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The NRSCH Review
Director- Housing
Strategic Policy - Commissioning
Department of Families and Community Services
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Via email: NRSCHreview@fac.s.nsw.gov.au

RE: REVIEW OF THE NATIONAL REGULATORY SYSTEM FOR COMMUNITY HOUSING – DISCUSSION PAPER

NT Shelter is the Northern Territory's peak body for affordable housing and homelessness. We advocate for affordable and appropriate housing for all Territorians, especially in respect of low income households and those particularly vulnerable and disadvantaged in the housing market.

We are a member based organisation. Our members include specialist homelessness services organisations, community housing providers and other stakeholders with an interest in the provision of appropriate and affordable housing for all Territorians. Our membership base includes the two tier 2 registered CHPs operating in the Northern Territory.

NT Shelter has a keen interest in ensuring that there is sufficient supply of social and affordable housing in order for all Territorians to have access to affordable and appropriate accommodation. A strong, sustainable and growing Community Housing Provider (CHP) sector will be key in meeting the future housing needs of many people across the Northern Territory.

NT Shelter was pleased to have the opportunity to participate in a workshop in Darwin on 25 March as part of the Discussion Paper consultation process at which time we provided various feedback and context from a Northern Territory perspective.

Context

NT Shelter is acutely aware of the chronic shortages of housing across the entire housing continuum. These include:

- (a) A lack of crisis accommodation capacity;
- (b) Insufficient levels of available public housing stock (as evidenced by unsatisfactorily long wait lists and waiting times for public housing);

(c) Inadequate and insufficient housing in urban, regional and remote communities, including Town Camps and Homelands (as evidenced by severe levels of overcrowding);

(d) Expensive real estate markets relative to average incomes (e.g. Alice Springs) or distorted housing markets with little if any vacant rental housing stock (e.g. Nhulunbuy) and a lack of affordable housing (that is, housing offered to eligible low to moderate income earners at a discount to market rent);

(e) Insufficient investment in supported accommodation and transitional accommodation programs and infrastructure.

The situation is exacerbated by underinvestment in services (both accommodation and programs) that underpin supports for many vulnerable people across the Northern Territory. For example, the NT receives an allocation from the Commonwealth Government under National partnership agreements that is based on population size rather than underlying need. This means that the Northern Territory receives only 1.4% of Commonwealth allocations to the states and territories for housing and homelessness services.

The level of unmet demand for Specialist Homelessness Services in the NT is three times that of the national rate, and the demand for services increased by 13% last year. With homelessness in the NT at 12 times the national average, this level of funding is overwhelmingly inadequate.

Appropriate Regulation and Red Tape Reduction

NT Shelter strongly supports further growth and expansion of a Community Housing sector characterised by well governed, financially sustainable and customer-focussed organisations. We see significant upside in the industry and the need for it to fill the void created by the continued lack of any visible, meaningful development supply pipeline in social and affordable housing by state and territory governments at the present time.

As the Productivity Commission noted, Australia's public housing system is broken¹. There is an ever more urgent need for a strong, reputable and financially strong community housing sector to meet this growing gap in supply.

Regulation has an important role to play in ensuring that there is a high level of confidence in the sector from the perspective of customers (tenants), owners of assets (governments), providers of finance (lenders) and potential investors (markets). We support appropriate and measured regulation of the sector while noting the importance of streamlined processes for reporting and governance (i.e. red tape reductions and elimination of duplication where possible under other reporting regimes).

Getting this balance right between regulation and reduced reporting burden will instill further confidence in the reputation and investment-grade potential of the sector. This, in turn, will support sector growth and ultimately much needed new housing supply.

It is difficult for us to assess whether or not the current National Regulatory System for Community Housing (NRSCH) has been successful in achieving its stated objectives in relation to tenant protections,

quality outcomes for tenants, protection of government housing assets, and facilitation of private sector investment. These appear to be sensible and important objectives in any revamped NRSCH.

The Case for a strong and growing Community Housing Provider sector

The Northern Territory government is facing significant and increasingly dire fiscal challenges with a structural budget deficit, largely attributable to own-source revenue limitations, declining GST revenue and high recurrent expenditure.

We see opportunities where much needed savings in Northern Territory government expenditure can be achieved through transferring services and assets to non-government organisations, especially in instances where the sector can demonstrate efficiencies, quality service delivery and better outcomes for clients. This can be achieved, with minimal or no risk to government, through the transfer of tenancy, maintenance and housing services to registered Community Housing Providers (CHPs).

We are referring here to rental or rent-to-buy housing provided to low-to-moderate income and/or special needs households, managed by NRSCH registered community-based organisations that own, lease (from government or others) or have received a capital or recurrent subsidy from government to lease private rental properties for such purposes.

In the Northern Territory, the Community Housing sector is relatively undeveloped in comparison to other states and territories. There are two registered CHPs operating in the NT. By comparison, Queensland has a total of 84 CHPs registered under NRSCH, including 11 ICHOsⁱⁱ. At the present time, there are an estimated 374 community housing dwellings in the NT, or 6.9% of all affordable and social housing (excluding state owned and managed indigenous housing in remote communities).

TABLE: SOCIAL HOUSING COMPOSITION – PUBLIC AND COMMUNITY HOUSINGⁱⁱⁱ

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
#Dwellings								
Public Housing	111341	64295	51413	33293	32686	7005	11181	5017
Community Housing	35345	14486	11116	8062	11561	5980	895	374
Total	146686	78781	62529	41355	44247	12985	12076	5391
CHP share of social housing (%)	24.1	18.4	17.8	19.5	26.1	46.0	7.4	6.9

There are many good reasons why the growth of the community housing sector in the NT should be actively pursued, particularly given the very challenging problems facing the Northern Territory with vertical fiscal imbalance, declining GST revenues and a phasing out of certain tied and untied specific purpose payments. We made the case for a strong and growing CHP sector in the Northern Territory to the Budget Repair Review earlier this year^{iv}. Amongst other things, we noted the following:

1. Registered Community Housing Providers (CHPs) are well regulated and required to demonstrate strong and proven capacity for governance and operational excellence. Regulators include:
 - a. National Regulatory System for Community Housing (NRSCH)
 - b. ACNC
 - c. ASIC
 - d. State or Territory Funding Deeds and performance standards
 - e. Licensing Boards (where applicable)
 - f. NDIA / NDIS (where applicable)
 - g. NRAS (where applicable)
2. NRSCH regulations require high property and maintenance standards. The additional cash flow from CRA enables assets to be well-maintained, often rejuvenated and, in the case of head-leased properties, generally returned to the government in an improved condition, thereby protecting the asset and improving the living experience for tenants.

The NRSCH requires an ongoing proportion of revenue per annum to be provisioned for ongoing, cyclical maintenance. This provides safeguards for asset replacement as well as repairs and maintenance.
3. Cost efficiencies can be achieved through lower overheads and smaller management teams. For example, an existing community housing provider based in Darwin is able to manage 172 properties with 8 FTE staff (scalable to 350 properties with existing staff) – a very lean footprint.

Additionally, CHPs are unburdened by a cumbersome procurement process. They are therefore able to negotiate significant contractor (e.g. pest control, air conditioner cleaning, fire and safety checks) discounts due to scale and without the margins often placed by contractors when responding to government contracts.
4. There is the potential for higher quality, highly responsive tenancy management. CHPs can be more agile, more proximate, better placed to liaise and build relationships with tenants, and ultimately be more responsive to their needs and to ensuring issues are managed and resolved (e.g. pro-actively manage anti-social issues as well as assist in referring tenants to support services where required and welcomed). They are less encumbered by what are typically unwieldy, rule-driven public housing tenancy management systems and generally have robust systems for the collection of the rigorous data required to meet NRSCH compliance.
5. The evidence supports this. From a tenant's perspective, tenancy management by CHPs compares favourably to that provided by public housing agencies. Across Australia, 80% of community housing provider tenants are "satisfied or very satisfied" compared to 74% in public housing^v.

Tenants' Customer satisfaction (2018) — Public Housing vs Community Housing

		Unit	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
All households											
Sample size	Public Housing	no.	555	656	1078	622	568	511	514	539	5043
	Community Housing	no.	375	439	563	476	805	432	170	na	3 260
Very satisfied	Public Housing	%	24	33	45	33	40	36	30	30	32
	Community Housing	%	35.5	37.3	40.4	46.3	39.0	38.1	24.1	na	38.1
Satisfied	Public Housing	%	43	40	42	43	39	42	44	49	42
	Community Housing	%	43.2	42.0	41.3	38.7	41.4	39.3	45.9	na	41.8
Very satisfied or satisfied	Public Housing	%	66	73	87	76	79	77	73	79	74
	Community Housing	%	78.7	79.3	81.7	85.0	80.4	77.4	70.0	na	79.9

6. Asset under-utilisation is lower in community housing (10.3%) compared to public housing (16.9%)^{vi}, enabling higher customer churn and lower turnaround times for new tenancies. In Darwin, the CHP vacancy rate sits at approximately 5.5% in the seasonal low period from November to February and is lower from March to October. Indeed, CHPs in Darwin have a far lower vacancy rate at present than the greater Darwin private rental market.
7. CHPs are frequently mission based and are well placed to collaborate with local communities, including local businesses and philanthropists. They are entrepreneurial and able to form consortia and close collaboration with land owners, builders, developers, Aboriginal community-controlled organisations, other non-profit organisations and all levels of government to generate community-building and place-based projects that deliver social value and community impact. An example was the recently announced development in Tennant Creek by Venture Housing Company Ltd (Venture), which involved many local community stakeholders.
8. The transfer of management rights over 20-year leases (or longer) strengthens the cash flow and thus, borrowing capacity, of CHPs. It better positions them to leverage further development off this increased income and increases their ability to obtain finance for future housing development. Stock transfers therefore increase the scale and capacity of CHPs and enable a greater propensity for the additional supply of affordable and social dwellings.
9. Well managed, entrepreneurial CHPs have demonstrated an ability to procure land (often free of charge) and build dwellings at prices well below those that NTG can achieve through government procurement processes. Having points of contact in the CHP who have delegated authority to make decisions in a timely manner, improves both the relationship with the developer and the price. In addition, CHPs are able to recoup any GST paid and are exempt from Stamp Duty. This provides additional value-for-money in determining the number of new dwellings that can be delivered for a given sum of capital. There are additional economic benefits that flow from such development, notably employment and training opportunities, monies spent on materials and the provision of the housing (which, in itself, and particularly in regional towns, assists in retaining and growing population and services).

The above arguments in support of industry development and sector growth are important and relevant in the context of the NRSCH Review as they demonstrate there is a level of operational excellence, capability and agility in the sector (certainly in the case of the NT) that surpasses results achieved

through state owned and managed housing. These outcomes and capabilities should be taken into account in weighing up the extent of regulation and ensuring that it is commensurate with the level of risk against the achievement of NRSCH's stated objectives.

Alternative approaches should be explored

We noted above that the original, stated objectives of the NRSCH remain valid. However, outcomes can potentially be achieved through alternative, less burdensome means. A number of these ideas were discussed and recorded at the Darwin workshop.

For example, there may be benefits in an accreditation framework which is nationally recognised by other certifying bodies and avoids the requirement for community housing providers to undertake multiple accreditations, assessments and audits. This could overcome the issues of multiple sets of standards using similar data but varying formats and timeframes for reporting. There is almost certainly scope to simplify what is a complex landscape in terms of regulatory compliance and quality-assurance.

We also note that QShelter has gone to considerable lengths in its submission to outline current and emerging issues relating to the experience of CHPs in the current reporting and compliance environment^{vii}. It is important that this feedback is given appropriate consideration.

We thank you for the opportunity to provide our feedback and would be pleased to further discuss any of the matters raised should that be of assistance.

Yours faithfully



Peter McMillan
Executive Officer

REFERENCES

ⁱ Productivity Commission Inquiry Report, *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services*, No.85, 27 October 2017, page 171

ⁱⁱ QShelter, *Getting the Balance Right, A submission from Queensland Shelter to the Review of the National Regulatory System for Community Housing*, April 2019 page 4

ⁱⁱⁱ Ibid, Table 18A3

^{iv} NT Shelter submission to John Langoulant, *A Plan for Budget Repair – Interim Report NT Government*, 1 February 2019 (available on request)

^v Derived from ROGS, op.cit., Tables 18A.40 and 18A.42

^{vi} Ibid, Tables 18A.5 and 18A.32

^{vii} QShelter, op cit