

Parliament of NSW Legislative Council

Parliamentary Inquiry into Social, Public and Affordable Housing

Submission by the Housing Alliance
of NSW community housing providers
Armidale, Deniliquin, Lismore and Orange



Submitted by the Housing Alliance:

Homes Out West



Housing Plus



Homes North Community
Housing Co Ltd



North Coast Community
Housing Company Ltd



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Cover photograph:

North Coast Community Housing's new affordable housing development in Bangalow Road, Byron Bay.

The property has been developed specifically for people with a disability to enable them to live in natural communities.

The property was designed and built with no government funding.



...Bangalow Road before the NCCH development.

28 February 2014

The Hon Paul Green
Chairman, Select Committee on Social, Public and Affordable Housing
Parliament House
Macquarie Street NSW 2000

Dear Mr Chairman

Inquiry into social, public and affordable housing

The Housing Alliance is pleased to provide this submission to the Parliamentary Inquiry.

We are a unique collaboration between four medium sized community housing providers that supply high quality services to people and communities in regional NSW. Together, we manage nearly 3,000 homes, making us the fourth largest provider of community housing in Australia.

NSW faces significant challenges in supplying enough affordable housing to meet demand, and in managing an increasingly expensive social housing portfolio. While more publicity is received on issues in metropolitan areas, the situation is also of concern in regional NSW.

One third of people in our State live in regional areas. Household incomes tend to be lower, though property purchase and rental prices have increased markedly over the last decade. Jobs can be scarce, transport links weak and social housing in poor repair. More regional areas face social and economic disadvantage than our coastal cities.

Community housing providers such as Housing Alliance members are well placed to partner with Government to deliver solutions. We can manage social housing at lower cost, and provide better service to clients - as shown by tenant satisfaction surveys. Moreover, we act as 'community anchors' in the regions and galvanise action by a range of stakeholders.

Our main need is for State Government to better integrate strategies between Departments, and provide clear guidance on roles and responsibilities in the social housing sector. More public money is not necessarily the answer, rather a better use of existing funds and assets, and a careful leveraging of private and philanthropic finance.

Community housing providers act as excellent partners in delivering Government objectives. Together, we can help address housing issues in regional NSW.

Yours sincerely



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1 Regional housing issues

Challenges with NSW affordable housing supply, and social housing delivery, are not just an issue for our large cities. Although regional areas face increasing problems with housing markets, and often high levels of housing stress, most policies have been directed towards urban centres. The Housing Alliance understands regional issues, and acts as a champion for these communities

The four members of the Housing Alliance operate away from the Sydney-Newcastle-Wollongong metropolis. This section reviews housing issues relating to NSW regional areas, showing how affordability issues are subtly different.

In this submission we use the term 'social housing' to mean accommodation that is heavily subsidised by taxpayer funds. Social housing is owned and managed by State Government ('public housing') or by not-for-profit providers ('community housing').

A more general term is 'affordable housing', referring to rented or owned housing where residents pay less than 30% of their household income on housing costs.

1.1 Housing markets

Analysis of Australia's housing markets largely focuses on metropolitan areas, to the detriment of knowing the impact of affordability and housing supply and demand in regional markets.

In one of the few studies with a focus on rural and regional centres, Professor Beer in 2011 identified that regional Australia has faced a similar trend to larger cities in terms of the rapid escalation in house prices and rents in the period since 2000.

In a number of regional areas the 'resource boom' has led to distortion of housing markets. Although this is most commonly associated with Queensland and Western Australia, certain parts of NSW have been impacted including the Hunter, Gunnedah, Gloucester Basin, Orange and Cobar.

Regional areas where mining has expanded operate a two-tier housing market. Part of the market is focused on high income, often temporary, resource workers; while the established population working in support industries or not employed must compete for properties at the lower end of the housing market.

Housing supply

In both regional and urban areas, a major factor reducing the affordability of housing has been the failure of housing supply to keep pace with housing demand.

There are a range of special factors that impact particularly on increasing housing supply in regional areas:

- A lack of house-building economies of scale in regional Australia is a barrier to delivering new housing. The skills and labour force shortage contribute to the cost of building, a particular factor in areas impacted by the resource boom.

- Local councils in the regions are not always favourably disposed to new affordable housing, and planning delays can occur. Few councils have affordable housing strategies.
- New land release may be limited in regional areas, and NIMBY opposition to developments can be strong.
- There is often a mismatch between consumer demand and the type of land released. To promote more affordable housing options, a greater variety in lot sizes and densities is needed.

Housing stock and tenure

Regional areas have a lower diversity of building types than larger cities. The main form of property is the free-standing house, and the most typical configuration has three or more bedrooms. There are fewer small properties with one or two bedrooms, and higher density and co-joined houses are comparatively rare.

Table 1 shows the tenure mix in the four areas where Housing Alliance members operate. Generally the level of ‘owner occupation’, a term including households paying a mortgage, is at or slightly ahead of the NSW average of 66%.

Table 1: Regional housing tenure, 2011

	Owners	Social renters
New England NW	66%	4.9%
Murray	68%	3.6%
Central West	69%	4.8%
Richmond-Tweed	67%	3.6%
NSW	66%	5.1%

Source: ABS 2011 Census, Statistical Area Level 4, covering largely the regions covered by Alliance members

By contrast, the proportion of social housing is lower in the four areas than the average

for NSW. Social housing stock is particularly low in the Murray region and Richmond-Tweed (Far North Coast). Also, within these quite large regions, social housing is often not located where it is needed.

Mainly as a result of the relative shortage of social housing, there are long waiting times for applicants. Table 2 shows waiting time for a number of key towns in the areas where Housing Alliance members operate. Very few areas have waiting times under 2 years, and there are some locations where a 10 year wait might be necessary. Probably the most challenging situation is in the Far North Coast region.

Table 2: Social housing waiting times, 2012

Bedrooms	1	2	3	4
Armidale	2-5	2-5	2-5	0-2
Bathurst	2-5	2-5	2-5	2-5
Lismore	5-10	5-10	2-5	5-10
Mullumbimby	10+	10+	10+	2-5
Orange	2-5	2-5	2-5	2-5
Tamworth	2-5	2-5	2-5	2-5
Young	5-10	2-5	5-10	2-5

Source: Housing NSW data. Waiting time in years

1.2 Housing affordability

Housing affordability is a function of both housing costs and household income. Housing stress is a specific measure of the extent to which lower income households face unaffordable housing costs (rent or mortgage payments). The usual benchmark for affordability is that households paying more than 30% of their gross income for housing costs are in ‘stress’.

Levels of housing stress are shown in Table 3. Apart from in Richmond-Tweed, the proportion of households in both rental and purchase stress are lower than the average for NSW. However, housing stress levels still remain significant.

There is a higher proportion of renters facing housing stress than purchasers in regional areas. This may be linked to the relative shortage of social housing where rents are controlled, and also few investors to fund new private rental dwellings.

Table 3: Regional housing stress, 2011

	Renters in stress	Buyers in stress
New England NW	9.1%	6.4%
Murray	8.3%	6.8%
Central West	7.9%	6.7%
Richmond-Tweed	14.0%	10.1%
NSW	11.6%	10.5%

Source: ABS 2011 Census . Percentage of households paying more than 30% of household income on household costs (rent or mortgage payments respectively)

Income levels

Table 3 highlights evidence of market failure in the rental market and concern about the ability of low income earners to access affordable rental housing and transition from rental into home ownership in the short and longer term. One of the issues is the household income differential between urban and rural areas.

Table 4: Regional household income, 2011

	Incomes under \$600 pw	Median household income pw
New England NW	32.2%	\$902
Murray	31.6%	\$921
Central West	30.8%	\$973
Richmond-Tweed	33.3%	\$865
NSW	24.2%	\$1,237

Source: ABS 2011 Census

Table 4 shows the high proportion of low income households in the four selected regional areas. Around a third of households have income below \$600 per week, compared to a quarter across NSW.

Median household income is also only around three quarters of the NSW average.

Regional migration

Although the four Housing Alliance members are in regional locations, some of these areas are close enough to population centres to grow through ‘sea change’ and ‘tree change’ migration. New purchasers can afford higher prices, leading to faster price inflation. Many properties are purchased as second homes, and the 2011 Census has shown a growth in unoccupied properties, particularly in coastal NSW.

Although retirees are a large part of the sea change movement, they are not the only component. Many new residents moving to coastal areas are younger than the NSW average, and considerably younger than the local population of these areas.

In fast growing resource-boom areas and along the coastal strip of NSW some long-term renters, including Indigenous people, have been forced to rely on non-standard forms of accommodation such as garages or caravans on private property. Some caravan parks have been sold due to rising land values in coastal areas, further reducing amounts of affordable housing.

1.3 Regional social issues

A factor affecting demand for social and affordable housing is social disadvantage. A widely-used measure of social disadvantage is the ABS SEIFA (Socio Economic Index for Areas) data.

The index measures relative disadvantage based income, educational attainment, housing quality, unemployment and other factors. The lower the SEIFA score, the greater the disadvantage in the area relative to all areas in Australia.

Box 1: NCCH - working in partnership

North Coast Community Housing (NCCH) is a non-profit housing company providing social and affordable, community-based rental housing for people in housing need and on low or moderate incomes. They provide housing in council areas of Northern NSW including Clarence Valley Shire, Richmond Valley Shire, Kyogle Shire, Ballina Shire, Byron Shire, Lismore and Tweed Valley Shire.



The organisation has a head office in Lismore and branch offices in South Tweed Heads and Grafton. It is Class 2 registered community housing provider and fully accredited against the national community housing standards. NCCH is managed by a Board of Directors and the day-to-day operations are carried out by permanent staff of 26.

Over the past 29 years, NCCH has formed successful partnerships with a wide range of support agencies throughout the region. These partnerships are set up to ensure that vulnerable and high need people are able to enjoy sustainable tenancies. Over 10% of tenants require varying levels of formal support with their living arrangements to enable them to live independently.

The property portfolio of the company seems set to continue to grow. During 2012-13, NCCH commenced the development of new social housing dwellings and also delivered its first homes under its Affordable Housing Program. This program is aimed at key workers unable to afford accommodation located close to their place of employment.

NCCH works in a range of formal partnerships with support services providers to ensure that those most vulnerable in our community have access to local social housing. The partnerships, where NCCH deliver tenancy and property management services (generally from properties within its existing portfolio) whilst the support provider delivers ongoing support/care services to the tenant, are conducted according to management and service arrangements that best promote the sustainability of each tenancy.

In 2010, NCCH established their Housing Partnerships Program in order to progressively increase the total number of properties being managed under formal agreements with support providers. In addition to assisting more people who required ongoing support to sustain a tenancy, the program ensures that:

- There are clear criteria for the approval of new projects (including criteria for expanding arrangements with existing partners).
- There will be improved forward planning, in relation to the number of properties being allocated to the program each year, so new projects could be more strategically developed with both existing and new partners.
- The program will be more heavily promoted in the community, in order to ensure access to partnerships included all local agencies who had an interest in (and the resources required to commit to) a supported housing partnership with NCCH.

The most recent SEIFA data is based on the 2011 Census, and shown for NSW in Figure 1. The operating area of the four Housing Alliance members is shown in yellow. Many locations where the organisations operate are in SEIFA classes 1-3, the 30% most disadvantage areas in Australia. Very few areas served are in the 30% least disadvantaged areas of Australia.

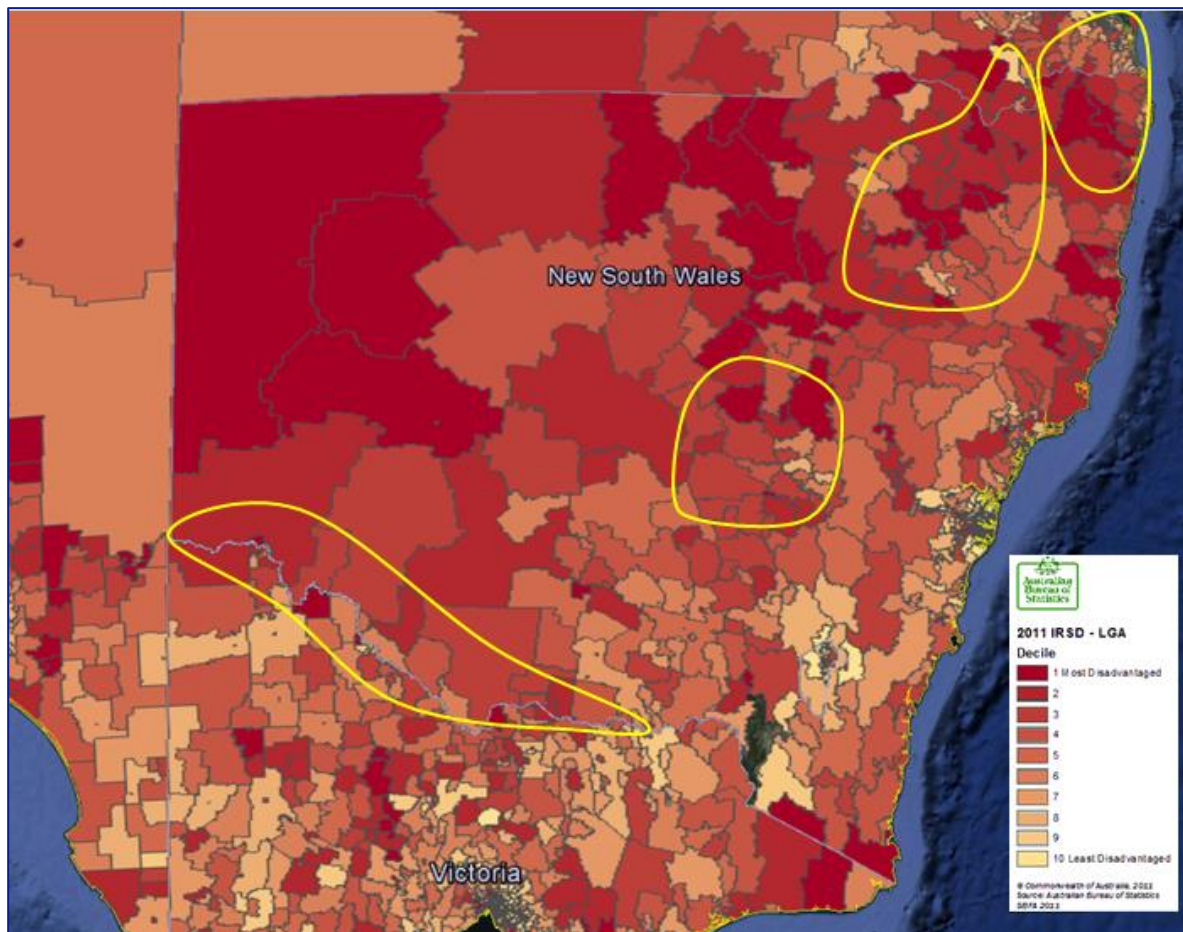
Figure 1 demonstrates the concentration of disadvantage in remote and regional areas in NSW. Most areas that are relatively advantaged are in the major cities and along parts of the coastal strip.

As a result of higher levels of social disadvantage, community housing providers that operate in regional areas face a series of additional challenges. Some of these

emerge from particular issues facing regional and remote areas:

- Population movement have challenged existing social services both in terms of demand for service, as well as the variety and complexity of services needed. Gaps in service provision are harder and more costly to address in areas with a dispersed population.
- Recent regional population growth has not always been accompanied by a similar rise in the number of jobs. Many of the newer local jobs in the agricultural and service sector are low paid.
- Regional NSW is characterised by smaller towns and villages with poor public transport links. Lower income people living in areas of high social disadvantage may not be able to easily and affordably travel to parts of the region where there are jobs.
- The geographic spread of people requiring care, and the time and cost of travelling to reach them, is a major barrier for delivering outreach health care services in the regions. Regional areas have a higher proportion of older people, and this is projected to be a fast growing cohort in the future.
- There is a significant Indigenous population in many regional centres. Issues of racial discrimination and severe disadvantage due to high levels of unemployment make it difficult for Indigenous people to compete at the lower end of the housing markets.

Figure 1: Regional locations and disadvantage



2 Community Housing's contribution

Australian states and territories, along with many countries overseas, are recognising the role community housing organisations can make to increasing housing supply and more effectively managing social housing. In regional areas, community housing providers are even more vital - often they are significant contributors to the local community and can give leadership and vision

Community housing is affordable rental housing provided by not-for-profit organisations at below market rent for low to moderate income tenants. It forms an integral part of Australia's housing system by providing housing options that are reasonably priced, secure and responsive to the needs of the neighbourhoods in which the organisations operate.

2.1 Why community housing?

Contemporary community housing groups are run by professional managers, and supervised by highly skilled boards. Most directors are business people, lawyers, accountants and human service experts. They are also comprehensively regulated by State Government.

Local accountability

Housing Alliance members are accountable to their regional communities, to State Governments and to their customers for the effectiveness of the service provided and their use of public funds.

Unlike the larger and centrally controlled public housing agencies such as Housing NSW, community housing providers can be

more locally responsive. They work closely with local service agencies and not-for-profit partners, building social cohesion in what were once challenging neighbourhoods.

Professional housing delivery

During the last decade the role of Australian community housing providers has been transformed, following similar patterns seen in North America and Europe.

Regional housing providers such as Housing Alliance members have retained their community focus, while becoming increasingly professional and innovative:

- Many community housing providers have raised private finance, increasing the pot of money available to invest in affordable housing without increasing government debt.
- In larger cities and regional areas, community housing organisations have led the transformation of troubled public housing estates. Many organisations are skilled at working closely with partners from the public and private sectors, and with traditional not-for-profit welfare agencies.

From regular independent surveys of social housing tenants by AIHW, community

housing providers are rated as being better landlords. In 2011-2012, the level of satisfaction with services provided was 84% for NSW community housing, compared to 73% for public housing.

Community housing is popular with both social housing tenants, as well as being better for the housing system.

Building strong communities

Although community housing's core business of providing affordable rental accommodation reduces social exclusion, many organisations go further.

Following approaches popular in both Britain and the US, many Australian organisations work closely with other not-for-profit organisations and government agencies to help tenants find work, build skills and stabilise their family situation.

British research positions housing associations as 'community anchors' in the neighbourhoods where they operate. Though housing providers cannot provide all the answers, they are often best placed to bring together the services of a number of different agencies.

Community housing providers often establish social enterprises, involve tenants in the running of their operation and innovate with new forms of service delivery and neighbourhood support. They integrate housing with human service support more effectively than if delivered direct by the public sector. Service delivery is also tailored to specific local conditions.

A sustainable model

The NSW Auditor General's 2013 report noted public housing stock is ageing and increasingly not fit for purpose. There is not

enough funding available for necessary maintenance and as a result houses are being sold to meet funding shortfalls.

The portfolio faces simultaneous problems of both under-occupancy in some locations, and over-crowding in others. In 2012, there were 112,310 public housing dwellings available to tenants in NSW. However, there was a waiting list of 55,186 applicants needing affordable accommodation that the state could not provide for.

The Auditor General's report also notes that NSW Government's rental operations are in deficit by \$490m in 2012-13, even after reducing its maintenance expenditure to less than required to maintain asset quality. Without increased funding, more than double the number of properties will be disposed than will be built over the next four years. This will lead to longer waiting lists.

Public housing agencies have suffered over decades from restricted funding. By contrast, community housing organisations can capture CRA for their properties. Cashflow surpluses generated per property can be used to raise bank finance, secured against the property asset. Loans then fund meeting the backlog of repairs.

Community housing providers also operate as independent businesses, therefore need to be run efficiently so that they can remain viable. Their annual reports are available for public and stakeholder inspection.

2.2 Sector growth

With the support of the Commonwealth and State governments run by both political parties, there has been a significant increase in the number of properties managed by the community housing sector.

Box 2: Housing Plus - a leading regional community housing provider

Housing Plus is a Class1 Registered and 3 year Accredited not-for-profit social housing company limited by guarantee, registered a Public Benevolent Institution with Deductible Gift Recipient Status.



The company operates as a social enterprise, combining dedication to a strong mission with an ability to harness professional expertise once reserved for private sector businesses. Housing Plus provides high quality affordable rental housing and support services to people in need, and act as a key community partner in the regions and neighbourhoods where they operate. Their Directors live locally, have demonstrated experience and follow the ASX Corporate Governance Principles. Similarly, management and staff are professional and well-informed.

Housing Plus's strong values drive everything they do. The organisation respects tenants, clients and partners and promotes excellence through being transparent, approachable and accountable. Staff and Directors are professional people who are diligent, ethical and committed to the objectives of the organisation. Central to Housing Plus's mission is a commitment to diversity and equality through delivering ethical, non-discriminatory and culturally aware services.

Housing Plus operates over a wide geographical area, with an administration office in Orange, Branch offices in Orange, Bathurst and Mudgee, with outreach services extended to Kandos, Rylstone, Gulgong, Molong, Wellington, Dubbo, Parkes, Forbes and Cowra. In this region they have strong links with councils, welfare agencies, housing advocates and community members. Their goal is to offer the highest quality services, and be the leading 'community anchor' in NSW Central West, through coordinating with service partners and giving a local point of reference.

Housing Plus currently manage about 800 properties that are rented to lower income households and will introduce an affordable housing program which is currently under construction in mid-2014. Many of these are owned by Government, though some are leased from the private market and others are run in partnership with not-for-profit welfare groups.

In 2010 they successfully won a tender to receive newly-built Nation Building social housing. In due course Housing Plus will receive title to these properties, and raise private finance to increase the regional supply of affordable housing. By offering some tenancies to low and moderate income households, Housing Plus offers a 'housing continuum' and creates pathways for our tenants as their circumstances change.

Innovative outsourcing

More recently, several State Governments have embarked on ambitious programs of outsourcing management of large public housing portfolios to community housing organisations. Although 'stock transfers' have taken place from the 1990s in NSW, the current programs are generally larger in scale and seldom involve asset ownership.

In 2012 Tasmania initiated a public tender to outsource management of 500 homes near Hobart to a community housing provider, followed by a further three regional portfolios of 1,200 homes each in 2013.

The Queensland Government is currently reviewing bids for 4,850 homes in Logan, and announced in July 2013 that 90% of their public housing would be managed by non-government housing providers by 2020. South Australia has recently followed, tendering the outsourcing of two public housing portfolios of around 500 dwellings.

2.3 NSW sector review

NSW has the largest community housing sector in Australia, in terms of the absolute number of property in the sector (25,974 – June 2013) and relative share of social

housing (19%). According to research by Housing Action Network, half the largest Australian community housing providers are based in our state.

The NSW Registrar of Community Housing uses four categories for providers:

- **Class 1 - growth providers:** managing more than 400 homes, undertaking property development and raising private finance.
- **Class 2 - housing providers:** managing more than 200 dwellings, with some modest residential development capacity.
- **Class 3 - housing managers:** managing 30 or more properties.
- **Class 4 - small housing managers:** managing very small portfolios.

Of the four Housing Alliance members, Housing Plus is Class 1 and the others are Class 2. All four organisations manage far more properties than the minimum for Class 2, though have varying levels of development capacity.

The most recent comprehensive review of the NSW sector is at June 2012 (Table 5). This shows around 6% of all 231 providers are each in Classes 1, 2 and 3. The remaining 82% of providers are Class 4.

Table 5: NSW housing providers, 2011-12

	Class 1	Class 2	Class 3
Homes, 2011	13,276	7,220	1,023
Homes, 2012	19,781	8,036	658
Providers, 2011	11	19	15
Providers, 2012	13	16	13
Average homes, 2011	1,207	406	68
Average homes, 2012	1,522	502	51

Source: Data derived from Registrar's 2012 Statement of Performance. Figures as at 30 June 2011 and 30 June 2012

The majority of community housing in NSW is managed by Class 1 and 2 providers. However, the share held by Class 1 'Growth Providers' has increased rapidly, from 60% in June 2011 to 70% in June 2012. This reinforces the trend mentioned earlier in this Report of Government policy favouring larger growth providers.

2.4 Scale and capacity insights

Many Australian community housing providers have grown large, and some operate out of state. Several NSW providers are bidding for tenancy management outsourcing contracts in Queensland and South Australia, and this risks draining resources funded by NSW Government.

A 2007 report in Britain by the Chartered Institute of Housing noted 'we have found no compelling evidence that size has real benefits in terms of the efficiency of organisation, better delivery of services or costs of borrowing. Indeed it appears from the evidence above that a focus on outcomes and effective management is more important than structures'.

Mergers

Mergers have been a significant factor in the consolidation of the Australian community housing sector. However, there is a danger that enlarged organisations will lose touch with the communities in which they operate, focusing more on finances and branding than tenants.

Overseas experience from Britain and the Netherlands, two countries with large community housing sectors, suggests mergers do not often deliver the anticipated benefits. There is declining support for

mergers, and the focus is more on re-establishing links to local communities.

As will be described later in this submission, the Housing Alliance was formed so that four organisations can achieve economies of scale without losing their connections to local neighbourhoods where they operate.

2.5 Community housing in regional NSW

Regional housing markets can be analysed using ABS standard 'remoteness' definitions. Areas are then classified in five categories, as detailed below for NSW:

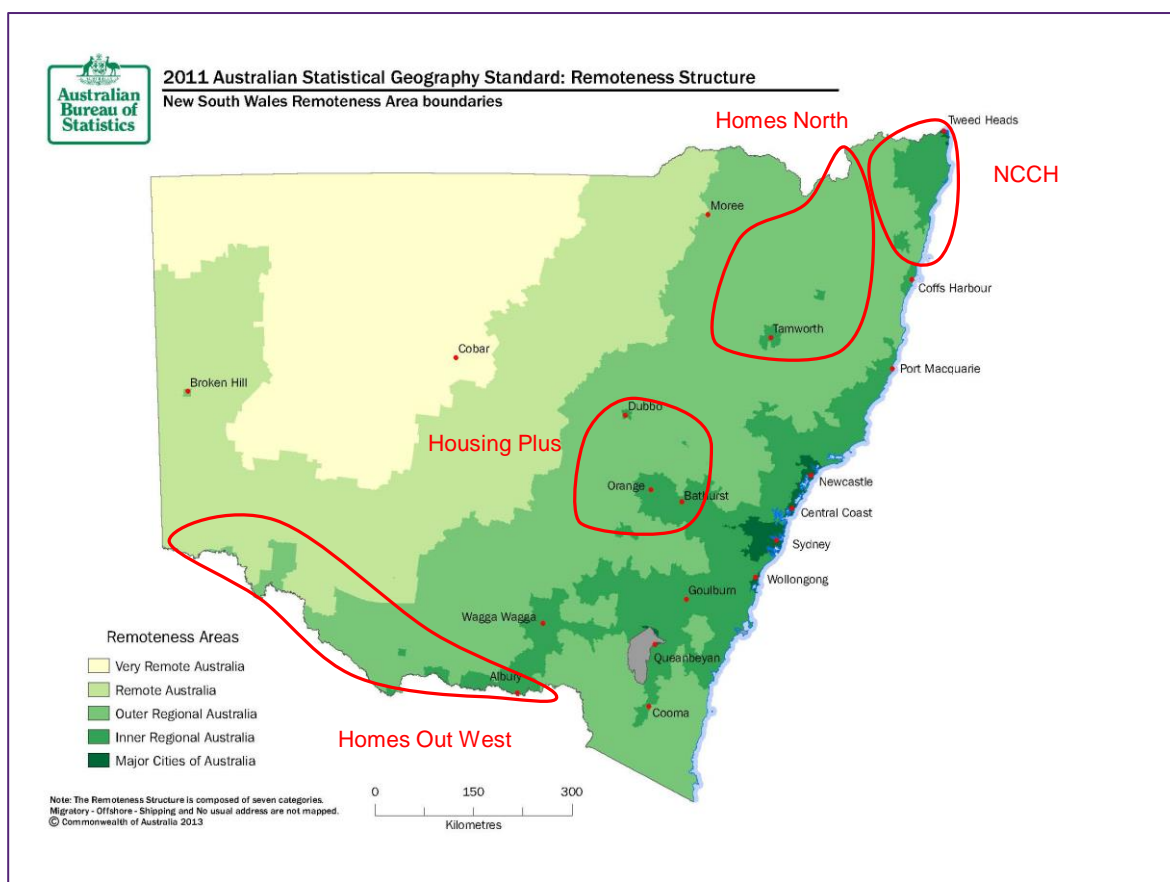
- **Major cities:** metropolitan greater Sydney, the Central Coast, the Lower Hunter, Wollongong and Tweed Heads

- **Inner regional:** generally the NSW coastal strip, and regional towns such as Tamworth, Orange and Albury.
- **Outer regional:** regional areas generally in western NSW.
- **Remote and very remote:** areas in the western half of NSW.

The operating areas of the four Housing Alliance members are shown in Figure 2.

Most Housing Alliance community housing is provided in Inner Regional and Outer Regional areas, especially for Housing Plus and Homes North. NCCH operate more in Inner Regional areas, and Homes Out West provide housing in both Regional and Remote areas.

Figure 2: Regional locations of Housing Alliance members



Source: ABC 2011 Census

According to data from AIHW, in June 2011 around one third of NSW community housing was in major cities, a similar level for Australia as a whole (Table 6). This proportion has remained steady for a number of years. However, renewal efforts to transform social housing estates have largely been concentrated in the cities.

Table 6: NSW community housing, 2011

Area	Number	Share
Major Cities	19,121	67%
Inner Regional	6,350	26%
Outer Regional	1,586	7%
Remote	28	-
Very Remote	4	-

Source: AIHW 'Housing Assistance' survey, as at 30 June

There are just under 8,000 community housing homes in Inner Regional and Outer Regional areas of NSW. Housing Alliance members manage around 2,900 properties of these. Therefore 36% of all regional community housing dwellings in NSW are managed by Housing Alliance members.

Issues facing regional providers

All Australian community housing organisations are operating in a complex and changing policy environment. Tenants have increasingly challenging needs, housing is in short supply, and funding is becoming more competitively allocated. However, there are additional issues facing regional housing providers:

- There is pressure from State Government to increase social and affordable housing delivery. But in regional areas there are fewer scale economies for development and delivery costs are higher.
- Regional land values are lower than in major cities, making it less likely that the planning system can be used to

partially fund new affordable housing. Local planning controls also tend to favour higher cost, lower density development projects.

- It can be difficult to source community housing staff members in regional areas, particularly those with specialist skills in community housing, and with senior management experience.
- Regional housing providers often provide housing over large geographic areas, increasing the cost of delivery. There is often a need to open small regional offices, which are complex and expensive to operate.

2.6 Introducing the Housing Alliance

The Housing Alliance was established in 2010 between four regional NSW community housing organisations each managing between 450 and 870 tenancies each. By establishing a 'middle path' between independence and merger, the Housing Alliance is following an approach that has been tried and tested overseas.

Housing Alliance members work in housing markets with different dynamics to metropolitan Sydney. For example, three member organisations operate in low demand, low value markets that correlate with high levels of disadvantage. These markets are seen to be less of a focus for State Government than the Sydney region.

Scale and efficiencies

When viewed as a collective entity, the Housing Alliance manage nearly 3,000 homes. This makes the Alliance not only the fourth largest community housing operator in NSW, but across Australia as a whole.

Box 3: Homes Out West - leading practice in property improvement

Homes Out West is a leader in social housing provision in the south western Riverina region of NSW. The organisation delivers affordable housing to those most in need across 11 rural communities along the Murray River, bridging an area of some 700km between Albury in the east and the South Australian border in the west. They have a board of seven directors who oversee the governance of the organisation. Their directors, staff and contractors, are local to the communities served. Homes Out West currently manage a portfolio of approximately 450 properties. This entails a mix of capital properties, fee for service and leasehold properties.

Homes Out West's operations reflect their values in respect of the diversity, equality and rights of people; working as a community on common issues; displaying integrity, transparency and accountability; promoting quality and equity in our work, our houses and people's lives; and providing long term safety and security through the housing product we deliver.

They have strong partnerships with many service providers across the region to assist support our tenants and enhance their lives. Key partnerships have been developed through our co-location office arrangements with other service providers in Deniliquin and Albury. This office 'hub' arrangement offers a one-stop-shop service to our tenants and potential applicants and augments our position as a leading 'community anchor' in the lower Riverina region. This innovative example has been recognised by the NSW Registrar of Community Housing as best practice.

Property innovation

The organisation has undergone a period of massive growth in recent years primarily due to the sector wide reform initiative of the property transfer program. This resulted in Homes Out West acquiring a portfolio with a strong dominance of aged fibro cottages, presenting challenges in relation to maintenance liabilities and a variance between housing product and demand.

Homes Out West undertook a significant piece of work in developing a Dwelling Decision Tool to produce a detailed assessment of the environment surrounding the organisation's assets alongside an analysis of current assets and if they are 'fit for purpose'. The innovative tool has been used to indicate which properties are performing well and meeting clients and the broader regions current housing needs. The Tool is reviewed and refined on a three year cycle to maintain relevance with the changing environment.

Six pilot properties with differing design features and across various locations were selected as a sample. The pilot properties were initially technically inspected by Homes Out West and several independent architects with concepts collected on best practice for sustainable improvements. Input was gathered also from interested tenants through a tenant forum.

A range of initiatives were raised, with all options being assessed on their ability to address the project objectives. Initiatives included increased insulation, external cladding, roof exhaust vents, skylights, blinds, ceiling fans and solar hot water. The evaluation process, undertaken after eighteen months of tenants living in the modified properties, outlined a range of recommendations on ways the portfolio could be improved in line with the project aim.



Before



After

The Housing Alliance is principally a networking organisation sharing best practice, and working to jointly procure goods and services where there are cost savings. It also lobbies stakeholders to raise the profile of issues faced in regional housing markets and communities.

Some examples of Housing Alliance efficiencies include jointly procuring consultancy, IT procurement and research activities. In effect advice can be sourced at one quarter the cost of single procurement. There is also collective working on policy reviews, marketing, conference attendance and website development.

Community vision

The corporate leaders of the Alliance organisations share a similar vision, particularly around maintaining strong community links and remaining as independent organisations.

Housing Alliance members act as 'community anchors' in the regions in which they operate. Links with partner service providers and councils are important as well as looking to increase portfolio sizes.

By sharing procurement of goods and services, the Housing Alliance has gained many of the economic benefits of being a single merged entity. Consultancy, legal, technical and other costs have been spread across four organisations. Knowledge has been shared, and 'virtual capacity' built.

2.7 Section conclusions

With the right State Government policy settings, commercially experienced community housing providers can form the bedrock of a sustainable social housing system. Once property management is transferred to the community housing

sector, property maintenance backlogs can be cleared through a blend of current public subsidy and private finance. Quality tenant outcomes can be achieved, and tenancy management delivered at lower cost.

Metropolitan regions in NSW have seen fast growth over many decades, though around one third of the population still live in regional areas. What is needed in the regions are strong community based organisations that can work in partnership to deliver Government's policy objectives.

Local people often know best what the issues are where they live, and what solutions are needed and will work. Housing Alliance members benefit from scale economies, and professional management, but are run locally. This type of organisation is well placed to address regional social and affordable housing challenges.

3 Our recommendations

Community housing organisations can be key partners in delivering Government’s objectives of improving affordable housing supply and making social housing sustainable. The main need from Government is for clear leadership and strategic planning, rather than just more grants and asset transfers. In regional areas, where the Housing Alliance operate, community housing providers play an important role in promoting economic growth and social cohesion

We have focussed our recommendations around four specific topic areas which we believe are most likely to benefit, and be deliverable in, regional NSW.

3.1 Improving coordination and integration

Over recent years, NSW Government has become ‘siloes’, with little communication and coordination between Departments. We welcome and support the integration achieved through moving Housing NSW into FACS, though believe some of the silo mentality remains.

Housing markets

We believe a ‘whole of government’ approach to reforming the housing system is needed. This issue of social housing challenges cannot be addressed in isolation, as currently the ‘housing continuum’ does not work effectively.

It is important to transform the private purchase and rental sector, as well as social housing, so that some tenants currently in social housing can find pathways out. Social housing has

increasingly become a tenure for life, rather than a temporary helping hand.

We recommend NSW Government review, and implement, certain of the approaches used in Western Australia. WA targets a portion of housing assistance to support intermediate housing markets, giving households a chance to move along the housing continuum.

WA has a range of shared ownership and shared equity products, including schemes allowing public housing residents to buy their own property (providing more funding for social housing) or purchasing another property (so that their existing home becomes available to someone on the social housing waiting list).

Government coordination

The welfare benefits system often acts as a deterrent to families moving to employment and out of social housing, and this needs reform. Furthermore issues such as planning, land supply and taxation have major impacts on social housing demand though are often treated as being non-housing issues.

We recommend NSW Government develop an affordable and social housing policy that

has input by, and ownership by, all Departments. This may, for example, better coordinate the work of Housing NSW, the Department of Planning and Infrastructure and Urban Growth NSW over delivering more affordable housing stock.

Furthermore, with large estate renewal, very close working is needed across FACS divisions, with Education and Police, and with Treasury due to the need to raise external funding. Lack of cross-Government coordination has been a problem with estate renewal to date.

Regional delivery

We support changes within FACS to align district boundaries with NSW Health. There is now a much clearer state map, which should in time act as a foundation for more integrated service delivery.

However, there is currently little coordination between Government Departments within districts. New delivery structures are needed.

Regional community housing providers have existing strong links with both non-government and government agencies due to a focus on place-based service provision. Regional community housing providers therefore can readily play a major role in realising joined-up service delivery in the FACS districts.

As one of the world's largest social housing organisations, Housing NSW is not in a position to provide a personalised service for tenants, for communities or for their staff. We suggest greater regionalisation in Housing NSW, with more local autonomy and potentially different district policy settings, especially in regional NSW.

Local government

In regional areas councils play an important role in affordable housing, In part this is due to the lack of other State Government agencies acting locally. However, local government has modest powers, and there is not always a smooth relationship with Housing NSW who is often the main local landlord and social asset holder.

Box 4: Supporting clients with mental illness to live independently

Richmond PRA in consortium with Homes North were selected through an open tender process to deliver new intensive support and accommodation packages which will provide an opportunity for mental health clients to exit institutional care and integrate into the community. The funding includes a capital grant from the Department of Health to upgrade and redevelop an existing site managed by Homes North in Tamworth.

This project provides on-site 24/7 support and therapeutic facilities such as gardens and a gym. The support is focused on recovery and includes developing living skills, improving general wellbeing and participating in the workforce.

Homes North is thrilled to be a partner in this approach and looks forward to providing the clients with safe and affordable accommodation and the dignity that comes with having a place to call home. Homes North staff will assist clients learn to sustain their tenancies in a community context.

Homes North staff have seen clients with such needs challenged by the demands of independent living coupled with insufficient and sporadic support. It is very encouraging to be a partner in a programme where clients will be provided with true wrap around services and opportunities to grow. The first clients occupied the renovated property in December 2013 and have commenced their journey to recovery and independence.

The project demonstrates how a Community Housing Provider can work with the not-for-profit sector and Government in an allied sector to achieve holistic outcomes.

Housing Alliance members look for local government reorganisation to be completed as soon as possible, and for councils to be persuaded to amalgamate where they are small and not financially viable.

Regional groupings can help coordinate the response to housing and homelessness issues. NCCH is a major promoter of the Northern Rivers Housing Forum which brings together public, private and not-for-profit organisations. Other regions would benefit from this level of coordination.

NSW Government could promote regional housing forums, as potentially this could be a way of better delivering services within a FACS district. Regional groupings of councils have worked well in metropolitan Sydney - for example the Western Sydney Regional Organisation of Councils.

We recommend councils should be obliged to produce an affordable housing strategy, and meet State Government requirements to support the delivery of more affordable housing. Under Planning Reform in NSW, councils should be encouraged to permit smaller and lower cost building types.

3.2 Efficient social housing delivery

The Auditor General's 2013 report confirms what many in the sector have known for a number of years: the NSW public housing system is unsustainable. Each year a large deficit is run, and this is likely to increase year-on-year as the housing stock is ageing and the maintenance backlog high.

Government's role

NSW Government will continue to have a strong role in steering the social housing system. However, their role should be one of

setting objectives, managing subsidies, and helping coordination, with less of a focus on direct service delivery.

Currently the roles and responsibilities within Government are blurred. Community housing funding and regulation remain in part a responsibility of Housing NSW, the public housing agency. It is not possible to determine whether public or community housing is more efficient at delivering and managing social housing.

We recommend transferring funding allocation responsibility for NSW social housing to Treasury. Efficiency and effective KPIs need to be improved such that, over time, funds will be allocated to the most effective social housing providers.

In the future the NSW social housing system should become less homogenous, with a variety of different types of organisations. We do not believe there is a single 'silver bullet' solution, rather a number of different pathways to follow. This is because both housing need and existing social housing stock vary considerably.

Management outsourcing

There are clear benefits to Government by increasing the proportion of NSW social housing managed by contemporary, business-like not-for-profits such as Housing Alliance members. Running costs will fall, transparency will increase and tenant satisfaction will improve. There will be a more strategic management of assets, and the delivery through a mix of public and private funds of new affordable homes.

We need to move to a situation where the Government is not a near-monopoly supplier of social housing. A target might be the 2009 goal agreed between State and Commonwealth Housing Ministers of 35% of the sector managed by community

housing providers. This suggests transfers of around 18,000 public housing dwellings.

There has been a protracted, and not especially helpful debate, between NSW Government and community housing providers on asset transfers. Government believes such transfers may impair the state's credit rating, and that success to date with asset leveraging has been below their expectations.

Our view is that the main approach in future should be outsourcing tenancy and asset management. This is the policy in Tasmania, Queensland and South Australia - and looks likely to be followed by other jurisdictions. Outsourcing retains assets on the State balance sheet, while bringing additional CRA revenues.

Outsourcing is an ideal solution in regional areas. Remotely located housing is very expensive for Housing NSW to manage, whereas community housing providers already have the infrastructure on the ground. The main focus is improving property condition, not new affordable housing. Cashflows not assets are more important for this task.

Housing Alliance members have successfully delivered manageably-scaled management outsourcing projects. Homes North, for example, received 150 homes in Gunnedah in 2008. As detailed in Box 4, they helped stabilise the neighbourhood.

Asset transfers

Even with management outsourcing approaches, there will be situations where modest scale property development will be necessary. Re-building may be more cost effective in the medium term than costly

restorations to ageing, inappropriate stock. Housing stock may need to be reconfigured to meet demand for smaller properties. Also, in coastal areas and in locations with a resource boom, additional affordable housing is needed.

Government should put in place mechanisms whereby assets ownership can be transferred to properties that are already managed by a community housing provider. Transfer would be on the basis that the provider would submit a business plan compatible with Government goals, and would need to report on the outcomes of the scheme.

Regional community housing

Government needs to consider carefully the approach that works best for management outsourcing. We recommend that in many regional areas different policies will be needed. If too many small community housing providers operate in a remote region, social housing will not be delivered efficiently and it will be confusing for social housing applicants.

In metropolitan areas, and for large estates, social housing management could be transferred in medium sized blocks (of say 200 to 1,000 homes) to larger NSW community housing providers. This would be through competitive tender, making the process transparent and ensuring best value outcomes for State Government.

In regional areas, smaller social housing parcels (of say 50 to 200 homes) could be transferred to existing Class 1 or 2 providers with a proven track record and an established presence in the region. This would allow these organisations to further build capacity.

Box 5: Homes North - building community cohesion

Homes North is an innovative not-for-profit social enterprise delivering high quality housing management and support for people on low to moderate incomes in the New England and North West region of NSW. They currently manage over 850 properties under a wide range of programs that include providing social housing to community members who are disadvantaged in accessing private rental, alleviating housing stress by providing affordable housing options to moderate income households and providing specialist housing for disability clients. Homes North also operate a rent-to-buy scheme in Armidale and Tamworth.



Homes North is also an important access point for homelessness and allied services, this is particularly so in smaller regional locations where there is no Housing NSW office. Homes North has built strong partnerships with services across the region to ensure optimal outcomes for their clients and communities. They have a strong Board of six skilled directors who are committed to delivering quality services and maintaining a robust financial model.

Homes North is committed to managing their business well so they can increase the supply of affordable housing in the region. They have acquired 15 properties over the past two years, and have plans to acquire a further 20 in the next two years. These properties are for low and moderate income households.

All administration, finance and reporting functions reside in Armidale and are managed by the Chief Executive Officer and Manager Business Services. The Company also has a specialist asset management team in Tamworth, overseen by the Asset Manager, to ensure the efficient management and maintenance of the asset base. Housing management is delivered through our four local offices: Armidale, Tamworth, Gunnedah, Glen Innes and Tenterfield.

Gunnedah Community Cottage

Under the 'whole-of-town' stock transfer programme in 2007-8 Homes North took on the management of the Housing NSW social housing portfolio in Gunnedah, approximately 150 properties. Just under 100 of these properties are located in a precinct in west Gunnedah located on the "wrong side of the tracks".

The area had a history of hard-to-let properties, vandalism and anti-social behaviour. As part of a suite of strategies to improve the quality of life for people living in the area and reduce overheads from vacants and vandalism, Homes North opened a community cottage in the centre of the precinct. Services and community development activities delivered out of the cottage are coordinated by on-site Salvation Army staff.

Hope House now offers a range of facilities and services including a mother's group, positive lifestyle programmes, counselling services, budgeting, loans, community gatherings and celebrations, a playgroup and opportunities for community members to volunteer and gain skills.

The upgrading of the house, gardens, outdoor areas and children's playground was made possible by significant donations from businesses and hours of volunteer work by local community groups. The cottage is a great example of community contribution, and was implemented at no additional cost to Government.

Homes North extended its commitment to the project in 2013 by negotiating with the Aboriginal Housing Office the use of an adjacent vacant block for a community garden. The derelict site has been transformed into an orchard and vegie patch.

As a result of this and other strategies the precinct has become a regular place to live. The riots, vandalism and hard-to-lets are a thing of the past. Homes North is committed to making social housing a housing solution that provides life opportunities. The Gunnedah Community cottage is testament to this commitment.

More ‘managed’ transfers in regional areas would be more straightforward and lower cost. Government could carefully tailor the transfer so costs could be cut, for example by a ‘whole of area’ transfer where the Housing NSW local office could be closed.

Promoting alliancing

This submission has shown the many benefits that a housing alliance can bring. It is a common organisation structure in Europe, and allows medium sized community housing organisations to have a sustainable role in supporting Government.

We suggest Government should review the implicit ‘growth policy’ for the NSW community housing sector. We believe there should be:

- Controls so that activity generated in NSW by community housing providers remains in NSW.
- Support for community housing providers that remain close to their regions and deliver a broader range of services in their neighbourhoods.

The above changes could be brought about through a modification of regulatory details (within the broad framework of NRS), or an amendment to current funding agreements.

3.3 Developing our role as community anchor

Housing Alliance members have retained their strong bonds with the regions in which they operate. They are good examples of ways in which a high capacity organisation can act as an ‘anchor’, bringing together various public, private and not-for-profit bodies within a district.

An example of this is the ‘whole of area’ transfer to Homes Out West in the Murray River corridor in 2009. The management of all 240 Housing NSW properties in nine communities along the Murray River were transferred, allowing Housing NSW to close their Deniliquin office.

This transfer effectively reduced duplication in these communities built on Homes Out West’s capacity as a community anchor in these rural and isolated communities and was achieved in a cost effective and succinct manner over a short three month timeframe. Much of the success being attributable to the organisation’s profile and community connections in the region

Encouraging ‘anchoring’

NSW Government policy encourages community housing providers to be well governed, and to efficiently manage social housing properties and tenancies. Any additional support for tenants and neighbourhoods is voluntary, and a decision by community housing boards.

We believe Government should support community housing providers to do more within their neighbourhoods. Vital neighbourhoods and communities minimise cost to Government for the provision of social services. This could be achieved by Government partnering with community housing to ensure capacity is built that delivers better outcomes for local areas.

Less proscriptive options could be to establish a central exchange for best practice, include ‘community anchor’ options in the State’s housing strategy, fund capacity building and give awards to organisations that are leading practice.

Supporting employment

Many regional areas lack a strong and diversified employment base. Regional community housing providers can have an impact in terms of:

- Our role as a local employer, especially in offering high skilled and higher paid jobs than available locally.
- Our role as a purchaser of local trade and other services.
- Our ability to source goods locally.

Regional community housing providers have a proportionately higher impact in these areas than a metropolitan based organisation. We are also more able to help establish and mentor local social enterprises that may provide services such as grounds maintenance that we procure.

There are good examples from the community housing sector of programs that help their tenants transition into both training and employment. They are able, therefore, to consider both short term and long term tenant needs.

Building community cohesion

Community housing providers are considerably smaller than state housing authorities, and able to maintain closer and more personal links with their tenants. Problem tenancies can be identified sooner, and tailored action taken in partnership with welfare agencies.

All Housing Alliance members involve tenants in some aspects of running their business. Some have tenant representative organisations that impact decision making. Tenant social events, barbecues and information sessions are also common in community housing.

Tenant participation programs both allow tenants to feel a sense of ownership and involvement, as well as the housing provider understanding what is working well in their services. Regional community housing providers can make a significant impact on building community cohesion in the areas in which they operate.

3.4 Broadening the affordable housing funding base

The NSW social housing system is under-resourced, and funding towards new affordable housing is limited. Both State and Commonwealth Governments are looking to balance their budgets, hence other funding sources are needed.

Funding innovation

To achieve the level of growth in affordable housing supply, which is badly needed, the Government, working with partner agencies should identify and pursue new and alternative funding mechanisms. The growth required will not be fully addressed without additional funding as well as the creativity to work better with what we have.

Various options have been discussed, mainly within the research community:

- Sourcing superannuation funds. Funds have considerable amounts to invest, though potentially need legislative push or incentive to channel towards affordable housing.
- Housing supply bonds - based on a partial guarantee of risk on a slice of a marketable bond instrument targeting affordable housing supply.

Box 6: 'The hub' – a collaborative and integrated approach

In 2008 Homes Out West and a range of other community service organisations in Albury shared a common vision to create a specifically designed and integrated 'Hub' or 'One Stop Shop' for people experiencing housing related stress within the Albury community.

This was to be achieved via the co-location of a number of independent housing related service providers and was intended to enable the sharing of vital infrastructure resources to create efficiencies in service delivery and long term cost savings. The primary goal was to enhance service provision to people experiencing or at risk of becoming homeless.

Ongoing negotiation brought together four distinct agencies which collectively comprised all of the community based (non-government) non-residential, homelessness services within the city of Albury. Partners included Homes Out West, YES Youth and Family Services, Albury Supported Accommodation Service and South West Tenants Advice Service.

All four services faced the challenges and concerns regarding financial restraints, suitability and sustainability of long term office accommodation. A project that would enhance service provision for clients, improve conditions for staff and allow like services to obtain reasonable security of tenure in the long term, with the very real expectation of future cost savings became an increasingly attractive option for agencies to become involved in the development of 'The Hub'.

Improved client services are central to The Hub and the collaborative and integrated approach. The significant issue for clients regarding access to housing and support is addressed in 'The Hub' co location model. The model has provided clients with ready access to a full range of housing and support services under the one roof, from early intervention to long term housing options. This is both convenient for them in terms of time and resources (i.e. transport), but also increases the likelihood of clients engaging in assistance due to the improved ease with which they can access services. Put simply, a referral across the hallway is far more likely to result in client engagement than a referral across town.

The success and efficiencies of The Hub has improved all partners capacities, freed up resources and allowed services to be innovative and effectively respond to new initiatives and growth opportunities that have arisen since co locating in 2009.



- Social benefit bonds - introduced in NSW, though currently small scale.
- Revolving finance. This would involve providing finance to community housing organisations at below-market interest rates on the condition that these funds are used to generate new affordable rental housing.

- Strategic philanthropic investment.

We recommend NSW Government review these financing options which are based on tried and tested approaches in Australia and overseas. Raising external private and philanthropic funding reduces the burden that otherwise falls on the State.

Much of the background work has already been undertaken. KPMG prepared a report for the Victorian government in 2012 which outlined nine possible funding models for governments to consider when developing new social and affordable housing. Their main conclusion was that community housing providers were the most effective way to harness new forms of finance.

Maximising current approaches

Many community housing groups, including Housing Alliance members, raise bank loans and harness NRAS incentives to develop new social and affordable housing. These approaches are more familiar and straightforward than the new funding models suggested above.

We recommend NSW Government develop a strategy such that the state's higher capacity community housing providers can borrow to their optimum capacity using conventional approaches. To date, there have been mixed messages from State Government on how they see the role of the community housing sector. This does not encourage longer term investment.

New housing delivery

Housing markets are more complicated in regional areas. There are fewer builders, costs are higher and new stock is often larger properties as they attract higher margins. The planning system does not work as well for affordable housing, in part as land values are lower than Sydney.

Regional community housing providers deliver affordable rental housing in locations where it is most needed, not just where it is profitable to develop. This often involves working very closely with local councils, and in partnership with private sector developers.

Alliance members Housing Plus and NCCH have a strong track record of producing new affordable housing, including the use of bank loans and NRAS incentives. It is unlikely this much-needed housing would have been provided without their involvement. Nor would it have happened if they were part of a merged entity with a distant head office.

Where possible, NSW Government needs to carefully target funding so that new affordable housing remains viable in regional areas. Policies and funding need to take account of the different housing markets across the State.

3.5 Section conclusions

Community housing providers have a role in provision of social and affordable housing as well as more generally in regional development. Sustainable regional economies drive economic growth, helping to achieve 'NSW 2021' policy goals. Vibrant towns in the region stand a chance of reversing population decline, and taking some strain from metropolitan Sydney.

The main issue for Government is to deliver services in a more coordinated way. As Minister Goward commented in a '7.30' television program on the ABC on 7 February 2013, there has been billions of dollars of investment in social housing in NSW yet still we see people trapped in a cycle of disadvantage.

Housing Alliance members have taken the lead in the communities we serve. While we do not claim to have all the answers, we can work collaboratively with Government and the private sector to 'make NSW number one'.