




Human Services
NSW Aboriginal
Housing Office

The Build and Grow Aboriginal Community Housing Strategy





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Cover painting by Lorraine Brown and Artists from the Coomaditchie Artists Cooperative.

This artwork was created as part of a series of panels that were on display outside the Wollongong City Art Gallery for the 1993 World Indigenous People's Conference.

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FOREWORD FROM THE MINISTER



It is the shared responsibility of the government and the Aboriginal community housing sector to work together to best meet the housing needs of Aboriginal people now and well into the future.

The initiatives detailed in the *Build and Grow Aboriginal Community Housing Strategy* will strengthen the sector, make it more financially sustainable, establish new standards, and open the door to a whole new range of opportunities.

Providers that meet the new standards will be assisted with capacity building, business development and rental reform. This will ensure the viability of the Aboriginal community housing sector, as well as help providers participate in the range of initiatives and opportunities available to other community housing providers.

Aboriginal Community Housing Providers will also have their houses repaired through the Remote Indigenous Housing National Partnership Agreement; a key to ensuring quality housing for Aboriginal people.

The initiatives in the *Build and Grow Aboriginal Community Housing Strategy* provide a path forward to ensuring the best outcomes for Aboriginal providers, Aboriginal communities, Aboriginal families and individuals.

This is both an exciting time and an important time for the Aboriginal community housing sector. There are unprecedented levels of commitment and funding from the NSW and Australian Governments and the new initiatives under the *Build and Grow Aboriginal Community Housing Strategy* provide opportunities which I am confident will achieve an invigorated and successful sector.

I look forward to us all working in partnership to achieve better housing, and more housing, for Aboriginal people.

A handwritten signature in black ink, appearing to read 'D. Borger'.

The Hon. David Borger MP
Minister for Housing

FOREWORD FROM THE BOARD OF THE NSW ABORIGINAL HOUSING OFFICE

We, the Board of the NSW Aboriginal Housing Office, are pleased to be working with the Housing Minister, David Borger, to ensure that the Aboriginal community housing sector is supported to become a strong and successful sector – one that delivers quality housing to our people now and well into the future.

There have been many changes in the funding and policy context for social housing over the last couple of years which are now impacting on Aboriginal community housing. One of the most critical changes has been the Remote Indigenous Housing National Partnership Agreement which requires reforms while providing funding for our sector. There have also been many changes to the broader social housing system which have also contributed to the need for changes to the Aboriginal community housing sector.

Whilst these changes represent some real challenges, we also recognise that there are opportunities for the sector as well. With funding available under the Remote Indigenous Housing National Partnership Agreement and this *Build and Grow Aboriginal Community Housing Strategy*, we believe the Aboriginal community housing sector can be developed and strengthened.

Through the *Build and Grow Aboriginal Community Housing Strategy*, Aboriginal Community Housing Providers will be supported to demonstrate to our communities that they are able to be strong and effective providers. Where capacity is demonstrated, Aboriginal Community Housing Providers will be given assistance to develop further and to eventually have the means to increase their own supply of housing in order to meet future tenant demand.

Those providers that cannot deliver quality housing management will be given the opportunity to transfer housing management to effective providers. This will ensure good quality housing management for all Aboriginal tenants. This is our goal – excellent housing for Aboriginal people provided through quality and sustainable housing management.

We, as Board members of the NSW Aboriginal Housing Office, encourage the Aboriginal community housing sector to work with us, the staff of the NSW Aboriginal Housing Office and each other to achieve a proud, capable and sustainable Aboriginal community housing sector.

The AHO Board

1. VISION FOR THE ABORIGINAL COMMUNITY HOUSING SECTOR

High quality and well managed housing is pivotal to improving Aboriginal peoples' health and education. In line with the NSW *State Plan* and the Council of Australian Governments' *Closing the Gap* initiatives, the NSW Government is committed to improving housing for Aboriginal people.

The NSW Aboriginal Housing Office (AHO) is committed to working with the Aboriginal community housing sector to ensure it is a strong, viable, and well-equipped sector, able to meet the growing housing needs of Aboriginal communities.

The AHO's vision is for an Aboriginal community housing sector, that:

- meets the current and long-term needs of Aboriginal tenants and communities and is effective, efficient and responsive
- builds new opportunities that benefit Aboriginal people across the housing spectrum and creates housing choice for Aboriginal people
- is accountable to its tenants, Aboriginal communities and government
- is sustainable and viable for present and future generations of Aboriginal people and is built on strong foundations.



2. INTRODUCTION

The *Build and Grow Aboriginal Community Housing Strategy (Build and Grow Strategy)* outlines the reforms that will help us work together to achieve this vision. Together, we will build a sustainable and high quality Aboriginal community housing sector that is able to grow to meet the future needs of Aboriginal people.

Over recent times there has been a raft of new initiatives which are giving renewed emphasis to housing and other opportunities for Aboriginal people. These initiatives include:

- 650 additional houses for the AHO as a result of the Nation Building Economic Stimulus Package
- the new Statement of Action by Housing NSW to achieve more employment of Aboriginal people in construction projects
- the Aboriginal Access Strategy which will result in more Aboriginal people being housed in mainstream community housing
- the National Partnership Agreement on Indigenous Economic Participation which aims to significantly contribute to halving the Aboriginal employment gap.

The *Build and Grow Strategy* builds on existing strategies and the Remote Indigenous Housing National Partnership Agreement to support the development of a vibrant and sustainable Aboriginal community housing sector.

The measures for transparency and accountability introduced through the *Build and Grow Strategy* will give Aboriginal communities confidence in the providers managing their social housing. They will help to ensure that tenants receive quality property and tenancy management. The reforms are also a way towards ensuring the quality of housing and services for Aboriginal tenants.

The *Build and Grow Strategy* introduces a new registration system for Aboriginal Community Housing Providers. The new system is linked to new and significant opportunities, including operating subsidies for providers which participate in the new initiatives. Some providers may choose not to participate and instead operate as private owners.

The *Build and Grow Strategy* is a commitment to building the capacity of high performing providers. Providers which pass the new assessment and registration system will receive funds to repair backlog maintenance for their houses - improving the quality of houses for Aboriginal tenants. These providers will also be eligible to receive operating subsidies (for a maximum of eight years) to assist them to meet the costs associated with building a viable and successful housing service.

The reforms provide a path towards a financially viable and more independent Aboriginal community housing sector. This is vital to ensure that the growing housing needs of Aboriginal communities are met now and into the future. Providers will be supported to improve their financial viability through increased rental income and the capture of Commonwealth Rent Assistance (CRA).

The *Build and Grow Strategy* will support providers to be best placed to purchase and develop more dwellings. They will also be assisted to develop their organisations through capacity building and business development support.

3. THE NEED FOR A NEW APPROACH

The lives of many Aboriginal people are affected directly or indirectly by the practical assistance provided through the Aboriginal community housing sector. As housing is so important to the health and well-being of Aboriginal people, it is vital that the sector itself is healthy and can grow.

3.1 The context: Aboriginal community housing in NSW

A sector run by Aboriginal Community Housing Providers allows culturally appropriate housing services to be provided to Aboriginal communities. It is consistent with the principles of self-determination and self-management for Aboriginal people.

The Aboriginal community housing sector in NSW is the largest in Australia. The sector provides housing for around 23 percent of the Aboriginal population living in social housing in NSW.

This section outlines the current context for Aboriginal community housing in NSW: the increasing demand for housing (section 3.1.1), the issues for financial viability (section 3.1.2), and the current performance of providers (3.1.3).

3.1.1 The increasing need for social housing

NSW has the largest number (148,178) and proportion (almost 30 percent) of Aboriginal people in Australia¹ and the Aboriginal population is growing at a much faster rate than the non-Aboriginal population.

Around 33 percent of Aboriginal people live in social housing. By comparison, only around 6 percent of the general population live in social housing.

To meet the growing need for housing for Aboriginal people, we need to work together to establish a sustainable Aboriginal community housing sector.

3.1.2 Financial viability and sustainability

Financial viability is the foundation for a sustainable Aboriginal community housing sector. A number of factors impact on the long-term financial viability of the Aboriginal community housing sector.

It is estimated that the sector is currently in need of in excess of \$100 million to remedy backlog maintenance. Outstanding maintenance required on a house can lead to lower rents and more expensive responsive repairs and maintenance in the longer term.

The condition of properties can also affect vacancy rates, which further affects rental income. Aboriginal Community Housing Providers with well-maintained properties experience lower repair costs, lower vacancy rates and find it easier to place tenants.

Many providers also charge a low rent that is not linked to household composition or household income. Instead, providers often opt for a simplified version of the

¹ Australian Bureau of Statistics Census of Population and Housing 2006.

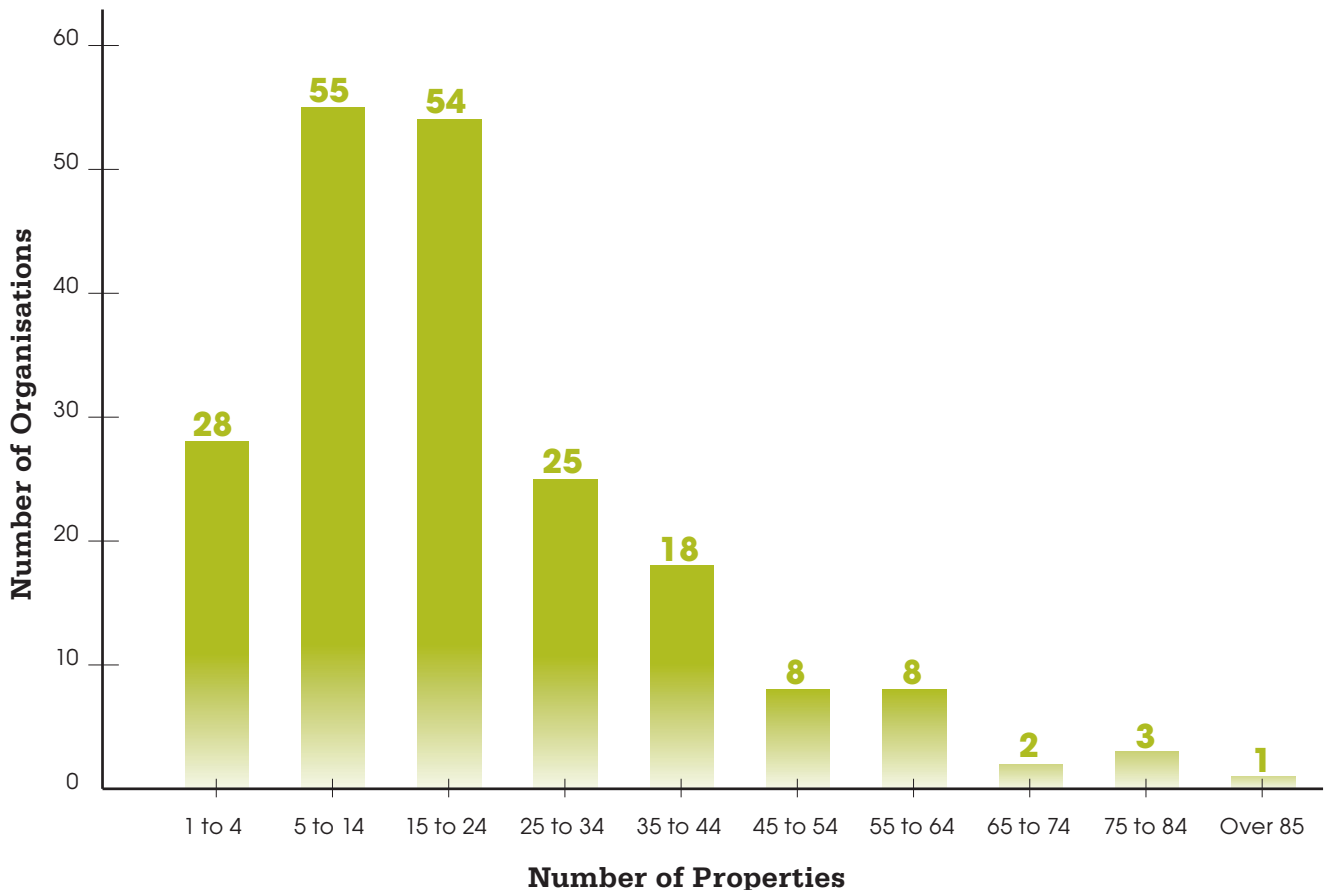
cost recovery method for calculating rent, charging a flat rate across most dwellings regardless of the number of tenants. These low rents mean that providers are not able to collect Commonwealth Rent Assistance. The rate of rent collection has also been generally low across the sector.

In most cases, the Aboriginal community housing sector has not been able to accumulate financial reserves. Financial reserves allow providers to meet unforeseen expenses as they arise, and generate income from interest. Low rental income and lack of accumulated financial reserves impede providers' ability to provide effective ongoing planned maintenance programs or to invest in more housing.

The structure of the sector also prevents the operation of the economies of scale that can provide cost saving and investment opportunities. There are 202 Aboriginal Community Housing Providers, managing 4,429 properties at an average of 21.9 properties each. There are a small number of larger providers and many providers managing fewer than 10 properties. Providers with less than 20 properties will always find it more difficult to achieve financial viability, regardless of how effectively they manage their properties.

Graph 1 shows how many properties are managed by organisations. For example, there are 28 providers managing between one and four properties and only one provider managing more than 85 properties.

Graph 1 - Distribution of properties across Aboriginal Community Housing Providers



3.1.3 Sector performance and accountability

Sector accountability is an important way of giving Aboriginal communities confidence in the providers managing their social housing. It ensures that funding and properties allocated for Aboriginal housing are used as intended. Sector performance and accountability are also critical to accessing ongoing government funding and to borrowing funds from private financial institutions to buy or build additional houses.

Providers that can demonstrate they are financially viable will be in a position to borrow funds from the financial sector to develop and purchase additional dwellings as other community housing providers have done.

To date, both the AHO registration system and the independent Housing Management Reviews, conducted in 2008, have been used to support sector accountability.

The number of providers that registered their organisation with the AHO for 2010 has reduced compared to 2008. Currently, only around two thirds of all providers apply for registration and submit data relating to their performance. Additionally, many of those submitting did not meet the AHO's Key Performance Indicators.

In 2008, the Housing Management Reviews assessed 144 providers' capacity against the *NSW Standards for Governance and Management of Aboriginal Housing*. Performance areas assessed included tenancy management, asset management, working with tenants, governance and organisational structures, and management systems and financial viability. While a small number of Aboriginal Community Housing Providers met all of the standards, over half of the sector was assessed as not performing well.

The initiatives detailed under the *Build and Grow Strategy* will assist providers to build their performance and grow their capacity to provide better quality tenancy and housing management, and improve sector performance and accountability (see section 4).

3.2 Opportunities for the sector – towards sustainability

The *Build and Grow Strategy* capitalises on existing opportunities to develop capacity, improve performance and accountability, and introduce financial viability. These opportunities include the Remote Indigenous Housing National Partnership Agreement (section 3.2.1), Commonwealth Rent Assistance (section 3.2.2) and opportunities to achieve economies of scale (section 3.2.3).

3.2.1 The Remote Indigenous Housing National Partnership Agreement

The Remote Indigenous Housing National Partnership Agreement aims to improve housing and to address overcrowding, homelessness, poor housing conditions and housing shortages for Aboriginal people living in remote areas.

The Agreement also provides funding across all of NSW to support strengthening the sustainability of the sector.

The NSW Government will receive up to \$396.8 million from the Australian Government over the ten years of this Agreement. This funding includes:

- \$100 million to address backlog maintenance across NSW
- \$22.2 million to meet costs associated with delivering the Agreement and sector reform in NSW
- funding for additional properties
- funding for training and employment related accommodation.

The NSW Government has committed to work with Aboriginal Community Housing Providers to use this funding to make the sector sustainable. Because of this, only providers that participate in the initiatives under the *Build and Grow Strategy* (see section 4) will receive funds to complete the backlog of maintenance to their dwellings.

3.2.2 Commonwealth Rent Assistance

The Australian Government provides financial assistance to tenants to pay for rent through the Commonwealth Rent Assistance (CRA) scheme. The full amount of assistance a tenant receives through CRA can be collected by housing providers as part of rental income, providing an important source of funds for housing management.

In January 2008, measures to collect CRA were implemented for tenants of mainstream community housing. The introduction of CRA based rents increased community housing providers' revenue, helping them to become financially sustainable without operating subsidies.

In July 2009, tenants living in AHO houses managed by public housing also started to have CRA collected as part of their rent.

Tenants of dwellings owned by the Aboriginal community housing sector are also eligible to receive CRA. Rents need to be set at a certain level before the tenant is eligible for CRA; however, rents in the Aboriginal community housing sector are often too low for the tenant to be eligible for CRA (see section 4). Additionally, when tenants do receive CRA, providers do not always collect it.

The *Build and Grow Strategy* will take account of the time needed to progressively increase rents to a level which supports collection of the maximum amount of CRA (see section 4.2). Changes to rent policy will help ensure the sector is financially viable and independent into the future.

3.2.3 Achieving economies of scale

Where providers manage a substantial portfolio of dwellings, economies of scale can be achieved. This results in cost savings, an increased ability to accumulate financial reserves, and puts providers that wish to expand their portfolios in a position to do this by borrowing from the bank against their existing dwellings. In this way providers are able to increase the quality and quantity of housing for Aboriginal people and ensure there is more housing to meet future housing need.

A number of Aboriginal Community Housing Providers have chosen to outsource the management of their dwellings to other Aboriginal Community Housing Providers. Regional Housing Management Services manage more than 900 dwellings on behalf of 46 other providers. This is only one model for achieving economies of scale.

Under the *Build and Grow Strategy* Approved Providers along with some Conditionally Approved Providers will be able to take on the management of additional houses, including those which are head leased to the AHO. Some Approved and Conditionally Approved Providers may also wish to come together to form new organisations in which they pool their resources. The AHO will provide support to sound proposals from groups of Approved and Conditionally Approved Providers that are seeking to initiate new models of housing management which build scale.

4. THE NEW APPROACH: *Build and Grow*

This section details the range of initiatives under the *Build and Grow Strategy* and what they mean for Aboriginal providers. Section 4.1 outlines the new registration system and section 4.2 the opportunities available to registered providers.

BUILDING A STRONG FOUNDATION

The first plank of the reforms is to build a strong foundation for the sector through the identification of effective providers. This will be achieved through the Provider Assessment and Registration System which includes:

- a new AHO registration system
- registration assessments completed on Aboriginal Community Housing Providers
- eight assessment criteria against which providers are assessed
- three-tiered classification of providers: Approved Providers, Conditionally Approved Providers and Not Approved Providers
- six monthly performance reporting and monitoring
- re-assessment (Approved and Conditionally Approved Providers) at least every three years
- Not Approved Providers can choose to head lease dwellings (see Section 4.1) to the AHO for five years plus a five year option OR remain outside of the registered Aboriginal community housing sector.

GROWING A STRONG SECTOR

The second plank of the reforms is to grow a strong sector through providing opportunities for increased assistance, including:

- funds to complete the backlog of maintenance on dwellings owned by Approved and Conditionally Approved Providers (also for Not Approved Providers' dwellings head leased to the AHO)
- eligibility for operating subsidies for all Approved and most Conditionally Approved Providers up to a maximum of \$2,500 per dwelling per annum for a period of up to eight years, reducing annually to match expected rent increases
- providers of dwellings in remote and very remote areas and some former reserves to receive ongoing subsidies because of low market rents and the costs associated with distance in the delivery of services
- a new and improved rent policy to enable collection of CRA
- capacity building and business development assistance.

4.1 Building a strong foundation through the Provider Assessment and Registration System and head leasing

The *Build and Grow Strategy* will see a new Provider Assessment Registration System (PARS) replace the current AHO registration system. PARS will enable:

- Aboriginal tenants and communities to have confidence that Approved and Conditionally Approved Providers are offering good quality housing and tenancy management services
- Government to have confidence that investment in Approved and Conditionally Approved Providers will result in better housing now and into the future
- Not Approved Providers which choose to head lease their dwellings to have confidence that Approved and Conditionally Approved Providers have professional tenancy and housing management services.

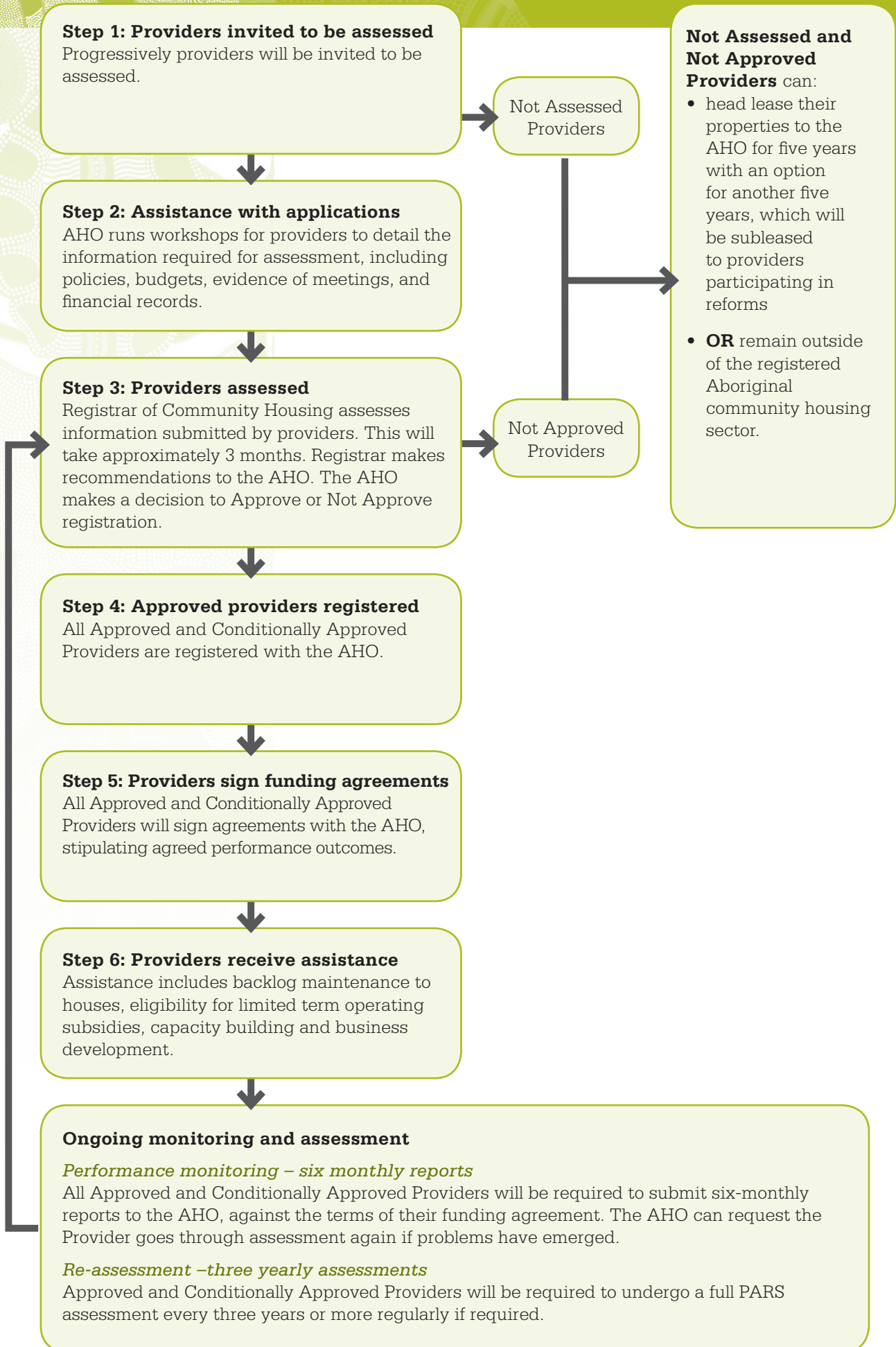
To ensure registration assessments take account of the particular context of Aboriginal community housing, the AHO has consulted with representative providers and stakeholders in the development of the new Aboriginal community housing registration assessment criteria.

The Registrar of Community Housing will undertake registration assessments of Aboriginal Community Housing Providers and will make recommendations to the Chief Executive of the AHO on whether a provider should be Approved, Conditionally Approved or Not Approved. The Registrar will provide impartial advice to the AHO based on assessments using the AHO's new registration system – PARS.

All Aboriginal Community Housing Providers which undergo assessment will go through the assessment and registration process, regardless of whether they are a Land Council or an Aboriginal corporation, association or co-operative. The PARS process is shown in Figure 4.1, and the assessment criteria are on page 13.



Figure 4.1: The registration process



Assessment Criteria

1. Fairness and Resident Satisfaction
Residents and applicants are treated fairly by providers
2. Sustainable Tenancies and Communities
Services help sustain tenancies and communities
3. Asset Management
Providers have asset management plans for now and the future
4. Sound Governance
Governance arrangements lead to confidence in community housing
5. Standards of Probity
Providers prevent fraud and corruption and operate by a Code of Conduct
6. Protection of Government Investment
Government investment in community housing is used effectively
7. Efficient and Competitive Delivery of Aboriginal Community Housing
Deliver community housing in an efficient and competitive way
8. Development Projects
*Housing projects deliver appropriate and affordable housing, and are done on time and within budget
(only for providers which start property developments)*

4.1.1 Approved and Conditionally Approved Providers

This section outlines the entitlements and requirements for providers assessed as Approved and Conditionally Approved.

A provider will be Approved if it fully complies with all of the assessment criteria.

Approved Providers will be:

- considered to be a registered provider under the Aboriginal Housing Act
- recognised by the NSW Government as suitable organisations to manage Aboriginal community housing
- able to access opportunities for assistance (see section 4.2)
- supported to expand if located in a geographical area requiring a larger Aboriginal Community Housing Provider
- eligible to apply for additional houses either through the AHO's capital program or management of AHO dwellings, (subject to there being housing need)
- eligible to manage dwellings of Not Approved and Not Assessed Providers.

A provider will be Conditionally Approved if it has a demonstrated commitment to comply with the assessment criteria and is well-placed to meet all criteria within an agreed timeframe.

Conditionally Approved Providers will:

- be required to sign a formal agreement with the AHO, approved by the provider's governing committee, to:
 - meet specified conditions within an agreed timeframe; and
 - detail transitional arrangements for the head leasing of properties to the AHO if the conditions are not met within the specified timeframe
- be able to access opportunities for assistance (see section 4.2)
- be supported by the AHO to develop capacity within the organisation to become an Approved Provider
- possibly be considered for managing dwellings of Not Approved Providers with conditions
- possibly be considered for managing additional properties.

ONGOING MONITORING AND ASSESSMENT

Assessment decisions and ongoing performance of Approved and Conditionally Approved Providers will be monitored through a six-monthly performance reporting and monitoring system.

The performance-reporting system will allow the provider, communities and the AHO to know how well tenancies and properties are being managed. It will also enable early intervention if poor performance starts to emerge. The AHO may ask the Registrar of Community Housing to undertake a re-assessment of a provider at any time it considers necessary if poor performance continues.

If an Approved or Conditionally Approved Provider is found to be not performing as well as it had been, the AHO may:

- undertake interventions such as business development and capacity building to support the provider to improve its performance and/or
- increase its reporting requirement to more closely monitor performance or
- issue a new decision (including that the provider is Not Approved, or Conditionally Approved with new specified conditions) or
- revoke its previous approval decision.

If a Conditionally Approved Provider has met all specified conditions within the agreed timeframe, the provider will need to pass a compliance review prior to it becoming an Approved Provider.

All Approved and Conditionally Approved Providers will also be required to undertake a new registration assessment at least once every three years.

4.1.2 Not Approved Providers and Not Assessed Providers

This section outlines the initiatives regarding Not Approved Providers and those providers that choose not to be assessed.

Providers which do not meet the requirements of the assessment system will be classified as Not Approved and will not be approved under the *Aboriginal Housing Act*.

Not Approved Providers:

- that wish to have the backlog maintenance completed on their houses will be required to transfer their housing functions to an Approved Provider. Specifically:
 - in order to provide certainty for tenants and the Approved Provider, all properties must be head leased to the AHO for a term of 5 years with an option for the AHO to extend the head lease for a further 5 years
 - the AHO will sublease the properties to an Approved Provider. The AHO will provide a list of suitable Approved Providers which could act as the new housing manager. Where possible, the AHO will select an Approved Provider that meets the organisation's preferences
 - if there are no suitable Approved Providers in the area, then the AHO will sublease the properties to a mainstream provider ON AN INTERIM BASIS ONLY until an Approved Provider is identified unless the Not Approved Provider elects to have their houses managed by a mainstream provider
 - The head lease agreement will include provisions for terminating the head lease if the AHO is found to have breached its obligations under the agreement.

Some providers will not want to be assessed. For example, providers that currently outsource management of their dwellings to other providers, such as one of the Regional Housing Management Services or another provider, may want to continue this arrangement and choose not to be assessed.

Not Assessed Providers may:

- transfer their housing functions to an Approved Provider via head leasing to the AHO (as for Not Approved Providers) or
- be treated as private organisations and not eligible for government funding.

If the Not Assessed Provider wants to have backlog maintenance completed on their houses, then head leasing to the AHO will be required.

HEAD LEASES

Providers which do not pass registration or which choose not to be assessed must head lease their dwellings to the AHO for five years, with a further five year option resting with the AHO, if they wish to have backlog maintenance completed on their dwellings.

A head lease is a lease between the owner of a house and another organisation. It allows the other organisation to sublease the house to a third organisation. The third organisation rents the house to a tenant. In this case, the owner is the Aboriginal Corporation or Land Council that holds the title to the land/property. The owner will head lease their houses to the AHO. The AHO will then sublease the houses to an Approved Provider. The Provider will then rent the houses to tenants under a Residential Tenancy Agreement.

The head lease between the owner and the AHO sets out the terms and conditions of the agreement and states the responsibilities of both organisations. The head lease is a legal document so must be followed. One of the terms of the head lease is that the AHO must sublease to an Aboriginal Community Housing Provider, or a mainstream provider ON AN INTERIM BASIS ONLY until an Approved or Conditionally Approved Aboriginal provider is available. If a Not Approved or Not Assessed Provider wants their houses leased to a mainstream provider, the AHO will support this wherever possible. The AHO will not sublease to Housing NSW.

The owner of the property can ask the AHO to sublease to a particular provider. The AHO will try to comply with such requests wherever possible.

Some providers already have management agreements with other providers. If the providers managing the properties for another provider become Approved or Conditionally Approved Providers then they can continue to manage the properties of other providers as long as the houses are head leased to the AHO first. The AHO will then sublease the houses to that provider.

Where a mainstream provider is managing Aboriginal housing until an Approved or Conditionally Approved Aboriginal Provider is available, they will be required to undergo AHO approved cultural competency training.

Providers subleasing houses from the AHO will be able to:

- rent a house to a person under a Residential Tenancy Agreement
- set rents
- assess people to see if they are eligible for housing
- keep waiting lists
- allocate houses according to eligibility and the waiting lists
- collect rent from houses and spend that money on managing tenancies and doing repairs and maintenance for those houses.

4.2 Growing the Sector through Opportunities for Increased Assistance

The *Build and Grow Strategy* offers a number of opportunities for assistance to Approved and Conditionally Approved Providers, and these are outlined in detail in this section. The opportunities are:

- backlog maintenance completed on houses – section 4.2.1
- operating subsidies – section 4.2.2
- a new and improved rent policy to increase revenue and collect CRA – section 4.2.3
- capacity building and business development assistance – section 4.2.4.

4.2.1 Repairs and maintenance

As explained in section 3.2.1, \$100 million is available under the Remote Indigenous Housing National Partnership Agreement to fund backlog maintenance across NSW on houses owned by Aboriginal Community Housing Providers. The condition of this funding is that only providers participating in the initiatives as detailed receive these funds.

Approved and Conditionally Approved Providers will be able to access funds for backlog maintenance on their dwellings. Dwellings of Not Approved and Not Assessed Providers will also be able to receive funds for backlog maintenance if the provider head leases the dwellings to the AHO for five years with an option for the AHO to extend the head lease for a further five years.

The backlog maintenance will be carried out based on a scoping of works required for each dwelling. The maximum amount of repairs to backlog maintenance will be up to \$50,000 though it is expected that most will require less than \$30,000.

Over the course of three to four years, it is expected that most dwellings in the sector will be repaired. This will improve the quality of housing that providers can offer tenants. The repairs will support increases in rents and reduce outgoings on responsive repairs and maintenance. In future, it is expected that money from rent, CRA and operating subsidies will assist providers to maintain their houses to standard.

4.2.2 Operating subsidies

Operating subsidies up to a maximum of \$2,500 per dwelling per annum will be available to most Approved Providers and most Conditionally Approved Providers.

The maximum length of time that a provider will receive an operating subsidy will be eight years but it is expected that many providers will only need it for a much shorter period of time. The exception to this will be for providers managing houses in remote and very remote NSW where operating subsidies will need to be provided longer term, (see Subsidies for providers in remote and very remote NSW on page 19).

Approved Providers that are member based co-operatives that limit housing to members only will be excluded from operating subsidies because housing management is carried out by the tenants.

The provision of operating subsidies for Conditionally Approved Providers will be dependent upon the nature of the conditions of the providers' approval. If there are significant concerns about the conditions of approval then this will be considered in the decision to allocate an operating subsidy.

Operating subsidies to the mainstream community housing sector ceased twelve months after measures to collect CRA were implemented. The introduction of CRA-based rents increased the revenue to community housing providers therefore removing the need for operating subsidies to maintain financial viability.

It may take some years to increase rents to a level which supports collection of the maximum entitlement of CRA.

The operating subsidies are designed to ensure that providers are financially viable until they collect CRA-based rents. The amount of operating subsidy allocated to each provider will be calculated based on the gap between current rent levels and the CRA-based rent level. The subsidy will be reduced each year as providers are required to increase rents. The new AHO Rent Policy is explained in the following section.

Tables 1 and 2 provide examples of how operating subsidies will be used to supplement rental income whilst rents are progressively increased.

Table 1: Scenario for couple with 1 or 2 children

	Start	Year 1	Year 2	Year 3	Year 4	Year 5
Starting Rent	100					
Cost to the household	100	110	120	130	140	146
Rent received by Provider	100	150	186	196	206	212
Including CRA of	0	40	66	66	66	66
Operating Subsidy	0	50	26	16	6	0
Total amount received by Provider	100	200	212	212	212	212

Table 2: Scenario for a couple with no children

	Start	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Starting Rent	60							
Cost to household	60	70	80	90	100	110	120	127
Rent received	60	70	80	117	153	163	173	179
Including CRA of	0	0	0	27	52	53	53	52
Operating Subsidy	0	50	50	50	26	16	6	0
Total amount received by Provider	60	120	130	167	179	179	179	179

The Tables above show that the cost to the household only increases by \$10 per year (although providers may increase rents at a higher rate in some cases) and that when a certain amount of rent is being paid, CRA starts. In Table 1 it can be seen that the household was eligible for CRA at the rent level of \$110 whereas in Table 2, the household was eligible at the rent level of \$117.

Subsidies for providers in remote and very remote NSW

A 20 percent loading will be provided for the management of properties in remote and very remote NSW, in recognition of the additional costs of managing these properties associated with their locations and the travel involved in order for providers to effectively manage these properties and pay for repairs and maintenance. Approved Providers managing houses on former reserves which are in remote and very remote NSW, will receive a loading of 30 percent in recognition of the dual challenges of distance and lack of services facing these providers.

Subsidies for Approved and Conditionally Approved Providers in remote and very remote NSW and a number of the former reserves and missions will not be time limited. This is in recognition that it is unlikely rents in these locations will ever be high enough to achieve full CRA levels and that the costs in delivering housing management are higher. Subsidies will only be paid to providers which continue to participate in the registration system and the ongoing monitoring and assessment.

4.2.3 A new and improved rent policy

The *Build and Grow Strategy* will result in implementation of a new rent policy, which is aligned to rent policy for other types of social housing in NSW. The policy will enable providers to:

- set rents that are fairer and more consistent
- access more money which can be spent on improving housing management, for example, to employ more staff and access training
- have enough money to pay for responsive repairs and maintenance and put money aside for planned maintenance
- offer good services to tenants
- become financially viable and sustainable into the future.

The new rent policy is fair and consistent as it means that Approved and Conditionally Approved Providers will set rent in the same way for all Aboriginal community housing tenants. Providers will be required to set rent at 25 percent of total household income although concessional rates apply to certain items such as Family Tax Benefit where the percentage paid will be only 15 percent. This means that most tenants will pay enough rent to receive CRA. While rents will increase for some tenants, any increase will be implemented gradually so tenants are not placed under financial stress.

CRA will be collected by providers as part of their tenants' rent. Maximising collection of CRA will help Aboriginal Community Housing Providers achieve financial viability, as it has done for mainstream community housing providers.

The background of the page features a decorative pattern. At the top, there is a green horizontal bar. Below it, a stylized figure in traditional Indigenous attire is depicted, surrounded by various icons such as a drone, a signal tower, and a person. The overall design is intricate and culturally significant.

The sector is currently receiving very little CRA. With proper rent levels, the sector will be able to collect around \$7 million annually in CRA.

A program to support Approved and Conditionally Approved Providers to progressively increase rents and maximise collection of CRA will be established. The AHO proposes to appoint two staff for up to three years to work with Approved and Conditionally Approved Providers. They will provide rent assessment tools and train providers' staff to implement the new rent policy and collect CRA. These staff will be available to meet with individual providers to help them address problems. The performance monitoring of Approved and Conditionally Approved Providers will closely track progressive rental increases and implementation of CRA-based rents against benchmarks set for each provider.

4.2.4 Capacity Building and Business Development

The *Build and Grow Strategy* includes measures to support providers to build their capacity and business skills and systems. This is essential to help ensure the ongoing successful management of tenancies and properties of Aboriginal Community Housing Providers and their ability to meet the growth in housing demand into the future.

CAPACITY BUILDING

Capacity building aims to give providers the skills, processes and resources they require to grow and adapt to the changing environment.

The AHO will assist Approved and Conditionally Providers to build capacity by providing training and development activities targeted to the specific needs of individual Aboriginal Community Housing Providers.

A wide range of approaches will be available including direct training, peer support groups, access to Certificate IV and Diploma courses for staff in social housing.

Tool kits will also be provided to Approved and Conditionally Approved Providers with information and other resources to assist in growing capacity.

BUSINESS DEVELOPMENT

Business development builds the skills and knowledge required specifically for the business side of community housing, including budgeting and financial reporting, developing efficient business systems, managing new reporting requirements, establishing financial reserves to ensure there is sufficient funding for cyclical maintenance of houses and investing in buying additional houses where appropriate.

Business development will help Approved Providers looking to increase the size of their organisations through taking on ownership or management of new dwellings.

Conditionally Approved Providers can also benefit as it will assist them in performance improvement, leading to achievement of Approved Providers status.

5. WHAT NEXT

These reforms will provide the foundations for a strong role for the Aboriginal community housing sector in the future.

5.1 Timeframe for the Reforms

The reforms will be implemented progressively over ten years.

5.2 Communication

The AHO will conduct sector-wide forums for providers on the reforms and registration process in early 2010. Forums will be held in 13 locations across NSW. All Aboriginal Community Housing Providers will be invited to attend.

An Aboriginal Housing Conference will also be held during 2010, which will focus on the initiatives detailed in the *Build and Grow Strategy*.

5.3 Provider Assessment and Registration System

PARS will be implemented progressively over three years. The first round of assessments will commence in mid-2010. Information on PARS will be made available through briefing sessions, small group workshops, pamphlets and the internet.

5.4 Backlog Maintenance Repairs

Backlog maintenance will be carried out progressively after Providers have been assessed.

Approved Providers will have a scope of works carried out on their houses, and backlog maintenance work will be completed as soon as possible.

Conditionally Approved Providers will have their dwellings scoped as soon as they sign an agreement to head lease their dwellings to the AHO in the event that they do not meet the conditions of approval. Backlog maintenance work will commence shortly after.

Not Approved Providers will have a scope of works carried out as soon as they sign an agreement to head lease their houses to the AHO for five years plus a five year option.

Providers which do not wish to undergo registration assessment, but do head lease their houses to the AHO can have their houses scoped and repaired as soon as possible after signing the head lease.

5.5 Operating Subsidies

Operating subsidies will be made available to Approved Providers within three months of receiving advice of having been approved, provided a contract is signed. Conditionally Approved Providers will start to receive operating subsidies within three months of signing an agreement to head lease their dwellings to the AHO should they not be able to meet the conditions needed to obtain Approved Provider status within a timely manner. Some Conditionally Approved Providers which have certain conditions attached to their approval may not be eligible for operating subsidies.

Prior to the operating subsidy being allocated, the AHO will work with the provider to assess the amount of rental income currently being collected and the gap between that and a CRA-based rent. The gap will be reduced by the operating subsidy.

The AHO will meet with all Conditionally Approved Providers to identify whether they are eligible for an operating subsidy. Where they are eligible, a similar process will apply as that used for Approved Providers in calculating the amount of subsidy.

Not Approved Providers and Not Assessed Providers will not be eligible for an operating subsidy.

Providers will be assessed progressively over the course of three years under PARS. This means that some providers will receive the operating subsidy sooner than others. The length of time that a provider will receive operating subsidies will vary between providers. Some providers will have stopped receiving a subsidy after a few years whilst others may need it for the full eight years.

Providers managing houses in remote and very remote NSW may receive an ongoing operating subsidy.

5.6 Head leasing to the AHO

For those Aboriginal Community Housing Providers that agree to head lease their houses to the AHO, head leases will be available in early 2010.

If a provider goes through the PARS and is assessed as Not Approved, AHO staff will meet with the provider to discuss head leasing arrangements with the provider. If the provider chooses not to head lease their dwellings, it will not be able to receive any assistance such as repairs and maintenance. If the provider agrees to head lease their houses, the AHO will work with the provider to finalise the head lease as quickly as possible.

6. A STRONG FUTURE

The initiatives detailed in this, the *Build and Grow Strategy* will build effective foundations for the Aboriginal community housing sector and grow the capacity for a strong, sustainable and independent Aboriginal community housing sector in the future.

While improving tenancy services now for Aboriginal people through better funded, regulated and supported Aboriginal Community Housing Providers, there are also new opportunities for growth and expansion in the future. The NSW Government is committed to working with the sector to realise these opportunities.

The Aboriginal community housing sector could significantly grow through the transfer of management of houses which are owned by the AHO and currently managed by Housing NSW. Demonstration of high performance, improved viability and effective governance will result in opportunities for Approved Providers to manage AHO properties head leased to the Approved Provider.

The Aboriginal community housing sector also has considerable assets that could be borrowed against to increase the supply of social housing to Aboriginal people. Both in Australia and internationally there are examples of community housing organisations working with financial institutions to increase the supply of social and affordable housing. This approach to funding social housing could see real increases in the number of houses available for Aboriginal people, more independence from government and new expressions of self-determination.



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