



Community Housing Leasing Program Review

Federation Submission
April 2018



nsw Federation of
Housing Associations inc

Background

A review of the Community Housing Leasing Program (CHLP) was carried out by Karen Walsh in 2017, with the final report being delivered to FACS in August 2017. The NSW Federation of Housing Associations was not consulted as part of the review and only recently received a copy of the findings.

This briefing has been prepared for members seeking their input into feedback that the Federation will give FACS on the outcomes of the review. Feedback from members is sought by 7 April 2018.

Key findings

The **key findings of the review** are that FACS:

- Establish an overarching leasing framework
- Amend the CHLP Guidelines to
 - align with broader social housing policy
 - provide a clear definition of management and repairs and maintenance costs
 - include a requirement that providers state that properties meet asset standards
- Increase the term of the CHLP Funding Agreement
- Amalgamate the homelessness and social housing funds for providers that manage both
- Retain current funding methodology for homelessness providers and very small social providers
- Proactively plan for and administer CHLP contingency funds
- Consider transferring the Public Housing Leasing Program to community housing providers
- Fund targeted practice seminars
- Engage community housing providers in co-designing CHLP reforms
- Undertake further work, with involvement by community housing providers to look at applying a market rent escalation indexation model
- Undertake further analysis to look at demand and supply to consider an alternative funding model that addresses the relative 'equity' of the program

CHLP is an important contributor to addressing housing need in many communities in NSW. In 2017/18 it supported an additional 5,626 households to be affordably housed in NSW, contributing to the social housing assistance delivered by community housing providers and making up around 15% of the social housing available State-wide. It provides housing opportunities for very low income households in many communities across NSW including where capital development is not a priority for Government. Nearly 75% of all leasehold properties in October 2016 were located in the metropolitan areas of greater Sydney, the Illawarra and the Hunter.

The contribution that CHLP makes is therefore a significant one, both in terms of the numbers of people assisted but also in relation to the business of community housing providers, and for some smaller providers it can represent a considerable component of their portfolio and it may represent a critical component of social housing provision for some local communities. Some providers have commented that the program has an integral part to play in the larger housing and homelessness service system.

In the absence of any rigorous State-based assessment of housing need and housing demand, it is difficult to understand what the implications of change to the program might have. Headleasing has to be considered as part of a suite of strategies to respond to housing need in a location and any change to the Program also needs to address what social and affordable housing market NSW needs into the future. An appropriate balance in NSW between leasing and capital program expenditure to deliver housing outcomes has to be looked at in this broader context.

Any decision to change the program parameters should only be taken with significant consultation with the community housing industry and thoughtful analysis of the impact of any changed funding or contracting arrangements.

The Federation supports most of the recommendations in the review Report, and this briefing comments on some of the more significant proposals.

A consistent and consolidated approach

The Federation fully supports the proposal that there is a single overarching leasing framework. The development of different leasing products that target specific groups and don't sit within a consistent policy framework is administratively burdensome and doesn't capitalise on efficiencies that could be generated through management of the state-wide budget or the management of budgets by individual providers.

This also applies to the suggestion that public housing leasing be transferred to community housing providers which is also strongly supported by the Federation. It does not make sense to have different social housing landlords competing for limited available properties, particularly in high demand and high cost areas, collectively serving to push up prices. The Social Housing Management Transfers program may be an opportunity to review the public housing leasing program and the scope to transfer all or part of this program to community housing providers.

In proposing a more consolidated approach to the leasing program in NSW, there will be a need to ensure that the leasing program continues to encourage flexibility and innovation and that it allows smaller providers to continue to deliver the program in response to the needs of local communities.

Matching funding to demand

The Federation understands the significant pressures on social housing supply in metropolitan housing markets and the relationship of this to any approach to the indexing of rent subsidies. CHLP funding has been capped at the same base level for at least the last six years during a period of significant rent rises in NSW and the Federation would support a strategic review of the role of private rental leasing in delivering and sustaining the availability of social housing assistance, and of what a reasonable budget for the program should be going forward.

The Federation acknowledges that the quota approach has driven efficiencies in the program. There is a concern however, that with no growth in program funding, community housing providers may need to move to cheaper housing markets for leases, potentially lessening the social impacts the program is meant to deliver over time.

Indexation and aggregating grant payments

The Federation supports the incorporation of the homelessness leasing component into the aggregated leasing subsidy payment for providers doing both. This is a sensible administrative approach for providers managing many leases. The Federation also supports the consolidation of the maintenance and management grants consolidated into one component and escalated by CPI. Developing a better understanding of the administrative costs to community housing providers managing leasehold properties will also be important going forward.

It is likely that quotas will need to drop for providers over time unless indexation of the leasing subsidy maintains pace with real rental costs. This is particularly true for those operating in areas where rent escalation runs higher than the average rent rise. The Federation supports leasing subsidies being more closely aligned with individual provider costs and supports further work being carried out to understand the impact of more nuanced funding arrangements.

The Federation also supports the proposal for longer term funding agreements as a means of encouraging better efficiency, for example through the negotiation of longer leasing periods with private sector owners/managers and innovation, such as the use of funds to purchase units that are then available in perpetuity for social housing.

It is interesting to note that in 2017/18 the leasing subsidy indexation dropped below 5% to 2.5%, following three years of 5% and above growth. It is not clear from the paper whether this reduction was due to a real reduction in rents for 2017/18, or was an administrative decision by Government. It will be extremely concerning if the indexation does not keep track with even the average rent rise in NSW going forward.

Equity

Questions of equity in relation to CHLP are complex. The community housing sector was initiated as a medium term leasing program and for those smaller providers that have had no growth in their portfolios as a result of property transfer or local development, leasing still forms a significant part of their business.

Any consideration about the allocation of leasing subsidies based on demand will have to consider the impact on the social housing assistance system as a whole, and the impact on local communities. In this context, the Federation supports the proposal for additional funds to be made available for leasing subsidies to be allocated in areas of high demand and the report's recommendations that a longer term funding period be considered.

Use of surplus funds

The Federation does not support the use of surpluses generated through efficiencies in delivering the CHLP to support other activity such as social impact programs or support for individual tenants. Given the fundamental shortage of social housing in NSW all surpluses should be driven back into the system to deliver additional leasehold properties.

Meeting asset standards

The Federation does not support the proposal that community housing providers make a statement about leasehold properties meeting asset standards.

There are legal requirements in the RTA that a community housing provider has to meet as a landlord that apply to all properties under their management. There is a requirement that providers meet regulatory standards about assets and there are also FACS policies for community housing asset management.

Maybe these mechanisms could be reviewed to ensure they capture appropriate responsibilities in relation to leasehold properties as a better way to build compliance and accountability. A review of the National Regulatory System is due to commence shortly and this might be a good place to consider the issues raised about asset management in this report.