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Disclaimer

Inherent Limitations

This report has been prepared as outlined in the Scope Section. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

The findings in this report are based on a qualitative study and the reported results reflect a perception of the Department of Housing, but only to the extent of the sample surveyed, being the Department of Housing approved representative sample of stakeholders.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Department of Housing and stakeholders consulted as part of the process.

KPMG has indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

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The findings in this report have been formed on the above basis.

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## List of acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABS</td>
<td>Australian Bureau of Statistics</td>
</tr>
<tr>
<td>ANZSIC</td>
<td>Australian and New Zealand Standard Industry Classifications</td>
</tr>
<tr>
<td>CGE</td>
<td>Computable General Equilibrium</td>
</tr>
<tr>
<td>CHP</td>
<td>Community Housing Provider</td>
</tr>
<tr>
<td>COAG</td>
<td>Council of Australian Governments</td>
</tr>
<tr>
<td>DFC</td>
<td>Department for Families and Communities (South Australia)</td>
</tr>
<tr>
<td>DHCS</td>
<td>Department of Housing and Community Services (ACT)</td>
</tr>
<tr>
<td>DHHS</td>
<td>Department of Health and Human Services (Tasmania)</td>
</tr>
<tr>
<td>DHS</td>
<td>Department of Human Services (Victoria)</td>
</tr>
<tr>
<td>DOH</td>
<td>Department of Housing (Western Australia)</td>
</tr>
<tr>
<td>FaHCSIA</td>
<td>Department of Families, Housing, Community Services and Indigenous Affairs</td>
</tr>
<tr>
<td>FTE</td>
<td>Full Time Equivalent</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GFC</td>
<td>Global Financial Crisis</td>
</tr>
<tr>
<td>GSP</td>
<td>Gross State Product</td>
</tr>
<tr>
<td>NBESP</td>
<td>Nation Building – Economic Stimulus Plan</td>
</tr>
<tr>
<td>NFP</td>
<td>not-for-profit</td>
</tr>
<tr>
<td>NRAS</td>
<td>National Rental Affordability Scheme</td>
</tr>
<tr>
<td>RFP</td>
<td>Request For Proposal</td>
</tr>
<tr>
<td>RFT</td>
<td>Request For Tender</td>
</tr>
<tr>
<td>SHAs</td>
<td>State Housing Authorities</td>
</tr>
<tr>
<td>SHI</td>
<td>Social Housing Initiative</td>
</tr>
<tr>
<td>VFM</td>
<td>Value for Money</td>
</tr>
</tbody>
</table>
Executive Summary

In 2009 the Council of Australian Governments (COAG) responded to the specific global economic conditions of the global financial crisis (GFC) with a suite of initiatives, under the title Nation Building – Economic Stimulus Plan (NBESP). A key component of the NBESP was the Social Housing Initiative (SHI).

The SHI’s objective was to stimulate economic activity by increasing the quantity and quality of social housing. This was to be achieved through funding for both new dwellings and an extensive program of repairs and maintenance. The SHI aimed to:

- increase the supply of social housing, via construction of new social housing and the repair and maintenance of existing dwellings
- provide increased opportunities for people who are homeless or at risk of homelessness to gain secure long term accommodation
- stimulate the building and construction industry.

The SHI represents the largest single commitment of funding to social housing in Australia’s history. The Commonwealth Government provided funding of $5.638 billion to the SHI over three and a half years (2008-09 to 2011-12). Of this, $5.238 billion was allocated to the construction of new dwellings and $400 million was allocated to repair and maintenance of existing social housing dwellings. The figure below presents the proportion of total funding provided to States and Territories and the overall proportion of new dwellings across the States and Territories.


Economic impacts of the Social Housing Initiative

The SHI delivered a range of economic benefits that benefited not only the social housing sector but also the wider Australian economy. Tangible benefits are outlined in Table E.1.

Table E.1: Summary of economic impacts

<table>
<thead>
<tr>
<th>Economic Measures</th>
<th>Review Finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional construction activity</td>
<td>Estimated to be $1.5 billion per annum on average over the life of the SHI.</td>
</tr>
<tr>
<td>Multiplier through the economy</td>
<td>For every $1.00 of construction activity, around $1.30 in total turnover (or an additional $0.30 in turnover) was generated in the economy.</td>
</tr>
<tr>
<td>Average annual value-added (gross domestic product (GDP))</td>
<td>$1.1 billion on average over the life of the SHI – approximately 0.1 per cent (10 basis points) of Australian GDP increase during the life of the SHI.</td>
</tr>
<tr>
<td>Employment</td>
<td>Construction industry increased by approximately 9,000 full time equivalent (FTE) positions during the period of stimulus. Overall increase of approximately 14,000 FTE jobs.</td>
</tr>
</tbody>
</table>

Source: KPMG (2012)

A key benefit was the impact on GDP (the additional value to the economy in terms of wages and profit in each industry). The SHI is estimated to have contributed approximately $1.1 billion in average annual value-added (GDP) over the four-year period. The value –added represented approximately 0.1 per cent of Australian GDP in 2011-12.
Social Housing Initiative benefits – community housing, clients and procurement

In addition to the economic benefits from the SHI, the number of dwellings to be delivered exceeded targets by approximately 13 per cent. Approximately 19,700 new dwellings were constructed. Additionally, an extra 12,000 dwellings that were uninhabitable, or likely to be uninhabitable within two years, have remained tenanted through the repairs and maintenance program. Homeless people, people with a disability and elderly persons were most typically the beneficiaries of the new dwellings.

The benefits and positive impacts of the SHI in the social housing sector included:

- the foundation to leverage future growth across the community housing sector, including predicted growth of 1,201 dwellings across NSW and 448 in Western Australia. Victoria provided immediate leverage through grants to the community housing sector and will result in an additional 623 dwellings3
- the location of dwellings across regional areas (approximately 46 per cent constructed in regional areas) and allocated to those vulnerable and disadvantaged client groups

3 Based on information provided by the States and Territories contained in their growth plans/strategies and expectations about future leverage opportunities.
the innovation and reform across State/Territory Housing Authorities (SHAs), construction industry and community housing providers (CHPs), including capacity building of the CHP sector, contracting arrangements and project management and development.

Additional non-financial benefits of the SHI to the construction sector (and the Government) included:

- expansion of some industry participants into social infrastructure developments
- increased competition across the construction industry due to the compressed timeframes and the concurrent nation building programs
- delivery of high quality products with no discernible difference between private and social housing.

The table below provides an overview of the benefits of the SHI, and some issues to note.

<table>
<thead>
<tr>
<th>Benefits and positive impacts</th>
<th>Issues to note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivered and exceeded dwelling targets and approximately 12,000 dwellings were returned to housing portfolios across the States and Territories through the repairs and maintenance program</td>
<td>The SHI did not correlate with material changes to wait times and wait lists, most likely due to the effect of concurrent wider social and economic conditions on the demand for social housing over the same period</td>
</tr>
<tr>
<td>States and Territories allocated significant funding to regional areas for construction of dwellings – 46 per cent of dwellings were constructed in regional locations</td>
<td>The provision of housing for the target client cohorts requires greater support to maintain tenancies and facilitate access to a broader range of services (which may impose costs on CHPs). There is a potential need for more support services in regional areas particularly as some of the target client cohort had multiple issues to address</td>
</tr>
<tr>
<td>Provided organisational and balance sheet growth for CHPs across States and Territories, and a platform for future growth of the CHP sector where ownership was transferred. Indications from States and Territories are that additional growth could be in the order of 10 per cent of the total dwellings constructed of the SHI</td>
<td>CHPs expressed concern that the requirement to use the shared wait list, and to take high priority clients from that wait list, reduced CHPs’ ability to mix and match tenants to types of housing and locations, potentially constraining rental cash flows (as these tenants typically pay lower rents). In-kind contributions from the States and Territories and CHPs may be limited in the future due to large in kind contributions for this program</td>
</tr>
<tr>
<td>Stimulated the construction industry and provided benefits to the wider economy</td>
<td>The SHI highlighted various approaches to procurement, and showed the advantages of specifically tailoring procurement processes to the</td>
</tr>
</tbody>
</table>

Social Housing Initiative Review

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<table>
<thead>
<tr>
<th>Benefits and positive impacts</th>
<th>Issues to note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value for money was evident, which assisted in exceeding targets across each State and Territory.</td>
<td>Future maintenance costs will need to be factored into SHA and CHP budgets.</td>
</tr>
<tr>
<td>Increased the capacity of CHPs and the confidence of the Government in CHPs to deliver large and more complex developments.</td>
<td>The maturity of the CHP sector is increasing, however, passing responsibility for more complex developments to CHPs can involve more risks for SHAs. Some providers will still require an increase in capacity to manage the commercial arrangements of property developments.</td>
</tr>
<tr>
<td>Highlighted innovative approaches to delivering social housing including build/sell for SHAs, mixed used developments and design/construction techniques.</td>
<td>The SHI provided evidence of the outcomes of a number of different models and processes around construction, procurement, and transfer of affordable housing to CHPs, which will be useful in considering future policy settings and programs.</td>
</tr>
<tr>
<td>Energy efficiency and adaptability introduced to more than 95 per cent of constructed new dwellings, potentially reducing energy bills for households.</td>
<td>Delivering universal design and adaptable housing across all dwellings constructed (during Stage 2) may have led to some level of ‘over servicing’ and reduced the total number of dwellings and/or the increased the cost of dwellings due to the additional space requirements to meet these guidelines.</td>
</tr>
<tr>
<td>SHI provided a catalyst to shift social housing outcomes and urban design in certain areas to new levels of excellence.</td>
<td>There are opportunities to promote learnings from the SHI broadly within the construction and design industries.</td>
</tr>
<tr>
<td>Provided dwellings for approximately 8,400 homeless people, highlighting the importance of housing supply in programs aimed at reducing homelessness.</td>
<td>The future effectiveness of homelessness programs could be limited in the absence of further increases in housing stock.</td>
</tr>
</tbody>
</table>

Source: KPMG (2012)

Based on the review, the SHI exceeded its primary objectives of stimulating the construction industry, increasing the supply of social housing, providing long-term accommodation opportunities for homeless people (and people at risk of homelessness) and delivering wider benefits to the Australian community.

The scale of the SHI provided opportunities to deliver on the objectives of the initiative with flexibility and tailored approaches based on State and Territory needs and context. This flexibility allowed
different delivery models to be implemented that varied across the States and Territories and included new ways of interacting and working with the construction industry (through build and sell projects), continuation of growth strategies (such as the co-contribution from CHPs) and the traditional build and transfer of dwellings to CHPs. Each approach has merit and should be considered in the broad suite of approaches available to continue to grow the social housing sector. In particular, those delivery approaches that potentially deliver a secondary stimulus through reinvestment of sale proceeds could be expanded further to provide mixed use and mixed tenanted dwellings.

The SHI had a positive impact on the economy, supporting employment with the addition of approximately 9,000 FTE in the construction industry and increasing overall GDP by 0.1 per cent (10 basis points). In addition, the SHI benefited individual clients across all States and Territories and ensured those most vulnerable were assisted into permanent, good quality housing arrangements.
Introduction and scope

The Commonwealth Government and COAG committed to deliver the SHI as part of a broader suite of initiatives under the Nation Building – Economic Stimulus Plan in response to the GFC.

The SHI aimed to stimulate economic activity by increasing the quantity and quality of social housing, by funding both additional dwellings and an extensive program of repairs and maintenance. The stimulus, funded by the Commonwealth Government and in-kind contributions from the States and Territories, would directly impact on the building and construction industries, with secondary benefits to the broader economy. As noted by the Commonwealth Government, “[t]he $5.638 billion Social Housing Initiative is the largest commitment by any Government in Australia to social housing...”4.

1.1 Project purpose and scope

KPMG was engaged to conduct a review of the SHI. The review examined and analysed:

- the contribution of the SHI (to date) on social housing supply
- the SHI’s impact on disadvantaged groups (particularly the homeless)
- the impact on the building and construction industries.

It also identified areas of innovation and good practice that emerged during the process, as well as barriers to more effective or efficient implementation. While the review documented differences in approach between States and Territories, it did not include a comparative analysis of State and Territory performance.

Specific areas to be examined were:

**Impact on the social housing system**

- Growth: investigate the extent to which the social housing sector has grown and is predicted to grow as a result of the SHI. This will include the direct and indirect leveraging of government capital investment achieved, or predicted to occur.
- Refurbishment: investigate the extent to which refurbishment outcomes were achieved, in terms of both supply and location of stock.
- Procurement: identify the approaches used and the advantages/disadvantages.
- Planning: identify the approaches used and the advantages/disadvantages.
- Regional Delivery: assess the specific impacts of the program in regional areas.
- Innovation: identify where innovation or streamlining in areas including planning, procurement, refurbishment, financing, built form or governance were achieved and evaluate their impact on the quality and quantity of social housing provided under the SHI. In addition, identify key factors that

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negatively impacted the speed, effectiveness or efficiency of the SHI and assess to what extent these impeded SHI outcomes.

- Strategic Reform: identify ways in which the SHI has contributed to developing the capacity of the community housing sector to take on more diverse roles, including property development, financing, construction, as well as contributing to developing the capacity of government to facilitate and support this. This would include identifying the ways in which the initiative strengthened the financial capacities (and balance sheets) of community housing providers, thereby providing a platform for ongoing growth in social and affordable housing.

- Ongoing Budgetary Impacts: assess the current and projected budgetary impact of the SHI funding on State and Territory and not-for-profit (NFP) sector housing providers and relevant private sector operators.

Impact on clients

- Tenant Profiles: examine the mix of tenants who were housed and the extent to which this met expectations set out in the National Partnership Agreement. Key elements to be considered here are the outcomes for homeless people, Indigenous people, seniors and people with disabilities.

- Demand: examine the effect of the SHI on social housing waiting lists and waiting times for people with high housing needs.

Impact on the building and construction industry

- Employment Outcomes: investigate the employment outcomes that have been achieved.

- Construction Industry Support: identify the support provided to the construction industry due to the SHI, including an examination of the potential implications had the initiative not been undertaken.

- Complementary Contributions: investigate how the contributions of State and Territory Governments and the non-government sector influenced the outcomes.

- Design: investigate the extent to which universal design and energy efficiency principles were incorporated into SHI housing design and their impact on the quality and quantity of social housing provided under the SHI and the construction challenges encountered in meeting these requirements.

1.2 Methodology

The project methodology spanned five key stages and is summarised in the following diagram.
1.2.1 Consultations

Consultations were a key component of the project. Consultations focussed on:

- the procurement processes utilised across States and Territories and the associated advantages and disadvantages
- innovative approaches to implement, monitor and complete the SHI
- financial impacts on community housing providers, and on SHAs
- CHP reforms, and how the SHI contributed to developing the community housing sector
- impacts on clients (particularly vulnerable clients) and how demand for social and community housing was affected as a result of the SHI
- outcomes as a result of the SHI on the building and construction industries.

KPMG consulted with:

- 47 individuals from SHAs
- 40 CHP representatives
- 30 building and construction industry representatives.

The report includes a series of case studies to highlight some of the specific outcomes achieved through the SHI.
1.2.2 Data and economic analysis

Client data provided by the States and Territories was reviewed and combined with the qualitative data collected during the consultations. The client data was analysed in terms of demographic profile of those clients who were assisted as a result of the SHI.

Computable general equilibrium (CGE) modelling was used to estimate the economy-wide impacts of the construction activity associated with the housing construction. This modelling used the estimated value of additional construction activity to highlight the economy-wide impacts in terms of direct and indirect employment impacts, and the flow-on impacts on industry activity. A separate simulation was run for each State and Territory.

The CGE model produced results for the industry measures of employment, value-added gross regional product, turnover (or revenue or sales) and living standards. Please refer to Appendix A for a detailed outline of the methodology for the CGE modelling.

A procurement options assessment was also undertaken.

1.3 Structure of this report

This report is divided into the following sections:

Chapter 2: Background to the SHI. This section outlines the economic conditions that led to the release of stimulus funding, the objective of the NBESP, and a description of the SHI.

Chapter 3: Impact on the building and construction industry. This section provides information on employment outcomes, construction industry support, complementary contributions and design.

Chapter 4: Impacts on the SHI. This section provides information regarding growth, refurbishment, procurement, planning, regional delivery, innovation, strategic reform and ongoing budgetary impacts of the SHI.

Chapter 5: Impact on clients. This section provides information on tenant profiles and take up of the SHI.

Chapter 6: Procurement analysis.

Chapter 7: Summary and conclusion of the review. This section draws together the findings and provides overall commentary on the SHI.

Appendix A: CGE modelling overview, providing an overview of the inputs, approach and regional details.

Appendix B: State and Territory procurement overview.
2 Background to the Social Housing Initiative

This section outlines the background to the SHI and provides an overview of:

- the economic conditions that led to the stimulus funding
- the objective of the NBESP
- the SHI.

The SHI was part of a broad suite of initiatives designed to stimulate the economy, through direct stimulation of the construction industry, during a time of rapid economic deterioration. The SHI was conducted through a partnership between the Commonwealth and the States and Territories and provided an opportunity to construct social housing in response to soaring demand, particularly for those clients most in need.

2.1 Economic conditions

The GFC reached its peak in September 2008 with financial markets around the world coming to a halt. By November 2009, overall growth in the Australian economy had slowed to half a per cent and the unemployment rate had risen by approximately two percentage points. The decline in equity prices reduced the wealth of Australian households by nearly ten per cent, and the Australian dollar depreciated 30 per cent from its July 2008 peak.5

In response to the crisis, the Commonwealth Government announced a range of stimulus measures between October 2008 and March 2009. The $42 billion Nation Building and Jobs Plan, announced on 3 February 2009, was the centrepiece of the stimulus. Combined with the December 2008 Nation Building package, it assumed a whole-of-government identity and the title Nation Building – Economic Stimulus Plan.6

2.2 Nation Building – Economic Stimulus Plan

The NBESP aimed to boost the economy by approximately half a per cent of GDP (0.5 per cent) in 2008-09 and by approximately three quarters to one per cent of GDP in 2009-10. As a whole, the NBESP was designed to provide immediate stimulus to the economy (through the Supporting Jobs Now component), as well as strengthen future productive capacity (through the Building Prosperity for the Future component). The majority of the funding, provided by the Commonwealth Government, was to be delivered by 30 June 2010, followed by a gradual withdrawal of funding in 2011 and 2012.6 The key components of the NBESP are outlined in Table 3.7

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Overview of the Social Housing Initiative

The Commonwealth Government allocated funding of $5.238 billion to the SHI over three and a half years (2008/09 to 2011/12) for the construction of new dwellings. Further funding of $400 million was allocated to undertake repairs and maintenance of existing social housing dwellings – see Table 4.\(^7\)\(^8\)\(^9\)

### 2.3 Overview of the Social Housing Initiative

The Commonwealth Government allocated funding of $5.238 billion to the SHI over three and a half years (2008/09 to 2011/12) for the construction of new dwellings. Further funding of $400 million was allocated to undertake repairs and maintenance of existing social housing dwellings – see Table 4.\(^7\)\(^8\)\(^9\)

#### Table 4: Elements of the Social Housing Initiative

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
<th>Funding and targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Element 1 – New Construction</td>
<td>Stage 1 delivered funding for ready-to-go construction already in the pipeline that could be brought forward. Stage 2 delivered funding for the construction of</td>
<td>$5.238 billion to construct 17,400 dwellings across Stages 1 and 2.</td>
</tr>
</tbody>
</table>

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Element Description
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additional social housing dwellings.

Element 2 – Repairs and Maintenance Funding for the repair and maintenance of existing dwellings. This included a proportion of dwellings that were either unsuitable for occupancy or that would become unsuitable over the next two years without this funding. $400 million – target to return 2,500 dwellings to the social housing portfolio.

Source: COAG National Partnership Agreement on Social Housing and Australian Government Nation Building – Economic Stimulus Plan: Social Housing

2.3.1 Outcomes of the Social Housing Initiative
The SHI aimed to:
- build 17,400 new social housing dwellings within three years, primarily for people who are homeless or at risk of homelessness
- build dwellings that meet the needs of people on public housing waiting lists, including age and disability pensioners, Indigenous people and women with children escaping domestic violence
- reduce waiting time for people on public housing lists by 50 per cent and reduce the number of low income households who pay more than half their income in rent through the construction of new dwellings
- complete 75 per cent of new dwelling construction by December 2010
- make available 2,500 existing public housing stock that would otherwise be unfit for occupation
- provide immediate stimulus to the building and construction industry.

2.3.2 Reform of the social housing sector
The allocation of funding by the Commonwealth Government under the SHI was contingent on each jurisdiction agreeing to implement a number of reforms in the social housing sector. These reforms were to:
- integrate public and community housing waiting lists
- aim to locate housing closer to transport, services and employment opportunities to improve social and economic participation of tenants

10 Ibid
• implement support arrangements to assist tenants to transition from social housing arrangements to affordable private rental and home ownership
• reduce concentrated disadvantage by creating mixed communities
• introduce a national regulatory and registration system for NFP housing providers to enhance the capacity to operate across jurisdictions
• establish consistent and comparable accounting and reporting standards across jurisdictions to allow clear and objective performance assessments
• subject social housing providers to independent prudential supervision to protect public investment
• improve tenancy management and maintenance benchmarks
• improve efficiency of social housing, including better matching of tenants with dwelling types, and introduce rent-setting policies that reflect the type of dwelling
• introduce contestability in the allocation of funds to encourage new providers and create diversification in the NFP sector so that providers offer housing options to a broader range of client types
• leverage government capital investment to enhance provision of social housing
• better use government owned land to provide more affordable housing opportunities for low income earners
• improve procurement practices to promote competition and provide participation opportunities for small and medium businesses.11

2.3.3 Requirements for funding
Funding was allocated to States and Territories on a per capita basis, subject to jurisdictions submitting proposals that met the requirements of the SHI.

To receive funding under Element 1, proposals needed to demonstrate that they would:
• increase the supply of social housing dwellings
• have regard to the required social housing reforms and submit the progress report to COAG by December 2009
• increase the allocation of housing to people with highest needs on public housing waiting lists
• facilitate and support the transition of people who are homeless or at risk of homelessness to secure, long-term accommodation

11 Ibid
• adhere to universal design principles to facilitate better access for people with a disability and older persons
• construct environmentally sustainable dwellings
• promote short-term activity in the building and construction industry using a variety of procurement arrangements.\(^{12}\)

To receive funding under Element 2, proposals needed to demonstrate that dwellings to be refurbished:
• would be uninhabitable without repairs
• were located in areas that would support the economic and social participation of tenants.

### 2.3.4 Social Housing Initiative jurisdictional summary

A summary of each jurisdiction, including funding provided by the Commonwealth Government and minimum delivery threshold, is outlined in Table 5.\(^{13}\)

<table>
<thead>
<tr>
<th>State/Territory</th>
<th>Element 1 – New Construction</th>
<th>Element 2 – Repairs and Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Funding</td>
<td>Minimum delivery target (dwellings)</td>
</tr>
<tr>
<td>NSW</td>
<td>$1,763,647,000</td>
<td>5,879</td>
</tr>
<tr>
<td>VIC</td>
<td>$1,166,757,000</td>
<td>3,889</td>
</tr>
<tr>
<td>QLD</td>
<td>$1,085,472,000</td>
<td>3,618</td>
</tr>
<tr>
<td>WA</td>
<td>$549,727,000</td>
<td>1,832</td>
</tr>
<tr>
<td>SA</td>
<td>$404,263,000</td>
<td>1,348</td>
</tr>
<tr>
<td>TAS</td>
<td>$125,480,000</td>
<td>418</td>
</tr>
<tr>
<td>ACT</td>
<td>$87,080,000</td>
<td>290</td>
</tr>
<tr>
<td>NT</td>
<td>$55,574,000</td>
<td>185</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,238,000,000</strong></td>
<td><strong>17,460</strong></td>
</tr>
</tbody>
</table>

\(^{12}\) Ibid
\(^{13}\) Nation Building – Economic Stimulus Plan: Social Housing Initiative Analysis (unpublished), provided to KPMG by FaHCSIA via email 1 March 2012
Housing Ministers’ Advisory Committee
Social Housing Initiative Review
Advisory
September 2012

Source: Nation Building – Economic Stimulus Plan: Social Housing Initiative Analysis
3 Economic impacts of the Social Housing Initiative

The positive impact from the Social Housing Initiative significantly improved our company’s employment outcomes... It not only allowed us to retain the existing staff numbers but also to employ an additional 10 staff, a mix of contractors and permanent employees hired during a time when we were facing a negative employment turn...

Construction Industry Participant, NSW

This section of the report provides an overview of the economic impacts of the SHI in the following areas:

- value added contribution to the economy
- direct contributions to the construction industry and indirect contributions to other industries within the economy
- employment outcomes.

This section starts by providing a summary of the findings, and then outlines the modelling framework and inputs. This is followed by the presentation and interpretation of the results at the national level.

3.1 Summary of findings

The table below outlines a summary of the economic impacts of the SHI.

Table 6: Summary of findings – Economic Benefits

<table>
<thead>
<tr>
<th>Economic Measures</th>
<th>Review Finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional construction activity</td>
<td>Estimated to be $1.5 billion per annum on average over the life of the SHI</td>
</tr>
<tr>
<td>Multiplier through the economy</td>
<td>For every $1.00 of construction activity, around $1.30 in total turnover (or an additional $0.30 in turnover) was generated in the economy</td>
</tr>
<tr>
<td>Value added (additional value in terms of wages and profit in each industry)</td>
<td>$730 million on average for the construction industry over the life of the SHI</td>
</tr>
<tr>
<td>Average annual value added (GDP)</td>
<td>$1.1 billion on average over the life of the SHI – approximately 0.1 per cent of Australian GDP increase over the life of the SHI</td>
</tr>
</tbody>
</table>
Economic Measures | Review Finding
--- | ---
Employment | Estimated to have directly boosted employment in the construction industry by an average of around 9,000 FTE positions during the period of the stimulus. Overall, it is estimated that an average of around 14,000 FTE jobs were created Australia-wide as a result of the SHI stimulus.

Source: KPMG (2012)

The SHI had a positive impact on the economy. It stimulated not only the construction industry but also other industries that provide goods and services to the construction sector. The total stimulation of jobs and the wider economy estimated here, including the contribution to the GDP increase, highlight that the SHI met one of its primary objectives, namely to stimulate the building and construction industry.

The SHI met its objective of stimulating the construction industry and supporting the Australian economy during the GFC. As highlighted, the SHI supported employment, improved overall GDP and indirectly benefited a range of industries associated with the construction sector.

The multiplier effect (of providing an additional $0.30 for each $1 spent) highlights the positive effect of the stimulus through the construction industry. Stakeholders from the construction and building industry noted the importance of the economic stimulus provided as a result of the SHI, and the States and Territories attempted to utilise a range of providers (large, medium and small) to ensure the benefits were distributed across the construction industry. This approach allowed for a greater spread of construction work across builders/service providers and also mitigated construction risk in terms of builder/service providers not delivering on time or on budget.

The following sections discuss the approach to the economic analysis and provide further details on the findings.

### 3.2 Modelling approach

To assess the contribution of the SHI to the economy, the Project Team used CGE modelling, which estimates economy-wide impacts from a given input. Economy-wide impacts are the direct and indirect (or flow-on) effects of the initial activity. The indirect impacts are the flow-on effects that the initial activity generates, such as spending on goods and services by people who are employed on the construction projects, stimulation of businesses further up the supply chain (for example, manufacturers and suppliers of industry inputs), and the stimulation of activities downstream (for example, through the provision of inputs to other sectors, such as the retail sector).

The diagram below provides a simplified representation of the CGE modelling approach.
3.2.1 Direct impacts/model inputs

In addition to Commonwealth Government funding of $5.638 billion over three and a half years, State and Territory Governments also contributed to the SHI through in-kind support, which varied across the States and Territories in terms of the provision of land, or contributions from the CHP sector (for example, in Victoria). This totalled approximately $858 million over the life of the SHI, of which the provision of land was valued at approximately $540 million.

A summary of the total funding and support (including land and other contributions) for the SHI is outlined in the figure below. A more detailed breakdown of expenditure under the SHI is provided in Appendix A.

More details of the CGE model are outlined in Appendix A.
3.2.2 Modelling scenarios

To estimate the economic impacts of a level of construction activity consistent with that of the SHI, the following scenarios were modelled:

- **Baseline scenario:** This scenario assumes the additional stimulus did not take place. That is, it models the State and Territory economies under a business as usual case.

- **Construction Stimulus scenario:** This scenario assumes a stimulus to construction activity equivalent to that under the SHI did occur. That is, it models the State and Territory economies with higher annual construction activity.

The estimated economic impacts are determined by calculating the differences in economic outcomes between the two scenarios.

Initially, the impact of the construction stimulus will be directly observed in the form of additional construction activity. These direct economic impacts will mainly manifest in construction-related industries, as new buildings are erected and repairs and maintenance are undertaken. Second round effects will then occur as the supply chain of the construction industry is stimulated and as business and consumer demand is encouraged within the economy.

While these direct impacts can be measured through the level of spending on construction, any flow-on or second round effects are identified and quantified using economic modelling.
3.3 Economic impact on construction activity

The economic contribution of the construction stimulus to State and national economies take the form of both direct and indirect impacts:

- **Direct effects** on employment, industry value-added and industry turnover are the result of the additional construction activity.
- **Indirect effects** are mainly driven by additional spending by the construction industry, construction industry employees, and businesses that supply the construction industry.

Thus, the economic impacts start in the construction industry and flow through to other sectors of the economy via industry and consumer supply chains. The direct and total impact on annual industry turnover is illustrated in the Figure below.

*Figure 4: Average annual impact of stimulus on turnover ($m, 2012 prices)*

![Figure 4: Average annual impact of stimulus on turnover ($m, 2012 prices)](image)

Source: KPMG analysis (2012)

The construction stimulus is expected to have resulted in additional construction industry turnover of around **$1.5 billion per annum**, on average, over the last four years. This direct stimulus is expected to result in indirect impacts in other industries.

Overall, total Australian production increase resulting from construction activity created by the stimulus is estimated to be $2.0 billion per annum. **That is, for every dollar of construction activity, around $1.30 in total turnover was generated in the economy.**

The impact of the construction stimulus on average annual value-added (the additional value to the economy in terms of wages and profit in each industry) is illustrated below.
Value-added is estimated to be around half of the turnover in the construction industry (with the remainder materials and other inputs). The stimulus is estimated to have contributed approximately $734 million in average annual construction industry value-added. This is expected to have further stimulated activity up and down the supply chain, contributing to approximately $1.1 billion in total value-added (GDP) (annually) over the four-year period.

The stimulus is estimated to have contributed approximately $1.1 billion in average annual value-added (GDP) over the four-year period. This represents approximately 0.1 per cent of Australian GDP in 2011-12. That is, in the absence of the construction activity generated by the SHI (or a similar stimulus measure), Australian GDP may have been 0.1 per cent lower (10 basis points), on average, in each year over the four-year period\footnote{This does not take account of the potential alternate use of these government funds.}. Figure 7 below represents this information graphically.
Figure 6: Impact of stimulus on construction industry value-added ($m, 2012 prices)

The gap between value add to the economy with the SHI and without the SHI.

Source: KPMG analysis and National Accounts published by ABS
NOTE: Construction industry value-added for 2011-12 is estimated based on data to March 2012.

Box 1: Building the Social Housing Initiative

R&L Gread Builders Pty Ltd, based in Nambour, is a small building company with an annual turnover of approximately $4 million. The company employs six permanent staff and has access to an established network of around 12 sub-contractors.

The company was involved in ‘Design and Construct’, ‘Construct’ and ‘Refurbishment’ projects under the SHI.

The projects were won at open tender on the basis of value for money and, according to the builder, “the quality of R&L Gread’s designs”, which considered the dwelling’s usability, climatic conditions and the ease of future maintenance. Projects completed under design and construct arrangements incorporated universal design to ensure accessibility for seniors and people with disabilities, and all developments featured 6-star energy efficiency ratings. Each project also incorporated a 10 per cent training component.

According to the company’s owner, Robert Gread, the design and construct tenders were simple to respond to, and easy to prepare for approval for the construction stage. They were also flexible enough to allow for the use of building materials and construction techniques that met building specifications and suited the company’s subcontractors and suppliers in a regional area where build times need to be short. The contracts were also flexible, even allowing for changes to be made during construction to suit individual tenant requirements. From the company’s side, innovative use of full masonry walls resulted

Social Housing Initiative Review

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In competitive costs and faster construction times.

The overall employment impacts for the builder and building contractors of the three contract types was significant, and R&L Gread is enthusiastic about the SHI and its outcomes. At the time the procurement process took place, “business was slow,” said Mr Gread. The work contracted through the SHI added an estimated 50-75 per cent to turnover over that time, as well as enabling the retention of core staff and subcontractors.

Source: KPMG and R&L Gread Builders Pty Ltd

In addition, the stimulus increased the asset value of social housing stock. The ongoing benefits associated with this have not been included in the analysis and are in addition to the benefits of construction activity.

This construction stimulus is also estimated to have had a positive impact on value-added in each State and Territory. The estimated average annual impacts on direct construction industry value-added and total (direct and indirect) value-added are outlined in Figure 8. Box 2 provides a Case Study on Western Australia.

Figure 7: Impact of construction stimulus on average annual construction industry value-added ($m, 2012 prices)

3.3.1 Employment outcomes

In addition to boosting value-added, an increase in construction activity associated with the stimulus resulted in higher employment than would otherwise have been the case. Estimates of total (direct and indirect) impacts of increased construction activity on employment by State and Territory are outlined in the Figure below.
The increase in construction industry activity is estimated to have directly boosted employment in the construction industry by an average of around 9,000 FTEs during the stimulus. Sectors that supply goods and services to the construction sector or along its supply chain benefited from additional demand for their supplies. Consumer oriented sectors also benefited as additional employment raises the overall level of consumption of goods and services and stimulates demand in sectors such as retail trade. Overall, it is estimated that an average of 14,000 FTE jobs were created Australia-wide as a result of the stimulus.

According to one builder in Queensland, “the overall employment impacts on them (as builders) and the building contractors of the three contracted projects was significant…”. From this builder’s perspective, “the initiative represented a ‘win-win’ for Government and the builder: delivering a high quality product, at a reasonable price, at a time when the industry needed some stimulus to retain its skilled workforce.”

3.4 Other benefits

Consultations with construction industry representatives also highlighted a number of additional non-financial benefits of the SHI to the construction sector (and the Government), including:

- some industry participants expanded into social infrastructure developments as a result of the SHI, due to an increased understanding and awareness of Government and the social housing sector
- competition was opened up to a broader range of industry participants due to the compressed timeframes and the other nation building programs operating at the same time. This forced Governments to look further afield and spread the available work around to a wider group of participants

Source: KPMG analysis (2012)
• the fact that a high quality product was delivered, with no discernible difference between private and social housing, was noted by industry participants. This included higher quality finishes and design in finished developments. This is outlined further in Section 4.

Box 2: A winner in developing the economy (Western Australia)

The Western Australian Department of Housing’s Social Housing Initiative (SHI) program won the “Developing the Economy” category in the 2011 Premier’s Awards for maximising opportunities for the future through stimulating the economy to support employment and growth.

In early 2009, the Department of Housing (DOH) was awarded over $590 million from the Commonwealth Government under the NBESP to increase the supply of social housing across WA through new construction and the repair and maintenance of existing social housing. A further $146 million was awarded from the State Government for this same objective.

With the funding received, DOH assembled a small expert team to manage the largest building program it had undertaken since the Second World War.

The Stimulus Programs involved a significant number of projects taking place simultaneously across the huge expanse of the State.

Through effective and efficient project management and communication, these projects are successfully completed and have effectively stimulated the construction and property sector whilst achieving other core objectives, including:

• increasing social housing stock
• housing the most vulnerable
• providing opportunities for trainees and apprentices
• developing the community housing sector
• producing energy efficient housing
• producing housing designed in line with universal and adaptable standards.

Over the course of the SHI, 189 contractors and developers were engaged, and 137 Aboriginal workers and 708 apprentices and trainees were employed.

The building industry reported that the SHI provided significant support during a difficult time, helping to retain staff and cut through red tape. Overall, the SHI program effectively stimulated the construction and property sector.
4 Impacts on the social housing system

This section of the report outlines the impacts of the SHI on the social housing system in the following areas:

- growth: the extent to which the social housing sector has grown, and is predicted to grow, as a result of the SHI
- refurbishment: the extent to which refurbishment outcomes were achieved, in terms of both supply and location of stock
- planning: the approaches used and the advantages/disadvantages
- regional delivery: the specific impacts of the program in regional areas
- innovation: where there was innovation or streamlining, and their impact on the quality and quantity of social housing provided under the SHI
- strategic reform: the ways in which the SHI has contributed to developing the capacity of the community housing sector to take on more diverse roles.

4.1 Summary of findings

The information below summarises the findings in relation to the impacts on the social housing system.

<table>
<thead>
<tr>
<th>Review category</th>
<th>Finding</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>Positive</td>
<td>Growth in overall number of dwellings with targets exceeded in all jurisdictions. Leverage by CHPs can occur either through transfer of dwellings to CHPs, or at point of project approval (in Victoria a 25 per cent co-contribution by the CHPs was included in projects that CHPs were approved to develop)</td>
</tr>
<tr>
<td>Financial impacts</td>
<td>Inconclusive</td>
<td>No impact on SHAs and mixed impact on CHPs</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>Positive</td>
<td>Target met, with in excess of 2,500 dwellings returned to housing portfolios across the States and Territories</td>
</tr>
<tr>
<td>Energy efficiency and Adaptability</td>
<td>Positive</td>
<td>Almost 100 per cent of dwellings achieved 6-star energy rating and adaptability</td>
</tr>
<tr>
<td>Planning</td>
<td>Positive</td>
<td>Planning approvals fast tracked across jurisdictions, with some States and Territories implementing specific changes to facilitate timeframes being met. Others utilised existing mechanisms and managed to meet deadlines.</td>
</tr>
<tr>
<td>Regional delivery</td>
<td>Positive</td>
<td>46 per cent of dwellings constructed in regional areas</td>
</tr>
<tr>
<td>Innovation and Strategic Reform</td>
<td>Positive</td>
<td>Elements of innovation and reform evidenced</td>
</tr>
</tbody>
</table>

Source: KPMG (2012)
Overall, the SHI exceeded the targets for the number of dwellings to be delivered by approximately 13 per cent. The impacts across the social housing system (both public and community) have been felt across all States and Territories. These impacts include:

- an injection of 19,669 dwellings
- almost 12,000 dwellings being returned to the portfolio through the repairs and maintenance program
- regional and rural areas receiving 46 per cent of dwellings
- evidence of innovation, particularly in construction techniques and design, and reform particularly in the approach some SHAs took to implementing and delivering the SHI (and the post SHI benefits).

There were no systemic issues, common to all jurisdictions, noted consistently across stakeholders, however State and Territory approaches varied. Stakeholders did highlight certain issues relating to specific jurisdictions, including:

- varied approaches to transfer of ownership of dwellings
- co-contribution to the developments
- local planning variations and potential negation of consultations with local councils and communities.

However, despite these issues, the SHI did meet all the timeframes, exceed targets and deliver the largest capital injection into the social housing sector seen in at least two decades. Positive benefits included:

- the foundation to leverage future growth across the social housing sector
- the design features of the dwellings
- the spread of dwellings across regional areas
- the innovation and reform across SHAs, construction industry and CHPs – particularly the relationships formed across sectors such as homelessness.

These are detailed further in the following sections.

4.2 Growth

“…the SHI provided the opportunity for early growth ahead of plans on the basis of 1,000 properties successfully transferred for management and occupation…”

Chief Executive Officer of large CHP, May 2012

The SHI delivered the largest capital injection in at least two decades into the social housing system, in terms of dwellings under public management, increases to the portfolios of SHAs and CHPs and, the balance sheets of some CHPs.
Growth as a result of the SHI is expected in two distinct phases:

- **Current growth** – attributable to the SHI
- **Leverage growth** – influenced by a range of current and future policies and decisions, such as transfer to CHPs post construction, partnerships with CHPs utilising capital grants and sourcing contributions by CHPs to approved projects.

These are described in more detail below.

### 4.2.1 Current growth

The table below outlines the total dwellings constructed in each State and Territory under the SHI.

**Table 7: Overview of dwellings constructed under the SHI at 31 January 2012**

<table>
<thead>
<tr>
<th>State/Territory</th>
<th>Construction stage 1</th>
<th>Construction stage 2</th>
<th>Total</th>
<th>Target</th>
<th>Actual vs. Target</th>
<th>Target met</th>
<th>Target exceeded by</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACT</td>
<td>57</td>
<td>364</td>
<td>421</td>
<td>290</td>
<td>131</td>
<td>✓</td>
<td>45.2%</td>
</tr>
<tr>
<td>NSW</td>
<td>860</td>
<td>5,469</td>
<td>6,329</td>
<td>5,879</td>
<td>450</td>
<td>✓</td>
<td>7.7%</td>
</tr>
<tr>
<td>NT</td>
<td>22</td>
<td>186</td>
<td>208</td>
<td>185</td>
<td>23</td>
<td>✓</td>
<td>12.4%</td>
</tr>
<tr>
<td>QLD</td>
<td>531</td>
<td>3,503</td>
<td>4,034</td>
<td>3,618</td>
<td>416</td>
<td>✓</td>
<td>11.5%</td>
</tr>
<tr>
<td>SA</td>
<td>232</td>
<td>1,238</td>
<td>1,470</td>
<td>1,348</td>
<td>122</td>
<td>✓</td>
<td>9.1%</td>
</tr>
<tr>
<td>TAS</td>
<td>65</td>
<td>465</td>
<td>530</td>
<td>418</td>
<td>112</td>
<td>✓</td>
<td>26.8%</td>
</tr>
<tr>
<td>VIC</td>
<td>716</td>
<td>3,876</td>
<td>4,592</td>
<td>3,889</td>
<td>703</td>
<td>✓</td>
<td>18.1%</td>
</tr>
<tr>
<td>WA</td>
<td>319</td>
<td>1,766</td>
<td>2,085</td>
<td>1,832</td>
<td>253</td>
<td>✓</td>
<td>13.8%</td>
</tr>
<tr>
<td>National total</td>
<td>2,802</td>
<td>16,867</td>
<td>19,669</td>
<td>17,460</td>
<td>2,209</td>
<td>✓</td>
<td>12.7%</td>
</tr>
</tbody>
</table>

Source: KPMG (2012), information provided by FaHCSIA

Overall, current growth (measured in dwelling numbers) has occurred as a result of the SHI, which exceeded the target of 17,640 dwellings by 12.7 per cent. This is a factor of:

- average costs achieved below the target of $300,000 per dwelling (which means that more dwellings can be constructed with the funds available – see Figure 9 below)
- increase in density such that more dwellings can be constructed across projects
- in-kind contributions from States and Territories of approximately $766 million, of which $466 million was land
- building in regional areas where the land values tended to be lower.
The overall average price per dwelling across the SHI was approximately $286,000 (compared to the target of $300,000), with the average costs for apartments at $286,562, houses at $284,173 and townhouses at $292,556.

*Figure 9: Average cost of dwellings as at 31 January 2012*

Source: KPMG (2012), information provided by FaHCSIA

As noted by all stakeholders (government, industry and non-government), the immediate increase in social housing is tangible and provided a large boost to capacity. The input of new properties, with fewer maintenance requirements, had a big impact on the capital portfolio of CHPs (for those where title was transferred), and improved the cash flows of those CHPs who had tenant management responsibility only for the dwellings.

Figure 11 highlights the spike in construction activity during the SHI, compared to ‘normal’ conditions.
At the height of the SHI, public housing building approvals accounted for almost 13 per cent of total building approvals – the highest proportion in almost two decades. Now, with the SHI construction almost completed, construction and activity levels have decreased to below historical trends.

### 4.2.2 Leverage growth

A leading benefit of community housing, as opposed to public housing, is its capacity to leverage other sources of finance and to generate its own growth over time. This occurs because SHAs cannot typically borrow additional funds against the equity in social housing properties they manage, and also because tenants are not eligible to receive Commonwealth Rent Assistance, which reduces potential revenue from rent. An example of how the model can potentially work is outlined in the Figure below.
Under the transfer arrangement, the value of the capital stock (in this case the dwellings) transferred to the CHP appears on the CHP balance sheet. As a result, the CHP can secure finance against the value of the existing properties using the positive net operating cash flow from operations to ‘leverage’ and procure or develop new dwellings (see Box 4 – Access Housing, for a case example).

From a CHP’s perspective, it is not impossible to obtain a loan from the cash flows only (without having the asset appear on the balance sheet) but the amount would be less. The banks would also investigate whether the CHP has other forms of equity to draw from.

### 4.2.3 Leverage after the Social Housing Initiative

It is worth noting that, at the time of reporting:

- ownership of approximately 50 per cent of dwellings was intended to be transferred to CHPs
- tenancy management of approximately 80 per cent of dwellings was intended to be transferred to CHPs (this would include those dwellings where ownership was also being transferred).

The table below outlines the approaches to leverage across the States and Territories.
### Table 8: Overview of leverage approaches

<table>
<thead>
<tr>
<th>State/Territory</th>
<th>Leverage approach</th>
<th>Leverage opportunities</th>
</tr>
</thead>
</table>
| NSW             | • Transfer of ownership and tenancy management to CHPs – policy currently under review by NSW Government | • NSW expecting an additional **1,201 new affordable housing properties** to become available across NSW through the SHI.  
• Leveraging in NSW is being implemented through a 10-year program, with annual targets. To date approximately 50 per cent of dwellings have been transferred. The Departments of Finance and Services and Family and Community Services are working closely with CHPs to progress the program. |
| VIC             | • 25 per cent co-contribution by CHPs to SHI grant funding                       | • 2,432 new affordable housing properties developed using SHI funding were owned and managed by the community housing sector at 31 January 2012. A further 811 are owned by the Director of Housing and managed by CHPs  
• Co-contribution leveraged an additional **$166 million, or 623 dwellings**, (as provided by the Victorian Government) for the SHI from CHPs, the majority in the form of debt financing.  
• This approach immediately leveraged growth in the number of dwellings that could be constructed and continued the growth progress already underway in Victoria. 53 per cent of dwellings from the SHI are now owned by CHPs.  
• The growth in balance sheets across the CHPs needs to be highlighted – Victoria’s eight Housing Associations total assets have increased from **$1.2 billion in 2009, to $2.2 billion by June 2012**. However, according to CHPs the co-contribution has led to the scaling back of further growth as cash flows are diverted to paying down the debt to a level that will allow for additional financing for further developments. |
| QLD             | • Transfer of tenancy management to CHPs                                         | • Brisbane Housing Company (CHP), which received $93 million in grants from the SHI, also contributed its own funds to develop mixed tenure properties, with a mix of social housing, affordable rentals, affordable sales and private sales.  
• Horizon Housing (CHP) also followed this approach and its asset portfolio grew by approximately 340 new |
<table>
<thead>
<tr>
<th>State/Territory</th>
<th>Leverage approach</th>
<th>Leverage opportunities</th>
</tr>
</thead>
</table>
| **WA**         | Planning ownership transfer to CHPs | - A build and sell approach that has allowed the Department of Housing to reinvest the sales proceeds into new developments.  
- Transfer of ownership to CHPs  
- Transfer of assets to CHPs and mandated a ten-year growth plan for the successful CHPs. In total, WA CHPs predict leverage growth of **448 dwellings over the next ten years**, some of which will be due to asset transfers associated with the SHI. |
| **SA**         | Build and sell developments | - A build and sell approach that has allowed the Department for Communities and Social Inclusion to reinvest the sales proceeds into new developments.  
- Transfer of ownership to CHPs  
- The transfer of assets to CHPs was initially through a procurement process, however this was not completed and transfers were undertaken on a proportional basis. The transfers to CHPs were high needs housing, and growth strategies are now being developed to increase the supply of social housing. |
| **TAS**        | Transfer of ownership to CHPs | - 87 per cent of the new dwellings were transferred (title and management) to CHPs and this has brought leveraging opportunities. For example, one CHP was able to leverage funds from the National Rental Affordable Scheme (NRAS) for an additional 40 units, while another leveraged an additional 20 units through its own capital funding. |
| **ACT**        | Transfer of ownership to CHPs | - The ACT Government has transferred some properties through the SHI and has attracted a new entrant to the ACT market. |
## NT

- Use of capital grants and transfer of ownership to CHPs
- Transfer of tenancy management to CHPs

### Leverage opportunities

- Four projects, providing 75 units of managed and transitional accommodation, were supported across Darwin and Alice Springs through the use of capital grants. In addition, 35 properties will be transferred to Venture Housing Company, the Territory’s new affordable housing rental company, which will use the dwellings to leverage private finance to grow their affordable rental portfolio.
- 64 dwellings across four separate projects were transferred to CHP management or leased directly to CHPs to provide housing to women and children escaping domestic violence and transitional housing.

*Source: KPMG (2012), information provided by the States and Territories*
Overall, the potential leverage of additional dwellings will be in excess of 10 per cent of the total SHI dwellings\textsuperscript{15}, as outlined by States and Territories.

### 4.2.4 Advantages of the approaches to leverage

**Build and sell examples**

The benefits of this approach include:

- **Secondary stimulus** – The ability to reinvest proceeds from private sales increases the output from a given initial investment.

- **Social mix** – mixed use developments can incorporate mixed tenancies and may provide a better social mix that can reduce marginalisation and stigmatisation of public and community housing tenants.

In Western Australia, the CHPs are expected to leverage an additional 448 dwellings over the next ten years.

**Transfer of dwellings to the community sector**

By transferring dwellings (with title) to CHPs, the ability to leverage further growth is maximised due to:

- **Increased ability to secure future financing** using the positive net operating cash flow from operations to ‘leverage’ and procure or develop new dwellings. Even without ownership, CHPs can still potentially leverage the cash flows provided under a tenancy management arrangement, although this limits the potential leverage, as the financing arrangements are limited to cash flow only, rather than cash flow and asset security.

NSW are expecting an additional 1,201 affordable dwellings to be become available through the CHP sector as a result of the SHI.

For leverage opportunities to exist, there needs to be scale in the community sector to transfer enough dwellings. The ACT and Northern Territory have faced this issue and are beginning to attract new entrants and build sufficient economies of scale.

**Co-contribution by the community sector**

Victoria asked for a 25 per cent contribution from CHPs to development projects in order for submissions to be considered. It was the only State that asked for such a co-contribution from CHPs. Victoria’s community housing sector was at a different evolutionary stage from many other States and Territories, in that it had a well developed regulatory framework to protect social housing assets and

\textsuperscript{15} Information supplied by the States and Territories and is based on growth plans/strategies contained in contractual frameworks with CHPs and SHA objectives of potential leverage opportunities.
support agency viability and a legacy of previous investment in CHP growth. Capital grants were provided to CHPs for approved projects on the basis of long term financial viability of the project, taking into account appropriate tenant mix across the life of the asset.

This co-contribution requirement leveraged an additional $166 million for the SHI from CHPs and encouraged CHPs to seek partnerships in order to contribute the necessary 25 per cent. This approach unlocked leverage opportunities and growth from the beginning of the construction projects and allowed for additional dwellings to be built up front. This approach is one factor in Victoria exceeding its planned construction targets by approximately 18 per cent.

The increase in the balance sheet (on the asset side), however, would be somewhat negated through the co-contribution, as it was, in the main, in the form of debt financing. According to CHPs, this has caused further growth plans to be scaled back as cash flows are diverted to paying down the debt to a level that will allow further developments. For one CHP, the SHI has “...loaded up the organisation with $53 million of debt...” and for another “…the organisation would prefer not to be carrying $40 million of debt, but it’s managing to be sustainable with it.”

While leverage approaches differed across the States and Territories the intent and effect have been similar – that is, ensuring viability of the CHPs and that the growth path continues. Again, there is no one approach that delivers the overall growth solution, rather it requires a mix of approaches that reflect the maturity of the community housing sector, the risk appetite and the capacity of the CHPs to manage more dwellings, more clients and bigger financial commitments. The SHI provided an opportunity to undertake flexible processes in order to achieve construction targets and future growth opportunities.

**Box 3: Providing modern, affordable older person’s housing through innovative funding**

The SHI delivered almost 300 older person’s dwellings in the ACT, providing older public housing tenants with attractive and modern supportive housing options which promote positive ageing in the community. By using innovative funding and program design arrangements, the program achieved multiple goals in addition to increased housing supply: good planning outcomes, urban infill on previously underutilised sites, and an opportunity to address the dual challenges of an ageing tenant population and high levels of underutilisation across the ACT portfolio.

**Ageing population**

These new homes are typically 80m² to 95m² in area, with two bedrooms and an oversized single garage. All cater for the needs of people with disabilities. A selection of the units have a third bedroom for a live-in carer, to further support older people ageing in place.

The homes also boast a minimum 6-star energy efficiency rating, with gas heating in all and solar boosted gas hot water systems in most. These features were included in the design brief following extensive community consultation to ensure the properties would deliver what older tenants wanted.

Recognising that the decision for an older person to move from their family home is often not made lightly, additional support was provided by Housing ACT to facilitate the move. This included coordinating family and other services to assist, and arranging for a seamless transition of household services.
**Underutilisation**

The program design specifically targeted public housing tenants who were living in properties that were larger than their current needs, so as to reduce underutilisation of existing public housing dwellings. Properties were allocated through an expression of interest process. One person transferring to the newly constructed dwellings had been residing in a three-bedroom home for over six decades.

**Urban infill on underutilised sites**

This initiative was underpinned by an innovative funding model. The ACT Government contributed land to supplement SHI funds and maximise property yield from the social housing construction program. The ACT Government made eight sites in well-established suburbs across Canberra, valued at approximately $20 million, available at no cost to Housing ACT. The land was zoned for community facilities use, and the construction of older people’s accommodation was assessed as meeting ACT Government land use requirements.

This enabled SHI funding to be directed solely towards the costs of property construction, meaning the ACT was able to build an additional 100 properties beyond its SHI targets.

**Good planning outcomes**

These efficiencies also enabled construction of 37 additional dwellings on these sites to establish a mixed tenure community, broadening the range of affordable housing options for older Canberrans (consistent with Phase II of the ACT Government’s Affordable Housing Action Plan).

The properties are being made available as affordable rental properties or for purchase through a lease/license arrangement similar to funding models used by retirement and aged care facilities.

*Source: ACT Government*

### 4.3 Financial impacts

#### 4.3.1 State and Territory Governments

State and Territory Governments consider the impact of the SHI to be neutral, as the SHI funding was segregated from ‘business as usual’ and therefore did not impact on the overall finances. However, it is worth noting that future costs may be incurred by SHAs, including operating/maintenance costs of the constructed dwellings. Queensland also highlighted the cost of administering the SHI program, which all SHAs would have incurred as well.

For those States and Territories where asset transfers have been undertaken (or are underway), the capital value of the assets and the cash flows have passed from the SHAs to CHPs. However, as the States and Territories did not have these financial benefits prior to the SHI, the impact on the SHAs is neutral. Maintenance and repairs for those dwellings transferred to CHPs becomes the responsibility of the CHPs and, therefore, this reduces the potential liability for the SHAs.
As noted in the previous section, a build and sell approach (as undertaken by WA and SA) has allowed these states to reinvest the proceeds of the sales into future developments. This not only allows for growth, but also reduces the need for these jurisdictions to find capital injections to fund future projects because they are capturing the proceeds of those sales.

4.3.2 Housing sector

The CHPs that were able to develop and/or own dwellings have indicated improvements in their balance sheet (on the asset side) and their ability to leverage future growth (as noted in Section 4.2). As noted by NSW Government representatives, dwellings valued at $1 billion have been transferred to CHPs in NSW as a result of the SHI. In Victoria, the State Government allocated 50 per cent of SHI jurisdictional funding to CHPs to purchase or build new properties, providing cash flows for potential leverage. The 25 per cent co-contribution provided an immediate growth to the community housing sector.

CHPs who received tenancy management rights over a property noted that the increased income stream and cash flows will cover their costs and improve financial sustainability. For example, a regional CHP in Queensland indicated that it has increased revenue from approximately $1 million per annum to $4 million per annum on the basis of tenancy management of dwellings. However, the CHPs stated a preference to also have the ability to own the assets and, through this, improve its balance sheets.

In terms of considerations for the future, there are two points to highlight:

- At some point maintenance for the dwellings needs to be factored into future costs, as it will impact SHAs across all States and Territories. Builders and CHPs noted that this shouldn’t be an issue for approximately 10 years, however CHPs will need to plan accordingly. Some CHPs noted they have sinking funds already organised for such future costs.

- The mix of tenants is critical for ensuring robust cash flows. CHPs expressed a concern that the requirement to use the shared wait list, and to take high priority clients from that wait list, reduced CHPs’ ability to mix and match tenants to types of housing and locations. It also constrains rental cash flows, as these tenants typically pay lower rents. For example, one CHP noted that Centrelink payments were the main source of income for 60 per cent of clients who were assisted and were in one of its dwellings. This significantly restricts potential cash flows to meet debt requirements and growth plans. CHPs generally expressed a view that, optimally, 30 to 40 per cent of tenants would be in receipt of Centrelink payments as their main source of income.

The other issue highlighted was that a diverse social mix makes for a more liveable and enjoyable community. It also works against concentrations of disadvantage, which in turn may help to break the cycle of disadvantage in certain locations.

Box 4: Focus on Access – Financial impacts

Established in 2006, Access Housing (Access) is one of the leading affordable not-for-profit housing companies in Western Australia, working across the affordable housing market spectrum, from social housing to affordable home ownership.

Access provides:

- Property and Tenancy Management Services for over 1,400 social and affordable rental properties,
with a growing portfolio

- Affordable Housing Property Development through the metropolitan area, the Peel region and into the south west of the State.

Access was successful in a competitive tender process that saw them awarded 249 dwellings in the southern metropolitan region in Perth and south west WA. The tender was instigated by the Department of Housing in order to transfer the dwellings constructed under the SHI to the community housing sector. Access also received another 68 transfers to bring total ownership of SHI constructed units to 317. This put Access on a path towards becoming a far more active player in the affordable housing market.

A condition of the asset transfer was that Access had to utilise the transferred dwellings as security to finance additional low cost housing growth. As a result Access plans to construct an additional 570 dwellings over the next ten years. The new SHI assets have allowed it to access $18 million in loans to finance this extra growth.

As CEO, Garry Ellender, said, “Without the SHI asset transfers there would have been little significant change to our organisation… we now have builders/developers seeking out Access Housing for development opportunities, as we are seen as credible players within the market...”.

Garry cited the following example of how Access is utilising its debt facility to leverage private sector partnerships and attract investors into the market. The example is a moderate scale $5.5 million development in Eaton (near Bunbury, south west WA).

Access has entered into a 50:50 joint venture with a local private builder, Coastline Homes, to build 25 villas with the following having been achieved:

- Eight of the villas have been sold off the plan to WA Department of Housing (DoH). Upon completion DoH will on-sell under a shared equity home ownership model to seniors with only moderate means, with mortgages provided through the Government home lender, Keystart.
- Thirteen of the dwellings are being sold by Questus Ltd. These dwellings will carry NRAS incentives and will be rented out at below market rental rates on that basis. As part of the sales contract, Access Housing takes on the management rights to the NRAS investor dwellings.
- Upon completion of the project, Access will take its development profit in the form of the remaining four villas.

The end result is a $5.5 million development, with Access’ maximum debt exposure being just $1.3 million. Access will own four dwellings, will be debt free in respect to the project, and will have management rights over the 13 NRAS dwellings (thus increasing its recurrent earnings).

An additional benefit of the SHI has been the capacity boost within the organisation as a result of ‘gearing up’ for the SHI. Access has gone through a restructure, and increased FTE by 50 per cent, moving from 30 FTE to 45 FTE. Access also doubled operational income over the three-year period to 2011-12, with another forecast increase for 2012-13.

By replicating and adapting this model, Access is ramping up to facilitate development programs in excess of 150 dwellings per annum, aiming to exceed 250 per annum within three years. Gary stated that “as Access builds a reliable development pipeline and a good track record with retail investors, we...”
will be targeting different investment classes, such as wholesale and philanthropic / social enterprise investors, to build a scalable development program.*

Source: Access Housing and KPMG

4.4 Repairs and maintenance

Element two of the SHI provided $400 million over 2008-09 and 2009-10 for repair, upgrade and maintenance work to be undertaken across the public housing portfolios in each State and Territory. The following table outlines the funding provided by the Commonwealth Government, under this element of the SHI, and the targets for each State and Territory.

Table 9: Element two, Repairs and Maintenance overview as at 31 January 2012

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Funding</th>
<th>Approved Dwelling No. for repair</th>
<th>Dwellings Repaired</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Capital Territory</td>
<td>$6,442,000</td>
<td>243</td>
<td>259</td>
</tr>
<tr>
<td>New South Wales</td>
<td>$130,402,000</td>
<td>31,605</td>
<td>31,672</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>$4,116,000</td>
<td>297</td>
<td>297</td>
</tr>
<tr>
<td>Queensland</td>
<td>$80,096,000</td>
<td>23,000</td>
<td>27,420</td>
</tr>
<tr>
<td>South Australia</td>
<td>$29,980,000</td>
<td>503</td>
<td>503</td>
</tr>
<tr>
<td>Tasmania</td>
<td>$9,324,000</td>
<td>516</td>
<td>534</td>
</tr>
<tr>
<td>Victoria</td>
<td>$99,152,000</td>
<td>7,000</td>
<td>9,363</td>
</tr>
<tr>
<td>Western Australia16</td>
<td>$40,488,000</td>
<td>10,500</td>
<td>10,489</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$400,000,000</strong></td>
<td><strong>73,699</strong></td>
<td><strong>80,537</strong></td>
</tr>
</tbody>
</table>

Source: KPMG (2012), information provided by FaHCSIA

In addition, the repairs and maintenance element had a target of 2,500 dwellings to return to the housing stock.17 Again, this was exceeded, with approximately 12,115 dwellings returned to housing portfolios across the States and Territories as follows:

- NSW – 8,334

16 Note this included 9,149 BCA surveys
17 This is defined as the number of dwellings that were uninhabitable at that time, or would become inhabitable if the works did not occur within two years.
VIC – 2,006
WA – 671
SA – 503
NT – 242
ACT – 186
TAS – 154
QLD – 19, noting that QLD did not have many dwellings requiring repairs to return to its portfolio. As a result QLD used the funds to address amenity issues to increase functionality and usefulness, such as retrofitting lifts to increase accessibility and adaptability.

An example of the success of the repairs and maintenance element was in Victoria where part of the funds was used to upgrade Rooming Houses.\footnote{Also known as boarding houses, as defined by the Residential Tenancies Act (1997) “...residents of a rooming or boarding house only have exclusive possession to their room with shared access to communal facilities, such as kitchens, bathrooms, laundries and living areas”. Source: Department of Human Services, Minimum standards in rooming house accommodation – Fact Sheet, page 3 – accessed at www.dhs.vic.gov.au/__data/assets/word_document/69/Standards-Rooming-Houses.doc - June 2012} As noted by one CHP, “The ability to transform the rooming houses is a game changer...”. Victoria created 120 new units in existing rooming houses, transforming them into one-bedroom studios where residents have their kitchen, bathroom, living area and laundries. Residents now have more privacy and, according to the CHP the reduction in tension between tenants that has resulted has been a “real success story” of the repairs and maintenance program in Victoria.

4.5 Energy efficiency, universal design and location

Under Stage 2 of the SHI, new dwellings built were to incorporate a number of design features, including:

- a 6-star energy rating using the National Housing Energy Ratings Scheme as the rating basis
- minimum universal design principles to ensure properties are accessible for all tenants
- dwellings to be located close to services and transport.

Overall:

- 96 per cent of Stage 2 dwellings constructed were rated 6-star or higher (including 16 per cent that were rated 7-star and above)
- 96 per cent of Stage 2 dwellings constructed met the Commonwealth Universal Design Principles, and 35 per cent also met the Australian Standard for Adaptable Housing AS4399-2995, Class C, under Stage 2 construction (note that dwellings could meet and/or exceed both standards)
• the average distance to a business district, across all States and Territories, was 1.2 kilometres (with a maximum distance of 9 kilometres), under Stage 1 construction, and 1 kilometre under Stage 2 (with a maximum of 11 kilometres). Public transport was available, on average, 0.5 kilometres from the dwellings constructed under both Stages 1 and 2.

From a tenant perspective, the 6-star energy rating and adaptable design have benefits not only in reducing energy costs (and running costs of the dwelling), but also in providing for the potential to be able to remain in the dwelling as their life circumstances change.

The following table, which outlines the difference between maximum energy consumption per unit (MJ/m²) across cities for the relevant star bands, provides some idea of the potential energy cost savings.

<table>
<thead>
<tr>
<th>Location</th>
<th>1 Star</th>
<th>2 Star</th>
<th>3 Star</th>
<th>4 Star</th>
<th>5 Star</th>
<th>6 Star</th>
<th>7 Star</th>
<th>8 Star</th>
<th>9 Star</th>
<th>10 Star</th>
</tr>
</thead>
<tbody>
<tr>
<td>Darwin</td>
<td>773</td>
<td>648</td>
<td>555</td>
<td>480</td>
<td>413</td>
<td>349</td>
<td>285</td>
<td>222</td>
<td>164</td>
<td>119</td>
</tr>
<tr>
<td>Perth</td>
<td>387</td>
<td>251</td>
<td>167</td>
<td>118</td>
<td>89</td>
<td>70</td>
<td>52</td>
<td>34</td>
<td>17</td>
<td>4</td>
</tr>
<tr>
<td>Adelaide</td>
<td>480</td>
<td>325</td>
<td>227</td>
<td>165</td>
<td>125</td>
<td>96</td>
<td>70</td>
<td>46</td>
<td>22</td>
<td>3</td>
</tr>
<tr>
<td>Sydney (East)</td>
<td>230</td>
<td>148</td>
<td>98</td>
<td>68</td>
<td>50</td>
<td>39</td>
<td>30</td>
<td>22</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>Melbourne</td>
<td>559</td>
<td>384</td>
<td>271</td>
<td>198</td>
<td>149</td>
<td>114</td>
<td>83</td>
<td>54</td>
<td>25</td>
<td>2</td>
</tr>
<tr>
<td>Canberra</td>
<td>792</td>
<td>547</td>
<td>387</td>
<td>284</td>
<td>216</td>
<td>165</td>
<td>120</td>
<td>77</td>
<td>35</td>
<td>2</td>
</tr>
<tr>
<td>Hobart</td>
<td>723</td>
<td>498</td>
<td>354</td>
<td>262</td>
<td>202</td>
<td>155</td>
<td>113</td>
<td>71</td>
<td>31</td>
<td>0</td>
</tr>
<tr>
<td>Brisbane</td>
<td>203</td>
<td>139</td>
<td>97</td>
<td>71</td>
<td>55</td>
<td>43</td>
<td>34</td>
<td>25</td>
<td>17</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: www.nathers.gov.au – accessed June 2012. This table is adapted from the full version outlined on the website. For illustrative purposes only.

The inclusion of the energy efficiency and universal design principles was broadly positive, according to stakeholders across the industry and Government (State/Territory and Commonwealth). During the consultations, architects from NSW and Victoria were of the opinion that the 6-star energy rating was not difficult to achieve as the industry was already well-acquainted with the requirements, although NSW noted that these guidelines had not been standard for social housing (they now are). CHPs in NSW and SA noted that the universal design requirements were of benefit to tenants due to the flexibility they add to the portfolio. This was reiterated by State and Territory Government representatives across jurisdictions. The overall design of the dwellings (inside and outside) was highlighted as being “a great leap forward in social housing”, with one architect noting that the construction industry is moving towards “blind tenure” design, which evens out the quality of buildings across private, public and community housing.

Some of those consulted expressed concern about the blanket approach to the adaptable design, with a small number of architects indicating that the requirement may have been excessive given that not all tenants require, or will ever require, adaptable housing.
Some also expressed concern that universal design reduces the potential yield of dwellings for projects. According to the design lead for the Nicholson project in Victoria, for example, universal design increased floor space requirements by approximately six per cent (that is, a one-bedroom apartment required 50sqm instead of 47sqm). Better joinery, wall strengthening and a Disability Discrimination Act compliant travel route from the street entry to apartment door also reduce project yield. Therefore, the merits of universal design for all properties may need to be compared to the cost implications on a project-by-project basis.

Against this, the SHI dwellings did come in, on average, at below the target per dwelling cost.

**Box 5: James pleased with his new ‘digs’**

James lives with a disability after a motorbike accident in the early 1970s seriously affected his mobility. “I had a serious motorbike accident in my early twenties,” he said. “It almost cost me my leg.”

James, now in his 60s, was cared for by his parents after the accident. After his mother died he moved from place to place across the Atherton Tableland region in Queensland.

Now, though, he has a brand new, modern unit to call his own through the SHI and Tableland Community Housing.

“This means I will never have to move again, which is wonderful,” he said.

James takes great pride in his two-bedroom unit which is fully equipped to cater for people living with a disability.

Tableland Community Housing Manager, Dianne Wellington-Miller, said the unit featured universal design features including wheelchair access, open plan living, wide internal doors, hob free shower and light fixtures with large flat panels.

“James’ unit is one of eight units in the complex,” she said. “All of them are designed to be energy efficient with natural ventilation, insulated walls and ceilings, and sun shading to reduce heat impact.”

Source: Tableland Newspapers

### 4.6 Planning

States and Territories utilised a variety of planning mechanisms to deliver the SHI, including specially enacted legislation, amendments to existing regulations and ‘business as usual’. The table below provides a summary of the planning provisions for developments under the SHI.

**Table 11: Overview of planning for SHI**

<table>
<thead>
<tr>
<th>State/Territory</th>
<th>Legislative / planning provisions for housing constructed under the SHI</th>
</tr>
</thead>
</table>
| NSW | • Standard Local Council/Shire Planning Provisions  
• State Environmental Planning Policy (Affordable Rental Housing) 2009 (Commonly |
State/Territory | Legislative / planning provisions for housing constructed under the SHI
--- | ---
VIC | - Nation Building and Jobs Plan (State Infrastructure Delivery) Act 2009 No. 1

- Sustainable Planning Act 2009 (Public Housing Provisions)
- Local Government scaled up operations to deal with the increase in applications during the SHI

- Planning and Development Act 2005 – The SHI allowed the Department to fast track new processes whereby the Department could administer its own approvals (albeit in specific scenarios only) in conjunction with the Western Australian Planning Commission.

SA | - Development Regulation 2008 (made under the Development Act 2003)
- A regulation change allowed the appointed Co-ordinator General to approve the development, if it was demonstrated that the builder had complied with a development checklist

TAS | - The Nation Building and Jobs Plan Facilitation (Tasmania) Act 2009
- If an independent planner assessed the project as appropriate for approval, the Department could proceed with the development

ACT | - Planning and Development Amendment Regulation No. 7 (made under the Planning and Development Act 2007)

NT | - Planning Act 2009

Source: KPMG (2012), information provided by FaHCSIA and State and Territory Governments

In assessing the various planning methods for the SHI it should be noted that the timeframe to plan, assess, develop, construct and deliver 20,000 dwellings was approximately three and a half years. This was an unprecedented capital injection for social housing that coincided with other stimulus construction programs. The table below considers the advantages and disadvantages of the specific approaches for planning adopted, vis-à-vis business as usual.
Table 12: Potential advantages and disadvantages of planning regimes used for the SHI

<table>
<thead>
<tr>
<th>Specific Legislation</th>
<th>Status Quo</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advantages:</strong></td>
<td><strong>Advantages:</strong></td>
</tr>
<tr>
<td>• Timeframes for decisions</td>
<td>• Maintain harmony with Local Government</td>
</tr>
<tr>
<td>• Assessment against local council processes was still undertaken</td>
<td>• Maintain harmony with community</td>
</tr>
<tr>
<td><strong>Disadvantages:</strong></td>
<td><strong>Disadvantages:</strong></td>
</tr>
<tr>
<td>• Lack of review powers if a development is ‘called-in’ to be approved by Minister/Co-ordinator General/Other party</td>
<td>• Perceived length of time to make decisions impacting on ability to deliver developments in necessary timeframes (not necessarily an issue during the SHI as timeframes were met, in the main)</td>
</tr>
<tr>
<td>• Potential for community dissatisfaction if consultation is undertaken (there were examples across States/Territories where communities did voice concerns about certain projects)</td>
<td></td>
</tr>
</tbody>
</table>

Source: KPMG (2012)

One pertinent example of increased decision making was highlighted in NSW. According to one construction industry representative, planning approval time went from the normal 180 days to approximately 33 days.

While there was some community tension with a number of SHI related projects, the fast tracked planning processes implemented by some States and Territories highlighted that timeframes can be shortened without necessarily impeding on ability to consult with communities. Similarly, current planning provisions for some States and Territories allowed for timeframes to be met, without the need for special provisions to be enacted. The SHI has highlighted that there needs to be a balance struck that allows for developmental approvals to be granted more quickly under normal circumstances, whilst still abiding by local council arrangements and the community’s right to raise objections to developments in their community. It is also noted that some objections to the SHI were not necessarily based on the proposed building(s) per se, but rather the client cohort that would be moving into the area.

4.7 Regional delivery

The SHI provided an opportunity for States and Territories to construct dwellings in regional areas to meet growing needs outside of the major cities (also noting that land values in regional areas were such that it also assisted in ensuring jurisdictions met the benchmark unit cost level). The other important impact was the stimulus to the local regional economies as a result of the construction activity.

The table below outlines the locations of the dwellings that were constructed under the SHI.
Table 13: Overview of dwelling locations under the SHI as at 31 January 2012

<table>
<thead>
<tr>
<th>State/Territory</th>
<th>Inner metro</th>
<th>Outer metro</th>
<th>Provincial</th>
<th>Rural</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACT</td>
<td>421</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>421</td>
</tr>
<tr>
<td>NSW</td>
<td>1,795</td>
<td>1,313</td>
<td>1,249</td>
<td>1,972</td>
<td>6,329</td>
</tr>
<tr>
<td>NT</td>
<td>128</td>
<td>0</td>
<td>0</td>
<td>80</td>
<td>208</td>
</tr>
<tr>
<td>QLD</td>
<td>662</td>
<td>933</td>
<td>1,285</td>
<td>1,154</td>
<td>4,034</td>
</tr>
<tr>
<td>SA</td>
<td>686</td>
<td>268</td>
<td>0</td>
<td>516</td>
<td>1,470</td>
</tr>
<tr>
<td>TAS</td>
<td>169</td>
<td>82</td>
<td>147</td>
<td>132</td>
<td>530</td>
</tr>
<tr>
<td>VIC</td>
<td>1,357</td>
<td>1,431</td>
<td>645</td>
<td>1,159</td>
<td>4,592</td>
</tr>
<tr>
<td>WA</td>
<td>738</td>
<td>549</td>
<td>399</td>
<td>399</td>
<td>2,085</td>
</tr>
<tr>
<td>National Total</td>
<td>5,956</td>
<td>4,576</td>
<td>3,725</td>
<td>5,412</td>
<td>19,669</td>
</tr>
</tbody>
</table>

Proportion: 30.3% 23.3% 18.9% 27.5% 100%

Average Cost: $277,980 $303,173 $288,932 $278,827 $286,148

Median Cost: $277,722 $300,372 $274,792 $274,186 $286,148

Source: KPMG (2012), information provided by FaHCSIA

Some jurisdictions had notional targets for regional areas (provincial and rural combined), such as Victoria, which had a notional target of 30 per cent of dwellings. However, Victoria constructed 36 per cent of its total dwellings in regional areas, including Mildura, Geelong, Ballarat, Bendigo, Shepparton and Wodonga. For South Australia, the SHI represented the largest investment in regional areas since the 1980s with 516 dwellings in rural areas representing 35 per cent of the total constructed in South Australia. In Queensland, the Department of Communities developed the Requirements to Regions Register. This register was a live document that was continually updated to include new dwellings and guided the Department’s tender evaluation process to optimise social housing across Queensland.

Notably, a high proportion of the target client cohorts were provided a dwelling in rural areas. This is consistent with a number of views from jurisdictions that there is need for investment in these areas. From a South Australian perspective the SHI was the first significant investment in the regional areas in at least two decades. In Victoria, there was ‘pent up’ demand based on historical under investment in rural areas; people with a disability, in particular, did not have the appropriate housing available in all regional locations and the SHI provided an opportunity to increase supply. Figure 13 below outlines the tenant cohorts assisted by location.
In terms of delivery cost per square metre across locations, there was a five per cent difference between inner metropolitan and rural areas – see Table 14 below.

**Table 14: Average cost per square metre**

<table>
<thead>
<tr>
<th>Location</th>
<th>Average Cost per Square Metre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inner Metropolitan</td>
<td>$4,090</td>
</tr>
<tr>
<td>Outer Metropolitan</td>
<td>$3,968</td>
</tr>
<tr>
<td>Provincial</td>
<td>$4,046</td>
</tr>
<tr>
<td>Rural</td>
<td>$3,871</td>
</tr>
</tbody>
</table>

Average cost per square metre by State/Territory ranges from $2,453 in the ACT to $5,232 in the NT.

The stimulus effect on regional areas was summarised by a CHP in rural Queensland who stated “the SHI allowed the local builder and sub contractors to source material from the local hardware store, buy...”

---

19 Note clients could select more than one category.
coffee, morning tea and lunch from the local café, fill their cars up at the petrol station and maintain their equipment with local service providers...that was the strength of the SHI.”

Box 6: Supporting young people in Regional Tasmania

Thyne House is a 30-unit development that provides long-term, supported accommodation for young people on low incomes aged 16-25 in the Launceston area. Previously an art school used for light industrial manufacturing, the site was redeveloped with the assistance of $4.2 million through the SHI. Thyne House is run through a partnership between by Anglicare, providing support services, and Community Housing Limited, which has a long history of providing safe, secure and affordable housing.

The development features:
- 17 studio units
- 13 one-bedroom units
- a manager’s cottage with a bedsit for emergency accommodation.

Ten of the units are readily adaptable for tenants with a disability, and all incorporate a 6-star energy efficiency rating and environmental design elements.

Thyne House provides:
- long-term accommodation
- on-site support
- independent units (own bathroom and kitchen)
- information about and access to useful services
- social activities.

The majority of residents access employment, training and education facilities and Thyne House caters for apprentices and students whose work or study means they must move to Launceston.

Thyne House is well linked with youth justice, homelessness services, mental health and disability services, schools, and other supports for the small number of young people living there who have additional needs.

Regular consultation and liaison with stakeholders, including neighbours and the Launceston business community, resulted in a smooth development and construction process.

Thyne House is now 100 per cent tenanted and providing long-term support to young people in Launceston.

Source: Tasmanian Government
4.8 Innovation and strategic reform

Innovation and strategic reform has three perspectives:

- the SHAs
- housing providers
- the building and construction industry.

State Housing Authorities

Overall, the SHI brought forward reforms that some SHAs had already begun, including:

- Western Australia, where, for example, the Department had limited experience in developing multi dwelling blocks. The SHI provided the exposure for this construction type as multi dwelling units were (in most cases) more cost effective and allowed the Department to meet the unit price specified in the SHI. In addition, the SHI helped accelerate the Department’s evolution to a financier and equity partner from the traditional service provider for public housing.

- South Australia developed medium density housing in some locations for the first time in recent history. In addition, new contracts and policies were developed for the transfer of properties to the CHPs as the title was secured by a statutory charge, rather than a debenture (CHPs therefore do not have to make payments back to government). Electronic procurement documentation was utilised for the first time and this has been transferred into practice post the SHI.

- Tasmania developed and constructed the first 7-star accredited green building in Australia. Normal processes outside the SHI would not have enabled this because it is not a standard specification.

Housing Tasmania also established two consultancies to focus on management of the SHI at geographic levels – one for the north region and one for the south region. These consultancies were responsible for the planning, contract administration and progress payments for development undertaken in each area. The approach reduced the contract administration costs: whereas Housing Tasmania usually pays approximately 8.5-10 per cent, under this approach the average cost per project was approximately 3.5 per cent.

- NSW has transferred SHI processes into ‘Business as Usual’ processes, including contract and project management of large scale developments, procurement processes and the opening up of the sector.

Stella Orion – A mixed-use project (WA)

Stella Orion is a part of the larger Stella Apartments project – a master-planned residential project located in Success, WA, that developed between 850 and 900 units. As part of the development, a partnership between the Department of Housing and Goodland Properties, included 130 one- and two-bedroom apartments offering modern living in a convenient location at an affordable price.

The Department bought a number of units pre-sale and subsequently sold 50 units to reinvest into future stages of this project, whilst retaining 26 for social housing.

Key statistics include:

- As at 31 December 2011 the total cash inflow from the sales program was $19.58 million
- Retained social units (26), with an asset value of $9.62 million
- Retained shared equity (30 per cent portion) of $1.07 million

Source: Department of Housing WA, July 2012
to builders who were competing for government contracts for the first time. NSW also partnered planners and developers together from the beginning of the SHI, which initially resulted in some resistance between the two professions. However, by the end of the SHI developers were systematically checking with planners at each stage of the development process to ensure the projects were ‘correct first time’.

Other reforms included the improvement in relationships/partnerships that developed as a result of delivering dwellings for particular groups of vulnerable clients. For example, meeting the needs of Indigenous clients required SHAs to work with specialist services and identify clients who may require housing assistance. This has led to the relationships being enhanced which have carried on following the SHI, particularly in NSW, as highlighted by both government and industry stakeholders (although developing partnerships and interactions between project managers and sub-contractors was not without its difficulties).

The reforms to the homeless sector also benefited from the SHI as it delivered much needed housing. Without the supply of housing, stakeholders indicated the homelessness reforms may not have been so successful. (This is discussed in more detail in Section 5.)

FaHCSIA also noted that the SHI allowed for the capital injection necessary to implement and deliver elements of the 2008 National Affordable Housing Agreement reforms (including homelessness initiatives), and allowed for the testing of contemporary housing policy such as mixed use and mixed tenancies developments and density increases in certain locations.

The SHI, in effect, increased the speed of reforms in some SHAs due to the size, scale and timeframes required to deliver approximately 20,000 dwellings.

Community Housing Providers

Innovation and reform for CHPs included:

- CHPs increasing internal capacity. As a result of the size and scale of the some of the projects CHPs were involved in, there was a need to increase their capacity to become commercially focused and work with banks, developers and builders in situations they might not have otherwise had the opportunity to work in. CHPs also had to become better project managers and project developers.

- Transformation of some CHPs from small organisations managing properties and tenancies into project developers and growth providers owning new asset bases with the ability to grow into the future. Examples include:
  - NSW transferring approximately $1 billion worth of assets to the CHPs and boosting CHP balance sheets (noting the discussion in Section 4.2 around the transfer of assets).
  - Horizon Housing (Queensland) expanding its portfolio by 50 per cent with approximately 340 additional new properties.
  - Coast to Country (Townsville) increasing its income stream from approximately $1 million per annum to $4 million. This allowed internal growth to fund an additional six employees (now at 10 employees).
Door of Hope (Tasmania) noted the SHI helped ‘brand’ the organisation, and enhanced the level of community goodwill and engagement with builders and developers.

Feedback from CHPs reiterated the implementation of energy efficiency, adaptability and architectural design as key elements that have changed the sector in a positive way and that will impact on future strategies for the way the sector delivers housing. Amongst the CHPs there was a perceived positive shift in the confidence levels that Government now has for the sector and their ability to grow and develop further.

**Building industry**

For construction industry participants the innovations and reforms were in the areas of:

- **Design and construction**, including:
  - the move to 6-star energy efficiency rating – the SHI accelerated this to the “industry standard”.
  - the design of dwellings, with architects indicating that in most cases the design was contemporary and blended well with existing streetscapes.
  - having universal design requirements, which was supported by the majority of stakeholders (across all groups, not just construction industry). However, there was feedback from a small number of construction industry representatives that questioned the need for a blanket approach to adaptable design, particularly as not all clients would require adaptable design features in their dwelling. While this point was noted, the issue around portfolio flexibility for SHAs and CHPs was considered to outweigh those concerns.
  - having good quality finishes – while there were some defects that required additional work, the overall impression was that the dwellings had sturdy finishings of good quality.

- **Working relationships**, including:
  - arrangements where builders were involved in the project planning and design stages. In some jurisdictions planners and developers worked together in teams throughout the SHI. In addition, jurisdictions also held joint project management meetings with consultants, which in itself is innovative given most of the consultants are in competition with one another under usual circumstances.
  - smooth working process when the team within the SHAs included industry representatives, or people who understood the commercial realities of building projects. This included flexibility, and understanding of some of the issues that are faced on a daily basis when building a large number of dwellings in a very short timeframe.

One particular example to highlight from the construction industry was the resourcing plan used by a builder in the Northern Territory. The builder used a program that was operated through a local school to involve Indigenous workers in the production of steel fabrication for dwelling frames. Workers from a prisoner participation program were also involved in the production of materials for the projects, and both of these programs are ongoing.
Box 7: Designing for innovation – The Nicholson by Design Inc (VIC)

The Nicholson development in Victoria represents one of the most innovative designs in the SHI. It consists of 199 modular apartments (of which 58 are SHI apartments) and over 1,900m² of commercial and retail space. It aims to support the existing Urban Village with higher density residential and mixed-use activity.

The architectural design for The Nicholson was inspired by the desire for quality, high density, affordable housing that maximises solar orientation and creates a varied look and feel.

The Nicholson incorporates the UB System, an innovative sustainable structural building system where modular apartment units were manufactured off site, then delivered (pre-finished) to the site and locked together to form the final building. This significantly lowers construction costs and time.

Every element of The Nicholson was carefully considered for sustainability. The 6-star energy designed apartments take advantage of the sun’s movements, with building materials chosen to keep comfort levels high and running costs low. Roof mounted solar panels feed energy to the hot water system, and a water recycling treatment plan collects water for reuse.

The common green provides an area for socialising and also acts as a cooling device by providing air ventilation. Sustainable transport is also incorporated into The Nicholson, with bike racks and a proposed car share facility, whilst the tram network runs directly past the front door.

A strong emphasis on the social dimension of sustainability is evident throughout, not only in the construction design but the place-making approach adopted. Young people from the community were employed in maintenance and other roles on site, contributing to a sense of ‘pride in place’.

For its innovative design and construction, the Nicholson won the Judges Award, Urban Development Institute of Australia 2011 Awards for Excellence, and was a finalist in the Nepean Award for Innovation, Property Council of Australia / Rider Levett Bucknall 2012 National Awards.

Source: KPMG and Design Inc.
5 Impact on clients

This section outlines how the SHI has impacted on clients including:

- tenant profiles: the mix of tenants who were housed and the extent to which this met expectations set out in the NPA
- demand: the effect of the SHI on social housing waiting lists and waiting times for people with high housing needs.

It also provides a number of case studies on individuals who have been impacted by the SHI.

5.1 Summary of findings

The information below summarises the findings for clients and wait times for the SHI.

Table 15: Overview of client findings

<table>
<thead>
<tr>
<th>Review category</th>
<th>Finding</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target client assisted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Homeless</td>
<td>Positive</td>
<td>55 per cent of people assisted were homeless</td>
</tr>
<tr>
<td>- People with a disability</td>
<td>Positive</td>
<td>43 per cent assisted were people with a disability</td>
</tr>
<tr>
<td>- Aged</td>
<td>Positive</td>
<td>40 per cent of people were aged</td>
</tr>
<tr>
<td>- Escaping Family Violence</td>
<td>Positive</td>
<td>Six per cent of people were escaping family violence</td>
</tr>
<tr>
<td>- Indigenous</td>
<td>Positive</td>
<td>14 per cent of people were Indigenous</td>
</tr>
<tr>
<td>Wait times</td>
<td>Inconclusive</td>
<td>Unable to determine – further details provided in Section 5.3</td>
</tr>
</tbody>
</table>

Source: KPMG (2012)

The SHI targeted those most in need and high priority clients in each State and Territory. The SHI capital injection provided an additional 19,700 dwellings that otherwise would not be available, thereby releasing some pressure on the growing need for social and affordable housing. The configuration and design features of dwellings developed under the SHI were also more conducive to the needs of clients. The SHI also provided an opportunity to move clients around housing portfolios and better meet their housing needs. People who were at risk of homelessness or those who were homeless benefited from the SHI, which also impacted on related homelessness initiatives outlined in the National Partnership Agreement on Homelessness.

Due to current constraints on wait lists and wait times, in terms of data consistency and availability, it is difficult to assess the direct impacts the SHI had on high priority wait times. Stakeholders noted that

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20 Source: FaHCSIA February 2012. Note an individual can choose multiple categories, and are calculated on a proportional basis on the 15,174 tenanted dwellings at the time of the review.
wait lists and wait times did not materially change as a result of the SHI. This was probably because, although the SHI did remove people from the wait list, the wider economic conditions potentially increased the number of people being added to wait lists across the States/Territories.

5.2 Tenants assisted by the Social Housing Initiative

The client objectives of the SHI were to:

- build 20,000 new social housing dwellings within three and a half years, primarily for people who are homeless or at risk of homelessness
- build dwellings that meet the needs of people on public housing waiting lists, including age and disability pensioners, Indigenous people and women with children escaping family violence.

Figure 14 outlines the number of clients, by target client cohort, who were assisted as a result of the SHI.

Figure 13: Overview of target client cohorts as at 31 January 2012

Source: KPMG (2012), information provided by FaHCSIA

Overall, 55 per cent of people who were assisted as a result of the SHI were homeless, or at risk of homelessness. The target clients assisted were some of the most vulnerable in the community, with a large proportion incorporating at least two characteristics of vulnerability – see Figure 15 below.

---

Note an individual can choose multiple categories, and calculations are proportional based on the 15,174 tenanted dwellings at the time of the review.
Of the clients assisted who were homeless (or at risk of homelessness), 41 per cent (or 3,398) also had a disability, while 47 per cent of total clients who had a disability were also in the aged category.

States and Territories allocated dwellings in accordance with the target client cohorts of the SHI, and this was assisted by the implementation of shared wait lists across the SHAs and CHPs. Table 16 below provides the State and Territory breakdown across target client cohorts.

Table 16: Overview of clients assisted as a result of SHI across States and Territories as at 31 January 2012

<table>
<thead>
<tr>
<th>State/Territory</th>
<th>Homeless</th>
<th>Disability</th>
<th>Aged</th>
<th>Escaping family violence</th>
<th>Indigenous status</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACT</td>
<td>84</td>
<td>52</td>
<td>234</td>
<td>19</td>
<td>22</td>
</tr>
<tr>
<td>NSW</td>
<td>2,720</td>
<td>2,748</td>
<td>3,033</td>
<td>260</td>
<td>992</td>
</tr>
<tr>
<td>NT</td>
<td>59</td>
<td>23</td>
<td>45</td>
<td>27</td>
<td>48</td>
</tr>
<tr>
<td>QLD</td>
<td>1,744</td>
<td>1,798</td>
<td>1,072</td>
<td>64</td>
<td>394</td>
</tr>
<tr>
<td>SA</td>
<td>722</td>
<td>544</td>
<td>94</td>
<td>130</td>
<td>140</td>
</tr>
<tr>
<td>TAS</td>
<td>130</td>
<td>109</td>
<td>87</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>VIC</td>
<td>1,497</td>
<td>882</td>
<td>677</td>
<td>282</td>
<td>286</td>
</tr>
<tr>
<td>WA</td>
<td>1,415</td>
<td>423</td>
<td>827</td>
<td>82</td>
<td>159</td>
</tr>
<tr>
<td>National Total</td>
<td>8,371</td>
<td>6,579</td>
<td>6,069</td>
<td>884</td>
<td>2,056</td>
</tr>
</tbody>
</table>

Source: KPMG (2012), information provided by FaHCSIA
Box 8: It’s a new house – take your shoes off please! (VIC)

If you’re ever in the Geelong suburb of Norlane, keep an eye out for Suzanne*. You might well see her, accompanied by her eight-year-old grandson, pedalling through the streets on her pushbike, a big smile on her face. “I ride everywhere. I think I’m known around here by my bike!” she laughs.

Her positive attitude is due in part to her new rental home, funded through the SHI. Pristine and modern, the property was architect-designed and had never been lived in.

Suzanne had been at her previous home for 32 years, but she was struggling. Run down and in need of repair, the place hadn’t had a new coat of paint in years, and Suzanne didn’t have the time to maintain the property.

After a family breakdown, 63-year-old Suzanne was granted temporary custody of her grandson.

Not having a car made life difficult for Suzanne, as she had to do the school run on her bike four times a day. Now, her grandson’s school is right over the road from their house. “I just walk him across the road now and that’s it!” she laughs.

Suzanne says her new home has changed her whole outlook on life, and other people have noticed. “People tell me I look happier now – that it’s really uplifted me.”

“I just love my new home – it’s beautiful. I’ve got a big lounge room, an open plan modern kitchen with a serving bar, and a small courtyard garden,” she explains.

“I’ve planted some pot plants and a veggie garden, and I’ve just noticed that my beans and tomatoes are coming through,” she says.

But the best part is the improvements she has seen for her grandson, who now has the security and stability he needs to thrive. He loves his new home, hosting regular sleepovers with his friends and even insisting that all visitors “take their shoes off before they enter the house,” adds Suzanne.

Source: Victorian Government. * Name changed

Providing the appropriate dwelling type for each client cohort is important to ensure sustainability of tenancy, cost effectiveness and comfort/liveability. The majority of dwellings constructed were one or two bedrooms based on the demand and need for dwellings that were most appropriate for the target client cohort, as highlighted in Figure 16.
Brisbane Common Ground

Brisbane Common Ground is an innovative, supportive housing development under construction in South Brisbane. The design and function of the apartment complex is adapted from a model of supportive housing first pioneered by Roseanne Haggerty in New York City 20 years ago. When it opens in mid-2012, Brisbane Common Ground will provide 146 studio and one-bedroom units for people on low incomes and people who were formerly homeless.

Through creative design, services, affordability and social mix, Brisbane Common Ground aims to meet the needs of people who have lived on the streets. People will have a permanent home providing safety and security, and the services required to sustain their tenancies and be active members of the community.


Figure 15: Overview of dwelling size by client cohort as at 31 January 2012

As noted by one CHP “Amazing outcomes were derived from the initiative...a huge difference for a lot of individuals and families...”.

Stakeholders also highlighted that the need to work with the specific target clients meant CHPs had to form relationships with agencies in those specific sectors (for example, Indigenous service providers) to identify potential tenants. Overall, this has led to good working relationships between housing providers and support agencies. This particularly extends to the homelessness sector, where the Commonwealth and State/Territory Governments developed and agreed the National Partnership Agreement on Homelessness.

5.2.1 Second tenant transfers

The SHI also provided the ability for SHAs to realign their portfolios to better meet the needs of clients. For example, if a client was allocated a SHI dwelling, and was an existing

Source: KPMG (2012), information provided by FaHCSIA

Social Housing Initiative Review

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SHA tenant, this freed up a dwelling that could be better matched to another client from the waiting list. A good example is a single, elderly tenant living in a three-bedroom detached property, who is better suited to a one- or two-bedroom apartment/townhouse/house that requires little maintenance. If the single, elderly tenant is reallocated a more suitable property, the three-bedroom property can be freed up and allocated to a family with children. The SHI allowed 2,975 existing tenants to transfer to a more appropriate dwelling.

5.3 Wait times and wait lists

A key objective of the SHI was to reduce wait times for people on public housing lists by 50 per cent and reduce the number of low income households who pay more than half their income in rent through the construction of new dwellings.

It is difficult to determine the impacts on wait lists and wait times for high needs housing due to:

- the external economic factors that were present at the time of the SHI, and the potential for greater than usual demand as households were placed under greater stress to meet the costs of living
- availability of consistent wait time data and the static nature of the information
- methodological issues across jurisdictions (in terms of variation of criteria and definition of high needs categories, and different wait time definitions and measurements)
- broader social and economic factors beyond the control of SHAs that affect the demand for social housing.

As noted earlier in the report, the GFC impacted on the world economy and, by November 2009, overall growth in the Australian economy had slowed to half a percent. The impacts of these conditions on some households was extreme, including on their ability to maintain stable housing or afford suitable housing given the increase in prices across many regions. As a result, it is conceivable that wait lists would actually increase during the period of the SHI, and this would indirectly impact on wait times. In addition, by building new dwellings the expectation of housing availability, due to the promotion of the SHI, could also lead to higher demand.

Changes to wait lists (and wait times) are not necessarily measures of changes in underlying demand for social housing; rather, they indicate the number and type of people who have applied for social housing. The table below presents some information on wait lists and wait times across a sample of jurisdictions to illustrate the issue of varying methods, timeframes for measurement and the overall impact on wait list and wait time numbers. The jurisdictions below have been chosen as their data was somewhat comparable, however they are not completely comparable due to definitional differences.
### Table 17: Snapshot of wait list and wait times

<table>
<thead>
<tr>
<th></th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010–11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TASMANIA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wait list size</td>
<td>2,733</td>
<td>3,039</td>
<td>3,179</td>
<td>2,972</td>
</tr>
<tr>
<td>Average wait time (WEEKS) for people who are housed</td>
<td>22</td>
<td>29</td>
<td>42.1</td>
<td>39.4</td>
</tr>
<tr>
<td><strong>VICTORIA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wait list size</td>
<td>36,302</td>
<td>39,940</td>
<td>41,017</td>
<td>38,244</td>
</tr>
<tr>
<td>Average wait time (MONTHS) for people who are housed</td>
<td>5.9</td>
<td>7.1</td>
<td>8.5</td>
<td>9</td>
</tr>
<tr>
<td><strong>WESTERN AUSTRALIA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wait list size</td>
<td>15,438</td>
<td>16,932</td>
<td>21,728</td>
<td>24,136</td>
</tr>
<tr>
<td>Average wait time (WEEKS) for people who are housed</td>
<td>83</td>
<td>91</td>
<td>93</td>
<td>113</td>
</tr>
</tbody>
</table>

Source: KPMG (2012), information sourced from public resources and SHAs directly

State and Territory representatives noted that wait list numbers have not materially shifted, and in some cases they have increased. It is worth highlighting that at the most basic level, without the SHI, wait lists and wait times would be higher: in NSW 7,782 people have been provided housing that they would have to otherwise ‘wait for’.

As one CHP noted (who operates across States and Territories) “the common waiting list is inexhaustible, demand can never be completely satisfied...”.

Income data was not available for those tenants who were provided a dwelling under the SHI.

#### Box 10: A house to warm the heart (VIC)

Robin likes to crack a joke. He says it helps him cope with the ups and downs of life. And last year, there were a few downs, when he was forced into early retirement after his disability made working full-time untenable.

“I loved my job and I found it very fulfilling but I was pushed out because of my disability - I’ve got two

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24 Data provided to KPMG by DHS 11 April 2012

artificial legs,” Robin said. “Moving from a full-time salary onto the aged pension (approximately $658 per fortnight) made life very, very difficult.”

To make matters worse, Robin’s landlord then decided to sell. Despite having rented in Werribee for six and a half years, he suddenly found himself homeless.

A friend suggested that Robin move into a caravan park in Colac, which he did. But the cramped conditions, poor insulation, a lack of privacy and no security made daily life tough for Robin. He says living there was “very, very hard,” and resulted in lingering colds during winter.

“It was so bitterly cold and damp in there that the pillows and the bedspread felt wet. I was constantly sick – I didn’t know a place could get so cold!” he said.

As well as the cold, Robin had to contend with trying to get around the caravan with two artificial legs. At times, his legs were so sore that he’d spend days in bed.

Robin now has a new SHI-funded home – and a busy schedule once more. He volunteers at the local library, the Colac Community Hub and is a proud member of the Lions Club.

“I do it just to keep my mind active. At the library I label books and CDs and do whatever other odd jobs they need me to do. The ladies who work there are a really nice bunch – I enjoy it. I also help out with charity barbecues, working market stalls, that kind of thing,” he said.

He says he was in shock when he found out he’d been placed in his property.

“I just couldn’t believe it! It was brand new – hadn’t been lived in! You could still smell the fresh paint; it was wonderful! Now I’ve got a big backyard, a garden shed, a carport, a large laundry and bathroom, a big modern kitchen, lots of built-in robes. But the best bit is that it’s insulated!” Robin laughs.

Source: Victorian Government
6 **Procurement under the SHI**

This section outlines the findings of the procurement review. It presents information on:

- the drivers of successful procurement processes which are then used to assess the procurement processes developed by the States and Territories
- the procurement processes undertaken by each jurisdiction in relation to the SHI
- certain issues that could be considered in the procurement of future housing stock.

6.1 **Summary of findings**

The table below summarises the findings of the procurement review. The procurement processes were assessed against the objective of the SHI and best practice drivers.

*Table 18: Summary of findings - Procurement*

<table>
<thead>
<tr>
<th>Procurement Processes</th>
<th>Review Finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives aligned to Commonwealth Guidelines</td>
<td>Yes – procurement objectives linked to Commonwealth Guidelines in States/Territories (the Guidelines are contained in Appendix B)</td>
</tr>
<tr>
<td>Open and transparent process</td>
<td>Yes – procurement processes open and transparent</td>
</tr>
<tr>
<td>Competitive tender</td>
<td>Yes – procurement processes competitive</td>
</tr>
<tr>
<td>Registration / expression of interest</td>
<td>Yes – registration/expressions of interest used to ascertain interest in SHI</td>
</tr>
<tr>
<td>Evaluation criteria</td>
<td>Yes – most States/Territories aligned with Commonwealth Guidelines. Some States/Territories used a mix of criteria including price/value for money (VFM), quality, job creation and delivery timeframes.</td>
</tr>
</tbody>
</table>

*Source: KPMG (2012)*

While the approach to procurement processes varied across the States and Territories, each approach addressed the factors of successful procurement.
6.2 Drivers for successful procurement outcomes

To assist in the procurement process there are a number of factors that should be considered during the development phase. These include:

- **Effectiveness** – this is a measure of the degree to which the objectives of the project have been achieved. The procurement process can be effective by ensuring that the goods or services procured facilitate the maximum possible contribution to the planned outcome of the project.

- **Timeliness and certainty of operational commencement** – the procurement process should allow the project to be completed within the required timeframes and enable effective management of risks of delay, focusing on certainty regarding the achievement of project completion dates. Different procurement processes will result in different overall timelines including procurement, construction and time to commence operations.

- **Competition and VFM** – the procurement process can facilitate cost optimisation and certainty through competitive tendering and contractual provisions. This can include the potential of the process to deliver quantitative VFM in both capital and operational cost and the ability to deliver the project on budget.

  VFM is not only achieved though competition, but also as a result of efficient and effective use of resources, innovative solutions and appropriate risk management. Determining VFM in the procurement process requires the comprehensive documentation of any relevant conditions for participation and the establishment of appropriate evaluation criteria to enable the assessment and comparison of costs and benefits of tender submissions in an equitable manner over the procurement cycle.

- **Market appetite and capability** – the capability and capacity of the public and/or private sector (providers) to deliver on the required services is an important consideration. The procurement process should therefore be targeted at tenderers with a genuine capability and the necessary resources to successfully undertake the work being tendered.

- **Stakeholder management** – the procurement process should clearly identify the requirements of all project stakeholders to ensure that they are successfully managed at all stages of the project’s development.

6.3 Overview of procurement processes

The Commonwealth Procurement Guidelines (the Guidelines) did not specify the type of procurement processes that jurisdictions should employ as it was assumed that the States and Territories would run processes that comply with their own policy and legislative requirements. The Guidelines also pointed out that due to the relatively tight timeframes for delivery of new social housing, traditional procurement processes may not necessarily be the most appropriate method for seeking all proposals.

While typical public and community housing projects were funded by the SHI, the Commonwealth also sought projects that could deliver social housing through new or innovative models. These models could include partnerships between community housing providers, developers, investors and other organisations. In addition, States/Territories could choose more flexible methods of procurement such as:
• Truncating the time contractors have to tender
• Seeking expressions of interest from contractors to undertake a range of works in particular regions and use that list to seek quotations for specific projects
• Seeking quotations rather than going out to full tender
• Using contractors and consultants other than those on Department of Treasury’s pre-qualification list

The table below summarises the procurement process adopted by each jurisdiction across:
• Objectives aligned to Commonwealth Guidelines
• Timeliness
• Value for money
• Type of selection process
• Target tenderers
• Open and transparent process
• Competitive tenders
• Registration/expression of interest
• Stakeholder management
• Evaluation criteria.
### Table 19: Procurement process adopted by each jurisdiction

<table>
<thead>
<tr>
<th>Procurement Process</th>
<th>Victoria</th>
<th>New South Wales</th>
<th>Queensland</th>
<th>ACT</th>
<th>Tasmania</th>
<th>South Australia</th>
<th>Northern Territory</th>
<th>Western Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objectives aligned with Commonwealth Guidelines</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td><strong>Timeliness</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Value for money</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Type of selection process/Market capacity</strong></td>
<td>Pre-qualified tender process Public EOI Process</td>
<td>Established a panel of accredited builders via a public call for expressions of interest</td>
<td>Selected tender for residential housing sector and pre-qualified tender process for NFP sector</td>
<td>Pre-qualified tender process</td>
<td>Pre-qualification for development proposals and a number of site specific selected tender invitations</td>
<td>- Registration of Interest - Public request for proposal (RFP) - Public RFT - Selected tender</td>
<td>- Registration of Interest - Public RFP - Public RFT</td>
<td>- Expression of Interest - Public RFP - Public RFT</td>
</tr>
<tr>
<td><strong>Target tenderers</strong></td>
<td>- Design and construction - Design only - Residential properties on Director of Housing owned land</td>
<td>- Design and construction</td>
<td>Tenderers targeted to deliver the following project types: - Turnkey solutions - Sale of house/land packages - Sale of Land</td>
<td>- Design and construction - Design only</td>
<td>Tenderers targeted to deliver the following project types: - Sale Off the Plan Project - Sale of Land and D&amp;C Project - Sale of Land Project</td>
<td>Design and construction</td>
<td>Design and construction - Construction only</td>
<td>Design and construction - Construction only</td>
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<tr>
<td><strong>Open and transparent process</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td><strong>Competitive tender</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Registration / Expression of interest</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes for NFP sector and Tenancy Management</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Stakeholder management</strong></td>
<td>Yes</td>
<td>Yes – although feedback from CHPs noted a lack of communication</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
## Basis of evaluation criteria

<table>
<thead>
<tr>
<th>Process</th>
<th>Victoria</th>
<th>New South Wales</th>
<th>Queensland</th>
<th>ACT</th>
<th>Tasmania</th>
<th>South Australia</th>
<th>Northern Territory</th>
<th>Western Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Procurement Process</strong></td>
<td><strong>Aligned with Commonwealth Guidelines.</strong></td>
<td><strong>Based on:</strong></td>
<td><strong>Aligned with Commonwealth Guidelines.</strong></td>
<td><strong>Based on a panel approach (limited information available)</strong></td>
<td><strong>Aligned with Commonwealth Guidelines, with a focus on:</strong></td>
<td><strong>Aligned with Commonwealth Guidelines, with a focus on:</strong></td>
<td><strong>Aligned with Commonwealth Guidelines, with a focus on:</strong></td>
<td><strong>Aligned with Commonwealth Guidelines, with a focus on:</strong></td>
</tr>
<tr>
<td></td>
<td>Priority of projects was also based on:</td>
<td><strong>Quality</strong></td>
<td><strong>For residential housing, the following criteria were also addressed:</strong></td>
<td><strong>Capacity to deliver</strong></td>
<td><strong>Offering development opportunities to builders and developers of varying size</strong></td>
<td><strong>Assessment of past performance and expertise</strong></td>
<td><strong>Suitability of specification</strong></td>
<td><strong>Sustainability of specification</strong></td>
</tr>
<tr>
<td></td>
<td>- Priority towards medium density housing close to CBD or transit cities</td>
<td>- Price</td>
<td>- Delivery of quality outcomes</td>
<td>- Project delivery (time frame)</td>
<td>- Offering opportunities to the NFP sector</td>
<td><strong>Whole of Life considerations</strong></td>
<td><strong>Suitability of location (close to transport, services and business)</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Price</td>
<td>- Ability to deliver within the timeframes set</td>
<td>- Working with stakeholders</td>
<td>- Location</td>
<td><strong>Local development and value adding</strong></td>
<td><strong>Local development and value adding</strong></td>
<td><strong>Price/VFM</strong></td>
<td><strong>Projects that could meet timeframes and that were easier to deliver</strong></td>
</tr>
<tr>
<td></td>
<td>- Alignment to portfolio needs</td>
<td>- Financial viability</td>
<td>- Sound governance &amp; management</td>
<td>- Site</td>
<td><strong>Timeliness</strong></td>
<td><strong>Capacity to execute work</strong></td>
<td><strong>Tenant/Portfolio demand and suitability for tenants</strong></td>
<td><strong>Tenancy and suitability for tenants</strong></td>
</tr>
<tr>
<td></td>
<td>- Equitable distribution across regions and CBDs</td>
<td>- Physical site</td>
<td>- VFM</td>
<td>- Housing type and density</td>
<td><strong>Innovation</strong></td>
<td><strong>Suitability to deliver</strong></td>
<td><strong>Capacity to deliver</strong></td>
<td><strong>Sustainability of specification</strong></td>
</tr>
<tr>
<td></td>
<td>- Potential to meet homeless and crisis housing objectives</td>
<td>- Apprentice employment</td>
<td>- Industry stimulus and job creation</td>
<td>- VFM</td>
<td><strong>Innovation</strong></td>
<td><strong>Suitability for asset transfer to CHPs</strong></td>
<td><strong>Sustainability of specification</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Suitability for target groups</td>
<td>- Development approvals.</td>
<td></td>
<td><strong>Projects that could meet timeframes and that were easier to deliver</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Equitable distribution across Housing Associations</td>
<td></td>
<td></td>
<td><strong>Capacity to deliver</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: KPMG (2012)
6.3.1 Design and construct procurement processes

The procurement processes were aligned with the Commonwealth Guidelines across all States and Territories. In some jurisdictions, for example Queensland, the procurement process included the capital grants for CHPs to provide a submission directly and, if successful, to manage the project (and funds). Under this arrangement, the CHPs noted they had greater flexibility in the construction process and were able to make any necessary changes to the build in an efficient and effective manner.

In NSW, government representatives noted that one of their objectives was to ‘open up’ the opportunities provided to contractors who did not traditionally work within the public housing sector. To do this, NSW changed the contracts that had been traditionally used (which were biased towards the Government) and ensured that the contracts were more commercially focussed. However, as discussed with building industry representatives, the timeframes were compressed and some representatives indicated that as a result they did not have sufficient time or information to prepare accurately costed tenders. This might also have been a factor of construction industry participants providing bids below cost and potentially relying on variations to make up the difference. CHPs also felt that their involvement in the design process was ‘tokenistic’ and did not enable them to engage properly, particularly in properties they were to own and/or manage.

In Victoria, up to 50 per cent of funding provided under the SHI was allocated to CHPs via capital grants. As a result, CHPs retained input and control over the capital development process undertaken by the sector.

In WA, fundamental changes to procurement processes were implemented, including the first expression of interest process, which resulted in a suite of changes to policies and procedures to support the process. These processes have been incorporated into day-to-day business of DOH, and have led to a wide range of sophisticated contractual arrangements through which DOH now engage the private sector.

Similarly in South Australia, CHPs noted they also would have liked greater involvement in the design and development process, rather than being allocated properties once constructed. The CHPs highlighted that Housing SA did a good job of delivering the physical assets, but would have liked more of a capacity building (of the CHP sector) approach throughout the process.

6.3.2 Community housing transfer and tenancy management

In NSW, WA and SA there were asset transfer processes implemented for those dwellings constructed for Government that were to be ultimately owned and maintained by CHPs. The transfer of dwellings as part of the SHI was variable across the States and Territories with mixed feedback received from CHPs.

In NSW the transfer involved tendering out the management title of 20 packages of stock (of between 100 and 550 properties each), with any one CHP being eligible to receive a maximum of four packages, or no more than 25 per cent of tendered stock. No CHP received stock in areas where they did not have a presence or could not demonstrate how they would deliver services in the area. For example, one of the criteria assessed the capacity for CHPs tendering for packages of properties to service properties and tenancies in areas where the properties were located. Also, some packages were awarded to second or
third preference CHPs as a result of the preferred provider already receiving the maximum number of properties.

In Victoria the approach included CHPs bidding for capital grant funding for specific projects which they in turn constructed and owned, having provided a 25 per cent co-contribution. In this way the sector participated in identifying and defining the projects they would build, own and manage.

SA undertook a procurement process with CHPs, however this process was amended to reflect changing circumstances during the procurement timeframes.

CHP stakeholders noted that in some cases the processes were not optimal, in terms of a lack of feedback in some jurisdictions, a lack of transparency due to the final distribution of properties to CHPs (in particular NSW, noting that some of the feedback provided to the review was from CHPs who may not have been successful in the tender process) and timeliness (SA CHPs noted that it took 12-18 months from submitting tenders for properties to an outcome being determined).

6.4 Issues to consider

While there were differences between each jurisdiction, all processes substantially addressed the requirements of the Commonwealth. Each process appeared to address the factors of successful procurement.

Issues that could be considered for any future procurement process of this nature include:

- Procurement timelines – whether the accelerated nature of the procurement and delivery timelines provided an overall net benefit to the participants, in terms of quality, value or relationship building or whether extending the timeframes could provide increased VFM and quality (both from a design perspective and a finished dwelling perspective)
- Variability of procurement methods – whether there is an overall benefit in utilising different procurement methods for different types of development, such as single unit versus multi unit developments. Whilst time was an important driver for the delivery of the SHI, there is potential in varying the procurement methods based on scale; that is, if the project is to develop four units there is merit in undertaking a streamlined procurement process versus a 40 unit project, for example.
- Alignment with policy objectives – ensuring that the evaluation criteria and tender frameworks are clearly linked to the policy objectives of both the Commonwealth and State/Territory Governments in terms of social objectives, type of stock and location.

There is also potential for improved stakeholder management including communication regarding:

- what stage the overall process is at
- any delays that are being experienced with evaluation and assessment of tenders
- the outcome of the tender process(es)
- reasons for awarding tenders, and, just as importantly, reasons for not awarding tenders to participants.
Based on the analysis there may be some benefit in conducting a Procurement Options Analysis prior to beginning the procurement process. The Procurement Options Analysis would:

- provide an overview of the procurement methods available (as noted in this section, there were many procurement methods implemented to deliver the SHI)
- set out the framework used in assessing procurement options – this would ensure the most efficient (in terms of time and value) would be implemented based on the assessment
- discusses project-specific circumstances which influence the choice of procurement method – there may be instances where certain procurement methods are used due to the nature of the project
- identifies shortlisted procurement methods that are considered suitable for further evaluation
- outlines the criteria used for evaluation of shortlisted procurement methods
- presents the findings of the assessment of procurement options against evaluation criteria
- sets out the findings of the procurement options analysis – this would then be taken forward and the procurement method(s) selected would be implemented.

This process does not need to be time consuming and it can assist in identifying procurement processes that will meet the project objectives and account for any potential risks in undertaking large scale complex projects.

Box 11: Supporting life changing opportunities

Thanks to the additional social housing properties funded under the SHI, in August 2011, Catherine House was able to move a number of formerly homeless clients into Supportive Housing. One of these clients was 53-year-old Susan*.

Susan escaped a violent relationship, but it left her financially ruined and facing criminal charges. When her son was incarcerated, Susan suffered an emotional breakdown and found herself homeless. By the time she came to the Catherine House Emergency Program, she had been ‘couch-surfing’, or living in various improvised arrangements, for two years.

Catherine House caseworker Anna greeted a distraught Susan upon her arrival at the emergency program. She describes how the SHI has changed Susan’s life.

“From the emergency program, Susan moved into transitional housing, then had the opportunity to move into Supportive Housing. Susan and I have continued a relationship during this time and slowly, after regaining a sense of stability in her new home, we have started to explore longer-term goals.

“Susan worked as a cleaner for most of her life, and she has been employed in her current role for 19 years. I was absolutely thrilled when Susan advised me that she wants to further her employment options and use the education centre to facilitate her studying social work at university. This opportunity to reassess her career goals has given Susan the courage to attempt tertiary study as a mature age student, and would not have been possible but for the supportive housing program.”
“To be able to look beyond housing, and enable someone to see the potential for life-changing opportunities, is only possible if this basic need is addressed first, which is what the Supportive Housing program allows.”

*Name has been changed to protect privacy

Source: South Australian Government
7 Summary and issues to consider

“Wonderful. People burst into tears when they moved back into their renovated homes.” A Victorian CHP describing the reaction of tenants, May 2012

The SHI had a positive impact on the economy. It supported employment with the addition of approximately 9,000 FTE in the construction industry alone, and increased overall GDP by 0.1 per cent (10 basis points).

The SHI also had an overwhelmingly positive impact on individual clients, benefiting approximately 24,000 individuals across the country. The majority of those impacted were the most vulnerable, who were assisted into permanent, good quality housing arrangements.

The SHI provided:

• the foundation to leverage future growth across the community housing sector
• investment and housing infrastructure in regional areas
• innovation and reform across SHAs, construction industry and CHPs, including capacity building of the CHP sector (particularly in property/project development and financial management), energy efficiency and adaptable construction (including new techniques of construction), contracting arrangements and innovative solutions to the provision of affordable housing
• expansion of some industry participants into social infrastructure developments
• increased competition across the construction industry due to the compressed timeframes and the other Nation Building programs operating at the same time
• delivery of high quality housing across the States and Territories.

There are, however, some issues for consideration:

• Variable leverage models and policies may limit the potential growth for CHPs. However, access to capital through the finance sector will also impact CHPs future ability to attract funding (particularly those CHPs who do not improve their financial sustainability). The growth of CHPs needs to continue and, where possible, leverage opportunities need to be actively pursued to ensure additional supply of affordable housing is forthcoming.

• The SHI did not have the anticipated material impact on wait times and wait lists. This was due to a range of factors, including economic instability, which drives demand for a range of services across the human services sector. This is essentially out of the control of the SHAs and CHPs. Also, the analysis was restricted by the lack of available consistent data across the States and Territories. Consistency in definitions, counting rules and reporting would assist in understanding any impacts on wait times (and wait lists) of initiatives such as the SHI.

• In-kind contributions of land, which helped the States and Territories to meet average cost targets, will be limited in the future. Indeed, any future packages of the scale and size of the SHI will need to take into account the potential extra costs of purchasing land to develop and factor that into average cost targets.
• Differentiated procurement processes should be considered based on the nature and size of development projects. For example, it may be appropriate to adopt procurement processes that are different for large apartment style developments, smaller townhouse developments and single unit developments.

• Future initiatives could include a mix of leverage approaches at the State and Territory level. Approaches could include build and sell methods, construct and transfer and co-contribution packages. Having a variety of approaches available allows for maximum flexibility based on State and Territory policies of the day, risk appetite and CHP sector maturity. Approaches that allow for the potential for mixed use dwellings (such as private sale, rentals, affordable housing and social housing) and mixed tenancies do generate stronger cash flows for housing providers. Approaches that include sales and reinvestment of the proceeds any into future projects additionally lead to a ‘secondary stimulus’ effect and great leverage opportunities.

Based on the review, the SHI exceeded its primary objectives of stimulating the construction industry, increasing the supply of social housing, providing long-term accommodation opportunities for homeless people (and people at risk of homelessness) and delivering wider benefits to the Australian community.
Computable general equilibrium modelling overview

Computable general equilibrium model

The economic impacts associated with the stimulus in construction activity were estimated using a CGE model.

The CGE model divides Australia into 33 regions with 18 industries, corresponding to the Australian and New Zealand Standard Industry Classifications (ANZSIC) used by the ABS. For this level of detail, the model uses statistical information from the ABS input-output tables and labour force survey.

The CGE model produces a number of different industry measures, including:

- **Turnover** or revenue of businesses refers to the total value of services provided by these businesses. This will be equal to the goods and services that businesses purchase plus wages and salaries plus profit.

- **Value-added (or Gross State Product (GSP))** – In contrast to turnover, the value-added of businesses refers to the total value of services provided by these businesses less the goods and services that these businesses purchase. Thus value-added is equivalent to wages and salaries plus profit.

- **Employment** – total employment overall across industries.

Value-added (or effectively GDP at the national level or GSP at the State level) is the usual method of measuring economic activity. This is because value-added does not double count activity along the supply chain.

Initially, the impact of the construction stimulus is directly observed in the form of additional construction activity. These direct economic impacts will mainly manifest in construction-related industries, as new buildings are erected and repairs and maintenance are undertaken. Second round effects will then occur as the supply chain of the construction industry is stimulated and as business and consumer demand is encouraged within the economy.

While these direct impacts can be measured through the level of spending on construction, any flow-on or second round effects are identified and quantified using economic modelling.

Following the construction activity stimulus, additional benefits are also likely to appear in the longer term as a result of the investment in housing. The focus of this analysis is on the short- to medium-term impacts, but it should be noted that there are likely to be additional on-going benefits from the investment beyond those presented in this report. These ongoing impacts are related to the benefits associated with the use of new/improved housing stock.

Features

In the model, each region contains 18 industries corresponding to the ANZSIC industry divisions used by the ABS. These industry divisions are also outlined below.
Other main features of the model, which are discussed in more detail below, are as follows:

- it models a medium-term equilibrium for each regional economy, which would be broadly achieved over a period of about three years
- it distinguishes between industries that produce tradeables and industries that produce non-tradeables.

**Key assumptions**

The medium-term equilibrium in the regional model is based on specific economic assumptions.

On the one hand, this medium-term equilibrium of about three years is far enough into the future for equilibrium to be obtained in product markets. Also, consumer spending is at a sustainable level so that the trade account for each region, taking into account both international and inter-regional trade, is in balance.

On the other hand, this medium-term equilibrium is not far enough into the future for labour markets to attain equilibrium; rather, industry wage rates are taken as given. Three years is also not far enough into the future for businesses in each region to adjust their capital stocks.

In the model, the distinction between industries that produce tradeables and industries that produce non-tradeables is also based on specific economic assumptions.

Industries that produce tradeables have a national or international focus, and production levels of these industries are driven by prices prevailing on national or world markets. In contrast, industries that produce non-tradeables focus on their own region and production levels of these industries depend on local demand.

The model is flexibly configured so that individual industries can be treated as producing either tradeables or non-tradeables, depending on what makes more economic sense in the context of the particular regional policy.

**Regional detail**

As discussed above, the CGE model divides Australia into 33 regions. The model estimates the effects of policies that are state or region specific in each of the following 33 regions, which match the 33 ABS statistical regions.

1. Sydney  
2. North Western Sydney  
3. Hunter  
4. Illawarra  
5. South Eastern NSW  
6. Richmond-Tweed and Mid-North Coast  
7. Northern-Central-Far Western NSW  
8. Murray-Murrumbidgee  
9. Melbourne  
10. Barwon-Western District  
11. Central Highlands-Wimmera  
12. Loddon-Mallee  
13. Goulburn-Ovens-Murray  
14. All Gippsland  
15. Brisbane  
16. South and East Moreton  
17. North and West Moreton  
18. Wide Bay-Burnett  
19. Darling Downs-South West  
20. Mackay-Fitzroy-Central Qld
Industry detail

As explained above, each region in the model contains 18 industries corresponding to the ANZSIC industry divisions used by the ABS. The model estimates the effects of policies that are state or region specific in each of the following 18 industries.

A. Agriculture, Forestry and Fishing
B. Mining
C. Manufacturing
D. Electricity, Gas & Water
E. Construction
F. Wholesale Trade
G. Retail Trade
H. Accommodation, Cafes & Restaurants
I. Transport
J. Communication Services
K. Finance & Insurance
L. Property & Business Services
M. Government Administration and Defence
N. Education
O. Health & Community Services
P. Cultural & Recreational Services
Q. Personal & Other Services
R. Ownership of Dwellings

Model outputs

For each region and industry, the model produces estimates of the effects of regional or state policy changes on:

- employment
- turnover
- value-added
- consumption.
### A.2 Detailed data inputs

**Table A.1: Average annual SHI expenditure, 2008-09 to 2011-12 ($ millions)**

<table>
<thead>
<tr>
<th></th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
<th>Total</th>
<th>Average Annual over 4 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td></td>
<td></td>
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<tr>
<td>Commonwealth funding</td>
<td>$85.4</td>
<td>$1,318.4</td>
<td>$435.7</td>
<td>$54.5</td>
<td>$1,894.0</td>
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<tr>
<td>State &quot;in-kind&quot; support</td>
<td>$383.1</td>
<td>$95.8</td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,277.1</td>
<td>$569.3</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Victoria</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Commonwealth funding</td>
<td>$62.9</td>
<td>$878.6</td>
<td>$288.2</td>
<td>$36.1</td>
<td>$1,265.9</td>
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<td><strong>Total</strong></td>
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*Source: KPMG (2012), information provided by State and Territory Governments*
A.3 Crowding out effects

Crowding out effects occur when there is a large-scale project that results in a diversion of scarce resources to the project and away from other sectors. In the case of the SHI, there is the potential that this additional construction and repairs and maintenance activity may divert labour and other inputs away from private sector projects, including other construction activity.

For illustrative purposes, KPMG conducted an analysis of the potential for crowding out impacts resulting from the average annual SHI investment. The results of this analysis are presented in the Table below.

Table A.2: SHI average employment impact relative to construction industry and total employment

<table>
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<tr>
<th>State</th>
<th>Estimated direct employment (FTE)</th>
<th>Share of construction industry employment in 2012 (%)</th>
<th>Share of total employment in 2012 (%)</th>
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Source: KPMG analysis (2012)

The level of additional construction employment associated with a stimulus the size of the SHI accounts for only a small proportion of total employment at each state level. Accordingly, it is not expected that the initiative would have caused significant crowding out effects in other sectors.26 Thus, the modelling of the impact of the SHI assumes that any additional employment could be provided without causing any significant crowding out effects in State and Territory economies.

26 However, there may be some impacts at a more disaggregated regional level.
B State and Territory procurement processes

This section summarises the procurement processes for the States and Territories under the SHI.

B.1 Commonwealth Guidelines

State and Territory procurement processes were guided by overarching guidelines provided by the Commonwealth Government. The key aim of the Guidelines was to assist the States and Territories to undertake a competitive selection process to identify suitable proposals in the market for the construction of social housing.

The Commonwealth Guidelines outlined the following objectives:

- developing the NFP sector
- promoting mixed communities
- targeting high needs groups
- creating jobs
- construction of new dwellings
- providing opportunities for small and medium enterprises.

The Commonwealth Guidelines included a number of requirements and criteria that dwellings constructed through the SHI were required to meet. These included:

- increasing the supply of social housing dwellings within a jurisdiction
- increasing the allocation of housing to people with the highest need
- meeting universal design standards
- meeting minimum environmental standards
- proximity to services
- leveraging additional building activity – that is, priority given to proposals that leverage additional building activity beyond that directly funded by the SHI
- sound proofed design.

In addition, whilst the assessments were primarily made against the criteria above, other factors would be considered. These included State and Territory priority needs, the distribution of proposals, models of delivery and the ability of the projects to support the reform directions of the NPA and Nation Building and Jobs Plan.

The Commonwealth Guidelines did not specify the type of procurement processes that jurisdictions should employ as it was assumed that the States and Territories would run processes that comply with their own probity and legislative requirements. The Commonwealth Guidelines also pointed out that, due to the relatively tight timeframes for delivery of new social housing, traditional procurement
processes may not necessarily be the most appropriate method for seeking all proposals. While typical public and community housing projects were funded by the SHI, the Commonwealth also sought projects that could deliver social housing through new or innovative models. These models could include partnerships between CHPs, developers, investors and other organisations. In addition, States and Territories could choose more flexible methods of procurement such as:

- truncating the time contractors have to tender
- seeking expressions of interest from contractors to undertake a range of works in particular regions and using that list to seek quotations for specific projects
- seeking quotations rather than going out to full tender
- using contractors and consultants other than those on Treasury’s pre-qualification list.

In terms of quantitative VFM, social housing proposals were assessed against an independent cost model involving a comparison of average building cost data. The model allowed for variations in cost between jurisdictions and issues associated with the size and/or design of a particular project.

### B.2 Victoria

Two distinct procurement processes were undertaken in Victoria under the SHI:

- Pre qualified tender process
- Public EOI process.

The Victorian Department of Human Services (DHS) conducted a public tender that was advertised in metropolitan and regional newspapers and was targeted to Victoria’s development and construction industry, focusing on design and construction tenderers and design only tenderers.

The EOI process had two major streams, where 1) a developer proposed a development around the perceived needs of the Department, and 2, where projects had already started by had met financial problems. The community housing sector had similar stream.

Victoria also undertook a pre-qualified tender process which requested registrations of interest from agencies prior to full tenders. The selection process for both registrations of interest and tenders was based on the criteria listed below.

1. Price / VFM
2. Ability to deliver project
3. Addresses priority areas including access to transport and amenities
4. Adherence to universal design principles
5. Environmental sustainability and energy efficiency

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27 Tenders for construction only were assessed against selection criteria 1, 2 and 6 in the list.
6. The applicant’s experience, capacity and expertise.

Against the criteria listed above, the process for prioritising and selecting candidates was as follows:

- Priority towards medium density housing within 20 kilometres of the central business district or transit cities
- Average price below $300,000 per unit
- Alignment with portfolio needs in terms of size and bedroom requirements, etc
- Equitable distribution across DHS regions and between rural and metropolitan areas
- Potential to meet homeless and crisis housing objectives (for example, partnering between CHPs and Housing Support Providers)
- Dwelling suitable for a range of target groups (for example, Indigenous)
- Equitable distribution across Housing Associations
- Proposal’s alignment with existing State policy framework
- Less priority for house and land acquisition.

A desktop audit was completed for all submitted proposals in order to assist in the determination of VFM. A proforma was used by DHS that detailed the following high level selection criteria for the desktop audit:

- Location suitability
- Unit prices close to average range
- Approval or application status of planning permit
- Expected completion within desired timeframe.

DHS stated that the tender process would ensure an open and transparent arrangement whilst promoting competition between tenderers.

**B.3 New South Wales**

Housing NSW predominantly administered the procurement via existing and well established processes, with competition being the focal point. Select tendering was the preferred method of competitive tendering for builders of the project, due to the advantages it provides in terms of the assessment of credentials. The advantage of employing established processes is that they are considered the ‘norm’ for industry participants. The use of such processes did, however, increase time and administrative costs associated with the procurement.

The focus of the SHI was on employment and, as a result, accessibility to program funding was provided across a wide range of opportunities, including the sale and construction of housing projects and the sale of development sites. Correspondingly, small to large builders and developers and professional disciplines associated with residential development were granted the opportunity to tender.
An approach that was considered highly successful for the majority of the procurement process involved a coordinating committee advising relevant panels for select tender invitations for each project/bundle. The assignment of projects was facilitated via competitive tendering, with the determination of successful tenderers based on:

1. Quality
2. Price
3. Their ability to deliver the project within the defined timeframe.

More than 300 builders were added to the register and involved in the competitive tendering process.

The Project Managing Officer, with the assistance of the delivery directors and key delivery managers, was able to provide a timely outline of the services required in the form of tender and contract documentation. The Project Managing Officer separated these services into two defined aspects – ‘development management’ and ‘project management’ – as a means of establishing a stronger connection with industry perceptions.

### Queensland

The Queensland Department of Public Works, through Project Services for the Department of Communities, requested proposals under the SHI from builders and developers of residential housing and NFP providers. The State’s aim was to provide a timely outline of the services required in the form of tender and contract documentation. The Project Managing Officer separated these services into two defined aspects – ‘development management’ and ‘project management’ – as a means of establishing a stronger connection with industry perceptions.

In addition, the State assessed capital projects on the following criteria (in conjunction with the Commonwealth Guidelines):

- Ability to deliver quality client outcomes
- Ability to work with stakeholders
- Robust and ongoing financial viability into the long term
- Good governance
- Sound management
- Capacity to undertake property development.

In addition, the State assessed capital projects on the following criteria (in conjunction with the Commonwealth Guidelines):

- Location
- Physical site
- Value for money
- Development approvals
• Apprentice employment.

The Commonwealth Guidelines prohibited the purchase of existing dwellings, and due to the number of units required to be delivered, the State became a land developer in its own right as well as engaging with the property development industry as a financier of residential developments.

**The State as developer**

• The State sought land from vendors and entered into design and construction contracts with builders, with offers for land conditional on Commonwealth approval.

• The State employed two forms of building contracts, both requiring all tenderers to be prequalified contractors and consultants and fully compliant with the 10 per cent Training Policy.
  - For multi unit developments, the State used a design and construction contract which involved the development of a project brief and tenders being called from design and construction contractors to deliver the project through to completion. The document and construction component was only awarded following the settlement of land.
  - It was agreed with the Department of Communities that an industry standard Building Services Authority contract (with special conditions), in conjunction with a standard Real Estate Institute of Queensland contract, was to be employed for procuring detached houses and duplexes.

**The State as financier**

• For projects that met the Commonwealth Guidelines, the State called for offers from developers and entered into house/land or turnkey agreements.

• Development agreements negated the requirement of the Capital Works Management Framework that all tenderers be prequalified contractors and consultants, granting small building designers the opportunity to participate in the SHI.

For the NFP sector, the State sought proposals from all NFP housing providers registered under the *Housing Act 2003* (or those that were willing to become registered). Providers were invited to apply for capital grants where they had contributions (or were able to secure contributions) of land, cash or other significant Local Government contributions, and provided they had the capacity to deliver new residential construction by 2010. In addition to the capital grants process, expressions of interest were sought from registered tenancy management providers for selected properties constructed under the SHI.

**B.5 Australian Capital Territory**

The Department of Housing and Community Services (DHCS) initiated an expression of interest process to encourage proposals for works within the scope of the SHI from the community and community agencies. The ACT’s approach to the selection of sites for redevelopment was conducted in two ways. The first approach involved sites being identified from a strategic overview of vacant land with
residential zoning marked ‘Community Facilities’ under the ACT Government’s Territory Plan. Sites were then determined from the Housing and Community Services Capital Program.

The procurement process involved the use of a Panel of Builders approach, wherein the DHCS engaged ACT Procurement Solutions to implement a round of procurement that included panels for architects for design services in the public housing sphere and Builders Residential Construction. The panel approach enabled the appointment of architects, based on design methodology and resources, who were then required to prepare documentation.

Three tenderers were allocated to the project based on their documentation and a design and construction contract that included information and reporting schedules and an ‘inclusion list’ specifically implemented for works pertaining to the SHI. The works were evenly distributed across contractors by the DHCS in an attempt to manage risk, with no contractor able to win more than two projects valued at over $2 million.

B.6 Tasmania

The Tasmanian Department of Health and Human Services (DHHS) administered the procurement process for social housing in Tasmania. After providing pre-tender briefing sessions, the State ran a prequalification expression of interest process for development proposals and a number of site specific RFPs. Tenders were requested for three broad project types which included:

1. **Sale of off the plan projects** – i.e. developers wanting to sell land and dwellings based on concept plans, with the developer to undertake construction following agreement with DHHS on detailed design documents.

2. **Sale of land and design and construction project** – i.e. parties wishing to sell land and then design and construct the dwellings with title being transferred prior to commencement of construction.

3. **Sale of land project** – DHHS also considered tenders from parties wanting to sell land suitable for residential development.

Interested parties submitted tenders offering to deliver a project (or projects) and were assessed against the following mandatory criteria:

1. **Capacity** – Submissions needed to demonstrate a capacity to undertake the project, including evidence of financial capacity to deliver the project and experience in undertaking similar projects. Evidence was also sought regarding project management capacities including a project management plan and details of builders, consultants and other relevant expertise that would be utilised to undertake the project.

2. **Project delivery (timeframe)** – Proponents were required to nominate estimated start and completion dates supported by a project management plan.

A further set of qualitative criteria included:

1. **Location** – The locations of the projects were required to match client needs in terms of access to public transport and amenities whilst also promoting a social mix in the community. The tender guidelines also outlined the State’s portfolio considerations and recommended geographical dispersion of social housing projects.
2. Site – The site requirements were based on characteristics that made it fit for purpose; for example, being suitably zoned with good access and connections to services.

3. Housing type and density – Project proposals included accommodation of a type and density suitable for social housing. The primary requirement was for one- and two-bedroom units in lower density sites (of less than 10 units), though larger sites were considered if certain other conditions could be met.

4. Value for money – While there was no set price range for individual units, preference was given to projects that were assessed as offering VFM which was broadly assessed with reference to the combined outcomes of the previous criteria and the cost of the project when compared to the value of similar properties in the surrounding area. In addition, the type of payment option nominated in the submission would also be considered as part of the VFM assessment. In looking at the cost of the project, consideration was given to the project’s underlying land cost and the market values for similar sites in the area.

5. Industry stimulus and job creation – In accordance with the Commonwealth Guidelines, proponents were requested to include details of how the project would leverage additional construction activity beyond that being directly funded through the SHI, as well as identify the number of jobs that would be created as a result of the project.

The tenderers were required to complete and submit a tender form whilst giving consideration to the above selection criteria and requirements. For each project, tenderers were also required to submit a tender form relating to each project type. An evaluation panel assessed tender submissions and prepared a list of the State’s recommended projects. All proposals were submitted to the Commonwealth Government for consideration along with the State’s recommended list of projects with all contracts with successful tenderers being executed in accordance with the specified conditions of tender.

B.7 South Australia

The Department for Families and Communities (DFC), through Housing SA and the Department’s Procurement and Contract Management Unit, developed a comprehensive procurement strategy for the SHI which was aligned to the Commonwealth Guidelines. The DFC’s procurement approach focussed on the following:

- Offering development opportunities to builders and developers of varying sizes
- Offering opportunities to the NFP sector
- Implementing innovative housing development models and addressing the needs of those on the high priority list for public housing.

In order to achieve an increase in the number of prequalified contractors for construction and repairs and maintenance, a publicly issued Registration of Interest was employed, which included a pre-qualification kit.

The DFC implemented a three part process for the procurement of social housing. The first phase involved a public RFP process for NFP organisations and developers with development capacity or
existing partnership arrangements. To ensure that participating NFP housing providers had adequate governance and finances to meet the requirements of the SHI, dwellings were only allocated where providers qualified as growth providers under reform of the housing sector in SA.

The second stage of the procurement process involved the implementation of full public tenders. Full public tenders were implemented to procure larger scale, more complex construction projects and/or sites deemed as medium density. However, the introduction of the tender process was also to facilitate the procurement of enough contracts to meet the specialised needs of the South Australian community. As expected, the number of quality proposals in the RFP stage was insufficient to meet these needs, which resulted in the public tender process being initiated. The tender process was also designed to ensure that the design and VFM requirements of the Commonwealth Guidelines were maximised.

The SA Government was unable to attract a sufficient number of quality proposals from the RFP and public tender processes to meet its requirements. As a result, select tenders were issued to pre-qualified panel members for new construction works packages on government owned or acquired land. These work packages were allocated on an equal apportionment basis.

All documentation submitted in the procurement process, including RFPs and RFTs, outlined the specific requirements that projects had to meet in order to comply with the stipulated conditions for funding, with proposals offering innovative development models being favoured.

The SA Government will transfer 617 dwellings (or 42 per cent of the 1,470 dwellings constructed) to the NFP sector.

In addition to the procurement of construction and upgrades, Housing SA issued a public Request for Information for service categories such as engineering and project management.

### B.8 Northern Territory

#### Pre-procurement process

Following the announcement of the SHI the Northern Territory Government (NTG) established an online Register of Interest to provide interested industry and community sector organisations with a mechanism to discuss potential projects with NTG officers.

An assessment of the responses to the Register of Interest indicated that due to a lack of experience in developing social housing, there was limited capacity in the private market for the initiation (rather than delivery) of proposals to meet the criteria for funding under Stage 2 of the SHI. The NTG estimates that up to 20 per cent of the Stage 2 NTG bid may be comprised of projects initiated by industry and that the bulk of the projects to be included in the NTG Stage 2 bid will be initiated by the NTG. However, the NTG initiated projects will be delivered by the private sector, with procurement through a competitive public tender process.

#### Request for Proposal

To formally seek proposals from the private sector, the NTG proposed to issue a RFP to call for projects that:

1. Met the criteria as outlined in the Commonwealth Guidelines
2. Responded to areas of high housing need in the NT, specifically:
- The need for one- and two-bedroom public housing dwellings in all urban centres, particularly in Darwin and Alice Springs

- Dwellings targeted at senior Territorians

- Managed accommodation projects, particularly those that involve a partnership between private sector and non-government organisations, with a sound financial model for ongoing operation.

The RFP was released on 7 May 2009 and remained open for three weeks.

**NTG initiated projects**

Recognising the limited capacity of industry to initiate social housing projects, the NTG internally scoped and developed projects that met the criteria as outlined in the Commonwealth Guidelines and that respond to areas of high housing need in the NT as outlined above.

The NTG initiated projects were delivered by the private sector, with procurement through a competitive public tender process.

**Procurement framework**

The acquisition framework outlined above is underpinned by the NT Procurement Act and Regulations, Procurement Directions and the NT Procurement Code.

Recent initiatives implemented by the NTG included a review of the current procurement framework with the intention of involving industry and maximising cooperation between the private sector and Government to deliver infrastructure projects quickly and effectively.

For NTG initiated projects, pre-tender estimates were prepared by the time tenders were issued and were prepared with the assistance of qualified quantity surveyors.

For the RFP, advertisements were placed in all NT regional newspapers to provide a broad level of tendering opportunities for NT contractors and consultants. Tender responses were managed by Contracts and Procurement Services, which is a part of the Department of Business and Employment.

In all instances involving the various methodologies mentioned above, the following policies and procedures were observed in applying NTG ‘Value for Money’ principles for evaluating tenders or offers received:

1. Assessment of past performance and expertise
2. Whole of life considerations
3. Local development and value adding
4. Timeliness
5. Capacity to execute work
6. Innovation
7. Any other project specific items (that is, SHI Guidelines).

**Contract details**
Generally for small acquisitions up to ($200,000 in value) engagement of consultants was under the standard NTG form of contract referred to as ‘Consultant Services Contract’.

Similarly with Building Work Contractors, the standard NTG forms of contracts referred to as Minor Works and Services Contract and the National Public Works Conference document (NPWC3) for larger acquisitions where there is no Design and Documentation components involved were used.

For projects in excess of $200,000 in value where there is a Design and Document component the NT Major Works contract, which contains provisions for engaging consultants to perform the design and documentation tasks, was used.

In certain circumstances, depending upon the urgency of the work, expediency or early involvement by the contractor, the Department of Local Government and Housing considered using the Managing Contractor model with preparation and assembly of the terms and conditions of contract in consultation with the NT Department of Justice.

B.9 Western Australia

The Western Australian Department of Housing, as a result of the size of the procurement task, utilised a range of procurement methods. These methods were a mix of previous business as usual arrangements and new procurement processes – they included:

- Traditional tendering – where the Department owned the land and produced the design for the new dwellings and tendered for builders to construct as per the designs
- RFPs – where the Department owned the land and asked for builders to submit a proposal and design for the dwelling(s) and construct
- Project Management/Joint Venture Agreements - existing relationships were leveraged to provide additional services (including construction, design and project management)
- Call for Submissions (an EOI process) – the Department invited builders, developers and community housing providers to put forward development proposals and property purchase proposals to design and construct a range of dwellings.

From the above procurement methods, the Department utilised a variety of contractual arrangements depending on the project arrangements, including:

- Standard build contracts
- Design and construct contracts
- Forward funding agreements
- Grant funding agreements
- Purchase contracts.

The Department assessed submissions in line with the Commonwealth Guidelines that were provided to States and Territories for the SHI, and had a specific focus on:
Suitability of specification

Suitability of location (close to transport, services and business)

Price/VFM

Projects that could meet timeframes and that were easier to deliver

Distribution

Tenant/portfolio demand and suitability for tenants

Capacity to deliver

Suitability for asset transfer to CHPs.