



Best Practice Alliances

An independent future for regional community housing providers

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This project was commissioned by the four member organisations of the Housing Alliance. The Report's author has provided advice to these organisations on developing their alliancing approach. However, the views expressed in this Report are those of the author, not the Housing Alliance.

Information has been obtained from national and international desktop research. Other data was collected through the author's doctoral research on building the capacity of community housing providers using organisational case studies in Australia, Britain and the US (Gilmour, 2009).

Details in the text boxes in this Report on the work of members of the Housing Alliance have been supplied by the four Housing Alliance member organisations.

Executive Summary

The Housing Alliance, established between four regional NSW community housing organisations, represents genuine innovation in Australia. By establishing a 'middle path' between complete independence and forced merger, the Housing Alliance is following an approach that has been tried and tested overseas.

When viewed as a collective entity, the Housing Alliance manage nearly 2,900 homes. This makes the Alliance not only the fourth largest community housing operator in NSW, but across Australia as a whole. Through shared procurement and knowledge sharing, the Housing Alliance can gain many of the benefits of the larger housing organisations in the sector.

The move to national regulation will lead to continuing consolidation over the next two years, with a likely reduction in the number of community housing providers. In addition, a greater proportion of community housing stock will be managed by a small number of organisations. To date the only approach to collaboration has been through mergers.

Overseas research, particularly in countries with larger community housing sectors such as Britain and the Netherlands, questions the benefits of mergers. Economies are not always achieved, and some larger groups lose touch with the communities in which they operate. Smaller community housing groups are thought to generate many if not more benefits than larger organisations.

Housing market conditions in Australia are different to Britain and the Netherlands, and there are no Australian community housing

organisations that could be regarded as large by European standards. However, in Australia, geographical distances are a major challenge. Even modest sized providers in Australia operating over a wide area can lose connection with local issues and cease acting as 'community anchors'.

In NSW around one third of the population live in regional areas, the typical markets served by Housing Alliance members. The housing conditions in the regions differ to the major cities, and often there are greater problems with social and economic disadvantage. Rent and purchase prices are lower in the regions than the major cities, though there is a major differential in household incomes making housing affordability issues equally as bad.

The Housing Alliance is a mechanism that should allow the four members to remain viable and independent. This will result in four dynamic social enterprises continuing to be run in the regions, able to tailor their policies to local circumstances. A deep sharing of knowledge will allow the Housing Alliance members to be thought leaders in regional housing issues, and influencers of Government policy priorities.

As the Australian community housing sector continues to expand and mature, alliances and procurement partnerships are likely to become more commonplace. The Housing Alliance is ahead of the wave. What has been developed in the NSW country towns of Armidale, Deniliquin Lismore and Orange may become an increasingly common feature across regional and urban Australia.

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Abbreviations

ABS	Australian Bureau of Statistics
AIHW	Australian Institute of Health and Welfare
CRA	Commonwealth Rent Assistance
Homes North	Homes North Community Housing Company Ltd
Homes Out West	Homes Out West LTD
MoU	Memorandum of Understanding
NCCH	North Coast Community Housing Company Ltd
NRAS	National Rental Affordability Scheme
NSW	New South Wales
SEIFA	Socio Economic Index for Areas

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1 Background

This section reviews the current state of the Australian community housing sector, with a focus on the current role and potential strategic options for medium sized regionally focussed organisations in NSW.

1.1 Sector growth and profile

Community housing is affordable rental housing provided by not-for-profit organisations at below market rent for low to moderate income tenants. It forms an integral part of Australia's housing system by providing housing options that are reasonably priced, secure and responsive to the needs of the neighbourhoods in which the organisations operate.

Unlike the larger and centrally controlled public housing agencies such as Housing NSW, community housing providers can be more locally responsive. They work closely with local service agencies and not-for-profit partners, building social cohesion in what were once concentrated areas of social and economic disadvantage.

Sector growth

With the support of the Commonwealth and State governments, there has been a significant increase in the number of properties managed by the community housing sector since the 1980s. This was initially driven by a desire to provide more specialist accommodation, locally managed.

There have also been two significant funding approaches which have added to the general policy benefits of expanding community housing:

- Community housing tenants, unlike their equivalents in public housing, are eligible to claim Commonwealth Rent Assistance (CRA). As a result there has been a financial incentive for State Governments to shift public housing to the community housing sector.
- Since the mid-2000s Governments have encouraged larger not-for-profit organisations to raise private finance. This sources additional funding, which does not appear as Government debt, which can be used to carry out property improvements or build new affordable rental housing.

Recent national policy trends

Housing policies have been through a period of rapid transformation during the Rudd-Gillard Commonwealth Governments from 2007-2013. Major initiatives include:

- **The Nation Building Economic Stimulus Plan**, a \$5.2 billion capital fund to build 19,300 new social housing dwellings. An estimated 80% are being transferred to community housing management, and 50% will involve title transfer. In NSW, these transfers are estimated by State Government to be able to leverage 1,201 new dwellings (KPMG, 2012).
- **The National Rental Affordability Scheme (NRAS)**, which has been used to part-fund the capital costs of new affordable rental housing. As at June 2013, 38,459 incentives had been awarded, leading to 14,575 tenanted

properties. Nationally 57% (NSW: 61%) of allocations have been to endorsed charities, with many being community housing groups (Australian Government, 2013).

- **National community housing regulation** is underway, with the pilot project phase from July to December 2013, and full registration to be completed by June 2015. National regulation aims to facilitate the growth of larger and more sophisticated providers, allow groups to more easily work in multiple states and promote further private sector investment into community housing.

More recently, several State Governments have embarked on ambitious programs of outsourcing management of large public housing portfolios to community housing organisations. Although 'stock transfers' have taken place from the 1990s, the current programs are generally larger in scale and seldom involve asset ownership.

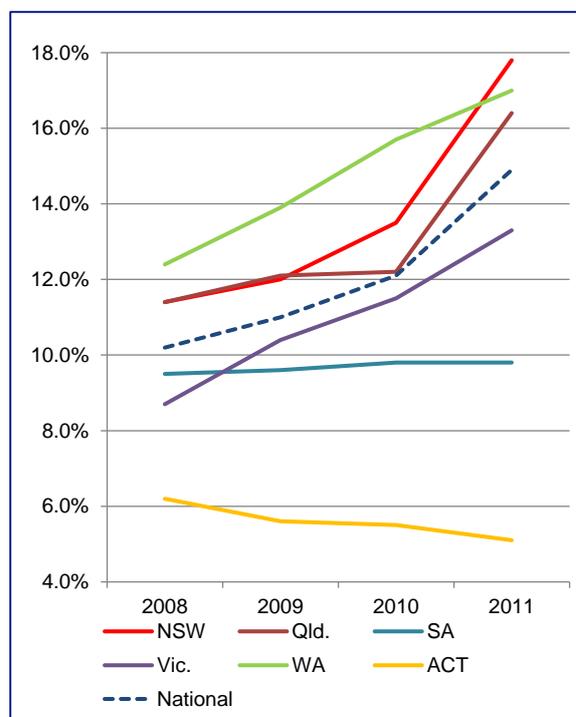
In 2012 Tasmania initiated a public tender to outsource management of 500 homes to a community housing provider, followed by a further three portfolios of 1,200 homes in 2013. Queensland Government is currently reviewing bids for 4,850 homes in Logan, and announced in July 2013 that 90% of their public housing would be managed by non-government housing providers by 2020. South Australia has recently followed, tendering the outsourcing of two public housing portfolios of around 500 dwellings.

Sector relative share

In 2009 Commonwealth and State Housing Ministers agreed to develop a large scale community housing sector comprising up to 35% of social housing by 2014 (Australian Government, 2010). The most recent data, shown in Figure 1, indicates community housing represented around 15% of total

social housing in June 2011. Therefore, although the 35% target will not be met by 2014, there has still been a 50% increase in the sector's share since June 2008.

Figure 1: Community housing share, 2008-11



Source: AIHW (AIHW, 2009a; b; 2010a; b; 2011; 2012). Data as at 30 June each year. Chart shows proportion of community housing compared to total social housing

Figure 1 highlights how the growth of community housing has not been uniform across the country. NSW is currently the state with the highest proportion of community housing, recently over-taking Western Australia. These figures do not include the three tenancy management outsourcing projects in Tasmania, South Australia and Queensland.

1.2 Organisational scale and sector concentration

While the community housing sector has grown, there have been differences in the rate of growth between the larger and smaller housing providers. As a result,

average organisational size has increased, and the sector is now more concentrated under the control of a few large providers.

Drivers of scale

Most recent Government initiatives have been focussed on increasing the scale of larger community housing providers, often as an explicit policy objective:

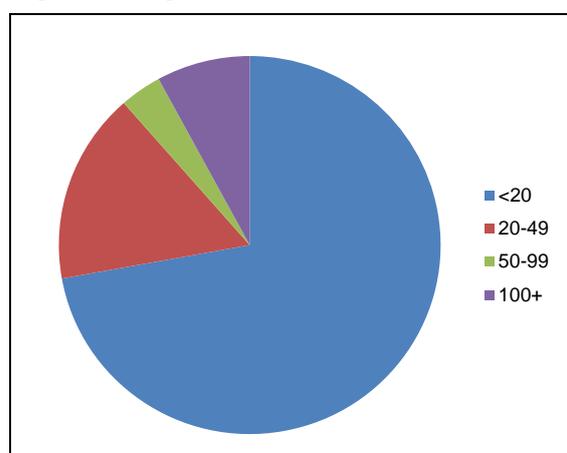
- Larger organisations are seen to have a greater ability to leverage private finance. Such organisations have greater internal finance and compliance capabilities, and can borrow more significant amounts that make them more attractive to banks.
- Shortages of affordable housing have led to the promotion of community housing organisations as housing developers. This is a more complex activity, and often only larger organisations have the resources to employ specialised staff.
- The competitive tendering process, for NRAS applications, Nation Building transfers and tenancy management outsourcing are all complex. Smaller organisations may lack the in-house skills, and funding to pay for external consultants and advisors.
- The scale of the tenancy management outsourcing projects in 2012-13 has been such that only very large community housing providers are able to both bid and deliver. Most bids have involved complex cross-sectoral partnerships and consortia formation.
- National regulation will create a uniform three-tier structure. It is likely many growth opportunities will be restricted to a small number of Tier One community housing organisations.

Other factors leading to increased organisational size include the need for increased skills to manage more complex and diverse housing businesses. Many providers now manage both social and affordable housing, face multiple compliance responsibilities, and house tenants with high support needs.

Organisation numbers and size

The most recent AIHW data for community housing relates to 30 June 2011 so does not capture all of the sector's recent growth from Nation Building and NRAS. Figure 2 shows the size distribution of community housing providers. Of the 906 organisations in the sector, 636 (70%) manage fewer than 20 tenancies and a further 141 (16%) manage between 20 and 49 properties.

Figure 2: Organisational size, June 2011



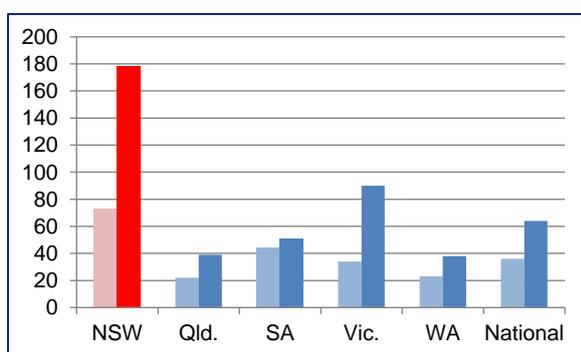
Source: AIHW (2012). Chart shows numbers of number of housing providers managing various bands of properties

The total number of community housing providers reduced from 1,069 in 2008 to 906 in 2011 (AIHW, 2012). This is a substantial loss of 163 organisations, equivalent to 15%. Between June 2010 and 2011 most of the decline was accounted for by an 8.1% drop in small housing providers managing fewer than 20 properties. In

contrast, organisations managing more than 50 properties increased by 17.3%.

The fall in the numbers of organisations, at the same time as the stock in the sector has increased, has led to an increase in portfolio size. This has increased from 36 dwellings in 2008 to 64 in 2012 (Figure 3). NSW average organisational size has nearly tripled between 2008 and 2011, remaining ahead of all other states.

Figure 3: Organisation size, 2008 and 2011



Source: AIHW (2009a; b; 2012)

Larger housing provider profile

Based on an analysis of the 30 June 2012 annual reports of community housing providers, 22 managed more than 1,000 properties. There are organisations that can be considered to be operating at scale. Further discussion of ideal organisational size is in Section 1.3 of this Report.

Table 1 shows the geographic distribution of the larger community housing providers. Most have their principal place of operation in NSW or Victoria. This is based on favourable State housing policies in these jurisdictions over the last decade. Larger housing providers are less common in other jurisdictions, including several larger States.

There is only one provider - Community Housing Limited (CHL) - that can be said to operate nationally. CHL has operations in Victoria, NSW, South Australia, Western

Australia, Queensland and Tasmania. MA Housing has operations in NSW, Victoria and Tasmania, and Housing Choices Australia in Victoria, Tasmania and the Northern Territory.

Table 1: Larger housing providers, 2012

State	Number	Names
NSW	8	St George, Compass, Evolve, Argyle, Wentworth, MA Housing, Bridge, Hume
Victoria	7	CHL, Common Equity, Yarra, Housing Choices, Aboriginal Housing Victoria, Haven, Urban Communities
Queensland	3	BHC, Horizon, BRIC
WA	2	Foundation, Access
SA	1	Unity Housing
All others	1	Central Australian

Source: Review of June 2012 annual reports of community housing providers. The 'State' indicates the jurisdiction where the organisation's head office is based

The largest 22 community housing providers managed 41,000 properties in June 2012, or around three quarters of stock in the wider sector. The rate of concentration has increased recently as these organisations have been favoured by Governments as 'growth providers'.

NSW housing providers

The NSW Registrar of Community Housing uses four categories for providers:

- **Class 1 'Growth Providers'**: managing more than 400 homes, undertaking property development and raising private finance.
- **Class 2: 'Housing Providers'**: managing more than 200 dwellings, with some modest residential development capacity.
- **Class 3: Housing Managers'**: managing 30 or more properties,

- **Class 4: 'Small Housing Managers':** managing very small portfolios,

Of the four Housing Alliance members, Housing Plus is in Class 1 and the others are in Class 2. All four organisations manage far more properties than the minimum for Class 1, though have varying levels of development capacity.

The most recent comprehensive review of the NSW sector is as at 30 June 2012 (Table 2). This shows around 6% of all 231 providers are each in Classes 1, 2 and 3. The remaining 82% of providers are Class 4. Table 2 reviews Classes 1-3 which are analysed in more detail by the Registrar.

Table 2: NSW housing providers, 2011-12

	<i>Class 1</i>	<i>Class 2</i>	<i>Class 3</i>
Homes, 2011	13,276	7,220	1,023
Homes, 2012	19,781	8,036	658
Providers, 2011	11	19	15
Providers, 2012	13	16	13
Average homes, 2011	1,207	406	68
Average homes, 2012	1,522	502	51

Source: Data derived from NSW Registrar (2012), figures as at 30 June 2011 and 30 June 2012

Between June 2011 and June 2012 there has been an expansion in the numbers of Class 1 housing providers and a reduction of those in Classes 2 and 3. Average numbers of properties per provider increased for both Class 1 and Class 2 by around one quarter, mainly as a result of the Nation Building Economic Stimulus.

The majority of community housing in NSW is managed by Class 1 and 2 providers. However, the share held by Class 1 'Growth Providers' has increased rapidly, from 60% in June 2011 to 70% in June 2012. This reinforces the trend mentioned earlier in this Report of Government policy favouring larger growth providers.

1.3 Scale and capacity insights

The promotion by Australian Governments of larger community housing providers, through policy and funding settings, has been driven by assumptions about benefits that increased scale and capacity can bring. These include:

- **Scale economies:** size provides increased efficiencies, allowing better use of IT systems, financial control and administration support infrastructure.
- **Specialisation:** larger organisations can employ higher calibre and more experienced staff. Management can spend more time on strategic rather than administrative activities.
- **Future growth:** larger, higher capacity organisations will have increased access to private finance to fund property maintenance and allow the development of new housing.
- **Risk minimisation:** organisations operating at scale can put in place risk management policies, internal audit committees and other controls. This will reduce risk to Government.
- **Partnering opportunities:** large community housing organisations have the capacity to receive large stock transfers of public housing, and enter into complex structured partnerships with private sector organisations.

These benefits of increased scale are generally 'taken for granted' assumptions, and not supported by research. While many of the points are intuitive, there is no clearly established link between scale and capacity. For example, some larger organisations in terms of tenancy

management have quite limited capacity to raise private finance.

Optimum size

In an influential statement by the Commonwealth Government during discussions on the move to national regulation, it was suggested ‘the emerging industry view appears to be that the ideal size for sustainable growth is 5,000’ (Australian Government, 2010: p.20).

This ‘ideal size’ of 5,000 properties under management is not derived empirically. The number may have been taken from a British analysis, shown in Table 3. This was based on a ‘tentative hypothesis’ of business efficiencies not detailed costings.

Table 3: British views on scale

<i>Activity</i>	<i>Optimum size</i>
Housing management	1,000 - 5,000
Procurement	500 - 2,000
Development	> 7,000
Full financial skills	> 5,000

Source: CIH (2007)

As the authors of the report quoted in Table 3 comment, community housing providers ‘have to think about economies of scale in different ways for different functions’ (ibid, p.7). There are clear differences in estimated optimum size between tenancy managers, and those undertaking development. Therefore a more nuanced view on organisational size is required depending on the organisation’s activities.

The CIH report also questioned the relationship between organisational size and operating efficiencies: ‘we have found no compelling evidence that size has real benefits in terms of the efficiency of organisation, better delivery of services or costs of borrowing. Indeed it appears from the evidence above that a focus on

outcomes and effective management is more important than structures’ (ibid, p.12).

Despite the difficulty comparing research across countries with very different housing systems, the British findings are important. They challenge many of the ‘taken for granted’ assumptions made in Australia about the primacy of the ‘growth provider’ model.

1.4 Collaboration approaches

In discussions about how community housing organisations can reach scale, the most common suggestion is that there should be mergers. However, mergers are only one possible form of collaboration.

Collaboration approaches are on a spectrum of risk and return. Mergers involve a high degree of integration between two organisations, potentially delivering large savings but with a greater risk of dissatisfaction from existing directors, senior staff and tenants. In contrast, looser partnerships deliver modest cost savings but are generally low risk as existing power and control systems remain in place.

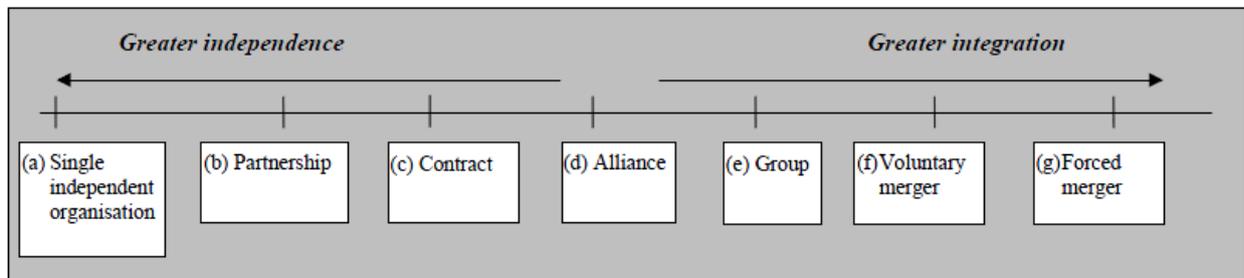
Research by Davies et al. (2006) in Britain highlighted that community housing providers do not always strategically choose the collaboration approach that best suits their requirements. Arrangements tend to be entered into on an ad hoc basis. The main driver for collaboration is often business growth, which increases the prestige of the chief executive, rather than improved efficiency or better quality service.

The researchers found community housing merger efficiency gains more modest than expected due to lack of geographical overlap, unwillingness to reduce staff numbers to the full extent possible and failure to set clear target savings.

Earlier research on English community housing organisations suggested that there is a spectrum of collaboration approaches, as shown in Figure 4. These range from a position of complete independence, to a

forced merger. Each of the options has varying degrees of independence and integration associated with the approach. There is a variety of options available, beyond ‘merger’ or ‘independence’

Figure 4: Collaboration spectrum



Source: Mullins and Craig (2005)

Further discussion on differences between the middle options in the spectrum in Figure 4, with a focus on alliancing approaches, is contained in Section 3 of this Report.

Australian collaboration examples

Mergers between Australian community housing providers have been significant in re-structuring the sector. For example in NSW between 2005 and 2010 a total of 20 housing providers - some 45% of the sector - merged. This is said to have been driven in NSW more by a desire to increase capacity rather than through pressure from regulatory burdens (NSWFHA, 2010).

Mergers have also led to the formation of large organisations outside of NSW. Housing Choices Australia in Victoria, Unity Housing in South Australia and Foundation Housing in Western Australia were all formed through mergers. The pace of mergers appears to have slackened over that last 2-3 years, possibly because there have been a variety of opportunities available under Nation Building, NRAS, and more recently tenancy management outsourcing in three States.

Forms of collaboration other than mergers are relatively rare in Australia. BlueCHP, a not-for-profit property developer producing units that are managed by five mainstream community housing providers, is one of the few examples of a group structure.

Overseas approaches

Mergers and group structures have been a significant factor in the consolidation of Britain’s community housing sector since the mid-1990s. A number of ‘super groups’ grew through merger, increasing their share of social housing stock. These organisations manage between 20,000 and 70,000 homes (Mullins & Craig, 2005)

High profile merger transactions in Britain and the Netherlands have attracted the attention of policy makers and tenant advocates. Critics complain that the newly enlarged organisations lose touch with the communities in which they operate, focusing more on finances and branding than tenants. This is particularly the case when organisations manage housing in many different parts of a country.

The pace of British and Dutch mergers started to slow from the early 2000s.

Regulators require community housing providers to concentrate more on tenant service quality, and focus management resources on the issues emerging from the Global Financial Crisis (Levenson, 2009). As detailed in Box 1, mergers may play less of a role in Britain in the future.

Box 1: Merger futures

'There is a view that mergers are passé, yesterday's issue. Many of these groups are now re-working themselves. They found they're too big, too cumbersome, can't actually provide proper governance and accountability structures, and actually have gone too far. They're now breaking up the groups ... or arriving at different structures ... and the move going forward, recognising that grants are going to go to local authorities, builders, housing associations is about partnership working with a variety of other bodies'

Source: British community housing executive quoted in Gilmour (2009) p.182

Mergers and efficiencies

Overseas research has suggested that not all mergers are successful in achieving their objectives. A review of community housing association mergers in Britain and the Netherlands noted:

- Larger, merged community housing providers are capable of producing more new homes and are better at partnering with other stakeholders than smaller housing providers.
- Smaller community housing providers who have not merged are generally more effective at service delivery and involving tenants in the organisation.
- Successful mergers require a good cultural fit between the two community housing organisations.

The researchers concluded by noting that 'the relationship between the size of

housing associations and their performance is far from straightforward ... these findings clearly complicate judgements on whether the process of increasing scale and industry concentration through merger is a change for the better' (van Bortel et al., 2010: 371).

1.5 Section conclusions

The Australian community housing sector has expanded rapidly over the last decade, with Governments favouring 'growth providers'. To achieve economies of scale, and increase professionalisation, many organisations have merged. An increasingly large proportion of community housing properties are now run by a small number of larger organisations.

Although Australian housing providers have not reached the scale in countries such as Britain and the Netherlands, there are lessons to be learnt. Overseas research suggests there is no clear answer as to what is the optimum organisational size. Mergers have seldom brought the benefits envisaged at the outset, and the overseas focus is shifting back to local housing provision that builds community capacity.

There have been few approaches to sector consolidation in Australia other than through merger, or restricting growth opportunities to the very large organisations. As will be discussed later in this Report, more consideration needs to be given to alternative forms of collaboration between community housing providers, in particular alliances and procurement partnerships.

2 Housing delivery in regional areas

The four members of the Housing Alliance operate in regional NSW. This Section reviews housing issues relating to regional areas, and discusses to what extent they are differentiated from urban settings.

NSW does not have a uniform housing market, rather it operates through a series of distinct sub-markets (Galster, 1997). Sub-markets have characteristics based on existing housing stock, new dwelling supply and buyer/renter preferences. However, they are also impacted by broader trends such as economic and financial conditions.

2.1 Regional housing issues

Analysis of Australia's housing markets has largely focused on metropolitan areas, to the detriment of knowing the impact of affordability and housing supply and demand in regional markets. In one of the few studies with a focus on rural and regional centres, Beer et al. (2011) identified that regional Australia has faced a similar trend to larger cities in terms of the rapid escalation in house prices and rents since in the period since 2000.

In a number of regional areas the 'resource boom' has led to distortion of housing markets. Although this is most commonly associated with Queensland and Western Australia, certain parts of NSW have been impacted. These areas include the Hunter, Gunnedah, Gloucester Basin, Orange and Cobar (Haslam McKenzie et al., 2009).

Regional areas where mining has expanded operate a two-tier housing market. Part of

the market is focused on high income, often temporary, resource workers; while the established population working in support industries or not employed must compete for less expensive properties at the bottom end of the housing market.

Housing stock and tenure

Regional areas have a lower diversity of building types than larger cities. The main form of property is the free-standing house, and the most typical configuration house has three or more bedrooms. There are fewer small properties with one or two bedrooms, and higher density and co-joined houses are comparatively rare.

Table 4 shows the tenure mix in the four areas where Housing Alliance members operate. Generally the level of 'owner occupation', a term including households paying a mortgage, is at or slightly ahead of the NSW average of 66%.

Table 4: Regional housing tenure, 2011

	<i>Owners</i>	<i>Social renters</i>
New England NW	66%	4.9%
Murray	68%	3.6%
Central West	69%	4.8%
Richmond-Tweed	67%	3.6%
NSW	66%	5.1%

Source: ABS (2011). The areas selected are Statistical Area Level 4, covering approximately the regions covered by Homes North, Homes Out West, Housing Plus and NCCH respectively

By contrast, the proportion of social housing is lower in the four areas than the average for NSW. Social housing stock is particularly

low in the Murray region and Richmond-Tweed (Far North Coast). Within these quite large regions, social housing is often not equally distributed.

Mainly as a result of the relative shortage of social housing, there are long waiting times for applicants. Table 5 shows waiting time for a number of key towns in the areas in which Housing Alliance members operate. Very few areas have waiting times under 2 years, and there are some locations where a 10 year wait might be necessary. Probably the most challenging situation is in the Far North Coast region.

Table 5: Social housing waiting times, 2012

<i>Bedrooms</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
Albury	0-2	0-2	0-2	0-2
Armidale	2-5	2-5	2-5	0-2
Bathurst	2-5	2-5	2-5	2-5
Lismore	5-10	5-10	2-5	5-10
Mullumbimby	10+	10+	10+	2-5
Orange	2-5	2-5	2-5	2-5
Tamworth	2-5	2-5	2-5	2-5
Young	5-10	2-5	5-10	2-5

Source: Housing NSW (2012). Waiting time in years

Housing stress

Housing affordability is a function of both housing costs and household income. Housing stress is a specific measure of the extent to which lower income households face unaffordable housing costs (rent or mortgage payments). The usual benchmark for affordability is that households paying more than 30% of their gross income for housing costs are in 'stress'.

Levels of housing stress are shown in Table 6. Apart from in Richmond-Tweed, the proportion of households in both rental and purchase stress are lower than the average for NSW. However, housing stress levels still remain significant. There are a higher

proportion of renters facing housing stress than purchasers in regional areas. This may be linked to the relative shortage of social housing where rents are controlled, and also a shortage of investors to fund new private rental dwelling construction.

Table 6: Regional housing stress, 2011

	<i>Renters in stress</i>	<i>Buyers in stress</i>
New England NW	9.1%	6.4%
Murray	8.3%	6.8%
Central West	7.9%	6.7%
Richmond-Tweed	14.0%	10.1%
NSW	11.6%	10.5%

Source: ABS (2011). Percentage of households paying more than 30% of household income on household costs (rent or mortgage payments respectively)

Table 6 highlights evidence of market failure in the rental market and concern about the ability of low income earners to access affordable rental housing and transition from rental into home ownership in the short and longer term. One of the issues is the household income differential between urban and rural areas.

Table 7 shows the high proportion of low income households in the four selected regional areas. Around a third of households have income below \$600 per week, compared to a quarter across NSW. Median household income is also only around three quarters of the NSW average.

Table 7: Regional household income, 2011

	<i>Incomes under \$600 pw</i>	<i>Median household income pw</i>
New England NW	32.2%	\$902
Murray	31.6%	\$921
Central West	30.8%	\$973
Richmond-Tweed	33.3%	\$865
NSW	24.2%	\$1,237

Source: ABS (2011).

Although the four Housing Alliance members are in regional locations, some of these areas are close enough to population centres to grow through 'sea change' and 'tree change' migration. New purchasers can afford higher prices, leading to faster price inflation. Many properties are purchased as second homes, and the 2011 Census has shown a growth in unoccupied properties, particularly in coastal NSW.

Although retirees are a large part of the sea change movement, they are not the only component. Many new residents moving to coastal areas are younger than for Australia as a whole, and considerably younger than the local population of these areas.

In fast growing resource-boom areas and along the coastal strip of NSW some long-term renters, including Indigenous people, have been forced to rely on non-standard forms of accommodation such as garages or caravans on private property. Some caravan parks have been sold due to rising land values in coastal areas, further reducing amounts of affordable housing.

Housing supply

In both regional and urban areas, a major factor reducing the affordability of housing has been the failure of housing supply to keep pace with housing demand. According to the National Housing Supply Council, the shortfall of supply compared to underlying demand reached 89,000 dwellings in NSW in 2012 (Australian Government, 2012).

There are a range of special factors that impact particularly on increasing housing supply in regional areas:

- A lack of house-building economies of scale in regional Australia is a barrier to delivering new housing. The ongoing skills and labour force contribute to the cost of building, a

particular factor in areas impacted by the resource boom

- Local councils in the regions are of lower capacity, and planning delays can occur. Few councils have affordable housing strategies or funding programs
- New land release may be limited in regional areas, and NIMBY opposition to developments can be strong.
- There is often a mismatch between consumer demand and the type of land released. To promote more affordable housing options, a greater variety in lot sizes and densities is needed.

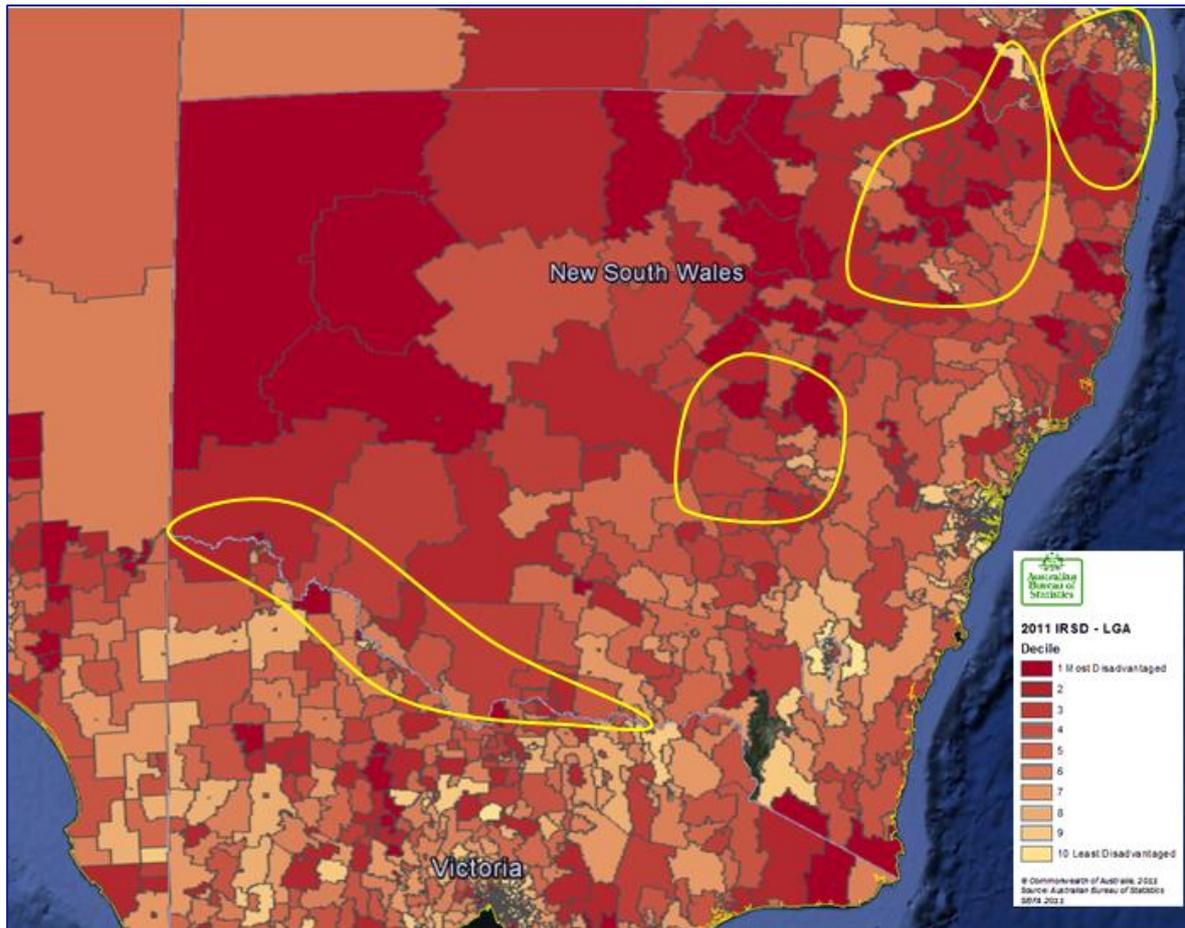
2.2 Regional social issues

A factor affecting demand for social housing is social disadvantage. A widely-used measure of social disadvantage is the ABS SEIFA (Socio Economic Index for Areas) data. The index measures relative disadvantage based income, educational attainment, housing quality, unemployment and other factors. The lower the SEIFA score, the greater the disadvantage in the area relative to all areas in Australia.

The most recent SEIFA data is based on the 2011 Census, and shown for NSW in Figure 5. The operating area of the four Housing Alliance members is shown in yellow. Many locations in which the organisations operate are in SEIFA classes 1-3, the 30% most disadvantage areas in Australia. Very few areas served are in the 30% least disadvantaged areas of Australia.

Figure 5 demonstrates the concentration of disadvantage in remote and regional areas in NSW. Most areas that are relatively advantaged are in the major cities and along parts of the coastal strip.

Figure 5: Regional locations and disadvantage



Source: ABS (2011). Modelled by the author using Google Earth. For index to organisations, see Figure 6

As a result of higher levels of social disadvantage, community housing providers that operate in regional areas face a series of additional challenges. Some of these emerge from particular issues facing regional and remote areas:

- The rapid recent regional population increase has challenged existing social services both in terms of demand for service, as well as the variety and complexity of services needed. Gaps in service provision are harder and more costly to address in areas with a dispersed population
- Recent regional population growth has not always been accompanied by a similar rise in the number of jobs. Many of the newer local jobs in the agricultural and service sector are relatively low paid (Table 7)
- Regional NSW is characterised by smaller towns and villages with poor public transport links. Lower income people living in areas of high social disadvantage may not be able to easily and affordably travel to parts of the region where there are jobs
- The geographic spread of people requiring care, and the time and cost of travelling to reach them, is a major barrier for delivering outreach health care services in the regions. Regional areas have a higher proportion of older people, and this is projected to be a fast growing cohort in the future

- In many regional centres, a significant proportion of the population is Indigenous. Issues of racial discrimination and severe disadvantage due to high levels of unemployment make it very difficult for Indigenous people to compete at the lower end of the housing markets, and they often experience displacement to other tenure forms or locations.

2.3 Community housing providers in the regions

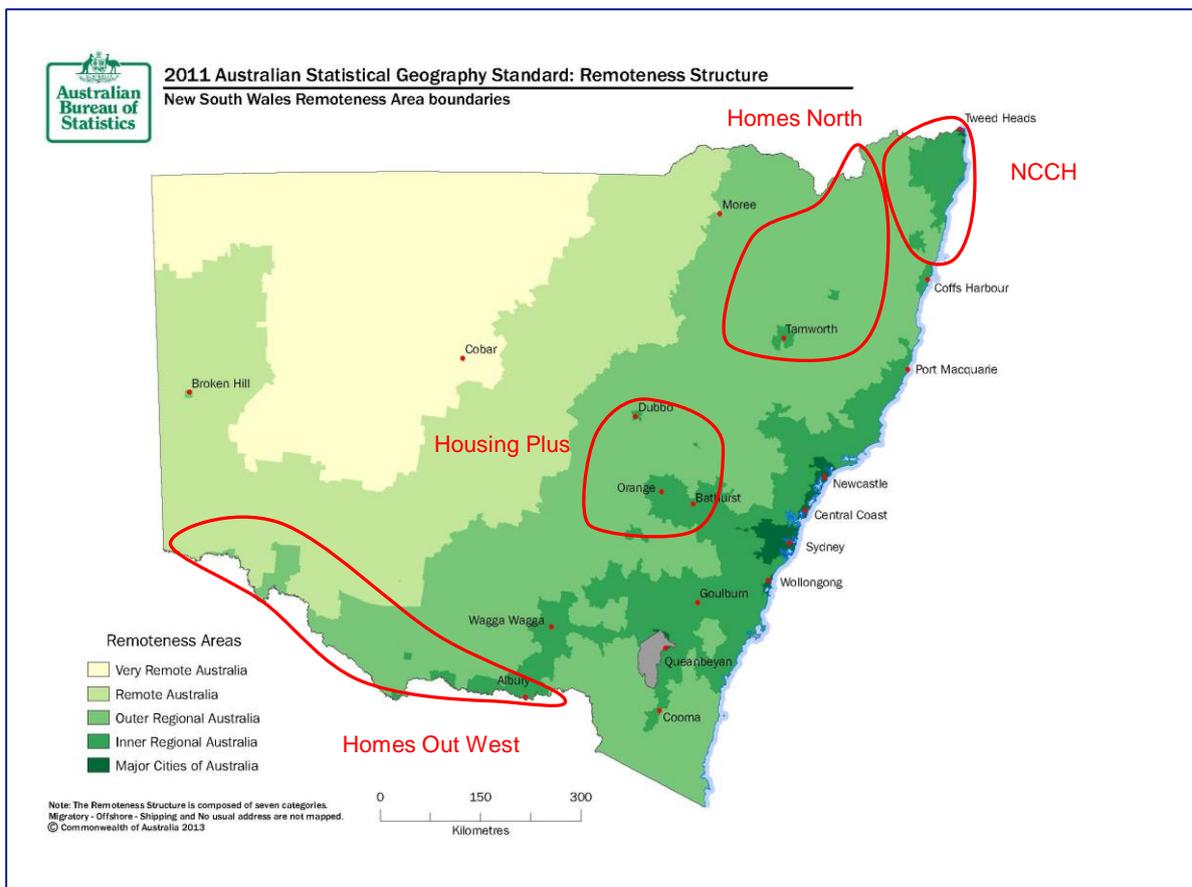
Data analysis on the location of housing is based on the Australian Statistical Geography Standard Remoteness Structure used by the Australian Bureau of Statistics

(ABS). This is based on calculations by the University of Adelaide on road distances to service centres. Areas are then classified in five categories, as shown below for NSW:

- **Major Cities:** metropolitan greater Sydney, the Central Coast, the Lower Hunter, Wollongong and Tweed Heads
- **Inner Regional:** generally the NSW coastal strip, and regional towns such as Tamworth, Orange and Albury.
- **Outer Regional:** regional areas generally in western NSW.
- **Remote and Very Remote:** areas in the western half of NSW.

The operating areas of the four Housing Alliance members are shown in Figure 6.

Figure 6: Regional locations of Housing Alliance members



Source: ABS (2013)

From Figure 6, most Housing Alliance community housing is provided in Inner Regional and Outer Regional areas, especially for Housing Plus and Homes North. NCCCH operates more in Inner Regional and Major City areas, and Homes Out West provide housing in both Regional and Remote areas.

The Australian Institute of Health and Welfare (AIHW) provide information on the distribution of community housing based on ABS remoteness categories. The most recent data are shown in Table 8.

In June 2011 around two thirds of NSW community housing was in major cities, a similar level for Australia as a whole. The

proportion has remained steady, with for example 67% of NSW community housing in Major Cities at June 2009 (AIHW, 2010a). This suggests NSW Government policies on Nation Building and NRAS allocations have achieved a consistent balance between Major Cities and Regional areas.

Table 8: NSW community housing, 2011

<i>Area</i>	<i>Number</i>	<i>Share</i>
Major Cities	19,121	67%
Inner Regional	6,350	26%
Outer Regional	1,586	7%
Remote	28	-
Very Remote	4	-

Source: AIHW (2012). Data as at 30 June 2011

Box 2: Housing Plus - a leading regional community housing provider

Housing Plus is a Class1 Registered and 3 year Accredited not-for-profit social housing company limited by guarantee, registered a Public Benevolent Institution with Deductible Gift Recipient Status. The company operates as a social enterprise, combining dedication to a strong mission with an ability to harness professional expertise once reserved for private sector businesses.



Housing Plus provide high quality affordable rental housing and support services to people in need, and act as a key community partner in the regions and neighbourhoods where they operate. Their Directors live locally, have demonstrated experience and follows the ASX Corporate Governance Principles. Similarly, management and staff are professional and well-informed.

Housing Plus's strong values drive everything they do. The organisation respects tenants, clients and partners and promotes excellence through being transparent, approachable and accountable. Staff and Directors are professional people who are diligent, ethical and committed to the objectives of the organisation. Central to Housing Plus's mission is a commitment to diversity and equality through delivering ethical, non-discriminatory and culturally aware services.

Housing Plus operates over a wide geographical area, with an administration office in Orange, Branch offices in Orange, Bathurst and Mudgee, with outreach services extended to Kandos, Rylstone, Gulgong, Molong, Wellington, Dubbo, Parkes, Forbes and Cowra. In this region they have strong links with councils, welfare agencies, housing advocates and community members. Their goal is to offer the highest quality services, and be the leading 'community anchor' in NSW Central West, through coordinating with service partners and giving a local point of reference.

Housing Plus currently manage about 800 properties that are rented to lower income households and will introduce an affordable housing program which is currently under construction in mid-2014. Many of these are owned by Government, though some are leased from the private market and others are run in partnership with not-for-profit welfare groups. In 2010 they successfully won a tender to receive newly-built Nation Building social housing. In due course Housing Plus will receive title to these properties, and raise private finance to increase the regional supply of affordable housing. By offering some tenancies to low and moderate income households, Housing Plus offers a 'housing continuum' and creates pathways for our tenants as their circumstances change.

There are just under 8,000 community housing homes in Inner Regional and Outer Regional areas of NSW. Housing Alliance members manage around 2,900 properties in total. Therefore around 36% of all community housing dwellings in NSW are managed by Housing Alliance members.

Issues facing regional providers

All Australian community housing organisations are operating in a complex and changing policy environment. Tenants have increasingly challenging needs, housing is in short supply, and funding is becoming more competitively allocated. However, there are additional issues facing regional housing providers:

- There is pressure from State Government to increase social and affordable housing delivery. But in regional areas there are fewer scale economies for development, delivery costs are higher, and it is harder to secure debt and equity funding.
- Regional land values are lower than in major cities, making it less likely that the planning system can be used to partially fund new affordable housing. Local planning controls also tend to favour higher cost, lower density development projects.
- It can be difficult to source community housing staff members in regional areas, particularly those with specialist skills in community housing, and with senior management experience.
- Regional housing providers often provide housing over large geographic areas, increasing the cost of delivery. There is often a need to open small regional offices, which are complex and expensive to operate

- Medium sized community housing providers in the regions may find it harder and more expensive to access consultants, contractors and afford larger high capacity computer systems.

2.4 Section conclusions

Housing markets in general, and social housing markets in particular, vary between location. Australian capital cities have seen fast growth over many decades, though around one third of the population still live in regional areas. The regions have seen population growth pressures, like the major cities, but have fewer policy and funding initiatives available to address increasing problems with housing affordability.

Housing Alliance members mainly operate in Inner and Outer Regional area, based on ABS categories. These locations face a variety of social and economic challenges, and generally have higher levels of disadvantage than major cities. As such, Housing Alliance members face distinct a complex set of problems, though have useful knowledge to share with each other through alliancing approaches.

3 Alliancing approaches

This section reviews both the research literature and case study examples to give pointers to best practice in forming alliances in the community housing sector.

3.1 Understanding alliances

There is no agreed definition of what an 'alliance' is, or how it might differ to other forms of collaboration such as partnerships and contracts. Often these terms are used inter-changeably.

Figure 4, based on work studying British community housing organisations in the 2000s, suggested there is a range of different collaboration approaches that fit between the 'extremes' of complete independence and forced merger (Mullins & Craig, 2005). These include:

- **Partnership:** an arrangement between organisations involving a high level of autonomy and flexibility, but needing a constant process of re-negotiating the relationship.
- **Contract:** small amounts of autonomy sacrificed in return for greater certainty and less continuous negotiation.
- **Alliance:** a wider range of functions dealt with by agreement with the partners, but independent identity preserved.
- **Group:** entering into a group structure preserves organisational identity, though reduced ability to pursue an independent strategy.

Partnerships and contracts tend to be used for specific projects, such as buying a new IT system or jointly bidding for a contract. They may relate to certain parts of the organisations' activities. By contrast alliances tend to be more wide-ranging in the areas they cover. Alliances require a high level of trust between the various organisations, and do not just rely on formally documented protocols.

Alliance contracting

Although not a form of alliancing as such, alliance contracting is an example of the type of collaboration practice being used in the commercial sector and in complex cross-sectoral partnerships. It shows the more complex types of relationships emerging between organisations, and the move away from complete reliance on documented, transactional relationships.

Alliance contracts can be used to deliver complex projects where risks cannot be fully identified and priced at the time the contract is being negotiated. Partners work collaboratively under 'win or lose together' approach to achieve better outcomes.

Alliancing has been strongly promoted by the Victorian government, and their guidelines establish benchmarks for how the process can work best (Victorian Government, 2006).

Communities of practice

Recent research on information sharing within the social housing sector has highlighted the importance of understanding the concept of 'communities of practice'

(Proctor, 2013). This relates to knowledge sharing between individuals working in different organisations, but with a shared interest in a common field of work. It is more applicable to loosely structured professions, such as social housing, rather than profession with shared entry paths and certification such as the law and medicine.

An alliance can be seen as one form of a 'community of practice', sharing learnings within the community housing sector. Often housing alliances act as multiple 'communities of practice', for example when asset managers are brought together between alliance members, as well as a separate group of finance managers.

Box 3: NCCH - working in partnership

North Coast Community Housing (NCCH) is a non-profit housing company providing social and affordable, community-based rental housing for people in housing need and on low or moderate incomes. They provide housing in council areas of Northern NSW including Clarence Valley Shire, Richmond Valley Shire, Kyogle Shire, Ballina Shire, Byron Shire, Lismore and Tweed Valley Shire.



The organisation has a head office in Lismore and branch offices in South Tweed Heads and Grafton. It is Class 2 registered community housing provider and fully accredited against the national community housing standards. NCCH is managed by a Board of Directors and the day-to-day operations are carried out by permanent staff of 26.

Over the past 29 years, NCCH has formed successful partnerships with a wide range of support agencies throughout the region. These partnerships are set up to ensure that vulnerable and high need people are able to enjoy sustainable tenancies. Over 10% of tenants require varying levels of formal support with their living arrangements to enable them to live independently.

The property portfolio of the company seems set to continue to grow. During 2012-13, NCCH commenced the development of new social housing dwellings and also delivered its first homes under its Affordable Housing Program. This is aimed at key workers unable to afford accommodation located close to their place of employment.

NCCH works in a range of formal partnerships with support services providers to ensure that those most vulnerable in our community have access to local social housing. The partnerships, where NCCH deliver tenancy and property management services (generally from properties within its existing portfolio) whilst the support provider delivers ongoing support/care services to the tenant, are conducted according to management and service arrangements that best promote the sustainability of each tenancy.

In 2010, NCCH established their Housing Partnerships Program in order to progressively increase the total number of properties being managed under formal agreements with support providers. In addition to assisting more people who required ongoing support to sustain a tenancy, the program ensures that:

- There are clear criteria for the approval of new projects (including criteria for expanding arrangements with existing partners).
- There will be improved forward planning, in relation to the number of properties being allocated to the program each year, so new projects could be more strategically developed with both existing and new partners.
- The program will be more heavily promoted in the community, in order to ensure access to partnerships included all local agencies who had an interest in (and the resources required to commit to) a supported housing partnership with NCCH.

The research literature notes the benefits are not just gaining practical knowledge, but also participants 'get support, reassurance, insights and exposure to different value

3.2 Overseas examples

In countries with large community housing sectors, such as Britain and the Netherlands, there are many examples of joint working between housing organisations. Research from the mid-2000s indicated 67% of English community housing providers who have not merged or formed group structures had established some form of partnership arrangement (Davies et al., 2006: p.18).

The most common areas for collaboration in Britain are raising investment and development partnering, followed by procurement, alarm services, shared asset management and information technology.

The British Government's policy from 2004 of reducing the number of community housing providers able to bid for social housing funds, concentrating development into a smaller number of higher-capacity housing associations, has led to the growth of development partnerships and alliances. This is similar to how the restriction of development funding to larger community housing providers in Australia from the early 2000s led to the establishment of BlueCHP as a development partnership in NSW.

Britain's restructuring of social housing since the late 1980s led the emergence of a variety of organisational forms. Social housing delivery is now shared between community housing providers, councils and arm's length management organisations (Pawson et al., 2010). Partnerships and alliances are often formed between different organisation types, for example between a

systems and beliefs. Both explicit and tacit knowledge are exchanged' (Preece, 2004: p.294).

council housing provider and a community housing organisation.

Peer support alliances

There are examples in Britain and the US of alliances being formed between community housing organisations to provide peer support for their members (Gilmour, 2009). These are seldom documented or researched, and often not disclosed.

One higher profile alliance is the [Airport Group](#) which operates in the north of England (see Box 4). Peer grouping takes place between chief executives, and among functional specialists such as finance directors who meet quarterly, although communicate regularly by e-mail.

Box 4: The Airport Group

'The Airport Group is an informal alliance of 13 like-minded, stock transfer housing associations that are committed to working in collaboration on issues of common interest. Together we manage 175,000 social homes across the North West and Pennine regions, home to over 400,000 people, giving the Group unparalleled knowledge of residents' aspirations. From Liverpool to Bradford and from Preston to Chester the Airport Group operates over nearly 2,000 square miles, providing homes and support services for people; helping some who are the most vulnerable members of our communities. The Airport Group is an illustration of social value in action'

Source: Airport Group (2013)

A member of the Airport Group, interviewed in 2008, noted new organisations would only be admitted if they are similar, and they were run by like-minded individuals. Chief executive peer group meetings are 'very open sessions ... it only works because

everybody feels comfortable with everybody else. There's no posturing, there's no significant amounts of 'look at what we've done' there's much more 'look, I'm struggling with this, has anyone got any ideas about what we can do?' (Gilmour, 2009: p.238).

The Airport Group's initial peer networking activities have expanded over recent years to include:

- Joint research projects
- Development of joint social enterprise initiatives, particularly around providing skills to young people and encouraging workforce participation
- Shared procurement of building materials
- A shared awards scheme recognising good practice, and a scholarship program across all member providers
- Regional joint lobbying, for example against proposed welfare reforms

The Airport Group is an example of a virtual alliance. They have not established a common legal structure, rather operating through a Memorandum of Understanding (MoU). Their website allows a shared branding, and exists in parallel to the websites of individual alliance members.

Some of the activities of the Airport Group are parallel, or could be said to duplicate, those undertaken by trade associations such as the National Housing Federation. Alliances tend to differ to trade associations in that they:

- Have smaller numbers of members, and therefore build stronger personal links and levels of trust between senior executives.

- More information can be shared in confidence, as alliance members normally limit the extent of direct competition through their MoUs.
- Alliances normally have strongly shared characteristics that differentiate themselves from mainstream community housing providers. This may be through their business activities, or area of operation

An alliance with a similar approach to the Airport Group is the [g15](#), a group comprising ten of London largest community housing organisations. Collectively, g15 members house one in ten Londoners, manage 410,000 homes and build 10,000 new homes each year.

The g15's work focuses on peer networking, research and lobbying. Through their shared website and brand, and substantial housing portfolio, the g15 have the collective power to influence policy and funding decisions by the Greater London Authority and Government.

One example of the g15 sharing procurement is that the alliance collectively employs Lexington Communications as their public relations and communications agency. This approach is more cost effective than each g15 member undertaking their own campaigns.

Activity alliances

Several overseas community housing alliances have a clear focus on delivering particular services. However, they will often act as peer support networks as well. Types of activity include:

- Development alliances, allowing scale economies in building new housing. This can allow for more skilled

developments staff to be employed, and a sustainable flow of transactions.

- Materials sourcing, particularly for asset maintenance and upgrades. This can also include specific items such as fire alarms, hot water systems etc.
- Procurement of IT systems, or running shared IT data centres.
- Collaboration over neighbourhood renewal, urban redevelopment and longer term place management.
- Jointly establishing and coordinating social enterprises.
- Achieving cost savings through collectively sourcing household insurance.

The above activities could be undertaken on a traditional partnership or contract basis. However, there are examples where collaboration on a specific project has led to the development of a broader alliancing approach. British examples include:

- **Highland Housing Alliance:** owned by five Scottish community housing organisations, two housing trusts and the local council, the Alliance is a development organisation and a promoter of environmentally sensitive design and building projects.
- **Fife Housing Association Alliance:** a voluntary group of four Scottish community housing organisations to jointly procure new housing. The Alliance was built on an existing relationship between the existing member organisations.
- **Norfolk Housing Alliance:** a forum for local social housing landlords to share good practice and to work collaboratively on lobbying, joint

training and bulk-buying certain services.

- **Easterhouse Housing and Regeneration Alliance:** an umbrella organisation representing eight community housing organisations and co-operatives in Glasgow. The Alliance lobbies Government, runs a shared waiting list for social housing, benchmarks performance between the organisations and partners on local regeneration initiatives.
- **North River Alliance:** established in 2004, an alliance of 11 community housing organisations in north London developing affordable housing.
- **Fusion 21:** initially formed by community housing providers in Liverpool, Fusion 21 has now become a nationally operating independent social enterprise. It provides shared procurement as well as training, consulting and contracting services. Social housing providers can join Fusion 21 without charge.

Trade associations can offer a number of savings from shared procurement, such as through bulk-buying of household insurance. However alliancing approaches may work better where the service provided is less of a commodity and local factors or market conditions are important.

Organisational structures

In Britain there is no regulatory structure for alliances, and they come in all shapes and sizes. Individual housing providers are regulated, not alliances. The exception would be where there is a formal legal agreement to create a group structure, in which case they are not really alliances.

In general the example alliances from Britain are not asset holding, though they may have a separate legal structure for entering into contracts for service procurement. Some alliances, such as the g15, employ one or two staff members, though in general this is uncommon.

3.3 Alliance strengths and weaknesses

The strengths of alliances between community housing providers are:

- Members can gain economies of scale through shared procurement.
- Alliance members may be less likely to be taken over by a larger organisation, and retain their independent roles as 'community anchors' in the regions where they operate (Wadhams, 2006).
- Greater knowledge sharing can take place than in trade associations as trust relationships are built. Alliances support 'communities of practice'

Alliances have several weaknesses:

- When numbers of alliance members increase, it is harder to establish relationships of trust.
- Key individuals play an important role in alliances, and they can face challenges when people move or retire from their organisation.
- Without an independent organisation structure, funding, staff and established 'rules of the game', alliances face less certainty on their survival than groups or mergers.

3.4 Section conclusions

The concept of alliancing, and alliance contracting, is becoming more common in Australia and overseas. This applies to the private sector, the not-for-profit sector, and cross-sectoral arrangements. Despite the growing use of these arrangements, there is no consensus on terminology or precise definitions.

As shown in examples from Britain, there are a number of arrangements best described as 'alliances' in the community housing and broader social housing sector. These alliances contain elements of peer networking, service/product procurement, or a combination of both. Alliancing has not been seen so far between Australian community housing providers, and the most common form of amalgamation is merger.

Alliances are not fixed in time or for a particular purpose. In Britain, they tend to be established with a smaller number of members for a specific purpose, and then expand later in terms of both membership and scope of activities. Trust needs to be built between founding members before more challenging roles can be undertaken.

4 The Housing Alliance

The final section in this Report provides detail on the Housing Alliance, and suggests future issues and opportunities.

4.1 Formation and development

A 'Mastermind' group of four regional community housing providers emerged following the NSW Federation of Housing Associations Conference in November 2010. The founders were Homes North, Housing Plus, Homes Out West and NCCH.

During the first year and a half of existence, the four corporate leaders of the member organisations shared information and provided mutual support. At this stage the organisation worked as a 'peer support' network, as outlined in Section 3.2.

The benefits of collaboration soon became evident and it was agreed all member organisations would extend the scope of the

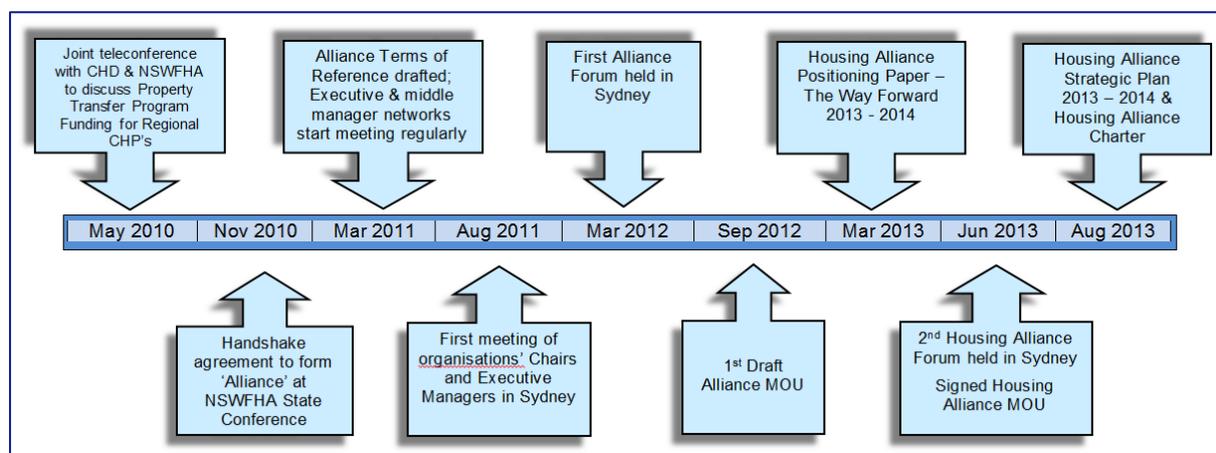
collaboration throughout their structures - both up to Board level and across to senior management.

To launch this extended level of collaboration, a networking forum including Directors, corporate leaders and senior managers was held in Sydney in March 2012. The corporate leaders and other working groups had previously met via telephone conference on a regular basis, normally every month.

In late 2012 the leaders met in Sydney to review progress to date, and consider ways of extending the scope and scale of the grouping. At this meeting the Housing Action Network highlighted best international practice for housing alliances. The 'Housing Alliance' name was adopted, and greater clarity reached on the scale and scope of future activities.

The growth and development of the Housing Alliance is shown in Figure 7.

Figure 7: Housing Alliance timeline



Source: supplied by the Housing Alliance

During 2013 the Housing Alliance agreed to a new one year strategy, member organisations signed an MoU, and a new brand was adopted. This Report was commissioned so that the wider community housing sector could be informed of the existence and purpose of the Alliance.

A move to wider services

The Housing Alliance currently engages in a number of activities which suggest it is developing into an 'activity alliance' in addition to 'peer support'. These include:

- Joint procurement of consultancy and research activities through arranging a single contract with the Housing Action Network. In effect professional advice can be sourced at one quarter the cost of single procurement.
- Collective working on brand development, marketing, conference attendance and website development.
- Cost savings though taking less management time to access to other peer support networks. For example, one senior Housing Alliance executive could be a member or director of trade associations.
- Research and negotiations relating to sourcing new computer systems to provide integrated management services. This can be a complex and expensive process for individual community housing providers. Members of the Housing Alliance can build their knowledge, but choose to individually procure particular systems.

Strategic positioning

The Housing Alliance members have agreed five core principles that govern how they act, individually and collectively:

- **Regions:** the Housing Alliance supports community housing providers operating in regional housing markets in NSW. This is defined as areas beyond the greater Sydney area of Wollongong, Sydney and Newcastle and the developed coastal strip.
- **Members:** Housing Alliance members will in the short term look to deepen inter-organisational relationships rather than seeking additional new members.
- **Focus:** the approach of Housing Alliance members is to act as 'community anchors' in the regions in which they operate. Links with partner service providers and councils are important as well as looking to increase portfolio sizes.
- **Values:** Housing Alliance members will freely share information between each other. They also act cooperatively with other organisations sharing similar regional characteristics and values.
- **Purpose:** the Housing Alliance is principally a networking organisation sharing best practice, and working to jointly procure goods and services where there are cost savings. It will also lobby Government and other stakeholders to raise the profile of issues faced in regional housing markets and communities.

Box 5: Homes Out West - leading practice in property improvement

Homes Out West is a leader in social housing provision in the south western Riverina region of NSW. The organisation delivers affordable housing to those most in need across 11 rural communities along the Murray River, bridging an area of some 700km between Albury in the east and the South Australian border in the west. They have a board of seven directors who oversee the governance of the organisation. Their directors, staff and contractors, are local to the communities served. Homes Out West currently manage a portfolio of approximately 450 properties. This entails a mix of capital properties, fee for service and leasehold properties.

Homes Out West's operations reflect their values in respect of the diversity, equality and rights of people; working as a community on common issues; displaying integrity, transparency and accountability; promoting quality and equity in our work, our houses and people's lives; and providing long term safety and security through the housing product we deliver.

They have strong partnerships with many service providers across the region to assist support our tenants and enhance their lives. Key partnerships have been developed through our co-location office arrangements with other service providers in Deniliquin and Albury. This office 'hub' arrangement offers a one-stop-shop service to our tenants and potential applicants and augments our position as a leading 'community anchor' in the lower Riverina region. This innovative example has been recognised by the NSW Registrar of Community Housing as best practice.

Property innovation

The organisation has undergone a period of massive growth in recent years primarily due to the sector wide reform initiative of the property transfer program. This resulted in Homes Out West acquiring a portfolio with a strong dominance of aged fibro cottages, presenting challenges in relation to maintenance liabilities & a variance between housing product & demand.

Homes Out West undertook a significant piece of work in developing a Dwelling Decision Tool to produce a detailed assessment of the environment surrounding the organisation's assets alongside an analysis of current assets and if they are 'fit for purpose'. The innovative tool has been used to indicate which properties are performing well and meeting clients and the broader regions current housing needs. The Tool is reviewed and refined on a three year cycle to maintain relevance with the changing environment.

Six pilot properties with differing design features and across various locations were selected as a sample. The pilot properties were initially technically inspected by Homes Out West and several independent architects with concepts collected on best practice for sustainable improvements. Input was gathered also from interested tenants through a tenant forum. A range of initiatives were raised, with all options being assessed on their ability to address the project objectives. Initiatives included increased insulation, external cladding, roof exhaust vents, skylights, blinds, ceiling fans and solar hot water. The evaluation process, undertaken after eighteen months of tenants living in the modified properties, outlined a range of recommendations on ways the portfolio could be improved in line with the project aim.



Before



After

4.2 Member organisation profile

Although the meeting of the four corporate leaders was by chance, subsequent discussions showed the organisations had a number of shared characteristics:

- All four members provide community housing services in regional NSW locations.
- Their operations span large geographic areas, with multi-site offices and requiring large distances to be travelled by staff.
- The four organisations are seen as ‘mid-sized’ community housing providers within the sector, and mostly Class Two providers in NSW.
- Members have experienced recent rapid growth driven by Government policy, including receipt of property transfers including ‘whole-of-location’ stock transfers.
- The organisations operate adjacent to large-scale and expanding community housing providers who had indicated they would like to merge with one or more of the partner organisations.
- The four organisations have started, or wanted to start, property development, but were constrained by operating at modest scale and in challenging property markets.
- The corporate leaders of the organisations share a similar vision, particularly around maintaining strong community links and remaining as independent organisations.

- Housing Alliance members work in housing markets with different dynamics to metropolitan Sydney. For example, three member organisations operate in low demand, low value markets. These markets are seen to be less of a focus for State Government than the Sydney region.

The early development of the Housing Alliance in Australia has followed a similar pattern to the formation of the Airport Group in Britain. Trust was initially built through peer network, then further areas of cooperation emerged. As indicated in the ‘communities of practice’ literature, it was important in these early stages for there to be a high level of trust between members.

4.3 Housing Alliance review

As detailed above, the Housing Alliance members are medium sized community housing providers and manage between 450 and 870 tenancies each. Based on an analysis of June 2012 annual reports, the four Alliance partners are numbers 28, 29, 32 and 41 in the national rankings based on tenancies. This makes them relatively large, given that there are some 900 organisations in the whole sector across Australia.

If the Housing Alliance numbers of tenancies under management are combined as though they operate as a single entity, the Alliance becomes the fourth largest in the country as shown in Table 9.

Number of tenancies under management is only one measure of scale. Others include:

- **Annual income:** the Alliance is number 13 in Australia at \$28 million, of a similar scale to Bridge Housing and Evolve Housing.

Box 6: Homes North - building community cohesion

Homes North is an innovative not-for-profit social enterprise delivering high quality housing management and support for people on low to moderate incomes in the New England and North West region of NSW. They currently manage over 850 properties under a wide range of programs that include providing social housing to community members who are disadvantaged in accessing private rental, alleviating housing stress by providing affordable housing options to moderate income households and providing specialist housing for disability clients. Homes North also operate a rent-to-buy scheme in Armidale and Tamworth.



Homes North is also an important access point for homelessness and allied services, this is particularly so in smaller regional locations. Homes North has built strong partnerships with services across the region to ensure optimal outcomes for our clients and communities. We have a strong Board of six skilled directors who are committed to delivering quality services and maintaining a robust financial model.

Homes North is committed to managing their business well so we can increase the supply of affordable housing in the region. They have acquired 5 properties, have 12 are under construction and plan to acquire a further 13. These properties are for low and moderate income households.

All administration, finance and reporting functions reside in Armidale and are managed by the Chief Executive Officer and Manager Business Services. The Company also has a specialist asset management team in Tamworth, overseen by the Asset Manager, to ensure the efficient management and maintenance of the asset base. Housing management is delivered through our four local offices: Armidale, Tamworth, Gunnedah, Glen Innes and Tenterfield.

Gunnedah Community Cottage

Under the 'whole-of-town' stock transfer programme in 2007-8 Homes North took on the management of the Housing NSW social housing portfolio in Gunnedah, approximately 150 properties. Just under 100 of these properties are located in a precinct in west Gunnedah located on the "wrong side of the tracks".

The area had a history of hard-to-let properties, vandalism and anti-social behaviour. As part of a suite of strategies to improve the quality of life for people living in the area and reduce overheads from vacants and vandalism Homes North opened a community cottage in the centre of the precinct. Services and community development activities delivered out of the cottage are coordinated by on-site Salvation Army staff.

Hope House now offers a range of facilities and services including a mother's group, positive lifestyle programmes, counselling services, budgeting, loans, community gatherings and celebrations, a playgroup and opportunities for community members to volunteer and gain skills

The upgrading of the house, gardens, outdoor areas and children's playground was made possible by significant donations from businesses and hours of volunteer work by local community groups. The cottage is a great example of community contribution.

Homes North extended its commitment to the project in 2013 by negotiating with the Aboriginal Housing Office the use of an adjacent vacant block for a community garden. The derelict site has been transformed into an orchard and vegie patch.

As a result of this and other strategies the precinct has become a regular place to live. The riots, vandalism and hard-to-lets are a thing of the past.

Homes North is committed to making social housing a housing solution that provides life opportunities. The Gunnedah Community cottage is testament to this commitment.

- **Net assets:** the Alliance is number 23 in Australia at \$37 million, of a similar scale to BlueCHP and Argyle Community Housing. These figures are prior to approved asset transfer of 437 properties.
- **NRAS incentives:** two Alliance members have incentives, though neither has yet delivered dwellings.

Table 9: National rankings, 2012

<i>Organisation</i>	<i>Rank</i>	<i>Homes</i>
St George Community Housing, NSW	1	4,198
Community Housing Limited, national	2	3,727
Compass Housing Services, NSW	3	3,349
Housing Alliance, NSW	4	2,881
Evolve Housing, NSW	5	2,100

Source: Annual reports as at 30 June 2012

The Housing Alliance does not, and does not intend to, act as a merged organisation. Therefore the above rankings need to be interpreted carefully. However, they indicate how through targeted marketing, and establishing a ‘virtual group’, the four Housing Alliance members can re-image the way they are seen by State and Commonwealth policy makers, and by the broader community housing sector.

By sharing procurement of goods and services, the Housing Alliance has gained many of the economic benefits of being a single merged entity. Consultancy, legal, technical and other costs have been spread across four organisations. Knowledge has been shared, and ‘virtual capacity’ built.

Member benefits

The move to national regulation is likely to lead to sector consolidation over the next two years. Through establishing the

Housing Alliance, the four member organisations are more likely to preserve their independence. Furthermore, with complexity increasing in the sector, there might be opportunities for Alliance Members to combine with some of the small housing operators in the regions. Alliance members might be considered an attractive merger option due to their inclusive values.

As independent organisations, the four Housing Alliance members can better act as ‘community anchors’. They can partner with local councils, human service providers and the private sector to deliver quality solutions for individuals and communities within their regions. Coordinated regional development is becoming increasingly important.

Alliancing limitations

Unlike the Airport Group in Britain, the Housing Alliance members operate in different areas. Only Homes North and NCCCH are located in relative proximity. One benefit of this is that there are unlikely to be disputes between Alliance members where two members seek to tender for a contract in the same area.

Geographical distance between Housing Alliance members makes it less likely that shared property development staff capacity and other resources could be built. However, there may be some benefits from shared materials procurement.

It is not yet clear how alliancing approaches will impact on introducing the move to the National Regulation of community housing. Most likely, following overseas practice, individual member organisations will be regulated not the alliance. Housing Alliance members may not be able to use their improved scale economies and purchasing power to justify Tier One status.

All alliances depend on close working relationships between member organisations, and in particular between the corporate leaders of these organisations. Levels of trust can be harder to maintain if personnel change. The Housing Alliance will need to continue to demonstrate benefits for members.

Future strategies

There may be other community housing organisations keen to join the Housing Alliance. Several providers across Australia have a regional focus, and wish to preserve their independence. The Housing Alliance has decided that they will remain as a 'closed' group until the model is fully established. This may be wise, to reduce complexity and allow peer networking and trust relationships to build.

Longer term, the Housing Alliance may decide to broaden its membership. Overseas alliances typically have between 4 and 12 members. Running a larger peer networking group than this is probably unrealistic for achieving best outcomes.

4.4 Sector conclusion

Despite some of the inherent limitations in alliancing, the Housing Alliance is a genuine innovation in Australia. There are, to the author's knowledge, no other examples of alliancing being used in the community housing sector. The Housing Alliance will therefore act as a helpful adaptive experiment for Australia and is likely to encourage further alliances as the community housing sector further expands.

The Housing Alliance has developed over the last three years from an informal network between chief executives, to a

more formal peer network, and more recently to an alliance for shared procurement. This follows the growth patterns seen overseas. It is likely that new areas for collaboration will emerge in the future, bringing further savings and efficiencies.

Continuing collaboration between Housing Alliance members will bring competitive advantage compared to acting as independent stand-alone organisations. Housing Alliance members will be able to raise the profile of regional housing issues and secure greater Government support and funding. Over time, the Housing Alliance may be seen as collectively living up to the position as the fourth largest community housing tenancy manager in Australia.

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