

A Vision and Plan for Social Housing in Australia

PowerHousing Australia

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This Report has been prepared for:



This report has been prepared by:
SGS Economics and Planning Pty. Ltd.

ACN 007 437 729

5th Floor, 171 Latrobe Street,
Melbourne Victoria 3000

phone: 61 3 8616 0331

fax: 61 3 8616 0332

email: sgsvic@sgsep.com.au

web: www.sgsep.com.au

with assistance from

Dr Julie Lawson



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Executive Summary

The preparation of this independent report into the future of social housing in Australia was sponsored by PowerHousing Australia.

PowerHousing Australia

PowerHousing Australia was established in 2006 by not-for-profit community and affordable housing companies and training organisations from Victoria, Western Australia, NSW, Queensland and the ACT.

The purpose of PowerHousing is *“to build a national capacity to continue delivering community and affordable housing services to their local communities in a rapidly changing service delivery environment.”*¹ Moreover, *“PowerHousing recognises the need to be proactive to ensure that community housing companies are not marginalised by government and private enterprise in the evolution of affordable housing in Australia. This (is) to ensure PowerHousing is part of the solution, not just embroidery on the fabric of affordable housing across the country.”*

The commissioning of this report exemplifies PowerHousing’s proactive approach.

Findings of the Report

The report demonstrates that social housing in Australia has become a residualised sector. Its role today as a ‘welfare safety net’ is a far cry from that envisaged with the inauguration of the Commonwealth State Housing Agreement in 1945, when access to public housing was seen as a stepping stone to opportunity.

With generally declining investment since the mid 70’s, social housing currently accounts for barely 5% of all occupied private dwellings. This falls at least 260,000 units short of requirements to house the most needy (for example, homeless people, those living in caravans and improvised dwellings, and low income renters in severe stress), let alone provide opportunities for key workers and other moderate income households looking to gain a foothold in jobs rich areas.

The report argues that a significant expansion in Australia’s social housing stocks is warranted with the not for profit sector playing a leading role. Not for profit companies are seen to offer several advantages compared to more traditional methods of public housing procurement and management, including:

- improved productivity and consumer choice in the social housing sector;
- improved housing innovation (design and construction); and
- enhanced contributions to urban consolidation.

¹ Quoted from PowerHousing Website <http://www.powerhousingaustralia.com.au/> July 2009

Based on the analysis of needs and the evolution of the social housing system to date, a vision for the future development of this system is offered, as follows;

Over the 10 years to 2020, social housing in Australia will transition from its current safety net role to resume its original mandate to provide low and moderate income households with opportunities to engage in employment, education and training within neighbourhoods which are safe, well connected to urban services and reflective of the wider social mix across the nation. To achieve this role, social housing stocks will ultimately need to be expanded to between 10% and 15% of all occupied private housing. Fulfilment of this mandate to build sustainable communities will also require a transformation of social housing management. By 2020, social housing will be offered within a genuine multi-provider system, fostering innovation, value for money and customer choice. The not for profit sector is expected to comprise at least half of all community / government owned housing, including stock transferred from public housing authorities.

The institutional reforms implicit in this vision are elaborated in the report, taking into account a review of best practice internationally, particularly in the UK and continental Europe jurisdictions.

The proposed institutional framework for an expanded and revitalised social housing sector has been conceptualised within the parameters of the National Affordable Housing Agreement (NAHA), and the policy priorities outlined by the Commonwealth via the Minister for Housing's speech to the Sydney Institute on March 19, 2009. The headline features of this framework include:

- Delivery of a **contestable multi-provider system** to promote innovation and customer choice, both of which are essential to efficient use of the capital made available by governments;
- **Tempering the dominance of the public housing authorities** as providers of social housing stock and as brokers of funds and ideas in the sector;
- Building on the NRAS initiative to **develop an effective role for the private sector** in the delivery of affordable housing;
- Establishment of **strong prudential supervision arrangements**, recognising, firstly, that substantial amounts of Government capital will be entrusted to non-government providers and, secondly, that institutional investors will only contemplate large scale involvement in the sector if they are convinced of the financial robustness and management capabilities of not for profit providers;
- Provision of **appropriate capacity building programs** to support the not for profit sector, as well as private sector providers contemplating involvement in the social housing 'industry'.

The report calls for the formation of two new agencies within the Commonwealth Government. The first would be an **Australian Social Housing Regulation and Prudential Supervision Authority (ASHRPSA)**. This is envisaged as a statutory authority operating under the administrative auspices of FaCHSIA (or equivalent). It would have its own competency based board, CEO and operating staff.

The two key roles of the ASHRPSA would be to; provide advice to the Commonwealth on warranted investments in social housing via NAHA; and register and monitor the finances and performance of

social housing providers, including State Housing Authorities, not for profit organisations and relevant private sector participants in the system (e.g. those involved in NRAS).

More specifically, this latter role of ASHRPSA would entail;

1. application of generic principles and practices regarding rent policies, tenant eligibility and security of tenure;
2. prudential supervision, including identification of a range of financial indicators as the basis for routine reporting by providers, for example;
 - availability of commercial finance and its cost compared to public borrowing;
 - surplus or deficit on the property account as a percentage of received rents;
 - the level of free reserves as a percentage of rents received;
 - the ratio of current assets to current liabilities;
 - service costs as a percentage of service charges;
 - finance and administration costs per unit of rental income;
 - housing management expenditure per unit;
 - maintenance cost per unit; and
 - mortgage payment per unit;
3. application of dwelling acquisition regulations including;
 - housing scheme development standards; and
 - total cost indicators;
4. identification of tenant participation protocols and standards; and
5. formulation and monitoring of corporate probity and ethical standards, including remuneration standards and scope/level of overhead costs

The second new agency would be a capacity building institution, tentatively titled the **Australian Social Housing Development Agency (ASHDA)**. This would be funded jointly by the Commonwealth (1/3), the States and Territories (1/3) and subscriptions from registered and non registered housing providers (1/3). Board membership would be determined by governments and members in proportion with their respective equity stakes.

ASHDA's charter would be focussed on accelerating skills development in the sector and providing a clearing house for innovations. Its broad areas of interest would include;

- policy development for members, particularly those in the not for profit sector;
- promoting and advocating for policy development to support social housing generally;
- facilitating sector productivity; and
- information and networking.

Sitting outside these regulatory and capacity building bodies will be a range of industry and community based organisations which would act to support, lobby, scrutinise and, from time to time, critique the government sponsored institutional framework for guiding and managing the development of social housing. PowerHousing Australia would be one such organisation. It would

bring a focussed 'practitioner's perspective' to policy development which would help anchor the aforementioned bodies in the day to day realities of social housing development and management.

The report concludes by proposing a staged implementation process, which is expected to be concluded within a 2 to 3 year period. During this transitional period the two new Commonwealth agencies may operate in parallel with similar organisations already established in the States and Territories. These State/Territory based arrangements would be phased out or refocused onto other complementary functions in accordance with agreements reached in COAG or bilaterally.

1 Introduction

1.1 Purpose

Entrusting the not for profit sector with a senior role in a revitalised social housing system in Australia is likely to generate substantial net benefits over and above those attaching to growth of affordable housing per se.

Based on recent policy statements, including those released with the 'Nation Building' package for social housing, Governments appear keen to develop this new, leading role for the not for profit sector. However, the issue arises of **how** to grow the sector given the current patchy status of institutional arrangements across the country. This report puts forward a plan to address these matters.

'Social housing' is defined here to include dwellings which are;

- State owned and managed for the purposes of providing affordable housing to low and moderate income groups; plus
- dwellings which are State owned but managed by community / not for profit based organisations, for affordable housing purposes; plus
- dwellings which are owned and managed by not for profit organisations for affordable housing purposes, where the State has provided a significant proportion of the capital required to purchase or construct the housing; plus
- dwellings which are secured for affordable housing purposes on a long term lease basis with the aid of Government subsidies, where management may rest with not for profit or private sector organisations (for example, units developed under the Commonwealth's National Rental Affordability Scheme).

This independent report was commissioned by PowerHousing Australia.

1.2 PowerHousing Australia

PowerHousing Australia was established in 2006 by the CEOs of not-for-profit community and affordable housing companies which foresaw the emerging crisis in housing for those Australians who were being marginalized in the private market. Currently PowerHousing has 22 members nationally, located in Victoria, NSW, Queensland, SA, ACT and Tasmania (see list of members in the Appendix). The initial aim of the organisation was to establish a peer network of "growth affordable housing providers". A majority of States have adopted growth provider strategies. PowerHousing members make up the majority of these nominated growth providers nationally. Based on the experience of the growth of this sector in the US and Europe, it is envisaged that Australian 'major providers' will number between 30 and 35 over the short to medium term.

PowerHousing endeavours to build a national capacity to deliver community and affordable housing relevant to local communities, in a rapidly changing service delivery environment. PowerHousing recognises the need to be proactive to ensure that community housing companies are part of the solution, not just embroidery on the fabric of affordable housing across the country.

PowerHousing members have been working over the past 3 years to establish the highest standards of social entrepreneurship and peer support within the not for profit affordable housing sector.

Through PowerHousing, members share innovations and insights that emerge from local practices. The organisation provides an umbrella for cooperative ventures that respond to the rapidly changing regulatory, policy and economic environment.

PowerHousing's business model focuses on partnerships at many levels. These include:

- local partnerships that bring together public-sector and private-sector leadership and resources;
- national collaborations among member organisations; and
- entrepreneurial partnerships among financial institutions, foundations, government agencies and members

In other words, PowerHousing combines and leverages public, foundation, and private investment to create dynamic opportunities that expand the impact and market competitiveness of its members. Through these products and social enterprises, PowerHousing provides value to its members and is building a sustainable economic model for the organisation.

PowerHousing's current priorities include:

- developing a national non profit community housing insurance initiative;
- developing a privately funded PowerHousing Australia Affordable Housing Trust; and
- developing a national group purchasing and on-line management training business in conjunction with a private sector partner.

The commissioning of this report in the context of the Commonwealth Government's stated objective to expand community based social housing has also been a key initiative. It exemplifies PowerHousing's proactive approach to policy development and partnership.

1.3 Structure of the Report

The rest of this report is in three parts.

Firstly, it proposes an overarching vision for reform of the social housing sector, set against an analysis of the sector's changing role over the past 6 decades. This vision also reflects the goals and aspirations set out in the Commonwealth Housing Minister's recent speech regarding reform directions sought in the Nation Building package.

Secondly, the report fleshes out the vision into an institutional framework, setting out in some detail the roles of the various agencies involved, that is, registration authorities, prudential supervision bodies, housing providers, sector capacity building organisations and so on. The proposed framework maps out funding flows and accountabilities, setting them in the context of the NAHA and other relevant government policy.

In developing this institutional architecture, the report reflects lessons from other jurisdictions which feature a strong not for profit sector in social housing. In particular, the report assesses various models of risk management applied in Europe to establish the best approach for Australian conditions. This analysis goes to questions of the minimum size (balance sheet) of providers, efficient risk based auditing of financial performance and supervision practices that will ensure that not for profit providers maintain their social focus as they become bigger and more business like.

Thirdly, the report proposes an implementation plan. It assumes that the overarching institutional framework outlined above will require some time to set up and bed down. This is partly because the States and Territories are in different stages of development with respect to the registration and supervision of not for profit providers.

A plan is required to advance the growth of the sector while the institutions necessary for longer term expansion are put in place. The implementation strategy is therefore broken into two stages. Short term initiatives would focus on the formation of two Commonwealth agencies. One would act as a proto-prudential supervision body which would monitor/audit the deployment of Commonwealth (and State) funds into the sector and maintain oversight of the financial robustness of relevant not for profit providers. The second would have a capacity building role offering support to providers which are seeking to grow, in matters of project formation, procurement, risk management and other organisational development challenges.

In the longer term, implementation requires the staged withdrawal, where appropriate, of State based mechanisms and the authorisation of the Commonwealth prudential agency to supervise all social housing providers, including public housing authorities and registered private sector providers.

2 An Overarching Vision for Social Housing in Australia

This chapter discusses the need for an expanded social housing sector generally, to reverse the residualisation process of the past six decades. Within this expanded social housing sector, the case is made for elevation of the not for profit sector to 'peer' status with traditional public housing authorities.

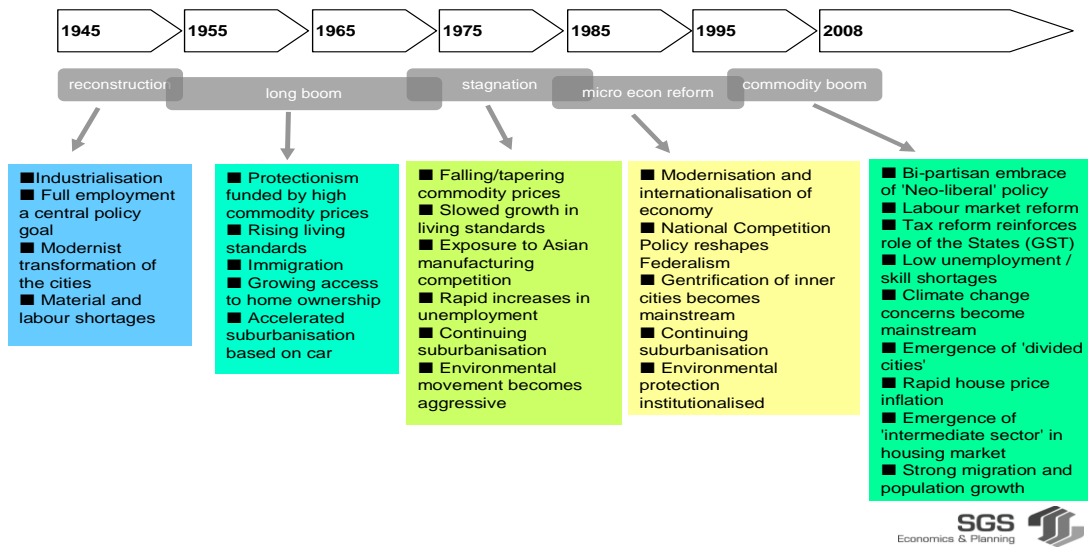
2.1 The Changing Role of Social Housing

The provision of public housing has been a prominent and enduring feature of Australian social policy since the first Commonwealth State Housing Agreement (CSHA) was signed in 1945. However, the role it has been expected to play has changed markedly over this period, reflecting wider shifts in the nation's social and economic development.

Five periods with distinctive public policy themes can be discerned in the 60 plus years since the conclusion of World War 2. A relatively brief period of post war reconstruction was followed by the 'long boom', driven by strong world demand for Australian commodities. This supported proactive industrial development policies, including operation of tariff barriers to foster local manufacturing. Through the 70's a period of moderated economic growth took hold as slowed growth or stagnation in commodity prices compromised the sustainability of protectionist policies. The public policy response was a dramatic period of renewal of Australia's social and market institutions, characterised by the 'micro-economic reform' agenda of the 80's and early 90's. Subsequently, the rapid growth of the Chinese economy and its urbanisation, together with deregulation and globalisation of capital markets, ushered in a second sustained boom for the Australian economy, one that came to an end with the Global Financial Crisis in 2008 (Figure 1).

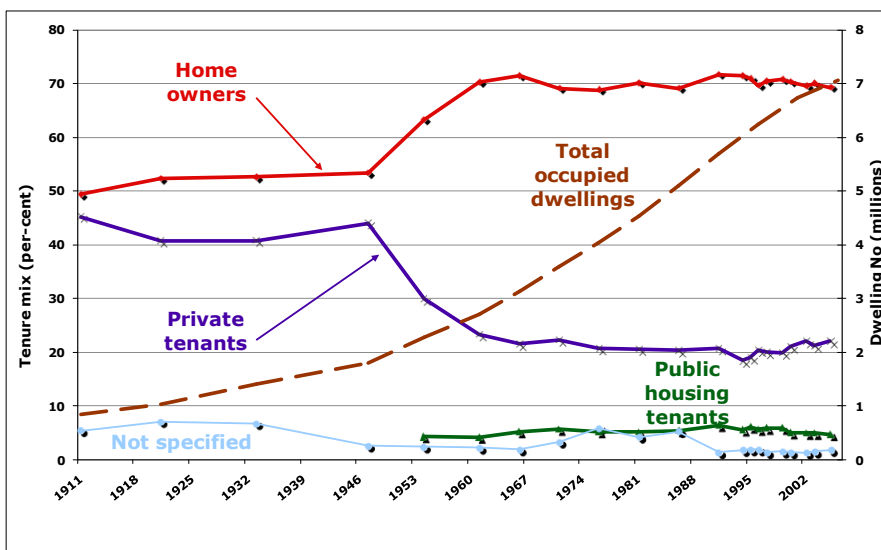
The first CSHA was conceived as part of a broader 'reconstruction movement' which sought to radically transform and reposition Australian society, free from the traditional values and sentiments which had proved so destructive in the run up to the War. Part of this vision included redevelopment of the cities following modernist principles, that is, functional design, adoption of a universal (non place or society specific) aesthetic and mass production. There was a general expectation that Government would play a bigger direct role in the economy, including the provision of decent housing for all. Thus, public housing was originally envisaged as ultimately constituting a mainstream housing tenure; that is, a housing option open to all working Australians, not just those at the bottom end of the income distribution.

Figure 1 Key Themes and Drivers in Australian Social and Economic Policy



To some extent, this vision was overtaken by the prosperity generated in the 'long boom'. In relatively short order, home ownership came within the reach of a much broader spectrum of the community. Government taxation, infrastructure funding and planning policies fuelled this latent desire to pursue the 'Great Australian Dream' (Figure 2, derived from Dalton, 2009). Nevertheless, public housing continued to play a diversified role. As well as providing affordable housing to lower income groups, including residents of redeveloped 'slum housing' in the inner cities, public housing was a key instrument in the push to industrialise the nation. Large scale public housing estates were established to cater for workers in car plants, steel works and port districts.

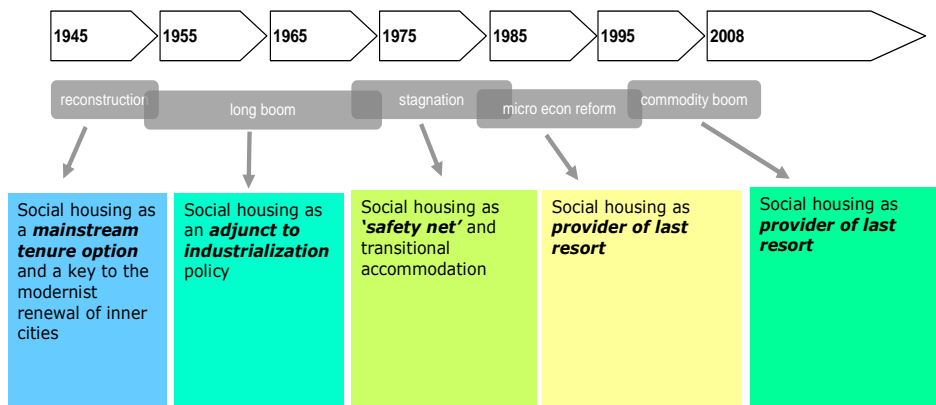
Figure 2 Long Term Trends in Housing Tenure - Australia



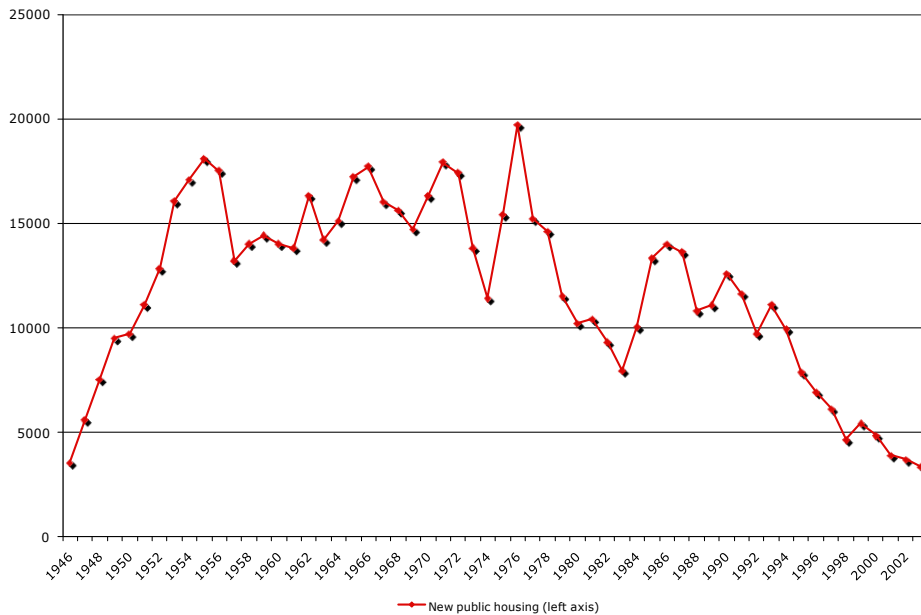
From the mid 1970's a clear transition in the role of public housing took place. It became primarily an instrument of social security policy. While waiting lists were still open to a relatively broad income range, the rate of investment in new stock slowed markedly and available housing began to be targeted to those deemed to be in greatest need. The concentration of lower income, often welfare dependent, households in public housing estates helped to undermine any prospect of this form of housing providing a 'mainstream tenure option'. Moreover, commencing with the Whitlam Government, successive Commonwealth administrations implicitly diverted resources from investment in public housing to income supplements for low and moderate income households renting in the private sector.

Progressively through the 80's, 90's and into this decade, public housing, including community housing, became residualised and is now largely regarded as the housing tenure of last resort. This is a vastly different mission to that which inspired the architects of the first CSHA (Figure 3).

Figure 3 From Mainstream Housing Option to Housing Provider of Last Resort



The transition in the role of public housing is evident in long run statistics on new dwelling starts in this sector. Aside from some short lived spikes during the Whitlam and Hawke/Keating years, new investment in public housing has declined since the mid 1950's (see Figure 4). In this context the rate of production of public housing in the early years of the CSHA was quite extraordinary, given also that the annual rate of housing production generally was much lower in those years.

Figure 4 New Public Housing Starts 1946 - 2006²

2.2 Commonwealth Policy

In a speech to the Sydney Institute on March 19, 2009, the Commonwealth Minister of Housing, the Hon Tanya Plibersek, outlined the beginnings of a comprehensive national policy on social housing.

The Minister made similar observations to those set out above regarding the dramatic recasting of the role social housing as a welfare safety net.

The role of public housing, at its inception during Australia's post war reconstruction, was to create an affordable and secure base from which tenants could build or rebuild their lives. Public housing was a spring board allowing people to land softly and then jump out of disadvantage..... Businessman John Alexander, who was once a kid running around a housing estate, explains: "The Housing Commission wasn't welfare based that perhaps it is for people today.Going into a Housing Commission house allowed you to build up some capital to buy your own house, which is what my parents subsequently did".

But today public housing caters for a very different group of tenants. Reduced Government investment has necessitated tighter targeting and this in turn has resulted in the profile of public housing tenants becoming more disadvantaged over the years. We have more jobless households in public housing – 66 per cent of working age adult households were jobless in 2001 compared to 43 per cent in 1981.

² Dalton, T. Op Cit

Whereas public housing was once an enabler, part of a housing career which allowed working class people opportunities including home ownership, today it is too often just a safety net that fails to provide the range of assistance required by tenants.

The Minister particularly highlighted the run down in investment as the key reason for the residualisation of social housing.

Over the ten years to 2007 the Commonwealth's contribution to the States for public housing fell by 24 per cent. This led to a \$3.1 billion decline in investment by 2008. The impact of no growth money in public housing is that the stock has not kept up with the times. When Labor was last in Government, public housing stock was 5.8% of total housing stock. If that proportion had been retained, we would have 90,000 extra units of public housing today.

Thus, in this landmark policy statement, the Commonwealth has clearly indicated a desire to reinstate social housing as a 'platform for opportunity', break down the need for tight targeting policies which stigmatise tenants and reinvest in stock expansion with a minimum target implicitly set at around 6% of all housing. But how much social housing is enough to enable the sector to deliver the social inclusion and economic development role identified by the Australian Government? We now turn to this question.

2.3 The Optimal Size of the Social Housing Sector

2.3.1 The Hierarchy of Needs

Housing situations can vary between the extremes of squalor to luxury and arguably the needs of households in order of priority are:

- Personal safety and security.
- Basic health and amenity.
- Location to urban goods and services.
- Security of tenure.
- Enhanced level of comfort and functionality.
- Opulence.

In consideration of these factors a case can be made that the priorities for assistance amongst household types is:

1. Homeless Households - Sleeping Rough.
2. Homeless Households - With Others
3. Marginally Housed (Caravans and Improvised Dwellings)
4. Very Low and Low Income Private Renters in Housing Stress

5. Renters not in Housing Stress
6. Public Rental and Social Housing Tenants
7. Dwelling Purchasers
8. Dwelling Owners

On this basis the threshold for assistance would appear to be between private renters in housing stress and those who are not in housing stress. The situations for the various household types and their prospects for the future are summarised in Table 1 and are discussed below.

Homeless Households - Sleeping Rough.

People who are 'sleeping rough' are without homes and they sleep on the streets or parks. The majority suffer multiple disadvantages including psychological disorders, substance abuse and mental illness. They are victims or perpetrators of violence and they are often exposed to the justice system. Agencies dealing with such people report an alarming rate of growth amongst the homeless including young people and families. Much of this growth is reported in regional areas as opposed to the traditional inner city locations.

With increases in the rates of family breakdown, de-institutionalisation, substance abuse and social isolation the number of homeless can be expected to increase in the absence of substantial intervention. To be effective, such intervention must go beyond mere shelter and must tackle the multiple causes of chronic homelessness.

The National Housing Supply Council reports that there were 16,600 people in 8,800 households sleeping rough at the Census in 2006 (NHSC, 2009).

Table 1 Household Types by Order of Priority for Assistance

Household Type – Priority for Assistance	Current Numbers (From NHSC Report 2008)		Forecast	Notes
Homeless Households - Sleeping Rough	8,800	0.12%	Reported by service providers to be increasing rapidly.	NHSC p65 16,600 persons
Homeless Households - With Others	35,000	0.46%	Reported by service providers to be increasing rapidly.	NHSC p66 47,300 persons
Marginally Housed (Caravans and Improvised Dwellings)	12,500	0.16%	Number of persons decreased from 22,800 in 2001 (park closures)	NHSC p66 17,500 persons
Very Low and Low Income Private Renters in Housing Stress	439,000	5.77%	Low cost private rental supply contracting while demand on increase.	NHSC p93
Sub-Total Housing Stress	495,300	6.51%		
Renters not in Housing Stress	1,422,196	18.70%	Private rental supply contracting while demand on increase.	NHSC p37
Public Rental and Social Housing Tenants	385,249	5.06%	Public rental declining while other social not maintaining overall proportion.	NHSC p37
Dwelling Purchasers	2,635,900	34.65%	Ownership rate contracting with affordability issues	NHSC p37 Note 48% in housing stress (p93 NHSC)
Dwelling Owners	2,667,900	35.07%	Ownership rate contracting with affordability issues	NHSC p37
Sub-Total No Housing Stress	7,111,245	93.49%		
Total Households	7,606,545	100.00%		

Source: National Housing Supply Council report 2008 and SGS Economics and Planning Interpretation

Homeless Households - With Others

Households which are otherwise homeless but benefit from temporary accommodation with relatives or friends have similar disadvantages to those sleeping rough and are in constant danger of being forced into the latter category. People in such situations have few prospects for employment or for their children to attain education.

The NHSC reports that there were 47,300 people in 35,000 households in this situation at the Census in 2006

Marginally Housed (Caravans and Improvised Dwellings)

The ABS defines marginal residents of caravan parks as those who are renting a caravan as their usual address and who have no full time employment. The number of people in this situation is observed to have fallen from 22,800 in 2001 to 17,500 in 2006. This has been caused in large part by the closure of many caravan parks for redevelopment to higher value uses.

Caravan parks with permanent residents have been reported to be subject to a high incidence of social conflict and crime.

Very Low and Low Income Private Renters in Housing Stress

Low income households are defined as those in the bottom two income quintiles and for whom housing stress is triggered by paying more than 30% of gross income (including Commonwealth Rent Assistance) in rent. A snapshot of housing stress amongst low income renters is provided in Table 2.

Table 2 Renters and Housing Stress

Household Type	Attributes
Low income private renters	20% pay more than 50% income on rent.
Private renters on government income support	80% pay more than 30% income on rent.
Private renters on government income support	30% pay more than 50% income on rent.

Source: NHSC, 2009 p92

Renters not in Housing Stress

Those in private rental accommodation who are not assessed to be in housing stress have amongst their number a proportion of households who still have difficulties this market due to:

- low vacancy rates and restrictions on choice of dwelling standard, appointments and location; and
- insecurity of tenure.

The prospects for the future are conditioned by several factors, including the following:

- the filtering down process that has traditionally supplied the private rental market has all but stopped due to new investment going into up-market apartments while old stock is refurbished or redeveloped for owner occupancy; and
- a flight of investment from the sector due to low yields relative to prices and tax arrangements that penalise property investments relative to other assets.

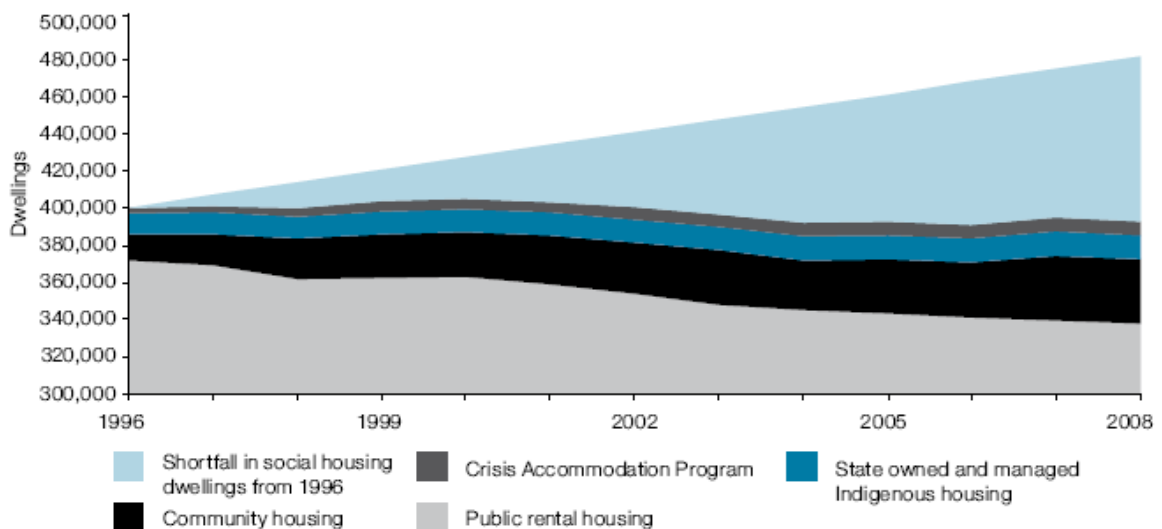
Taken together, such factors suggest that the private rental market will not keep pace with demand in the future forcing an increasing number of households into the 'housing stress' category.

Public Rental and Social Housing Tenants

These tenants are experiencing housing stress in some instances, but a social housing response is irrelevant here because these households already have access to it. Given the issues of concentrated social disadvantage in public housing areas and the incidence of inter-generational transfer of this disadvantage, it can be expected that the proportion of the population requiring public housing in the future will at least stay the same.

The implications of maintaining 5.8% of dwellings as social housing in its various forms – the proportion it held in 1996 – are explored in the figure below.

Figure 5 Social Housing Dwellings – Supply and Demand 1996 to 2008



Note: An implication could be drawn from this graph that there was no unmet need for social housing in 1996. As at 30 June 1996, however, the *Housing Assistance Act 1989 Annual Report 1995–96* indicated that there were 236,000 applicants on the waiting list for public housing.

Source: 'Social housing shortfall' derived from trend in growth of total dwellings from Australian Bureau of Statistics, *2006 Census Tables, Australia*, 'Dwelling Structure by Occupied/Unoccupied Dwellings, Time Series Statistic', cat. no. 2068.0, ABS, Canberra, 2007; Commonwealth Department of Social Security, *Housing Assistance Act 1989 Annual Report 1995–96*, DSS, Canberra, 1997; further sources referenced in Appendix 2, Table 5.2.

Source: NHSC Report (2008) p94

The figure highlights the following:

- public housing supply contracted from 1996 to 2008;
- the loss was not compensated by growth in other forms of social housing; and
- as noted by the Commonwealth Minister for Housing, social housing stocks were some 90,000 dwellings lower than they would have been in 2008 had the 1996 proportion of social housing versus total housing been maintained.

It should be noted that the backlog in 1996 could have been in the order of 236,000, based on waiting list data. Hence the shortfall in social housing estimated on this basis would have been

around 326,000 dwellings in 2008. Were this shortfall to be filled, the percentage of social housing would rise to 9.36% of all dwellings.

The method of estimating the social housing need will be further explored below.

Dwelling Purchasers

It is noted that 48% of low income home buyers (280,000 in number NHSC 2008 report p93) are identified as being in housing stress. The factors that create this situation include:

- high cost of entry level housing due to land supply shortages, development control regimes, development approval delays, infrastructure deficiencies in outer areas (particularly transport) and, in some areas, punitive development contributions;
- unwillingness to save prior to home purchase reflecting higher priorities on expenditure;
- unreasonable expectations of the standard of a first home;
- predatory financial institutions; and
- the temporal nature of the problem, as capital gains and inflation reduce the real cost of the home over time.

The solution to these issues generally lies outside the ambit of social housing. Policy responses must focus on:

- removing constraints on the supply of entry level housing;
- stimulating the supply of private rental housing to enable prospective home buyers to save a deposit; and
- education of prospective home buyers about reasonable expectations and dealing with financial institutions. To this end the First Home Buyers' Grant could be conditional on meeting these requirements.

Nevertheless, the pattern of housing stress amongst home buyers may indicate entrenchment of an 'intermediate' category of households, where incomes are relatively high (around the median) and stable, but not high enough to support home ownership. Given the limited prospects for private investment in rental housing as discussed above, there is a prima facie case that social housing will need to fill this void, at least until the wider housing market can be made to work more efficiently.

Dwelling Owners

Dwelling owners are least likely to suffer housing stress although there are issues around the efficiency of the housing market and constraints such as stamp duties which militate against the matching the supply of stock to housing needs, particularly as people age and their family situation changes. More efficient housing markets have low barriers to entry and they encourage changes in housing situations to match needs (and to free up labour markets). Greater efficiency takes pressure off the private rental market, thus creating benefits for lower income households.

2.3.2 Future Prospects

The NHSC (2009) Report estimates there is a current shortfall of 85,000 dwellings in Australia. This is based on removing homelessness, housing those in caravans and increasing vacancy rates in private rental to 3%. The report acknowledges the fact that 9.9% of private dwellings are unoccupied comprising holiday homes and dwellings being transacted.

To illustrate the potential size of the gap in the future, the NHSC provides a simple projection of supply and demand. On this basis the gap could blow out to 431,000 dwellings over the next two decades.

While the actual number is a matter for conjecture there is cause for real concern that this estimate has some justification. Factors to consider include the following.

- Real house price inflation in the major cities where the bulk of employment is located (brought about by demand exceeding supply, availability of finance, preferential tax treatment of home ownership and dual income households).
- Contraction of investment by small landlords in private rental due to low yields and tax imposts – relative to alternative investments.
- Few prospects for institutional investment in private rental for the reasons cited above plus a higher yield requirement.
- Constraints on the mobilisation of small capital due to development controls and tax imposts. This is exacerbated by constraints on owner builders and imposts such as compulsory insurances which provide little cover at high cost.
- Skewing of new investment in private rental to the top end of the market and a lack of filtering down of stock, as has occurred in the past (due to recycling for ownership).
- The declining home ownership rate and consequent pressure on the (contracting) private rental market.
- The likelihood of strong migration and trend to smaller household sizes.
- Chronic shortages of land supply and infill opportunities in some cities.
- Punitive development charges and infrastructure backlogs in some jurisdictions.
- Restrictive work practices in the building industry.
- Local government resistance to initiatives such as Accessory Dwelling Units and as-of-right duplexes, coupled with regulatory, taxation and pension/benefit restrictions which discourage investment.

In short, there is a weight of evidence to suggest that a housing crisis is developing and that this requires a systemic policy response. There is no single answer, but social housing will play a major role in the solution.

2.3.3 Towards an Estimate of Social Housing Needs

To recap on the foregoing, the future need for social housing will be a function of how well the home ownership market performs, which then impacts on demand for private rental, which in turn dictates the number of households not adequately accommodated. All indications are that the

latter category will grow into the future. In the near term, the global financial crisis will exacerbate these problems.

To answer the question of the optimal amount of social housing in Australia reference may be made to the priority households described above. Their social housing needs are as follows:

Homeless Households Sleeping Rough

The estimate of 8,000 dwellings (or places) (0.12% of all dwellings) is almost certainly an underestimate. These places should be provided in a supported environment to ensure that the complex needs of these people are met. Community housing has been shown to be the most effective solution. Given the nature of the issues affecting people who sleep rough a number will do so even if shelter is provided. On this basis it would be appropriate to adopt a target of 75% of the shortfall.

Homeless Households with Others

The estimate is 35,000 households (0.46%). This is an area of critical need that is growing rapidly. Arguably there is scope for households to attain temporary accommodation in this form provided there is scope to move on to permanent accommodation. On this basis it would be appropriate to adopt a target of 75% of the shortfall. Again, community housing is the most appropriate model to cater for the needs of these people.

Marginally Housed (Caravans and Improvised Dwellings)

The estimate is 12,500 households (0.16%) which is conservative. While the trend is down this reflects a drying up of supply rather than a fall in demand. Hence there is a reserve of households which is at risk of homelessness. It can be expected that these households will be interchangeable with the above two categories. In reality a proportion of these households may be adequately housed in this situation, particularly in well located parks with reasonable amenity. Accordingly an initial target of 50% may be adopted. On the basis that these households live relatively independently either community or public housing will be suitable.

Very Low and Low Income Private Renters in Housing Stress

This is the largest group with an estimate of 495,300 households (6.51%). Of these 156,000 (1.92%) pay more than 50% of their income in rent and can be said to be in a critical situation. A proportion of the balance will be paying close to this amount. On this basis an initial target of 50% would be a minimal target.

2.3.4 Targets

Set out in the following table is the 'best estimate' of minimal targets to address the most critical current needs.

The bottom line figure in the table is 258,600 dwellings which represents 3.4% of all stock. If this is added to the current social housing the stock the overall percentage becomes 8.46%. The following issues must be considered:

- This is a minimal target which must be pursued urgently.

- This minimal target if met will still not avoid public housing waiting lists nor will it make inroads into 'moderate' housing stress.
- The target meets only the most critical current needs which are likely to grow rapidly in the next ten years or so.
- A systemic response to removing barriers to housing supply must be developed and implemented to curtail the growth in unmet housing needs.
- Community housing is the preferred model for the bulk of this new housing that is required (see below).

The foregoing analysis is predicated on meeting demand from the most needy and, as we have stressed, even this is set out on a highly conservative basis. Moreover, this estimate of meeting demand from the most needy excludes a sizeable sector in Indigenous housing (see next sub-section)

If social housing were expected to play a 'platform for opportunity' role instead of simply a welfare safety net role, the targeted expansion of social housing would be significantly greater. For example, if 100% instead of 50% of very low and low income private renters were fed into the target calculation and if it were assumed that around 20% of dwelling purchasers in housing stress would warrant some form of social housing assistance (the 'intermediate sector'), the target becomes close to 15% of all housing.

Table 3 Estimates of Minimal Targets.

Household Type – Priority for Assistance	Current Numbers (From NHSC Report 2008)	Percent of All	Adopt for Minimal Targets	Minimal Target	Percent of All
Homeless Households - Sleeping Rough	8,800	0.12%	75.00%	6,600	0.09%
Homeless Households - With Others	35,000	0.46%	75.00%	26,250	0.35%
Marginally Housed (Caravans and Improvised Dwellings)	12,500	0.16%	50.00%	6,250	0.08%
Very Low and Low Income Private Renters in Housing Stress	439,000	5.77%	50.00%	219,500	2.89%
Sub-Total High Priority	495,300	6.51%		258,600	3.40%

2.4 Indigenous Social Housing Need: a Special Case

The demography of the Indigenous proportion of Australia's population represents a special case for social housing need. In summary, and as the following discussion shall demonstrate, this is because:

- Access to secure, safe and appropriate housing is a condition precedent to improving the health and wellbeing of Indigenous people;
- A relatively high proportion of Indigenous people already rely on access to social housing;
- This reliance is increasing as the Indigenous population grows at a rate faster than that of the non-Indigenous population; and
- There is already a relatively high amount of unmet need for Indigenous housing.

Access to secure, safe and appropriate social housing is intrinsic to the task of improving the health and wellbeing of Indigenous people

The national *Closing the Gap* agenda focuses attention on improving the relatively poor health and wellbeing of Indigenous people in Australia, as evidenced most significantly by a shorter life expectancy. Access to secure, safe and appropriate housing has long been recognised in human development theory as a necessary condition for improving the health, education and economic participation prospects for people. These are the very prospects the *Closing the Gap* agenda targets.

Prevailing housing conditions in places where there are strong concentrations of Indigenous people – including within cities, regional towns and remote communities – suggest that Australia continues to fail to achieve this basic requirement for the development of its Indigenous people. The high to severe levels of overcrowding regularly observed and recorded in much of the housing that is provided for these places is the most obvious indicator of this failure, and the most serious threat to access, security of tenure and safety. This failure means we must also intensively question the appropriateness of the ways through which we currently seek to provide housing to Indigenous people. Until we answer this question and address these failures, any attempts to improve the health and wellbeing of Indigenous people are at risk.

The relatively high reliance of Indigenous people on social housing

Indigenous households represent around 2.3% of all households in Australia. However, in 2006, Indigenous households represented 13.6% of all Australian households renting from a state or territory housing authority or a housing co-operative / community / church group. This demonstrates a significant over-representation of Indigenous households relying upon access to social housing. In 2006, 28% of Indigenous households rented housing from a state or territory housing authority, or a housing co-operative / community / church group. This compares to just 4% of non-Indigenous households.

This reliance is increasing as the Indigenous population grows faster than the non-Indigenous population

Between 2001 and 2006, Australia's Indigenous population increased by 13%. This compares to a population increase of 6% for Australia as a whole. Given the Indigenous population's relative disadvantage and its greater reliance on social housing, it can be expected that in the medium term social housing need amongst Indigenous people will increase relative to the non-Indigenous population.

The level of current unmet need compounds the challenge of meeting future need

In Australia, Indigenous-specific social housing rental stock generally finds itself in one of two classifications:

- State Owned and Managed Indigenous Housing (SOMIH); or
- Housing owned and managed by Indigenous or other non-state housing organisations.

Looking at the level of unmet need just in the SOMIH classification, according to Australian Institute of Health & Welfare research, at 30 June 2008 10,726 Indigenous households were on waiting lists for SOMIH. At the same time, the total tenable dwelling stock for SOMIH was 12,573 and 12,375 households held tenancies, an occupancy rate of 98.5%. Thus, around 10,000 dwellings are required just to address the current unmet need for SOMIH.

We do not know how large the waiting list is outside the SOMIH sector. We do know that in 2006 - across both sectors - 10,537 houses met the definition used by the ABS of overcrowding. Amongst houses that are overcrowded in the SOMIH sector, 4.9 people live in each dwelling on average. Amongst houses defined as overcrowded in the community housing sector, on average 7.9 people live in each dwelling. If we assume that these averages need to fall to 3 people per dwelling to eliminate overcrowding, then an additional 12,000 dwellings are needed to house these tenants in non-overcrowded conditions.

Therefore we know that the total quantity of unmet need is at least 10,000 dwellings to clear the SOMIH waiting list, plus 12,000 dwellings to eliminate overcrowding - i.e., 22,000 houses. This can be considered a minimum, since it excludes households on waiting lists in the community housing sector. It also assumes that the number of indigenous people living in overcrowded social housing dwellings has remained constant since 2006.

If we add unmet demand to the 2006 total dwelling stock of 57,382, we obtain a figure for total demand for social housing of around 80,000 dwellings. If total demand grows at 2.43% per year - which was the rate of indigenous population growth between 2001 and 2006 - and housing stock were to remain constant, the level of unmet demand would increase rapidly, as shown in the table below.

Table 4 Estimate of total demand and unmet demand

	2006	2011	2016	2021
Total demand for Indigenous social housing (dwellings)	80,312	90,563	102,122	115,156
Unmet demand if stock levels remain constant (dwellings)	22,930	33,181	44,740	57,774

2.5 Why an Expanded Role for Not for Profits in a Larger and Revitalised Social Housing Sector?

In seeking to reach a 10% to 15% social housing target, the question arises as to what welfare benefits might be expected to arise from the promotion of the not for profit sector to senior status in the Australian social housing system versus continuation of current arrangements.

2.5.1 Categories of Impacts

In a report for the Housing Associations registered under the Victorian legislation, SGS has scoped some of these welfare benefits (SGS 2008). These exclude any advantage which these independent providers might enjoy in terms of financial leverage.

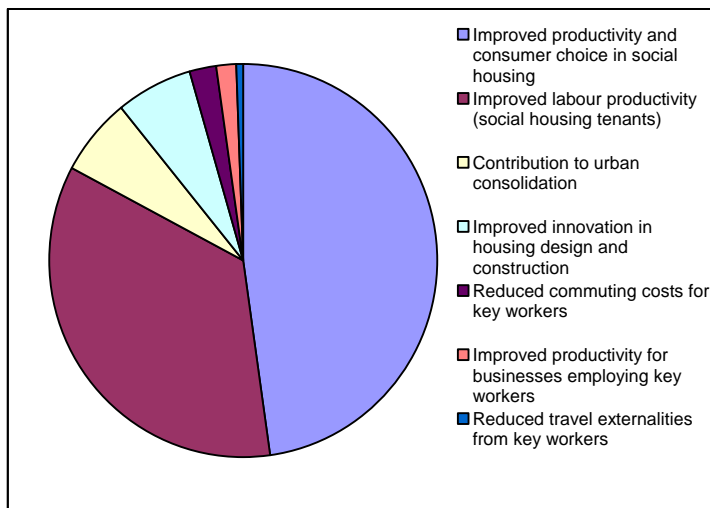
The scoping work for the Victorian Housing Associations also assumed that dwelling procurement costs would be much the same for these providers as for the State Housing Authority. Anecdotally, this is a highly contentious assumption. There is a strong belief amongst Housing Association managers that they can secure better design and construction deals and are able to draw on local information networks to identify strategic purchase opportunities which can yield significant cost savings. This issue requires investigation.

Based on the Victorian scoping work, the potential benefits arising from promoting the growth of the not for profit sector fall into three broad groups, categorised according to apparent scale of impact as follows.

1. Major positive effect versus continuation of existing arrangements:
 - Improved productivity and consumer choice in the social housing sector
 - Human capital development
2. Moderate positive effect:
 - Improved housing innovation (design and construction)
 - Contribution to urban consolidation
3. Minor positive effect:
 - Reduced commuting costs for key workers
 - Improved productivity for businesses employing key workers
 - Reduced travel externalities associated with key worker commutes

It should be borne in mind that the scoping study was not empirically based and applied a large number of (albeit plausible) assumptions. The estimated quantum of benefits were, at best, illustrative. These rough estimates of the relative value of these groups of benefits are shown below. Improved productivity within the social housing sector, and improved human capital development account for over 80% of anticipated benefits. However, it should be noted that the Victorian scoping study assumed that larger not for profit providers would enjoy greater flexibility in tenancy allocation, and would target more 'jobs ready' people compared to their State Housing Authority counterpart, which would continue to be compelled to house those in highest need. On a like with like basis, the improved human capital development benefit may not be as prominent as that shown in Figure 6. Nevertheless, there may be some continuing advantage by virtue of the more customised tenancy support offered by not for profits and their potentially superior capacity to acquire stock in locations which are relatively rich in employment and training opportunities.

Figure 6 Notional Scale of Benefits



Each of the benefits identified in Figure 6 is outlined below.

Improved productivity and consumer choice in social housing

The contention here is that a multi-provider system featuring many large not for profits enjoying economies of scale in housing development, tenant management and asset management commensurate with those open to the State Housing Authorities, would generate efficiencies through the dynamic of 'competition by comparison'. That is to say, more efficient practices would become evident through the prudential supervision system (audit reports) and this would spark successive rounds of innovation as providers 'learn from each other' and adapt leading practice within the industry to their own operation.

It is also likely that providers will become more responsive to client needs, partly because there will be a greater diversity in management approaches and philosophies, and partly because policy compliance audits under the new institutional arrangements will inevitably address a range of performance measures to do with client service.

Thus, tenants might enjoy greater value in housing services, and supply side efficiencies might arise as providers find better ways of managing resources in a more competitive environment.

In the Victorian scoping study, these productivity/consumer surplus benefits were assumed to be captured in a greater social return from investment in social housing, set at 2% of market acquisition cost. This was a nominal provision. Empirical evidence to confirm (or debunk) this assumed boost to productivity is required.

Improved labour productivity (social housing tenants)

As alluded to above, this benefit can have two dimensions:

- Firstly, not for profits may have greater flexibility in targeting lower income households with a greater propensity for engagement in the labour-force; a propensity that can be given effect through the more supportive tenancy management arrangements found amongst these independent providers.
- Secondly, not for profits may have greater opportunities to secure housing in areas which offer greater work and training opportunities.

If the first of these elements holds, any human capital development benefit would need to be offset by the disbenefit of denying households which are arguably more needy access to secure and appropriate housing. This offset was allowed for in the Victorian scoping study.

Contribution to urban consolidation

The premise behind this potential benefit is that not for profit providers will be in a position to show greater 'social entrepreneurship' and forge more effective partnerships with community groups and local government. Thus, opportunities for infill housing in and around activity centres may be more readily found compared to what might be expected to be produced by the centralised processes of State Housing Authorities. The Port Phillip Housing Association's development of a rooming house using the air rights above a Council owned car park in Balaclava, Victoria, provides a case study of this benefit (Figure 7). It seems unlikely that the State Housing Authority would have been able to negotiate a similar partnership with the Council within a reasonable time frame. Again, however, evidence to this effect is required.

Figure 7 Woodstock Street Apartment and Rooming House Development – Balaclava Victoria



Improved innovation in housing design and construction

This has a similar rationale to the foregoing benefit. Because they are exposed to more local intelligence and opportunities, not for profit community based groups may be more willing to experiment in housing design. Meanwhile, the State Housing Authority may be preoccupied with consistency of dwelling standards and the risks associated with acquiring housing which is 'remarkable' in any way.

Reduced commuting costs for key workers

In the Victorian scoping study, it was assumed that a certain proportion of Housing Association tenants would be key workers (20%), and that these workers would be much more conveniently located with respect to their places of employment versus the Base Case. Indeed, key workers were assumed to make a 5 km return commute to their jobs in the 'with Housing Association expansion scenario' compared to a 20 km return commute in the Base Case. Travel cost savings, including time and vehicle operating costs, were estimated using benchmark rates published by VicRoads for the purposes of project appraisal.

As with the human capital impact discussed above, if any benefit associated with housing key workers is gained partly by displacing needy households, there needs to be an off-setting disbenefit. This can be measured in higher social expenditures for the displaced households, as was done in the Victorian scoping study.

Improved productivity for businesses employing key workers

Better access to local key workers should mean that the employers in question – hospitals, police forces, restaurants, and public transport operators etc – experience lower turnover rates in these staffing ranks. This, in turn, will mean reduced recruitment and training costs.

Reduced travel externalities from key workers

This benefit is simply a derivative of the reduced Vehicle Kilometres Travelled (VKT's) associated with targeting a significant proportion of Housing Association units to key workers. The travel externalities relate to greenhouse gas emissions, other pollutants, traffic accidents and amenity loss through traffic intrusion. VicRoads also publishes benchmark rates for these externality costs.

2.5.2 Other Evidence of Efficacy / Cost Efficiency

Beyond the essentially theoretical arguments developed by SGS (2008), there is mounting empirical evidence of the effectiveness of not for profit community housing, particularly as it begins to develop scale economies. Amongst other things, this evidence relates to the following issues:

- Some states have already implicitly or explicitly chosen to **diminish the role of the public housing sector in favour of the community housing sector**;
- **Demand for affordable housing is becoming more varied** and includes not only low and special needs households, but also moderate income households in housing stress. Community housing providers already service this wider range of needs. In addition, the community housing providers service households with similar socio-economic characteristics as households eligible for public housing (contrary to the past);
- Not for profit providers can **leverage finance** for affordable housing from several sources, thereby enhancing the ability to expand the supply of social housing;
- Community housing providers respond to **tenant needs** more effectively in terms of housing development, tenant management and asset management, i.e. return higher customer satisfaction rates;
- Community housing providers offer housing at more **central and/or accessible locations**, enhancing tenants' opportunities on employment; and
- **Leaders in the not for profit community housing sector** exemplify the potential of the sector by their cost effectiveness, professionalism and responsiveness to tenant needs.

We elaborate these issues below.

Reduced role of public housing in States and Territories

Since the late nineties, some States and Territories have taken initiatives to diminish the role of the public housing sector, to expand the role of the community housing sector and/or to enhance professionalism and accountability of the community housing sector. The following section

provides an overview of the States and Territories involved in this process. This section draws heavily from a review of the sector carried out by AHURI (2009).

In the Australian Capital Territory (ACT), there was the establishment of Community Housing Canberra (CHC) in 1998. The CHC is an independent company to develop, hold and manage properties that can be sublet to local housing providers responsible for tenancy management. CHC facilitates the transfer of ACT Housing stock to community housing providers. More recently (2007) a community housing plan was released by the ACT Department of Disability, Housing and Community Services (DDHCS) in order to grow and strengthen the community housing sector and ensure high quality services for tenants. Achieving critical mass in provider organisations, through partnerships and amalgamations, is one of the key priorities in the plan.

In 1996, New South Wales (NSW) put a strategy in place to grow and professionalise the community housing sector. To this end, the State established the Office of Community Housing (OCH). The OCH is responsible for the strategic development of the sector and evaluates the performance of community housing providers. In 2005-06, the ownership of 2,500 public housing dwellings was transferred to community housing providers. Since 1996, the number of community housing dwellings expanded from 6,000 to 13,000 in 2006. The aim is to grow the sector to 30,000 by 2017.

In 2006, a new South Australia Affordable Housing Trust was established to generate partnerships between government, not for profit, private and philanthropic parties for affordable housing developments. In November 2006, the 'Vision for Community Housing' was launched by the Minister for Housing to further grow the sector.

In 2005 changes to the Victorian Housing Act were enacted to provide a framework to register and regulate all Housing Associations and community housing providers. It establishes a means to monitor and enhance performance standards and accountability of all providers (see detailed discussion in Section 3).

In Tasmania, a not for profit Affordable Housing Organisation (AHO) was established to increase the supply of rental accommodation for low income households and to provide an extra 700 affordable rental dwellings over four years (from 2006-07).

Potential to leverage finance for affordable housing

In European jurisdictions, social and affordable housing is increasingly (co-)financed from the private sector (see below). This has enabled significant growth of the not for profit housing sector, through Housing Associations. A key success factor appears to be the robust financial regulatory system (AHURI, 2006).

So far private investment in social and affordable housing in Australia has remained limited. Even so, not for profits and community based organisations are able to leverage their assets through ordinary bank finance and by attracting community donations and support (for example, land provided at sub-market prices).

Other sources for leverage include savings on developer profit margins, increased rent revenue from different rent setting approaches (e.g. CRA, higher income tenants), some developer contribution and planning gains and GST free supply (AHURI, 2005).

Overall, community based organisations in Australia can achieve leverage rates of between 15% and 40% based on recent experience in Victoria and NSW. Theoretically, public housing organisations could also leverage their balance sheets, but this would require their full scale corporatisation and changes in State / Territory policy on public debt.

Tenant needs and customer satisfaction

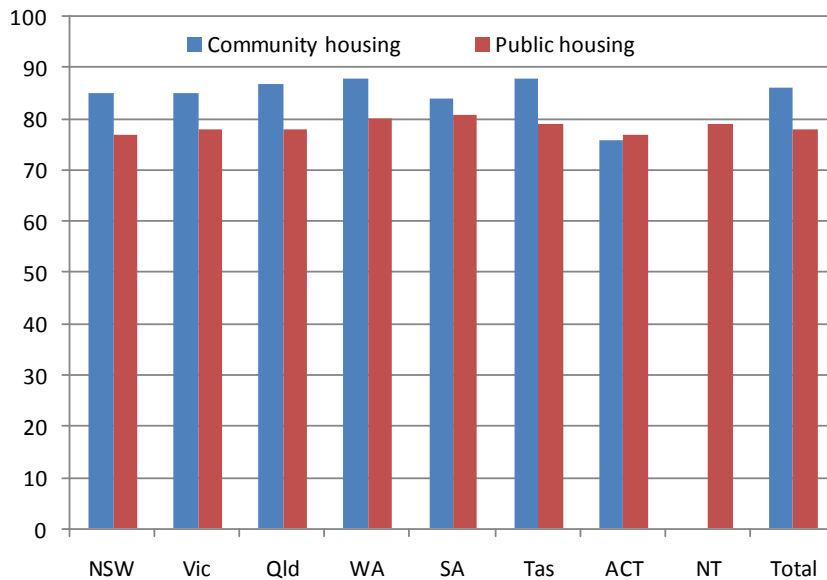
Comparative analysis of customer satisfaction rates shows that community housing dwellings provide higher levels of amenity and are located in more central and/or accessible locations.

Tenant satisfaction largely reflects the (perceived) quality of the dwellings occupied. The CSHA national data reports³ include results from surveys among households and enable a comparison between community and public housing. The figure below shows the share of households for which important amenity needs of the dwelling were met for 2005-06.

The enjoyed **amenity of housing** is positive across the board with the majority of respondents indicating that their home met their needs. Community housing units scored better than public housing units. Overall, 86% of community housing tenants were satisfied with their dwelling, compared to 78% of public housing tenants. Satisfaction rates varied somewhat by State and Territory. The ACT was the only jurisdiction where public housing better meets the needs of tenants than community housing providers. Satisfaction rates among community housing households in the Northern Territory (NT) are not known.

³ Commonwealth State Housing Agreement national data reports for community housing (years 2001-02 through to 2007-08) and public rental housing (years 2003-04 through to 2005-06). For comparisons the reports for 2005-06 were utilised.

Figure 8 Amenity: share of tenants who said this housing attribute is important and meets their needs (in %), 2005-06



Source: CSHA national data reports 2005-06

Tenant satisfaction rates for community housing are especially higher for (+4% or more difference):

- Size of the dwelling (86% compared to 82%)
- Modification for special needs (85% to 77%)
- Car parking (84% to 79%)
- Yard space and fencing (83% to 75%)
- Privacy of home (86% to 76%)
- Safety/security of home (86% to 72%)

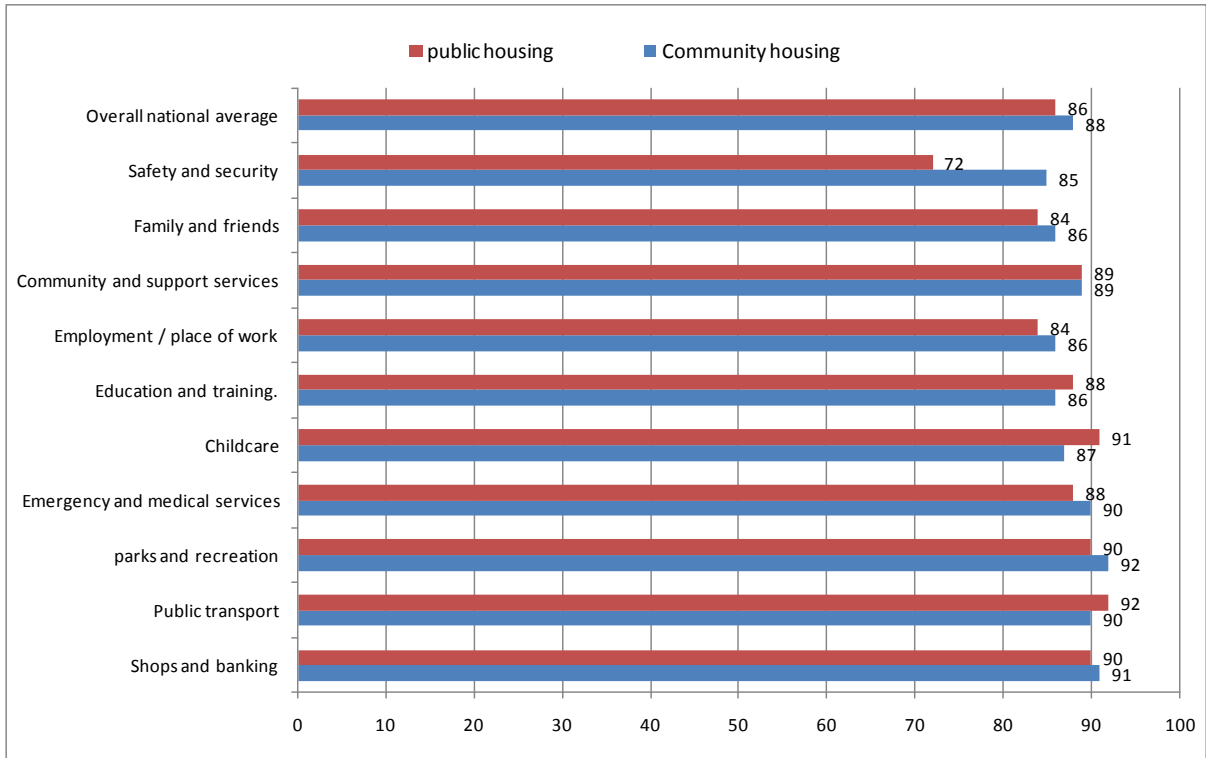
Each of these factors may contribute to the costs of maintaining, managing and modifying and/or upgrading housing. For example, larger dwellings in general need more maintenance, and in order to enhance privacy and security, costs may be incurred, e.g. for installing fences, gates, door and window locks and/or security cameras around buildings.

Tenant satisfaction with respect to the **location of housing**, including aspects such as access to public transport and proximity to employment and training facilities, was also higher among community housing residents. The difference in satisfaction for location aspects with public housing was relatively small. This is partly due to the fact that parts of public housing stock have been transferred to community housing providers. The figure below reflects tenant satisfaction rates in respect of location issues, for community and public housing households.

Community housing scores significantly better regarding safety and security in the neighbourhood, and slightly better on access and/or proximity to:

- Family and friends
- Employment or place of work
- Emergency and medical services
- Parks and recreation
- Shops and banking

Figure 9 Location: share of tenants who said this housing attribute is important and meets their needs (in %), 2005-06



Source: CSHA national data reports 2005-06

The overall higher tenant satisfaction regarding the location of the housing implies that community housing –in general terms- is located at more central and accessible locations than public housing.

Cost effectiveness

The CSHA national data reports publish information on direct costs per unit/dwelling excluding capital costs. A distinction is made between costs to the provider for day-to-day management of community houses and tenancies (maintenance, support and assistance etc.) and costs to the administrator, being State and Territory government bodies for administering community housing programs. The roles and responsibilities for providers compared to administrators vary by State and Territory and are reflected in the direct costs of the provider and administrator as a share of total direct costs. The division of roles and responsibilities may be a source of inefficiencies and/or ineffectiveness.

Direct costs for providing assistance for the public housing sector are also published in national data reports, making comparisons between the two sectors possible. However, it should be noted that comparison of data is still contentious as it is not evident that cost items collected for the two groups are entirely identical.

The average direct costs per household assisted are higher for the community housing sector (\$7,106 per household on average at a national level) than for the public housing sector with an average of \$4,977 per household). The community housing cost average is primarily higher because of the reported direct costs in NSW. Excluding community housing in NSW, the direct costs per household are \$ 6,145.

Differences in costs between community and public housing provision are possibly explained by:

- The current (small) size of community housing providers and consequently the limited opportunities to achieve economies of scale. The average number of dwellings managed by community housing providers in 2006 was 25 dwellings, and 88% of all organisations had fewer than 50 dwellings under management⁴. In contrast, a State or Territory housing provider provides over 36,000 dwellings on average.
- The superior quality and location of community housing compared to public housing.
- Differing shares of households with special needs. Special needs may require modifications to be made to the house including wheelchair access. CSHA data show that community housing providers accommodate a much higher share of special needs tenants than public housing providers: 68% of new community housing households had special needs in the year ending June 2006, compared to 60% of new public housing tenants.
- The extent to which providers offer additional support services to their tenants. Most community housing providers offer one or more additional support services, (see Table 5). Unfortunately, comparable data were not available for public housing providers.

Table 5 Community housing providers offering support services (in %), at 30 June 2006

Support service	Share of all providers
Daily living support	21%
Personal support	26%
Community living support	23%
Support for children, families and carers	15%
Training and employment support	21%
Financial and material assistance	10%
Information, advice and referral	38%

Source: CSHA national data report Community Housing, 2005-06

⁴ Note: the PowerHousing members are typically larger in size with an average of ... dwellings per PowerHousing member. This implies its members are better able to benefit from economies of scale and achieve higher efficiencies.

A recent study (AHURI, 2009) among a selection of community housing providers shows that, on average, the 2005-06 operating costs (excluding interest and depreciation) for the relevant community housing providers was \$3,796 per dwelling per annum, which is below that of the public providers (\$5,112). The study referred to defined community housing as 'long-stay, non-denominational, non ethic, not for profit housing' and the analysis only included non-government community housing organisations. Therefore, the group included in the analysis was more selective than the CSHA national data reports and more in line with the character of PowerHousing members.

However, the study suggests that the lower costs for community housing providers may be due to underestimation of operating costs (voluntarism, concessions by local authorities, non-quantified state subsidies and exclusion of capital servicing costs).

Evidence of productivity and cost effectiveness among the sector's leaders

The current community housing sector consists of a large number of (very) small providers. By definition, small providers cannot benefit from economies of scale and do not always have the opportunity to pay professional staff. These key issues will most likely disappear as the providers grow. The members of PowerHousing Australia, all not for profit community housing providers, may be seen as exemplars for a more professional and capable not for profit sector of the future.

A survey of PowerHousing members undertaken for the purposes of this report indicates the following pertinent facts.

- The average size of the providers in terms of dwellings managed/provided is well above the sector's average. PowerHousing members typically manage between 700 and 800 dwellings/unit enabling significant scale economies in asset and tenancy management.
- PowerHousing members are strongly involved in the development of new social housing dwellings. In 2006-07 their stock increased by about 18% and in 2008-09 growth approached 16%.
- All members employ professional staff. For every 100 dwellings the members employ one full time employee on average. The members indicate that the ability to employ professional staff instead of relying on volunteers is increasing with their scale.

Consultation with PowerHousing members also pointed to asset management as a key source of efficiency for the sector. They argue that the larger not for profits are better able to closely monitor long term maintenance costs and engage in strategic portfolio management while optimising the match between available stock and changing housing needs.

2.6 A Vision for Social Housing to 2020

Based on the foregoing discussion, this report offers the following vision for social housing;

Over the 10 years to 2020, social housing in Australia will transition from its current safety net role to resume its originally intended function to provide low and moderate income

households with opportunities to engage in employment, education and training within neighbourhoods which are safe, well connected to urban services and reflective of the wider social mix across the nation. To achieve this role, social housing stocks will ultimately need to be expanded to between 10% and 15% of all occupied private housing. Fulfilment of this mandate to build sustainable communities will also require a transformation of social housing management. By 2020, social housing will be offered within a genuine multi-provider system, fostering innovation, value for money and customer choice. The not for profit sector is expected to comprise at least half of all community / government owned housing, including stock transferred from public housing authorities.

3 An Institutional Framework for a Revitalised Social Housing Sector

3.1 Lessons from Other Jurisdictions

It is well recognised by the Australian not for profit sector that appropriate regulation is crucial to its success. Substantial progress has been made in a number of States towards the development of systems which aim to steer and strengthen capacity amongst public, private and community based organisations to deliver affordable, secure and decent housing outcomes, protect public assets and reduce potential risks to stakeholders. This section considers a number of aspects of regulation and recent international developments which aim to further this progress.

The principal elements of good regulation include:

- 1 **Clear principles and sector leadership** – articulating a vision of desired standards, processes and outcomes.
- 2 **Building management capacity** – clear mission, appropriate governance arrangements, business strategies, financial procedures and reporting arrangements.
- 3 **Steering beyond the market driven by a social task** - quality, affordable and secure housing with a strong community development approach.
- 4 **Accountability to stakeholders, including tenants** – clear, accurate reporting to appropriate stakeholders, maintaining an orientation towards meeting tenant’s housing needs.
- 5 **Managing risk** – a sober risk management culture reduces risks to investors and ultimately the cost of private finance.
- 6 **Appropriate autonomy** – balancing control with flexibility to promote responsive, progressive innovation.

3.1.1 Focus and Forms of regulation

During the 1990s, the development of performance management regimes grew as a means to manage devolved, contracted out or privatised, public services including social housing provision. These regimes established regulators and supervisory bodies, developed indicators and benchmarks, collected data on housing inputs and outcomes to inform evaluative reports.

Regulatory systems across Europe can be distinguished by their degree of centralisation or devolution, comprehensiveness of their coverage, level of prescriptive detail, balance between incentives and penalties and their capacity to enforce adequate standards.

The focus of regulation varies from project viability and overall financial management and the satisfaction of program standards, to the satisfaction of tenants with their housing services.

Today there are a wide variety of vehicles of regulation, including:

- licensing requirements for registered social landlords;
- conditions for accessing government subsidies;
- funding agreements and contractual obligations to stakeholders – such as lease agreements;
- rent setting regulations;
- tenant protection and responsibilities;
- accounting standards for financial account keeping;
- reporting requirements to stakeholders;
- performance indicators and benchmarks;
- inspection regimes;
- enforcement procedures;
- codes of conduct;
- supervisory committees;
- incentives designed to influence key actors and improve outcomes;
- competition to improve cost effectiveness, market responsiveness and quality;
- collaborative 'self help' clubs of similar organisations; and
- professional norms, training and educational requirements.

3.1.2 Specialised forms of regulation

There are also specialised fields of regulation within housing management, which concern rent setting, tenant participation and financial viability, which are given more attention below.

Rent setting, eligibility and allocation

The regulatory framework setting rents is crucial to not only the tenant, but also the revenue stream of the landlord, viability of the business and its attractiveness to investors.

There are choices in rent setting and a variety of models are used across Europe. Regulations affecting social housing rents can be based on cost rent, market rent, market value or through a utility based point system. There are a variety of cost rent models, which may include the cost of financing, operating and maintaining dwellings. They may be tied to a singular building or pooled across several. Further, costs can either be based on historic costs, based on the time of acquisition or alternatively current costs, based on the cost of replacing the dwelling and the capital invested in the dwelling.

Of course, rents derived from a variety of bases can be subsidised by housing allowances and these too have their differences. Allowances may relate to households within a defined income range, living within a certain rent level, or occupying subsidised dwellings. We know from international studies (Kemp, 2000, 1994) that housing allowances, in their various forms, have grown in significance at the cost of supply side assistance, and are proving very expensive in housing systems where rents are deregulated amidst stagnating wages, market scarcity and rising housing costs (Milligan and Lawson, 2008).

Tenant involvement

The outcomes of housing services for low income households are a key concern for community housing organisations, which requires careful evaluation and regulation. Outcomes must be considered in light of organisational objectives, necessary inputs and contingent circumstances. They should also involve tenants, as valued clients, in assessing the effectiveness of housing services they pay for.

In Europe, the role of tenants in social housing management and regulation varies considerably, from passive consumers of allocated dwellings to active managers of estates. For more than a decade in the UK, the position of tenants has been gradually improved, via both a performance management culture and processes for reporting to tenants. In Denmark, tenants of housing associations share a very strong role in decision making; developing estate policy concerning rents, budget priorities, environmental management and rules of conduct. They also monitor the operations of contracted estate managers.

A sophisticated and developmental approach towards tenant involvement and satisfaction in Australia is required, which recognises that perceptions are strongly influenced by previous housing experiences, initial expectations and aspirations. Involvement of tenants in the design of performance measures can be one positive tool for their empowerment. It can also be supported by regulations that ensure tenant representation and involvement in governance structures, participation in day to day management decisions, regular opportunities for tenant consultation as well as providing a process for reporting to tenants on performance issues which affect them.

A prudential regime is a necessary part of a regulatory framework

To achieve substantial growth, Australian community housing will need to engage in a more complex range of activities and relationships, beyond the contractual delivery of housing services. This shift has already involved the transfer of considerable public assets by the government and is beginning to harness additional investment from the private sector. To ensure this transition occurs smoothly, a sober risk management culture needs to be promoted by the right kind of regulation. Further, there are financial benefits of a well regulated sector with sound financial management; it reduces the risks to investors and ultimately the cost of private finance.

When community organisations require resources to invest in new supply or undertake renovations, where grants or stock transfers are not available, public loans or private capital finance is required. In this situation a prudential regime is crucial. It aims to ensure that investment is undertaken on a manageable and affordable scale, protecting the financial continuity

of the borrowing (and lending) organisation and the affordability of housing services for future tenants. Limits governing the level of interest paid on mortgages and the requirement to set aside funds to repay debt in a timely manner can also be built into any prudential regime.

Criteria for affordable and manageable borrowing conditions can be either prescribed under regulation with compliance enforced for external auditors or determined by the community organisations themselves, depending on their repayment capacity, collateral and guarantee structures. To do so the regulatory authority, auditor and community organisations must be able to make good and coherent decisions about affordable levels of debt. Indicators which can be used for management purposes include:

- availability of commercial finance and its cost compared to public borrowing;
- surplus or deficit on the property account as a percentage of received rents;
- the level of free reserves as a percentage of rents received;
- the ratio of current assets to current liabilities;
- service costs as a percentage of service charges;
- finance and administration costs per rental income;
- housing management expenditure per dwelling unit;
- maintenance cost per unit; and
- mortgage payment per unit.

At the organisational level, this requires accurate information on revenue collection and asset management costs, and a strong capacity in overall business planning and treasury management. Again, these seek to achieve affordable levels and costs of debt, not only for single projects but for the entire portfolio. Organisations need to know what their current commitments demand, what their future plans aim to be on at least on a five year basis and how these will be funded (Scottish Executive, 2004).

3.1.3 International developments in regulating social housing provision

Cross national comparisons of social housing must take into account different scales of provision and the number and type of organisations involved, which in many countries include state or municipal housing authorities, non-profit housing associations, co-operatives and private companies that provide affordable housing for rental and also ownership, including shared equity. The following tables illustrate this diversity, from a selection of West European countries:

Table 6 Size of the Sector and its Allocation

Country	Size of the sector	SH Dwellings per 1000 inhabitants	Allocation	% total dwelling stock
Austria	840,000	102	Broad, some targeting, generalist	21
Belgium	337, 400	26	Highly targeted, residualist	7
Denmark	542,600	102	Universalistic	20
France	4,300,000	71	Broad, some targeting, generalist	19
Germany	2,471,000	27	Broad, some targeting, generalist	6
Ireland	125,509	29	Highly targeted, residualist	8.5
Netherlands	2,400,000	679	Broad access	35
Sweden	960000	95	Universalistic	21
UK	5123000	85	Highly targeted, residualist	21

Source: CECODHAS, 2007

The purpose and institutional context of social housing provision differs in every country and often between regions. Variations occur in terms of whether accommodation is targeted at low income households or a broader range, as well as the number of roles performed in terms of landlord, neighbourhood service provider, economic developer and agent of major urban renewal. We can learn from the experience of how social housing tasks have been specified in legislation, government policy, program conditions and organisational missions, reinforced by performance agreements and voluntary codes of conduct, all sustained by professional norms and values.

Table 7 Type of Organisations, Size and Rent Basis

Country	State controlled/owned Type of Organisations	Size of organisation (number of units)	Rent Mode
Austria	Yes and regulated limited profit associations and municipal companies	Medium – 2,632 to small 178	Cost based
Belgium	No, municipal companies	Moderately small 1,309	Formula based on cost price, household income and family type.
Denmark	No, municipal associations, housing associations, co-operatives	Small (700)	Cost based plus 3.4% of building cost and bank costs
France	No, public bodies, mixed companies, NFP companies and co-operatives	Relatively Large (5640)	Central government degrees maximum rents, which vary by region. Cost based related to estate or owner
Germany	Former housing companies and co-operatives	Medium but vary (2,169)	In some regions rents vary with household income, regulated
Ireland	Yes Local Authority Housing, Housing associations and co-operatives	Small specialist associations 10 to Large Local Authority 15,500	Tenants pay % of income in rent.
Netherlands	No, Housing Corporations	Medium to large (3900)	Rent based on utility value of dwelling and target household income level.
Sweden	No, Municipal housing companies and co-operative companies	Varies from 200 to 20,000	Set by annual negotiations between tenants and landlords
UK	Yes Municipal providers and Registered Social Landlords	Between 10 and 50,000	Based on local earnings and dwellings prices, RSLs and LAH must cover outgoings.

Source: Lawson and Milligan, 2007, Whitehead and Scanlon, 2007, Gruis and Nieboer, 2004

The community housing sector in Australia has frequently drawn from overseas lessons and experiences, including those concerning the regulation and management of organisational performance (Larkin and Lawson, 1998, Lawson, 1998, Larkin, 2000, Kennedy and Co, 2001, Bisset and Milligan, 2004). International reviews, including developments in financial management, planning for affordable housing and regulation of social landlords, have also been sponsored by AHURI (Milligan et al, forthcoming, Lawson and Milligan, 2007, Gurran et al, 2007, Berry and Whitehead, 2004). The following section updates regulatory developments in selected countries in Europe, of relevance to the Australian sector.

3.1.4 Recent developments in regulating social housing in Europe

Regulatory developments in Europe have been profoundly influenced by an increasing reliance on private finance by social landlords coupled with a public management philosophy which aims to roll back prescriptive bureaucratic regulations, enable local innovation and entrust the market to direct appropriate housing investments. Recently, several governments have altered course, placing renewed emphasis on supply side strategies, steering mechanisms and accountability (UK and the Netherlands).

As social housing allocation criteria and targeting narrow and tenants with sufficient resources are enticed into home ownership, there is evidence of an increased concentration of high needs low income households on housing estates. The eligibility and accessibility gap is widening for low and middle income households; modestly addressed in some countries by intermediate forms of ownership such as shared equity housing and broader eligibility criteria for housing assistance.

Alongside this shift, public policy is demanding more from social landlords. There are expectations that the sector will be able to lead innovation in energy efficiency and liveability (CECODHAS, 2007). In some countries, the sector has embraced this role (Austria).

These trends have brought new challenges to the public interest dimensions of housing policy and their capacity to ensure the adequate supply of appropriate affordable housing, contribute towards social inclusion and regenerate urban areas. However, clear differences have emerged in their adaptation to the new financial regime, producing vastly different regulatory systems and housing outcomes.

The following discussion examines these regulatory reforms in more detail.

Regulation of Social Housing in England – a powerful regulator to promote regeneration and improve the voice of tenants

From the mid 1970's until recently, the Housing Corporation supervised the activities of Registered Social Landlords (RSL). RSL's seeking up to 100% government funding had to comply with the regulatory regime of the Housing Corporation, which involved registration, performance review and supervision. The Housing Corporation received its funding from the Department of Environment Transport and Regions based on an Annual Investment Strategy allocated to address need nationally, taking into account household formation and supply at the regional level.

Since the late 1980s RSLs have had to seek additional funding via the private market, which has necessitated a different regulatory emphasis, reducing risks to lenders.

Banks were given first right of possession in the case of default and the Corporation tightened financial management requirements. By reducing the risk to lenders, the cost of private borrowing by RSL was also potentially reduced.

However, given the increasing role of private finance and the cost of servicing this debt, other objectives have been threatened such as ensuring affordable rents and maintaining adequate reserves for maintenance and improvement. RSLs have become increasingly exposed to changes in finance markets affecting interest rates, increasing land prices and competition from private developers (Grover and White, 2000).

Public funding allocations to RSLs were made via a bidding process, assessed on the basis of ability to meet need, level of grant required, rent levels, timeliness and track record. Each proposal had to comply with Scheme Development Standards concerning probity, transparency and accountability in the expenditure of public funds. They also had to fall within Total Cost Indicators, specific to property size, historic cost and region as well as cost for specific client groups such as older people, which were published annually by the Corporation.

To ensure that the Housing Corporation funded only affordable housing proposals, which did not rely excessively on rent assistance, bids had to meet Corporation rent caps, which were increased annually by inflation plus 1% (Grover and White, 2000).

Beyond funding conditions, all RSLs were subject to an annual audit of their financial statements. This was undertaken by the Audit Commission and can now be undertaken by an external accountant, via Compulsory Competitive Tendering process. Auditors may report to the Housing Corporation on any irregularities, fraud and failures in internal controls considered unable to be rectified by the association (Housing Corporation, 2007).

A number of programs have promoted a strongly regulated, more tenant responsive, sector. These include Performance Indicators and Standards, required by the Housing Corporation (and its successor organisation), which are published annually. There are also requirements to report to tenants (RTT) on matters which affect them, to improve the dialogue between landlords and tenants and ideally improve consumer choice. The National Housing Federation also has its own Supplementary List of performance standards. Central government programs such as Housing Plus in the 1990s and Best Value in the late 1990s have reinforced the role of social landlords in addressing local problems and regeneration, via tenant involvement and community development strategies. Best Value was also a means to broaden the concept of Compulsory Competitive Tendering in the late 1990s, by stressing effectiveness and quality of local services, alongside concerns for cost efficiency.

A major review of English housing policy, commissioned by the Office of Deputy Prime Minister (More, Pawson and Scot, 2005) found that a strong performance based culture had been introduced into the sector, via competitive tendering, performance indicators and adoption of Best Value. These instilled greater awareness of income and expenditure in rental operations and gradually involved tenants in decision making. Tenants have been increasingly able to contribute to management and have been provided with relevant information on their rights, standards and their landlords' performance. Yet the performance of RSLs varies considerably across a range of fields from rent collection to repairs, between urban and rural providers and between the northern and southern regions. Whilst a consistent data base of performance indicators has now been established, little is known about factors driving performance.

Cost effectiveness of housing management has been a constant feature of regulatory initiatives promoting a more business like ethos in managers. Compulsory Competitive Tendering of management services led to detailed assessments of input costs, but has had a variable impact on expenditure, with reduced costs mainly achieved by reduced staffing and moderate improvements in reletting and rent collection.

Whilst the system of rewards and sanctions has been strengthened in the RSL sector, it does not apply to other market parties in the housing system. In this competitive and constrained context the rate of increase in management costs has indeed moderated, but it is still rising above indexed rental limits.

Further, social landlords must also accommodate an increasingly disadvantaged tenant base, administer higher volumes of lettings, and increasingly involve and inform tenants. Combined, these constraints and demands place increased pressure on their operating costs and ultimately their capacity to deliver housing services.

The Cave Review (2006) commissioned by the secretary of State for Communities and Local Government emphasised the weak position of tenants in the housing market and the inadequate concern of the regulatory systems for their interests. It also stressed the excessive regulatory and administrative burden placed on associations. It argued that policy and program conditions should be separate from regulation (as opposed to combined in the Housing Corporation).

Consequently, amendments to the Housing and Regeneration Act (2008) established two new organisations - the Tenant Services Authority and the Homes and Communities Agency.

As a powerful new regulator of social landlords, the TSA aims to improve the level of services to tenants, by empowering their position in day to day management and promoting more choice in lettings. Key responsibilities include the setting of standards in social housing and standards for financial management. It also has the ability to set codes of practice.

It is anticipated that the TSA will impose more stringent supervision over Registered Providers (RP's). Indeed, the TSA has the power to:

- demand documents;
- enforce penalties and criminal sanctions for breaches of its requirements;
- transfer management functions;
- suspend or remove staff;
- transfer land;
- amalgamate RP's;
- gives consent for any sales and ensure that proceeds are appropriately used; and
- provide compensation and financial assistance.

The Act also abolished English Partnerships and the Housing Corporation, which have been replaced by a single planning, development and financing authority, the Homes and Communities Agency (HCA). This agency brings together land development, infrastructure provision, estate regeneration and housing finance functions and aims to make better use of public land, by maximizing the potential of brown field sites and promoting urban regeneration which delivers both

social and private housing. It is able to provide financial assistance in the form of grants, loans (with or without interest), guarantees or indemnities and investment to any relevant provider of low cost rental accommodation, not only Registered Providers. However, there are increased sanctions and controls for all those involved. It can also provide assistance via the acquisition, construction or conversion of housing or land, again on the condition that the landlord must be a provider of low cost rental accommodation (Smye Holland, 2008).

Regulatory trends in the Netherlands – from financial self sufficiency and self regulation to reigning back control

Since the early 20th century, a core feature of the Dutch welfare state has been the provision of welfare resources by publicly regulated private organisations. Indeed, housing associations emerged from this rubric, via the provision of public loans to registered private associations, for the delivery of affordable housing for their members. However, in recent decades, these relationships have become far more complex and less transparent.

Until the 1990s, Dutch housing associations operated under a strict regulatory framework and were largely dependent on government financial support. During the 1990s, the Dutch government increasingly liberalised bureaucratic regulation, in preference for enabling more market influence on service provision. It was considered that more space should be given to respond to demand and promote innovation. Conditional public subsidies, as a means of steering outcomes, were reduced and organisations were required to become more financially self sufficient. Within this framework housing associations are free to sell, invest and choose the way they allocate their “revolving fund” to social tasks.

In order to maintain a guiding role on their activities, various steering mechanisms were developed, such as agreements on performance, codes of conduct and supervisory committees. However, the conflict between the force of consumer demand and financial viability was not fully appreciated in these liberalised regulatory systems.

Government intervention has been considerably reduced. Direct financial support in the shape of ‘brick-and-mortar’ subsidization and government loans has been abolished, leaving housing associations with the challenge of fully financing their social housing investments with capital-market loans and their own resources, consisting of reserves that had been built before the 1990s and the proceeds from sales and project development of more expensive owner-occupied and rental dwellings.

Housing associations continue to be registered under the Housing Act, which obliges them to act according to the Social Housing Management Order and reach agreement with the local authority on desired housing outcomes. In return they have access to government support. Today this support is primarily in the form of a government backed guarantee (WSW) for capital market loans, largely facilitated via Bank of Dutch Municipalities. Associations are largely dependent on the capital market. With the WSW bearing the risks, housing associations must satisfy financiers and the WSW that they are solvent and their development strategies marketable and financially viable. Further, central and local government both back the WSW, so they are also very focused on the financial continuity of associations.

The Central Housing Fund (CFV) – a government funder and supervisory authority - and the strong asset base of housing associations have also enabled their access to private finance. Social housing associations are required to submit information on their housing output to local governments and the CFV which reports on their behalf to the central government. The social task of housing associations is defined in the Social Housing Management Order (BBSH) as six performance fields:

- contribute to affordability (which is primarily achieved by demand assistance);
- contribute to good quality housing;
- involve tenants in policy;
- take care of financial continuity;
- contribute to liveability; and
- contribute to combining care and housing.

Although the BBSH stipulates that housing associations must give priority to accommodating households with a weak position on the housing market (mainly lower-income households), housing associations are allowed to provide dwellings for other target groups and to deliver high-rent or owner-occupied housing. During the 1990s, housing associations were encouraged to sell their dwellings, to fulfil the government's home-ownership targets.

The BBSH recommends housing associations and local governments write down the desired goals in the form performance agreements. However, only one third of all local governments have agreements with associations operating in their area. As associations expand their horizons nationally, local housing objectives are in danger of becoming subordinate to corporate strategy such as market dominance in a particular housing service.

The Minister of Housing is ultimately responsible for the supervision of the sector, based on information provided by the CVF. The Minister may impose sanctions, including appointment of a temporary supervisor, if an association performs poorly or is in conflict with regulations.

The changes outlined above, have transformed the asset management of Dutch social landlords. Due to reduced government support, they now operate in a far more market-oriented way, pursuing more profitable strategies. This has led to a large number of mergers between social landlords. The number of housing associations has fallen due to amalgamations from 767 in 1997 to 492 in 2005 (VROM, 2007, p. 158). It has also led to a decline in the production of social housing dwellings, as opposed to dwellings for purchase (Boelhouwer, 2007).

Further, their financial independence from government and self regulatory management structures has made associations less easy to control and there have been a number of undesirable developments, including:

- increased turbulence in housing markets (boom/bust) and long term stagnation in social housing production;
- inability of governments to influence levels of production via housing associations;
- highly polarised discussions between housing associations and the government over who is responsible for improving problem neighbourhoods, where corporations dominate the local housing market;

- undesirable developments in business planning and management practices, concerning a focus on profit maximisation, widespread mergers, speculative land banking strategies, anti-competitive practices and market dominance, misappropriation of funds and failures of internal supervisory committees;
- dominance of financial viability in steering investment rather than locally agreed social tasks; and
- lack of government action to ensure fulfilment of the BBSH.

Most recently there has been a major shift in public policy affecting the regulation of the Dutch social housing sector to include:

- establishment of a new Corporation Authority, which will be able to act more responsively to performance reports on registered housing associations from the CFV;
- stricter requirements concerning education, experience, length of membership, and numbers of members for the Boards of Management governing housing associations (Raden van Commissarissen);
- forbidding participation in Boards of partnering organisations in order to prevent any conflict of interest;
- a culture change requiring Boards to emphasise their social task and take a more critical position in relation to the executive management;
- laws concerning the salary norms of managers, which are sober and appropriate for the semi-public sector, with levels to be reported to the new Corporation Authority each year;
- result orientated performance agreements with local authorities which must have manageable targets to be achieved via transparent strategies;
- strict rules governing the activities of subsidiary companies which engage in more commercial activities; and
- clear criteria and process for assessing amalgamations between corporations, which involve local authorities and tenant organisations. (VROM, June 2009).

Regulatory trends in Austria – conditional finance focuses on social and environmental task

Austria has developed a strong regulatory environment for subsidised housing which is characterised by stability and continuity. It is sustained by the following elements.

- Housing legislation is primarily a Federal responsibility with an explicit emphasis on protection of tenants and regulation of limited profit housing associations.
- New construction is highly influenced by extensive, mostly supply-side, housing subsidy schemes, design by regional governments (Länder).
- The Federal government transfers dedicated tax revenue to the Länder to ensure a long term focus on housing policy development.
- A Limited Profit Housing sector has developed into a very efficient tool for the implementation of housing policy targets (e.g. regarding volume of construction, affordability, energy efficient and environmentally sustainable housing).
- The banking sector plays a decisive and constructive role in channelling investment towards approved housing projects (contractual savings schemes, housing banks).

Austria is a federation, like Australia, which has successfully developed a system for distributing funds across nine regional governments for housing program purposes. Canada has also developed such a system which is reviewed in Lawson and Milligan (2007). Despite devolution of program design to the state governments under Federal conditions enabling local priority setting, there remain important national regulatory instruments which set the framework for all social housing providers. The Limited Profit Housing Act and the Housing Promotion Act outline in detail the limited profit investment and cost rent system of affordable housing, including:

- definition of acceptable activities, which restrict providers to limited profit, cost capped, housing designed to moderate but adequate standards;
- interest limits on financing provided by the capital market;
- rules for setting rents and the principles of rent contracts;
- the compulsory re-investment of profits into construction and renovation;
- limits on administration costs including income ceilings for managers;
- a decision making and management process which involves tenants and has a key role for government in regular systems of evaluation and auditing, as well as enforcement procedures; and
- the design principles for state based programs (Amman, Lawson and Mundt, 2009).

Under the LPH Act, cost rent involves the establishment of a maximum and minimum allowable rent related to the original cost of land and construction, the age of the building and dynamic financing costs of the project. Associations can reduce rents by reducing component costs - cheaper land, own equity, low cost loans, cheaper building techniques and standards etc. These regulations also specify a period for maintenance, repairs and renewal. If these investments are not made, tenants must be repaid in the form of lower rents.

Initial rents define a rental cost per square metre which can be increased each year with CPI, and revenues should be sufficient to repay the annuity of the capital loan as well as the interest on the public loan (Neuwirth, 2004: 1). Rents must be increased as financing costs increase. Typically rents are fixed annually and balanced at the end of the year, with tenants either receiving a return or making additional payments to cover financing and operating costs.

Subsidies for building affordable housing are available to any complying developer, public, limited profit or private. This is justified on the basis that subsidies are considered an equity substitute in exchange for profit restricting conditions (cost rent, size limits and investment returns) and ensure that such stock is supplied and upgraded as required.

LPH Associations undertake housing activities which are limited in terms of the size of dwellings (150sqm) and their quality standards, as well as limits on the cost of managing, planning, building and administration (Bauer, 2004:42-43). Other building activities can be undertaken, such as the building of kindergartens etc, but must be approved by the relevant public authority. Income ceilings for managers are defined, as well as cost limits for administration, planning and building. Profits are limited to 6 percent and there are restrictions on the interest received from own funds. Further there is a range of decrees under the LPH Act which regulate the operations of the associations, covering:

- auditing guidelines for LPH Associations;

- cost caps for providing accommodation affecting planning, production and management costs;
- rules for proper business conduct; and
- balance sheet provisions, detailing how accounts should be prepared and presented (Ludl, 2004:3)

Housing associations are audited according to the decrees issued under the LPH Act, with a focus on the efficiency of management and investment strategies. A significant part of the work of the national Federation of Limited Profit Housing Associations (GBV), of which membership is compulsory, concerns financial supervision. The GBV employs 40 qualified accountants, specially trained to audit non-profit organisations and co-operatives. Every year they generate a financial report on each LPHA which is delivered to the relevant provincial government for approval. LPH associations which fail to reinvest their profits in new production are obliged to merge with another LPH association.

Supervision of municipal housing is undertaken by the Federal government's Audit Commission (Rechnungshof) and in the case of the Vienna municipality, by the Vienna Lander, City of Vienna Control Department.

3.1.5 Recent Australian Experience

The community housing sector in Australia has pursued a diligent and consultative path towards the establishment of a sound regulatory regime. During the late 1990s Australian community housing was being monitored by a small number of Performance Indicators (PIs) developed for the Council of Australian Governments (COAG), and the development of more benchmarks were underway. Since this time, a major review of regulatory frameworks for community housing in Australia has taken place (Lawson, 1998, Kennedy, 2001). A shared vision in the form of National Community Housing Guidelines (2003) and Framework for National Action on Affordable Housing (2005) has been promoted across Australia covering a range of State and Territory based mechanisms including registration, key performance indicators, contractual agreements, etc.

A well developed regulatory system has now been established in Victoria, and is emerging rapidly in other States. Like NSW, the Victorian system builds upon the National Community Housing Guidelines (2003) and was piloted amongst 17 community housing organisations over a six month period in the mid 2000's (CHFV, 2007). This led to amendments to the 1983 Housing Act in 2005, which established a strong two tiered regulatory system. This involves the establishment of the Office for the Registrar of Housing Agencies (ORHA) and registration system for growth providers (registered Housing Associations) and other community housing providers ("Housing Providers"). Registration requires the satisfaction of defined criteria, the maintenance of Performance Standards. It also allows for State intervention via powers of inspection and enforcement by the Registrar (Housing Registrar, 2009). The Office of Housing specifies income and asset eligibility limits, allocation requirements and affordability outcomes. The ORHA is able to monitor compliance by Registered Housing Associations. Further, Housing Providers may be subject to other income and eligibility conditions, outlined in the Victorian Government's Housing Provider Framework Lease and Property Management Agreement.

Victorian Performance standards include indicators and guidance notes, summarised as follows:

Field	Required performance
Governance	The agency must be governed effectively at all times. The agency must be managed effectively to achieve the outcomes of its business plan in a timely manner and within a continuous improvement framework via its <u>organisational structure, business planning systems and processes and reporting</u>
Probity	Decisions relating to the business and functions of the agency must be made <u>ethically, and conform to the agency's code of conduct.</u>
Financial Viability	The agency must remain financially viable and solvent to the satisfaction of the Registrar at all times.
Tenancy management	The agency must provide effective tenancy management. The agency must offer properties for occupation at affordable rents.
Security	The agency aims to sustain tenancies.
Client Service	The agency demonstrates a strong commitment to serving and valuing its clients

The Guidelines which supplement the performance standards are closely aligned with the National Community Housing Standards mentioned above. They constructively provide advice on the measures of good performance and refer to Australian Accounting Standards, Principles of Good Corporate Governance and Best Practice Recommendations, from the ASX Corporate Governance Council as well as the requirements of the Residential Tenancies Act 2001 and the Information Privacy Act 2000.

The Registrar may intervene when; the ongoing financial viability of the Registered Association (RA) is at risk and the Association in question is unable to address notified concerns; when the RA has failed to satisfactorily respond to informal requests by the Registrar that it maintain eligibility for registration and / or comply with one or more performance standards; and / or where it appears that the RA's ability to meet the performance standards and otherwise function effectively may be seriously compromised (Housing Registrar, 2005). ORHA can make the following types of instructions to RA's:

- entering into arrangements with one or more other registered agencies;
- appointments to the governing body of the agency;
- the appointment of an administrator; and
- the winding up of the agency and distribution of its assets.

In exchange for Registration, RA's can apply for growth funding, but they are also required to lever private finance in order to develop new housing opportunities.

Housing Providers are funded under the new Housing Provider Framework (HPF) funding model and will have a Lease & Property Agreement with the Office of Housing (OoH). Leverage is typically set at 25% and may include community contributed assets, as well as conventional debt finance.

Today community managed housing is growing in Victoria, increasing by more than six per cent over the past two years, from 10,815 in 2006-07 to 11,476 in 2007-08 (Premier of Victoria, 2009). However, the number of organisations is declining through mergers. There are currently 24 officially 'registered' Community Housing Organisations which include sixteen Housing Providers

and eight Housing Associations (growth providers) in Victoria. A remaining 19 Community Housing Organisations were still to complete the registration process by the deadline of June 30, 2009 (CHFV, 2009).

3.1.6 Strategic insights gained from development of the sector in European countries

Regulation is a complex policy area which requires careful and reflective design towards the development of an effective and appropriate system. A system of regulation should not only promote viable and well managed organisations but ensure the appropriate use of subsidies and safeguard assets and investment. It should give confidence to all contributing stakeholders including tenants.

Regulation is required to ensure that the community housing associations are well run, transparent, accountable, focussed on their social mission and well positioned to ultimately attract institutional investment. However regulation is a fraught and politically contested area and performance is hard to measure, because it is dependent on many factors, both internal and external to an organisation. Regulators must avoid systems which are unbalanced in their focus, narrowly concerned with financial viability, administratively burdensome, ineffective or demotivating. They need to support the capacity of learning organisations in a constructive and developmental manner, be responsive to tenants and draw on the experience and evidence of international best practice.

Regulatory systems in the UK have improved the financial management capacity of social landlords and promoted a performance orientated culture. This strong regulatory framework has been able to deliver substantial private investment, yet this has been coupled with a sustained commitment to both demand and supply side subsidies. There have been specific initiatives, such as performance indicators, Housing Plus, Best Value and Reports to Tenants, which have institutionalised a stronger role for tenants, a community development focus and a more service orientated management culture. Currently there are strong moves to separate funding from regulatory roles and increase the voice of tenants.

In Austria a strong national legislative framework and long term supply policy, has not only sustained a cost efficient sector, is has also attracted private investors. Austria demonstrates how a Federal system can sustain a regionally responsive system. The Federal government proportionally transfers a percentage of tax revenue to each of 9 regional governments for broadly defined housing programs, which in turn, are tailored to meet local needs and preferences. Regulations governing the operation of limited profit housing associations, protection of tenants and the calculation and indexing of rents are outlined in national legislation. LPH associations provide auditors reports to their respective state governments, which affect their eligibility for funds.

There is a need to balance control and flexibility in forms of regulation, recognising the wide variety of tasks undertaken by community housing organisations in very different contexts. Regulated community housing organisations must have an appropriate degree of independence from overly restrictive, administratively onerous regulation to enable them to focus on the delivery of their own

services, respond to the different needs of tenants, develop innovative housing and management forms and make their own business decisions, based on expert advice relevant to their specific needs and operating conditions.

However, in the Netherlands, the financial independence of associations from government has made them less easy to control. Governed by loosely defined performance agreements and private management structures, they have increasingly pursued market driven investment strategies with significant implications for production levels, risk to community assets and dilution of their social task. Consequently, major reforms affecting their accountability and supervision are underway.

There are lessons for progress in Australian regulatory systems we can draw from this overseas experience:

1. Australia needs to move away from fragmented and short term housing programs towards a more permanent and dedicated transfer of Commonwealth funds to underpin the confident and sustained the growth of the community housing sector. Effective funding mechanisms have been established in complex Federal state structures such as Austria and Canada. In Austria, long term public funding agreements underpin a financially sound, well regulated and cost effective limited profit housing sector.
2. A good balance between prescription and performance promotion needs to be established. Care needs to be taken when determining how detailed and prescriptive regulatory requirements should be, in order to encourage good performance, support responsiveness to local situations and motivate innovation across the sector. However, vague, loose and voluntary performance measures without sufficient incentives can erode capacity in the sector and undermine its social obligations, as in the Netherlands.
3. Regulation needs to ensure that community organisations are secure and resilient entities, able to chart the rough seas of shifting political and investment priorities. A sound prudential regime and sober business plan is critical in these circumstances. Developments in Scottish social housing management can inform Australian standards in this regard.
4. Beyond the provision of performance indicators for regulating authorities, there is a need to facilitate tenant involvement in performance management, which is informative and empowering, as is being striven for in the UK. The community development approach of the Australian sector is well placed to promote a stronger role for tenants in housing management, but this needs to be institutionalised and safe guarded.
5. Beyond regulation, good community housing outcomes also require:
 - adequate government grants and loans as in the UK and Austria;
 - effective measures to attract lowest cost private finance as in Austria, the Netherlands and the UK such as government funded guarantees or targeted tax incentives;
 - a strong land use planning system as in the UK, the Netherlands, France and Austria to ensure there are appropriate sites for affordable housing; and
 - adequate levels of demand side assistance as in the UK and the Netherlands, where incomes are inadequate to pay for decent housing.

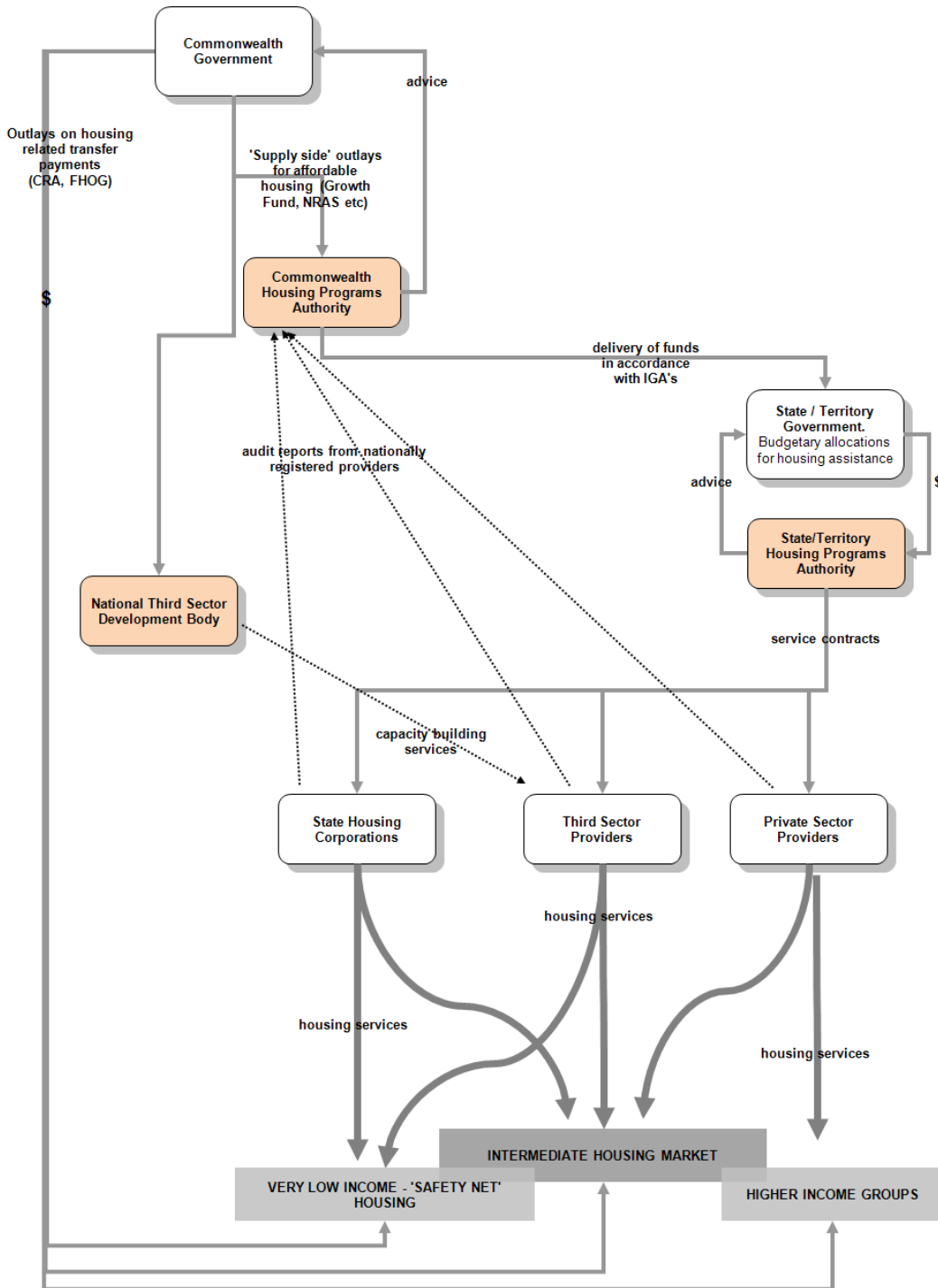
3.2 A Framework for Australia

3.2.1 Overview

An institutional and regulatory framework to facilitate the vision for social housing set out in Section 2.6, is summarised in the chart overleaf. This takes into account the review of overseas experience outlined in the foregoing subsection. Moreover, it has been conceptualised within the parameters of the National Affordable Housing Agreement (NAHA), and the policy priorities outlined by the Commonwealth via the Minister for Housing's speech to the Sydney Institute on March 19 (see Section 2.2). The headline features of this framework include:

- Delivery of a **contestable multi-provider system** to promote innovation and customer choice, both of which are essential to efficient use of the capital made available by governments;
- **Tempering the dominance of the public housing authorities** as providers of social housing stock and as brokers of funds and ideas in the sector;
- Building on the NRAS initiative to **develop an effective role for the private sector** in the delivery of affordable housing;
- Establishment of **strong prudential supervision arrangements**, recognising, firstly, that substantial amounts of Government capital will be entrusted to non-government providers and, secondly, that institutional investors will only contemplate large scale involvement in the sector if they are convinced of the financial robustness and management capabilities of not for profit providers;
- Provision of **appropriate capacity building programs** to support the not for profit sector, as well as private sector providers contemplating involvement in the social housing 'industry'.

Figure 10 Institutional 'Map' for a Multi-Provider Social Housing Sector in Australia



3.2.2 Elements of the Framework

As noted, the proposed institutional and regulatory framework for a revitalised social housing sector in Australia acknowledges the principles for inter-governmental funding and division of service responsibilities established over the past 18 months via COAG. In particular, the framework is consistent with the provisions of the NAHA, which amongst other things commits governments to...

"to undertake reforms in the housing sector, including to improve integration between the homelessness service system and mainstream services, to reduce concentrations of disadvantage that exist in some social housing estates, improve access by Indigenous people to mainstream housing, including home ownership, enhancing the capacity and growth of the not-for-profit housing sector, and planning reforms for greater efficiency in the supply of housing." COAG Communique November 2008

The framework outlined here retains the potential for the various States and Territories to adopt varying models for social housing service delivery within their respective jurisdictions. However, for illustrative purposes only, Figure 10 identifies a 'purchaser – provider' split in the delivery arrangements at State / Territory level. That is, the functions of deciding the quantum of resources to invest in social housing (funder), determining how these funds will be deployed in line with Government objectives and performance standards (purchaser) and actual delivery of housing services to clients (provider) could be separated in the interests of improved accountability and transparency, including avoidance of 'institutional capture' by the bigger providers.

In the envisaged framework, providers would include 3 broad groups as follows.

- The 'Third Sector' or not for profit organisations currently referred to as 'community housing'. This group would be quite diverse, comprising a relatively small number of large, commercially oriented organisations (which would offer a range of products from social housing to various home ownership / shared equity opportunities), through to much smaller, niche oriented organisations (which might focus, as noted, on clients with special support needs).
- State housing corporations. These would be the traditional public housing authorities. Some jurisdictions may contemplate reforms within this sub-sector in the interests of improved contestability and innovation; for example, larger authorities may be broken down into a series of regional providers (providing economies of scale and scope can be retained).
- Private sector providers. These could include institutional investors (superannuation funds), large 'integrated' development companies and even small syndicated investors who are willing to partner with, say, not for profit tenancy managers to tap Government incentives such as NRAS to provide social/subsidised housing.

It is expected that in the early stages of developing this new framework, these groups of providers will have somewhat different emphases in their client focus. State housing corporations may be required to continue in their safety net role; not for profit providers may also participate in this role but could find greater opportunities to address the needs of an intermediate needs sector; and

private sector providers may be drawn to the higher end of the needs spectrum in terms of income, as illustrated by the eligibility parameters for NRAS dwellings.

Regardless of their origins, motivation or client focus, all providers in receipt of some form of Government funding for the delivery of social/subsidised housing would be required to be formally registered with a Commonwealth regulatory and prudential supervision authority. Registered providers would be obliged to provide regular performance reports to this authority and would be subject to routine and random audits commissioned by the authority on a risk management basis.

A national registrar of affordable housing providers would offer economies of scale in this function, and would facilitate institutional investment in the sector, recognising that most such institutions operate on a national scale.

Under the proposed framework, this registrar is also envisaged as the principal source of advice to the Commonwealth on ongoing affordable housing needs across the nation. It would subsequently channel the resources made available by the Commonwealth (under NAHA and special one off programs) to the various States and Territories for on-investment in their respective provider programs. In the future it might be appropriate to separate the policy and regulation functions of this body as is occurring in the UK, but this will require a degree of maturity in the Australian social housing sector.

Potentially, the Commonwealth registrar could play a further role in facilitating access to other Commonwealth resources that might be deployed to meet affordable housing needs (surplus land, expertise etc). However, given the prudential supervision role of the registrar, it may be more appropriate for a separate government agency to act as a 'hands on' generator of affordable housing opportunities drawing on various Australian Government programs and assets.

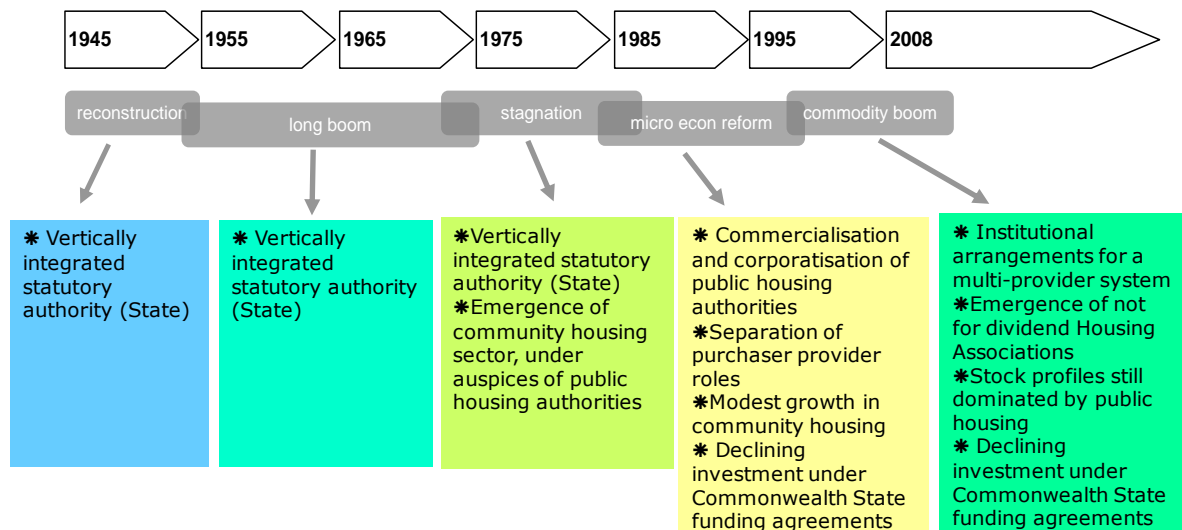
The final key element in the framework is the formation of an additional agency operating at arm's length from Government, dedicated to building the capacity of providers, particularly those in the not for profit and private sectors, to engage more efficiently in the social housing task. This authority would have a strong training focus and would seek to rapidly diffuse best practice in tenancy management, asset management, financial strategy and policy planning across the provider sector.

Sitting outside these regulatory and capacity building bodies will be a range of industry and community based organisations which would act to support, lobby, scrutinise and, from time to time, critique the government sponsored institutional framework for guiding and managing the development of social housing. PowerHousing Australia would be one such organisation. It would bring a focussed 'practitioner's perspective' to policy development which would help anchor the aforementioned bodies in the day to day realities of social housing development and management.

4 Implementation

Notwithstanding the major shifts in Australia’s social and economic conditions over the past 60 years, and the consequential changes in the ‘mission’ of social housing (see Section 2), the institutional arrangements for the delivery of this key government service have changed very little (Figure 11). As highlighted by the Commonwealth Minister for Housing in her March 19 (2009) speech to the Sydney Institute, the social housing sector is still dominated by early post war models of public housing acquisition and management. Whilst construction methods have shifted from mass produced high rise housing and large scale estates, public housing authorities still control 86% of the social housing stock. They account for a commensurate proportion of the policy and housing operations expertise in the sector and they occupy privileged positions in terms of formulating policy advice to governments.

Figure 11 An Historical Perspective on Social Housing Delivery Arrangements



It will take some time to shift from this ‘vertically integrated’ system of social housing delivery, to the multi-provider arrangements envisaged in this paper. A staged transition strategy is warranted.

4.1 Short Term Implementation Initiatives

The near term implementation plan, covering a nominal 6 to 12 month period, could focus on establishing the two national institutions identified in Section 3, namely, a central regulatory authority, and a capacity building agency for the not for profit sector.

The regulatory agency, tentatively called the Australian Social Housing Regulation and Prudential Supervision Authority (ASHRPSA) is envisaged as a statutory authority operating under the administrative auspices of FaCHSIA (or equivalent). That is to say, it would have its own

competency based board, CEO and operating staff. It would be authorised to report directly to the Government if it saw fit, though on most matters it would lodge briefs with prior advice to the FaCHSIA Executive.

This capacity to operate at 'arm's length' is considered essential if a stable, transparent and predictable regulatory environment is to be established for the not for profit sector. This, in turn, is seen as a pre-requisite for large scale institutional investment in the sector. These institutions will want to see that the charted growth of not for profits in social housing is not a passing policy fad but a structural and long term change in Australia's approach to delivering affordable housing.

Bearing in mind the review of practice in European jurisdictions, the key roles of ASHRPSA would include;

1. application of generic principles and practices regarding rent policies, tenant eligibility and security of tenure;
2. prudential supervision, including identification of a range of financial indicators as the basis for routine reporting by providers, for example;
 - availability of commercial finance and its cost compared to public borrowing;
 - surplus or deficit on the property account as a percentage of received rents;
 - the level of free reserves as a percentage of rents received;
 - the ratio of current assets to current liabilities;
 - service costs as a percentage of service charges;
 - finance and administration costs per rental income;
 - housing management expenditure per unit;
 - maintenance cost per unit; and
 - mortgage payment per unit;
3. application of dwelling acquisition regulations including;
 - housing scheme development standards; and
 - total cost indicators;
4. identification of tenant participation protocols and standards; and
5. formulation and monitoring of corporate probity and ethical standards, including remuneration standards and scope/level of overhead costs.

As noted, ASHRPSA would also provide strategic policy advice to Government, to help it resolve decisions regarding the extent of funding warranted under successive NAHA's, and the nature of the performance requirements expected of the States and Territories in these Agreements.

For the early period of its operations, ASHRPSA is likely to stand in parallel with existing State and Territory regulatory arrangements for the not for profit sector. For any housing providers registered under already established, purpose designed, regulatory arrangements within their own jurisdictions (such as those operating in Victoria), it may be appropriate to allow automatic registration under ASHRPSA once the Authority has been commissioned, pending reasonable consistency in prudential standards. Reporting arrangements under the State / Territory system may also be deemed to be satisfactory by ASHRPSA for the duration of any overlap period. The relevant jurisdictions may retire their regulatory systems according to bilateral agreements with the Commonwealth.

For all other jurisdictions, providers could voluntarily seek registration by ASHRPSA and would need to comply with all its reporting requirements. However, in the short term, there would be no particular sanction, in terms of the flow of Commonwealth funding, or other benefits, if providers or their host jurisdictions did not seek registration.

The capacity building institution, tentatively titled the Australian Social Housing Development Agency (ASHDA) could be funded jointly by the Commonwealth (1/3), the States and Territories (1/3) and subscriptions from registered and non registered housing providers (1/3). Board membership would be determined by governments and members in proportion with their respective equity stakes.

ASHDA's charter would be focussed on accelerating skills development in the sector and providing a clearing house for innovations. The scope of services offered by the South Australian Community Housing Council provides a good template for ASHDA's mission. This includes the following elements.

Policy development;

- Policy development about community housing at all levels of government;
- Interpretation of and advice on policies to members where appropriate;
- Membership of key government or sector committees and reference groups;
- Sector and policy consultations with members;

Promoting and advocating for policy development;

- Representation on boards, committees and advisory bodies;
- Advocacy to MPs, Ministers and Local Government;
- Representation on national bodies and national consultation;

Facilitating Sector Productivity;

- Training programs;
- Production of good practice guides, manuals, information kits, forms and regulatory information;
- Provision of a specialist community housing library and network service;
- Member referrals, advice and support;
- Consultancy services to members on operational matters;

Information and networking;

- Electronic based bulletins;
- Member forums;
- Public information sessions;
- Quarterly newsletters;
- Promotion of community housing benefits;
- Producing special publications such as brochures, fact sheets, flyers and handy hints.

Again, ASHDA is likely to operate in parallel with a range of State and Territory based organisations for a transitional period. However, unlike prudential supervision arrangements, there would be no compelling reason for the Commonwealth to negotiate a retirement timetable for organisations in other jurisdictions. These can be left to fade away as ASHDA establishes its worth, or they can find more niche based roles serving not for profit providers in their respective States and Territories.

4.2 Longer Term Implementation

The key issue here is for the Commonwealth and States / Territories to reach agreement on a start date for *mandatory* national registration of providers with ASHRPSA. This could pose challenges for some providers and jurisdictions where there is a significant divergence from the necessarily high prudential standards adopted by ASHRPSA.

Moreover, in the vision for social housing presented in this paper, ASHRPSA would be more than a prudential authority for the not for profit / community housing sector. It would be the registrar of *all* providers of social or government subsidised housing (e.g. NRAS projects). As such, the public housing agencies of the States and Territories would be drawn into its ambit.

Transparency and accountability in the operations of public housing agencies dogged the former CSHA for much of the period it was in place. It was always difficult for the Commonwealth to assess the productivity of its investment in the Agreement, in terms of dwelling yield, overhead costs per dwelling and other performance parameters. The institution of ASHRPSA under the new vision for social housing would treat public housing authorities on precisely the same basis as not for profit and registered private providers, so that these State agencies would be obliged to make the same declarations and returns. They would also be liable to risk based audits directed from time to time by ASHRPSA. Such scrutiny will resolve many of the issues which compromised the effectiveness of the CSHA but it will only be achieved following delicate inter-governmental negotiations.

Having said this, the vision retains a strong subsidiarity focus; it recognises that conditions will vary between the various Australian jurisdictions and that the States and Territories will want to adopt slightly different positions on questions of targeting, location of social housing and the role of government funded housing in urban regeneration. For these reasons, the vision proposes that funding flows under NAHA will continue to occur on a government to government basis, with the States and Territories determining ultimate distribution between providers, as distinct from the Commonwealth directly funding providers registered under ASHRPSA. This should facilitate constructive discussions between the Commonwealth and the States / Territories.

The start date for full implementation will need to be resolved in COAG. Based on similar negotiations (e.g. Murray Darling Basin Initiative, referral of industrial relations powers) a 2 to 3 year lead time for launch of the full vision would seem realistic.

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Appendix – List of PowerHousing Members

Victoria

Loddon Mallee Housing Services
Women’s Housing Ltd.
Rural Housing Network Ltd.
Port Phillip Housing Association
Housing Choices Australia

Tasmania

STEPS Community Housing

ACT

CHC Affordable Housing

South Australia

Unity Housing
Southern Junction Housing
Habitat for Humanity

Western Australia

Foundation Housing
Access Housing
Bethanie Housing Group
Southern Cross Care (WA) Ltd.

NSW

St George Community Housing
Argyle Housing
Wentworth Housing
Compass Housing
Hume Community Housing
Pacific Link
South Coast Community Housing

Queensland

4 Walls