



STRATEGIC COMMISSIONING: Towards coordinated, efficient and evidence based delivery of social and affordable housing in NSW



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EXECUTIVE SUMMARY

Introduction

The NSW Federation of Housing Associations Inc. (FHA) and its members have observed a need for a more coordinated, effective, efficient, and evidence based strategic approach towards the commissioning of social and affordable housing in NSW. The report presents a broad concept and framework from which further discussion and refinement with policy makers and senior bureaucrats and other stakeholders can be pursued. It is not the aim to deliver a blueprint without room for improvement.

The report was developed based on a literature review, international best practice review of strategic commissioning and working with a reference group to understand issues and gaps in NSW. This project presents a framework for further discussion and refinement with stakeholders.

Strategic Commissioning

Strategic commissioning is a means to deliver efficient, effective services and to increase competition and innovation. Strategic commissioning generally follows a typical 'plan-do-check-act cycle'. The Figure provides a schematic overview of a best practice strategic commissioning cycle, based on commission frameworks used in other international jurisdictions (see Section 4 and Appendix).

There are increasing pressures on government resources with growing demand for services and budget pressures. This requires new approaches to get better outcomes and value for money. Strategic commissioning provides an opportunity to optimise investment through informed, evidence based decision making.

Across social and affordable housing, strategic commissioning approaches have been successfully applied internationally to improve service outcomes for communities. There is growing support for Strategic Commissioning in NSW, especially with recent establishment of the Commissioning and Contestability Unit (CCU), within NSW Treasury. There are three main steps in the recommended strategic commissioning approach: Strategic Planning, Procuring and monitoring and review, all supported by governance arrangements:



Strategic planning

The strategic planning stage is about determining the intended outcomes for social and affordable housing. This requires a robust, regularly updated and relevant evidence base of housing needs. The strategy requires performance measurement indicators and measurable outcomes to inform monitoring and evaluation, supported by adequate and realistic resourcing.

Procuring social and affordable housing

The requires the consideration of delivery models (including the role of public, not for profit and private sector, contracting of construction in- or excluding ongoing management), funding and financing mechanisms (opportunities to leverage funding, the role of land use planning mechanisms such as development contributions, bonds aggregator model) and procurement models (staged or not, EOI, RFP). Best practice demonstrates the value of engaging with the community housing sector and local government in a staged procurement approach.

Monitoring and evaluation

Monitoring and evaluation provides insight into the progress of the delivery of social and affordable housing against set targets and performance indicators. The process should include measures of efficiency, effectiveness and wider social, economic and environmental benefits. Monitoring and evaluation should occur across the overall program, as well as for individual sites and developments.

Governance arrangements

The governance arrangements are at the core of integrating the three stages. The delivery of social and affordable housing requires the involvement of a range of agencies, local government, not for profit and market players. International best practice shows the trend is towards multi provider systems; the integration of oversight is often complex, but important nonetheless.

Opportunities in NSW

It is undeniable that there is a significant need for social and affordable housing in NSW. Social housing is a scarce resource in high demand across the state. The current delivery of social and affordable housing is fragmented across government involving multiple agencies. The disparate initiatives do not appear to be based on a solid evidence base or consistent approach.

The first and foremost priority is for government to recognise this and implement seamless coordination of the planning, delivery and review of social and affordable housing. This requires one agency to develop a strategy and assume responsibility over the coordination of roles and responsibilities across government and for collaboration with non-government stakeholders. A solid strategy needs adequate resourcing and to be informed by a robust and evidence based needs assessment of all housing needs at the local and regional level in NSW.

The priority recommendations are for the NSW Government to:

- Nominate a central government agency to develop an integrated housing strategy recognising the interrelations between housing segments and the fragmented delivery of social and affordable housing across government.
- Develop an integrated strategy including vision, outcomes, targets and priorities, with a key focus on social and affordable housing, and local contributions towards overall targets, based on evidence based housing needs assessments.
- Develop adequate funding mechanisms to deliver social and affordable housing targets and priorities.
- Develop adequate financing mechanisms to substantially grow investment in the sector.
- Develop and confirm a range of delivery mechanisms across government to ensure the delivery of social and affordable housing in line with targets.
- Develop clear and supported procurement processes, guidelines and liaison capabilities
- Continue to build capacity in the not for profit and for profit sector for delivering social and affordable housing, and
- Develop clear outcome statements and performance indicators to monitor and track delivery.

The summary table (Table 3) provides a comprehensive overview of all recommendations.

The sector needs to continue to evolve as a multi-provider system, with a proven track record and reputation of being capable, reliable and sustainable. The establishment of prudential supervision arrangements will support this.

In the meantime, the community housing sector should continue to build sectors capabilities and capacity, and to intensify collaboration to achieve scale for attracting institutional investment and to deliver increasing quantities of social and affordable housing.

1. INTRODUCTION

This section outlines the background and aims of the project, the approach to developing the research and findings.

1.1 Background

It is undeniable that there is a significant need for social and affordable housing in NSW. Social housing is a scarce resource in high demand across the state. The NSW Auditor-General's report into the state of social housing in NSW found that public housing is supporting fewer people than it did a decade ago (NSW Auditor-General 2013). While there are currently 143,996 social housing dwellings in NSW, there are 60,000 people on the waiting list for dwellings (NSW FACS, Housing Pathways, June 2016). This demand is compounded by the quality of social housing dwellings, which are ageing and becoming increasingly unfit for purpose (NSW Auditor-General 2013).

In addition to social housing, there is an increasing need for the provision of affordable housing as rental prices and housing costs continue to rise, particularly in Greater Sydney. Affordable housing is designed to support those on low to moderate incomes, including people who are crucial to the everyday functioning of a place, such as teachers, police officers and nurses.

In NSW, community housing provides affordable rental housing to people on low to moderate incomes. Of the existing social housing properties, some 19 percent are managed by community housing providers. There are approximately 18 community housing providers (CHPs) in NSW registered as Tier 1 or Class 1 providers, i.e. providers with the capabilities to grow the supply of new affordable housing. Tier 1 has a portfolio under its management of about 27,000 dwellings. The entire CHP sector has about 34,000 dwellings in its portfolio. The CHPs are relatively small in NSW compared to overseas counterparts. Nonetheless, the sector achieved 112 percent growth between 2009 and 2014 (from 16,000 to 34,000 units). The growth of 18,000 units over this period was achieved through a mix of management and ownership transfers, new stock and new fee for service business. The sector is well positioned to grow further.

Future Directions (NSW Government, 2016) sets out a reform program to improve social housing tenant outcomes, including growing the role of CHPs to up to 32 percent of the overall stock. There are several current government initiatives working towards this goal, the social and affordable housing fund (SAHF) and Communities Plus (see details in Section 3.2). In addition, work is underway to support additional social and affordable housing through local government housing strategies (Greater Sydney Commission, 2016) and redevelopment sites led by UrbanGrowth.

Despite the ever increasing need, and focus on housing supply and affordability, there is much about the approach that remains uncertain or unclear. There is a lack of a comprehensive evidence base on housing needs, a lack of an integrated long term housing strategy, disparate initiatives with separate procurement processes and requirements, and limited government resources. This raises concerns about the ability to deliver on growth effectively or efficiently to meet community needs.

The Federation and its members believe if significant progress to address housing unaffordability is to be made, changes to the approach to planning and procuring housing is needed.

1.2 Aim

The NSW Federation of Housing Associations Inc. (FHA) and its members have observed a need for a more coordinated, effective, efficient, and evidence based strategic approach towards the commissioning of social and affordable housing in NSW. With this project FHA aims to:

- Start an informed debate with key stakeholders on the need for and the delivery principles of a more strategic and integrated approach to the commissioning of social and affordable housing, and
- Design a concept framework for strategic commissioning for further discussion and refinement with stakeholders.

SGS Economics and Planning teamed with Dr Julie Lawson (RMIT-AHURI Research Centre), who has extensive knowledge of international commissioning frameworks, to complete this project.

1.3 Method and stakeholder involvement

This research project was prepared using the following process:

- Literature review on the current unmet needs for social and affordable housing, and the current delivery framework for social and affordable housing.
- A best practice review of strategic commissioning processes for social and affordable housing by Dr Julie Lawson.
- Consultation with the reference group to better understand current issues and gaps in the commissioning cycle in NSW, and to develop possible solutions.
- Gaps and opportunities analysis to inform recommendations towards a more coordinated, efficient, and evidence based strategic approach towards the commissioning of social and affordable housing.

The reference group involved a wide range of stakeholders from the social and affordable housing sector / policy area:

- Aboriginal Housing Office (AHO)
- Committee for Sydney (CFS)
- Community housing providers (CHPs)
- Department of Planning and Environment (DPE)
- Department of Premier and Cabinet (DPC)
- Family and Community Services (FACS)
- Finance sector (Westpac)
- Greater Sydney Commission (GSC)
- Private developer Payce
- Treasury NSW
- University of Technology Sydney (UTS)
- UrbanGrowth NSW (UGNSW)

Two reference group workshops were held in December 2016 and February 2017. The first workshop had a focus on key issues in the delivery of social and affordable housing in NSW. A discussion paper was prepared and provided to the participants prior to the workshop. The second workshop aimed to discuss solutions towards an integrated strategic commissioning cycle for NSW. An interim report was prepared and provided to participants prior to the workshop.

This report documents:

- the context, which demonstrates the unmet need for social and affordable housing;
- a review of the current commissioning model and its ability to deliver on social outcomes and value for money;
- reviews strategic commissioning processes in other countries demonstrating the key elements, success factors, and benefits in terms of social outcomes and value for money.
- scopes the key elements of an effective strategic commissioning process for NSW and/or Australia. It will outline a broad concept from which further discussion with policy makers and senior bureaucrats can be pursued. It is not the aim to deliver a blueprint without room for improvement.

This project presents a framework for further discussion and refinement with stakeholders.

2. WHAT IS STRATEGIC COMMISSIONING?

This section presents a review of Strategic Commissioning, drawing on international experience and recent approaches in NSW.

2.1 Definitions and benefits of strategic commissioning

Strategic commissioning is a means to deliver efficient, effective services and to increase competition and innovation. Strategic commissioning means working out the services the community needs, whether there is a role for government in providing these services, and then designing the best service delivery system (NSW Government, Competition Policy Review submission June 2014, p.7).

The UK Department of Health describes strategic commissioning as: “at its simplest ... the process of planning, agreeing and monitoring services ... Commissioning is not one action but many, ranging from the health-needs assessment for a population, through the clinically based design of patient pathways to service specification and contract negotiation or procurement, with continuous quality assessment.” The approach first started to progress in Europe around 2008 to 2010.

Strategic commissioning generally follows a typical ‘plan-do-check-act cycle’. According to the Scottish Government, strategic commissioning involves making decisions about how to use resources most effectively to achieve desired outcomes for people. These include¹:

- agreeing strategic outcomes and priorities
- understanding and forecasting needs, and reviewing these regularly
- analysing the factors which impact on market supply and demand
- appraising all the options
- taking a long term view of which services and wider supports will deliver the best outcomes
- taking strategic decisions about how needs will be best met in terms of preferred models of intervention, care and support
- deciding the balance to be struck between prevention, early intervention and more intensive supports
- developing sound financial frameworks and financial management systems;
- developing positive relationships with providers so that they are involved and informed in decisions about services
- providing and/or purchasing appropriate services which meet agreed standards and deliver required outcomes
- having contingency plans to deal with assessed risks and unforeseen challenges;
- having exit strategies for services which no longer meet needs or deliver best value, taking full account of the impact on the people who use the services (and their carers), developed in close consultation with them and their advocates, and
- conducting an equality impact assessment for all relevant policies and commissioning decisions in line with legal requirements.

¹ Social Work Inspection Agency (SWIA) Guide to Strategic Commissioning, taking a closer look at strategic commissioning in social work services (September 2009)

Strategic commissioning, as the evidence suggests, has largely been applied internationally to health and social services areas.

2.2 Growing support for strategic commissioning in NSW

In NSW, strategic commissioning has started to make headway in recent years. In the NSW Competition Policy review submission of June 2014, strategic commissioning is identified as a means within the Australian public service to deliver efficient and effective services and to increase competition and innovation (NSW Government, 2014)

Strategic commissioning means working out the services the community needs, whether there is a role for government in providing these services, and then designing the best service delivery system. Strategic commissioning is not code for outsourcing; while the NSW Government supports increased competition in the provision of public services, a one-size-fits-all approach is not appropriate (NSW Government, 2014, p.7).

Increased competition and innovation in public service provision can result in significant benefits, and The NSW Government believes that strategic commissioning is the most effective way to realise those benefits.

The benefits of strategic commissioning can include:

- increased choice and improved outcomes for customers and citizens
- greater transparency in decision-making
- better value-for-money for taxpayers, more sustainable government finances and
- reduced debt, and delivery of major infrastructure on time and within budget
- productivity improvements
- a genuine openness to innovation and diversity in the Australian economy, including development of new areas of expertise and innovation, and
- more flexibility and adaptability in the provision of public services, which could empower individuals through providing them with increased choice.

A well-considered State and Commonwealth strategic commissioning framework across all these areas of public service provision – utilities, transport and social and community services – will help ensure the best possible outcomes. The framework should apply to all public services, but recognising that the most appropriate service delivery model will depend on the nature of the service being commissioned (NSW Government, 2014, p. 23).

The NSW Government has in recent years implemented a range of strategic commissioning frameworks from which lessons could be drawn: Northern Beaches Hospital PPP, social benefit bonds, NDIS, Ability Links, Sydney Ferries, Road maintenance in Sydney and Non-emergency patient transport (NEPT).

The NSW Government established a new Commissioning and Contestability Unit (CCU), within the Commercial Group of NSW Treasury. The CCU aims to explore delivery models that include a mix of government, NGO and private sector providers (Treasurer Gladys Berejiklian and Minister for Finance Dominic Perrottet, 10 June 2016).

The NSW Government Commissioning and Contestability Policy, Policy & Guidelines Paper (November 2016) prepared by NSW Treasury, defines commissioning as:

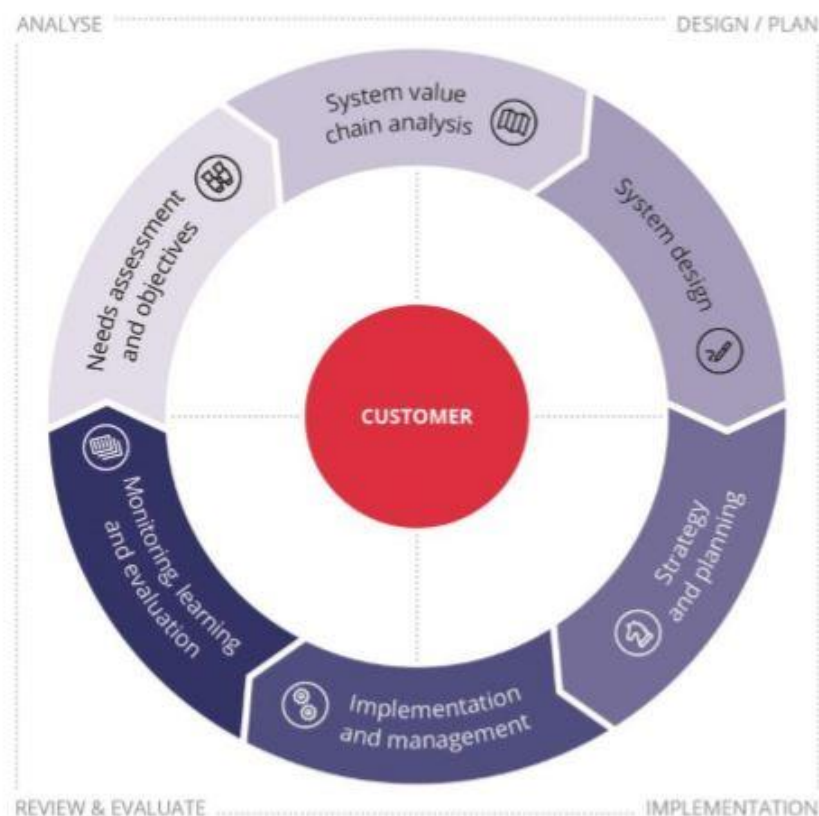
Commissioning is an approach to considering the outcomes that need to be achieved, and designing, implementing and managing a system to deliver these outcomes in the most effective way. It leverages the strengths of the public sector and where appropriate, involves private and non-government organisations and individuals to transform outcomes for customers.

It goes further to require government to reconsider its role in service delivery. This can be done at the highest level, where government looks at its overall service responsibility, or for individual service lines. The policy and guidelines go further to define “service commissioning” and “strategic commissioning”.

Strategic Commissioning is defined as involving “understanding outcomes and pathways, the services the community needs, and whether there is a role for government in providing these services within a service delivery system. It usually requires careful reconsideration of agency funding arrangements to deliver an integrated whole-of government response.” Service commissioning, is defined as involving “applying the design and governance principles of commissioning to a service, group of services or activities to create better service integration and community outcomes”.

The Planning and Policy guidelines prepared for NSW Treasury describe six steps in a commissioning process: defining outcomes, designing, testing, implementing, managing and evaluating a commissioning system, as shown in Figure 1.

FIGURE 1: NSW COMMISSIONING CYCLE



Source: NSW Treasury, 2016

In supporting this cycle, the guidelines acknowledge the importance of organisational structure, capability and culture, funding, understanding markets and drawing from a strong evidence base of information and data. It also is clear about the importance of separating roles within a commissioning environment to create competition and prevent conflicts of interest. The roles in a commissioning process that should be clear are described as commissioner, policy maker, regulator, customer and provider.

There are a range of commissioning models, including but not limited to:

- payment by results, where providers are paid on the basis of outcomes (e.g. transactions under the NSW Social Impact Investment Policy, which involve collaboration between NSW central and line agencies, service providers and private investors), and
- choice-based services, where individuals have control over what public services they wish to use (e.g. the National Disability Insurance Scheme).

It is understood that FACS is currently going through a process of implementing commissioning for social housing in NSW (see Section 3.3 for further details).

3. SOCIAL AND AFFORDABLE HOUSING

This section defines social and affordable housing in a NSW context and

3.1 The spectrum of social and affordable housing

The community housing sector provides housing to very low to moderate income households, and manages both social and affordable housing.

The full spectrum of housing can be described as encompassing:

- social housing – long term rental housing for very low income households
- crisis and emergency housing – short term
- affordable housing² - subsidised rental housing
- diverse rental housing - non-subsidised housing below the median house price encouraged through AHSEPP covering villas, townhouses and apartments that contain an affordable rental housing component, along with secondary dwellings (granny flats), new generation boarding houses and group homes, and
- market housing - full market priced housing.

Moderate income households are defined by NSW Government (SEPP Affordable Rental Housing 2009) as up to 120% of the median household income³. It is generally accepted that households should not pay more than 30% of their gross income on rent in order to be able to pay for other primary needs.

When regarding considering from a household income perspective it becomes clear that market housing is increasingly affordable for only a small segment of the population (Figure 1).

DEFINITIONS

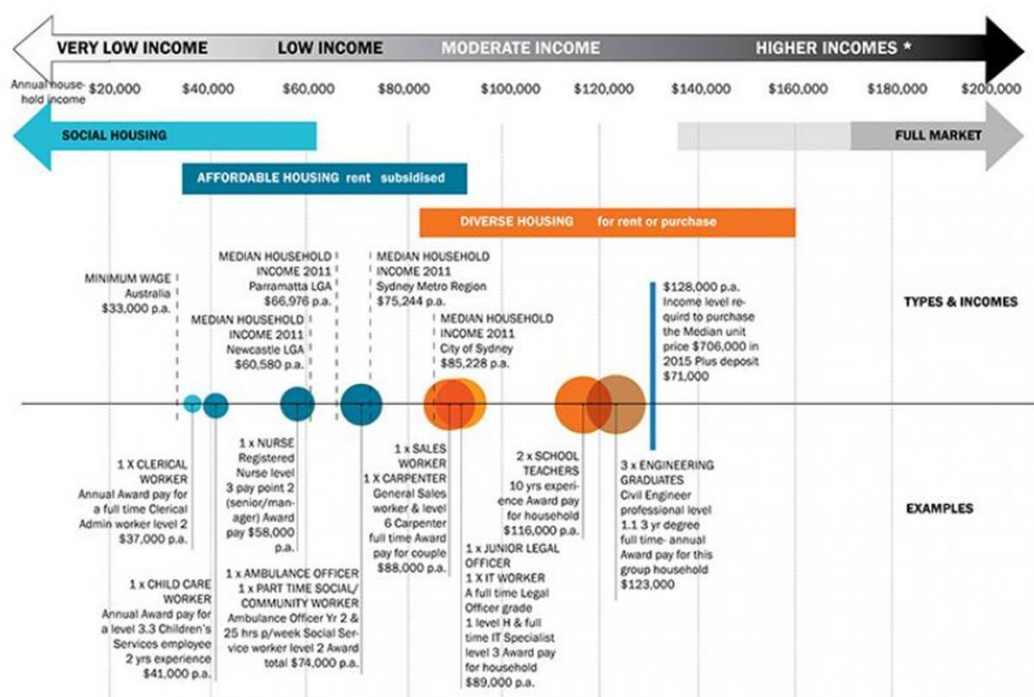
Social housing defined as “rental housing provided by not-for-profit, nongovernment or government organisations to assist people on very low incomes who are unable to access suitable accommodation in the private rental market. (Housing NSW)”

Affordable housing is “housing that is appropriate for the needs of very low to moderate income households and is priced so that these households are also able to meet other basic living costs such as food, clothing, transport, medical care and education. (Centre for Affordable Housing, Housing NSW)”

² In line with this affordable housing is defined under the EP&A Act as “housing for very low income households, low incomes households and moderate income households being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument.”

³ State Environmental Planning Policy (Affordable Rental Housing) 2009 defines affordable housing further involving households with “a gross income that is less than 120 per cent of the median household income for the time being for the Sydney Statistical Division (according to the Australian Bureau of Statistics) and pays no more than 30 per cent of that gross income in rent, or is eligible to occupy rental accommodation under the National Rental Affordability Scheme and pays no more rent than that which would be charged if the household were to occupy rental accommodation under that scheme.”

FIGURE 2: HOUSING SEGMENTS ALONG THE SPECTRUM OF HOUSEHOLD INCOMES



Source: UrbanGrowth NSW, 2016

In the draft District Plans, the Greater Sydney Commission (GSC, 2016) uses the following infographic to scope the spectrum of the housing market (Figure 2). Community housing is involved with the delivery of:

- emergency housing and crisis accommodation
- transitional and supported housing
- social housing
- affordable rental housing, and
- affordable home ownership and shared equity.

FIGURE 3: HOUSING SEGMENTS DESCRIBED IN DRAFT DISTRICT PLANS



Source: GSC, 2016

3.2 Delivery mechanisms for social and affordable housing in NSW

The planning for and delivery of social and affordable housing by the NSW Government is fragmented and involves multiple agencies:

- Department of Family and Community Services (FACS) – social housing services, policy and funding
- Department of Planning and Environment (DPE) – strategic land use planning and planning mechanisms for social and affordable housing
- Urban Growth NSW (UG) – release and redevelopment of urban land
- Greater Sydney Commission (GSC) – metropolitan strategic land use planning
- Department of Premier and Cabinet (DPC) – overall public sector leadership to optimise delivery of public policy including housing
- Treasury – state financial management, and
- Local government (LG) – local planning authorities, setting strategy, apply planning mechanisms.

The different sectors of government all contribute towards social and affordable housing in different ways, as illustrated in the table below (Table 1) and explained further in this section.

TABLE 1: CURRENT DELIVERY MECHANISMS FOR SOCIAL AND AFFORDABLE HOUSING

Delivery mechanism	Description	Responsibility
1. Future Directions	Ten year plan for social housing, including delivery of 23,000 new and replacement dwellings. <ul style="list-style-type: none"> ▪ SAHF (3,000 dwellings in first phase ▪ Communities Plus (redevelopment with 30% SAH)) 	FACS
2. Planning mechanisms	Delivery of social and affordable housing by leveraging from planning mechanisms. (VPAs, SEPP70, SEPP AH, exemptions, value sharing, inclusionary zoning)	DPE, UG, GSC, Cfs ⁴
3. Financing of social and affordable housing: Leveraging investment capital	Opportunities may exist for <ul style="list-style-type: none"> ▪ Housing supply bonds ▪ Bond aggregation entity ▪ Public Private Partnerships ▪ Social impact bonds <p>“Facilitating large scale private investment in social and affordable rental housing is key to addressing Australia’s affordable housing shortfall.” (Alex Hawke, April 2016)</p>	Community Housing sector, Treasury, DPC
4. Demand side support	Commonwealth Rental Assistance, NDIS, National Affordable Housing Agreement (to be replaced with the National Housing and Homelessness Agreement from 2017/18)	Federal Social Services

Source: Various

⁴ Committee for Sydney

1. Future Directions

The Department of Families and Community Services (FACS) is responsible for the delivery of social housing assistance. Social housing is delivered by Land and Housing Corporation (LAHC) and increasingly by community housing providers (CHPs) and the Aboriginal Housing Organisation (AHO). The supply of social housing has decreased in recent years (by about 3,000 dwellings from 2012-13 to 2014-15) to around 166,000 dwellings.

Until Future Directions (2016) was released, the NSW Government had not published a state housing policy since 2007. Future Directions (2016) guides the government's strategic direction and funding mechanisms for the provision of social housing.

Future Directions (2016) is a ten year plan to transform social housing to 2026. The plan incorporates three key strategic priorities; more social housing, more opportunities, support and incentives to avoid and/or leave social housing, and a better social housing experience. Overall, there is a strong focus on replacing sub-standard social housing, developing supply targets and improving services.

Future Directions identifies two key groups of social housing tenants. The 'safety net' group are those social housing tenants who require support for an extended period of time and can include tenants with disability, serious mental illness and the elderly. The 'opportunity' group comprises of tenants who are considered to have the potential to become more independent and ultimately transition out of social housing. The majority of strategies under Future Directions focus on the 'opportunity' group in line with the priority to increase the number of households successfully transitioning out of social housing by five percent over three years.

Two key delivery mechanisms for social and affordable housing are a) the Social and Affordable Housing Fund (SAHF) and b) Communities Plus.

The core purpose of SAHF is to deliver more social and affordable housing services in NSW. The SAHF was established in 2015 by the NSW Government to encourage the development of 3,000 new social and affordable dwellings across urban and regional NSW. Stage 1 of the SAHF involves the provision of \$1.1 billion to individual organisations and/or consortiums to develop, manage and operate social and affordable housing through a tendering process, with service agreements operating over 25 years.

Communities Plus is designed to deliver new integrated housing developments that incorporate social, affordable and private dwellings on land owned by the Land and Housing Corporation. Sites are identified by the NSW Government for private, non-government and/or community housing providers to develop, manage, and operate social and affordable housing. Communities Plus has three objectives for private, non-government, and community housing providers to achieve:

- provide a seamlessly integrated community of private housing and social housing
- provide sustainable outcomes for tenants, and sustainable management of social housing dwellings, and
- optimise the value for money return to the NSW Government with a capable delivery partner, within an acceptable level of risk.

Individual organisations or consortia of private, non-government and/or community housing providers are invited to submit Expression of Interests and subsequent Requests for Proposals outlining their proposal for providing social housing on the identified site and demonstrating how this proposal meets the objectives of Communities Plus.

Developments under Communities Plus are required to be integrated, with a mix of social, and private dwellings located across the site that are indistinguishable externally. A maximum of 30 percent of dwellings on the site are to be social housing. Other requirements of proposals under Communities Plus include design excellence, the provision of asset and tenancy management services and a demonstrable value for money and financial offer to the Land and Housing Corporation. Communities Plus is a rolling program, with new sites released for tender by the NSW Government.

2. Planning mechanisms

The NSW Government, through strategic land use planning, aims to support the delivery of more social and affordable housing. Key Government stakeholders are the Greater Sydney Commission, Department of Planning and Environment, UrbanGrowth NSW and, importantly, local government. Affordable housing is primarily delivered and managed by CHPs as a result of a variety of incentives delivered through the planning process, including Voluntary Planning Agreements (VPAs), State Environmental Planning Policy 70 (Revised Schemes), State Environmental Planning Policy (Affordable Rental Housing) 2009, planning exemptions (such as S94 and parking) and also through the NRAS program .

Strategic directions for the delivery of affordable housing are identified in the metropolitan strategy, A Plan for Growing Sydney (2014). The Greater Sydney Commission has been established to oversee an update to the Regional Plan and to provide direction on major strategic planning across Sydney.

Government can generate affordable housing through the planning system. The planning system can be used to help fund the subsidies required to bridge the gap between market priced housing and that which is affordable to identified lower and moderate income households. Various planning exactions can be applied to this end, such as Inclusionary Zoning requirements (such as SEPP 70 Affordable Rental Housing) and mechanisms to capture part of the uplift in land value when land is rezoned or approved for more profitable development.

Planning ‘incentives’ such as reduced car parking or S94 exemptions can also be offered to induce private developers to incorporate, or contribute towards, affordable housing in their projects or in the neighbourhood, and for developing community housing providers to increase the affordable housing stock.

Other state government initiatives which have the potential to deliver new affordable housing include the directions of UrbanGrowth NSW and NSW Department of Planning and Environment. ‘Housing diversity’ plans in association with planning for current urban renewal projects such as Sydenham to Bankstown rail corridor, Greater Parramatta to Olympic Park and Arncliffe / Banksia are being prepared. The Department of Planning and Environment is proposing to introduce a requirement for local housing strategies and feasibility modelling tools to support inclusionary zoning for affordable housing.

3. Financing of social and affordable housing: leveraging of investment capital

An important aspect for growing the social and affordable housing sector is financing. There is a need to attract and leverage low cost capital in the sector. It does however not solve the underlying problem of the yield gap in social and affordable residential versus commercial property portfolios. This requires a funding solution from government.

In terms of financing, there is a need to build scale in the sector to deliver social and affordable housing suitable to attract institutional investment.

There are a number of different policy options that could realistically encourage investment by large-scale institutional investors. These options include:

- housing supply bonds
- bond aggregation entity
- Public Private Partnerships, and/or
- social impact bonds.

In its May 2017 Budget, the Federal Government committed to the establishment of a new National Housing Finance and Investment Corporation by 1 July 2018. The details of how the Corporation will work will be decided following advice from the Affordable Housing Implementation Taskforce which is due in mid-2017.

4. Demand side support

At the Federal level, national housing affordability is supported through demand side mechanisms, most notably Commonwealth Rental Assistance (CRA). Approximately 420,000 households in NSW access CRA (FACS 2014). Rent Assistance is a non-taxable income supplement payable to eligible people who rent in the private or community housing rental markets.

The Federal Government identifies "supply-side" constraints, including "complex land planning and development regulation; insufficient land release; the planning, cost and availability of infrastructure provision; transaction and betterment taxes, public attitudes towards urban infill; and, for Sydney in particular, physical geographic constraints" as key drivers for housing unaffordability (Scott Morrison, 24 October 2016).

In the 2017 Federal Budget the Commonwealth Treasurer identified additional support for local government through a National Housing Infrastructure Facility to address infrastructure requirements that impede development, and also stated that outcomes in residential land planning and zoning reforms, and inclusionary zoning, would be linked to funding under the new National Housing and Homelessness Agreement.

3.3 Social and affordable housing and social services

In NSW, FACS is going through a process of redesigning its service planning and delivery process in line with the principles of commissioning. It involves the integration of their areas of responsibility - disability services (noting that these will be covered by NDIS once introduced), community services and social housing services - with a view to delivering customer outcomes.

The commissioning of social and affordable housing partially overlaps with the commissioning of social services by FACS. The overlap relates to social housing services. Social housing, tenant management and the delivery of social and community services are undeniably interrelated. Access to safe and affordable housing enables the efficient and effective delivery of supporting services to those in need. The overall intended outcome is to improve the socio-economic outcomes and quality of life of people in need.

The provision of social and affordable housing by the community housing sector may also include the delivery of tenant and community services. This is where social housing services need to seamlessly integrate with community and other services.

However, there are key differences in the planning and delivery of *housing* (or any other form of assets) and the planning and delivery of *services*.

Key differences are in relation to:

- *Delivery cycle*: The fact that housing consists of built assets with a long term investment lifecycle while services are intangible and generally with a shorter delivery cycle.
- *Costing structures and funding requirements*: housing requires large upfront capital investments while service delivery primarily requires recurrent funding.
- *Management*: housing requires asset management (long term) while service delivery is customer focussed and subject to change in line with individual community needs.

These attributes that differentiate the provision of social services and social and affordable housing are explored further in Table 2.

TABLE 2: DOMAINS OF SOCIAL SERVICES AND SOCIAL HOUSING

Attributes	Delivery and management of social and community services	Delivery and management of social and affordable housing (assets)
Main costs and funding requirements	Recurrent	Large upfront capital needs, recurrent costs
Planning and delivery timeframe	Short to medium term, focussed on dynamic customer needs	Long term, influenced by demographic change and housing market dynamics
Management requirements	Customer focussed, subject to change	Asset focussed, long term
Services	Customer outcome focussed Social and community services	Customer outcome focussed Tenant management services (customer focussed – best integrated with social and community service delivery)

Source: SGS, 2017

Commissioning has a role across the delivery of both services and assets. However, these attributes suggest that approaches tailored to the specific needs of each is required.

These distinctions are also consistent with the NSW Government Commissioning and Contestability Practice Guide (November 2016) that distinguish between “strategic commissioning” and “service commissioning” (see Section 2).

4. BEST PRACTICE COMMISSIONING

4.1 Strategic Commissioning: the Cycle

Strategic Commissioning entails a closed 'plan-do-check-act cycle'. A review of best practice commissioning (Stage 1 Discussion Paper) has informed the development of a recommended strategic commissioning cycle for social and affordable housing. The Figure below is a schematic overview of the strategic commissioning cycle. Appendix 1 shows commission frameworks used in other international jurisdictions.

FIGURE 4: RECOMMENDED STRATEGIC COMMISSIONING CYCLE FOR SOCIAL AND AFFORDABLE HOUSING



Source: SGS, 2017

A synthesis describing the cycle of strategic commissioning for social and affordable housing is provided below.

It involves three major stages: Strategic Planning, Delivering social and affordable housing and Monitoring and Evaluation.

These stages are supported by Governance Arrangements.

Each stage consists of specific steps:

1. Strategic planning

- a. Vision and outcomes: confirm vision and intended objectives
- b. Evidence base: including a needs analysis, to provide an integrated and robust evidence base to determine intended outcomes, and evaluation results on current delivery (market analysis, resource and risk analysis) to inform setting of realistic targets and priorities
- c. Strategise: set targets and prioritise

2. Delivering social and affordable housing

- a. Design delivery: select delivery models
- b. Detailed design: design procurement, funding and quality assurance
- c. Procure: testing, roll-out, implementation, governance

3. Monitoring and evaluation

- a. Monitor: performance indicators and outcomes
- b. Evaluate: evaluate the delivery and identify improvements
- c. Inform: share, consult and inform strategic planning and procurement

4. Governance arrangements

4.2 Strategic Planning

The strategic planning stage is about determining the intended outcomes for social and affordable housing. The strategic planning stage aims to address the following questions:

- What is the current situation in regards to the provision of social and affordable housing, i.e. whose needs are (not) being met?
- What is it that we aim to achieve through the provision of social and affordable housing?
- How can the intended outcomes be achieved?
- How can it be established once the intended outcomes are achieved?



The first question can be addressed by building a robust, regularly updated and relevant evidence base of housing needs. This evidence base would include insights from delivery monitoring and evaluation (third stage of the iterative cycle, see Section 4.4), market intelligence and understanding of resources. The model in Scotland provides a best practice examples because:

- by legislation, it requires local authorities to undertake housing needs assessments in line with guidelines
- the housing needs assessments consider all segments of the housing market, ensuring an integrated and holistic approach towards housing of which social and affordable housing are integral parts, and
- the housing needs assessments inform the strategies, objectives and targets, i.e. evidence based commissioning.

Setting a vision informed by an evidence base provides the long term goal with clear pathways. Ideally, the long term vision and objectives are stable and not subject to change.

Strategic objectives need to be set in order to provide a pathway towards the intended outcomes. An integrated strategy for social and affordable housing, sets short, medium and long term targets, priorities (especially in an environment of limited resources) and manages risks. The targets are evidence based.

Importantly, the strategy needs to consider statewide as well as local needs and guide the development of local strategies. The strategy requires performance measurement indicators and measurable outcomes to inform monitoring and evaluation.

A strategy needs adequate and realistic resourcing.

4.3 Procuring social and affordable housing

The delivery of social and affordable housing needs to align and deliver on the strategy and its targets, including local targets.

The design of delivery involves the consideration of delivery models (including the role of public, not for profit and private sector, contracting of construction in- or excluding ongoing management), funding and financing mechanisms (opportunities to leverage funding, the role of land use planning mechanisms such as development contributions, bonds aggregator model) and procurement models (staged or not, EOI, RFP).

Procurement mechanisms need detailed design that is optimal for the delivery of social and affordable housing in line with the strategy. Best practice demonstrates the involvement of the community housing sector and local government can greatly improve the outcomes of procurement. A staged procurement approach can be tailored to enable this engagement.

Importantly, while procurement requirements are specific, they should also support and enable innovation, competition and importantly, collaboration. The requirements should go beyond value for money and include social, economic and environmental sustainability benefits.

High quality offers by the market are further enabled by a transparent process and clear requirements that are incorporated in procurement guidelines. For the development of the guidelines it is also recommended to involve the community housing sector.

Effective procurement processes allow for interaction between the commissioning body and the market with the view to better understand any issues the market may have and to optimise outcomes by not excluding innovative approaches due to specific tender requirements.

In terms of procurement, there is a need to grow and diversify the delivery of social housing by community housing providers and private sector. New entrants in the space of the development of social housing, such as the private sector, can especially strongly benefit from clear and transparent processes, senior commercial staff being involved in the process and detailed, constructive feedback when bids are unsuccessful. This is in order to not discourage these parties from future opportunities and to improve the overall quality of bids.



4.4 Monitoring and evaluation

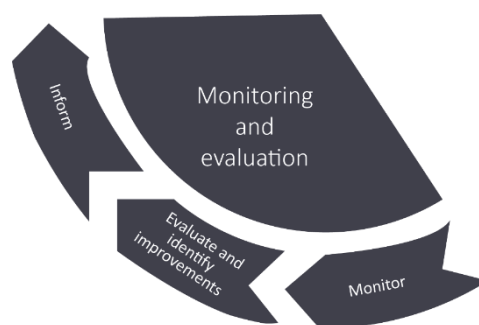
Monitoring and evaluation provides insight into the progress of the delivery of social and affordable housing against set targets and performance indicators.

The process should include measures of efficiency, effectiveness and wider social, economic and environmental benefits.

Monitoring and evaluation is used to inform consecutive cycles of commissioning, and needs to be detailed enough to enable learning processes. It should involve the progress achieved by all stakeholders including departments, community housing providers, private sector and local government.

It is important to have clear requirements for reporting on key performance measures and outcomes. As an example, as a result of the Housing Act 2010 in Scotland, a charter setting performance standards and desired outcomes for public and social housing providers to report on was developed: equality, customer-landlord relations, housing quality and maintenance, neighbourhood and community outcomes, access to housing and support, value for rent and service charges and other stated outcomes. The results are reported annually on the website of Scotland's Housing Regulator which enables comparison of providers on matters such as management costs, energy efficiency and financial status.

Monitoring and evaluation should occur across the overall program, as well as for individual sites and developments.



4.5 Governance arrangements

The governance arrangements are at the core of integrating the three stages described.

The delivery of social and affordable housing requires the involvement of a range of agencies, local government, not for profit and market players. International best practice shows the trend is towards multi provider systems; the integration of oversight is often complex, but important nonetheless.

Governance arrangements ensure all stakeholders understand their roles and responsibilities in regards to the commissioning cycle. International best practice shows that while there are often many stakeholders involved, there is a need for an integrated approach where all parties work towards a shared goal and where all have a common understanding of the needs and how to deliver.

To ensure an integrated approach, a central or nominated agency supported by authority needs to provide leadership and administer the commissioning cycle. In many best practice jurisdictions, national governments play a key role, such as the Federal Department of Housing and Urban Development (HUD) in the USA.

Legislation is important for setting requirements in regards to building an evidence base and setting strategic directions on the reporting of key indicators and the provision of outcomes. Scotland is an example where legislation drives a systematic and evidence based approach towards planning for housing in general and for social housing specifically.



5. OPPORTUNITIES IN NSW

This section discusses current practice in NSW and opportunities for an integrated, strategic commissioning cycle. The findings and recommendations were derived through comparison of current practice in NSW with best practice, and informed by engagement with the working group.

5.1 Strategic Planning

1a. Vision and outcomes

The vision and intended policy outcomes in NSW are currently set at the individual agency level. Individual agencies like FACS often have a clear understanding of what outcomes it aims to deliver to society. The delivery of social and affordable housing is however dependent on a range of stakeholders including DPE, UG NSW, local government and non-government parties.



In Greater Sydney, the drafts District Plans (GSC, 2016) are working towards an integrated approach for growth and change including social and affordable housing.

There is the need for an overarching vision and policy outcomes that integrate and bind all relevant stakeholders across NSW.

Importantly, there are no clear targets set for the delivery of social and affordable housing, and there is no aligned understanding of the needs. For instance, one of FACS' main objectives is to break disadvantage with social housing assistance. There is no mention of a target for the provision of housing, backed up by a needs analysis. The FACS Strategy, Future Directions mentions delivery targets, but it is unclear whether there is an evidence based needs analysis to substantiate these.

Finally, there is insufficient government funding available to address social and affordable housing needs. Current funding is insufficient in the retention of the current social housing stock. A strategy without resourcing will not provide tangible outcomes, or as Infrastructure Partnership Australia Chief Executive Brendan Lyon recently stated: "Sustainable government funding is critical, because any government vision without resources is just a hallucination (IPA media release, 18 October 2016)."

RECOMMENDATIONS: VISION AND OUTCOMES

- Formulate and adopt an integrated whole of government vision and policy outcome statements on social and affordable housing as part of a broader vision for housing supply and housing affordability.
- Ensure there is a stream of sustained government funding to achieve the vision and outcomes.

1b. Evidence base

A key element of the required evidence base is data on the need for social and affordable housing at the local, regional and State level. While various demand estimates are prepared over time by various agencies, consultancy firms and community housing organisations and their peak bodies, there is no consistent evidence base regularly updated and that meets specific requirements. The evidence base also needs to explain the implications of unmet needs in terms of social and economic costs.

There is substantial evidence available on the delivery of social housing services prepared by FACS. Some of this information appears to be publicly available. There are however gaps in the evidence base especially covering the delivery of social and affordable housing by agencies other than FACS.

As a result of these gaps, the current evidence base does not inform and drive the strategic commissioning process.

The draft District Plans by the Greater Sydney Commission (GSC) require Councils to identify local housing need through assessments in a local housing strategy. These local needs assessments should be undertaken in a consistent manner with clear directions on scope and the need to address specific housing market segments including homelessness, social housing, affordable housing, private rental and home ownership. Local needs also need to be considered in the context of regional and district (GSC) level needs. These strategies also need to consider delivery issues in local market context, taking into account land availability, access to services and infrastructure, existing supply and key stakeholders.

RECOMMENDATIONS: EVIDENCE BASE

- Develop a robust, regularly updated and relevant evidence base on the housing needs in NSW addressing the needs from a local level to State level, including the social and economic costs of not meeting the needs.
- Ensure this evidence base is holistic in nature and addresses all housing segments: crisis and social housing, affordable housing, diverse housing and market housing.
- Include information on recent delivery performance, market trends and resourcing.
- Use this evidence base to inform the strategic planning and commissioning process.

1c. Strategise

In NSW there is no integrated, overarching and regularly updated strategy for social and affordable housing. The plan for social housing, Future Directions, released by FACS in 2016 was the first state housing policy since 2007. It primarily focusses on the delivery of social housing.

Different agencies and stakeholders set their own targets. Importantly, the targets are generally based on available resources rather than needs. Prioritisation is partially based on evidence and partially based on political aspirations.

RECOMMENDATIONS: STRATEGISE

- Develop an integrated strategy for social and affordable housing, with a short, medium and long term horizon, with localised targets, risk and performance management measures and monitoring requirements
- Ensure housing needs at the state and local level are used to inform the strategy.
- Such a strategy should also link into local planning strategies and development plans.
- Given the current levels of unmet demand, the first iterations of the strategy would require clear prioritisation.
- Ensure tools and policy measures are identified that contribute towards the targets and priorities.

5.2 Delivering social and affordable housing

2a. Design delivery framework

The delivery of social and affordable housing occurs through procurement, subsidies, planning and development requirements applied by local government and/or by the (community) housing sector. There is currently no integrated delivery framework that is linked to an overarching strategy which explains how targets for social and affordable housing (which do not currently exist) are being delivered through procurement, planning mechanisms, financing and funding framework.

The FACS Future Directions Strategy identifies two delivery mechanisms for social and affordable housing (SAHF and Communities Plus).

There is not yet a publicly communicated procurement pipeline for social and affordable housing beyond the current stages of Communities Plus. The Premier announced a Stage 2 of the SAHF as part of the Housing Affordability Package⁵ but it is unclear what this will entail. Community housing providers and private developers therefore have limited understanding of the opportunities that may be coming up over the next few years to determine which opportunities suit best to their capabilities and available resources. The availability of a clear pipeline would also create more confidence to attract institutional investment.



RECOMMENDATIONS: DESIGN DELIVERY FRAMEWORK

- Develop an integrated delivery program where all elements contribute constructively to the overarching social and affordable housing strategy, preventing elements that conflict or undermine each other.
- Engage government and non-government stakeholders in the design of the delivery framework;
- Further boost delivery of social and affordable housing through the use of planning mechanisms by local government, supported/driven by State and Commonwealth Government.
- Develop and communicate a short to long term pipeline of projects for procurement, to inform potential bidders and to attract institutional investment.

⁵ <https://www.nsw.gov.au/improving-nsw/projects-and-initiatives/first-home-buyers/>

2b. Detailed design

The procurement of social and affordable housing is driven by programs delivered by FACS, currently under SAHF and Communities Plus.

The experience with the two procurement processes by the sector has been mixed. The sector has indicated that a procurement process needs to be transparent and the requirements to be clear. A staged approach including expressions of interest (EOI) and request for proposal (RFP) can be beneficial if there is opportunity for meaningful interaction where requirements can be tailored towards delivering optimal outcomes. Changes in requirements that are not consulted on can be counterproductive, with providers potentially withdrawing late in the process. Professional and senior involvement of government staff in procurement processes will also contribute to more optimal outcomes.

RECOMMENDATIONS: DETAILED DESIGN

- Develop delivery and procurement mechanisms that support the optimal delivery of social and affordable housing and social outcomes.
- In so doing, engage community housing providers, private sector and local government;
- Ensure the mechanisms support optimal outcomes, innovation, and competition, but also collaboration.
- Ensure procurement processes are clear on the intended outcomes while allowing for flexibility in regards to site and local context specific aspects.
- Ensure procurement processes are predictable, replicable and scalable.
- Ensure procurement processes follow a staged approach which may include panels of selected providers.
- Develop clear procurement guidelines for the development of social and affordable housing; these guidelines would need to include the range of procurement methods that are being used and not be unnecessarily complex.
- Involve the community housing sector in the development of these guidelines.
- (Continue to) integrate value for money beyond standard cost appraisal, incorporating social inclusion (as in Vienna's four pillars) and environmental sustainability.

2c. Procure

The industry generally appreciates the staged approach, which involved a round for expressions of interest (EOIs) and then a round of request for proposal (RFP) for selected tenderers. Such an approach gave opportunity for interaction between commissioner and bidder to optimise the possible outcomes of the process (in the case of SAHF).

The procurement processes were sometimes perceived as preventing collaboration between providers to deliver optimal outcomes and innovative bids. The procurement model to date has lacked a procedure for de-brief for unsuccessful applications, which is important for building capability in the sector especially for new entrants.

There is a need for the commissioning party to make available senior commercial staff, to guide the process and liaise with the bidders.

RECOMMENDATIONS: PROCURE

- Ensure senior representatives from the commissioning body are involved in the process and to liaise with potential bidders.
- (Continue to) build capacity of the community housing sector and new entrants (including private sector) and ensure de-brief procedures are in place.
- Enable interaction between commissioning body and potential bidders to optimise requirements for the RFP stage.

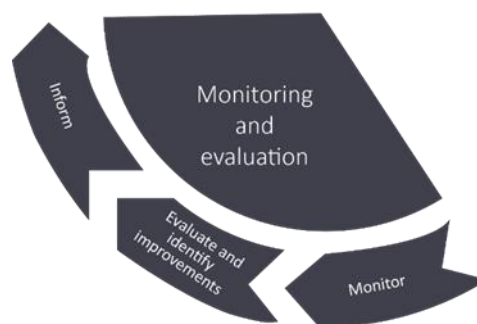
5.3 Monitoring and evaluation

Monitoring and evaluation is generally applied to two levels: the monitoring of overall intended outcomes (i.e. provision of adequate housing for all) and the monitoring of performance of individual projects and policy mechanisms (i.e. the number of social and affordable dwellings delivered under SEPP70).

There is currently monitoring applied in regards to the delivery of FACS services including social housing services. The results are publicly available on the FACS website. While the indicators (which include social housing and the other portfolio areas of FACS) are linked to FACS' strategic objectives, the indicators used are not always relevant to the objectives stated.

Additionally, there is no consistent monitoring of housing delivered through other means such as planning mechanisms and/or by community housing providers (outside the programs mentioned above).

There is a lack of publicly available data on value for money, environmental and wider social and economic outcomes of all the social and affordable housing that is currently being delivered. There are no clear and consistent requirements for providers to report on a regular basis. There are significant benefits from having a consistent set of indicators across state, regional, district and local levels.



RECOMMENDATIONS: MONITORING AND EVALUATION

- Monitoring and evaluation is to be used to assess progress against targets and to drive decision-making on service priorities and improvements.
- Resource allocation, cost effectiveness, social and environmental outcomes and quality standards should be part of monitoring and evaluation.
- Monitoring and evaluation should be undertaken consistently and involve key stakeholders including the Departments, local government and CHPs to measure performance against local targets.

5.4 Governance arrangements

In NSW, there is currently no integrated and coordinated governance of the commissioning of social and affordable housing. There is no integrated coordination of roles and responsibilities across government.

There is a lack of an integrated strategy that is owned by a central agency that also has the authority to implement and review.

Housing affordability is currently recognised as one of the key issues in NSW, and Premier Berejiklian declared housing affordability “the biggest issue people have across the state”.



The segments in the spectrum of housing (social, affordable, diverse and market housing) are interrelated, and an integral approach and strategy for housing in general is therefore required. The portfolios of housing and social housing fall under two separate ministers, thereby artificially separating social and affordable housing (and the wider issues of housing affordability) as two distinct areas of policy. The need for social and affordable housing can however not be considered in isolation of the wider issues around housing affordability in general.

RECOMMENDATIONS: GOVERNANCE

- That a central agency adopt strategic ownership of housing supply that includes social and affordable housing.
- For this central agency to coordinate the roles and responsibilities across government;
- For this agency to develop an integrated housing strategy for NSW. Social and affordable housing would be part of this overarching strategy.
- For this agency to apply and implement a strategic commissioning cycle for social and affordable housing aligning with the strategy.
- Have a process to engage with community housing providers.
- Build on the current regulatory arrangements to extend them to cover a contestable multi-provider system.

5.5 Summary Gaps and Opportunities

TABLE 3: OPPORTUNITIES TOWARDS A STRATEGIC COMMISSIONING CYCLE OF SOCIAL AND AFFORDABLE HOUSING

Strategic Commissioning Stage	Description	Best practice	NSW current practice	Recommendations / opportunities
STRATEGIC PLANNING				
1a. Vision and outcomes	Confirm vision and set intended policy outcomes	Whole of government outcome statement	Agency level outcome statements - disintegrated	Formulate and adopt an integrated whole of government vision and policy outcome statements on social and affordable housing as part of a broader vision for housing supply and housing affordability. Ensure there is a stream of sustained government funding to achieve the vision and outcomes.
1b. Evidence base	Solid evidence base to inform S+AH strategy	Integrated, accessible, detailed and regularly updated evidence base of current and future needs. Drives the strategic commissioning process	Somewhat detailed evidence available, dispersed across agencies and updated irregularly. Does not appear to drive commissioning process.	Develop a robust, regularly updated and relevant evidence base on the housing needs in NSW addressing the needs from a local level to State level, including the social and economic costs of not meeting the needs. Ensure this evidence base is holistic in nature and addresses all housing segments: crisis and social housing, affordable housing, diverse housing and market housing. Include information on recent delivery performance, market trends and resourcing. Use this evidence base to inform the strategic planning and commissioning process.
1c. Strategise	Set targets and prioritise, manage risks	Regular strategy development and review Supply targets are based on evidence based needs Adequate resourcing Local needs/governments are considered in the target setting Measurable performance indicators to measure performance of Government Risk management strategy is included	No integrated and regular strategy. Various targets are set by different agencies. Targets are based on available resources rather than needs. Prioritisation partially based on evidence, partially on political aspirations	Develop an integrated strategy for social and affordable housing, with a short, medium and long term horizon, with localised targets, risk and performance management measures and monitoring requirements Ensure housing needs at the state and local level are used to inform the strategy. Such a strategy should also link into local planning strategies and development plans. Given the current levels of unmet demand, the first iterations of the strategy would require clear prioritisation. Ensure tools and policy measures are identified that contribute towards the targets and priorities.

DELIVERING SOCIAL AND AFFORDABLE HOUSING

Strategic Commissioning Stage	Description	Best practice	NSW current practice	Recommendations / opportunities
2a. Design delivery framework	Select delivery / funding / procurement models	Alignment with strategy and targets Local targets are considered Develop funding and financing models	Ad-hoc commissioning No reliable and known pipeline for future commissioning Procurement focussed on competition, not on partnerships Very limited consultation with sector	Develop an integrated delivery program where all elements contribute constructively to the overarching social and affordable housing strategy, preventing elements that conflict or undermine each other. Engage government and non-government stakeholders in the design of the delivery framework; Further boost delivery of social and affordable housing through the use of planning mechanisms by local government, supported/driven by State and Commonwealth Government. Develop and communicate a short to long term pipeline of projects for procurement, to inform potential bidders and to attract institutional investment.
2b. Detailed design	Design detailed delivery and procurement processes	A transparent mix of delivery and procurement mechanisms to enable the set targets with clear requirements for the sector to respond to. Clear requirements such as the Canada BC's guidelines for procurement Involvement of the sector in development of guidelines Mechanisms that support competition and innovation. Inclusion of social, economic and environmental sustainability factors in addition to value for money in assessment criteria	Strong focus on innovation and value for money through competition Limited transparency and involvement of non-government stakeholders	Develop delivery and procurement mechanisms that support the optimal delivery of social and affordable housing and social outcomes. In so doing, engage community housing providers, private sector and local government; Ensure the mechanisms support optimal outcomes, innovation, and competition, but also collaboration. Ensure procurement processes are clear on the intended outcomes while allowing for flexibility in regards to site and local context specific aspects. Ensure procurement processes are predictable, replicable and scalable. Ensure procurement processes follow a staged approach which may include panels of selected providers. Develop clear procurement guidelines for the development of social and affordable housing; these guidelines would need to include the range of procurement methods that are being used and not be unnecessarily complex. Involve the community housing sector in the development of these guidelines. (Continue to) integrate value for money beyond standard cost appraisal, incorporating social inclusion (as in Vienna's four pillars) and environmental sustainability.

Strategic Commissioning Stage	Description	Best practice	NSW current practice	Recommendations / opportunities
2c. Procure	Implement procurement	<p>Requirements are systematically assessed</p> <p>Interaction with the sector on how to deliver optimal outcomes</p>	<p>Only ad hoc guidelines for procurement of social and affordable housing</p> <p>Not always opportunity for interaction during the process with the view to optimise outcomes</p>	<p>Ensure senior representatives from the commissioning body are involved in the process and to liaise with potential bidders.</p> <p>(Continue to) build capacity of the community housing sector and new entrants (including private sector) and ensure de-brief procedures are in place.</p> <p>Enable interaction between commissioning body and potential bidders to optimise requirements for the RFP stage.</p>

MONITORING AND EVALUATION

3a. Monitor, 3b. Evaluate and 3c. Inform	Monitoring of delivery against set targets to inform consecutive commissioning cycles.	<p>Systematic measurement of performance against set targets and outcomes.</p> <p>Inclusion of measurement of cost effectiveness and wider social and environmental outcomes.</p> <p>Involvement of all stakeholders: Departments, CHPs, private sector providers and local government.</p>	<p>The delivery of social housing services is structurally monitored by FACS.</p> <p>There is no integrated monitoring of all delivery of social and affordable housing by locality and provider.</p>	<p>Monitoring and evaluation is to be used to assess progress against targets and to drive decision-making on service priorities and improvements</p> <p>Resource allocation, cost effectiveness, social and environmental outcomes and quality standards should be part of monitoring and evaluation</p> <p>Monitoring and evaluation should be undertaken consistently and involve key stakeholders including the Departments, local government and CHPs to measure performance against local targets.</p>
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GOVERNANCE

Governance arrangements	Governance arrangements for the commissioning of social and affordable housing	<p>Central governance of social and affordable housing with clearly designated roles and responsibilities across a number of departments and stakeholders.</p> <p>Clear reporting lines.</p> <p>Development towards contestable multi-provider system for social and affordable housing.</p>	<p>No integrated and coordinated governance towards social and affordable housing.</p> <p>No coordination of roles and responsibilities across stakeholders.</p> <p>No integrated strategy that is owned by a central agency that also has the authority to implement and review.</p>	<p>That a central agency adopt strategic ownership of housing supply that includes social and affordable housing.</p> <p>For this central agency to coordinate the roles and responsibilities across government;</p> <p>For this agency to develop an integrated housing strategy for NSW. Social and affordable housing would be part of this overarching strategy.</p> <p>For this agency to apply and implement a strategic commissioning cycle for social and affordable housing aligning with the strategy.</p> <p>Have a process to engage with community housing providers.</p> <p>Build on the current regulatory arrangements to extend them to cover a contestable multi-provider system.</p>
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Source: SGS, 2017

6. RECOMMENDATIONS AND NEXT STEPS

It is undeniable that there is a significant need for social and affordable housing in NSW. Social housing is a scarce resource in high demand across the state. The current delivery of social and affordable housing is fragmented across government and the targets and priorities that are set do not appear to be based on a solid evidence base, nor do they address the scale of the problem.

The first and foremost priority is for government to recognise this and implement seamless coordination of the planning, delivery and review of social and affordable housing. This requires a central agency to develop a strategy and assume responsibility over the coordination of roles and responsibilities across government and for collaboration with non-government stakeholders.

A solid strategy needs adequate resourcing is informed by a robust and evidence based needs assessment of all housing needs at the local and regional level in NSW. It is recommended that the sector should advocate for a central agency assuming responsibility for developing a housing strategy and administering a strategic commissioning cycle for social and affordable housing.

The priority recommendations are for the NSW Government to:

- Nominate a central government agency to develop an integrated housing strategy recognising the interrelations between housing segments and the fragmented delivery of social and affordable housing across government.
- Develop an integrated strategy including vision, outcomes, targets and priorities, with a key focus on social and affordable housing, and local contributions towards overall targets, based on evidence based housing needs assessments.
- Develop adequate funding mechanisms to deliver social and affordable housing targets and priorities.
- Develop adequate financing mechanisms to substantially grow investment in the sector.
- Develop and confirm a range of delivery mechanisms across government to ensure the delivery of social and affordable housing in line with targets.
- Develop clear and supported procurement processes, guidelines and liaison capabilities
- Continue to build capacity in the not for profit and for profit sector for delivering social and affordable housing, and
- Develop clear outcome statements and performance indicators to monitor and track delivery.

The summary table (Table 3) provides a comprehensive overview of all recommendations.

In the meantime, the community housing sector should continue to build sectors capabilities and capacity, and to intensify collaboration to achieve scale for attracting institutional investment and to deliver increasing quantities of social and affordable housing.

The sector needs to continue to evolve as a multi-provider system, with a proven track record and reputation of being capable, reliable and sustainable. The establishment of prudential supervision arrangements will support this.

APPENDIX: INTERNATIONAL REVIEW

Prepared by Julie Lawson

Introduction

While no two social and affordable housing systems are alike, international knowledge exchange is vital to the ongoing development of Australian social housing policy development, including its approach to commissioning new and refurbished housing. This review raises awareness among key Australian stakeholders concerning international developments in commissioning processes, best practices and how they can inform Australia's own approach. It aims to improve knowledge and understanding about good commissioning practice elsewhere, in order to promote reflection on current Australian efforts, attitudes and perceptions. It is hoped that this review can contribute towards establishing the world's best practice right here in Australia.

For more than a century, commissioning systems incorporating public procurement policies have been used as a means to deliver public policy outcomes and improve societal well-being, economic development and environmental sustainability. In this international review, they are understood to encompass a broader range of processes influencing the commissioning of goods or services, incorporating evidenced based planning, strategic definition of needs with clear targets, adequate resourcing to procure sufficient goods and services, and the effective monitoring and evaluation of expenditure. By designing and aligning commissioning systems to serve the strategic goals of a social housing system, such as adequate supply of decent quality housing responsive to the need, all stakeholders can play their role more effectively.

Internationally speaking, the commissioning processes have served different goals over time, responding to changing demands influencing their public administrations. Clusters of countries have also learnt from each other in how to respond to welfare demands, civil rights campaigns, recognition of indigenous rights (McCrudden, 2007), and more recently liberalisation, globalisation, and individualised welfare as well as efforts to protect human rights and combat global warming through international co-operation. Contributing towards these trends are international organisations such as the WTO, ILO, UNICEF as well as the European Commission, in promoting agendas, treaties and directives to guide the behaviour of national governments, reinforcing ideals for non-discrimination; equal treatment; transparency as well as freedom from exploitation and more recently, transparency and low carbon economies.

Certain trends have taken the lead at different times and since the 1980s, commissioning systems underpinning government services in the English speaking world have more closely aligned with UK approaches in New Public Management. These encapsulate ideals of small government and give preference to private and third-sector delivery. They tend to involve compulsory competitive tendering of contracted services, promotion of the not-for-profit and for profit sector in their delivery and more recently, payment by results mechanisms. Amongst some UK governments, ideal commissioning of public goods and services has been perceived as that which incorporates needs based and effective outcomes for service users as well as value for money for the tax payer. Broader societal goals, beyond small government, have more recently become a focus such as social inclusion, environmental sustainability and creating markets that provide choice, personalised assistance and integrated services (CES, 2015).

Commissioning systems in social housing systems elsewhere

Underpinning social housing delivery in any country is a commissioning framework which defines the nature and volume of housing services to be generated. Today, evidence based and strategic commissioning processes play an increasing role guiding several multi-provider social housing systems. The extent to which this strategic approach to commissioning is in place and working well in these countries varies and in most cases, commissioning systems are neither comprehensive and stable, nor well-integrated. They are frequently changing and thus their direct influence on outcomes is difficult to assess. Nevertheless, an attempt has been made below to outline these efforts and abstract elements and lessons from international experience. Insights that have relevance to the design of a commissioning framework for the Australian social housing sector are outlined in the concluding section.

The review examines social housing systems in similarly developed countries to Australia, typically with small social housing systems, involving multiple public, private and not for profit providers: United States, Canada, England, Scotland and Austria. It examines the extent to which their commissioning processes: are both comprehensive and well integrated; that is informed by an evidence base; involve needs based planning; and feature strategic targets and adequate resources to achieve them. While a detailed description of social housing systems is not provided here it has been covered elsewhere (Lawson et al, 2010, 2012, 2016).

In brief, we can distinguish several front runners in our league of social housing commissioners. Scotland performs well for evidenced based housing needs assessment; while British Columbia outperforms most other commissioning frameworks for setting strategic targets and adequately resourcing them. The city state of Vienna also provides a well-established mechanism for commissioning developments on its land corporation sites, via 'four pillar' development competitions. In Vienna, proposals are scored according to architectural quality, value for money, ecological quality and also social sustainability. Social sustainability refers to the development role in building positive inclusive communities, as well as promoting greater social mix and increasing tenant participation in subsidised housing developments.

The evolution of commissioning systems in England has been more turbulent, with rent and subsidy regimes unfavourably changing and local government being included then excluded from housing strategy making and target setting. There, Registered Social Landlords have attempted to achieve economies of scale in pooling their demand for a range of services, including finance. In the US, after many years of tightening prescriptive rules for PHAs (Public Housing Authorities), HUD (Federal Department of Housing and Urban Development) is reducing 'red tape' and flexibly encouraging innovative partnerships, but having to transfer permanently social stock to the contract based private sector in the process.

An indicative summary of how comprehensive and integrated commissioning processes are in five different social housing systems is outlined in Table 4 and Figure 5 below, including an indicative score of overall performance, overall trends, selection of best practice and potential insights for Australia.

TABLE 4: SUMMARY OF FIVE COMMISSIONING FRAMEWORKS

Country Framework	Information based on housing needs	Strategy with Supply targets	Rq'mt. for local strategy	Evidence based comm. Process	Adequate resourcing, relating to targets	Includes stakeholders	Rq'mts are clear and assessed	Score
United States*	Yes	No	Yes	Partly	No	Some	Yes	4
Canada (BC)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
England	Yes**	Yes**	Yes**	No	No	Yes**	Partly	3.5
Scotland	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
Austria***	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7

Source: Lawson, 2016

*Primarily applies to public housing provision

** NB: Local role overridden by new Housing and Planning Act 2016

*** Largely based on experience of City State of Vienna.

FIGURE 5: OVERVIEW OF TRENDS, BEST PRACTICES & POTENTIAL INSIGHTS FOR AUSTRALIA

Trends	Best practices	Insights for Australia
<ul style="list-style-type: none"> • Governments are leading procurement reform in multiprovider settings • Increasing focus on social and sustainable outcomes, beyond market competition • Integration of commissioning processes rarely ideal, often fragmented, but there are good examples to follow. 	<ul style="list-style-type: none"> • BC Housing Charter and Strategy • USHUD capital fund guide • England's Decent Homes Standard • England's NFP financial intermediary THFC • Scotland's Housing Need Demand Assessment • Vienna's four pillar developer competitions 	<ul style="list-style-type: none"> • Formalise regular rigorous reports on the nations housing need, which is broken down into states and localised • Institutionalise strategic planning to address this housing need at state and local level • Require state and local government collaboration and facilitation of strategic action • Ensure best practice in procurement • Relate performance reporting to budgeting at federal, state and local level • Include resource allocation in monitoring and evaluation

Source: Lawson 2016

Outline of national approaches

United States

In the US, social housing sector comprises affordable rent geared to income public housing delivered by around 12,000 local Public Housing Authorities (PHA) funded under prescriptive Federal Department of Housing and Urban Development programs (HUD), and affordable rental housing delivered by approximately 3,000 not for profit private organisations often with grass roots origins (e.g. Community Development Corporations), funded via a mix of sources. Most notably since the mid-1980s, funding for not for profits has largely been via the Low Income Housing Tax Credits (LIHTC), collected via the national taxation system and allocated by state housing finance agencies, alongside very large philanthropic investors (Enterprise, LISC, Rockefeller Foundation). Mission driven NPOs tend to be more business-like in their management approach while traditional PHAs have been confined to prescribed HUD public housing programs.

PHAs have undergone substantial reforms affecting their commissioning processes. Since the 1990s requirements for mixed redevelopment under the HOPE VI program, redefinition of tasks under the Quality Housing and Work Responsibility Act (QHWRA) and new flexibilities in the use of public funds under the 2012 Rental Assistance Demonstration (RAD), have transformed PHA their operations and management strategies dramatically (Lawson et al, 2016).

While a procurement system for public housing is well defined by HUD, this is much less the case for not for profit housing. According to the Affordable Housing Institute there

“are no national standards or requirements for organizations to meet, no common reporting requirements, nor an ongoing national funding program providing guaranteed operating or project development support. But it is a system in the sense that thousands of non-profit housing organizations have been established in the US over the past 40-50 years with similar missions and aspirations, though their size, scale, and impact varies...”(AHI, 2009:78)

The remainder of this section on the US focuses on commissioning systems influencing public housing. HUD’s Office of Policy Development and Research has a leading role to play in commissioning public housing and specifically needs assessment, devising housing assistance programs and ensuring compliance with program guidelines. The 12,000 PHAs dependent on HUD programs are very responsive to HUD centralized annual assessment process. Following a long period of declining capital funds and increased targeting of low income tenants, HUD has given PHAs greater discretion in the use of capital funds to foster innovation through new partnerships and also attract much needed capital investment. Most recently it has provided detailed capital funding guidelines, which are featured below.

As part of HOPE VI, Congress approved a substantial funding injection above and beyond the public housing capital fund in order to attract private investment and be able to replace dilapidated buildings with appropriately designed housing for a range of family income levels for rental or home ownership (Stegman 2002). Many dilapidated public housing units were demolished and not replaced in the process. However, new mixed income and mixed tenure developments provided a substantial quality improvement. Under the QHWRRA required PHAs to improve their asset management practices and the physical condition of housing became a performance indicator in HUDs annual PHA assessment process. They were also required to support tenants to make a successful transition from welfare to work. This was promoted by allowing PHAs to disregard additional earned income of tenants, to set local rents and reward residents who increase their incomes and requiring PHAs to establish cooperative agreements with local welfare agencies (Stegman, 2002, Lawson et al, 2016). Since 2012, to enable public housing agencies to address the immediate and longer-term needs of their properties, HUD’s Rental Assistance Demonstration (RAD) allows PHA to convert to long-term permanent stock to Housing Voucher stock to convert to long-term Section 8 rental assistance contracts, thereby allowing access to private funding sources (HUD, 2014).

Evidence of critical housing problems facing low income Americans is provided each year to the Congress, using the American Housing Survey (every two years) funded by HUD and the Census Bureau. This provides evidence on the affordability, availability and adequacy of housing (USHUD, 2015) and defines worst case housing needs confronted by renters with very low incomes—below 50 percent of the Area Median Income (AMI)—who do not receive government housing assistance and who pay more than one-half of their income for rent, live in severely inadequate conditions, or both. This data also maps worst case needs by income, race and ethnicity geographically, with specific focus on rental housing. This evidence informs Congress’s funding of specific HUD Housing Assistance programs but does not necessarily lead to the definition of specific supply targets. The primary focus of Congress has been on the route of funding and targeting of assistance rather than supply outcomes.

HUD ensures that housing assistance reaches specific households by setting income eligibility requirements for various public housing and below market rate rental programs. However, eligibility not only varies across housing markets and programs but also over time with changing policy attitudes and goals, such as the desire to serve the most disadvantaged, to generate sufficient rental income to support operating and maintenance costs, to avoid disincentivizing work, and avoid concentrations of very low-income families. In general, an income based requirement of 30% varies according to area median income, median local rental the level and type of subsidy involved: interest rates subsidies, tax credits, tax exempt

housing bonds, loans and grants. It should be noted that average incomes for LIHTC dwellings are higher than for HUD assisted programs, such as public housing.

HUD's annual Capital Fund provides PHAs with funds for development, financing, and modernization of public housing developments and for management improvements. Overall, PHAs must certify in their Annual Plans that they will use their capital funds to further the objectives of fair housing as stipulated under the Code of Federal Regulations:

“further fair housing in admission and occupancy policies; prevent discrimination against and/or segregation because of race, color, religion, sex, disability, familial status or national origin; reduce racial and national origin concentrations in the design of eligibility, selection and admissions policies; and take affirmative steps to overcome the effects of conditions which resulted in limited participation of persons because of their race, national origin, or other prohibited basis.” Section 24 CFR 903.2(d)

In 2016 the HUD's guidebook for the application and use of capital funds by PHAs outlines how PHAs apply for a grants using a centralised data system. It requires approved 5-Year Action Plans and that PHAs enter into a Capital Fund Annual Contributions Contract Amendment with HUD. Further, all applications for awards must be registered centrally in the System for Award Management (SAM) which combines all federal procurement systems.

General capital fund requirements concern matters such as requirements for relocating residents affected by development and replacement of housing requirements (HUD also offers PHAs tailored project level assistance in the realm). Capital works funded must also pay wages compliant with U.S. Department of Labour's Wage and Hour Division rates and not be less than the prevailing local market. Further, works using funds must comply with non-discrimination and equal opportunity requirements. Full and open competition is required for all procurement transactions (including construction of new dwellings, maintenance of existing stock etc.) by PHAs which must avoid restrictive practices and preferences. In addition, independent cost or price analysis must be undertaken for every procurement action, including the cost of undertaking the work in-house. Finally, PHAs must give preference in their own procurement practices to materials on the U.S. Environmental Protection Agency's approved list (HUD, 2016). Alongside this capital guideline is also the previously launched method for Green Physical Needs Assessment tool (2015a). The envisaged rather complex process for applying for HUD public housing program capital funds is outlined in Appendix 1 (HUD, 2016:28).

HUD also applies a formula to assess capital funding for public housing which measures the existing modernisation needs and accrual needs of each eligible PHA, where about 50% of funds are allocated to modernisation. Modernisation addresses capital improvement needs, while funds for accrual needs address additional capital improvement needs expected to arise, based on the age of each project and other factors. HUD bases the formula calculation on data submitted by PHAs in the Inventory Management System/Public Housing Information Center (IMS/PIC) system. Thereafter, PHAs must annually verify and certify to information relating to their units (known as the IMS/PIC Certification Process).

Following from the US' post GFC economic stimulus (Economic Recovery Act, 2008), which included housing market reforms and efforts to reduce government red tape, HUD embarked on a process of aligning and simplifying requirements for participating stakeholders, reducing duplication of quality inspections and funding compliance reviews. Together with state and local governments, it piloted more co-ordinated approaches and standardized and aligned requirements across agencies (Federal Administrative Proposals for HUD).

Recently, HUD developed a four year strategic plan for 2014-2018. Notably its first management objective aims to “Improve HUD's acquisitions performance through early collaborative planning and enhanced utilization of acquisition tools.” (HUD, 2014:9). The emphasis is narrowly upon contract streamlining, professionalising, increasing customer satisfaction and increasing opportunities for small business. HUD also aims to improve their

buying power by using Lowest Price Technically acceptable and Best Value evaluation methods, strategic sourcing, nonmonetary performance incentives, increased competition, shared savings, and the tactical use of fixed-price and performance-based strategies regards to HUDs acquisition strategy a small number of indicators have been put forward for monitoring; mainly concerning timeliness of awarding contracts.

Federal housing funds are not only subject to HUD program conditions but also State based housing charters and local housing strategies. However, there are no national standards for undertaking local housing market studies or developing charters. Since the late 1930s, US local governments have had discretion to accept or reject federal funds for housing, and play a decisive role in allocating sites and administering funding of public housing via local public housing authorities. However, while many PHAs have been transformed as above, some remain a backwater of local administration, prejudice and patronage.

In the US commissioning strongly focuses on eligibility and allocation, rather than needs based planning. With regards to adequate resourcing, related to defined supply targets, the level of program funding is set by Congress each year, informed by regular reports in housing needs and guided by accepted multi-year strategic plans. Since the 1970s funds for social housing have shifted resources away from social public provision, towards investment in the quality of the private rental sector via Housing Vouchers (which are capped in volume and rationed). Since the mid-1980s promotion of affordable, below market rent housing via NPOs has been funded by tax credits. Meanwhile, there has also been increased targeting to very low income tenants in the public housing sector and greater benchmarking and regulation of operating costs for PHAs. Only recently has there been more flexibility in prescriptive public funding guidelines allowing for more mixed financing models and these are rapidly enticing tightly regulated publicly units to transfer to the Voucher assisted private rental system (Lawson et al, 2016).

As mentioned above, States can choose to be recipients of HUD funds and develop their own state based charters which define the range of policy tools and instruments to be used locally, such as tax exempt bonds, housing outside of the confines of public housing programs and use of inclusionary zoning mechanisms. Some localities are more innovative, progressive or restrictive than others. Some states have passed legislation to enable Trust Funds to be more easily established from designated sources of state or municipal income sources (such as document lodgement fees, development impact payments, inclusionary zoning contributions) in order to finance the development of local affordable housing. For example, Montgomery County, in the state of Maryland, has given the local PHA the ability to issue mortgage bonds, develop affordable housing outside the HUD stock, and serve a broader range of households than eligible for public housing (Garshick-Kleit and Page, 2014:4)

Over the past two decades, PHAs have undergone significant transformation in the context of a continual decline in public funds for capital expenditure from 1999 to 2013 (with exception of the 2009 stimulus), incorporating private sources of investment for new supply and redevelopment, while for the same period public operating subsidies have doubled (see Lawson et al, 2016). This transformation has brought about considerable re-organisation, new partnerships and financial risks. PHAs were subject to a Public Housing Management Assessment Program (PHMAP) over the past two decades (see below).

PHAs are a creature of HUD programs but typically managed at the city or county level, rather than the state level. For this reason they are very sensitive to HUD funding regulations and compliance but also the composition of local boards on PHAs can be very influential, guiding the focus of asset management strategies, influencing development opportunities and mediating local service partnerships. PHA funding is conditional on positive PHMAP assessments. These focused on operational reforms concerning vacancy, modernisation, uncollected rents, energy consumption, unit turn around, outstanding works, inspections, tenant's accounts, operating reserves and expenses, resident initiatives and developments. (Lane, 1995, Lawson et al, 2016)

Furthermore, as a condition of funding, PHAs are regularly inspected and assessed by HUD's Real Estate Inspection Centre. Scores from 2001-2015 are publicly available and online. They must report according to centralised capital funding guidelines, and more recently report on their energy efficiency using the Green Physical Needs Assessment (which began as a limited pilot and voluntary exercise across the sector). Further, federal housing subsidies with specific income eligibility requirements, require property managers and owners to submit information on the income and rents of their tenants to ensure their compliance. All this reporting can be an administrative burden, especially given multiple funding sources: properties funded from different federal programs may also be subject to duplicative financial statements and multiple audits.

In contrast the US NPO sector, which emerged as a creature of more grass roots initiatives and has been fuelled by the continuing availability of state allocated Low Income Housing Tax Credits, has resisted regulation and has not been subject to stringent financial auditing and monitoring as has been the case with PHAs. There is currently no national system of regulation concerning the governance of NPOs. However, organisations receiving LIHTCs must submit annual tax compliance returns in order for investors to continue to receive tax benefits, to certify that their tenants meet the eligibility requirements set by national legislation (Travers et al, 2010:28)

Canada

Under bi-lateral agreements established in the 1990s, Canadian social housing has become more devolved over recent decades and consequently a variety of systems for social housing management and their commissioning processes have emerged across 10 provinces and 3 territories. The province of British Columbia (BC) on the west coast illustrates good practice, where a multi-provider model has flourished under stable political leadership and strong funding commitment and federal advocacy.

The BC Housing Corporation via its Provincial Rental Housing Corporation (PRHC) buys, holds and disposes of provincially owned social housing properties and leases residential properties to more than 800 non-profit societies and co-ops (HSC, 2014). PRHC is administered by BC Housing which is a crown corporation. It is governed by a board which monitors BC Housing's performance based on the province's planning and reporting principles elaborated in a letter of expectations. This letter mentions procurement "to ensure that Government's strategic priorities are addressed and that processes are in place for the successful planning and procurement of capital projects, including maximising opportunities available for federal funding contributions."

BC's housing policy directions are outlined in their long term and regularly updated strategy Housing Matters. While it addresses a continuum of housing needs, its focus in 2014 shifted towards vulnerable households with special needs leading to increased prioritisation in allocation and redevelopment of housing to address their specific needs.

The strategy's 2012 Report Card measured performance against six strategic objectives:

- that the homeless have access to stable housing with integrated services;
- BC's most vulnerable citizen's receive priority for assistance;
- Aboriginal housing need is addressed;
- low income households have improved access to affordable rental housing;
- homeownership is supported as an avenue to self-sufficiency; and
- that B.C.'s housing and building regulatory system is safe, stable and efficient.

Measurable performance outcomes were both aggregated and disaggregated setting:

- supply targets for specific types of households, number and type of households served,
- overall levels and type of investment made and by local areas,
- number of communities served by integrated outreach programs serving homeless people,

- investment in renovation,
- number of emergency beds provided,
- rent assistance provided to secure affordable tenancies,
- number of secure homes provided for vulnerable elderly and
- the level of reporting by landlords to improve rental regulation.

BC's housing strategy is long term, regularly updated and there is evidence from 2012 and particularly 2015 that strategic performance strongly influences outcomes reporting. In 2015, strategic goals with well-defined performance management indicators and transparent data sources included the level of collaboration with non-profit housing partners to ensure long-term provision of social housing and adequate provisions for future requirements for the social housing stock.

As mentioned, most of BC's housing is managed by not for profit landlords, which (unlike in the US) are subject to developed detailed guidelines for procurement developed in consultation with BC Non-Profit Housing Association (BCNPHA). They aim to promote best practice in procurement defined as:

"the process of obtaining products and services, including construction related services from the preparation and processing of a Request for Proposal (RFP) or Invitation to Tender (ITT) through to the approval of invoices for payment. It commonly involves, planning, standards determination, specifications development, supplier research and selection, value analysis, financing, price negotiation, contracting for products or services, and other related functions." BC Housing and British Columbia Government, 2013:1).

The guidelines outline how to work with BC Housing and promote competition as well as educate providers on construction models and outlines different tendering requirements.

United Kingdom

Given that specific funding and regulatory frameworks vary between England, Scotland, Wales and Northern Ireland, the UK's social housing sector is best explored at a regional level. Below we review two formerly centrally driven systems now evolving in parallel across England and Scotland.

England

The Homes and Communities Agency (HCA), as part of the UK's Department for Communities and local Government, funds numerous housing programs in England. It has provided grants to local authorities and registered social landlords since the late 1980s. Recent emphasis has shifted away from grants for social rental housing and guarantees for affordable rental housing, towards grants for rent to buy and equity loans for shared ownership.

Social housing in England is largely provided by about 2,000 non-profit independent housing associations which are often registered social landlords. While local authorities (LAs) dominated the sector until the late 1970s, only a about 200 local authorities continue to provide housing, either directly or through Arms-Length Management Organisations, known as ALMOs (Whitehead, 2014). An ALMO is a not for profit organisation, where the housing assets are managed by the NPO but owned by the (local) government. They were created in the UK to enable local housing authorities to attract social housing investment, without the constraint of public sector borrowing limits. In contrast to Housing Associations and Local Authority Housing providers, ALMOs are more tenant run, with one third of their board members being tenants.

New construction of social housing has been underpinned by capital subsidies, which until 2016 provided subordinated loans more akin to a grant, repayable on the sale of the property (Whitehead, 2014:110, Lawson et al, 2010). This permanent subsidy stream has been crucial in reducing the cost of procurement over time, as registered social landlords (RSLs) have increasingly relied on private funding sources. While the level of grant has declined over time

RSLs have in the most part been able to borrow against secure rental income (bolstered by direct payment of Housing Benefit) on increasingly favourable terms. In recent years grant rates have become too low for deeply social housing to be developed, and 80% below market rent affordable housing has become the new norm. The HB will soon be paid directly to the tenant, rather than the landlord, under Universal Credit welfare reforms.

Housing conditions, including social housing, are annually assessed via the English Housing Survey, which also examines the profile of social tenants, their affordability and experience of satisfaction and wellbeing and movements in and out of social rented stock. During the 2000s, the Decent Homes Standard drove investment to improve the condition of social housing, but investment has since fallen sharply and there is increasing emphasis on economic viability and self-sufficiency of the RSL sector, reinforcing the trend from social to affordable housing rents, including intermediate rental (80% MR) and low cost shared home ownership products. While the Decent Homes program was highly successful in improving the quality of homes over the years, installing new kitchens, bathrooms and heating systems, it was also criticised for lack of accountability, value for money, and inadequate evaluation of private sector involvement (UK Parliament, 2010)

Methods for allocating the Social Housing Grant have varied over time and have included needs-based indicators concerning levels of homelessness and measures of poverty and benefit dependence. Under the previous Labour government, regional boards were given a key role in allocating funding, subject to a national population based formula. Regional strategies were required to specify housing targets by laws under the Planning and Compulsory Purchase Act 2004. The subsequent Liberal Democrat/Conservative coalition government favoured a greater role for local government in planning for housing needs and setting targets. In 2011, the government abolished regional housing targets and further devolved decision making to local authorities (Wilson, 2010) under the Localism Act (2012) English local governments had to produce an annual trajectory of how many homes they plan to build in their area over about 15 years and review progress every five years. However their actual role in this was patchy. The HCA established commissioning processes for local social housing provision via local partnership arrangements and Local Authorities were required to work with housing associations to plan and deliver new housing and undertake regular needs assessments. London for example has an explicit policy on the setting of affordable housing targets (Policy 3.11). However, by 2015, very few local governments had prepared housing strategies and the government threatened to remove their planning role. The recently announced 2016 Housing and Planning Act considerably re-centralises ministerial power over social housing, even going so far as to prohibit local government involvement in RSL boards and requiring LAs to sell higher value social homes (The Guardian, 2016).

In 2011 HCA also launched an Affordable Homes Framework to drive new models of financing of social housing, which would rely much less on the social housing grant. Competitive processes apply to RSL procurement, joint venture and asset disposal processes As in Europe, all procurement is subject to the principles of the Treaty for the Functioning of the European Union (TFEU): non-discrimination; equal treatment; transparency; mutual recognition and proportionality. England's Homes and Communities Agency has developed a procurement policy in 2014 in line with EU policy and directives to inform RSL purchases of works, supplies and services, focusing on probity and value for money considerations. National framework agreements known as panels covering services in the fields of law, economics, property, multi-disciplinary, engineering, estate management, residential disposals and procurements provide a forum for mini competitions. A mini competition involves calling for tenders from a group of best value suppliers in order to refine an option for services, whilst retaining the benefits offered under the national framework agreement. RSLs have themselves formed buying groups and pooled their demands for particular services. The most impressive example of this is The Housing Finance Corporation, which provides the social housing industry with financial intermediation services to reduce the cost of borrowing (for an outline and adaptation of Australian conditions see Lawson et al, 2013, 2014).

Despite continuing housing need, efforts towards an evidence based commissioning process have been overtaken by an ideological preference for home ownership. A decisive policy shift away from supporting social rental housing has occurred in 2015 with housing investment plans proposing to re-classify and sell social housing grant and divert remaining social housing funds towards home ownership schemes. In 2016 housing associations and private builders were invited to bid for £4.7bn of grant funding exclusively for home ownership schemes.

Scotland

Social housing in Scotland is provided by local authorities and more recently housing associations (323,000 and 270,000 dwellings respectively in 2011) comprising about 23% of all stock. Both local authorities and housing associations are now subject to audits by the Housing Regulator. Grant and Housing Benefit are the primary source of funding, supplemented by private and public borrowing. The level of capital grants allocated for social housing from the UK Block Grant has been in long term decline. Housing associations have had access to declining grants, initially 85% of funding but now £75,000 per unit, and must raise the remainder on the private market. Demand side funding is subject to UK welfare reforms incorporating the Housing Benefit into the individual Universal Credit system. Funding of LA housing, who are able to pool rents, is largely through council wide LA borrowing, but as this declines an increasing share is funded through joint ventures with private developers and not for profit housing associations.

Several large LAs, with tenant approval, transferred their stock to housing associations, with outstanding debts written off in the process (Robertson, and Serpa, 2014). Scotland has increasingly restrained the Right to Buy of council homes, passing legislation abolishing right to buy in 2016.

Spurred on by the Christie Commission on the Future of Public Services in 2011, the Scottish Government has undergone a productive period of public service reforms including the development of commissioning procedures affecting social housing, emphasising the integration of health and aged care services and inclusion of third and independent sectors. The Scottish government has prided itself in being a leader in administrative reform of progressive social housing policy and has since passed legislation, regulations and guidelines to support this claim. In partial fulfilment of the new Housing Act 2010, it developed a charter setting performance standards and desired outcomes for local authorities and housing associations in 2012, concerning equalities; the customer/landlord relationship; housing quality and maintenance; neighbourhood and community; access to housing and support; as well as getting good value from rents and service charges; and other customers, with outcomes and standards that social landlords should aim to achieve (Scottish Government, 2012). These outcomes are reported annually on the website of Scotland's Housing Regulator, where their performance of different social landlords can be compared on matters such as management costs, energy efficiency and financial status. Depending on reported results, the regulator decides on the level of engagement required with each landlord to achieve compliance with the Charter.

In 2014 the government also developed a Housing Planning Process, designed to assist local authorities and encourage them to integrate strategic actions of both their housing and planning departments. It has provided an associated guide, elaborating on this process and illustrated in Appendix 2. The Housing Need Demand Assessment (HNDA) process requires an estimation of housing need and demand for different types of housing including social rental housing. HNDA also informs deliberations between local and regional housing and planning departments concerning housing supply targets for each type of housing in local areas. The Guide (2014:10) provides advice on the nature of these targets: that they should represent a realistic and feasible interpretation of need and demand across all tenures and market segments and be agreed by local authority housing and planning departments, giving full consideration to a range of contingent economic factors. Further, large areas should allocate sub-targets across geographical areas. The horizon for achieving targets should be both short

and long term (5, 10 and 20 years) and align with local housing strategies and development plans, as required by Scottish Planning Policy. Finally, monitoring progress towards set targets is necessary to ensure their timely achievement.

The extent to which housing budgets are sufficient to meet these targets at a regional level is detailed in the very informative 2016 Scottish Parliament Briefing paper on the Housing Supply Budget. From 2011-2016, the (modest) target was 30,000 homes, which was exceeded by 1,000. Over the next five years the government plans to support 50,000 units (35,000 social rental). It makes specific reference to the housing needs and targets of large cities Glasgow and Edinburgh. The Briefing Paper provides detailed information on the financial conditions affecting providers and cautionary advice concerning potential innovations. It also summarises the lively debate, involving numerous stakeholders, concerning the definition of housing supply targets.

Austria

In Austria, small to large (public and privately owned) limited profit housing associations and co-operatives (LPHA) with 200 to 22,000 dwellings, provide housing according to a cost rent, limited profit business regime and accommodate a broad range of tenants, including both middle and lower-income households. Their mission is to provide affordable rental housing which is managed cost effectively, with assets are well maintained and used appropriately and with limited profit making (Deutsch and Lawson, 2012).

The legal definition of the term 'limited profit' can be found in the federal Limited-Profit Housing Act (WGG / Wohnungsgemeinnützigkeitsgesetz). Basic principles of LPHA include serving the common good, limits on the scope of their activities, limits on the distribution of profit shares, application of the cost-covering principle and obligatory supervision (Ludl, 2004). They differ from not for profit organisations in that they must apply a cost rent model of provision and are subject to detailed annual compulsory audit with reporting to state governments, to enforce compliance. Owners of LPHA include municipalities, tenant organisations, public bodies, charities, political parties, unions as well as professional associations and companies (Mundt and Springler, 2016).

In addition to Austria's well-established and stable federal legal framework governing these providers, the regional government also designs conditional housing subsidy schemes providing grants and low interest loans to LPHA and receives reports on LPHA compliance. Local government also plays a key role in strategic planning and facilitating access to developable sites for social housing by LPHAs.

For many decades federal governments have provided designated funding transfers to regional governments for their housing programs. Since 2008, these funds have been untied. While unspecified, federal transfers continue to be used for a variety of regional housing programs, with many supporting the supply of affordable rental housing via low interest long term loans to LPHAs. As mentioned above, these must apply cost rent cost capped business models (which are only pooled at the project level) and be subject to auditing and regulation to ensure their compliance (for more detail on this see Deutsch and Lawson, 2012).

The legal and compliance framework governing LPHA is of direct relevance to commissioning processes. The Limited Profit Housing and Housing Promotion Acts outline the desired rental business model, which ensures that buildings are conditionally and efficiently developed (enforced by conditional subsidies and cost caps), adequate provision is made for risks (accumulating reserves, their timely use), buildings are properly maintained (adequate and timed sinking fund) and dwellings allocated according to socially inclusive objectives (broad but rents cost capped, limits on disposal of assets, local agreements on allocation rights). Together with capital investment programs, this regulatory framework plays a strategic role in Austria's stable economy, dampening overall housing costs and providing choice in Austrian housing careers (Deutsch, 2009).

Austrian social housing is financed from a package of sources that typically include tenant equity (0-10 %), developer equity often in the form of land (10%), and subordinated zero or low interest public loans (30-40%), which in turn underpin primary capital market loans (30 to 50%). These commercial loans are often sourced from Housing Construction Convertible Bonds, issued by six specialist financial intermediaries operated by competing banks across Austria. Notably, the HCCB model informed the original proposal for Australian Housing Supply Bonds (Lawson et al, 2012).

HCCB were initially tax exempt for investors (from 1993-2010). Funds raised via HCCBs could only be utilised in high-volume new housing and refurbishment projects co-financed by regional housing subsidy programs – ensuring that cheaper private finance helps fulfil the strategic housing objectives.

For many decades, municipalities provided social housing but since 2004, they have stepped back from a direct role and focused instead on supporting LPHA delivery via urban planning strategies, land use plans and enforcing quality building standards as well as city marketing (Reinprecht, 2014:72, Lawson et al, 2016). With regards to land development opportunities, Austrian municipalities employ their land banking and planning roles facilitate access to sites for the development of LPHA housing, regional governments offer LPHAs subsidy funds for this development. To varying degrees, urban plans set aside areas for housing including a variety of types to accommodate need for young people, single households, key workers and vulnerable households such as those at risk of homelessness.

For example the city state of Vienna periodically sets housing targets (6,000 p.a. from 2005, 7,500 per year from 2011, 13,500 p.a. from 2016, Stad Wien, 2005, Deutsch and Lawson 2012, Mundt and Amman, 2016) which are also specified to varying degrees in terms of size of dwelling, household type and level of affordability.

In large cities, land banking corporations play a key role in delivering sites for social housing. Since 1995 Wohnfond the city's land banking corporation, has also operated a 'four pillar' competitive land allocation system, open to all developers constructing social housing. Proposals are evaluated by a public jury according to their value for money, ecology, architecture and social sustainability according to a transparent point system. Members of the jury (limited to two years) include architects, landscape architects, representatives of the housing industry, experts concerning ecology, economy and law, representatives of the city of Vienna and Wohnfond. The jury assesses plan quality, cost of construction, rent levels guaranteed by the developer, future maintenance costs and increasingly important environmental sustainability (building materials, energy consumption, thermal quality).

In the 2010s, Vienna grew more rapidly with immigration from Eastern Europe. Access to the housing market by new entrants was impeded by high tenant contributions (as new rental housing often requires a 10% tenant contribution to project costs). The City of Vienna introduced a new funding initiative in 2011. In addition to existing programs, it aimed to provide 6,300 units of additional supply for starters and small households. Further, the program was specifically designed to increase the range of providers and investors involved: commercial providers as well as LPHAs and insurance companies as well as retail banks (Mundt and Amman, 2016). This partially subsidised affordable housing, involved time limited social obligations on rent setting and allocation, which is explained below.

Successful projects which contributed their own equity and raised sufficient finance for the dwellings, could also make use of below market price for public land and fixed term subordinated public bullet loans. As a condition of this public support, tenant contributions to project equity had to be kept to a minimum and 50% of dwelling allocations must be made to households eligible for the City's social housing programs for the 10 year duration of public loan.

In Austria, all regional programs are subject to regular and compulsory evaluation. In 2014 the scheme was deemed successful in attracting approximately €1 billion delivering this supply and was subsequently expanded in 2015 (Mundt and Amman, 2016).

Insights from international experience

In sum, the following insights can be gained from this international review:

Dimensions of Commissioning Process	Insights from international experience to inform an Australian framework
Overarching and strategic principles	Commissioning processes should be linked to overarching public policy objectives, such as societal well-being and environmental sustainability. They should respond to diverse needs, improve the capacity of service providers, make transparent use of public funds and deliver appropriate and accountable services
Information based on housing needs	Valid national and local data on the affordability, adequacy and availability of housing is collected and rigorously analysed and reported to reveal level and type of need, disaggregated to regional and local sub markets (as in the US) and presented to parliament in a regular and standardised format.
Strategy with supply targets	Institutionalise a planning mechanism that transparently translates evidence into desirable national, regional and local targets that can be disaggregated spatially and by household type. Provide clear guidance for the establishment of these targets and their local elaboration (as in Scotland). Formulate a long term strategy, with realistic performance indicators and clear targets, that can be periodically assessed and adapted
Requirement for local strategy	Require and support key stakeholders such as state and local governments, their social services and planning departments and the social housing industry to collaborate and agree on steps to take to achieve supply targets. Incorporate these into appropriate tools for implementation such as program design and funding, training, financing instruments, procurement processes, land banking, land use zoning, planning permission processes and strategic development funds.
Includes stakeholders	Require involvement and agreement between key stakeholders in the delivery of social housing commissioning (Scotland's HNDA, US Housing Charters)
Evidence based commissioning process	Develop a procurement system that encompasses both public and private social housing providers (BC) and encourages pooling to achieve economies of scale (England). Ensure that goods and services commissioned are subject to a transparent, competitive and purposeful tendering process. Integrate value for money beyond standard costs appraisal, incorporating social inclusion (as in Vienna's four pillars) and environmental sustainability (as in US green procurement).
Adequate resourcing, relating to targets	Establish regular reporting on performance of social housing programs to inform focus and level of housing budget (US Congress Housing , BC Housing and Scottish Parliament)
Requirements clear and assessed	Link housing strategy to actions including provision of subsidies and defined social housing outcomes (US). All in receipt of subsidies must be accountable for their use and enable monitoring to occur (Austria)

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