

**REPORT OF PROCEEDINGS BEFORE**

**PUBLIC ACCOUNTS COMMITTEE**

**INQUIRY INTO TENANCY MANAGEMENT IN SOCIAL HOUSING**

---

**At Sydney on Monday 15 September 2014**

---

**The Committee met at 12.15 p.m.**

---

**PRESENT**

Mr J. R. O'Dea (Chair)

Mr B. E. Bassett

Dr G. Lee (Deputy Chair)

Mr G. Piper

Mr J. D. Williams

**ANNE SKEWES**, Deputy Secretary, Land and Housing Corporation, Department of Family and Community Services, and

**PAUL VEVERS**, Deputy Secretary, Southern Cluster, Department of Family and Community Services, on former oath:

**LEONIE KING**, Executive Director, Community and Private Market Housing, Department of Family and Community Services, affirmed and examined:

**MANDY YOUNG**, Acting Chief Executive Officer, Aboriginal Housing Office, Department of Family and Community Services, sworn and examined:

**CHAIR:** Welcome and thank you for appearing before the Public Accounts Committee which is inquiring into tenancy management in social housing. Does anyone have any questions of a procedural nature or relating to process following the information provided by the Committee? Would any or all of you like to make an opening statement regarding this inquiry?

**Ms SKEWES:** Chair, I have been nominated as the spokesperson for the opening statement. I have a lengthy statement but in the interests of time I will make some general comments.

**CHAIR:** Do not feel constrained.

**Ms SKEWES:** I will begin by acknowledging the Gadigal people of the Eora nation on whose land we are meeting today and I pay my respects to elders past and present. We have provided a very extensive written submission recognising the roles that we as Family and Community Services [FACS] play in the delivery of tenancy management services. I particularly highlight in the context of that submission the department's strategic statement and its objective of breaking disadvantage.

The other comment I would like to make relates to the reference that we talked about earlier, with social housing increasingly having become a form of housing for the most vulnerable and disadvantaged. The nature of the support that social housing tenancies provide has become more intensive. Ninety-four per cent of households living in social housing have Centrelink benefits as their main form of income and 42 per cent of people who were offered public housing in 2012-13 were people living with disabilities. Around one in five people living in public housing have a mental illness or are directly affected by such illness.

Contemporary social housing tenancy management thus goes well beyond the generic tenancy management services undertaken in the private residential market and even basic social housing tenancy management activities must often be qualitatively different to private residential market tenancy management activities. The concentration of many social housing dwellings on estates with substantially disadvantaged populations also poses unique tenancy management challenges. I will leave my opening statement there, recognising the fact that we have talked about many of the initiatives of service delivery improvements we have made, and are starting to make, in respect of tenancy management. Thank you for the opportunity to participate in the Committee inquiry today.

**CHAIR:** I will refer to the hearing earlier today. I am sure we will traverse some of the same ground but it is useful to get on the record that the Committee held a public hearing earlier today which examined the Auditor-General's performance audit on the best use of public housing. Some of the discussions in those proceedings are relevant to the current inquiry. Are there any other comments or perspectives? Ms King and Ms Young, would you give us your broad perspective of the sectors that you represent? Ms Young, in particular, would you give us the rationale for the separate Aboriginal housing sector?

**Ms YOUNG:** The Aboriginal housing sector is somewhat different and we are governed by different legislation—we have the Aboriginal Housing Act 1998. The tenets of that Act are around self-determination. It is about Aboriginal people providing services to Aboriginal people to get better outcomes for them. That is how some of our services differ. The other component is that the Aboriginal community housing sector is different to the community housing sector and social housing sector more broadly. We have 202 organisations and they own about 5,000 houses.

The difference with that is that their ownership is on a different land tenure basis. They have different rules governing how they can use that property. It makes for more complications and a different way to manage. A lot of them are former reserves and the historical context of how these places came about leaves a lot of legacy and issues around social disadvantage. The Aboriginal housing office itself has 5,500 properties with the majority of tenancy management being done through FACS. Currently we probably have about 113 done through community housing providers and roughly another 1,000 done by Aboriginal community housing providers. We are mixed across the markets.

Ideally we would like to see Aboriginal people delivering services to Aboriginal people around tenancy management because of the complexity and difficulty of understanding what that looks like. We have some work to do to get there. We are open to the outcomes of the inquiry and any information that you are able to give through that to understand what the issues are around tenancy management and how we can separate that out. Some of it will apply to the Aboriginal community housing sector, some might be more complex and some might be easier. We are open to having a think about what comes back out of that and how we can get the most value to ensure that Aboriginal people are provided with quality housing services.

**CHAIR:** In the context of the submission from the department, which I know you would have seen and had input into, there is a policy that allows for outsourcing of transactional activities and a number of areas are touched on. How does that potential outsourcing function differ from the processes that community housing providers or a New South Wales public housing provider might undertake?

**Ms YOUNG:** I might answer to the Aboriginal component and then hand it over to Ms King or Mr Vevers to answer the rest. We have a funding service agreement with FACS about how we deliver the services for those properties that they manage for us, which number about 4,600. We have individual contracts with community housing and Aboriginal community housing. That is not necessarily hugely different but they are separate contracts. Because we own the properties as a statutory entity and the others are owned by Ms Skewes, there is a slight difference. They are separate contracts but some of the management is similar. I think Mr Vevers could answer some of that. Some of the management is similar. What that means in practice is that we have our own set of policies through the Act and through our policy settings, which means that whoever is providing the tenancy management services has to adhere to those policies. That is the slight difference that fits with that.

**CHAIR:** We will hear from Ms King in a moment. Otherwise conceptually is it reasonable to think you operate like a community service provider in a distinct sort of way? Is that a reasonable parallel or are there other differences of which we should be conscious?

**Ms YOUNG:** Can I just clarify by stating that the Aboriginal Housing Office [AHO] is a property owner. We fund and outsource the services similar to the Land and Housing Corporation. The AHO is similar to that. The Aboriginal community housing provider sector is similar to the community housing provider sector in the way in which they operate.

**CHAIR:** There was a submission relating to the Aboriginal sector from which we did not hear evidence last week. I do not want to miss any important issues that are relevant to you which is why I am doing it upfront. Are there any special issues of which we should be mindful that we have not identified?

**Ms YOUNG:** The issue to be mindful of in our sector is remoteness—where our properties and population are. We do have a large population in Sydney but a lot of the houses we own in the sector are not in Sydney. There is some mismatch in that. The complexity that is provided through the Aboriginal Land Rights Act, particularly the community properties, is because of a whole lot of legal complexity about them being used in the same way as community housing or public housing more generally.

**CHAIR:** What I am hearing is that you are hoping to learn from this process as much as the Committee. However, if there are specific issues that you think we are not cognisant of, please speak up.

**Ms YOUNG:** The other thing I would add to that is that there are complexities in managing Aboriginal tenants through the nature of their cycle of disadvantage and being within that loop. Approximately half the sector is in public housing and approximately half is in Aboriginal housing. Overall there are about 22,000 to 25,000 people, about 10 in one and 10 in the other. It is not necessarily a matter of what house they live in but their issues are similar across the board and we have a different profile of tenants to the broader public housing sector. We have significantly larger groups of single parents and a significantly higher number of people with

disabilities, which is different to the broader social housing sector. Because the profile is quite different the way we need to operate is quite different and the support and tenancy management services are a little different as well.

**CHAIR:** We heard evidence last week that more remote and rural communities are perhaps better managed at a local level rather than by a central bureaucracy. Is that your experience?

**Ms YOUNG:** My experience is that primarily most of our local and remote properties are managed by Aboriginal community housing providers on the ground and they get the best service from that. In most of those locations we do not have Housing NSW managing those properties. Where we can they are managed by Aboriginal organisations in the community.

**CHAIR:** That evidence is consistent across the community service provider network, particularly those operating in regional and rural areas. Ms King, you might want to comment on that. Last week we heard from a number of people in your sector. Did you have any position on that or any comments to make other than what has been mentioned?

**Ms KING:** I will give you a broad overview because it is reasonably diverse. At last count around 34,000 properties were managed through the mainstream community housing sector. Government does not necessarily have any role or investment in those properties. Around 6,000 of those do not have any direct government investment or they may have once upon a time but the title is now transferred and the organisations are full legal owners. They may well have commented that they undertake a number of fee-for-service arrangements for affordable housing properties delivered through private developers as well. Their main business is social housing, but they deliver a range of other forms of housing. Affordable housing is for very low to moderate income earners, which includes social housing eligible clients but also households that earn higher incomes. The rent policy is prescribed through affordable housing guidelines.

We talk about community housing providers as any entity that manages property or receives assistance from government. That includes crisis and transitional housing. When we talk about the registered community housing sector, it is a system regulated by a statutory registrar. It picks up any organisation that receives housing assistance either from the Land and Housing Corporation or from the Department of Family and Community Services directly. It picks up approximately 1,500 crisis and transitional housing properties as well. The bulk of it is social housing and about half those properties are owned by the Land and Housing Corporation and some are leased through the private market. The balance is either housing for homeless people or affordable housing. In terms of the split metropolitan-rural, it is roughly half and half.

**CHAIR:** During the last hearing I asked whether it is necessary to transfer title from the public sector to community housing providers to generate more dwellings or perhaps to recycle a site. It is a personal view, but I suggested that it is not necessary to transfer the title but that there must be secure tenure over a long-term lease. That suggested model would also work in transferring tenancy management functions. Why have titles been transferred in the past rather than having secure long-term leases?

**Ms KING:** The transfer of title was a decision of the former Government. In fact, the Government made a decision to have long-term leases but then the Minister responsible decided to explore title. Probably 30 organisations have the bulk of the properties under management and then there is a long tail of small organisations. They did not have any balance sheets because most of their business involved either securing private rental properties or managing properties on behalf of the Government through the Land and Housing Corporation. Without a balance sheet, it is exceedingly hard to borrow regardless of income. They can securitise and lend against an income stream.

However, in that instance the lenders were saying nationally that they needed some security. It was proposed that that security be provided by transferring titles. It is correct from an operational perspective that you can generate the same surpluses and it is not impacted upon by title. You can undertake borrowings and you can deliver additional housing, if that is the Government's policy objective, through long-term leases, but the models deliver different things.

**CHAIR:** This is a personal opinion, but I suggest that it would be more appropriate to have long-term leases rather than transfer titles. Can anyone put a counter view?

**Ms KING:** The title policy introduced by the former Government was also largely driven by the Commonwealth. We should be clear that under the Nation Building Economic Stimulus Plan and the agreement attached to it the Commonwealth expressed a strong preference for title transfer.

**CHAIR:** Our focus is more on the future rather than evaluating decisions made in the past. However, it is useful to understand the rationale for that decision. I am putting my view in regard to a potential recommendation. Are there any compelling arguments to the contrary?

**Ms KING:** No.

**Mr VEVERS:** No.

**CHAIR:** I am happy for anyone to answer the questions I will ask. Self-selecting is probably the best approach. It may well be that they are skewed towards Ms Skewes—no pun intended—and Mr Vevers. Some submissions have drawn attention to the complexity of costing social housing tenancy management and suggest that current reporting arrangements are not adequate for comparing performance between providers. Based on the benchmark and data we have today, how can we compare the performance of the various housing providers and what can we say about comparative performance while recognising that we do not have an ideal set of concrete data?

**Ms SKEWES:** That is a terrific question and I think we are all debating who should answer.

**Mr VEVERS:** It is difficult to compare with the numbers we have. On the face of it, we would say that community housing providers have higher satisfaction levels than public housing providers. That is correct in the straight percentages, but a number of factors come into play. We know that tenants' satisfaction relates to the location of their property. One-third of public housing tenants live on public housing estates, which we know are not always the most popular places for people to live. That will have some bearing on satisfaction, as will the condition and age of the property. A number of factors come into play. However, I think comparisons are a good thing and in the public housing sector we could, should and do look at the relatively higher levels of satisfaction in community housing and implement initiatives that we have in hand to try to lift that performance.

**CHAIR:** You are all aware of the Australian Housing and Urban Research Institute [AHURI] research being undertaken. It would appear that it will deliver some useful outcomes. Does everyone agree that would be a central plank for any meaningful evaluation?

**Mr VEVERS:** Yes.

**Ms YOUNG:** Yes.

**CHAIR:** Obviously everyone agrees that it is appropriate to compare different sectors and providers—

**Mr VEVERS:** Yes.

**Ms KING:** Yes.

**CHAIR:** —whether on overall cost effectiveness or particular criteria such as occupancy rates, staff to dwelling ratios, tenant satisfaction, maintenance performance and tenancy sustainability. Are there fundamental differences between different providers in areas like structure, character, funding and accountability that are not able to be addressed through the process that AHURI is going through?

**Ms KING:** I will make a comment, although it perhaps does not go directly to the question of AHURI's focus and scope. In a diversified market, which includes Aboriginal community housing, you are looking at very different sized organisations operating across different geographic areas with different structures and delivering different services. As I said, there is a range of specialisations in some organisations. There are also fees for service, including private rental real estate management fees. The management structures in an organisation are individual and tailored to respond to the suite of services that that organisation provides. In public housing, there is much more consistency in the types of services provided. In the non-government sector that delivers housing, it is much more diverse. While the AHURI research is important, it will have to go to the heart of excising some activities that are directly comparable. It cannot simply compare the management structures because they are very different businesses that are independent organisations.

**Ms YOUNG:** The Aboriginal community housing sector has different mechanisms for accreditation. There is the national registry system, which is where the community housing sector is regulated, and we have another system called "provider paths". That means there are different levels in accountability for the way services are delivered. That inherently means that services act differently across the sector. It is broad; we have public housing, community housing and Aboriginal housing, which have slight differences. We are constantly considering those questions and thinking about how we can improve.

**Ms KING:** Critically within the non-government housing sector we have different regulatory and contracting approaches that can compare organisations within that system but not more broadly across the social housing system. For example, an annual statement of performance is produced by the New South Wales registrar. When we fully phase in the national regulatory system shortly it will be a national statement of performance of organisations. Contractually we also seek to benchmark those organisations. There are evidence guidelines and thresholds that specify our expected levels of performance as there are with public housing. The issue is that they are not necessarily 100 per cent comparable.

**Mr VEVERS:** One of the attractions of community housing providers is that there is a degree of diversity in their policies. That is an attraction because they can be fleet of foot in responding to local circumstances and local needs, whereas public housing is governed by a statewide set of policies. That diversity sometimes means that it is not easy to compare directly, but it is a much-valued element of the system.

**CHAIR:** There are obviously other differences or advantages that community service providers enjoy that public housing providers do not, such as Commonwealth rent assistance, taxation status, ability to leverage assets through borrowing and so on. They could impede comparative performance measurement, but that could be overcome. I am more interested in that context to get your views as to why those differences exist, particularly the Commonwealth rent subsidies, and whether you think it is a level playing field or might it otherwise impede comparison of efficient and effective performance.

**Ms SKEWES:** It is probably reasonable to say that those are policy frameworks that exist regardless of our views. Clearly they have a role to play in supporting the community housing sector, which has an important role to play. It is probably not our place to comment on the merits of those policy decisions within other jurisdictions. However, we talk about tenancy management in the community housing sector and I assume that one of the Committee's considerations is what is in the scope of tenancy management services.

Implicit in the conversation about comparative frameworks is an understanding of the core sets of services that exist within tenancy management and then what other services might we need to leverage to support people to be self-sufficient and to get out of social or community housing and into other forms of accommodation. Of course, there is a cohort that will always need some form of assistance. How can those other services be wrapped around them in an appropriate way to ensure quality of life and wellbeing? One of the questions we must answer is what we mean by "tenancy management", what is within scope and what additional services we might want to procure for the benefit of the particular cohorts we are attempting to service within the system.

**CHAIR:** That is a central question and one we discussed at length last week. Irrespective of how we define "tenancy management", a non-negotiable is breaking down whatever is being done into smaller and more measurable chunks so that they can be compared. That leads to my next question. Social housing is increasingly becoming a conduit to other support services. Is there an inequity in service access and provision between social housing tenants and other people with support needs who are not in social housing? Is there a danger if we have social housing as the door to a range of other services that those who do not get into social housing—they may be on the waiting list or for whatever reason do not wish to move into social housing—will not get the same access or provision of services? Is that a danger if we put too much through a social housing gateway?

**Mr VEVERS:** I do not think it is a huge danger. If anything we need to be careful that, when people come into social housing, service providers do not heave a sigh of relief and say, "That is them sorted then." From a public housing tenancy management point of view, we are often making representations to services that the fact that someone is housed in social housing provides some stability in their lives but they still need some support services. FACS itself is a significant service provider and it helps that we have come together as a single organisation at a district level, at a local level, where we have a single manager across all FACS services. That has helped considerably in making sure that resources we directly control are applied. It has also helped a lot that we are now running on the same boundaries as Health, because a significant proportion of our tenants have

a mental health problem. The liaison between us and the health sector has been helped by the single management of services.

**Ms KING:** From a private market perspective it is worth pointing out that FACS assists more people into the private market than it does into social housing. Those are often time-limited subsidies to support people we think are able to sustain a private rental tenancy and whose trajectory is better served in the private rental market than in social housing. I do not have the numbers on me, but we have a whole program of private rental products that assist those people into the private rental market. But they still need to come through the door.

**CHAIR:** Taking that discussion a bit further, should the delivery of social support services be an integral part of tenancy management or should it be a separate service? How should we define core and non-core tenancy management services? How should the costs of what might be seen as non-core tenancy management services be attributed?

**Mr VEVERS:** I think it is very important that we do cost those separately. One reason is that in the public sector we should always seek to make sure that we are delivering the most efficient and effective services, compared to what the private sector might be able to deliver. Costing tenancy management services we provide to enable comparability with the private sector is very important. The private sector is a very big player, a much bigger player than social housing is in tenancy management, but it does not do the entire suite of tenancy management which is undertaken in the social housing sector. Costing those elements and comparing across sectors is essential.

**CHAIR:** Community providers market their capacity to offer a whole-of-tenancy focus as a major strength. What does FACS understand "whole of tenancy" to mean? Does Housing NSW have a whole-of-tenancy focus?

**Ms KING:** In FACS, some of that is prescribed either through regulation or policy. For example, if you look at the New South Wales regulatory code, and more recently the national regulatory code that underpins the regulatory systems while we are moving from a state-based system to a national system, both systems require and look at providers' capacity to negotiate support arrangements. More recently, under the national system, they actively look at their capacity to engage with the local community. If I were a regulated community housing provider and I had been told those were some of the core components of tenancy management that is how I would describe tenancy management and those expectations have been set. There would be a similar requirement through the Aboriginal sector as well.

**Ms YOUNG:** Yes.

**Mr VEVERS:** It would not be different in Housing NSW. The majority of our current tenants come to us because they are on low incomes. They do not necessarily have complex needs historically. The majority of people we now take into the system do have complex needs—in fact, almost 60 per cent of them would have complex needs. We absolutely need to look not just at collecting the rent and making sure that people are not damaging the property but also at what we can do with other services to make the tenancy sustainable. Reflecting the conversation we had in the earlier part of this inquiry, we often have a role in relation to the impact one tenant can have on a whole community. We need to take into account the community of tenants because most of our property is in multiunit blocks.

**CHAIR:** Some people involved in the AHURI research are appearing before the Committee later this afternoon. What input did Housing NSW have into this research? What outcomes were you particularly looking for? How do you expect the research might influence your policies and practices going forward?

**Mr VEVERS:** We certainly had some input into the scope of that research project and we are working with AHURI for them to carry out some research directly with front-line staff. We are hoping to put AHURI directly in touch with tenants so they can get a tenant's perspective. I think it is going to be a valuable piece of research work not only because it will draw out some of the lessons to be learned by different providers but also because it will draw some comparisons with practices in the private sector and lessons we may be able to learn in the social housing sector from that.

**Ms YOUNG:** We have funded that work as well, the Aboriginal Housing Office.

**Mr GREG PIPER:** We have been discussing quite a few things. I note that there is tension between public housing providers and community housing providers. The Committee has heard evidence that providers have different sensitivities to the needs of tenants with disability and different management strategies—for example, for arrears management and evictions. What is FACS's approach? How does FACS compare with other providers in both policy and practice in those areas?

**Mr VEVERS:** I think the policies would be very similar and the practices would often be similar. In particular in relation to eviction for not paying rent, most certainly FACS has a very good record of bringing in rent. It sustains the system and our rent arrears are approximately half of 1 per cent of the rent roll. Given that the income level of the clients we are working with is very low, an average of \$419 a week, our record in making sure the system is as financially sustainable as possible is very important. We see every difference in the world between somebody who refuses to pay because they have other priorities in their lives and somebody who has complex needs and may need some other form of arrangement. We would try to be compassionate in the latter case and to work very extensively with support services. We are absolutely mindful that if we take a family in \$1,000 of rent arrears, we evict them and in that process we tip the children into care, the human consequences would be disastrous and the financial consequences would be a lot more than \$1,000 of rent arrears. We work very carefully at a local level to make sure that we do not get into those situations where there is a perverse outcome for a family or an individual.

**Mr GREG PIPER:** In a sense you are a last choice provider for people in those sorts of situations. You are somewhat constrained in the way in which you can manage this, but did you say half of 1 per cent?

**Mr VEVERS:** Yes, of rent arrears.

**Ms SKEWES:** I suggest what we are saying is that the systems are largely consistent in that the same sorts of issues would play out. On the financial consequences of rent arrears, despite the very good work of Mr Vevers, we are working in a financially more robust system, but for individual community housing providers the consequences would be more significant, albeit we have good performance in relation to that. I think that the way we carefully handle the circumstances of particular individuals, given the potential social and financial consequences if they were unable to pay, would be managed consistently across the community housing sector and the public housing sector.

**Ms YOUNG:** I probably have a unique perspective in that the chief executive of the Aboriginal Housing Office [AHO] signs off every eviction for an AHO property whether that is for a property managed by FACS or managed by an Aboriginal community housing provider. They manage them very similarly and have very similar policies and processes. We are satisfied with both sides of that. In relation to difference, FACS does its homework and uses the right policies and processes, as do the community housing providers.

**Mr GREG PIPER:** Part of the evidence we have heard in the inquiry is about the inequity in the workload between people in the public sector and those in community housing. Some customer support officers say that the Housing NSW portfolio is many times larger than an equivalent community housing provider. Assuming this is correct, and it seemed logical, why does this differential exist? What are the consequences for Housing NSW tenants and staff as we move more into community housing? Is this acceptable or being addressed?

**Mr VEVERS:** That number needs to be put in context. It is true that in metropolitan areas a client service officer could have a portfolio of 350 or, in some cases, more. In non-metropolitan areas it would be lower. One thing the AHURI research will help us understand is: what are the right comparisons to make? A client service officer in public housing will not always represent FACS in the tribunal, for example. There may be a more senior person who will take cases to the tribunal. The asset management side in public housing is managed by the Land and Housing Corporation whereas in the community housing provider they would handle the asset management side as well. It is an important comparison to make; efficiency is of fundamental importance and we should make that comparison, but we need to dig deeper to look at what is a fair comparison. I am confident that the AHURI work will shed some light on that.

**Mr GREG PIPER:** I imagine some caseworkers in the public sector, when they are feeling weighed down, feel a bit put upon.

**Ms SKEWES:** In your reference to casework in particular, the benefit FACS has is that we have an integrated service delivery structure now so the casework proposition within a FACS environment would be



very different to a casework proposition in a community housing environment, particularly the capacity to engage all parts of the system in supporting people through potentially difficult circumstances. If you have read our recent strategic statement, it describes an integrated service delivery model. I suspect the comparisons between what we can do under an integrated structure within a FACS environment now are quite different to the community housing sector. They can leverage those supports, but we do not have a joined-up service model within the FACS environment.

**Mr VEVERS:** I can give an example of a case that I was involved in quite recently. It was a case of a single mother whose children we have recently rehabilitated from foster care. She got into quite significant rent arrears and we had one of those conversations where the housing person said, "This is unacceptable and she has to go. We had to apply to terminate." The caseworker was saying, "If you do that then we are going to set this family back a long way." The answer to that was that we needed both the caseworker and the housing worker to recognise that working carefully with this family around their budgeting was going to be the solution, and because there is a single stream of management that can happen directly. That can also happen in community housing. We would hope to link up with community housing providers, but we have quite an efficient system now with the single head of all FACS at a local level. I think Ms King might have a comment.

**Ms KING:** I was going to add to your previous point. We estimate that on average—again, it varies depending on the location—the caseload for community housing clients is about 220 to 250 properties. Again, picking up on my earlier point around the diversity of the system and the range of products that they administer—and it is also reflecting Mr Vever's comment about asset management—it should be remembered that within that those roles are probably broader. They pick up much more of those formal support arrangements. They are also administering transitional housing, which is a much more complex beast, and they are administering more leasehold properties than in the public housing system, which also have a degree of complexity and add significant time. Again, it is not an apples and apples argument.

**Ms YOUNG:** To add to the non-apples and apples, some of it will also depend on the size of the organisation and the number of properties they manage. We have some providers who manage two or three properties, and then we have those who manage 500. The level of service they provide will be very varied within that. Additionally, it is also about what else those organisations provide. We have some organisations with a range of services, including home care, ADHC services and a whole range of things. It would depend on the organisation. Bigger community housing providers provide things differently. Smaller ones will provide them differently. So the case work component of that is often going to be dependent on the nature of the organisation providing that service.

**Mr GREG PIPER:** I want to clear some of the questions that were raised. For example, it was said that Housing NSW performs lots of tasks on behalf of community providers—things such as data entry, handling initial inquiries as the first port of call, and processing difficult applications. If that is the case, how are costs attributed? Is there cost shifting from community housing in that sense back to public housing?

**Mr VEVERS:** I do not think there is a significant degree of that. There will always be individual cases where a community housing provider and the local office of Housing NSW will work on an arrangement that works best for an individual client, but I do not think is a large-scale problem. There would be some arrangements where the reverse is also true, where a community housing provider might do something for a public housing client. We certainly have a few of those arrangements. So I do not think there is any significant degree of cost shifting. The vast majority of applications are dealt with by the organisation that is first approached by the member of the public. Community housing providers administer applications, as does Housing NSW. I would disagree with whoever made that submission.

**CHAIR:** I note that other members of the panel are nodding in agreement.

**Mr GREG PIPER:** It was raised so it is on the record. I come back to the other question. I think Mr Vevers and particularly Ms Young were talking about the different types of community providers. You were giving examples of capacity based on their size. What is the ideal size for a housing provider? I imagine I will not get an easy answer. What are the trade-offs between economies of scale and responsiveness? Is there any comparative information to suggest that the size of Housing NSW reduces its effectiveness?

**Ms SKEWES:** Sorry, what was the second part?

**Mr GREG PIPER:** Is there any comparative information to suggest that the size of Housing NSW reduces its effectiveness?

**CHAIR:** Are they too big?

**Ms SKEWES:** I am not the one to answer this question, but I will make a comment. Housing NSW as an entity has been absorbed into the Department of Family and Community Services. In trying to be clear about the answer to the question, are you referring specifically to a reduction in the Department of Family and Community Services [FACS] or the entity that was Housing NSW?

**Mr GREG PIPER:** Bugged if I know. We are just talking about—

**CHAIR:** That part of FACS that now fulfils the role of Housing NSW.

**Mr GREG PIPER:** Given the size of Housing NSW, does it reduce its effectiveness? I guess it goes back to the first part of the question about the economies that exist within different housing providers.

**Mr VEVERS:** There are some things that Housing NSW is able to do because of its size. One example is that we have a 24-hour-a-day contact centre, which does not simply deal with maintenance requests; it deals with a large number of other requests. For example, it deals with requests for assistance to get into the private sector. It can do that six days a week—it does it on a Saturday because that is a big day for private renters to get property—and it is able to provide a range of other services. There is a scale there that I think is helpful. I would hope that public housing is efficient because its management resources are then spread across a large number of properties. But I would also say that diversity is of fundamental importance and having a range of reasonable sized community housing providers in the social housing sector is important not just because they bring different perspectives. I think an element of competition is a good thing to have. I do not see that as negative. Some of the management innovation that comes from community housing providers, which themselves have a critical mass, will benefit us all. I do not think a single provider is a strong system. I think diversity is a great strength.

**Mr GREG PIPER:** I know there is not an ideal size for community housing. On the other question about trade-offs between economies of scale and local responsiveness, can you give any examples of how that works in the community sector?

**Ms YOUNG:** The only example I would give you is that of a small provider, particularly in the Aboriginal community housing sector, where they probably own their properties as well. They may not want to be any bigger than the properties they own. It might be a former reserve; it might be a whole range of things. But for those providers in particular in remote areas where there are limited services available, it can be quite helpful to have an organisation like a housing provider who is responsive and can be more responsive because of the nature of their location and the fact that they own the buildings, which is quite different in the rest of the sector.

I guess what I am saying is that for those locations that are particularly remote, particularly around Aboriginal communities, certainly the responsiveness would be that it is likely the people who are running the service are living in that very community so the responsiveness will be dependent on that and they may get a better service. There are other times where potentially that is not the case either. It is very difficult to go one way or the other, but I would say that I think it is part of the organisations themselves having some input into how big they want to be and what they think will work as well.

**Mr GREG PIPER:** How big are you going to get? Are you going to get bigger? I understand you are still transferring stock to the community sector.

**Ms SKEWES:** I think we can say there are probably two answers now to conclude the question. One is the social housing policy framework. The second issue is I think we will be very interested in the AHURI work because it will help to provide some clarification. But we certainly welcome diversity in the sector and we all have valid roles to play.

**Mr BART BASSETT:** This question relates to an earlier answer in which you gave as an example a family that was in arrears. You had a caseworker working with the housing manager to work through the issues rather than just evict the family. Should the delivery of social support services be an integral part of tenancy

management or a separate service? How should non-core tenancy management services be defined and how should the costs be borne across your agency when you are dealing with issues that relate to other agencies?

**Mr VEVERS:** It is a good but somewhat complex question. Should those services be separate, working with tenants with complex needs as opposed to standard tenancy management does depend on the policy direction that the Government wishes to go down. If the Government wished to go down a contestability path I think you would have to separate those out. It would not be easy to see how the private sector would be able to manage the complex needs element of tenants. It would be possible to see how the private sector could manage standard tenancy management; it does so already in more properties than there are in the social housing system.

If that path was the path the Government wished to go down you would have to cost them separately. In regard to service delivery, I think you can adopt either model as long as you are clear in your expectations of what the service provider will provide. I think you can have a stand-alone tenancy management service if it has good links to broader support services, or I think you can have them together. In FACS we have them largely together at a district level. But if you had good conversations between your tenancy management and those support services it can work separately as well.

**Ms KING:** There are a number of non-government organisations that currently do both property and tenancy management of social housing or other forms of low-cost housing and also provide support. The church sector is significant in there. We also work with community housing, for example, providing homelessness services. I do not think it is an either/or. I think what is important is that the responsibilities and the performance of both those systems are understood and monitored, and are not blurred. I do not know that it particularly matters who delivers it; I think whoever is best to deliver it should deliver it.

**Mr BART BASSETT:** If we follow on and throw the National Disability Insurance Scheme into the equation, how will the provision of social housing be impacted by that? For example, will there be a need for a most distinct breakdown of different services which would be available to clients to more easily choose from? Who would purchase those services and how should we attribute those costs? It is about the whole impact of this new scheme.

**Mr VEVERS:** I think at this stage there is so much that we do not know about how the NDIS will impact on housing services. A sum of money has been earmarked within NDIS for accommodation but we do not yet know in any detail how the National Disability Insurance Agency [NDIA] proposes to deploy those resources. There has been a discussion paper from the NDIA but it was at a pretty high level and understanding what that means operationally is not yet clear. There is not from the Hunter a massive number of people with disabilities saying, "I want to come out of the group home where I live and I want to go into my own independent tenancy." If that did happen, and if it were replicated across the State, it would clearly place a demand on social housing. That is not the pattern that we are seeing coming out of the Hunter. The majority of people wish, under the NDIS, to continue broadly with the sort of accommodation they have now. That is not to say that we have not had a couple of situations which we have had to resolve with the NDIA. But I think it is potentially a very big issue. We just do not know at the moment how it will pan out.

**Mr BART BASSETT:** What was the experience of tenants' self-management in New South Wales? What is the view of Housing NSW of the development of tenant self-management in the United Kingdom? Does tenant self-management have application in New South Wales in any form?

**Ms KING:** At the moment tenants self-management in social housing is confined to the cooperative housing sector. It is a relatively small sector. There are about 350 properties. There has been some growth of about 100 properties in recent years but it has been largely static. A few years ago we set up an asset holding entity to sit over the top of it to monitor more closely the performance but we preserved the cooperatives that we had. That model is a self-management model. It has its place, as we have talked about a diversified system. It is one of a number of elements that is important. It is a much bigger sector overseas in the United Kingdom and there is a big push towards mutuals in the United Kingdom and some discussion at the Commonwealth level here around that as well.

**Mr BART BASSETT:** How does a cooperative get established and become involved in self-management? How does that happen?

**Ms KING:** Most of the cooperatives in New South Wales were set up some time ago. Generally they have approached government to seek some properties. So it is a community of organisations that have a common interest. A lot of them are cultural, for example, Tamil Seniors, so their growth is constrained by the capacity to access dwellings. When we grew the sector about three or four years ago under a previous strategy there were 102 properties. Through the then peak organisation and the entity that was set up called Common Equity, which sits over the top, we basically asked them to gauge whether there was interest in the community for cooperative housing. Those things do come up all the time; it is just whether there is any opportunity to respond. It is really about people with a common interest who are keen to self-manage in that type of community arrangement.

**CHAIR:** I have further questions I would like you to take on notice that arise as a result of questions that were asked last week. The first relates to the concept that community providers have been granted better stock and less difficult tenants. I am interested in your perspective on that. Secondly, the Committee heard evidence that Housing NSW staff and recruitment training and support practices are leading to unsatisfactory tenancy management. Examples were given in an earlier hearing today about the level of casual staff. It was suggested last week that front-line staff in some areas comprised nearly two-thirds of casual staff. I want to get the facts around that rather than what a union representative might advocate. Again, has any action been taken in that area to address some of those broad staffing issues, accepting that there are issues or problems?

Thirdly, who should be responsible for addressing some of the long-term social issues—perhaps negative outcomes as some people might see them—in the social housing system. Is there a sense of entitlement in relation to the attractiveness of welfare over work, disincentives to work, whether they are on the waiting list or in social housing, and their inability to leave social housing? Inherent in that are some societal costs. How do we best identify and attribute those costs? Should they be attributed to social housing? How does Housing NSW address those broader social issues? There has been a lot of good, positive action but we need to examine the ins and outs and the costs and benefits of a system. As I am conscious of the time I will flag those areas.

**Mr GREG PIPER:** I will also put questions on notice. I refer to the equity buy-in for people in public housing. Are there any current schemes or past schemes that are a useful example of that? Should we look at that again to ensure that people have a sense of ownership in the program rather than being perpetual tenants? It is my understanding that the transfer of stock to community housing is not on schedule to meet the requirements under the Council of Australian Governments. Is that correct? Do you have an agreed amount that you were looking to transfer or any deadlines?

**Ms SKEWES:** Do you want an answer to that question now?

**Mr GREG PIPER:** Yes.

**Ms SKEWES:** The stimulus vesting program is on track. There were some delays but that program will be completed in the next 12 months.

**Ms KING:** Under the National Affordable Housing Agreement there was a commitment by all States and Territories to consider growing stock under the management of the public and community housing sector to up to 35 per cent. So there was no defined amount that had to be delivered—it was up to 35 per cent.

**CHAIR:** I will put two further questions on notice. First, should tenants be encouraged to give back more to the community through volunteering that provides mutual benefits, balancing the sense of entitlement with social responsibility? That may include things like contributing to maintenance or to neighbourhood development. Has any thought been given to that area? Secondly, I refer to tenant incentives and the idea of rewarding tenants for meeting conditions on their tenancy, which relates to tenancy management. It has been more prevalent in the United Kingdom, I understand, particularly in the 1990s. What are your thoughts about that in this State? Queensland's tenant participation model, Common Ground, heads in that direction.

**Ms KING:** There is one in New South Wales.

**CHAIR:** There is one in New South Wales. What is your view of that? Will it potentially be expanded or will there be a diversity of options?

**Ms SKEWES:** Yes.

**CHAIR:** It will be interesting to hear from AHURI. If these questions are picked up through the research process it would be fundamental to any strategy going forward. We are trying to get information so that we are able to identify and measure what is being delivered functionally across a whole range of areas. Do you want to make a final comment?

**Ms SKEWES:** No. I would just like to thank the Committee for its time. We can see the depth of consideration that you have provided with the questions and comments. We will be delighted to respond to any questions on notice, either those that you flagged or those that you asked subsequently. We appreciate your consideration of this issue. We think there is real value in tenancy management and we certainly have an open mind about being able to respond as productively as we can to your processes and to the recommendations of the report.

**(The witnesses withdrew)**

**(Luncheon adjournment)**

**MICHAEL JOHN FOTHERINGHAM**, Deputy Executive Director, Australian Housing and Urban Research Institute, Melbourne, via teleconference,

**HAL PAWSON**, Associate Director, City Futures Research Centre, University of New South Wales, Kensington, New South Wales, and

**VIVIENNE MILLIGAN**, Housing Researcher, Associate Professor, City Futures Research Centre, University of New South Wales, Kensington, Sydney, affirmed and examined:

**CHAIR:** I welcome via teleconference Dr Michael Fotheringham and with us in person Dr Vivienne Milligan and Professor Hal Pawson. We appreciate the fact that you all have busy professional and other lives but we are particularly impressed by the exercise that is being undertaken by the Australian Housing and Urban Research Institute [AHURI] and its constituent parts. I understand that a number of you are coming together in that sense. Before I ask for opening statements and we undertake questions and answers, do any of you have any questions relating to procedure or to process?

**PROFESSOR PAWSON:** No.

**CHAIR:** I will invite any or all of you to make an opening statement. We have a PowerPoint presentation that Professor Pawson and Dr Milligan have ready. Dr Fotheringham, is there anything that you wanted to say by way of introductory comments or remarks?

**Dr FOTHERINGHAM:** No, I am happy to defer to the professors there.

**CHAIR:** I am sorry that you will not have the visual but you will be able to hear Professor Pawson.

**Dr FOTHERINGHAM:** That is all right. They can give the presentation and I will follow along.

**CHAIR:** Excellent. Professor Pawson will now lead us through the PowerPoint presentation and make some introductory comments. The presentation will also be tabled as evidence.

**Presentation tabled.**

**PROFESSOR PAWSON:** The City Futures Research Centre is part of the AHURI network, as you were describing, and a number of universities around Australia are also part of that in the same way. Over a number of years the AHURI network has funded a number of projects that are relevant to the terms of reference of this Committee. The project that I will talk about in a bit more detail now, which is currently ongoing, is particularly relevant to the questions you are asking as a Committee, so it is a fortunate coincidence really.

I will give a bit of background information as to where this piece of work comes from and then I will give you an overview of what we have done to date and an outline of the proposals that we are developing to provide better information about the costs of providing social housing and the outcomes that tenants derive from it. Then I will say a bit about where this is going in the future. AHURI Ltd in its short form was responsible for commissioning this piece of work and that was very much at the instigation of the chief executives of the housing authorities—all the States and Territories. About two years ago they came together and gave very specific advice to AHURI about their research priorities in this area, and the project we have been working on arises from that.

The aim of the project is to develop a better matrix so we can compare social housing providers more meaningfully than we can at the moment on the inputs and the outputs—the inputs into social housing and the outputs from it. The objective is to create or to trial some measures which are equally applicable to public housing providers and to the larger community housing providers or the not-for-profit entities which now provide somewhere between 15 and 20 per cent of all social housing. The providers themselves have shown a great deal of interest in this. It is pushing at an open door very much, as we have discovered, and we are hoping that this will lead eventually to a set of measures that can then become a routine - potentially annual or at least periodic - requirement for the State providers and the larger not-for-profit providers.

A number of other universities and consultants are also involved in the work. What we have done recently, or what AHURI has done, is to publish an interim report from the first stage of our work and that is

based on field work which involved wide consultation with a range of all the key stakeholders nationally and at the State level. It involved a review of the international approaches to measuring the cost of providing social housing and the outcomes of it and the Australian measures. In the Australian context certain measures do exist and we have looked at them. On the provision side the only number which is potentially relevant here is published annually by the Productivity Commission and its technical definition is the net recurrent cost per dwelling of providing social housing.

On the outcomes side a national social housing survey has been carried out every two years for more than a decade—for 15 years in fact—by the Australian Institute of Health and Welfare. Our assessment of those two sets of measures in that interim report or positioning paper is that there is a great deal of scope for improvement especially in relation to what it costs to provide social housing. The current measures do not provide any adequate basis for making comparisons. What we are proposing is shown in this diagram. Let us look at the central set of boxes. This is our attempt to show or to summarise the measures that we think we are now testing to potentially become a routine part of the architecture in the future.

We think it will be beneficial not only to measure the cost of providing housing management as a total figure, a single indivisible figure, but also to go a bit below that and to measure separately the cost of different elements of the housing management activity. What we are proposing is four components of housing management activity that we, with the help of the pilot social landlords who are participating in the second stage of this project, are wanting to road test. It measures separately the cost of providing tenancy management, property and neighbourhood management, individual tenant support and additional tenant and community services. Some of the day-to-day activities which constitute each of those four categories are listed on the left-hand side.

Part of the purpose of the second stage of our project is to test out whether those groupings are the most appropriate or whether we should slightly refine the classification. On the right-hand side are a list of tenants and community outcome measures. Some of those, as indicated by the arrows, we believe are closely associated with that particular aspect of the housing management task. Some of those are derived from the national social housing survey which already exists. Some of those are produced already but most of them are things which we are proposing to test as possible enhancements to the system in the future.

Where do we go from here? We are developing a manual to define more closely the components of different aspects of housing management as we propose and that will guide identifying what is relevant in housing management expenditure underneath each of those headings. That is what is being tested by the social landlords who are participating. We are trialling these metrics in two States—in New South Wales and in Western Australia. The intention is to involve both State Government and a small number of larger community housing providers in each State and we are working our way through setting up a process with each of those landlords. So far we have full cooperation, quite enthusiastic cooperation, from the community housing providers in New South Wales and we are about to engage with the Western Australian parties.

In principle we have two community housing providers and the State Government in Western Australia who have all said they are interested in a discussion about this. We are just about to go through it in more depth with them. I have not said too much about the tenant outcome side. The intention is to create a set of metrics, some of which are based on surveys—it could be an enhancement of the existing national housing survey—and some will be collected directly by the landlords themselves from their administrative records. One of the important areas is around the activities that are nowadays often part of social housing responsibility, not just to effectively manage a tenancy and look after a property but also to promote social inclusion. Within that, one of the aspects is around trying to assist tenants who are work capable and of working age to reconnect with the labour market. One of the proposed measures will be trying to measure how effectively that is achieved.

We are looking at measuring the work that is done to sustain tenancies, vulnerable tenants, and also trying to focus that specifically on the tenants who are at greatest risk. I refer, next, to outputs. The main purpose of the exercise is as a test bed to create the means of measuring these things in the future. It is also hoped that we generate some numbers from the exercise that we can publish in our report. That is a little more secondary but we are hoping that we are able to generate that as well. It will not provide the direct answer to the key question which is: What types of providers are most efficient and effective? It is only a step on the route to that, but it is a crucial one that cannot be jumped.

**CHAIR:** Fantastic, thank you, Professor Pawson and Dr Milligan. We now have a number of questions from members of the Committee. I am not sure exactly how you would like to handle it but I will let you self-

direct. I am conscious, Dr Fotheringham, that it is not as easy for you indicate over the phone your interest in answering a question. Do not hesitate to speak out if I am not giving you adequate opportunity.

**Dr FOTHERINGHAM:** No problem.

**CHAIR:** You have touched on some of the questions in your opening address, Professor Pawson. But we do have a number of questions, some prepared and some which Committee members will ask off their own bat. I have developed a couple of additional questions based on your presentation. Exactly who are the clients and stakeholders for your research on tenancy management costs? You spoke of different jurisdictions. Are they all jurisdictions around Australia? More specifically, who is paying for your research? That is always an important question. Who are your clients? Who are the other stakeholders that you see as important?

**Professor PAWSON:** Perhaps Dr Fotheringham could explain the funding system of the Australian Housing and Urban Research Institute [AHURI] because that answers part of your question.

**Dr FOTHERINGHAM:** Broadly, AHURI is funded by each of the governments in Australia, by the Commonwealth and all States and Territories. As part of our grant funding system we have a category one grant that this project is funded through. It is a competitive grant round, but the priorities for the broad topics for the grant each year are outlined through a consultation process with housing chief executives across the country. That includes most senior policymakers from each State and Territory and the Commonwealth. In the first instance the key audience for AHURI research is the policy community, housing departments and housing Ministers across the country. Research like this has a significant role in social and community housing but there is a second tier of consumers from the research relating to providers.

**CHAIR:** You have adequate funding to complete this piece of research in what sort of time frame?

**Professor PAWSON:** March 2015 is the target.

**CHAIR:** Is there any reason that target would not be reached?

**Professor PAWSON:** No.

**Dr MILLIGAN:** Perhaps we should add that the amount of funding available has influenced the scope of the research. That is, the number of different types of providers and the jurisdictions that are represented in the initial work.

**Professor PAWSON:** To answer another part of your question—what parts of Australia are included in the research—in the first stage the research involved entities and stakeholders at the national Commonwealth level and at the State level but particularly New South Wales and Western Australia because those States are the home States of the three universities that are participating. We are not pretending that we could cover every State at quite that depth but those two States do have large and quite diversified social housing systems, so they are a good place to start.

**CHAIR:** Did you begin the research with two stages in mind or did it morph into two stages and was the second stage you are now undertaking a result of the interim finding or the paper you published? Is there a third stage?

**Professor PAWSON:** The design always envisaged that there would be two stages and that we would need to review the adequacy of the current framework and engage with a whole lot of stakeholders who are involved in operating the existing framework. It was always envisaged that there would be an interim report that we just published. The report does two things. It reports what we have learnt so far and it proposes how we will do the second stage of the work which is the most intensive stage. It is consistent with the original proposal but it is more detailed. Part of the purpose of the first stage of the project is intentionally to learn enough about the topic so you can propose a more specific set of field work actions that will be carried out in the second part.

**CHAIR:** The interim findings in the first stage would have influenced to some extent the terms of reference for the second stage. How much change to the broad parameters of the second stage terms of reference has occurred and was that precipitated by the interim findings?



**Professor PAWSON:** I think the first part of the work was quite confirmatory of the assumptions or the hypothesis that we began with, that there was a lot of room for improvement in the data that currently is available.

**CHAIR:** You have probably been kind in saying there that is a lot of room for improvement because most are admitting there is a void. There are aspects of comparative data but there is very much a void in relation to concrete, comparable benchmarks and data across the sector. Everyone is looking forward to your research.

**Professor PAWSON:** It is not a very recent discovery that there is a problem in this area. A 2009 housing Ministers' report to the Council of Australian Governments made similar points and commitments that have not been followed through until now.

**CHAIR:** Is there a reason it has been put off for so long? Now that it is being addressed, can you give the Committee an idea of the conceptual framework that you will put in place to improve the reporting arrangements?

**Professor PAWSON:** Dr Milligan might like to say something about the history of this and why we do not already have something that is acceptable.

**Dr MILLIGAN:** The first round of movement into benchmarking in this area occurred in the 1990s and it has been on a trajectory of bedding down. Data systems and reporting were being enhanced to make it more robust and valid. It had probably not been critically reviewed. One set of answers lies in the fact that there is an existing system, which took a long time to develop, and it is perhaps timely to refresh it. That is the basis of the Productivity Commission's publications and it is what the Australian Housing and Urban Research Institute collects the information for. You will see a clear pattern of expansion and refinement since it began with data only for public housing authorities. It was then extended to community housing providers and more latterly to Indigenous community housing providers. It has been becoming more comprehensive and more refined.

The second point relates to the shift from provision predominantly through public housing providers augmented by very small and specialised community and Aboriginal housing providers. That has been changing with a clear trend towards diversifying the provision of public or social housing overall and building a multi-provider system with larger providers who could be expected to perform in a similar way to the traditional public housing authorities. Clearly it was recognised that to do that would require a government policy and objective. The Minister reflected that by saying there should be a strong basis in performance and expected outcomes. I think that was the genesis of this report. The growth of community housing has been occurring again since the 1990s, but from a very low base and quite gradually. It has been poised to take off in the past few years, particularly through measures like the social housing stimulus and the National Rental Affordability Scheme, which provided growth opportunities to that sector on a scale we have not seen before in Australia.

**Professor PAWSON:** In a sense, those growth opportunities have taken some of the larger providers to a threshold above which there are expectations on them with regard to accountability when historically they were not expected or seen as needing to play by the same rules as State housing providers.

**CHAIR:** Those rules for State housing providers have been inadequate as well, certainly in accountability and measurement. You have outlined a framework in the broad sense with four components for measuring social housing inputs and outputs. How does that framework differ from current reporting arrangements? Obviously we know they are lacking, but what features would you highlight in comparing your framework to the current arrangements?

**Professor PAWSON:** As far as the expenditure is concerned—the input side of the system—the current statistic that is used because it is the least worst available number is all-encompassing. It includes more than the four categories in our proposal; it also includes what is spent by providers on the maintenance of their housing stock. It is very opaque partly because it is such a black box and cannot be broken down. The comparisons that can be made between States may well be heavily influenced by the different legacies of different States in how well properties were built and how much has been spent on them. As a result, we have a very impure measure of the relative efficiency of different State providers.

**Mr BART BASSETT:** Apart from Western Australia and New South Wales, what housing providers are you studying and how were they selected?

**Professor PAWSON:** We are operating in those two States. It is very difficult to keep the State providers anonymous, and I will not try. They are part of the exercise. Below that, we have recruited four community housing providers in New South Wales and two in Western Australia who are yet to be fully signed up. We have selected them first by imposing a threshold. We are not attempting to create a set of measures that will be applicable or relevant to the entire body of community housing organisations. A large number of small providers have a very different business model. Even adding them all together they are not significant in the overall system they run. We are looking only at the larger providers. We have chosen from the larger providers in New South Wales more or less at random to enable us to have a reasonably diverse mix of organisations with different histories and operating in different contexts. I cannot disclose the actual identities because that is part of the research and we have undertaken to keep them anonymous.

**Mr GREG PIPER:** You say that there are myriad small providers. How many are there? There must be a point at which it is not economic to operate unless they are subsidised, for example, by a church. How would you define a small provider and a medium provider?

**Professor PAWSON:** If you take the figure of 1,000 in management, across Australia there are just over 20 organisations, probably nearly half of which operate in New South Wales. If you add the stock they run, that represents two-thirds of the entire community housing sector. Those that remain, that are responsible for one-third of the sector, are numbered in the hundreds.

**Mr GREG PIPER:** They have only relatively small holdings.

**Dr MILLIGAN:** I think the average is less than 100 properties if you take the total stock managed by the total number of providers. We do not have up-to-date data. Three or four years ago it was considerably less than 100.

**Mr GREG PIPER:** Anglicare and the Catholic churches have subsidised housing. Would they cross-subsidise those organisations?

**Professor PAWSON:** Yes. Many of the smaller providers would draw a significant amount of their resources from voluntary effort. That is one of the reasons we are excluding them. We are looking at organisations which perhaps were there historically and which have evolved to the point where they are professionally run and can be compared against each other more realistically.

**Mr BART BASSETT:** What can you report on current comparative measurements of social housing provision and tenant outcomes in New South Wales, across Australia and between public and community providers?

**Professor PAWSON:** There is no basis for comparison based on how much it costs to provide a service. There is some basis for comparison about what comes out of it with the National Social Housing Survey, which I mentioned. The survey has been done every two years since the 1990s. It attempts to provide a reasonably like-for-like comparison between the State provider in each State or Territory and all of the not-for-profits amalgamated into one. It is not broken down any further than that. These comparisons are about tenants' views about the service they receive. They are asked how they rate their service in different ways. However, there is one headline question about overall satisfaction with landlord service. The percentage satisfied in the public housing realm is about 10 per cent lower than the percentage satisfied in the community housing realm. That sort of margin is similar in virtually all the States.

**Dr MILLIGAN:** And over time.

**Professor PAWSON:** It has remained fairly fixed.

**CHAIR:** Might it be explained by other factors such as tenant or property mix, or is it a fair comparison?

**Professor PAWSON:** Those are possibilities. Our interim report, which we referred to earlier, explores to some extent whether the profile effect you describe means that some comparisons are a little misleading. For

example, if the age structure of public housing differed substantially from the age structure of the community housing that could result in incomparable survey numbers. We have done comparisons of like for like. We have looked at the responses provided by a certain age band or people living in a certain property type. In all the comparisons of that type we have done in an attempt to see whether a profile effect is creating distortion, no such distortion has been evident. In every case that kind of margin remained visible for those comparisons.

**Mr BART BASSETT:** To what extent can governments and the community rely on current reporting arrangements to assess the performance of social housing programs in a general way? Are they unreliable or reasonably reliable? Is there any way you can say how successful they have been? It sounds as though the data collection has not been good.

**Dr MILLIGAN:** The problem is not with the data collection; it is with the conception of what is being measured. As Professor Pawson said, the problem is the black-box nature of it. We need to disaggregate the data and shine a light on those elements of social housing activity that can be reasonably compared as like with like.

**CHAIR:** The evidence the Committee has heard is that there is no concrete data, it is an amorphous collection. There are indications that community housing providers are providing a slightly better service, but there is nothing concrete on which to draw reliable conclusions. Is that correct?

**Professor PAWSON:** Yes, that is fair.

**Dr MILLIGAN:** I think we would agree.

**Mr GREG PIPER:** The Committee has received evidence that the inability to disaggregate housing types and locations, tenant types and locations and support service types and client characteristics are major impediments to current reporting being useful and comparative performance of providers being available. Do you agree?

**Professor PAWSON:** Yes, I think that is an aspect of the unsophisticated nature of the measures that exist at the moment. We would say that that is a fair comment.

**Mr GREG PIPER:** How does your conceptual framework overcome the problems identified in the disaggregation difficulty?

**Professor PAWSON:** Because we are suggesting that it is much more desirable to look at the components of the activity rather than trying to focus entirely on an overall number. We will learn a lot from being able to do that.

**Mr BART BASSETT:** Is the private sector provision of social housing measured currently? How will private sector provision be measurable under your conceptual framework?

**Professor PAWSON:** I am not quite sure what you have in mind by the private sector provision of social housing. In some ways that is a theoretical possibility that does not exist at the moment but that is not to say that it could not. Experiments have been tried by some States to outsource to the private sector some management activities, but not very recently to my knowledge. Our proposed framework could enable that and, if it is done in future, it would be feasible to compare the effectiveness of private versus not-for-profit versus State providers. It also makes it possible to compare what it currently costs private entities to manage not social housing but private housing. Obviously, there is a huge real estate industry, which is managing market rental activity.

One of the reasons we think it is important to look separately at the different elements of the housing management task that social landlords do is that some of the elements would be the same in the market housing sector and some of them are special to social housing. The ones around social inclusion, tenant support and things like that, real estate agents in market housing are not really expected to do. You need to be able to compare what it costs social landlords to do just those things as well as the other things that they do. If we are able to demonstrate the effectiveness of measures we are proposing, in future, comparisons can be made between market providers providing market rental housing and social housing providers managing what they do.

**CHAIR:** In your analysis of the four quadrants, the first two are more easily benchmarked against private sector activity than the other two.

**Professor PAWSON:** That is exactly it.

**CHAIR:** I agree with your methodology in trying to discretely measure distinct value-added components within that framework, but arguably there is also some value in an integrated approach where there are synergies. How do you measure that? Are you aware of a Victorian experiment where there was more outsourcing to the private sector of some of the core management functions, which was later retreated from?

**Professor PAWSON:** I am not sure about the instance in Victoria. The one that I have in mind was active in Queensland from the mid-1990s.

**CHAIR:** Let us look at the issue of how the private sector experience might be benchmarked in quadrants one and two, and the issue of value created by synergy effects.

**Professor PAWSON:** What we have in mind is that it would be possible to sum the four components together to give you a total. Indeed, it may be that that is the main focus of attention in the future, but it will be possible to look separately at what lies underneath it. The total number, the comparison between different organisations in that total number, may reflect how effectively they are benefiting from the synergies you were talking about.

**CHAIR:** Can you see the logical obstacles to private sector involvement in the more managerial side of the equation?

**Dr MILLIGAN:** There is no practice in Australia of a continuing nature, so it is very difficult to know. We did not research exhaustively, but we have asked whether there are robust benchmarks for the private sector and we are not aware of any. One of the things that seemed to be suggested in asking those questions was that private sector providers themselves may be smaller than the larger of our community housing providers and where the growth trajectories for those community housing providers are heading. We do not have potentially large specialised private sector firms that manage housing. It tends to be more an ancillary business of small real estate firms. It is a bit like the problem of comparing public and community housing; they had a very different pathway and they were very different beasts. I suspect the same is true of private housing in Australia. I am aware in the international context that there are professional private rental firms that are very large and sometimes manage diverse forms of housing including forms of government subsidised housing, but that has not been the tradition here.

**Professor PAWSON:** The elephant in the room that we have not mentioned so far is that the resources system is so limited that the attraction for the private sector is not obvious. It is a system that is run on a shoestring at the moment—in fact, it is not sustainable, particularly the public housing side of it. The only instance that I can think of internationally of a serious effort being made to attract private providers to carry out those management functions was in the 1990s in the United Kingdom, when compulsory competitive tendering of housing management services was legislated and implemented. Specifications were drawn up, tenders were advertised, competitive bids were assessed and the vast majority of those tenders were given to in-house competitors or, in a few cases, to housing associations like our community housing providers, not-for-profit organisations that already specialised in this type of business. Only one or two external providers from an explicitly private sector background were able to prevail in that process because they could clearly demonstrate that they were efficient and were comfortable with the kinds of margins that could be offered.

**CHAIR:** If you are looking at a whole quadrant it seems as though it is unlikely to be profit attractive because the private sector would be motivated by the profit motive, but there may be discrete activities or functions that a private sector organisation already provides that could be outsourced.

**Dr MILLIGAN:** Like maintenance contracts.

**CHAIR:** We have talked about the value of diversity in an environment where there is no clear winner at the moment. We have heard from previous witnesses about the value of having a diverse sector with lots of models and competition between the different models. There are tenant-managed organisations in the United Kingdom. Are you familiar with those?

**Professor PAWSON:** Yes.

**CHAIR:** Do they come into the equation in the breadth of comparison of different models in your analysis?

**Professor PAWSON:** There is a cooperative housing model in Australia, which is probably the nearest to what you are describing. It is not identical to the tenant management approach from Britain, but it is quite well established particularly in Victoria. There is quite a large consortium of properties operating almost as a single entity in the Victorian system. That model is represented to that extent and a smaller number in New South Wales do not have such critical mass.

**Dr MILLIGAN:** For the purposes of our research we excluded cooperatives because we would not be comparing like with like. Typically they self-manage, so you would expect them to be a lower cost form of provision. Clearly that has a place in the system, because some people prefer that option and therefore the option is there for them to opt into.

**Mr BART BASSETT:** The cooperative was mentioned and they said there are probably just over 300 in New South Wales. Although it was not part of your research, from what you have seen why do you think it was taken up in Victoria? Obviously it would have been government policy at some stage. Is that the only reason?

**Dr MILLIGAN:** I am aware from history that in the 1980s it was the chosen model for community housing that government funded in Victoria. In New South Wales it was one of a number of models, so people who have formed cooperatives competed with these mainstream community housing providers, as we call them, for government funding. In Victoria in the 1980s it was the preferred model and then no funding was provided for that model, so for a long time it was a static model. Now, as a mature sector, having paid down historic debts and developed scale, it has been able to self-initiate growth. It is quite a vibrant model in Victoria.

**Professor PAWSON:** The history of this in the United Kingdom context, where it is a significant part of the social housing scene, is one of more active tenant engagement, involvement and representation in a way that provided a foundation for some of the tenants concerned to take on the direct management of the housing stock. The basis for that does not exist in the same way in Australia. You could create it, but there is not an existing foundation for it as you would find in some parts of Britain.

**CHAIR:** Dr Fotheringham, would you like to comment on any matters that have been discussed?

**Dr FOTHERINGHAM:** No, I think Professor Pawson and Dr Milligan have addressed things very well.

**CHAIR:** Are there any observations that you would like to make in relation to the research into tenancy management in New South Wales?

**Dr FOTHERINGHAM:** Here at central office we are looking forward to the next phase of this piece of research. We will wait for that before we make any further comment.

**CHAIR:** I will put a proposition to get your reaction. In an environment where there is a lack of clarity—I note you said that everyone is waiting with anticipation, perhaps too much anticipation, for your report in March; there will not be magic answers or clear paths forward, even after your research—a reasonable approach would be to try to encourage a healthy contestability and comparison of different options and while doing that move to a framework of putting in place a much more disciplined measurement in a way that you do not lock in too much too soon.

**Professor PAWSON:** Yes.

**CHAIR:** But you maintain a range of options that might more flexibly be locked in over the next couple of years. Is that a reasonable premise? Is it a sensible summation of where we are at, or would you see it as being somewhere else?

**Professor PAWSON:** No, I think that is reasonable. I think we want to put forward or we think there should be a potentially flexible instrument that governments and the industry will have to sign off eventually. At this stage we are looking at various different options, and those will be included. Some of the choices that could be made will be highlighted in our report.

**Dr MILLIGAN:** The only other comment I would add is that—perhaps we do not have time to do it today—a case can be made for saying that even the larger community housing providers in Australia are under scale and their capacity is underutilised. If we are looking for diversity I think we also have to be looking to build scale and capacity in that sector so that we are likely to have the potential for cost efficiencies.

**CHAIR:** Some of the evidence we have heard is that, yes, there is some value in building that scale, but there is also value in having local responsiveness and connectedness, particularly in rural and regional areas, where that comment you have just made perhaps does not apply to the same extent. Would you agree with that?

**Dr MILLIGAN:** Yes. That is the trade-off.

**CHAIR:** Do you have any other comments or things that you want to highlight in closing?

**Professor PAWSON:** I do not think so.

**CHAIR:** Thank you for appearing before the Committee today. Thank you for your work, because I know it is putting a bit more pressure on you but many people in the industry are looking forward to seeing what you produce. I think it has enormous potential to add some real value to the sector. Good luck in your ongoing efforts. I know that in New South Wales everyone I have spoken to is supportive of what you are doing. We appreciate not only the timing of your research in relation to this inquiry but also the ongoing input it will have to the policy area at a broader government level.

**Professor PAWSON:** Thank you.

**Dr MILLIGAN:** Thank you.

**CHAIR:** If there are additional questions in writing we will provide them and they will form part of your evidence. Would you be happy to answer those should there be any further questions?

**Professor PAWSON:** Certainly, yes.

**Dr FOTHERINGHAM:** Yes.

**(The witnesses withdrew)**

**(The Committee adjourned at 3.05 p.m.)**

---