

# BHC Submission to the Productivity Commission: Introducing competition and informed user choice into human services



Lvl 2, 35 Astor Terrace  
Spring Hill QLD 4000

## INTRODUCTION

BHC is an industry leader and innovator within the field of affordable housing. A not-for-profit organisation, BHC's vision is to create thriving, diverse communities via a unique business model which combines affordable housing with commercial product. This financially and socially sustainable approach enables BHC to create high quality, mixed tenure developments which incorporate elements of affordable housing, market for sale product, retail and commercial space.

With a portfolio of over 1,600 homes, across 38 developments, BHC is an expert in its field, capable of managing every stage of the development process from concept through to completion. BHC also provides specialist property and tenancy management services through a dedicated operations team.

BHC developments place a high emphasis on design and liveability, choosing locations carefully and partnering with some of Australia's most award-winning architects to create thoughtfully-designed, affordable rental and market for sale homes in key growth areas throughout Brisbane.

BHC welcomes the opportunity to provide input into the Productivity Commission's examination of contestability in human services, particularly as it relates to the delivery of social housing services. We have provided responses to Requests for Information 5, 6, 7, 9 & 10, below.

### REQUEST FOR INFORMATION 5

*The Commission is seeking information on the current effectiveness of the social housing system in improving outcomes for tenants. This includes information on:*

- *whether users are placed at the heart of service delivery and, if not, what could be done to address this*
- *whether current arrangements, including the eligibility criteria and the type and level of assistance, enable equitable access to social housing*
- *the roles and responsibilities of governments and non-government providers, including who is best placed to provide support to households to sustain a tenancy, and to exit the social housing system when they have the means to do so*

There is significant scope to enhance the focus on service users within the social housing system. Currently the system undermines the centrality of users in the following ways:

- **Homes are often not fit for purpose** (with maintenance backlogs, accessibility issues, configurations of the homes being mismatched to the needs of the households- for example with large numbers of homes in Queensland being three bedrooms whilst demand is predominantly for one bedroom homes)
- **Service users have limited choice over the homes they are able to access** (being able to only nominate the broad area they wish to live in rather than any specific properties or property

features; if property features can be nominated, for example for accessibility reasons, the availability of matching stock is low and waiting times are high)

- **Service users have limited input into the design of homes or the policies that govern the provision of housing and housing services** (particularly problematic in the delivery of homes and services for Indigenous households and people with a disability)
- **Individual subsidies (i.e. through Commonwealth Rent Assistance and pensions) have not kept pace with rising rents and costs of living**, resulting in reduced affordability for low income households and restricted housing choice.
- **Social housing policy settings at a State level often require the household to move homes when their needs change**, rather than re-shaping the delivery of social housing services around them. This approach can cause significant disruption and instability for households whose homes still meet their needs, and can effectively become a punitive response to a household improving their circumstances.

Both government and non-government providers have an important role to play in the delivery of a successful social housing system. A variety of housing products and providers are needed across the continuum to ensure that households entering the system can access housing services with the right level of subsidy and assistance for their needs.

**Community housing providers (CHPs) are typically more able to provide user-focused services to sustain tenancies.** This is largely due to higher ratios of staff to properties, and a focus in the CHP sector on increasingly holistic service provision (e.g. employment assistance, health programs, social inclusion initiatives etc.), where providers either partner with private or community services, or build internal capacity to offer complementary services that support the overall wellbeing of their tenants.

**CHPs are also well placed to assist households to exit social housing once it is appropriate for that household.** Providers offering a mix of social and affordable housing options are particularly able to assist households to transition to affordable (or even market housing) within their own portfolios.

## REQUEST FOR INFORMATION 6

*The Commission is seeking information on models used to allocate social housing that could increase choice of home for users, and the benefits and costs of these models. This includes consideration of:*

- *whether increased choice would lead to better outcomes for users, both by allowing them to exercise their preferences over where they live, and by encouraging housing providers to be more responsive to their needs*
- *what information and other supports should be provided to tenants to enable them to exercise choice*
- *complementary reforms that would be needed to capture the benefits from increased user choice*
- *whether the allocation model may need to differ between regions and user groups*
- *international approaches to increase user choice of home, the applicability of these models in Australia and, where it would be beneficial, how they could be implemented here.*

Introducing greater user choice into allocations of social housing (i.e. implementing a “Choice-Based Lettings” model as in the UK) is likely to lead to better outcomes for users, in the following ways:

- **Greater potential for tenancy sustainment** if a household has chosen their property specifically because it meets their needs and preferences
- **Greater visibility to tenants of price markers and subsidies** applicable to different properties, as tenants will be able to view a suite of available properties and make choices based on what they can afford and their level of subsidy entitlement (for example, Commonwealth Rent Assistance)
- **Greater visibility to tenants of available housing options**, locations, service providers and services, leading to better matching of tenants to the housing services they require
- **Faster allocation times for providers and reduced waiting times for tenants**, as households may be more likely to take up options or services in regions they had not previously considered or been aware of (subject to any restrictions on the locations that applicants may “bid” for homes outside their local areas)
- **Improved standards and service offerings** due to providers’ enhanced visibility about the service and housing standards being offered by competing providers.

**In order to facilitate greater choice in this way, however, the supply of available housing would need to be significantly boosted, otherwise the amount of choice actually being offered to users is negated.**

One of the primary concerns with a Choice-Based Lettings (CBL) model is that the onus is placed onto the user to “bid” for properties or be removed from the system, however the reality for most users is that they will make many unsuccessful bids for properties over an extended period of time until they are finally allocated a property they have “chosen”. Enhancing the supply of housing within the system is therefore critical to ensure that there are affordable, suitably configured properties available to bidders to facilitate real choices being made.

It is important to note that a system of direct allocation will still be required alongside a choice-based lettings model, to facilitate placements and transfers for households with urgent needs or who, for other reasons, cannot participate in a bidding system.

Further, in regional or rural areas there may only be a single provider of social and affordable housing and few properties available. In these areas, it may not be feasible to operate a choice-based lettings system. As in the UK however, the inability to operate CBL in some locations should not undermine the benefits of such a system that may be achievable in other (predominantly urban or suburban) locations.

**Enhanced information about providers’ performance, service offerings and costs would need to be made available to applicants to support informed decision-making.** Web-based technology is the obvious format for this if an online choice-based lettings system is to be adopted, however the equivalent information would need to be available in other formats to support applicants who are unable to participate online.

**Complementary reforms that may be required** to support transition to a choice-based system would include extension of the National Regulatory System to cover public housing providers as well as community housing providers. Reforms to the method of allocation of the National Affordable Housing Agreement (Specific Purpose Payment) could also support transition to a choice-based system, through making transitional funding available to participating jurisdictions, and/or quarantining a certain amount of NAHA SPP funds for competitive tenders to providers participating in choice-based systems, to promote stock growth.

## REQUEST FOR INFORMATION 7

*The Commission is seeking information on how best to address supply constraints in the social housing system to enable households to have a genuine choice of home. This includes consideration of:*

- whether eligibility criteria for entering, and remaining in, social housing are targeting those most in need of support*
- the extent to which community housing providers can contribute toward increasing the stock of social housing (and, to the extent that this has already occurred, the factors underlying successful outcomes for eligible households)*
- the role of the private housing market in providing homes for households in need of social housing, and the costs and benefits of reforms to unlock this potential (examples could include social housing providers leasing properties from the private sector or providing assistance to households to access the private rental market)*
- the adequacy of current support provided to help tenants transition out of social housing, what could be done to improve this support, and who should provide this support.*

**Eligibility criteria for entering and remaining in social housing are indeed targeting those most in need of support.** However, whilst providing housing to only those in greatest need (who usually also have the lowest incomes) ensures that scarce housing resources are well-directed, it also has a significant impact not only on the ability of many community housing providers to contribute to increasing stock, but also on the viability of their businesses overall. **Without additional income from a proportion of tenants who are able to pay slightly higher rents, and/or grant funding from the government, costs of day to day operations are exceeding incomes,** meaning investment in social housing stock is out of reach for many providers.

**Accessing private market homes (through leasing etc.) can be a useful stop-gap in some areas where social housing supply is low, however this doesn't increase the pool of housing supply overall, which is one of the key challenges leading to our unaffordable and unstable housing system.** If you view the housing system as a continuum, plucking out homes from the private market to lease as social housing will have a knock-on effect on lower income households seeking private market homes- there will be fewer homes available at this lower end of the market and so the prices are likely to rise.

It can also be difficult for providers to compete for private leases in some areas where the homes are needed most (e.g. in resource communities and inner city locations where the rents are high) meaning that much of the stock that is accessible to providers is either poor quality or available only short-term as landlords seek to make the most of the market conditions and maximise their rental incomes.

**More “affordable housing” at discount-to-market rents (as opposed to social housing at a proportion of household income) is required, to assist households to transition out of social housing.** For many households the gap between what they pay in social housing and what they would pay in the private market is too great a leap and can act as a work disincentive. Enhancing the provision of affordable housing in the community sector, as a stepping stone to private market housing, would not only support the provision of other social housing as described above, but would also offer households who had improved their circumstances a genuine path to independence. Community housing providers are best placed to provide this support as they have the ability to work closely with each household to identify a transition plan that best matches that household's needs, and in some cases, they would also be able to offer households a transition within their own portfolios, avoiding the need for unnecessary upheaval for that household.

## REQUEST FOR INFORMATION 9

*The Commission is seeking information on the effectiveness of current arrangements to select community housing providers and whether greater contestability could improve the effectiveness of service provision. This includes information on:*

- the relative performance of community and public providers in delivering good outcomes for tenants, and in meeting policy objectives set by governments*
- where the management of public housing has been transferred to the community sector, whether the arrangements for selecting providers have resulted in providers that are strongly focused on improving tenant outcomes, and if not, how these arrangements could be improved*
- what factors governments should consider in selecting service providers, including the types of providers that can best provide social housing, and the minimum scale of provider needed to efficiently provide social housing*
- what the role of community housing providers should take in addition to tenancy management — for example, whether community housing providers could offer services to help tenants maintain their tenancy or to improve the health and education outcomes of tenants, or whether this should remain a role for government*
- the data needed to ensure that service providers are responsive to the needs of users and accountable to taxpayers*
- the suitability of the National Regulatory System for Social Housing, and whether revisions are needed to this system to support contestability*
- the benefits and costs of title transfers versus management transfers.*

**Greater contestability could absolutely improve the effectiveness of social housing service provision, however performance data would need to be significantly improved** to ensure transparency and accountability within the system. Currently public providers are subject to little scrutiny of performance despite the billions of dollars funding they receive through the NAHA-SPP each year. Community housing providers already comply with substantial amounts of reporting requirements, through contracts with States and Commonwealth funding bodies and through regulatory and tax system compliance.

**A streamlined, outcomes-focused performance monitoring system is required to support contestability**, that enables true comparisons to be made across jurisdictions and between service providers, but without increasing the reporting burden. There should also be greater visibility into the data collected by government about performance- for example the NRS Registrars in each location are collecting substantial data but this is not made available to sector participants to benchmark their performance against (unless providers subscribe at their cost to a third-party system such as HouseKeys). As previously stated the NRS should be expanded to apply to public providers in order to support contestability and accountability.

**There is no “minimum scale” of provider that can best provide social housing.** The optimum scale of provider in an urban setting will be different to that in a remote location. **Rather, brokering partnerships between providers is the key** so that, for example, small community-based providers in remote locations can focus on service delivery whilst receiving support for their NRS compliance and back-office functions from a partner provider, e.g. a Tier 1 based in an entirely different location. It may be that some of these

arrangements lend themselves to mergers or group structures, whilst others work best as a contracting relationship. Regardless of the model that works for each provider and location, government should provide incentives for collaboration amongst providers so that overall standards can be lifted and economies of scale realised where it is possible to do so.

**Similarly, there is no single “type” of provider that is best placed to deliver social housing-** this too will depend on the type of homes and services required, the location, the local area needs and the target group of tenants. However, the more that partnerships amongst providers can be fostered, the more likely it is that larger group structures or collaborations can be formed that cater for a range of needs from specialist provision to general needs; that development skills will be complemented by holistic tenancy management approaches, and that efficiencies in tendering, contract delivery and reporting can be gained.

As stated above, **many community housing providers seek to deliver holistic services to their tenants and despite funding bases decreasing and costs rising,** many are committed to ensuring that tenants have access to quality services around employment, health and wellbeing. Whilst community housing providers are well placed to commission or arrange these services, funding from government for specific outcomes in these areas remains important.

**Most providers would argue that title transfers are optimal, to enable leveraging against the asset and also to ensure efficient and appropriate asset management.** Failing this, long leases of a minimum of 20 years could also potentially be considered, subject to suitable overall contract conditions. A recent article by Hal Pawson (2017, University of NSW) provides a sound analysis of this issue:

<http://blogs.unsw.edu.au/cityfutures/blog/2017/01/public-housing-transfers-move-to-a-new-level/>

## **REQUEST FOR INFORMATION 10**

*The Commission is seeking information on the factors that need to be considered when implementing reforms to increase competition, contestability and user choice. This includes consideration of the:*

- *roles of users and providers in the process of designing the social housing system and in informing ongoing improvements*

**BHC strongly supports an enhanced role for service users and providers in designing the social housing system and in informing ongoing improvements.**

Co-design and co-production of services must be a core part of a system that puts users at the centre. Approaches need to be identified that enable the expertise of providers to be utilised in design whilst satisfying probity and contestability principles.