



CHCSA POLICY FORUM: 12 March 2004

“ The SACHA Change Management Project ”

~ SUMMARY REPORT ~

1. OVERVIEW

On the 12th of March 04 the CHCSA held a second open Policy Forum on the SACHA **Change Management Project**. All CHOs in South Australia were invited to attend and contribute to debate on the three major elements of the Project:

- A review of current CHO **Funding Agreements** with SACHA; in terms of both the funding available to CHOs, and the contract itself.
- Consideration of a **Centralised Application System** for applicants to Community Housing
- Development of a strategic **Asset Management** framework for the sector.

Since the inception of the Project, the subject of **Rents** has also been separated out as a specific topic in its own right.

Over sixty representatives of CHOs attended the Forum. They heard firstly from the members of the SACHA Change Management Team including: Peter Stojanovich (Project Manager), Shona Bach (Centralised Application System), Liana France (Asset Management) and Andrew Lambert (Rents). In brief summary, their presentation included the following points:

- The **Change Management Project** as a whole:
 - Is not about ‘radically changing community housing provision or funding’
 - Is about ‘simplifying systems and processes for the long-term viability of the sector’
- The **Centralised Application System** part of the Project aims to:
 - Improve ‘equity of access to community housing’
 - Facilitate ‘appropriate planning for the future and sustainability’
 - Increase ‘knowledge of the system for applicants’
 - ‘Reduce workload for CHOs’
 - ‘Ensure consistency of assessment’ of government eligibility criteria
 - ‘Maintain confidentiality’
 - And maintain ‘CHO autonomy’
- The review of the **Funding Agreements**:
 - With regard to the Contract itself; aims to simplify reporting requirements for CHOs, and to achieve ‘greater flexibility and simplicity’
 - With regard to the funding and financial arrangements for CHOs aims to: simplify rent structures, maintain affordability for tenants and viability for CHOs
 - A review of current Operating Levies is central to the Project. Given the Government policy on a 25% of income limit on rents remains, any increases to operating funds to CHOs will have to decrease the capital returns to SACHA (and will impact on their capacity to invest in sector growth)

- They are considering ways to allow calculation of operating, maintenance and capital contribution funds on the basis of *total rent received*, rather than for each individual tenant (so-called 'bottom line accounting')
- The **Asset Management** part of the Project identifies two key issues:
 - Maintenance; how to define it and how to fund it: and here three options for defining and funding maintenance are being considered
 - Strategic (long-term) asset management
- On the key issue of **Rents**, the key issues to be addressed are:
 - How should full property rent be assessed; the Project has considered the merits of the current ceiling rent system against a system using average market rents based on Valuer General information
 - How can Commonwealth Rent Assistance into the sector be increased?
 - How can GST costs and administration be decreased?
 - How can the rent scale be simplified?

The CHCSA Policy Officer also presented some perspectives on the main elements of the Project, based on the results of the previous Policy Forum, and feedback from a range of regular CHCSA Forums and committees. These views are summarised in the document: *'March CMP Forum Briefing Notes'*, as attached, or on the CHCSA website.

After the initial presentations some questions were directed to the members of the SACHA team, most of which identified concerns about the proposed Centralised Application System. For the rest of the Forum those attending divided into 6 discussion groups over two workshop sessions.

- **Session One:** Centralised Application System
- **Session Two:** Funding Agreements and Asset Management

Each participant was provided with some **Briefing Notes** about key issues under each subject heading. The discussions were focused on three **key questions** for each subject, but could also address other matters.

Below is a summary of the Workshop Sessions, and the points recorded in the 6 discussion groups. To view the **Briefing Notes** provided on the day, see document titled: *'March CMP Forum; Briefing Notes'*.

The following discussions also respond to issues raised in a range of SACHA Discussion Papers. Copies can be requested from the Change Management Team at SACHA, ph. 8207 0233, or on their web site at: http://www.sacha.sa.gov.au/site/page.cfm?nav_id=77

2. SUMMARY OF WORKSHOP SESSIONS

2.1 Workshop Session One: CENTRALISED APPLICATION SYSTEM

3 Key Questions & Summary of Discussion:

Question 1: The SACHA Models

SACHA have raised three possible models for a Centralised Application System (CAS).

- Can you see one of these systems being useful to your CHO?
- What are your major concerns about the proposed models?
- What is good about the proposed models?

Question 2: Access

SACHA suggest that the 'equity of access' into Community Housing needs to be improved.

- What do you think 'equity of access' should mean for the sector?
- Does the sector make access harder in some cases than it should be?
- Would a centralised process for making applications help improve access?
- Are there other ways to improve access?

Question 3: Eligibility criteria:

SACHA raise doubts about how consistently CHOs are applying the *government* eligibility criteria (Category system) for new applicants.

- Is this a real problem in the sector?
- If is a problem, how could it be improved?
- Would it be useful or appropriate for your CHO to have applicants assessed for government eligibility before they apply to you?

Summary: A number of Co-op representatives expressed some support for aspects of a centralised system, particularly ones that could simplify and better target applications to Co-ops, and remove some of the current work required to assess eligibility, answer letters, maintain a waiting list and so on. There was some recognition that the current application system for Co-ops has problems, and a CAS could improve applicant understanding of what Co-ops have to offer. However, most Co-ops also wanted to ensure they continue to control selection of new members according to their own criteria, and can still take applications directly.

A number of Associations, however, are far more sceptical about the proposals for a new system; not seeing any real benefits in it, and having significant concerns about confidentiality for their clients.

Significant questions were raised about the sense of encouraging more applicants into a system where demand is already larger than supply. It was suggested that a principle of 'equity of access' would be constrained by this working reality. One comment: "The CAS is not going to be a panacea to all those who can't get access now."

Some expressed a view that a capacity to accurately assess demand in the sector could be important to the sector's capacity to lobby for an appropriate proportion of available funding.

The following key issues were also identified:

Access to Current System for Applicants:

There was some recognition that the current applications system can be difficult to negotiate, particularly for those applying by writing (multiple) letters to Housing Co-ops. Closed waiting lists were also mentioned as an issue for applicant access. Some thought that a new system might make improvements in this area, particularly if it could match applicants to CHOs in specific geographic areas, providing to particular communities of interest, or with specific membership criteria. Several groups suggested that more easily available public information about Community Housing could improve things for potential applicants.

Applicant access to a new CAS:

Concerns were raised about access to a web-based system for people without computers, or computer skills

Access to a new CAS for CHOs:

Again concerns about CHOs, particularly some Co-ops not having the necessary skills or computer equipment to access a new web-based system; and that getting these things will have costs attached. Conversely, it was felt that larger Associations would handle this quite easily.

In relation to CHOs using a web-based CAS to identify or select potential applicants/ tenants, an important issue was raised. It was suggested that, for some groups, the system would have to show confidential information in order for the CHO to know if that person would meet their criteria. For example; a CHO housing only gay men, or a CHO housing people with mental health issues. This would be a problem.

Assessment of Applicant Eligibility under Govt Criteria (Category System)

There were a number of significant questions raised about the capacity of a web-based system to 'automatically' assess applicant eligibility, including doubts about confidentiality issues (see below).

Others suggested that assessment requires an element of personal judgement at the time, and that the specific knowledge of providers about their clients is very important to the process.

One of two groups suggested that the current (CHER-based) form could be improved and simplified.

Regarding the accuracy of current CHO assessments, it was strongly suggested that the relatively high number of Category 1s and 2s being housing in the sector indicates the specialist nature of Housing Associations, *not* poor assessment practice by CHOs.

Costs & Capacity of a New System

A number of groups raised concerns about the potential cost of delivering a new web-based system, or a face-to-face customer service; and whether this would take money away from other areas. Several commented that the web-based system proposed sounded much like the already tried and failed CHER system.

Also, there were significant questions raised about the capacity of any agency to manage an effective waiting list *over time*, given the need for constant updating as people are housed, or their circumstances change, etc.

Confidentiality of Applicant Data

SACHA has proposed various models of a web-based system that could automatically assess applicants under the Government eligibility criteria (Category system). A number of groups said that this could raise significant confidentiality issues, because confidential information is often required to make this assessment. Applicants may be unwilling to do this, or allow it to be done. Could control of this information be guaranteed on a web-based system?

However, people were more willing to entertain the idea of a central database simply to count total applicants in the system, and ensure no double counting. It was suggested that a coding system could ensure confidentiality.

SACHA Reporting

A number of concerns were raised about SACHA transparency on reasons for collecting information from CHOs on applicants; what kind of information, for what purposes, etc.

An Agency as Data Manager or Customer Service

Questions were raised about the capacity of any external agency (other than SACHA) to manage a CAS system. A number of people suggested that the CHCSA would be a preferred agency to provide a centralised application and/or referral service, if that was to occur.

Co-op Specific Issues:

Co-op representatives on the day identified a number of potentially positive aspects of a CAS: overcoming problems with individual CHO waiting lists (or CHOs not having one); enabling vacancies to be filled more quickly; less workload answering letters; or overcoming Co-ops failure to answer letters. It could also enable basic eligibility assessment and/or ICH course to occur before an applicant reaches an individual.

However, others cautioned that a CAS would not remove problems with assessment and the selection of good members/tenants.

Different Needs of Assocs & Co-ops

Several groups suggest that any new system should differentiate between the needs of Co-ops and Associations; not try to institute a one-size-fits-all system. Other differences noted were: the client groups of the two sub-sectors, different management capacities & methods, and size of waiting lists.

Issues for Country Groups

Several representatives of Country CHOs raised considerable concerns about a CAS: for example; that they do not need it, or that access to any face-to-face service would be difficult for their clients.

Links to Wider Social Housing

Several groups recognised that accurate assessment of demand could be important to future sector funding. Questions were also raised about the linkages between application and waiting list systems across the three social housing providers – Housing Trust, Aboriginal Housing Authority and Community Housing. If double counting is an issue within Community Housing, is it also an issue for between social housing agencies? Should there be one social housing application system directing people to the various options available?

2.2 Workshop Session Two (Part A): FUNDING AGREEMENT

3 Key Questions & Results of Discussion:

Question 1: The Operating Levy, CCs & other Funding Issues

- How can the Operating Levy be calculated to ensure CHO viability?
- Should CHOs return a set percentage of income to government, as was the practice in the past?
- How can the real costs of delivering Community Housing be assessed?
- Should the Large CHO recurrent funding program continue and if so in what form? Are there alternatives?

Question 2: Rent Issues

There are a number of important issues in relation to rent.

- Should the current ceiling rent system (based on property value) be replaced with a system based on average market rents?
- The government has set a policy of 'rent parity' across social housing: is this fair for tenant/member managed CHOs? Should these CHOs receive discounted rent, or other benefits to account for the voluntary work done?
- Should steps be taken to increase the amount of Commonwealth Rent Assistance received by CHO tenants? How would this be done?

Question 3: Reporting and Accountability Requirements:

- How can the current reporting/compliance requirements be simplified or improved?
- Should different sets of requirements apply to different types of CHOs?
- Should the Funding Agreement spell out more about SACHA's accountability to CHOs: if so, what form would this take?

Summary: Given the scope of issues covered, most of the discussion here is best summarised under specific topic headings, as below. However, a number of workshop groups also wanted to emphasise the continued importance of some issues that this review of the Funding Agreements is *not* addressing. For example, recent times have seen considerable debate within the sector about alternative funding methods for Community Housing, growth of affordable housing supply, and capacity to bring some private investment into the sector. The CHCSA addressed these issues in its two submissions to the State Housing Plan, and a further submission to the Minister for Housing, in partnership with the Affordable Housing Consortium.

Some at the Forum were concerned to make the point that, in a climate of shrinking CSHA funding for capital growth, these alternative funding measures will probably become increasingly important as avenues for growth and innovation. As acknowledged by SACHA during the Forum, however, this present review makes no attempt to address these issues which fall outside the current 'status quo' funding structure for the sector. The focus is on making improvements within the current structure. The CHCSA accepts that approach, but also believe that these alternative funding methods are vitally important to the long-term future of the sector. In this sense, the choice made by SACHA to limit the focus of this review also limits its strategic relevance.

The following key financial issues were also identified:

Current CHO Viability:

Discussions noted a range of issues regarding the current operating expenses of CHOs in relation to their income through Operating Levies (OL). In general terms, firstly, several groups reinforced the view that current OL incomes are inadequate to meet ordinary operating expenses. Other issues included:

- CHOs charging tenants above recommended OL levels, or using extra levies, to cover operating costs
- Increasing numbers of CHOs using extra levies (above standard rent) to fund external service providers to take on management tasks.
- That SACHA is not addressing CHO viability problems until they have become protracted/severe.
- That CHOs minor maintenance budget can often be the only area where CHOs can make cuts to cover other expenses; minor maintenance is likely to suffer when OL income does not cover budgetary needs. (And this in turn is likely to create larger maintenance liabilities over time.)

Calculating Operating Levies as a Percentage of Capital Values

This is the main option so far put forward by SACHA as an alternative to the current 'flat rate' setting of OL levels. The response from workshop groups was mixed with some recognising some potential benefit having an OL calculation that 'responds' to other costs linked to capital values, such as council rates.

However, others noted that capital value only relates to some of the costs covered by OLs, and that capital values for equivalent stock types can vary widely between inner and outer metro, metro and country, or even from suburb to suburb. For these reasons some suggested a form of safety net for those in areas of low capital values. It was also noted that the amount of rates charged on properties of equal market value can also vary between local government areas.

At a more general level, a number of groups raised the view that the current method of 'bare minimum' funding of CHO operating expenses itself is flawed.

Alternative ideas focused on CHOs retaining far higher levels of rent income, and negotiating returns to SACHA around any accrued surpluses.

Several groups also addressed the larger issue that the diversity of the sector challenges the sense of a single core-funding methodology applying equally to all.

The Large CHO Recurrent Funding Program

Generally it was recognised that larger CHOs, typically housing clients with more complex needs, require extra funding for staffing and other costs and that this should continue in some form.

It was also noted as important that the terms on which recurrent funding is made available to large CHOs within the sector be clarified, and transparent.

'Full Rent' Setting: Market Rent as an Alternative to Ceiling Rent

Groups discussed the SACHA proposal for using average market rents (in a particular area) as calculated by the Valuer General as an alternative to the current capital value-linked ceiling rent method. Again the responses were mixed. A number of groups saw some merit in the idea, particularly with anecdotal evidence suggesting current ceiling rents are sometimes exceeding market rent levels.

However, a range of concerns were also raised including:

- That GST ITEC status must be taken into account when setting rent policy; that CHOs might be in danger of losing ITEC status (and GST benefits) under a market rent system.
- For Country CHOs ceiling rents under the current settings can be much lower than market rents; any change will impact heavily on tenants
- Market rents themselves, for equivalent housing sizes or standards, can vary widely from area to area

For these reasons there was some suggesting that the current ceiling rent methods should be refined and monitored more closely, rather than dumped altogether. Other proposed that both methods be available, and CHOs could apply the lower amount.

Commonwealth Rent Assistance (CRA)

Although recognising access to CRA as a benefit to some community housing tenants, and not available to SAHT tenants, CHOs continue to question the assessment of CRA as income, for rent setting purposes. Several felt the legality of this policy is questionable.

The general goal of investigating methods of increasing CRA income to the sector was welcomed.

It was suggested that a CRA benefit *not* counted as assessable income could act as a benefit in recognition of volunteer management.

Rent Parity for Social Housing & Benefits for Volunteer Management

Most Co-ops represented suggested that the policy of rent parity across social housing fails to recognise the voluntary work put in to volunteer managed CHOs, and that this should be redressed in some form.

Generally it was felt that there should therefore be a discounting system, or other methods of delivering a benefit through rent structures to volunteer managed CHOs, and that this benefit should accrue in the first instance to the CHO rather than individual tenant/members.

The following issues regarding the terms of 'the contract' itself were raised:

Simplifying Reporting:

There was general agreement that current levels of reporting could and should be reduced and or simplified. Again there was also questioning of the actual use of reporting by SACHA; that information provided should actually be useful and appropriate, and that the uses made of that information should be transparent and available to the sector. Specific points included:

- Reporting requirements are too 'bunched' in one part of the year
- Suggested to eliminate requirement for management plans
- Suggested to reduce rent review to annually, however questions were raised as to whether this could affect tenant's access to CRA

A Tiered System of Regulatory Requirements

Groups discussed the idea of a tiered funding Agreement structure, with different requirements and /or specific benefits or opportunities applying to different categories of CHO. There was little strong support expressed, perhaps because of a lack of clarity about what such a system might mean in practice. However there was some support for the idea that consistently 'high functioning' CHOs could be required to report less (ie trusted to conduct their business efficiently).

Some also suggested the elimination of a reporting regime specific to large CHOs, as currently pertains.

Compliance & Accountability

Several groups raised a concern that the current methods are failing to 'pick up' or address emerging problems with CHOs until they have become severe.

There was also strong in-principle support for the Funding Agreement to also incorporate terms of SACHA's accountability within the contract arrangement; for example in areas such as: customer service obligations, terms on which intervention occurs and transparency of information.

Name of the Agreement

The question was raised about the use of the term 'funding agreement' and whether this might be changed. 'service agreement' was proposed as an alternative.

2.3 Workshop Session Two (Part B): ASSET MANAGEMENT

3 Key Questions & Results of Discussion:

Question 1: Options for Classifying Maintenance

- What do you think about the 3 options raised by SACHA (See: 'March CMP Forum Briefing Notes') Is there one you prefer, do you have other ideas, should there be no change?

Question 2: Role of Comhouse

- Are there ways in which the role of Comhouse in the sector, or in servicing your CHO, could be improved?
- What would be the implications for Comhouse if maintenance definitions were changed?
- Is there a greater role for Comhouse to assist with longer term strategic planning issues; eg identifying properties appropriate for redevelopment?
- Other issues you wish to raise?

Question 3: Long term strategies

- Should there be more 1 and 2 bedroom properties built in the sector, or more 4 bedroom properties? Is the current balance of stock suiting the needs of your tenants or members?
- How can the sector improve the environmental performance of housing stock?
- Should the sector be developing more diverse housing forms; eg boarding houses, cluster housing, retirement housing, etc?

The following key issues were identified:

Options for Classifying Maintenance

The workshop groups discussed the three options put forward by SACHA for changes to the current system for classifying and funding of major and minor maintenance.

Most discussion focused on 'Option 3'; the combining of all maintenance into one funding stream. A number of concerns were raised about this option including:

- Budgeting; CHOs perhaps not putting sufficient funds aside for long-term needs
- Whether this system would entail Comhouse member groups putting all of their (combined) maintenance funding into Comhouse. If so, it was suggested this could result in loss of control for CHOs over discretionary maintenance spending or choice of service provider. Concerns also expressed about the implications if Comhouse were to run into financial difficulty.

However, others expressed some support for the idea as offering greater discretionary control over maintenance spending, and more incentive to 'spend early' to avoid long-term problems developing. It was suggested that CHOs could then report on the elements of maintenance spending (or saving) through audited statements.

Some in-principle support was also expressed for 'Option 2', although questions were raised about CHOs capacity to budget maintenance spending without necessarily knowing whether a specific item would fall into the major or minor maintenance category.

Some also supported 'Option 1' as the preferred choice, with a refining of major maintenance definitions to include such items as stoves, floor coverings and services provided by protected trades.

Role of Comhouse

Clearly any of the above options for change to the definition and/or funding of maintenance would have implications for Comhouse as a major maintenance fund/provider within the sector. Beyond these issues, discussion raised a number of other points about the current role of Comhouse:

- Concern that the current role and operational structure of Comhouse – as a mechanism for CHOs to secure funds and services for long-term items of major repair or upgrading to properties – is not well understood amongst CHOs. It hasn't been communicated as clearly (or as often) as it needs to be.
- The 5-year no-draw-down period as a major disincentive for CHOs to become members of Comhouse
- That Comhouse should remain as one provider in this area amongst others, and that membership in Comhouse remains voluntary.

In terms of any future, more strategic role for Comhouse (as raised in SACHA Discussion Paper "The Role of Comhouse"), one group saw some merit in Comhouse assisting with some longer-term planning issues such as identifying properties suitable for redevelopment.

Strategic Issues; Mix of Stock Types/Size:

A number of groups supported an increase in the proportion of 2-bedroom properties within the sector, adapting to the changing profile of household size and tenant need. However, these was also qualified by saying that any such change should be well supported by empirical evidence, and respond to specific needs or tenant profiles within particular organisations. It was suggested also that 3-bed properties allow CHOs to respond flexibly to a variety of demand.

- Several groups also spoke against the development of 1-bed properties, and noted also a growing (although still minority) demand from larger families for 4-bedroom houses.
- One group discussed the relative merits of cluster housing, with some suggestions that it led to conflict between neighbours, or within CHOs.

Strategic Issues; Environmental Sustainability

A number of groups spoke strongly in support of the sector making better use of a range of environmental measures, particularly in relation to new builds, for example:

- Passive solar design
- Decent sized eaves
- Solar hot water heating
- Allergy and toxin free materials and wall coverings

One group suggested that SACHA should develop a loan scheme to enable CHOs to implement some of these steps.

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