housing regulation and the design of the National Regulatory System (NRS). Most of the larger NSW CHPs will be registered under NRS by September 2014. Government can therefore be satisfied that public investment is protected, and the highest business and ethical standards are in place.

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In larger cities such as Sydney, CHPs like SGCH have become key partners in urban regeneration, and the transformation of troubled public housing estates. They have funded new affordable housing supply, and created mixed-income mixed-tenure neighbourhoods.

### **Innovative outsourcing**

NSW has led the way with outsourcing social housing management to CHPs. According to a 2013 Australian Housing and Urban Research Institute (AHURI) report, two thirds of all Australian management outsourcing up to 2012 has been to NSW CHPs.

Recently, several State Governments have embarked on ambitious new outsourcing programs. For example, in 2012 Tasmania initiated a public tender to outsource management of 500 homes to a community housing provider, followed by a further three portfolios of 1,200 homes transferred in June 2014.

The Government in Queensland is currently reviewing bids for managing 4,850 homes in Logan, and announced in 2013 that 90% of their public housing would be managed by non-government CHPs by 2020. South Australia has already started a similar process, and Victoria has announced they will follow this radical and visionary approach by transferring tenancy management of 12,000 homes later this year.

### **Tenant and community support**

The Australian community housing sector goes beyond just providing housing. Many organisations like SGCH work closely with other not-for-profits and government agencies to help tenants find work, build skills and stabilise their family situation.

CHPs act as 'community anchors' in the neighbourhoods in which they operate. Organisations like SGCH already have formal relationships with service providers in the area, and can move quickly to support a tenant in need with a minimum of red tape. The community housing sector is therefore well placed to help address deeply ingrained social and economic challenges in areas with high concentrations of disadvantage.

Not-for-profit organisations integrate housing with human services more effectively than when housing is delivered direct by the public sector. Service delivery can also be tailored to specific local conditions in FACS districts.



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## 2. Cost effectiveness comparisons

*Cost effective tenancy management is not simply maximising rental income; it encompasses all the associated social and economic outcomes. CHPs deliver high quality tenancy management services at a reasonable cost, especially when taking into account the other work undertaken to support tenants and contribute to stable communities. While the public and private sector have a role in the social housing 'value chain', it is larger and more efficient CHPs that can deliver the best all-round value for money for Australian taxpayers.*

### 2.1. Key points

There are a number of structural factors, including legal and taxation settings, that likely contribute to well-run CHPs being more cost effective than similar organisations in the private and public sector. Around the world, not-for-profit CHPs are becoming the preferred managers of social housing.

The public, private and community sectors all have an important role to play in the cost effective delivery of social housing. However, in respect to tenancy management, the best way forward will be to continue expanding the role of larger community housing organisations such as SGCH. CHPs such as SGCH bring the commercial skills and acumen of the private sector, while ensuring the maximum amount of taxpayer investment is recycled for public benefit.

### 2.2. Measuring efficiency and effectiveness

The 2013 Productivity Commission 'Report on Government services' provides independently reviewed performance data (see table). This reviews three indicator types:

- *Equity*: Measures the gap between service delivery outputs or outcomes for special needs groups and the general population
- *Effectiveness*: reflects how well the outputs of a service achieve the stated objectives of that service.
- *Efficiency*: reflects how resources (inputs) are used to produce outputs and outcomes, expressed as a ratio of outputs to inputs (technical efficiency), or inputs to outcomes (cost effectiveness).
- *Outcomes*: the impact of the service on the status of individuals or a group, and the success of the service area in achieving its objectives.

For the key measures included in Table 1, NSW CHPs provide more equitable services, are more effective, more efficient, and deliver better outcomes than public sector agencies. Community housing properties are better maintained, have higher occupancy levels and their tenants pay a higher proportion of rent.

Levels of tenant satisfaction are significantly higher in the community housing sector (69.6%) compared to public housing (56.1%). In addition, SGCH's satisfaction levels are far higher than the average for NSW CHPs, at around 80% for the last five years as reported by independent external survey consultants. These results are impressive considering CHPs are housing more higher needs tenants than public housing or the state managed Indigenous housing sector.

**Table 1**

<b>Comparing the sectors in NSW: Productivity Commission data (2012-13)</b>			
	Public housing	State managed Indigenous housing	Community housing
<b>Equity indicator</b>			
Proportion of new tenancies allocated to households with special needs	69.7%	55.8%	<b>70.3%</b>
<b>Effectiveness indicator</b>			
Dwelling condition: proportion of households with at least 4 working facilities and not more than 2 major structural problems	67.7%	56.4%	<b>81.4%</b>
<b>Efficiency indicators</b>			
Occupancy rates	99.0%	98.1%	<b>99.8%</b>
Rent collection rates	99.0%	101.0%	<b>101.9%</b>
<b>Outcome indicators</b>			
Amenity important and meeting needs	80.1%	79.6%	<b>84.2%</b>
Proportion of overcrowded households	4.8%	8.6%	<b>3.1%</b>
Proportion of under-utilised dwellings	14.9%	24.2%	<b>14.8%</b>
Tenant satisfaction: proportion of tenants who are satisfied or very satisfied with services provided (2012 data)	56.1%	48.7%	<b>69.6%</b>

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## Management costs per dwelling

A recent AHURI report 'Assessing management costs and tenant outcomes in social housing', released in July 2014, states that:

*'We conclude that the existing social housing 'efficiency measure' (published in the long standing Report on Government Services (ROGS) series) is of little value in calibrating expenditure on management activities. Especially through its inclusion of both discretionary and non-discretionary expenditure items, the relevant net recurrent cost per dwelling indicator is too broadly defined to serve this purpose .... Moreover, because of its 'black box' character it is not possible to probe the factors contributing to what appear to be implausibly large variations across jurisdictions and between provider types'.*

Further research by AHURI will suggest better metrics for 'efficiency', and provide indicative cost comparisons between the public and community housing sectors. Their approach will differentiate traditional 'core activities' (tenancy and property management) from 'other services' now within the remit of social housing management, such as individual tenant support and additional services that may be provided to tenants or in their communities.

### 2.3. Which sector performs best?

The previous section noted that it is hard to obtain detailed comparative information between social housing management costs in the public and community sectors. There is even less information on potential costs if the activity was carried out by the private sector. It can therefore be useful to examine each sector's business model:

#### Public sector

State Housing Authorities adopt a centralised, bureaucratic approach with consistent policies across all regions. Their tenant group is high needs households, the majority of whom are not able to work. Rents are set at maximum of 25% of household income, which is relatively low.

The 2013 NSW Auditor General's report notes that rents paid by tenants are covering a decreasing proportion of expenditure – falling from 27% of annual assistance per dwelling (2001-02) to 21% (2011-12). The shortfall is met by payments from the Commonwealth to the State under the National Affordable Housing Agreement, asset sales and 'gap funding' grants from NSW Government. The latter grants have been rising over recent years, and were predicted by the Auditor General to be some \$600 million in 2013-14.

Place-making and other people-based initiatives aimed at moving tenants through the housing continuum to private rental and ownership are not widely practiced, which means that social housing is a permanent outcome for many who enter via circumstance or health.

In terms of costings:

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- State Housing Authorities can achieve economies of scale through managing large portfolios. However, there are also cost challenges with costs of complexity, particularly when managing properties dispersed across the whole of a large state such as NSW.
  - Public housing agencies do not pay tax, but they have less favourable treatment on GST. Commercial borrowing is classed as public debt, therefore managing social housing in the public sector is likely to limit the sources of additional funding in an era of budgetary restraint and concern over State credit ratings.
  - Social housing tenants managed in the public sector cannot claim CRA, thereby reducing sources of revenue for NSW.
  - Any surplus that is generated is often diverted to other Government departments, rather than reinvested directly into housing.

### Private sector

Private landlords provide around one quarter of housing in Australia, and accommodate people at all income levels. Rents are set based on what the market will bear, with some one million lower income tenants able to claim CRA to boost their income so that they can afford market rents.

Most landlords are private individuals, not businesses. According to a 2012 AHURI report, three quarters (or 1.2 million people) borrow to fund property investment and take advantage of negative gearing and other tax concessions such as a 50% discount on capital gains. The Grattan Institute (2013) estimated the value of these concessions at \$6.8 billion per year.

As noted in the 2014 AHURI report, tenancy management is a blend of 'core activities' and 'other services'. There needs to be a close relationship between these two elements to ensure that an effective service is provided to tenants. The profile of social housing tenants is very different in terms of income and personal issues than private sector residents. High intensity support and tenancy management would prove very expensive to private sector operators, far in excess of the amount paid by private landlords to real estate agents to manage this aspect.

In terms of costings:

- Commercial companies would face the cost challenges of managing a geographically diverse portfolio, as the current public housing agencies.
- Private sector companies must pay income tax, and cannot receive donations. This results in a hidden cost burden for the private sector – they would have to be 43% more efficient than the community housing sector to obtain the same surplus after tax ( $\$143 \times 70\% = \$100$ ).
- Private companies have shareholders, and much of a business' surplus is distributed to investors. Their focus is therefore on profit rather than supporting tenants or adding value.

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## Not-for profit sector

CHPs like SGCH deliver improved tenant and community outcomes because we offer a more responsive and personalised service delivery model than public housing. We develop resident influenced approaches to service delivery, and our mission to provide additional welfare services or social supports that are designed to promote wider social and economic benefits for disadvantaged tenants is well-developed.

A key indication from a recent KPMG report is that the community housing sector operates more efficiently than public housing. The report, which compared Housing NSW, SGCH and another CHP across 61 tenancy and asset management KPIs, considered the level of operational expenditure relative to rental income; while SGCH came in lowest, both CHPs' expenditure was less than half of Housing NSW's.

If the delivery of social housing is broken down into its constituent parts, it will be absolutely critical for all delivery partners to be integrated at a management level, to ensure that they achieve the ultimate outcome of helping social housing tenants to sustain their tenancies. The success of the Bonnyrigg Public Private Partnership is reliant on management integration across asset management, tenancy management and community regeneration, yet there has been a high cost in terms of time and resources in doing so. Any partners entering into a similar arrangement for the delivery of social housing can expect a similar delay while they embed processes and procedures, which is likely to have a negative impact on tenant outcomes, and the overall costs of managing a system like this are far greater.

In terms of costings, CHPs:

- Do not pay income tax, placing them in a preferential position to the private sector.
- Are able to recover GST whereas the State Government is not.
- Have enhanced income compared to State Housing Authorities as tenants are eligible to receive CRA payments from the Commonwealth.
- Can in most cases receive donations, unlike the public and private sector agencies. This can provide benefits through funding for tenant support initiatives, and occasionally donations of land that can be used to develop new social housing.
- Have no shareholders. All surpluses are reinvested in building new homes and the organisation's social mission.
- Are carefully regulated, reducing the likelihood of financial misappropriation.
- Produce audited annual accounts to ASIC requirements, providing a far higher level of transparency than State Housing Authorities.
- Provide more modest salaries to their staff than in the public sector, and have fewer layers of management. Staff commitment is high, absenteeism low. Several CHPs take advantage of enthusiastic volunteers.

- Can raise private finance to fund new development of social housing, leveraging against the steady cashflows from a rental housing portfolio.

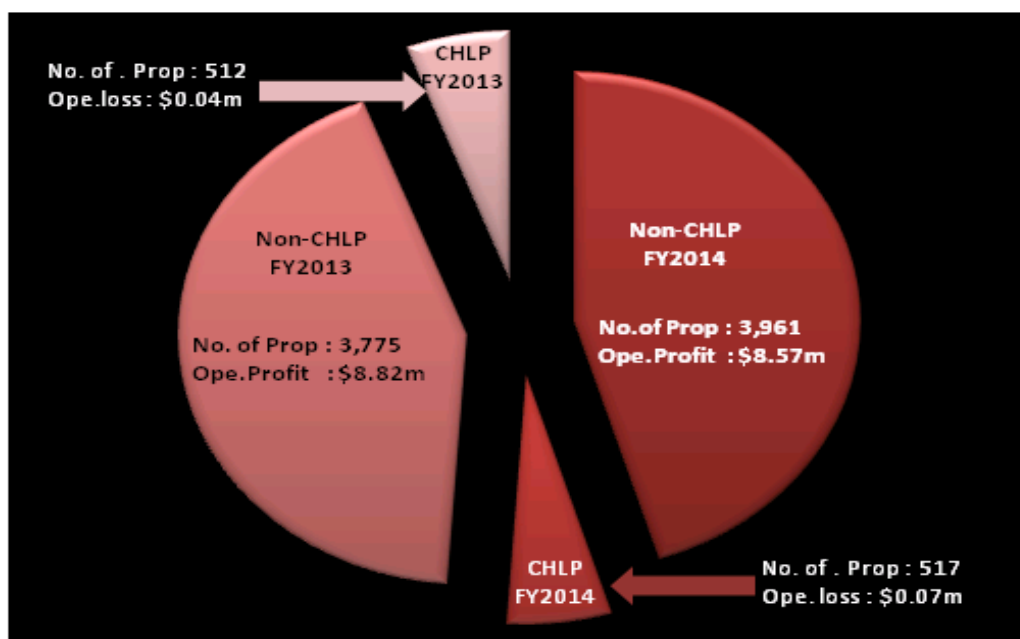
## 2.4. SGCH insights

SGCH optimises its resources when delivering tenancy management, resulting in a lower cost of service. This enables us to generate a surplus which we reinvest into the supply of new homes and community initiatives.

Table 2 demonstrates SGCH's cost effectiveness over the financial years 2013 and 2014. SGCH's services to the community can be classified into two main categories:

- Tenancy management of properties **excluding** NSW/State Government grant properties under the Community Housing Leasing Program (CHLP); and
- Tenancy management of the NSW/State Government grant CHLP leasehold properties under the CHLP.

**Table 2: SGCH cost effectiveness**



Please note: all references to CHLP in Table 2 refer to SGCH CHLP leasehold properties.

SGCH manages approximately 510 properties on behalf of the Community and Private Market Housing (CaPMH) under the CHLP Leasehold while we manage approximately 3,700 properties that have no dependency on the NSW/State government funding.

The results in Table 3 (below) are achieved through:

- optimised resource allocation to manage the properties and tenants;
- thoroughly planned maintenance of the properties; and

- Treasury management of the cash surplus including the hedging of commercial loan risk exposure.

**Table 3: SGCH Financial Performance**

Description	FY 2013 (Audited)	FY 2014 (Unaudited)
<b>For the Properties excluding NSW/State Govt Grant CHLP Leasehold Properties</b>		
Rental revenue charged to tenants	27,035,950	30,059,935
National Rental Affordable scheme income	922,819	1,152,565
Release of Capital Grants following the construction of the dwellings	1,673,459	1,314,376
Other Expenditure Grants for a particular housing program	199,335	171,064
Other revenue being interest received and Fee for Service income	4,200,356	3,665,892
<b>Total revenue</b>	<b>34,031,919</b>	<b>36,363,832</b>
Property expenses being repairs and maintenance, property rates, strata fees, water rates and water usage	11,500,187	12,671,428
Employee benefits expense	8,427,186	9,731,884
Depreciation and amortisation of fixed assets	472,651	487,445
Finance costs -interest on borrowings for property loans	768,880	708,335
Office rents	496,289	511,177
Other expenses including tenant engagement, bursary expense, training, IT, recruitment, stationery and postage	3,551,468	3,683,455
<b>Total expenses</b>	<b>25,216,661</b>	<b>27,793,723</b>
<b>Amount invested in building new homes</b>	<b>8,815,258</b>	<b>8,570,109</b>
<b>For the NSW/State Govt Grant CHLP Leasehold Properties</b>		
Rental revenue charged to tenants	5,162,170	5,647,584
Grants received for rental properties from the Government	7,395,313	7,714,459
<b>Total revenue</b>	<b>12,557,484</b>	<b>13,362,043</b>
Rental payments to landlords	11,564,447	12,350,301
Property expenses being repairs and maintenance, water rates/usage	355,368	426,811
Management expenses	676,346	658,096
<b>Total expenses</b>	<b>12,596,161</b>	<b>13,435,208</b>
<b>Operating Loss for the CHLP Leasehold Properties</b>	<b>(38,677)</b>	<b>(73,165)</b>
<b>Total SGCH Amount Invested In Building New Homes</b>	<b>8,776,581</b>	<b>8,496,943</b>

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## Government grants

The Government gives us three grants which allow us to rent leasehold properties from the private sector to house tenants. These grants fall into three categories:

- Rental subsidy – this is the shortfall between the rental receipt from tenants and the rental payment to the landlords. There is no gain or loss from this subsidy from SGCH's perspective as the grant equals the expense.
- Management Fee Subsidy - SGCH receives a management fee of between \$1,500 and \$2,400 per property per annum, to undertake all tenancy management services in relation to the leasehold properties. SGCH's management expenses for tenancy managers as well as the other support costs are managed efficiently within the grant received resulting in minor gains or losses, depending on property turnover.
- Repairs and Maintenance subsidy – SGCH receives \$295 per property per annum to undertake responsive maintenance on the leasehold properties. However, in order to maintain these properties to the required standard we frequently use our own funds as the grant received for this purpose is not sufficient to meet the costs and the owners are often unresponsive to our service requests.



### 3. Provision of support services

*Social housing tenants have considerably higher needs than those in the private rental sector. Organisations such as SGCH provide a wide variety of support services, as well as acting as conduits to other service providers. This helps residents sustain their tenancies, pay rent on time and treat their property with respect. It also increases their likelihood of completing training, finding work and moving to private sector housing.*

#### SGCH and support partnerships

The Port Jackson Supported Housing Program provides transitional housing, linked with support, for people with complex needs who are homeless or at risk of homelessness. It comprises 211 properties in seven Local Government Areas across the inner city, inner west and eastern suburbs of Sydney.

SGCH works with 15 Port Jackson support providers who provide specialist support services. Over 300 people have passed through the program and some of the successful outcomes include:

- Improvements in mental and physical health
- Entry into education, training and employment
- Development of independent living skills
- Transition to long term SGCH tenancies in affordable and social housing.

The Program demonstrates how effectively an integrated service approach can deliver good outcomes for people with complex needs who need transitional or long term housing with targeted and tailored support.

#### 3.1. Key points

Social housing tenancy management involves far more than collecting the rent and carrying out repairs. Our tenants have a variety of needs, often complex and requiring in-depth understanding to sustain the tenancies. CHPs have a longstanding track record in building seamless relationships with service providers, and in certain cases providing the services themselves where there are gaps in the market.

Tenants who receive high levels of support are more able to sustain their tenancies, providing a secure environment for them to build skills and contribute towards society. If support is lacking, there will be an increase in antisocial behaviour, domestic violence, substance abuse and criminality. SGCH has forged strong relationships with service providers in the region in which we operate over the last three decades, providing better lives for people and keeping costs to the community down.

#### 3.2. Assisting higher needs tenants

Social housing tenants have varied and complex needs, and without proper support and understanding often struggle to maintain their tenancies. If their tenancy is broken, many drift into homelessness and the cost to Government increases significantly due to the cost of Specialist Homelessness Services.

Ensuring everyone has access to the support that they need, regardless of background or income, is a central principle of Australia's fair and equitable society. However, it is also an economic issue as a study by Baldry et al., 2012 'Lifecycle: institutional costs of homelessness for vulnerable groups' estimated the total

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costs over a lifetime for an individual experiencing persistent homelessness range from \$0.9 to \$5.5 million.

CHPs play an integral role in supporting tenants with complex needs. Working with these clients requires an in-depth understanding of the individual's needs and the ability to link them to the support providers who can help. Organisations such as SGCH have an advantage over the private sector in building partnerships with support providers as they share similar values and objectives. We have been building such relationships over the last three decades, and therefore have a set of strong connections that private sector tenancy managers would find hard and slow to build, if at all.

### **People with a disability**

In a 2013 survey the Australian Institute of Health and Welfare (AIHW) identified that around 40% of people in social housing claim disability benefits. Tenants with a disability require very high levels of support, and CHPs are adept at carefully managing service provider relationships and ensuring their homes are modified to meet needs. As these properties remain in the social housing sector over the longer term, modified properties remain available for subsequent tenants with a disability.

The National Disability Insurance Scheme (NDIS) will have a significant impact on the provision of housing and support for people living with a disability. Successful implementation of NDIS will require close coordination between NSW Government and social CHPs. SGCH has already made preparations for the national roll-out of NDIS by examining potential opportunities for involvement and partnership with specialist service providers, placing them ahead of most social housing landlords and any private sector organisations who may choose to enter the sector.

### **Support partner relationships**

SGCH has a demonstrated record in providing housing and support for people with complex needs, with around 13% of our tenancies linked to formal support. Many other tenants require assistance at various points during their tenancy. We have relationships with over 65 welfare service partners who help support our most vulnerable tenants with a range of issues including debt, drug and alcohol addiction and other health problems. In addition to working across a range of issues, our partners are geographically and culturally diverse, to better meet the needs of our ethnically diverse tenant base.

Our tenancy management arrangements underpin the work of the support providers; through a scheduled program of home visits, a dedicated Tenancy Manager who acts as the main point of contact for each tenant, a simplified method of reporting repairs and maintenance, and our network of outreach offices, we work to ensure that our tenants are supported to the extent that they require.

Each year we also survey our support partners to gain feedback on the quality and effectiveness of our services so we can gain an understanding of what improvements we

need to make. Our 2013-14 survey results highlighted our levels of communication and reporting with a focus on finding the right solution for the individual tenant.

### Sustaining tenancies

Our Sustainable Tenancies program is critical for early intervention, ensuring that we ensure that all tenancies are sustained with or without support. The Sustainable Tenancies team employs specially trained staff who work with tenants to identify potential issues and provide solutions before they affect our tenants' health, well-being or tenancy. The team use a **Vulnerability Assessment Tool** which we have developed to determine the level of risk and vulnerability associated with an individual tenant or household. This is an innovative approach, and we are the only Australian community housing provider to use such a tool.

The Tool enables a tenancy specialist to undertake an assessment of the individual's situation using 19 unique identifiers to develop a thorough understanding of the support links that would be most beneficial. SGCH's integrated IT system captures this data to enable reporting and data analysis which we use to inform service and resource planning in collaboration with our support partners.

The Vulnerability Assessment Tool is used by SGCH's Assessment and Allocation team for all 'high priority' applicants as an early intervention measure. It is mandatory for all tenants facing potential termination of their tenancy to be referred to the Sustainable Tenancies team and assessed using the Vulnerability Assessment Tool.

The effectiveness of the Sustainable Tenancies team is demonstrated by their track record. Since December 2013 they have received 356 referrals, of which 95 remain open. The Vulnerability Assessment Tool,

### Helping Naomi with hoarding challenges

Recently, Naomi was referred to the Sustainable Tenancies team by our Property Services department as they could not complete a scheduled inspection due to the extent of her hoarding.

Naomi had been an active member of her local community for a number of years, regularly involved in neighbourhood events until medical issues and anxiety caused her to become progressively isolated inside her property, unwilling to allow her friends to visit in her home.

When our tenancy specialists first made contact with Naomi they learned she had been sleeping on a small section of her lounge as she could no longer access either of her two bedrooms.

Initially reluctant to accept assistance due to the possibility of strangers entering her home, after three home visits Naomi's tenancy manager and assigned specialist had built a rapport with the tenant, and she agreed to be referred to a support service.

Community Options were engaged and helped Naomi through the process of sorting her belongings. They even arranged for her unwanted property to be donated to a charity in Indonesia as Naomi did not want useful items going to waste.

The process took several months, during which Naomi's specialist also identified that she had been having trouble accessing her shower because of a high bathtub. An Occupational Therapist's report was completed allowing for Property Services to install a suitable grab rail, making the shower much easier and safer for Naomi to use.

At the specialist's final appointment with Naomi, both her bedrooms were now accessible and she was able to sleep in her bed. Naomi is now finding it easier to have others in her home, and is looking forward to inviting guests over.

### Richard re-joins the workforce

Richard has been an SGCH tenant for three years. He was unemployed for several years, and he became depressed as he struggled to find full-time work. This in turn affected his family relationships.

In 2012 Richard applied to take part in Entry Steps To Employment, our employment program. Following an interview and training process, Richard secured full-time employment with SR Construction. Since then he has successfully completed his Assets Management certificate, First Aid and WHS training.

As a result of his work, Richard is earning money and supporting his family, and he has also overcome his depression. Within just 18 months of starting work, Richard was promoted to a Supervisor role, demonstrating the impact that people can make if they are given the opportunity.

which was developed in January 2014, has been used to assess 108 of these referrals, representing an average of nearly six assessments a week. Over 93% of tenancies have been sustained as a result of intervention by the team.

### 3.3. Pathways to training and employment

Effective tenancy management requires a holistic approach, and an understanding that providing access to education, training and employment opportunities results in significant social and economic outcomes that the simple provision of housing cannot achieve. Community providers such as SGCH reinvest their surpluses back into the business, with funds used to improve the lives of tenants. Unlike a private sector business, we do not pay dividends.

SGCH operates a social procurement policy where our contractors have to offer our tenants training and employment opportunities as part of our **Entry Steps to Employment** program. Applicants have to take part in the same form-filling, interview and training process when seeking entry into this work as the program is not designed to gift tenants with jobs. Rather, it gives them opportunities to build skills they would otherwise not have. Since the scheme started, a number of SGCH tenants have secured full-time employment, while others have found work placements or training.

We also offer our tenants a range of 'Housing Plus' services designed to give them new opportunities to better their lives. Since 2005, we have distributed \$520,000 to

617 students in primary, secondary and tertiary education as part of our **Educational Bursary scheme**. We have also provided 50 tenants with computers and internet access at a discounted rate through our **DigiConnect scheme**.

## 4. Outcomes for tenants

*The support we provide for tenants, and our work within troubled communities, transforms many people's lives. Tenants are more likely to complete education, enter the workforce, and become integrated into their immediate neighbourhood. Improved outcomes can be seen in our tenants' health and wellbeing, their participation in the workforce, and the stability of many communities across south-western Sydney.*

### 4.1. Key points

Community housing organisations such as SGCH have the scale and capacity to deliver better neighbourhoods. Our achievements at Bonnyrigg are an example of this. This helps transform the lives of our tenants, and better integrate social housing with other forms of tenure.

Tenants are involved in how we run our organisation, leading to even better quality service. Experience in tenant groups can help build self-confidence, skills, and open-up new pathways to employment and self-fulfilment. The positive outcomes for our tenants are shown from high scores in tenant surveys, through awards within the social housing sector, and moving personal stories of how people have transformed their lives.

### 4.2. Delivering high quality sustainable neighbourhoods

There are over 100 large housing estates in NSW and many have become centres of disadvantage. Transport can be poor, local jobs in short supply and many families suffer from family breakdown or lack of suitable role models. We share NSW Government's desire to enhance the life of these communities, and have been partnering to rebuild estates for well over a decade. Our largest involvement has been the **Bonnyrigg 'Living Communities'** urban renewal project which is revitalising an 81 hectare housing estate in western Sydney.

The renewal has involved the management transfer of 833 public housing tenancies to SGCH, and redevelopment of the site to create a mix of 70:30 private to social housing. The project is fundamentally about the people, the place and the partnerships. Staff

#### New hope for Bonnyrigg residents

Before the redevelopment of Bonnyrigg, the estate was known for its high levels of crime and anti-social behaviour, while the local school was threatened with closure due to poor results and a lack of registrations from new pupils. The redevelopment of the estate and the project's focus on place-making has encouraged residents to take pride in their homes, and are increasingly looking out for their neighbours and others in the local community.

As a result, crime levels have dropped considerably. In 2012/2013, there were 43 incidents of vandalism, compared to 232 between 2007 and 2012. The local school is now so popular that it has become selective, and tenants are reporting extremely high levels of satisfaction (83% in the 2013 independent survey run by Sweeney Research).

The first three stages of the project have been completed, creating 363 new homes and a mixed tenure community in which private and social tenants live side by side. The properties have been purposefully designed to look almost identical on the outside, so that it is impossible to differentiate between the private and social housing, which has helped

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delivering community regeneration, property and tenancy management, and rehousing are co-located on site, so they are accessible and responsive to the community.

In less structured SGCH redevelopment schemes such as the **Riverwood North 'Washington Park'** renewal project, we are again driving excellent tenant and community outcomes. This is through encouraging seniors to engage with their local community and take part in on-site activities, facilitating access to services, and intervening at an early stage if we identify potential problems. At Riverwood our contemporary approach to ageing in place is integrated with community renewal. This holistic approach provides excellent outcomes for both the community as well as for our tenants.

### Place-making

One of the key 'other services' provided by larger CHPs is place making. The benefits of place-making on local communities are well-documented. A 2011 report by AHURI 'Cost effective methods for evaluation of neighbourhood renewal programs' found such programs generate increased health and wellbeing for residents as well as substantial community benefits, such as a reduction in crime and anti-social behaviour. Areas with established community regeneration initiatives attract private buyers and renters to the area, contributing to the rise in house values and perceived attractiveness of an area.

AHURI found that on average, for every \$1.00 spent on neighbourhood renewal, there was an average return of \$2.20 in non-housing benefits. Not only does community renewal generate improved social outcomes for tenants, but the increase in house prices has a knock-on effect on property taxes, such as stamp duty, meaning that these schemes provide an economic benefit as well.

CHPs such as SGCH are active in the local communities where they manage tenancies, working as 'community anchors'. We invest around \$350,000 each year in community regeneration initiatives, which range from creating community gardens to gentle exercise programs. These are generally open to everyone in the local community, regardless of whether they are a SGCH tenant, helping to promote social inclusion.

## 4.3. Providing high quality landlord services

### Policy and regulation

CHPs operate within a tight policy framework, helping Government to achieve improved economic and social outcomes, such as preventing homelessness and increasing the number of people in education, training or employment. Private landlords have far greater freedom than the community housing sector yet they do not provide the same outcomes as their priority is optimising rental income, not sustaining tenancies.

This is particularly apparent when housing rental applicants; whereas real estate agents can choose tenants who they believe will bring minimal risk, CHPs must follow the allocations and assessment policies set by Government and must house applicants from the Housing Register, regardless of background or potential risk. This lack of choice means that CHPs

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must work hard to support their tenants and resolve any potential issues before they materialise, generating excellent tenancy management outcomes in doing so.

All CHPs are subject to strict state and national regulatory systems, which means that they must demonstrate accountability, transparency and performance across a number of categories, including resident satisfaction, sustainable tenancies and communities, support arrangements for residents, community involvement and asset management. Public CHPs and the private sector are not held to the same levels of accountability, which means that they do not have the same incentive to achieve consistently high standards and therefore the best possible outcomes for tenants.

CHPs can also choose to apply for accreditation, which is a nationally consistent framework designed to provide service users with quality assurance. In order to secure accreditation, each provider must demonstrate consistently high standards across a range of key business areas.

As part of SGCH's commitment to providing a high quality landlord service to our tenants, we have a rigorous and transparent appeals and complaints procedure in place, which all tenants can access at any time. Private tenants do not have the same methods of redress against real estate agents.

### Property management

SGCH takes a sensitive and strategic approach to addressing affordability to achieve social inclusion by adopting a whole of portfolio approach. This means that we plan and use our properties effectively to meet the ever changing needs of our tenants through their circumstances and as they move through the life stages.

We do this through a **Total Asset Management Framework** which underpins our long term portfolio and asset planning, and ensures that our tenants' needs, both now and in the future, are at the heart of what we do. This flexibility enables us to move people through the housing continuum as their circumstances change and support them to achieve their aspirations.

In addition, we take an active property management approach to our properties, where we replace our older stock with new properties once they start to cost more to maintain than the amount of rent they generate. This, combined with our strict maintenance procedures, mean that the majority of our tenants live in new, well-maintained properties.

#### 4.4. Measuring service quality and outcomes

CHPs use agreed industry measures to evaluate the success of their tenancy management, including number of vacancies, rate of tenant turnover and levels of rental arrears. SGCH consistently measures itself on these metrics, taking steps to resolve any issues.

For example, in 2012, our Housing Services team went through an award-winning restructure, which created a number of specialised teams, splitting the different Housing Services functions into discreet roles, such as Allocations and Assessment, Income

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Management and Rent Review. Since the introduction of the Income Management team, rental arrears have fallen to an all-time low.

### **Social Impact**

CHPs like SGCH are not content to simply administer tenancy management services - they look more deeply into the issues that face the clients that they work with, and identify solutions. Our **Social Impact Framework** allows us to measure the tangible benefits of our work across five key areas: Houses, People, Communities, Services and Organisation. Though the annual tenant satisfaction survey remains part of this work, the most significant research will come from a longitudinal study that we have created this year. The study focuses on a small number of tenants over a six year period, and identifies the key inputs, activities and outcomes of our various community programs.

We are also carrying out research into specific tenant groups, as we recognise that people's needs change depending on their circumstances. Our **Generation Next** project focuses on young people under the age of 30, examining the issues that they face and the current gaps in service provision. Our research is due to be published later this year, and we will use the data to provide the products and services that our younger tenants need to help break the cycle of disadvantage.

Similarly, we have committed to the **Community Housing for Aboriginal People** strategy, which aims to bring Aboriginal and mainstream CHPs together to work more collaboratively, build organisational capacity through partnerships of mutual benefit and prioritise the delivery of services to Aboriginal people. We have already implemented simpler measures, such as making our Head Office more welcoming to people from ATSI backgrounds by hanging Aboriginal artwork, signing a Statement of Commitment – and are progressing with others, such as recruiting an Aboriginal member of staff.



## 5. Improving tenancy management

*Significant structural reforms are needed to reform the delivery of social housing in NSW. CHPs can play an increased role in supporting Government policy objectives, and bridging the divide between public sector agencies, private sector organisations and not-for-profit service providers. Our sector is not only efficient and effective - CHPs lead innovation and pioneer new forms of service delivery.*

### Neighbourhood planning: SGCH's 'four pillars'

Under our Community Regeneration Framework, we have established and are implementing across five sites a Neighbourhood Planning Tool, based on best practice overseas. The tool is structured around the four key SGCH 'outcome pillars':

- Facilitating economic independence: improving resident's financial independence by alleviating housing stress and providing 'Housing Plus' services;
- Education and skills development: improving school performance, retention and completion of studies and thus employment prospects through initiatives such as grants and bursaries to projects, groups and individuals;
- Improved health and wellbeing: improving mental and physical well-being by providing and procuring support services; and
- Facilitating community inclusion: by empowering tenants and supporting communities to become self-reliant and independent.

The tool incorporates indicators that aim to measure tenancy, property, community, financial and overall wellbeing. Data will be analysed and used as part of SGCH's Social Impact measures to identify needs, trends, aspirations and data to inform our strategic direction, service delivery and plans.

### 5.1. Key points

NSW Government needs to act, and act soon, to stabilise the finances of the social housing system. Through a comprehensive Social Housing Policy, the roles of the public, not-for-profit and private sector should be established - with each playing to their respective strengths.

SGCH recommends that within the public housing sector, greater regional devolution and benchmarking is introduced, and the policy of management and selected asset transfers to community housing is re-started. In return for a greater share of social housing management, CHPs should be obliged to both improve their transparency and data recording, as well increasing their delivery of 'value for money' for Government.

### 5.2. Reconfiguring the NSW social housing sector

NSW social housing has remained similar in structure for two decades, with most properties continuing to be managed in the public sector. However, as the Auditor General's 2013 report makes clear, the NSW public housing system is unsustainable.

SGCH's vision is to have a fully functioning social housing system, with community housing providing an increasing but not dominant role. Changing social housing landlords does not in itself make a difference -

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it needs to be accompanied by greater reforms.

For the core NSW social housing portfolio, **we recommend**:

- Breaking down the portfolio into manageable segments, based on FACS districts. This could make housing delivery more responsive to local needs and housing market conditions, and facilitate integrated planning and service delivery to those who need it.
- Delivering more tenancy and asset management, and strategic asset ownership, to established Tier One CHPs. These organisations have achieved economies of scale, and are cost effective deliverers of social housing management.
- Redesigning social housing eligibility and rent setting policies to better address housing need across the housing continuum. Settings may need to be altered between metropolitan and regional locations due to very different market conditions.

### Place-based approaches to local service delivery

A place-based approach is becoming more common in Australia and is a markedly different way of considering the needs of residents and service users. It is often more efficient as services are delivered at the most effective point to meet the needs of individuals in the community, some of which are complex (e.g. housing and income and employment and health related issues in areas of concentrated disadvantage). Place-based working has the potential to reduce waste and deliver greater value. A key benefit would be breaking down multi-generational disadvantage.

**We recommend:**

- Reviewing how services such as tenancy management can be delivered in a coordinated way in each district. For this to be effective and sustainable the community housing sector and organisations such as SGCH need to be involved in area planning at an early stage and not after a plan has been formulated.

### A planned approach

The Auditor General's report in June 2013 recommended:

- A Social Housing Policy should be completed by December 2013 'that aligns tenant management with emerging client need. The strategy should include short-term and long-term targets, and forecasts to enable effective monitoring and reporting on progress'.
- The State Housing Authorities 'emerging policies and strategies should be based upon evidence of the cost effectiveness of asset and non-asset interventions to meet the specific needs of public housing tenants'.
- 'Once the policies and strategies are decided, these need to be translated into effective action. [Government] should, by June 2014, develop organisational plans that are

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clearly linked to these including: gap analysis; objectives; targets; funding and performance measures and progress reporting’.

It is disappointing that these sensible recommendations have not been adopted.

**We recommend:**

- Putting in place a State-wide social housing strategy, linking investment to performance measurement, and identifying practical ways in which the strategy will be implemented.

### **5.3. A growing role for community housing**

Organisations such as SGCH work hard to help achieve Government policy objectives and Tier One CHPs have the infrastructure to deliver government projects effectively.

**We recommend:**


- Directing new partnerships and development opportunities to larger groups such as SGCH
- Expanding property management opportunities through asset transfers to the community housing sector
- Reinstating the Property Transfer Program, with a mandatory policy that tenants living at identified sites transfer to the community housing provider who will be assuming tenancy management responsibilities. This will ensure that locations are managed by a single landlord, allowing them to benefit from greater economies of scale, and preventing a mixed management approach which is inefficient and limits the ability to build community cohesion. The present mixed management approach also increases Work Health and Safety risks.

### **5.4. Enhancing transparency and benchmarking**

As noted in the July 2014 AHURI report, meaningful cost effectiveness data is not available for social housing. This situation needs to change given the large level of public investment in the sector, and the financial unsustainability of public housing.

**We recommend:**

- FACS/Housing NSW should either be regulated as a social housing landlord, alongside CHPs, or at the very least they should be required to produce the same level of reporting information.
- Information from the public housing agency should be at regional level, to identify which locations are performing best. Potentially FACS districts could be used.
- Agreed benchmarking data needs to be collected for all social CHPs in NSW - both in the public and community housing sectors. By determining common measures of efficiency and effectiveness, it will be possible to identify best practice.

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- Community housing organisations that do not meet minimum benchmarking standards should either produce a plan as to how they will improve, or merge with a larger and more efficient organisation.

An example of how to proceed could be to base the approach on the British 'Value For Money' system. Each housing association has to produce a 7-10 page annual report identifying benchmark data, describing ways in which better value has been delivered over the last year, and identifying efficiency savings for the forthcoming period.

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## Appendix 1: Background to SGCH

Established nearly thirty years ago, SGCH is a registered NSW Class 1 community housing provider and will soon move to become Tier 1 under the National Regulatory System. We operate across a broad sweep of western, southern and central Sydney - one of the world's least affordable housing markets.

With over 4,300 properties under management, 8,500 tenants and 112 staff, SGCH is one of the country's largest not-for-profit housing providers. Operating at a larger scale than most community housing providers allows us to achieve economies and efficiencies in housing delivery, and employ specialised and professional staff who can provide strategic leadership.

Our four strategic priority areas - responsiveness, excellence, innovation and leadership - drive all that we do. Our focus is on delivering social and economic outcomes through establishing effective business and commercial practices. The SGCH mission is to deliver 'better lives, stronger communities through affordable, quality housing'.

### SGCH capability

SGCH has the required mix of diverse skills, experience and knowledge aligned with a strong values-based culture that enables high performance. Our people are passionate and highly engaged, and organised to deliver services that are streamlined and tailored to meet the varied and often complex needs of our tenants. We have a number of specialist teams and roles, which include:


- Development and Construction, who are tasked with increasing our development capability and delivering key projects designed to increase our Affordable Housing portfolio
- A Sustainable Tenancies team, which comprises specially trained staff whose early intervention remit means that they work with tenants to identify potential issues and provide solutions before they affect tenants' health, well-being or tenancy
- Internal Audit and Risk Management, who identifies and assesses processes and risks throughout SGCH
- Sophisticated Information Management and Technology capacity to support future growth

### Building stable communities

Due to our scale and experience in the Bonnyrigg project over the past seven years, SGCH has developed capability in 'value add' areas such as place-making, community development, social procurement, and social enterprise.

Our approach is underpinned by our Community Regeneration Framework, which was developed with stakeholder and tenant input. This award-winning Framework is embedded in all aspects of our business including asset and tenancy management.

Through involvement on multiple projects at multiple sites and with multiple partners including government, local community and private partners, SGCH has developed an



integrated community renewal approach that has gained us a reputation for expert delivery of place-making incorporating tenant engagement and community development.

SGCH's work in communities has been recognised through a series of awards, including the 2013 Powerhousing Awards for Excellence for Place Making and for Tenant Engagement, which focused on our Creating Sustainable Communities framework.

### **Increasing housing supply**

We have an excellent track record in delivering new affordable homes, working to increase housing supply and offering opportunities for people to move along the housing continuum.

Our capacity is shown through sustainably managing long-term housing portfolio growth by tenanting 1,281 Nation Building properties to tenants with complex needs. As part of the agreement, we are also delivering new affordable housing properties. SGCH supports further property transfers in the future so that continuing leverage will be possible.