



nsw Federation of
Housing Associations **inc**

**Legislative Council Standing Committee on
Social Issues**

Inquiry Into Community Housing

Supplementary Submission

August 2003

Introduction

The NSW Federation of Housing Associations is the peak industry body for housing associations in NSW. The 45 housing associations manage the majority of community housing stock in NSW and are the largest providers. The largest now manages almost around 900 units.

The Federation has previously submitted a comprehensive submission and presented evidence to the Inquiry.

The purpose of this supplementary submission is to:

- ♦ Reiterate some key elements of the Federation's position. This is firstly for the benefit of the new members of the Committee, who we have not had the opportunity of directly addressing. Secondly, it is in response to the fact that the discussion paper previously proposed will now not be circulated for comment and there will be no other opportunity to comment of the Committee's draft report.
- ♦ Respond to the questions put to the Federation by letter on 5 August.

These comments have been kept as brief as possible and so do not repeat the supporting evidence presented to the Committee throughout its inquiry.

Key issues for the Inquiry

The Federation strongly believes that the Committee's conclusions on the future of the community housing sector in NSW must be made in the context of the wider policy issues for the NSW housing system – particularly as it impacts on low and moderate income households. More important, its conclusions will be the single most substantial policy contribution to these wider issues over the past few years.

The challenges for the housing system in NSW

The housing system is facing two related crises. The first is the insuperable barriers to access to homeownership by most prospective new purchasers that has arisen from the current house price inflation. The impact of this is a deepening wealth polarisation that is about to be transferred across generations. However, this issue has received considerable public attention and a wide range of responses have been proposed.

The second housing crisis has still received only cursory attention. It is the huge collapse in the supply of rental housing that is affordable to households in the bottom 40% of household incomes. At the same time, those who require such lower cost rental stock has substantially increased due to changes in family structure, demographics and employment opportunities. This divergence of supply and demand has occurred across both cities and regions.

There are serious impacts of this crisis:

- ♦ It is increasing the number of households who are at risk of homelessness – and hence the number who actually become homeless. This is a disaster for individuals and has serious fiscal impacts for the State.
- ♦ It is forcing low-income households out of areas that offer the best employment prospects – and in many cases out of the metropolitan areas altogether. In Sydney, like all other global cities and many regional centres, this has meant that the 'key workers' – nurses, police, service industry workers – needed to support the local economy are simply not available. For individuals it means entrenched exclusion from labour markets and other forms of opportunity.

- ◆ It is forcing other households to spend unsustainable proportions of their income in housing costs, leading to after-housing poverty.
- ◆ It appears to be delaying key life-cycle decision such as the time at which young people leave home, marriage and child birth.

This crisis is compounded by the failure of our two existing policy responses. On the demand side, Commonwealth Rent Assistance fails to deliver housing affordability for at least a third of recipients nationally. While in Sydney (in 1996) over 80% of recipients were still in housing stress.

On the supply side, the provision of new social housing has ground to a virtual halt. This is because of the imperative to address the very large unfunded liabilities for the assets, which are a legacy of many years under-expenditure on asset management. But more important, it is because the rationing associated with declining CSHA funding over the past 20 years has meant that social housing is now only available to those on the lowest income. As a result rental income does not meet the cost of administering the system. At the same time, the concentration of very high need tenants in the system has made management increasingly difficult and expensive. The existing social housing system is incapable of responding to the housing crisis because it is not financially viable.

The overriding policy objective must be to increase the supply of low cost rental housing across the State, and particularly in Sydney. This means explicit public policies to support new investment in affordable housing.

But at the same time, there is also an imperative to build an effective policy framework to ensure that the provision and management of low cost rental housing for the growing number of high needs and vulnerable households is undertaken in the most appropriate way.

The policy options

- ◆ There are a number of options that are Commonwealth responsibilities. The key objective being to redirect current tax incentives for investment in rental housing from the top end of the market to the bottom end. The Commonwealth could also play a role in providing explicit investment subsidies
- ◆ The State too has the capacity to develop policies that support the development of affordable housing, including through State subsidies, a more explicit role for Landcom, and planning powers.
- ◆ However, there is also a very major public policy task to make the existing social housing system sustainable and more effective. There are three essential policy elements of this, without which it cannot be achieved:
 - ◆ Policies to find effective ways to meet the current unfunded asset liabilities – one response currently under consideration is to utilise the existing value of the asset through public private partnerships;
 - ◆ Policies to develop a more sustainable mix of tenants across the social housing system – this means both reversing the existing narrow targeting (adding what is now being called ‘affordable housing’ to the current target group) and building capacity to deliver a wider range of business that includes high support needs, reversing social exclusion, mainstream social housing and affordable housing;
 - ◆ However, the above can only be achieved equitably if there is new investment in social housing – there has been considerable discussion of ways to achieve this by adding private investment (probably in the form of debt) to public investment. Such new

investment in long term social housing is distinct from the use of PPPs to meet the cost of asset liabilities.

- ♦ To deliver these most efficiently, responsively and flexibly, models for local social housing management are now recognised as being essential.

The place of community housing in this policy environment

Community housing has the capacity to substantially enhance Government's ability to meet these policy objectives. The Federation therefore believes that its further development should be a key ingredient of the policy response; and that this should be the basis of the Committee's recommendations.

However, we also believe that this will only be effective if the existing policy of gradual and marginal expansion is replaced with an explicit policy to substantially increase the role of community based social housing providers.

Such providers can support the above policy objectives by:

- Enabling debt finance to be raised outside the current fiscal limitations of government;
- Attracting Commonwealth Rent Assistance as a part of the subsidies needed for sustainable rental income streams;
- Provide tenancy management partners for social and affordable housing produced by private developers involved in PPPs, local government developing affordable housing through their planning powers or other welfare or human services agencies;
- Providing a state-wide network of specialist local social housing managers;
- Managing existing public assets in locations where it is no longer effective for public managers to operate, or to operate as a monopoly provider – these are particularly in small rural communities and in large public housing estates;
- Deliver tailored services to different tenant groups – in particular brokering support agreements for tenants with high support needs and playing a lead agency role in building the social and economic participation of tenants.

There are a number of preconditions for the sector to be able fulfil this potential. These include:

- Existing providers should have effective control of the assets they currently manage on behalf of the Department, if they are to raise additional finance, improve and maintain existing assets, and respond to changing needs.
- There should be an explicit policy and models to increase investment – probably by mixing public investment with other forms of investment.
- Community providers should undertake the management of a larger proportion of the existing social housing portfolio.
- The public interest and investment should be protected by a strong and appropriate regulatory regime to ensure that the intended use of the asset is protected, support and ensure the viability of providers and ensure outcomes for tenants and communities.
- The capacity of the sector to deliver appropriate, professional, sustainable and quality services should be supported by appropriate resourcing and training.

As has been clear from our earlier submission and evidence, the Federation urges the Committee to address all these areas in its report.

Supplementary questions from the Committee

The need for consumers to access an appeals mechanism (such as the HAC) including whether it should be compulsory and legislatively based.

The Federation has specifically endorsed the use of the Housing Appeals Committee to provide access to external appeals for available to all community housing applicants and tenants and so participation in the system should be a requirement for all associations.

We believe that effective appeals – including external appeals – is a basic right for tenants. However, we also believe that being subject to such an external appeal procedure will help strengthen the eligibility, allocation and other tenancy policies and practices of organisations, and so will also benefit providers.

However, we believe that community housing providers should not be subject to a different set of requirements or powers than those to which public housing providers are subject. We would therefore oppose, for example, the HAC having determinative powers unless they had such powers over public housing decisions.

The Federation believes that such an external appeals mechanism is part of an appropriate regulatory regime for community housing. In general, we believe that the most effective approach to regulation is for it to be enabled through legislation. This allows the specific role and principles of community housing and the role of the regulator to be made explicit. However, in the case of the powers of the HAC, for the reasons above we would oppose these being enshrined separately in legislation that did not equally cover its powers with respect to public housing.

Preferably, the role and powers of the HAC should be included in an amendment to the Housing Act, but should not be limited to any legislation or amendments specific to community housing. Such specific legislation could refer to the HAC when specifying conditions of registration.

The Performance Management Framework (PMF)

The Federation believes that the proposed PMF is the centre-piece of any effective regulatory regime and embodies the principles of best practice. There is nothing equivalent in any other jurisdiction.

The key to its value is that it takes a risk assessment and preventive approach. That is, it gathers just enough information, regularly enough to understand where potential risks are emerging across the key aspects of the business, to enable early intervention. By so doing, it can prevent the failure of the organisation or its key services.

At the same time, it should be noted that the precise benchmarks have yet to be finalised, and that this will require effective consultation with the sector. The federation believes it will be essential to have public, transparent reporting on how indicators were derived.

The form of intervention is also a crucial aspect of the success of the PMF. Currently, in the first instance, a co-regulatory approach has been taken to this element, with the industry body (in the case of associations, the Federation) identifying, managing and supporting the improvement process. While the regulator (OCH) has the ultimate sanctions, it does not utilise these unless the improvement process is unsuccessful. This model has been a significant improvement on previous experiences.

We would also stress that the PMF is not the whole picture. At least six other elements are needed for an effective regulatory framework: a tiered registration system, a quality system (which is in place through the current national standards and accreditation), other *minimum* standards with which it might be determined organisations must comply (such as access standards) or compliance with other external regulatory requirements (eg residential tenancy

legislation), an appeals system discussed above, and finally review, appeal and oversight arrangements for the regulatory framework itself.