AHURI Research & Policy Bulletin

The capacity of Indigenous Community Housing Organisations

REMOTE LOCATION, INADEQUATE GOVERNANCE PROCEDURES AND LACK OF ECONOMIES OF SCALE UNDERMINE THE ORGANISATIONAL PERFORMANCE OF INDIGENOUS COMMUNITY HOUSING ORGANISATIONS.

KEY POINTS

- Remote location is the single most important issue that undermines the organisational capacity of remote ICHOs. High maintenance and construction costs, lack of training opportunities and inadequate access to capable personnel for staff and governing committee positions affect ICHO capacities in housing and human resource management.

- The number of dwellings managed by many ICHOs (especially in urban and regional settlements) is too small to allow for self-sustaining housing management without implicit or explicit external funding or cross-subsidisation from within the organisation.

- Building the capacity of ICHOs will require some consolidation in urban and regional locations. However, centralisation of services may be a logical method of service delivery in remote settlements.

- Appropriate governance structures and capable personnel in key decision-making positions are crucial to organisational performance.

In addition, governance training for both staff and boards should be an essential part of any reform strategy within the ICHO sector.

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POLICY CONTEXT

According to the Housing and Infrastructure in Aboriginal and Torres Strait Islander Communities Australia, Community Housing and Infrastructure Needs Survey (CHINS) conducted in 2006, there were 496 ICHOs in Australia, managing a total of 21,758 permanent dwellings. Almost 42 per cent of ICHOs and 57 per cent of ICHO dwellings are in remote areas. The ABS National Aboriginal and Torres Strait Islander Social Survey (NATSSIS) indicated that in 2002 there were around 21,717 households living in ICHO dwellings. This represented around 13 per cent of all Indigenous households in Australia.

Hall & Berry (2006) found that across Australia the operating deficit 'gap' for remote/very remote ICHOs was $2,400/$3,800 per dwelling, a total of $52.6m per annum. In addition, these ICHOs required capital expenditure of $705m.

This AHURI research project was designed to complement and validate findings from previous research on ICHOs that has focused on financial viability, by exploring the qualitative factors, including organisational capacity, which might underlie these financial deficits.

METHOD

The researchers identified four viability factors underlying the organisational capacity of ICHOs through a literature review and consultation with stakeholders. These were: location, governance, human resource management and housing management. Each of the viability factors was tested in a series of telephone and face-to-face surveys of ICHOs. Organisational capacity was defined as an organisation's ability to transfer input resources (human, financial, other) to deliver the required outputs (housing for Indigenous people at a reasonable cost).

From the 496 ICHOs identified by the CHINS 2006 survey, 22 were selected by these researchers for detailed case studies using in-depth face-to-face interviews. The ICHOs selected provide a sample of diversity rather than being representative, being a cross-section of organisations of different sizes, degrees of remoteness and geographical areas. It should be noted that for reasons of funding the

sample was skewed towards South Australia and New South Wales (see Figure 1 below). Analysis of case data for this study was conducted using intra-case analysis and cross-case analysis.

KEY FINDINGS

Organisational structure and size

A high degree of structural diversity was found in the ICHOs, which were sometimes specialised housing providers, sometimes part of a multi-service provider.

A variety of legal instruments have been established to create ICHOs, which exist as part of Land Councils, as registered associations, cooperatives, public companies, bodies corporate (as in the APY lands in South Australia) or as Aboriginal Corporations.

There was no discernible relationship between organisational capacity and type of structure, though multi-service providers were found to be more logical in remote settings where costs of importing services from outside on a regular basis are more prohibitive. However, a relationship was found between organisational capacity and size of organisation. A feature common to most ICHOs is that they are generally small organisations with few resources and insufficient rental revenue to allow them to grow. Ninety five per cent of all ICHOs manage less than 100 dwellings. This low size means they face problems of poor economies of scale.

A large number of ICHOs manage a very small number of dwellings. Small size can seriously affect their financial viability and organisational capacity. It has been estimated that the financial break-even point for community housing providers in Perth is at least 50 dwellings (Eringa 2000). The 74 per cent of ICHOs that manage fewer than 50 dwellings may well be too small to be able to operate without some form of subsidy. The fact that they have few dwellings can also mean that these ICHO dwellings are often over-utilised and thus harder to maintain. Organisations that manage small numbers of properties are also stretched because it is more efficient to manage more rather than fewer dwellings.

Table 1 shows that, on average, ICHOs in city and regional areas tend to manage fewer dwellings compared to those in remote and very remote areas.
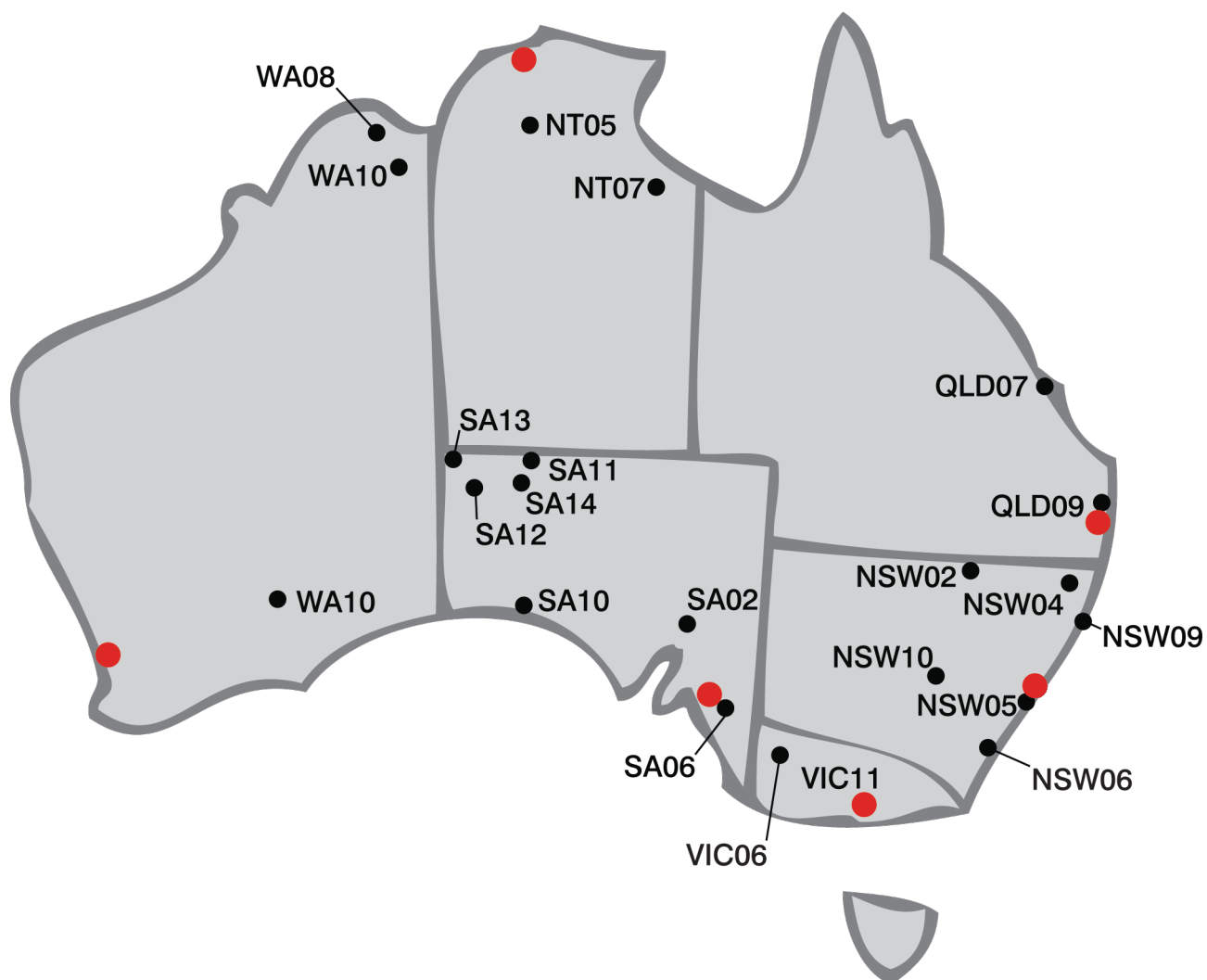
FIGURE 1: LOCATION OF CASE STUDIES

TABLE 1: ICHOS BY SIZE AND LOCATION, 2006

2006	ICHOs		Dwellings		Average Dwellings/ICHO
	Number	%	Number	%	
Major Cities	37	7%	777	4%	21.0
Inner Regional	82	17%	2180	10%	26.6
Outer Regional	113	23%	3989	18%	35.3
Remote	55	11%	2415	11%	43.9
Very Remote	209	42%	12397	57%	59.3
Australia	496	100%	21758	100%	43.9

Data source: 2006 CHINS Survey (ABS 2007)

Location

Location was considered a problem for many remote ICHOs. Remoteness created practical difficulties for accessing staff and for staff training opportunities. Where workers were not available and had to be brought from other locations (for maintenance work on properties, for example), the costs were often significantly higher than in regional centres or urban areas.

Remote ICHOs expressed concern that the remoteness indicator system used to determine government policies and funding formulas did not take into account extreme remoteness (i.e. where air transport was required at some or all times of the year to access the houses).

Governance

Governance was mainly a concern for medium-sized organisations (smaller organisations saw this as an 'externally imposed' issue).

A range of governance needs were identified across organisations:

- accounting standards and compliance standards need to be strengthened, with separate accounts for member organisations to assist in financial tracking, financial controls adherence and accurate reporting;

- some ICHOs reported a need for administrative support to ensure accounting responsibilities were maintained.

Human Resource Management

ICHO organisations were generally keen to employ local and Indigenous staff. However, these attempts to increase community participation may have been at the expense of skill development and retention of skilled staff.

Ways to improve human resources management were also identified. These included:

- Training for staff in asset management and business planning, housing management standards, policies and systems;

- Requirements for all staff to sign contracts and complete police checks;

- Identification of career pathways for Aboriginal housing officers.

Housing Management

A key area for improvement across organisations is tenancy management – especially in relation to rent arrears and tenant liability. There is also little available data on ICHO dwellings, so it has been difficult to determine the condition of ICHO stock and how much of it needs to be upgraded.

CASE STUDIES

The following four case studies represent a sample of practice from different locations. The profiles illustrate the different ICHO models and the unique ways in which these particular ICHOs achieve relatively high viability assessments for their respective organisational capacities.

Case 1: Medium-sized 'multi-service' ICHO (55 dwellings), extreme remote Northern Territory

Location: The ICHO has severe access problems, being a full day's trip from the nearest regional service centre during the dry season, and only accessible by plane in the wet season. This results in high transportation costs, which translate to high maintenance and construction costs, as well as high costs for staff and governing committee members who need to attend external training.

Governance: This ICHO is governed by an Aboriginal corporation. It has governance systems such as strategic and business planning and adequate information technology systems in place to manage finances and assets and has high organisational capacity. Housing was well maintained and well furnished.

The ICHO provides a range of tenant services and aims to keep health, employment and housing management in-house, rather than contracting these services from outside. Examples of this approach include:

- a self-funded nutrition and housekeeping program, which issues toiletry essentials to every household. This program is cost-effective as it has drastically reduced septic blockages, scabies has disappeared and houses are now well maintained;

- a welding-for-women training program, which the ICHO hopes will eventually allow it to employ the participants to do maintenance at this and other communities;

- the ICHO also farms chickens and sells the eggs (30 dozen) to a larger regional settlement so families have eggs as part of their daily diets.

Case 2: Small 'multi-service' ICHO (17 dwellings), outer-regional South Australia

Governance: The ICHO is governed by a community council. Members are local Aboriginal people, elected annually. The ICHO Constitution includes a clause that states that if the ICHO becomes insolvent then the management of the property goes to another local Indigenous community. Council meetings are held monthly or as needed. The council carries out regular reviews of its organisational capacities.

Housing Management: The ICHO identified leadership and employment as integral to its structure, which was based on traditional/cultural ways of doing things that involve self-sufficiency and creating employment for all community members. All houses are in good tenantable condition with three major upgrades and one minor upgrade having been done recently. There is an average occupancy of 4–5 people per dwelling and 95 per cent occupancy.

Case 3: Medium-sized 'housing specialist' ICHO (131 dwellings), inner regional New South Wales

Location: The ICHO is based in a regional centre but also services a number of partner organisations in smaller remote areas. Access to services is not an issue, but early organisational capacity development was restricted by difficulties in negotiating 'normal terms of trade' to get repairs and maintenance done.

Governance: Because of economies of scale and because it is a housing specialist, the ICHO can deliver high levels of accountability, transparency and efficiency. For example, the ICHO has implemented policies to ensure efficient business practices and has clearly delineated different roles for Board and staff members. Nevertheless, this ICHO has inherited high rental arrears ($250K) and losses due to poor record keeping under past housing stock management arrangements.

Housing Management: Because this ICHO is a housing specialist, it manages more housing stock than others and can implement asset management practices to maintain housing stock. There is a high level of compliance with government agency housing standards, and adequate information technology.

Human Resources: the ICHO is able to run a dedicated housing management training package for staff.

Case 4: Large 'housing specialist' ICHO (1,291 dwellings), based in Melbourne

Location: While based in Melbourne, this ICHO services housing stock in accessible major regional centres and moderately accessible outer regional and rural centres. Its management argues that servicing housing in regional areas costs approximately 10 per cent more than providing the same service in metropolitan areas.

Governance: The organisation is governed by a Board of Directors, whose members are appointed according to their specialist skills (expertise ranges from legal, financial and property development skills). Elections occur once every two years, with the CEO reporting to the Board at all of its monthly meetings. Board Directors undertake an extensive induction process, including training in governance.

POLICY IMPLICATIONS

Since this research project began, there have been major changes in Indigenous housing policy, including in the area of Indigenous Community Housing Organisations, under two successive Australian Governments.

Under the previous Australian Government, a review of the Community Housing and Infrastructure Program (CHIP) – the principal funding source for ICHOs – recommended abolition of the CHIP program and the transfer of responsibilities for Indigenous housing from ICHOs in urban and regional settings to the public housing system, where possible. It also encouraged transfer of households from remote outstations to settlements that had better services.

The new Australian Government under Kevin Rudd has provided $813 million as part of the New Remote Housing System (NRHS) in the Northern Territory. This will be used to repair present housing and deliver new housing in remote

areas. The houses will be managed through the public housing system and a new housing management system will involve waiting lists, routine maintenance, tenancy agreements, enforcement of rent payments, and programs of tenant support services. Processes of reform are also in place in state jurisdictions. For example, in NSW, ICHOs are in the process of being amalgamated.

The findings of this study affirm the current policy direction towards building economies of scale in cities/regions, and increased resources for housing in remote areas to replace damaged stock and provide for new households.

The crucial question of whether the housing targeted to Indigenous people should be administered by the state or through community organisations remains unanswered.

Despite the small size of ICHOs, there may be merit in retaining them in remote settlements where it makes sense to manage them at the local level as part of a multi-service provider and to take advantages of economies of scope. To adequately plan for the increased housing needs of remote Indigenous communities, governments need to be able to undertake comprehensive mapping of housing stock needs in remote areas.

However, if ICHOs are to be retained, strategies aimed at building their organisational capacity must address governance, human resources and financial issues simultaneously. All elements of the government policy framework that affect ICHOs should make funding and cost formulae and performance indicators very clear for organisations based on their relative remoteness, as this has an impact on their operational capacity and viability. Organisational capacity building should include governance training for members of the governing committee as well as for members of the wider community.

FURTHER INFORMATION

Hall, J. & Berry, M. 2006, Indigenous Housing: Assessing the Long Term Costs and the Optimal Balance Between Recurrent and Capital Expenditure, Australian Housing and Urban Research Institute, Royal Melbourne Institute of Technology, AHURI RMIT-NATSEM Research Centre, May, Final Report No. 93.

Eringa, K. 2000, Financial Viability of Community Housing Providers in Western Australia, Community Housing Coalition of WA, September.

Australian Government (2007) Living in the Sunburnt Country – Indigenous Housing: Findings of the Review of the Community Housing and Infrastructure Programme (CHIP), February.

This bulletin is based on AHURI project 80316 *Scoping the Capacity of Indigenous Community Housing Organisations*. Reports from this project can be found on the AHURI website: www.ahuri.edu.au

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