

Chapter 3 Models of community housing provision

There are a range of different models providing community housing in New South Wales. As outlined in Chapter 2, these models include housing associations, housing co-operatives, and housing provided by non-for-profit organisations such as churches and local government. The fourth model, only recently conceived as a community housing model, is managed by crisis accommodation providers. These models provide a range of different accommodation options, including crisis accommodation and medium and long term accommodation. There is also a range of accommodation types within this mix, including single dwelling accommodation and congregate dwellings such as group homes or boarding houses, providing housing targeting various groups within the community. This chapter looks at a range of issues which impact on the provision of community housing in New South Wales. The terms of reference for the inquiry direct us to overview the effective size of community housing providers and models for accommodation and support in metropolitan, regional and rural areas. These issues are dealt with below together with a brief overview of innovative approaches in the delivery of community housing from other jurisdictions.

Large vs small community housing providers

- 3.1** Evidence to the inquiry presented a diverse range of views on the most effective size of housing providers. Many witnesses argued that the efficiency, investment raising capacity and competitive effects of community housing are significantly improved the larger the community housing organisation. Other evidence suggested that many of the advantages of community housing, particularly in relation to tenant participation, diminish as housing organisations become larger. The Local Government and Shires Associations of NSW suggest that while economic viability is an important factor in determining the size of community housing organisations, the capacity to be responsive to the local community must also be considered:

This [responsiveness to the local community] is what makes it community housing, and distinguishes it from state government housing and the private sector.¹²³

- 3.2** This section overviews the debate on the size of community housing projects, including definitions, advantages and disadvantages of small and large providers and models from overseas.

How big are 'large' and 'small' providers?

- 3.3** There is no commonly used definition of 'large' and 'small' providers. For their surveys of community housing providers, the Department of Housing defines small providers as those managing less than 100 properties, medium providers as those managing 100 to 299 properties, and large providers as those managing over 299 properties. However, many providers manage significantly less than 100 properties, with 29% of providers in this State

¹²³ Submission 19, Local Government and Shires Associations of NSW, p4

managing fewer than five tenancies and 44% managing six to 25 tenancies.¹²⁴ At the other end of the spectrum, there has been a recent shift towards larger providers, with 80% of all long-term housing stock now managed by only 18 providers.¹²⁵ For example, the largest provider in New South Wales now manages over 700 tenancies.¹²⁶

Advantages and disadvantages of large providers

3.4 In the evidence presented to the Committee, the sector generally agreed that the main advantages of large providers are that they can:

- achieve economies of scale
- be flexible due to the size of their budgets
- afford to employ professional staff in specialised positions
- attract highly qualified board members.

3.5 It is interesting that the Department of Housing perceives an additional benefit, which is that large providers have “an enhanced ability to manage more complex clients to have more professional relationships with other support providers”,¹²⁷ including establishing formal relationships and service protocols with support services.

3.6 Many witnesses speculated on the size at which community housing providers begin to achieve economies of scale. The National Community Housing Forum in a 2001 discussion paper suggested:

There is clear evidence that overall, cost efficiencies are gained at around 200 units.¹²⁸

3.7 Evidence from the Department of Housing supported the view that large providers can achieve economies of scale. This evidence showed a significant difference in the management costs of large and small providers, with providers managing less than 30

¹²⁴ Submission 28, National Community Housing Forum, Attachment, *An overview of the Community Housing Business and Key Functions*, p12

¹²⁵ Ms Carol Mills, Deputy Director General, Corporate Strategy, Department of Housing, Evidence, 12 February 2002, p6

¹²⁶ Submission 28, National Community Housing Forum, Attachment, *Developmental Trends and Issues in Community Housing*, p4

¹²⁷ Carol Mills, Evidence, Department of Housing, 12 February 2002, p7

¹²⁸ Submission 28, National Community Housing Forum, Attachment, *Viability and Community Housing*, p6

tenancies receiving annual property management funding of \$1,700 per property and providers managing over 400 properties receiving \$720 per property.¹²⁹

3.8 The main disadvantage of large providers was seen to be the difficulty of retaining community responsiveness. The Committee heard evidence that:

...a great paradox of community housing is that [if] it is going to achieve what it says it will achieve in terms of flexibility, tenant participation, responsive management and so on, then it needs to be small. The larger it gets, the harder it is to do those things.¹³⁰

3.9 Patricia Martin, the chair of Hume Community Housing, the largest community housing provider in New South Wales, gave evidence that:

...at the moment we are managing 700 properties and, while this does not present a problem as far as office management, our board is concerned about growing too big and about service delivery to our tenants. We have a high commitment to tenant participation and, once you reach 1,000 properties, you have to work very hard to retain that tenant contact.¹³¹

The United Kingdom experience

3.10 The Committee noted that the community housing sector in the UK is made up of much larger providers than in New South Wales with some UK associations larger than most Australian State housing authorities. The Committee heard that ten years ago the UK sector went through a period of research into and debate concerning the most appropriate size for community housing providers, and finally resolved that both large and small providers could be effective, with the quality of management being the most important element. However, in the UK context a small provider is one which manages less than 500 units, a medium provider up to 2,000 and a large provider over 2,500.¹³² According to Professor Bill Randolph from the University of Western Sydney, one of the benefits of the scale of these associations means that professionals and resources are brought into the sector:

...There was a deliberate attempt at that time to change the character of the staffing and the skills base of the sector... This was related to the resources that were going in to the sector and the growth and size. Once you get to a certain size you will start to attract people with the sorts of skills that we are talking about.¹³³

¹²⁹ Mills, Evidence, Department of Housing, 12 February 2002, p7

¹³⁰ Mr Michael Darcy, Senior Lecturer, School of Applied Social and Human Sciences, University of Western Sydney, Evidence, 13 February 2002, p19

¹³¹ Ms Patricia Martin, Deputy President, New South Wales Federation of Housing Associations, Evidence, 12 February 2002, p48

¹³² Professor Bill Randolph, Urban Development, University of Western Sydney, Evidence, 13 February 2002, p5

¹³³ Randolph, Evidence, 13 February 2002, p6

3.11 There was conflicting evidence on the desirability of large organisations, as demonstrated by the UK experience. Professor Randolph argued that:

... until you get to 1,000 units you are not really playing a grown-up game. If you are serious about bringing the community housing sector into the twenty-first century you have to think about the size of those organisations.¹³⁴

3.12 In contrast, Mr Kelvyn Enright, President of the NSW Federation of Housing Associations, is of the opinion that:

If you look at the United Kingdom experience ... you will see that you need to be pretty wary when you start to push organisations such as that to more than 1,000 properties. The big ones in the United Kingdom have monumental difficulties.¹³⁵

3.13 Some of these difficulties include reduced contact with tenants, management difficulties and the logistical problems associated with providing housing and support services to people over a large geographical area. Mr Enright went on to emphasise the importance for large organisations of remaining based in a particular location:

The big message that came out of the United Kingdom ... said, 'Do not get out of your area.' The organisations that have got out of the area are the ones that have lost focus.¹³⁶

3.14 The Committee also heard evidence concerning the way UK providers are retaining community involvement in spite of their size. UK providers have used a number of different mechanisms, including tenants sitting directly on management committees, tenant forums, tenant representative councils, and regional tenants councils that feed into central tenants councils. According to housing consultant Helen Wood, providers in Australia need to be aware of the options available to larger organisations to facilitate tenant participation.¹³⁷

Advantages and disadvantages of small providers

3.15 In the evidence presented to the Committee, the sector generally agreed that the main advantages of small providers are that they can:

- be community-based
- actively involve tenants in management

¹³⁴ Randolph, Evidence, 13 February 2002, pp4-5

¹³⁵ Mr Kelvyn Enright, Executive Director, NSW Federation of Housing Associations, Evidence, 12 February 2002, p48

¹³⁶ Enright, Evidence, 12 February 2002, p53

¹³⁷ Ms Helen Wood, Housing Consultant, Evidence, 13 February 2002, p7

- effectively meet the needs of groups with common backgrounds or experiences, such as the aged or those from particular cultural or linguistic communities.

3.16 The community-based nature of small providers means that they are more personalised and less bureaucratic, and therefore less intimidating for clients to access. This is particularly important for high-needs groups.

3.17 Evidence suggested that one of the disadvantages of small providers was that they do not have the capacity to employ staff in specialised positions, such as qualified accountants. Small providers also struggle to attract suitable board members with skills in budget management and strategic planning. Some types of small providers such as co-operatives rely solely on the contribution of their members, which inherently restricts the pool of skills available.

3.18 In addition, small providers have less flexibility due to their smaller budgets, and have less scope to implement new programs or subsidise certain tenants through other income. Other evidence suggested that smaller projects had limited opportunity to expand their housing reach.

Size and the effectiveness of community housing

3.19 The Committee believes the critical question around the appropriate size of community housing organisations centres on what constitutes an effective community housing provider. We consider that the definition of ‘effectiveness’ should not be restricted just to cost effectiveness.

3.20 The evidence presented to the Committee showed that there is general acceptance among community housing providers that large organisations have greater capacity to be cost-effective and to achieve lower management costs. However, the evidence presented also demonstrated agreement that using a broader definition of effectiveness, which includes wider benefits in tenants’ lives, shows that both large and small providers can be effective. According to Churches Community Housing:

... the effectiveness of a program needs to be considered not only in terms of financial outcomes, but also in terms of the stability and security it enables in the lives of the recipients.¹³⁸

3.21 The Committee also heard that the quality of the organisation’s management is more important than its size in determining effectiveness:

There are well-managed, effective housing associations of every size. These housing associations are characterised by staff and boards who respond well to changing features of the environment, and who plan for the future. Other housing associations require more capacity building to enhance their effectiveness, whether they are managing 30 or 300 properties.¹³⁹

¹³⁸ Submission 27, Churches Community Housing Inc, p12

¹³⁹ Submission 34, NSW Federation of Housing Associations, p76

3.22 Thus, it is not clear that becoming bigger is desirable for all providers:

While on the surface increasing the scale of organisations may form an economical approach to rapid growth, a range of factors first need to be taken into account that impact on the optimal size of organisations – location, tenant involvement and target groups. Balancing economies of scale with local responsiveness is critical in adequately meeting housing needs. For many small providers growth is not a desirable option.¹⁴⁰

3.23 Evidence received during the inquiry suggested that, rather than encouraging all providers to grow, it is more important to consider the needs of the community, and the most appropriately sized organisation to meet those needs:

The purpose of growth should be to achieve the appropriate size for the housing association's community, given the size and needs of the community.¹⁴¹

3.24 The Committee heard that the issue of growth is especially problematic in rural and regional areas, where organisational growth, for example through amalgamation, may lead to providers having a regional rather than a local perspective. Providers in these areas also need to be aware of the potential for amalgamation to create an additional layer of bureaucracy and added management costs which may in fact require more funding,¹⁴² rather than achieving economies of scale. (The issue of amalgamation is dealt with below.)

3.25 Many of those who made submissions and gave evidence emphasised that diversity is a key strength of the community housing sector, and that the existence of both large and small providers is a necessary part of this diversity. This is likely to require actions to bolster the viability and cost effectiveness of smaller providers. In this respect, the Committee supports the Department of Housing's call for the consideration of options for resource sharing amongst smaller providers.

3.26 One option suggested by the Association to Resource Cooperative Housing is for a secondary co-operative structure to assist smaller co-operatives with a range of tasks including accounting, maintenance and performance requirements.¹⁴³ Other witnesses such as Ms Mary Perkins from Shelter NSW also suggested that secondary co-operative arrangements are a useful way to assist smaller providers so they can remain viable and accessible to the community and tenants:

Where there is real merit in small organisations having that close connectedness with particular communities or particular groups of clients with defined needs, there are mechanisms you can use to try to get some of the economies of scale

¹⁴⁰ Submission 28, National Community Housing Forum, Attachment, *Viability and Community Housing*, p8

¹⁴¹ Submission 34, NSW Federation of Housing Associations, p75

¹⁴² Submission 28, National Community Housing Forum, Attachment, *Viability and Community Housing*, p16

¹⁴³ Ms Karine Shellshear, Executive Officer, Association to Resource Cooperative Housing, Evidence, 12 February 2002, p24. The issue of secondary co-operatives is discussed further in Chapter 2.

into those organisations that are much more easily attained by larger organisations. That is why we have supported that policy in our submission that we wanted to see a secondary co-op established in the co-op area that would provide some of the management support to co-ops in a centralised way. So, you can juggle with models to try to get the best outcome with a variety of on-the-ground management models depending on what the needs of that community are or the desires of that community.¹⁴⁴

- 3.27** Another support mechanism, which was discussed in the previous chapter, is South Australia's ComHouse. The Committee understands that a particular focus of ComHouse is to assist small providers that do not have much capacity to generate income to save for the maintenance. The Committee believes that the Department of Housing together with the appropriate resourcing agencies should consider these and other strategies to assist smaller community housing providers. We consider that the recommended Five Year Strategic Policy Framework should be the vehicle for consideration and development of the issues relating to size of community housing organisations.

Recommendation 7

That the Department ensure that community housing continues to be provided in a range of sizes. The development of future community housing projects should ensure that a range of factors are taken into account when determining size, including economies of scale, location, tenant involvement, local responsiveness and target groups.

Recommendation 8

That the Department of Housing liaise with community housing peak organisations to investigate strategies to assist smaller community housing providers, including Secondary Co-operatives and the model for maintenance services in South Australia, ComHouse.

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- 3.28** In considering ways to improve the effectiveness of larger providers, the Committee believes the sector should consider the way some large UK providers are seeking to overcome a lack of community engagement. UK providers have used a number of different mechanisms, including tenants sitting directly on management committees, tenant forums, tenant representative councils and regional tenants councils. These options may allow New South Wales providers to expand and achieve the cost effectiveness of large providers without losing their community responsiveness. The Committee believes the government should encourage large providers in New South Wales to consider implementing some of these strategies.

¹⁴⁴ Ms Mary Perkins, Executive Officer, Shelter NSW, Evidence, 16 April 2002, p11

Recommendation 9

That the Department of Housing liaise with the NSW Federation of Housing Associations and tenant representative groups to consider ways to enhance community engagement in the larger community housing providers, with particular consideration given to tenants sitting directly on management committees, tenant forums, tenant representative councils and regional tenants councils.

Appropriate community housing for rural, regional and metropolitan areas

3.29 The Committee was asked to consider appropriate models for community housing in rural, regional and metropolitan areas. While community housing comprises approximately 8.4% of all social housing stock in New South Wales, in rural areas community housing makes up approximately 11% of social housing. According to the NSW Federation of Housing Associations the distribution reflects the availability of housing association and church properties outside of the metropolitan areas.¹⁴⁵ Ms Alison Wannan from the Office of Community Housing explained the division of metropolitan, regional and rural housing:

What we mean for metropolitan New South Wales is clearly the greater Sydney area. Regional means Newcastle, bits of the Hunter Valley along with the Illawarra and Shoalhaven. It is the coastal fringe. Rural New South Wales within this includes the far north and south coasts and then obviously everything further inland across the great divide. ... If we look at the models on the ground, they are quite different, which is a good thing because they should be responding to different need as it occurs across the State.¹⁴⁶

3.30 There are many issues affecting the delivery of community housing across New South Wales. For example, submissions from the major resourcing agencies all commented on the ineffectiveness of the current financing and development models for community housing. Many believe that the models are hampering the development and expansion of community housing in this State. The issues of equity, title and partnerships will be dealt with later in this report. The sections below deal with issues specific to rural and regional areas and metropolitan Sydney respectively.

Issues for rural and regional community housing¹⁴⁷

3.31 A range of views were expressed on this term of reference with many witnesses concerned with diversifying the models and improving access to community housing in regional and rural New South Wales. Some of the concerns with community housing in rural and

¹⁴⁵ Submission 34, NSW Federation of Housing Associations, p105

¹⁴⁶ Ms Alison Wannan, Acting Executive Director, Office of Community Housing, 12 February 2002, p9

¹⁴⁷ Other issues raised in evidence such as the for need new models of management and accountability structures are discussed in Chapter 4

regional areas include the lack of services available, limited public housing stock and lack of housing choice.

- 3.32** In a submission from Murray Shire Council, the General Manager Mr Greg Murdoch explained the dilemmas facing small towns in the region. According to Mr Murdoch, there is an inequity in the provision of social housing in smaller towns in favour of providing housing in the larger centres of Wagga and Albury:

Mathoura (Est Population 700) has no public housing except for a community based retirement village with 6 units. The income from these units barely covers annual maintenance and cannot fund new units... Within the town there are many residents living in substandard Caravan accommodation that could fit the criteria for need in a larger centre. However, they choose to live in Mathoura which is their home.¹⁴⁸

- 3.33** The Northern Region Young Women's Accommodation Project also told the Committee that many of their clients are forced into the private rental market because of the shortage of public and community housing in the area.¹⁴⁹ Other witnesses were troubled by the limited purchase of stock in rural and regional New South Wales. The Local Government and Shires Associations of NSW told the Committee:

With the economic decline of many rural and regional centers in NSW, the Department of Housing has been reluctant to purchase or build housing in areas where its future financial return on capital properties is uncertain.¹⁵⁰

- 3.34** The Associations argue that while there are difficulties balancing social justice and equity of access to housing with economic viability, more should be done to find flexible, alternative options for housing in rural and regional areas. They suggest consideration should be given to better use of private sector options, for instance use of transportable homes or funding the upgrading or conversion of vacant premises over shops, in exchange for capped rents over a period of time.¹⁵¹

- 3.35** Other witnesses are concerned that, as many rural and regional community providers are small, they are struggling to remain viable and are experiencing difficulties attracting board members. The NSW Federation of Housing Associations reports that many rural associations:

Have been denied growth funds for many years, have high levels of leasehold properties and therefore high costs and many are concerned with their sustainability.¹⁵²

¹⁴⁸ Submission 14, Greg Murdoch, General Manager, Murray Shire Council, p1

¹⁴⁹ Submission 15, Northern Region Young Women's Accommodation Project, p1

¹⁵⁰ Submission 19, Local Government and Shires Associations of NSW, p5

¹⁵¹ Submission 19, Local Government and Shires Associations of NSW, pp5-6

¹⁵² Submission 34, NSW Federation of Housing Associations, p111

3.36 Other participants such as the Department of Community Services expressed their concern about the lack of support services in rural and regional New South Wales. This lack of services has resulted in the diversification of many community housing providers who have expanded their role beyond tenancy management to:

For example, run employment services, conduct training (living skills, computer literacy) and operate information services to tenants.¹⁵³

3.37 In relation to links between community housing and support services, DoCS believes that more needs to be done to assist them in their support of homeless people and tenants accommodated through SAAP. Their concerns relate to the new partnerships initiatives being promoted in the Partnership in Community Housing Program. The Program aims to “increase the diversity of housing supplied to low income households who have a high need, particularly those disadvantaged by geographical and social isolation.” DoCS is concerned with the trend of metropolitan rather than rural and regional community housing associations pursuing innovative partnership arrangements:

While DoCS is aware of the constraints upon community housing associations in rural areas, it considers that greater emphasis needs to be given to encouraging and supporting innovative approaches among rural-based organisations.¹⁵⁴

3.38 While the Department is of the view that more viable management structures are needed across the social housing system, in relation to regional and rural communities it argues that:

Change strategies in rural areas need to be guided by the social housing rural strategy and recognise the importance of maintaining locally responsive forms of housing assistance where needed for these communities.¹⁵⁵

3.39 In February 2002, Ms Alison Wannan, then Acting Executive Director for the Office of Community Housing told the Committee that the Department had a rural strategy coming out. The Committee understands the rural strategy is still under development. Ms Wannan said that the Department was particularly keen to look at options for rural growth centres such as Griffith and Orange. In addition, Ms Wannan said:

We will be looking at restructuring and working with some of the under performing providers and potential for future partnerships with church organisations in priority areas.¹⁵⁶

3.40 Over the past five years the government has embarked on a process of regional amalgamations of smaller community housing organisations to ensure they operate over a larger geographical area. A report prepared by the Federation of Housing Associations

¹⁵³ Submission 53, Department of Community Services, p7

¹⁵⁴ Submission 53, Department of Community Services, p10

¹⁵⁵ Submission 54, Department of Housing, p65

¹⁵⁶ Ms Alison Wannan, Acting Executive Director for the Office of Community Housing, Evidence, 12 February 2002, p10

found that the government funding agencies at the time underestimated the complexities of amalgamating up to four housing associations. Only limited additional resources were provided to assist housing associations to amalgamate. The Federation suggested that the government:

... also expected efficiencies from very early in the process – yet we now know that even the corporate sector finds mergers and acquisitions very difficult.¹⁵⁷

- 3.41** While improvements are clearly needed, the news on rural and regional community housing is not all bad. A number of submissions pointed to innovations such as the multiple occupancies¹⁵⁸ in rural communities and the formation of alliances with other local housing providers.¹⁵⁹ In relation to regional amalgamations, the Committee visited the North Coast Community Housing Co-operative and was told that the amalgamation of housing associations, Clarence Housing Association and North Coast Community Housing Company, while initially difficult, has resulted in some improvements over time in management co-ordination, administration and tenant advocacy and support. Representatives from the new organisation stated that while there are efficiencies in establishing the organisation, it is still unclear whether there are significant improvements in the costs associated with travel and contact with tenants.¹⁶⁰

The Queensland model

- 3.42** Community housing in Queensland has developed to respond to the particular needs of a population that is dispersed throughout many regional, rural and remote areas across the State. The Queensland government has implemented several provisions to deal with the dispersed and decentralised community housing sector, including developing a *Community Housing Plan 1999-2004*, a *Community Housing Resource Worker Program*, and forming a new *Housing Company*.
- 3.43** The community housing sector in Queensland is in a unique position as the only jurisdiction to have a current finalised State-wide policy framework.¹⁶¹ The aim of the *Community Housing Plan* is to develop the frameworks and infrastructure necessary to achieve a diverse and sustainable community housing system which:
- provides quality and cost-effective services
 - responds flexibly to the needs of tenants and communities
 - is recognised as a leading and effective social housing provider

¹⁵⁷ Submission 34, NSW Federation of Housing Associations, p112

¹⁵⁸ Submission 47, Shelter NSW; Submission 49, Tenants' Union of NSW Co-op Ltd, p18

¹⁵⁹ Submission 29, Homes Out West now known as Deniliquin Community Tenancy Scheme Inc, p9

¹⁶⁰ Site visit, North Coast Community Housing Company, 21 August 2003

¹⁶¹ Submission 28, National Community Housing Forum, p25

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- delivers affordable, secure and appropriate housing for people in housing need
 - has an emphasis on responsive and supportive models of tenant management
 - contributes to the social, economic and environmental wellbeing of Queensland communities.¹⁶²

3.44 The National Community Housing Forum recognises that this plan is particularly relevant in Queensland:

In Queensland, community housing provides the only affordable housing in many locations where there is little public housing due to the constraints of distance and cost. However, a State based plan that, like this one, draws on the *Strategic Framework for Community Housing in Australia (1999-2003)*, is an important policy that provides a shared vision for all the government and non-government players in the State.¹⁶³

3.45 The Queensland Department of Housing has also been instrumental in establishing the *Community Housing Resource Worker Program*. As the New South Wales Department of Housing explains:

They have also funded a *Community Housing Resource Worker Program* to work in conjunction with voluntary Regional Community Housing Councils to provide targeted support to providers in each of their 10 regions in respect of viability and growth strategies, amongst a range of other objectives.¹⁶⁴

3.46 As the community housing organisations are dispersed in rural Queensland they are quite small and relatively weak in securing private funding. This has been addressed by the development of a new Housing Company:

One recent initiative in rural central Queensland is the formation of a new *Housing Company*, which amalgamates six small co-operatives. As housing organisations in Queensland hold their own titles, this provides an asset base of about 130 properties, making the new company much better placed in a mixed funding environment, rather than relying totally on government funds for growth.¹⁶⁵

Issues for metropolitan community housing

3.47 The Department of Housing in evidence to the Committee explained the different types of community housing in metropolitan areas:

¹⁶² Queensland Department of Housing, available at: http://www.housing.qld.gov.au/ch_online/publications/ch_five_year_plan/vision.htm

¹⁶³ Submission 28, National Community Housing Forum, p26

¹⁶⁴ Submission 54, Department of Housing, p58

¹⁶⁵ *ibid.*

In metropolitan Sydney, one feature we find at the moment, in terms of housing associations, is that we have considerably large numbers of large and medium geographical based providers so they have a locality. ... We have some gender specific providers—one for men and one for women. They have grown up around traditionally the homeless groups of people but have since diversified. The range of services, we have co-operatives for culturally and linguistically diverse communities. Some examples are a number of Indo-Chinese communities, a number of communities from either India or Sri Lanka and some Spanish-speaking communities as well. We have mixed-income models. That means we have people who earn very low, low and medium incomes—people who might be earning up to, say, about \$40,000. CityWest is an example of a community housing provider. It is not funded completely separately from everything else we are talking about today but it is an example of a mixed-income model.¹⁶⁶

3.48 The Department told the Committee they would be interested in developing future models of a supported housing company.¹⁶⁷ The Department of Housing submission notes one of the key strategies to strengthen the provision of community housing in this State is the development of a specialist supported company in inner Sydney to provide better, more seamless services for complex needs groups.¹⁶⁸ The Department undertook a consultation process in the second half of 2002 and is currently refining the most appropriate model for a supported housing company. While the Committee received only minimal information on this proposal, we understand that there is general support for the idea, however stakeholders await further details on the strategy prior to making any further comments.

3.49 According to other evidence to our inquiry, among the greatest dilemmas for applicants and tenants of social housing in the Sydney metropolitan region is the high property costs, inflated rental prices and higher than state average living costs. These conditions have a significant impact on community housing, particularly on providers with high ratios of lease hold properties. As stated elsewhere in the report, nearly half of community housing properties are lease hold properties. The NSW Federation of Housing Associations argue:

The volatility of the Sydney private rental market and historically low vacancy rates means that leasehold properties can be hard to come by – particularly at or around the median rent. There is much competition for these properties for much of the real estate property cycle and housing associations find that landlords may discriminate against difficult to house clients.¹⁶⁹

3.50 In relation to the government's growth strategy, amalgamations of larger housing associations in metropolitan areas have been relatively successful, although not without some problems. The NSW Federation of Housing Associations argue that the metropolitan amalgamations have probably been more successful than those in rural and regional NSW due to the shorter distances between organisations making communication, travel,

¹⁶⁶ Wannan, Evidence, 12 February 2002, p9

¹⁶⁷ *ibid.*

¹⁶⁸ Submission 54, Department of Housing, p67

¹⁶⁹ Submission 34, NSW Federation of Housing Associations, p110

meetings and so on easier.¹⁷⁰ The Committee visited the Hume Community Housing Association in 2002, one of the largest providers in the State.¹⁷¹ Hume is the result of the amalgamation of two smaller housing associations and according to their submission, the amalgamation has resulted in advantages for the organisation and its clients:

We would state categorically that it is much easier to manage and offer a quality service with a larger staff, even though the tenants to staff ratios are increasing. ... The ability to afford better resources including equipment, computers and software, and to allow staff to specialize in their work areas are the main reasons for this.¹⁷²

Addressing specific needs

- 3.51** An issue raised in submissions relevant to community housing in all areas is the limited choice of appropriate housing for specific target groups. For example, the Committee was told that there is inadequate housing for families and children with child protection concerns. The South West Sydney Scarba service identified that a large proportion of families housed in community housing are single parent families.

Multi level, adjoining housing is inappropriate for families with small children. Supervision of children is made more difficult in multi level housing, thus impacting on the safety of children and the stress levels of parents. Lack of choice in type and place of housing is of concern for families where isolation is a major risk factor in Child Protection.¹⁷³

- 3.52** The submission author argues that single level housing close to amenities, including effective transport, is essential to reduce the risks associated with social isolation and ensure the wellbeing of families and children.¹⁷⁴ The organisation People with Disabilities also raised the issue of the limited availability of community housing to provide accessible stock for people with a disability.¹⁷⁵ The Committee understands that this issue is also affecting other targeted groups receiving community housing, including young people, elderly people, people with a mental illness, and people from culturally and linguistically diverse communities.

¹⁷⁰ Submission 34, NSW Federation of Housing Associations, p112

¹⁷¹ Site visit, Hume Community Housing Association Company, 21 May 2002

¹⁷² Submission 20, Hume Community Housing Association Company Ltd, p3

¹⁷³ Submission 7, South West Sydney Scarba Service, p1

¹⁷⁴ Submission 7, South West Sydney Scarba Service, p1

¹⁷⁵ Submission 43, People with Disabilities, p1

The Committee view

- 3.53** The Committee accepts that the government and community housing providers are seeking ways to ensure there are a range of appropriate models for rural, regional and metropolitan community housing. The Committee is aware that the Office of Community Housing is currently implementing the rural social housing strategy and working with public housing, Aboriginal providers and CAP/SAAP organisations in some rural areas to develop more viable social housing management models and appropriate forms of housing assistance.
- 3.54** However, the evidence to this inquiry indicates that further work is required. In particular, the Committee believes that encouragement and support is required for housing providers in rural and regional New South Wales to explore innovative approaches to partnership arrangements. In relation to metropolitan areas, we believe consideration should be given to the development of more affordable housing options and a supported housing company. Both of these issues should be considered in the development of our recommended Five Year Strategic Policy Framework.
- 3.55** In relation to amalgamations, the Committee understands that the amalgamations in rural, regional and metropolitan areas, while initially problematic, generally have been a positive initiative. The Committee believes that, based on the experiences of previous organisations undergoing amalgamation, the government must ensure that there is adequate funding for the costs associated with establishment, management, training and support for future amalgamations. We also believe that the government should consider ways to ensure there is adequate and appropriate housing choice for specific target groups and explore innovative approaches to partnership arrangements.

Recommendation 10

That the Department of Housing ensure that the rural social housing strategy considers ways to encourage and support housing providers in rural and regional New South Wales to explore innovative approaches to partnership arrangements, including consideration to establishing a Housing Company based on the Queensland example.

Recommendation 11

That the Department should consider strategies to deal with issues specific to community housing in metropolitan areas including:

- ways to address the problems of high housing costs
- the development of a supported housing company.

Recommendation 12

That the Department ensure that all future rural, regional and metropolitan amalgamations of community housing organisations are provided with the necessary financial and administrative support to assist them in creating a new organisation.

Recommendation 13

That the Government, together with community housing providers, ensure there are adequate and appropriate housing choices for specific target groups, including families and children with child protection concerns, people with disability, young people, elderly people, people with a mental illness, and people from culturally and linguistically diverse communities. This should be considered as part of the recommended Five Year Strategic Policy Framework.

Approaches to community housing in other jurisdictions

- 3.56 The Committee understands that New South Wales continues to have a significant level of unmet need for affordable, appropriate and accessible housing. In this context, there is an ever-increasing demand for effective models of social housing, and in particular community housing. One of the key concerns of this inquiry is the most appropriate models for the delivery of community housing and support services. This section considers the evidence presented to the Committee of approaches to community housing provision from other States and Territories and from overseas.

Funding and rents

- 3.57 As discussed in Chapter 2, while the Commonwealth State Housing Agreement is the primary source of funds for community housing, stock is financed from a wide range of sources. The evidence to this inquiry argued that one of the key issues confronting the sector was to increase the range of sources of finance available to the social housing system. As discussed elsewhere in this report, many community housing providers are looking to utilise private finance which is premised on the ability of providers to manage and control assets.¹⁷⁶
- 3.58 In the United Kingdom funding is provided through government grants and private sector finance.¹⁷⁷ The government grant is a direct grant (called the Social Housing Grant) and it can come either from local government or directly from the *Housing Corporation*.¹⁷⁸ The private sector can also be used to finance housing associations. The Committee heard evidence that:

One of the main differences is the ownership of land and whether housing associations in Australia will ever be allowed to hold their own assets. In the UK this has always been the case. If you allow asset bases it would allow you to lever in private funding, because the private sector is not going to be happy to lend without some kind of collateral security.¹⁷⁹

¹⁷⁶ Submission 28, National Community Housing Forum, pp13-14

¹⁷⁷ Submission 54, Department of Housing, p60

¹⁷⁸ Wood, Evidence, 13 February 2002, p2

¹⁷⁹ Wood, Evidence, 13 February 2002, pp2-3

3.59 In the United Kingdom private sector funding is not so much envisaged as a desirable supplement to government grants, but more of a necessity for sector development and expansion. Professor Randolph from the University of Western Sydney gave evidence that:

The British model works: you have approximately 50 per cent public grant and 50 per cent private funding for all new developments. That is how it is done. You can only do that if you are off the public sector budget and housing associations offer that opportunity, which is why they are transferring thousands of stock to housing associations from local government. That is the only way that government can see that new resources of the amount required to improve the stock and remodel it can be brought into the sector.¹⁸⁰

3.60 Private sector funding brings a new dimension to the professionalism that is required of housing associations as there are necessarily more responsibilities associated with private sector finance. The Committee heard evidence that as a result of not having private sector finance:

It (the New South Wales system) has a management focus. It is providing good housing management services. But they do not have a role in developing or in financial asset management decisions because that is all done through the Office of Community Housing or the Department of Housing.¹⁸¹

3.61 While rent is an issue not often mentioned in the New South Wales context, in the United Kingdom rents are a key issue. One of the major problems associated with rents in the United Kingdom arose due to private sector finance:

The big negative thing of the private mixed funding housing association system is rents. That has been a big problem. What immediately happened once private funding came in is that rents rose.¹⁸²

3.62 The problem was addressed or at least minimised by the United Kingdom *Housing Benefit* scheme, which is the UK equivalent of *Commonwealth Rent Assistance*. As the Federation of Housing Associations explained:

The Housing Benefit is attached to the tenant but meets the full cost of housing provision. In Australia, rent assistance is only a contribution to rent and cuts out at a certain level of market rent. There is no UK equivalent of the Commonwealth State Housing Agreement.¹⁸³

3.63 While the United Kingdom has a very extensive rent provision program, the rising costs of rent associated with private investment put considerable strain on the system. As Professor Randolph explained, the Housing Benefit system is a “very generous system”:

¹⁸⁰ Randolph, Evidence, 13 February 2002, p11

¹⁸¹ Wood, Evidence, 13 February 2002, p7

¹⁸² Randolph, Evidence, 13 February 2002, p12

¹⁸³ Submission 34, New South Wales Federation of Housing Associations Inc, p94

It also meant that the housing benefit bill ballooned and all the way through the early 1990s this was a huge problem. That has a knock-on effect of welfare dependency. That is a big issue that has not properly been resolved. It was certainly a big negative of private funding.¹⁸⁴

- 3.64** Another major feature in the UK rent system is that housing associations are allowed to charge ‘cost rent’ to cover their costs, which is rare in New South Wales.¹⁸⁵ The Committee heard evidence about the benefits of such a rent:

This [cost rent] is critical because it means that people who run housing associations and social housing providers know what it costs to do that business. They form their judgements, their decision-making and their management structures and all the rest of it to ensure that those costs are minimised and that public funds are used effectively.¹⁸⁶

Partnerships, title and equity

- 3.65** As will be discussed in detail in Chapter 6, many witnesses argue that the arrangements for partnership, title and equity in New South Wales have not been adequately addressed and are impeding the expansion of the sector. Churches Community Housing suggest in their submission that they have the capacity to increase community housing stock by bringing new assets into the mix. The church ‘sector’, representing a range of denominations including Catholic, Anglican, Protestant and Orthodox churches, have a wealth of under-utilised church owned assets that can be developed for community housing. A principle concern of Churches Community Housing is how housing is brought on line through a partnership between government and a church or church based organisation.¹⁸⁷
- 3.66** According to the evidence, South Australia has resolved these issues and realised the potential for such partnerships. South Australia works within a ‘collaborative policy framework’ which means that the resources of the government and churches can be brought together under specified principles to meet the needs of the population in a collaborative manner.¹⁸⁸ These principles are as follows:

In South Australia, the government’s contribution in a project is amortised over a maximum period of thirty years. On completion of the term, the church will retain the land including all improvements. The church cannot withdraw from a project in less than twenty years without the permission of all parties. However, if they withdraw after twenty years but before the end of the term, they are liable for the

¹⁸⁴ Randolph, Evidence, 13 February 2002, p13

¹⁸⁵ *ibid*, p5

¹⁸⁶ *ibid*.

¹⁸⁷ Submission 27, Churches Community Housing

¹⁸⁸ Submission 27, Churches Community Housing, p12

remaining government investment established by a pro-rata formula that takes into account the current market value of the property.¹⁸⁹

3.67 The arrangements for church participation have also been addressed in Victoria where there is a strong church presence brokered by Ecumenical Housing Inc. Ecumenical Housing conducts research, promotes community housing, resources individual projects, and links them with both government administrators and the sector more broadly.¹⁹⁰ Victoria's Ecumenical Housing Inc. have negotiated policy frameworks, protocols and deeds of agreement that overcome title and equity issues that have impeded partnerships with churches in New South Wales.¹⁹¹

3.68 Victoria also has a number of other housing models for co-operative housing. Victoria has two types of housing co-operative models: a rental model, and a program to support common equity co-operative housing, (the CERC program). The rental model is similar to the New South Wales program, whereby the co-operatives rent from the government. Under the CERC program, however, ownership is held in the sector and is administered by Common Equity Housing Limited (CEH).¹⁹² CEH is an unlisted public company whose shareholders include the common equity housing co-operatives (CERCs) to which it leases.

3.69 The New South Wales Department of Housing has suggested that the CERC program has distinct advantages, including the:

- need for government to contact only one entity
- development of a high level of project management and financial and investment expertise in the organisation
- greater bargaining power to seek further investment is provided by the combined equity and rent base.¹⁹³

3.70 Despite these advantages there have been some concerns raised by ARCH about the problems encountered between the Victorian government and CEH:

Rents are based on cost and include components for the administration of the scheme and for loan repayment. The government provides a rental rebate that ensures that householders pay no more than 25% of their income in rent. One of the tensions that has emerged relates to the possibility that rents could be set at a higher rate than necessary, which would result in no increase in rent for many tenants, but an increase in rebate income for CEH... this issue has led to increasing scrutiny of CEH and conflict between the government and the sector.

¹⁸⁹ *ibid.*

¹⁹⁰ Submission 28, National Community Housing Forum, p24

¹⁹¹ Submission 27, Churches Community Housing Inc, p13

¹⁹² Submission 48, Association to Resource Co-operative Housing, p89

¹⁹³ Submission 54, Department of Housing, p55

The ambiguity about CEH's role as program provider/sector representative also appears to have caused some problems.¹⁹⁴

3.71 According to other evidence, housing associations in the United Kingdom have also been innovative and willing to be involved in partnerships for estate renewal:

Their ability to use their assets wisely and effectively has transformed the delivery of housing assistance in the UK.¹⁹⁵

Joint ventures and specialised housing associations

3.72 There are a number of housing associations in Victoria that have expanded in size and as a result are developing specialist expertise. This specialist expertise includes the ability to undertake complex and more innovative social housing projects, partnerships with local government and stakeholders and joint ventures with the private sector.¹⁹⁶

3.73 The New South Wales Department of Housing in its submission expressed interest in these models and explained the workings of one such association:

Port Phillip Community Housing Association (PPCHA) in Victoria has a partnership arrangement with the local government authority, the City of Port Phillip, to manage their housing stock and develop new housing opportunities for residents of the area. This has extended beyond one-off projects to involve a five-year joint venture, which includes long-term planning to address housing needs.¹⁹⁷

3.74 Other housing associations in Victoria are being established specifically (in addition to generalist housing providers) to provide specialist care and assist people with complex support needs. The NSW Department of Housing considers this strategy a key aspect for consideration in New South Wales as a capacity building exercise. Two Victorian examples suggested include Wintringham (assisting older homeless people) and Singleton Equity Housing Limited (for people with a disability and the capacity to contribute finance towards their housing).¹⁹⁸

3.75 Joint venture development arrangements which generate a surplus for reinvestment in social housing as a way of reducing reliance on government funding and diversifying the stock available for community housing are being tried in a number of other States.¹⁹⁹ Queensland is one such State, having recently established the Brisbane Housing Company. This new company is envisaged to:

¹⁹⁴ Submission 48, Association to Resource Co-operative Housing, p90

¹⁹⁵ Submission 34, NSW Federation of Housing Associations, p96

¹⁹⁶ Submission 54, Department of Housing, p62

¹⁹⁷ Submission 54, Department of Housing, p56

¹⁹⁸ Submission 54, Department of Housing, p62

¹⁹⁹ *ibid*, p55

...Build, buy and manage 600 units. The company will involve a diverse range of shareholders including the Queensland Department of Housing, Queensland Treasury, Brisbane City Council and up to 15 community based housing organisations, churches or charities. The company aims to attract funding from Government, private developer contributions and make use of its ability to claim GST tax credits for GST costs and tenants' ability to receive Commonwealth Rent Assistance.²⁰⁰

Crisis and transitional housing

3.76 The issue of crisis and transitional housing was addressed in many submissions and is discussed throughout this report. In relation to innovative arrangements occurring in other jurisdictions, the Committee was told about changes to the Victorian community housing infrastructure via the mandatory implementation of the Transitional Housing Management (THM) Program. This program is intended to assist households in crisis as a result of homelessness or impending homelessness and it is intended to provide a bridge between a person's current housing crisis and long-term, stable housing.²⁰¹

3.77 The New South Wales Department of Housing reviewed the THM program commenting:

The model is of interest as it takes a coordinated approach to separating housing and support services. This particular aspect of the THM is not dissimilar to what is occurring at a local level in NSW between SAAP and other support agencies and housing associations through partnership arrangements.²⁰²

3.78 While the idea of a transitional program between crisis housing and long-term stable housing is positive, there needs to be relevant changes to accommodate such a program, as the Department of Housing noted:

THM agencies with high needs clients who are assessed as eligible for priority public housing are finding their stock is becoming 'clogged' by the lack of exit housing to accommodate these tenants.²⁰³

3.79 South Australia has a similar service in the *Multi Agency Community Housing Association (MACHA)*. This association provides long-term accommodation to high needs chronically homeless adults (similar to the THM program in Victoria). These adults are referred to the Association by support services working in Adelaide. The MACHA currently operates 135 units in the Adelaide CBD and is gradually expanding outside this area.²⁰⁴ The relationship between MACHA and the support services who refer people to them is very important:

²⁰⁰ *ibid.*

²⁰¹ *ibid.*, p56

²⁰² *ibid.*

²⁰³ Submission 54, Department of Housing, p56

²⁰⁴ *ibid.*, p57

MACHA take all their tenant referrals from member agencies (ranging from Aboriginal services, SAAP women's services, and St Vincent De Paul night shelter). The 'umbrella' association works closely with these services that continue to provide support as long as the tenant needs it.²⁰⁵

3.80 Chapter 6 contains further analysis of crisis accommodation in New South Wales, as well as the future development of various community housing models and approaches.

²⁰⁵ *ibid.*

Chapter 4 Governance

This chapter examines the governance of community housing organisations – that is, their management structures, decision-making processes and operational policies. Community housing organisation governance is provided by a board or committee that is responsible for decision-making, with a secretary, treasurer and chairperson having particular responsibilities for administration, finance, and meetings respectively. In line with the philosophy of community housing, tenant participation in the management of their housing is a key feature. The governance models featured in housing associations, partnerships and housing co-operatives are assessed below.

Governance of housing associations

- 4.1** Housing associations are managed by a community-based board of directors or management committee.²⁰⁶ In many cases, housing associations employ staff to whom the Board can delegate the day-to-day running of the association.
- 4.2** Community participation on housing association boards and committees is voluntary, and boards typically include members from several relevant community spheres. The Federation of Housing Associations (FHA) provided the Committee with the following breakdown of the backgrounds of housing association board members:²⁰⁷

Background	Percentage
Community and support	41
Tenants	21
Business	14
Professional	9
Local Government	8
Government	5
Aboriginal organisation	2

- 4.3** The Committee heard that in recent years, many housing associations, and particularly the larger ones, have been seeking board members with useful skills and experience:

Larger housing associations are moving towards expertise based boards and, although tenants are often involved in board decisions, new ways of involving tenants are being considered. The experience of many housing associations is that tenants do not necessarily have the skills required to manage a large community housing organisation.

²⁰⁶ Submission 34, NSW Federation of Housing Associations, p159

²⁰⁷ *ibid*, p160

Large housing associations have annual incomes of over \$1 million and boards must ensure that they have appropriate controls in place over the collection and expenditure of those funds. As organisations grow, the responsibilities of board members for the activities of that organisation also grow. Board members must have the skills to satisfy themselves that all external and internal probity requirements are met...

Smaller housing associations are less likely to move to a fully fledged corporate governance model. There are two reasons for this: firstly it can be difficult to recruit board members, for example in rural areas; secondly the level of resourcing required to support a corporate governance model is not usually present in a small housing association. Small housing association boards are more likely to be involved in day-to-day operational matters rather than set up elaborate systems to monitor activities.²⁰⁸

4.4 Under this ‘corporate governance’ model, the Board is responsible for setting the strategic direction of the housing association, while delegating duties to staff for the day-to-day running of the association.²⁰⁹

4.5 The FHA noted that the corporate governance model is a relatively recent development in housing associations:

Five years ago only one or two housing associations had moved towards a governance model with boards that included positions for people with targeted expertise such as solicitors, accountants, support agencies or local government. In 2002 the majority of housing associations have moved to a governance model or are considering the move.²¹⁰

4.6 A number of local housing associations made submissions to the Committee detailing their association’s governance structures. For example, the Narrabri Community Tenancy Scheme, which manages 54 properties, explained the process for appointing members to their Management Committee and described their current Committee:

Nominations for Management Committee are canvassed through the local press and by staff and committee networking to promote our service. We currently have a committee of 17 members drawn from a diverse range of backgrounds and interests. These include

- DoCS disability worker (President)
- Retired councillor, Red Cross NSW Divisional Councillor, Board member of New England Area Health Services and holder of an OAM (Vice President)
- Primary Producer and President of local Sheltered Workshop (Vice President)

²⁰⁸ Submission 34, NSW Federation of Housing Associations, p159

²⁰⁹ *ibid.*

²¹⁰ *ibid.*, pp159-160

- Retired bookkeeper and active community worker (Vice President)
- Community Aid Co-ordinator (Secretary)
- Retired councillor and active Lions Club President (Treasurer)
- Practicing Solicitor (Patron)
- Five tenants hold committee positions, including two tenant representatives.²¹¹

4.7 The Narrabri Community Tenancy Scheme also explained the activities undertaken in governing their community housing organisation:

In recent years there has been a shift from 'hands-on' management to governance... Corporate governance is considered the foundation of our organization and to ensure that a clear management structure is maintained, we have detailed policies and procedures in place:

Management meetings are held monthly, Executive meet monthly in between so that Executive in effect meets on a fortnightly basis. All of management is actively involved in all areas of the organization...²¹²

4.8 These appear to be typical of the arrangements in effect in other housing associations.

Governance of housing partnerships

4.9 Community housing provided by Churches Community Housing, the most significant participant in housing partnerships in New South Wales, is run in a similar manner to housing associations, with boards or management committees appointed to community housing organisations. Mr Derek Yule, the Executive Officer of Churches Community Housing, explained:

The church sector has in place specific Boards or Management Committees to manage its community housing portfolios etc. These boards seek the nomination of suitable skilled, qualified and experienced persons from within the church communities. However there will be an acknowledgement that they also need representation from the wider community and specific appointments will be made from professionals to ensure that all aspects of their management responsibilities are met.²¹³

²¹¹ Submission 16, Narrabri Community Tenancy Scheme, p5

²¹² *ibid*, p26

²¹³ Yule, Correspondence to Director, 12 September 2003.

Governance of housing co-operatives

- 4.10** The key difference between co-operative housing and housing associations is in the management model. In co-ops, the Board of Directors is made up of co-op members (that is, tenants):
- Tenant members pay rent to the co-operative and are collectively responsible for all aspects of housing management including rent collection, maintenance of the properties, and allocating vacant properties to new tenants. This work is unpaid but allows co-operative members to exercise a higher level of control over their housing than is possible for public and other community housing tenants.²¹⁴
- 4.11** Usually the Board of Directors is small and elected by the members to manage the day-to-day operations of the co-op. However, in the case of small co-ops, the Board of Directors sometimes consists of all members of the co-op with equal control. Boards of Directors must meet at least every three months.²¹⁵
- 4.12** Each co-op annually elects a chairperson, secretary and treasurer. Many co-ops also form sub-committees to share the workload – such as a finance sub-committee which would assist in paying bills, banking rents, or preparing for an audit.²¹⁶ The Board of Directors is legally responsible for managing the co-op and for decisions made (although members may be involved in decision making at monthly meetings). Members or paid staff may share the work involved in running the co-op.
- 4.13** ARCH described the management responsibilities of housing co-operatives, which are quite substantial, and involve tenancy and property management (including selecting tenants, collecting rents and undertaking or organising repairs and maintenance), financial management (such as budgeting), organisational management (such as planning and policy work, mandatory reporting) and asset management.
- 4.14** The Committee visited several housing co-operatives during the course of the inquiry, and held discussions with a number of tenants. In all cases, the tenants who spoke to the Committee were enthusiastic about the model of governance and particularly the opportunity it provides for tenant control over management of housing. Co-op tenants acknowledged that the co-op model was not one that would suit all social housing tenants, since it required a significant amount of input from tenants. Indeed, some tenants indicated that the workload could sometimes be excessive. (This lends support for the idea of a secondary co-operative, discussed in Chapter 3.)
- 4.15** For further information on tenant participation in governance and management, refer to Chapter 2.

²¹⁴ Submission 54, p13

²¹⁵ ARCH, *Co-operative Housing Resource Manual Volume 2*, May 2002, p10, p14

²¹⁶ *ibid*, p16

Stakeholder reflections on community housing governance

4.16 The Committee received very few comments on the efficacy and transparency of community housing's governance. The Department's general view was that the majority of community housing organisations had successful governance models. Ms Ready gave evidence that:

Most organisations that operate in the community housing sector operate exceedingly well in terms of their management systems and the outcomes that they achieve, as do the boards of management and their understanding and management of organisations.²¹⁷

4.17 This is reflected in the level of tenant satisfaction with management-related matters:

Survey respondents expressed a high degree of satisfaction with the:

- Availability of clear information from the provider about policies and procedures;
- Way they are treated by provider staff; and
- Staff knowledge about the organisation's policies and procedures.²¹⁸

4.18 The Committee heard that there is room for improvement in the management of some community housing organisations. While many of the anecdotes about emotionally charged disputes and collapses of organisations described to the Committee are the result of personality conflicts, some systemic issues have also been raised. The Department of Housing, in commenting on what it considers to be the issues needing to be addressed in the community housing sector, noted:

...the need to improve organisational accountability and corporate governance of some providers. Performance and ethical problems emerging in the sector over the last 18 months have involved providers with insufficient corporate governance. This has affected small providers and larger rural organisations. Better frameworks to support organisational governance and the targeting of resources to address the variable skill levels of staff and management boards is needed to gain more consistent performance across providers.²¹⁹

4.19 ARCH considers that housing co-operatives are experiencing some management problems:

In 2001, ARCH commissioned a study into the difficulties being faced by NSW housing co-operatives in managing their operations. The main findings of that study were:

²¹⁷ Ms Lynne Ready, Acting Executive Director, Office of Community Housing, Evidence, 11 November 2002, p4

²¹⁸ Submission 54, Department of Housing, p42

²¹⁹ *ibid*, p65

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- All co-operatives are experiencing difficulties in sustaining tenant participation in management. This is a critical problem as participation is fundamental to the success of co-operative ideology and practice
 - Strategies for co-operative financial sustainability are limited at present
 - Administration and accountability requirements present a significant barrier to tenant participation in management of co-operatives and a significant drain on co-operative resources...²²⁰

4.20 ARCH recommends secondary co-operatives as a means of dealing with some of the management related difficulties facing housing co-operatives. It describes secondary co-operatives as ones that provide “administrative support, financial support, technical assistance and/or access to resources for users of housing co-ops (primary co-ops)”.²²¹

4.21 Details were provided about how secondary co-operatives operate in England:

In England, secondary co-ops generally are used on a fee for service basis, with fees set at an amount based on the Housing Corporation’s benchmarks. Services provided by secondary co-ops include management of finances, rent collection and arrears, repairs and maintenance and administration of tenancies. They may also hold joint waiting lists for co-operatives that they work with and provide dispute resolution facilitation.

Most co-operatives use secondary co-ops to perform the range of financial and administrative tasks associated with co-operative management, but preserve those tasks associated with human resources (eg tenant selection, decision making, induction, disputes) for themselves.²²²

4.22 ARCH’s submission recommends that the Office of Community Housing fund a secondary co-operative to undertake management support activities for housing co-operatives in New South Wales.²²³ The Committee has recommended in Chapter 2 that the Department investigate the option of secondary co-operatives.

Assisting governance: training and support

4.23 Training and support for community housing organisations is provided through the peak representative bodies and the Office of Community Housing. These activities are briefly described below.

²²⁰ Submission 48, ARCH, p73

²²¹ *ibid.*

²²² *ibid.*, pp73-4

²²³ *ibid.*, p74

Departmental initiatives

4.24 The Department of Housing advised the Committee that in recent times it had been working to improve corporate governance amongst community housing providers by preparing guides for management boards on corporate governance and business ethics as well as other training.²²⁴

4.25 The Committee also notes the guidance provided by the proposed Performance Management Framework (PMF), discussed in detail in Chapter 5. The PMF includes corporate governance as a desired outcome, aiming for “clear and effective arrangements...for internal control and transparent decision-making” and “appropriate arrangements...in place to ensure the organisation is accountable to stakeholders.” Specific indicators are provided to guide community housing organisations.²²⁵

4.26 Other recent Department of Housing initiatives for improving corporate governance, accountability and skill levels within the sector are detailed in the Department’s submission to the inquiry:

Most community housing provider board and management committee members are unpaid and bring highly specific skills to the organisation. In 2001, the Department developed two sets of resources designed to support board/management committee members in developing new skills. The resources covered the two most complex aspects of organisational management: human resources management (recruitment, supervision, training and support of paid staff and volunteers) and, proactive financial management (identifying areas of strong and weak financial performance, setting internal benchmarks, and making accurate budget projections).²²⁶

4.27 The Department has also undertaken work on:

- preparing guides for management boards on corporate governance, and business ethics and associated training requirements.²²⁷
- the development of resources on corporate governance for housing providers, focusing on the specific aspects of housing delivery
- the distribution of quarterly data on housing, tenancy and financial management indicators to housing associations, including peer and sector wide consultations
- the proposed development of risk management and business assurance tools that will be guides for both providers and the Department to assess the management of risk.²²⁸

²²⁴ Submission 54, Department of Housing, p67

²²⁵ Supplementary submission 54, Department of Housing, p12

²²⁶ Submission 54, Department of Housing, p48

²²⁷ *ibid*, p67

4.28 Further details were provided in the hearing by Ms Alison Wannan, Acting Executive Director, Office of Community Housing:

The Federation of Housing Associations has a training program that assists boards as part of its annual work. In this financial year, our organisation will put together some work on corporate governance for boards. We will outline from a housing perspective the responsibilities and decisions that governance of a housing company involves. It is about moving from the normal requirements that any incorporated organisation has as part of our responsibilities to the Department of Fair Trading or the Australian Securities and Investments Commission or whatever, which is one level of getting the boards right. We have recognised that there is a gap. That is why we are producing a manual focussing not just on how to operate a not-for-profit board—there are many of those around—but on what it means to manage a particularly large organisation with sizeable funds and what this means in terms of business planning, performance indicators, good financial ratios and financial statements and other more sophisticated levels of analysis. We are doing that in recognition of the fact that we have a gap at present.²²⁹

4.29 A number of submissions noted the role of the National Community Housing Standards and accreditation in improving management and governance.²³⁰ These cover whether board and committee members are aware of their legal responsibilities, whether the organisation has a written policy covering conflicts of interest, and checks and balances to prevent mismanagement of funds. The FHA commented:

Whilst the standards do not guarantee that housing associations will be well managed and well governed, they do provide a guideline for housing associations seeking to improve their management.²³¹

Representative organisations

4.30 The Department of Housing funds three representative organisations that provide training and resource support for community housing providers. The organisations are: the Association to Resource Co-operative Housing (ARCH), which supports co-operative housing; the NSW Federation of Housing Associations, which assists housing associations; and Churches Community Housing, which is the peak group for church providers of community housing.²³²

4.31 The Committee notes the important role of the representative organisations in providing resources to community housing organisations. The Department of Housing advised us of the valuable outcomes that have resulted from its funding of representative organisations:

²²⁸ Supplementary submission 54, Department of Housing, p4

²²⁹ Wannan, Evidence, 12 February 2002, p13

²³⁰ See for example Submission 34, NSW Federation of Housing Associations, p161

²³¹ *ibid*, pp157-158

²³² Submission 54, Department of Housing, p8

Significant outcomes from these funding arrangements have included:

- development and delivery of business and housing management training for housing associations, housing co-operatives and other community housing providers
- operation of a Housing Advice Hotline for housing providers
- development of sector specific policy templates and other housing management tools
- continuing education programs
- research into issues affecting the development of the community housing sector
- partnership projects between the Department and churches
- operational support for community housing providers seeking or administering government funding for rental housing assistance and
- a community housing web-site providing information and contact points for potential community housing clients.²³³

4.32 The FHA also considers the Department's funding of representative organisations to be a successful mechanism for supporting community housing:

The Federation strongly believes that the current arrangements are effective and efficient in meeting the range of needs of the whole sector.²³⁴

4.33 A number of community housing organisations specifically commended the support provided by their representative organisations. For example, the Narrabri Community Housing Tenancy Scheme wrote:

The NSW Federation of Housing Associations is our main support service. The Hotline, which provides legal advice, is an invaluable service, as providers need to be sure that the advice they give and receive is the correct advice. The Federation of Housing is also our main, if not sole, provider of training. The Federation are a Registered Training Organization and the training, workshops and seminars are aimed at the housing sector and therefore very pertinent and informative. The training etc is often carried out in response to the needs of the sector.

The NSW Federation of Housing produce a range of materials including Housing Hints and Good Practice Guides. These publications have been the basis for many of our organisation's policies and procedures and ensure that the sector is kept informed and professional.²³⁵

²³³ Submission 54, Department of Housing, p48

²³⁴ Submission 34, NSW Federation of Housing Associations, p139

²³⁵ Submission 16, Narrabri Community Tenancy Scheme, p25

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- 4.34 Similarly, when the Committee met with members of the Tamil Senior Citizens' Housing Co-operative Ltd, they advised that the resources and advice provided by ARCH were extremely useful.

Training

- 4.35 Recognising that adequate training of boards and committees is essential to good governance, the sector has made this a focus. Such training aims to provide staff and board and committee members of community housing organisations with the necessary skills and knowledge to effectively manage their community housing organisation.
- 4.36 A variety of training programs and manuals are offered by both the Federation of Housing Associations (FHA) and the Association to Resource Co-operative Housing (ARCH). Both organisations emphasise the importance of practical and affordable courses to develop the skills of people involved with co-ops and housing management.
- 4.37 The programs run by the FHA and ARCH cover a wide range of aspects of community housing from formal, accredited courses such as the FHA's Certificate IV in Community Housing Work, to less formal, shorter courses on financial management and business planning which provide a focus on day to day skills. Many of these programs are offered in conjunction with other organisations such as the Graduate School of Business at UTS, the Law Federation and the GST Start-up fund, who provide a combination of expertise and funding. The FHA has also introduced a training program for Aboriginal Housing providers – HOME (Housing Our Mob Equally) based on its well-regarded course, Housing Association Training Program In New South Wales (HATPIN).
- 4.38 As well as a similarly broad range of courses, ARCH has also developed comprehensive manuals and guides to encourage “good practice” amongst Housing Co-operatives. These manuals are designed to provide easy to understand guidance and are widely available to members of housing co-operatives or people interested in becoming involved in one.
- 4.39 The Australian Centre for Cooperative Research and Development (ACCORD) noted the importance of training, particularly for co-operatives (as they are managed by tenant members):

Adequate ongoing training and education of co-operative managers and members is recognised by co-operative researchers and practitioners alike as a key to sectoral co-operative success. Research ... indicates that training is most effective when it is accredited and provided by those with specific expertise in co-operative housing. Further, strong co-operative sectors require minimum standards of training for management board members, which may be delivered 'in house' or by external bodies...²³⁶

- 4.40 We have been impressed by the proactive approach taken by the sector in relation to training. For example, the FHA routinely works to identify and address training needs within the sector:

²³⁶ Submission 22, Australian Centre for Cooperative Research and Development, pp12-13

We regularly conduct training needs analysis of the sector to determine what the current and future training needs are likely to be. Housing associations meet twice a year, usually in February and August. At those meetings and at our bi-annual community housing conference we carry out training needs analyses... Not all issues identified can be usefully addressed with training. In some cases a different approach will be required such as intensive resourcing of one housing association or changes to the Federation's Housing Management hotline.²³⁷

4.41 Both ARCH and the FHA evaluate the quality of delivery and the content of its training sessions via feedback from participants and trainers. The FHA explained:

We collate this feedback on a quarterly and annual basis for both internal and external reporting purposes... In 2001 we conducted a standardised skills audit of housing association board members and will develop a similar audit for housing association staff in 2002. This will become an annual event in order to measure movement in skills in both boards and staff. These measurements are intended to inform the Federation whether we have provided the right training to meet the training needs of housing associations that we had earlier identified in our planning.²³⁸

4.42 As a result, the FHA has developed strategies for future training needs, including courses focusing on:

- Negotiation, establishment and maintenance of agreements with other stakeholders – for example local government, employment programs and support providers
- Development of more sophisticated strategic plans – larger housing associations have a business plan that relates to their housing funding. Diversification will require a different approach to planning
- Development of financial and other viability indicators and benchmarking of good practice
- Organisational restructuring and change management
- Community renewal, regeneration and employment and the skills needed to make them work
- Asset management – housing associations increasingly want to manage their own assets, organise and plan for maintenance
- Development – currently only City West Housing has this in-house capacity
- Frontline management and human resource management – the skills to manage larger staff teams will be required as housing associations grow

²³⁷ Submission 34, NSW Federation of Housing Associations, p143

²³⁸ *ibid*, p146

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- Critical incidents and occupational health and safety.²³⁹

4.43 ARCH has also identified future training priority areas:

- Team building
- Communication
- Dispute resolution
- Governance
- High level tenancy, organisational and financial management
- Asset management
- Quality management
- Building strategic alliances
- Information technology.²⁴⁰

4.44 The Federation of Housing Associations provided statistics on attendance at recent courses:

- 50 new community housing workers attended the New Worker Induction Training, a two-day course between November 2000 and July 2001
- 254 people attended one or more of the modules of the Housing Association Training Program in NSW between 1995
- 32 days of training for 280 participants in 2000-2001
- training of 300 people in 35 locations on establishing a tenancy²⁴¹

4.45 In relation to provision of training to housing co-operatives, ARCH advised of the following attendance figures for 2000-2001:

- 45 days of training for 524 participants from 28 co-operatives. 97.5% rated their satisfaction as very satisfied
- Tailored training to 12 housing co-operatives across the State...
- 300 calls on [the] phone advice line

²³⁹ Submission 34, NSW Federation of Housing Associations, p151

²⁴⁰ Submission 48, ARCH, p65

²⁴¹ Submission 34, NSW Federation of Housing Associations, pp143-144

- 64% of housing co-operatives participated in the quarterly Regional Meetings.²⁴²

4.46 However, these raw attendance figures are not helpful in illustrating the extent to which training is accessed by the sector. The Committee has been unable to obtain any data on participation rates that indicate the *proportion* of board and staff members that have been trained and any patterns in attendance or non-attendance (such as access issues for rural and regional housing organisations).

4.47 St George Community Housing (SGCH) suggests that the sector does not use the high quality resources and training available to it to the extent that it could. SGCH argues that this is a result of:

... the recency in the availability of the programmes, distance, cost, and the historic capacity of providers to survive on their own due to the absence of any such offerings.²⁴³

4.48 SGCH suggests this should be rectified by making training compulsory for staff and the Board, through the inclusion of a minimum training hours benchmark that is monitored by the funding body.²⁴⁴

4.49 The Committee received submissions expressing concern about the level of funding allocated for training, both for housing associations and housing co-operatives.

4.50 The FHA, for example, submitted:

There is an under-investment in training and resourcing housing associations in NSW. We believe that considerably more training resources need to be provided in a sector that is experiencing this level of growth and rate of change. Demands for greater accountability by government can only be satisfied if the necessary investment in training and resourcing is delivered.²⁴⁵

4.51 The FHA further notes that it considers the Department's emphasis on the application of user pays strategies to training in the community housing sector to be inappropriate. The Federation argues that its shift to a fee-based service has meant that housing associations' funding benchmarks do not cover the cost of training. This is particularly the case for smaller and regional housing associations, who often struggle to afford training, with obvious implications for the skill levels of those associations. The FHA submitted:

Therefore we find that the current operations of the Federation are unsustainable: housing association funding benchmarks are set too low to support a significant increase in fee-for-service, and resourcing funding is set at too low a level to

²⁴² Submission 48, ARCH, pp63-64

²⁴³ Submission 51, St George Community Housing Co-operative Ltd, p10

²⁴⁴ *ibid*, p10

²⁴⁵ Submission 34, Federation of Housing Associations, p148

properly address the resource needs of a growing and engaged community housing sector...

Our current level of resourcing and training funds is approximately \$60 per property per annum. This represents a significant decline since 1996/97 when resourcing and training funding per property was \$85.50 per property (inflation adjusted).²⁴⁶

- 4.52** The Association to Resource Co-operative Housing expressed some concern about its ability to meet the training and support needs of housing co-operatives in New South Wales, as a result of insufficient resources and high demand:

In general, the kind of ground support needed by a significant number of co-operatives across the State goes well beyond the capacity and role of a State-wide peak organisation like ARCH which has only three education and resource workers to develop, train and support housing co-operatives across the whole of the NSW metropolitan, non-metropolitan and rural areas.

Whilst ARCH plays a significant catalyst role in developing new groups to comply with Government requirements, and is proactive in influencing existing co-operatives by creating effective training and management tools ... it is not in a position to offer the extensive on the ground, hands-on support at a local level that many co-operative members would benefit from, nor does it have the powers of arbitration that are demanded when a co-operative reaches a crisis situation.²⁴⁷

- 4.53** The Australian Centre for Co-operative Research and Development (ACCORD) also considers the funding of training for co-ops to be unsatisfactory:

Under the current operational guidelines, co-operatives are allowed to spend up to \$1000 or 1% (whichever is greater) on member training activities per year. In a housing environment characterised by deregulation and the rise of user-pays, this amount is starkly inadequate.²⁴⁸

- 4.54** ACCORD noted a further difficulty for co-ops in that:

The Association to Research Co-operative Housing is currently not a registered training body, due to the expense of such registration. In contrast, the NSW Federation of Housing Associations is an accredited body. While NSW co-operators are able to participate in the Federation's training activities, these activities do not deal with issues specific to the needs of co-operatives as a particular form of housing provider. ARCH provides free unaccredited training in these areas, but reports that this training is accessed on an inconsistent basis.²⁴⁹

²⁴⁶ *ibid*, p149

²⁴⁷ Submission 48, ARCH, p68

²⁴⁸ Submission 22, Australian Centre for Co-operative Research and Development, p14

²⁴⁹ Submission 22, Australian Centre for Cooperative Research and Development, pp12-13

- 4.55 ACCORD recommends a review of existing training arrangements for the co-operative housing sector with a view to developing an accredited training program 'which maximises the expertise of ARCH'.²⁵⁰
- 4.56 The Committee notes that the evidence we received from ARCH does not specifically identify the lack of accreditation as an issue hampering their provision of training to housing co-operatives. We suggest that consultation between the Office of Community Housing, and organisations that resource and represent housing co-operatives should occur to determine the need for the development of an accredited training program specifically aimed at housing co-operatives.

Recommendation 14

That the Department of Housing consult with the housing co-operative resourcing and representative organisations to determine the need for the development of an accredited training program specifically aimed at housing co-operatives.

Committee comment on governance, training and support

- 4.57 The Committee has found it difficult to draw conclusions about the efficacy and transparency of community housing governance and the adequacy of training and support. This is not only a result of the relatively small number of comments about these issues in the evidence and submissions received by the Committee in the course of the inquiry. Assessment is also complicated by the considerable number of recent initiatives and proposals aimed at boosting support and training for the community housing organisations and, ultimately, improving their governance. This includes, most notably, the Performance Management Framework and the new guides and resources on corporate governance.
- 4.58 In view of changes planned and those already undertaken, the Committee considers it to be premature to suggest specific recommendations in this area. However, the Committee is of the view that the Office of Community Housing should monitor the efficacy of community housing governance and the measures designed to support it as those changes come into effect.

Recommendation 15

That the Department of Housing monitor the efficacy of community housing governance and the measures designed to support it as recent changes come into effect.

- 4.59 Evidence provided to the Committee makes it clear that training of board and committee members and staff is the key to good governance. It is apparent that the representative organisations take seriously their role as trainers, and provide high quality training resources

²⁵⁰ *ibid*, p13

that address identified training needs. Nevertheless, it is unclear to us whether participation rates are sufficient to ensure the level of skills necessary for high quality governance and accountability. The Committee therefore recommends that the Office of Community Housing review the level of participation in board, committee and staff training, and determine whether there is a need for the development of measures to increase attendance, perhaps including compulsory minimum training levels.

Recommendation 16

That the Department of Housing review the level of participation in training for board and committee members and staff and the need for measures to increase attendance if participation levels are low.

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- 4.60** The Committee notes the sector views about inadequate funding of training for community housing organisations. Given the undoubted importance of training for provision of high quality management and services, the Committee considers it appropriate that the Department review the adequacy of funding allocations for training of community housing organisations.

Recommendation 17

That the Department of Housing review the adequacy of funding allocations for training of community housing organisations.
