



Final Report

Understanding leadership, strategy and organisational dynamics in the not-for-profit housing sector

authored by

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ACRONYMS

ABS	Australian Bureau of Statistics
ATO	Australian Tax Office
CEO	chief executive officer
COAG	Council of Australian Governments
CRA	Commonwealth Rent Assistance
DGR	deductible gift recipient
FaHCSIA	Australian Government Department of Families, Housing, Community Services and Indigenous Affairs
GFC	global financial crisis
GST	Goods and Services Tax
NFP	not-for-profit
NAHA	National Affordable Housing Agreement
NRAS	National Rental Affordability Scheme
PBI	public benevolent institution
SHI	Social Housing Initiative
SPV	special purpose vehicle

EXECUTIVE SUMMARY

In recent years, the role of not-for-profit (NFP) organisations in the development, financing and delivery of social and affordable housing has been expanding in Australia, emulating international trends over the past two decades. This study is the first in Australia to examine strategic positioning and decision making among leading NFP housing providers (sometimes called third sector providers), from an organisational rather than housing policy perspective. Using a methodology that has been developed for similar studies of third sector organisations in other countries, the research provides an 'insider' perspective on how the organisations are responding to their opportunities and responsibilities as growing providers of a range of affordable housing options.

The result of recent developments in this sector has been the first blush of a social enterprise model for the provision of affordable housing, combining the logic of business with a social mission to expand housing opportunities and choices for lower income households not being served by either the public sector or the private market. The research investigated how organisations develop a social enterprise model, reconciling social mission with commercial practice through what is sometimes called organisational hybridity (see Chapter 2).

Research methods and coverage

The research used a modified Delphi survey methodology developed and applied to earlier studies of change and decision making in third sector housing organisations in England, Northern Ireland, Ireland and the Netherlands. Professor David Mullins (University of Birmingham), who first adapted the methodology to research organisational dynamics in this sector, has acted as a mentor for the study.

The Delphi methodology is a way of exploring decision making and change through an iterative, multi-method approach. It seeks to harness the views of a panel of experts on specific issues, using a combination of scaled survey questions and qualitative interviews. In-depth discussions with each panel member are used to elicit perspectives on the aggregate results of the survey concerning the issues and challenges facing their sector as a whole, as well as to tease out their individual positioning on these matters. This is intended as a way of discerning not only shared but also divergent views within the sector.

Sampling of housing NFPs for this study was restricted to those organisations in Australia that were exhibiting hybridity and social enterprise (see Chapter 2) and had been established for at least three years. These were organisations that had relatively large operations (in the Australian context) involving housing development and investment, and tenancy and property management. The chief executive officers (CEOs) of 14 organisations (of an estimated population of around 30 larger, diversified organisations) were approached and all agreed to participate, and comprised the panel of experts for the study.

Collectively, the 14 organisations owned or managed over 22 000 dwellings, just under a half of those held in the total sector in 2010 (AIHW 2011). They owned assets (mainly dwellings) valued at \$2.6 billion against which they held liabilities of \$764 million (mostly loans secured against properties), and their combined annual rent revenue (their main income source) amounted to \$132 million in 2010–11 (see Chapter 1, Tables 1 and 2). All had experienced rapid growth in their resources and business scale over the last three years, through a variety of strategies, which were explored in detail in the research.

The research findings presented in Chapters 3 to 6 are based on an analysis of the survey of the sampled organisations, information gathered in interviews, including verbatim quotations from panel members, and other documentary evidence concerning the organisations studied and the policy and regulatory environment in which they operate.

This analysis explored five key themes:

1. The key external environmental factors that have driven recent changes in organisations (Chapter 3).
2. The views of CEOs about key values of their organisations and how these have influenced their decision making (Chapter 3).
3. Changes in strategic positioning over the last three years (Chapter 4).
4. Changes in governance, structure, capacity and culture that have resulted from expansion and business development over the last three years (Chapter 5).
5. The most important strategic decisions that are facing organisations over the next five years and their potential significance (Chapter 6).

Key findings under each of these themes are summarised below.

Research findings

External drivers

Developments in housing policy, funding and regulatory environments have been the main drivers of recent opportunities for Australia's housing third sector to up-scale, commercialise and diversify. The most significant government-led changes that have driven expansion have included the Australian Government's Social Housing Initiative (SHI) and the joint Australian and state government National Rental Affordability Scheme (NRAS). Other recent housing policy changes and requirements of governments have included (to a varying extent across jurisdictions) new specialised regulatory arrangements applying to NFP housing providers, transfers of increasing numbers of former government owned and/or managed stock to this sector in return for leveraging the resources (cash flows and security) that come with such transfers, and a range of other policy changes that have been favourable to the sector, especially restructuring of social housing rents to capture Commonwealth Rent Assistance to improve rent revenue.

Over the three years preceding the research (2008/09–2011/12), housing and finance market conditions had a mixed influence on the business operations of organisations in the sample. While land and construction costs remain high in Australia and conditions for lending into the sector had deteriorated since the global financial crisis (GFC), overall the post-GFC market environment and government stimulus had improved the competitiveness of these NFPs and had helped them to generate new relationships with private sector organisations, especially bank lenders and development partners.

The last three years have also seen renewed interest at the national level in the future role, shape and efficiency of the wider third sector in Australia, particularly as a key contributor to the Australian government's agenda to promote social inclusion. Reforms broadly aimed at streamlining regulatory and taxation settings applying to the sector, improving governance and accountability, and channelling capital investment into the sector have been under consideration. While there are expectations that many positive changes may result, continuing uncertainty associated with the process

of reform has made future planning in the sector more difficult and added to risk associated with taking on new business ventures.

Organisational values

In discussions with panel members about the values underpinning their organisations, claims to social purpose emerged as a very strong internal driver of decision making and strategic positioning for all organisations. Organisations in the sample were founded to provide social housing and other welfare services to very low income households, the homeless and those with special needs, largely by utilising government funds. The study found interesting differences in the views of the panellists about how social mission is best achieved as organisations adopted more commercial practices. While some expressed a view that social purpose should never be compromised by business drivers, others appeared to have a greater appetite to innovate and take on business risks to advance social goals, emphasising that having a business ethos was critical to optimising social outcomes.

Other values widely acknowledged as important attributes of modern third sector organisations were largely shared across panel members. These included having a professional approach, being entrepreneurial, being geographically diverse (to a varying extent among this sample), having the means to set one's own priorities and adopting a private sector ethos.

Strategic positioning

Major shifts in strategic positioning over the last three years (Chapter 4) centre on organisations:

- Broadening their service remit to include both low and moderate income households.
- Acquiring and using property assets to develop their businesses.
- Securing larger tranches of private finance for housing development.
- Extending the geographic area of their operations across regions, state borders or nationally.

Whilst these were general trends, there were clear differences in how organisations currently operated. For instance, there were differences in the extent to which they were prepared to enter into more commercial activities—such as mixed tenure developments, higher rental products, market sales, for-profit activities and asset realisation—to seek out financial return and drive their business expansion. At one end of the spectrum, some organisations had already leveraged assets to a considerable extent and had trialled cross-subsidy approaches, mixed tenure projects and partnering with the private sector with the overall aim of generating more housing for low income groups as well as providing services to current residents. In the foreseeable future they were planning to pursue a wide range of activities for both low and moderate income households, subject to financial feasibility. Others were more cautious about, or constrained in pursuing, additional activities and expansion, such as higher-cost rental products and operating in additional locations. Generally this positioning was explained by interviewees as staying focused on mission, having a strong commitment to expanding services to existing households and to retaining locally anchored, client centred services.

Progression to greater business autonomy for all organisations was in the early stages and each had faced different constraints and opportunities; for example, some had relied largely on their revenue base to generate additional activity while others were also able to utilise an existing asset base. Differences in approach at this stage

may, therefore, be related more to the extent of change that it had been feasible to implement, rather than underlying differences in organisational mission and values.

The organisations had broadened their stakeholder relationships over the last three years. They had developed direct relationships with the federal government and, while state government housing agencies remained important to them in terms of policy settings and funding, they had also developed relationships with other state government agencies, in particular, regulators, planning, land development corporations, Treasury and finance agencies. Some of the organisations also had a strong relationship with selected local governments, although generally this was not seen as a central business relationship. Most panel members were fully aware of government policies and market opportunities beyond their 'home' jurisdiction or region and developed relationships accordingly. The organisations had also developed relationships with a range of people and organisations in the private sector, in particular, the finance and property development sectors, which had heightened their understanding of risk assessment and management. The organisations had both competitive and cooperative relationships with other NFP housing providers which created an interesting dynamic.

Organisational change

The organisations had made significant organisational changes as they had grown in size and their business model had become more complex (Chapter 5). They had enhanced organisational governance and executive capacity—especially by bringing skills related to financing, property development, asset management and business development functions to Boards and senior management—and transformed organisational culture. Organisations had faced two core cultural challenges in their moves to become more business-oriented and entrepreneurial: attracting skilled people who subscribed to the mission of the organisation, and enabling longer-term staff to adopt to more businesslike regimes. These challenges had led to considerable investment in organisational development, change management and staff development. Growth in size and complexity also involved substantial investment in information technology to support project, asset and organisational management and accountability. Organisations had also developed more complex governance arrangements to deal with their increased exposure to financial risk, including special purpose vehicles and other corporate structures to quarantine risk in different parts of the business.

As a result of these sorts of changes, we are now seeing emerge in the Australian housing third sector what the literature (see Chapter 2) describes as new forms of hybrid organisations that embrace a mix of defining values, characteristics and behaviour of public entities, private firms and the third sector.

Future directions and challenges

There was general agreement among panel members that the next five years would be quite different to the last three for their organisations (Chapter 6). Less government investment and less policy certainty was anticipated, as the social housing stimulus program completes, NRAS faces an uncertain future and political changes at state government level (and potentially the federal government) put foreshadowed policy directions (e.g. the transfer of larger tranches of public housing) at risk.

For some organisations in our sample, the policy hiatus prevailing at the time of the fieldwork represented an opportunity to 'draw breath' after the pace of change over the last few years, to consolidate around existing activities and to focus on client services and tenant support. On the other hand, several of the more commercially-oriented players were seeking to reduce their risks by pursuing alternative funding

sources (to government), competing for opportunities beyond their 'home' jurisdiction and restructuring their programs and assets to improve their financial viability. However, private financial institutions remained cautious about investing in the sector, and the terms and conditions available for debt finance were not particularly favourable. There were also major questions about the desirability of public housing stock transfers and how effectively organisations could leverage off those assets. Unless they are able to access alternative resources for the next phase of growth, a key challenge for the foreseeable future for several organisations will be to retain the skills and capacity in property development and financing, especially where there is no development pipeline.

The management of risk was a key theme underlying the range of issues raised by panel members as being most likely to impact the structure and direction of their organisation in the next five years. As well as the increased financial risks associated with debt finance, some also identified risks to their legitimacy that could arise from business diversification and geographic expansion, particularly if such changes weakened their capacity to house low income and disadvantaged households.

International comparison

Comparing the findings of this study with those for housing associations in the Netherlands and England reveals more about the various ways that third sector organisations adapt to their environment and the tensions and risks inherent in this model of housing provision. Having a mix of low and moderate income clients, attracting significant levels of private finance, expanding into new geographic areas, broadening the product and service base, and developing hybrid organisational forms are some of the consistent directions found across countries. In many respects, the current Australian situation is similar to that in England in the early 2000s (Chapter 7, Table 4).

A cautionary tale emerges from the Dutch sector's foray into a strongly independent business model (following the withdrawal of government support) that has combined commercial real estate ventures and social housing provision under a cross-subsidy approach over the past 15 years. This model is now in retreat, largely as a result of two sets of factors: deteriorating housing market and capital market conditions following the GFC, and a gradual loss of political support as governments and competing private developers have increasingly questioned the legitimacy of the sector's expanded profit taking. The result has been that as leading Australian housing providers have flourished under recent conditions, at the same time many of their counterparts in the Netherlands have now been forced to curtail their market activities and refocus on their core social role (Chapter 7, Figure 27). One conclusion that can be drawn from this comparison concerns the critical importance of both market conditions and government policies to the success and stability of third sector enterprise. Another concerns how NFP housing organisations strike and preserve a balance between their core social role and the extent and forms of their business enterprise in the face of the dynamic constraints and opportunities that they experience.

Policy implications

Overall, it appears that the leading NFP housing organisations in Australia have reached a watershed. They appear to have responded effectively and capably to recent openings, both intentional and opportune, that have emanated largely from government, to up-scale and diversify their housing businesses. However, having longer-term certainty of government policy settings and, in particular, funding to support a pipeline of housing production has now become crucial to enable these

organisations and others like them to sustain the business models and the organisational capacities that have been developed.

If Australian governments want to use this sector to pursue housing policy objectives, such as increasing the supply of affordable housing, accelerating the renewal of rundown public housing estates, promoting more socially inclusive forms of housing assistance and rebuilding pathways for tenants out of social housing, an intergovernmental policy framework to guide the development of the sector is desirable. Based on the findings in this study, and a wider body of research on third sector housing in Australia, this should be focused on:

- Government co-funding arrangements that will attract a predictable stream of private finance to the sector on the best possible terms to optimise the social outcomes that these organisations can deliver.
- Improving policy certainty and policy capacity around strategic issues facing the sector.
- Increasing interaction between governments and the NFP housing sector around policy deliberations concerning future directions.
- Responsive regulation of the sector, building on the national regulatory system that will be introduced in 2013.
- Introduction of joint plans for housing resource allocations at a regional/local level to promote local responsiveness and assist coordination across providers.
- Support for dedicated capacity development and research and evaluation within the sector.

Clear and consistent government policy, adequate and predictable funding and responsive regulatory settings are required to enable NFP housing organisations to develop as successful social enterprises, in which organisations operate in a businesslike way to achieve their social purpose. Governments must also recognise the dynamics of organisational hybridity and ensure that organisations have sufficient autonomy to manage their own affairs, demonstrate their capabilities and pursue innovation, while being sufficiently accountable to government and to civil society for their performance.

1 INTRODUCTION

1.1 Context of the research

In recent years, not-for-profit (NFP) housing organisations have played a greater role in the financing, procurement and management of a variety of forms of social and affordable housing in Australia, as part of a wider shift towards using non-government organisations to deliver public services. In particular, changes to housing policy, funding and regulatory settings have presented housing providers in the NFP sector with significant opportunities to increase their independence, expand their scale of operations and diversify their functions. This report presents the findings of research into how leading NFP housing organisations have developed their organisational role, capacities and activities in response to these opportunities.

A growing body of AHURI-funded research has investigated various aspects of NFP delivery of housing in Australia, including the policies and programs directed to the sector and organisational innovations (Milligan et al. 2004, 2009), private financing mechanisms (Lawson et al. 2012), views of sector regulation (Travers et al. 2010), organisational and sector capacity building (Gilmour 2009) and the performance of development projects (Wiesel et al. 2012). Building on this evidence base, the broad purpose of this study was to understand the ways in which organisational actors in the housing third sector¹ have interpreted and responded to changes in the policy, market and community contexts in which they operate, as well as the likely directions of their growth and development in the future. It seeks to develop an understanding of the sort of organisations that NFP housing providers have become through a research methodology that elicits the views of the leaders of some of the larger, more complex organisations in the sector. It complements the policy centred nature of much of the existing body of research related to this sector.

Developments in housing policy, funding and regulatory environments have been the main drivers of recent opportunities for Australia's housing third sector to up-scale, commercialise and diversify. Organisations in that sector have received over half the nearly 40 000 offers of funding incentives so far made available nationally to both for-profit and NFP providers to procure housing through the National Rental Affordability Scheme (NRAS) (Australian Government 2012). Under the Social Housing Initiative (SHI)—part of the Australian government's economic stimulus package in response to the aftermath of the global financial crisis (GFC)—several dozen larger, well performing NFPs ('growth providers' or 'preferred providers') were allocated many of the over 19 000 new dwellings built to own or manage and, in some jurisdictions, a small number were allocated capital funding to directly procure some of these dwellings. Expansion of the sector has also been driven by modest rates of stock transfers from public housing authorities (Pawson et al. forthcoming), and other state-based initiatives, such as offering capital grants, planning incentives or public land allocations. These incentives were usually linked to requirements for recipient organisations to leverage additional private funding to complement government investment. Alongside these policy changes, specialised regulation of housing NFPs has been developed to give confidence to lenders and other public and community

¹ In this report, we have used the terms 'NFP housing organisation/provider' or 'third sector housing organisation/provider' interchangeably. NFP refers to self-governing organisations having a social purpose that do not distribute profits to their members or shareholders. The third sector refers to those NFP organisations that are not in the state owned and directly publicly accountable sector or the privately owned and run on a for-profit basis market sector (Czischke et al. 2012). Community housing is a term used to describe the services of locally based NFP housing organisations in Australia.

stakeholders about their business and financing models, and an enhanced single national regulatory system is planned for implementation in 2013.²

Encouraged by governments, larger NFP providers have also restructured their existing housing operations, especially to achieve additional rent revenue through receipt by tenants of Commonwealth Rent Assistance (CRA), and many have initiated merger activity to boost their scale and efficiency. Partnering activity and fee-for-service functions have also increased. Examples of the array of partnership activities that housing NFPs have engaged in with either for-profit or NFP partners include urban renewal projects, mixed tenure developments, and partnerships for tenancy support and community building (Pinnegar et al. 2011). Fee-for-service activities have included managing tenancies for private providers who have been allocated financial incentives under NRAS and the provision of contract tenancy, property or development services. These changes have allowed NFP housing providers to increase surpluses on their recurrent operations and enhance their balance sheets, which in turn has enabled them to service and secure private loans for investment in additional housing, some for the first time. Both the pace and extent of changes that have taken place recently have also had a major impact on the governance, culture, capacity, skills base and operational parameters of these organisations.

1.2 Research aims and questions

The developments just outlined, which we will consider in more detail later, mean that the leading NFP housing organisations have recently become different entities to the small-scale community housing associations that previously characterised the third sector in Australia (Bisset and Milligan 2004). It is because of the significance of these changes and their growing importance to the future of affordable housing that this study has been initiated to review and analyse the operations, culture, motivations and behaviour of these recently transformed organisations.

The study was established with two main research aims:

1. To examine factors that shape decision making and change in NFP housing providers, and to use this information to explore ways that development of the sector can be facilitated to promote increased housing choice and additional affordable housing.
2. To contribute to theoretically informed accounts of the NFP housing sector as viewed from the 'inside'. Notions of hybrid governance and social enterprise emerging in the third sector literature offer a conceptual framework for such an analysis, as discussed in Chapter 2.

In order to achieve these aims, the study addresses the following research questions:

1. What are the most important external factors (e.g. policy, regulation and housing market/finance conditions) shaping decision making and directions of change among leading NFP housing providers in Australia?
2. How do leaders of individual NFP housing enterprises view organisational values as a driver of decision making and change?
3. How do these leaders interpret and respond to their external environment and to organisational drivers, especially in terms of:
 - strategic positioning
 - intra- and cross-sectoral relationships

² See <http://www.nrsch.gov.au>.

→ organisational change and development?

4. To what extent do these responses differ across organisations, how and why?
5. What are the key organisational challenges that leaders foresee over the next three to five years?

1.3 Research partners

The plans for this research were developed in close collaboration with Professor David Mullins (University of Birmingham) who agreed to the use of the methodology that was developed through his third sector research program, assisted with the development of the project proposal and gave expert guidance to the research team throughout the project. This included a visit to Australia in November 2011 when he met with members of the research team to explain the Delphi methodology and review the proposed research design and methods. Dr Nico Nieboer (OTB Research Institute for the Built Environment, Delft University of Technology) also assisted the research by providing the survey instrument that was used in a comparable study of Dutch housing associations in 2010 and by sharing the findings from this study.

The Centre for Social Impact (CSI) (UNSW) has been a partner in the research, bringing to the study a broader perspective on third sector enterprise in Australia and expertise in researching NFP organisations. The head of CSI at the time the research commenced in mid-2011, Professor Peter Shergold, chaired the study reference group (see below) and Les Hems (Research Director, CSI) has provided regular advice and support on research methods, data analysis and interpretation.

1.4 Research methods

The research used a modified Delphi survey methodology that was developed and applied to earlier studies of change and decision making in third sector housing organisations in England, Northern Ireland and Ireland by Mullins and colleagues (Mullins & Riseborough 2000; Mullins et al. 2003; Mullins 2006a).

1.4.1 Introduction to the Delphi methodology

The Delphi methodology is a way of exploring decision making and change through a multi-method approach. It seeks to harness the views of a panel of experts on specific issues, usually through a combination of scaled survey questions and qualitative interviews. Most often undertaken over multiple stages, it is a way of building up a composite picture of key perspectives and dimensions of change across a sector or industry (Hasson et al. 2000). Originally developed in the 1950s for use in military strategy, Delphi has since become a mainstream research method.

When first developed by the Rand Corporation in the US, the Delphi methodology was seen as a way of overcoming the limitations of other methods for gaining the opinions of an expert panel on an issue, particularly committees (Goodman 1987). Decision making by committee can be problematic due to the tendency for particular personalities to dominate, the unwillingness among participants to disagree with someone of a higher position or to abandon a particular stance, and the reluctance of some participants to contribute for fear of appearing foolish (Linstone & Turoff 2002). A technique for gathering expert views on a topic or issue was sought by the Rand Corporation that preserved participant anonymity and avoided face-to-face meetings. This was achieved through the Delphi method, which allowed the views of experts on a topic to be collected through surveys, and a composite picture built up of overall responses. This composite picture can then be tested with all participants, allowing further refinement as necessary (Mullins 2006a).

Goodman (1987) identifies four features that characterise the Delphi methodology and distinguish it from other group decision-making processes. Firstly, participation in a Delphi panel is anonymous, which means that sensitive topics can be explored and that views are not influenced by peer pressure or other extrinsic factors. Secondly, it follows an iterative approach in which participant responses to the survey are followed up by researchers, giving the latter a more in-depth understanding of shared and divergent views. Thirdly, panel members are provided with a summary of the views expressed by the group as a whole on specific issues covered in the survey, allowing each individual to see where their opinion sits in relation to the total group. Finally, participants are usually not a random sample, but experts in the issue or topic being researched.

1.4.2 Qualitative and quantitative components of the Delphi methodology

The Delphi methodology combines qualitative and quantitative research methods, usually surveys and interviews. Surveys typically consist of scaled questions in which participants are asked to indicate their degree of support for, or disagreement with, a series of propositions (Mullins 2006a). Quantitative analysis allows the distribution of survey responses to be measured. Qualitative methods are then used to understand and refine the survey results through semi-structured interviews with individual panel members. At these interviews, the panel member's own responses and the responses of the group overall are discussed. As part of the interviews, panel members are provided with the option to change the responses they gave in the survey, in light of the responses of the group as a whole.

1.4.3 Selection of the Delphi methodology for this research

The Delphi methodology has been adapted to suit a wide range of research topics and aims. Originally it was mostly seen to be a way of gaining a consensus view on a topic. However, in the context of public policy and housing, Mullins (2006a) argues there can be just as much value in exploring differences of opinion, especially where the panel of experts represents a cross-section from different organisations. Reasons for applying the Delphi methodology to a study of third sector housing organisations articulated by Mullins, following other analysts, included:

1. The anonymity of the Delphi methodology provides potential in a dynamic but increasingly competitive sector for sensitive topics to be explored and reduces the tendency for 'official stories' to be played back.
2. Follow-up discussions with panel members provide the opportunity for researchers to gain a more in-depth understanding of shared and divergent survey responses across the panel.
3. The combination of quantitative and qualitative methods allows research data to be triangulated.
4. The method is fully replicable and the research can therefore be repeated at a later date, allowing longitudinal analysis in a dynamic environment.
5. As panel members are provided with a summary of how their survey responses compare to those of the group as a whole, they can see where they sit in relation to others in the sector. This encourages self-reflexivity and can potentially assist them with future decision making (Mullins 2006a, pp.230–1).

An added advantage of adopting the same methodology to that used in research in other countries with similar developments, and including core themes in common, is to provide a basis for comparison across different international contexts (see e.g. Milligan et al. 2012).

1.4.4 Research design: adapting the Delphi methodology for use in this study

In this study, following the earlier studies of the NFP housing sector that have used the same methodology, a combination of scaled survey questions and semi-structured interviews was used in order to consider the views of a panel of experts on the current and future shape of Australia's NFP housing sector.

The main stages of the research process were:

1. Preliminary research on the NFP sector and NFP housing organisations.
2. Panel selection.
3. Survey design, piloting and completion.
4. Follow-up interviews with panel members concerning survey outcomes and their context.
5. Analysis of quantitative and qualitative data.

Ethics approval for the project was obtained on 26 July 2011 (UNSWHREC no. 11262).

Below, we outline how each of the research stages was conducted.

Preliminary research on the NFP sector and NFP housing organisations

At the time of the research, there was no single data base capturing the scale, mission and activities of NFP housing providers in Australia. In addition, the topography of the sector was changing rapidly, following the introduction of NRAS, SHI, public housing stock transfers and other programs and strategies supporting growth in the sector. Consequently, the first task for the research team was to develop a data base of NFP providers that could potentially be included in the research. This was done using state government housing registry records, documentary evidence, previous research and discussions with key informants. The main research interest was in representing larger and more complex organisations that had a diversity of functions and higher risk profiles, as the more functions a provider has, the more complex their business, and the more decisions, risk and trade-offs they face. This process resulted in a list of 34 leading organisations, according to their size and diversity of activities. This list provided an initial sampling frame for the study.

Panel selection

The research budget allowed for the inclusion of 14 panel members. Studies suggest that the Delphi method can be used with anywhere between ten and 60 participants (Turoff 2002; Hasson et al. 2000). In consultation with the project reference group (see below), a short list of providers was selected from the team's initial sampling frame for consideration for inclusion in the research. The criteria were:

- Organisations had to be registered housing providers under state/territory housing regulatory systems.
- Where regulatory tiers existed, organisations had to be registered at the higher levels, reflecting degree of risk.
- Organisations had to be of sufficient scale, preferably at least 400 dwellings owned and/or managed.
- Organisations had to be directly involved in holding assets and financing housing development, and preferably had in-house development capacity/experience (i.e. were not operating solely or largely as tenancy managers).

- Organisations had to have been established for three years at the time of the research.

This selection process reduced the list of organisations to 19. This short list was then stratified by jurisdiction to achieve a geographically dispersed sample, and a random sampling procedure was used within those jurisdictions that had several organisations on the list to select 14 organisations, each of which was approached to nominate panel members.

Consistent with the standard Delphi methodology, the prime selection criterion for panel members was expertise and a position enabling them to be a 'change maker' within an organisation. Usually, this meant that an organisation's chief executive officer (CEO) was best placed to participate in the research.

Once 14 organisations had been shortlisted, their CEOs were contacted personally or by telephone and invited to participate in the research. All agreed to do so. This gave the panel a consistent make-up and achieved a 100 per cent response rate.

The 14 organisations that participated in the research were registered in one or more of the five most populous Australian jurisdictions: New South Wales, Victoria, Queensland, Western Australia and South Australia.

Survey design, piloting and completion

The survey comprised mainly a series of questions presented to panel members in the form of either propositions to which they were asked to respond on a multi-point scale (e.g. indicating level of importance or desirability), or matched pairs of attributes where respondents were asked to indicate which took precedence in the strategic positioning of their organisation. The drafting of the survey questions was initially based on the surveys used for the comparator studies in the UK and Netherlands. These were then adapted through discussions in the research team and with the project reference group, in order to ensure that the survey items accurately reflected local context and terminology. The survey was broken into five parts:

1. Organisational values.
2. Strategic positioning.
3. Importance of change factors.
4. Adaptation to changes.
5. Accounts of three major strategic decisions, which panel members' organisations were involved in/expected to be involved in over the next five years.

At the end of each sub-section of the survey, space was provided for panel members to enter any additional information that related to their interpretation of the preceding questions or had not been covered by the questions.

Three pilot studies of a draft version of the survey were conducted in late 2011. In a development of the methodology that had not been used previously, the survey was piloted via an interactive method. Three current or former CEOs of NFP housing providers, none of whom would be participating in the final panel, were asked to review the survey and then to participate in a face-to-face meeting or telephone conversation with the researchers soon afterwards. In the follow-up meeting, members of the research team asked the participants to talk them through their responses to each question, identifying any problems, ambiguities, suggestions or queries. Participants were asked to note how long it took them to complete the questionnaire and were also asked to consider:

- Whether the language used in each question was appropriate.

- Whether all relevant local issues had been covered by the set of questions.
- Whether the survey was easy to understand and would be straightforward to complete.

The outcomes of the pilot survey were affirmative of the overall scope and structure of the questionnaire and provided valuable guidance on wording specific questions. Following the pilot, final minor changes to the wording and focus of some questions were made, and a small number of new questions were added. All participants in the pilot indicated that the survey was easy to understand and to complete.

The final survey comprised a total of 89 scaled questions, plus a short qualitative section at the end on key strategic decisions/issues. Using 'Key Survey' software, an online version of the survey was created and a link to this online version was emailed to all panel members. The survey was completed by all 14 panel members online in December 2011.

A compacted version of the survey showing all the items is provided at Appendix 1.

Analysis of survey results

Once all panel members had completed the survey, responses were collated and analysed. As the survey consisted mainly of scaled questions, the first step was to consider the pattern of responses to each question and to represent this graphically in the form of bar charts. Subsequent analysis involved comparing the positioning of single panellists on different items and examining the degree of importance given to specific items by averaging scores on a single factor across the panel. Chapters 3 to 6 present the findings from these various analyses.

Interviews with panel members

A summary of overall responses for each question was sent to all panel members, with their individual responses for each question indicated on graphs that also displayed the results for the panel as a whole. Once these summaries had been sent to panel members, interviews were arranged. Interviews were conducted in March and April 2012. They took the form of guided discussions that focused on each organisation's history and profile and the latest developments or changes in strategic directions (beyond those outlined in their 2010–11 annual report), as well as certain survey responses or questions that demonstrated high levels of convergence or divergence between the individual respondent's view and those of the rest of the panel. During each interview, panel members were also encouraged to expand on their views (as picked up by the survey) on issues and challenges facing their sector as a whole. Panel members were also asked about their own background and career path.

As well as discussing the reasons for participant responses (particularly where these differed from the collective view), in keeping with a feature of the Delphi methodology, the interviews provided panel members with the opportunity to amend their responses, offering a grounded explanation for the response patterns. As it turned out, panel members elected to change very few of their responses, with only 11 changes made to original responses across all panel members.

Interviews were typically of about one and a half hours duration. They were recorded and extensive notes were taken from these recordings by the researchers. Analysis of the interview records was done manually because of the diverse and specific nature of the conversations that ensued. The analysis was thematic, identifying patterns in the data on the values, motivations, perspectives and decisions on key issues.

The research findings presented in Chapters 3 to 6 are based on an analysis of the survey, information gathered in interviews, including direct quotations from panel members, and other documentary evidence concerning the organisations and the policy and regulatory environment in which they operate. Respondents and their organisations are not identified.

1.4.5 Organisational profiling

In parallel with the analysis of survey responses and in preparation for interviews, the research team undertook a profiling of participant organisations. Secondary data was gathered, mostly from annual reports and websites, on:

- Scale of the organisation and key operating parameters.
- Mission and values.
- Governance and organisational forms.
- Business and product mix.
- Markets in which the organisation operates.
- Reported initiatives and innovations.
- Strategic directions.

This information allowed the team to 'dig deeper' and get more out of the interviews, and provided the basis for an overall profile of the survey sample (see Section 1.5).

1.4.6 Project reference group

A project reference group was established and met twice during the research. It was chaired by Professor Peter Shergold (CSI, UNSW) and included executive representatives from the CSI; the two industry trade bodies, Community Housing Federation of Australia (CHFA) and PowerHousing Australia; the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA); a state government housing agency, Housing NSW; and AHURI Ltd. Two academics with expertise in the fields of housing policy and organisational development were also invited to join the group, although one did not remain involved. At the first meeting in August 2011, the reference group helped to refine a draft version of the questionnaire and ratified the criteria for the selection of participant organisations. At the second meeting in April 2012, the initial findings from the survey and interviews were presented and discussed. Members were also given an opportunity to review and comment on the draft Final Report, concurrently with the academic peer review process. The trade bodies represented on the group also assisted early on by promoting the purpose and aims of the research to their membership.

1.5 Profiles of participating organisations

This section provides an overview of the characteristics and background of the organisations and panel members that participated in this study. It discusses how representative these organisations were of the larger group of leading NFP housing organisations in Australia and the wider NFP housing sector, at the time of the research. The information presented was drawn from annual reports, websites, previous research and the interviews with individual panel members conducted for this study. Given the small size of the housing third sector in Australia and the ethical and methodological requirements for participating organisations to be anonymous, the information is not identified by organisation.

1.5.1 Foundations and organisational pathways

Organisations that became involved in NFP housing in Australia after 2008 were not included in the sampling frame for this study. While this limited the survey to those that had been established for a minimum of three years, all but two had been operating as housing providers for at least a decade and many for much longer (up to 26 years).

According to their foundations and historical development, the sampled organisations could be classified into three groups. The first and largest group has had a typical trajectory from locally-based service provision to large-scale, multifunctional business that involves housing procurement and asset management, as well as tenancy and other social services (Gilmour & Milligan 2012a). Until recently, a key growth strategy for these housing organisations had been mergers with other similar organisations operating in the same jurisdiction. Recently, some had expanded further through entering interstate markets and/or by being beneficiaries of targeted government growth strategies designed to boost the scale and viability of 'growth providers' or 'preferred providers', these being larger, well performing NFPs. Organisations of this type dominated the sample, being 11 out of 14.

The second group comprised some of a handful of organisations that were established in the last decade specifically to develop social and affordable housing. Two sampled organisations were in this category. One was founded by government and one by several NFP organisations to undertake housing development on their behalf. The final participant was a welfare organisation. It was among a number of welfare enterprises that have expanded into housing provision recently in Australia in response to government incentives (Gilmour & Milligan 2012a).

1.5.2 Governance and ownership

Under regulatory standards that applied to registered NFP housing providers in most jurisdictions in Australia at the time of the research, organisations that conduct development and investment functions must be incorporated as companies under the Corporations Act (2001). These companies are established to pursue a social mission and are legally bound not to distribute profits (Blessing 2012).

Two classes of companies were represented in the sample. Most (12) were incorporated as companies limited by guarantee; a form of company that has an NFP charter and where the liability of Directors and members who own the company is limited to a nominal amount. Membership of such companies usually comprises individuals and/or organisations who apply to join under rules set out in its constitution. Typically members elect or otherwise appoint the Directors in accord with company policy. Most organisations do not provide information about their membership in annual reports. However, member numbers in this sector were understood generally to be small at the time of the research. Two parent companies in the sample had shareholder members. Similar to a company limited by guarantee, these were NFP entities, but in their case shareholder liabilities were limited and dividends were not paid. Their shareholders were usually stakeholders in the housing system. They operated as a community- and industry-based sounding board for development of the plans of the company and could also have limited decision-making powers, such as appointing Directors or approving the organisation's strategic plan.

The organisations included in our study received tax benefits and concessions that arose from their standing as public benevolent institutions (PBI) and having deductible gift recipient (DGR) status.³

In six instances, the organisation had structured itself to be a group of incorporated entities or to use separate subordinated entities for special purposes. Such arrangements in part reflected historical factors but were used as a means of managing a more diversified business, accommodating rules for charitable organisations, securing assets acquired under specific conditions, protecting tax benefits and managing risk across social and commercial operations, as we discuss later.

The companies in the sample have Boards of between five and ten Directors, mostly non-executive Directors. Remuneration is permissible under regulation but whether this applied and at what level varied across the sample.

1.5.3 Functions

There were some differences in the main functions pursued by the organisations sampled although, in keeping with the traditions of the wider sector, most remained focused on rental housing. The range and mix of functions that they had are listed in Table 1. Apart from the two specialist developers, the remaining organisations were founded as housing service providers offering long-term rental housing or transitional housing, or both, to clients of the social housing and homelessness services systems. To a large extent, which of these two types of housing service was dominant early on in the organisation's history has been derived from where they have operated. In other words, it has been a function of how different state governments directed resources to their local third sectors in the past. For example, while New South Wales and Queensland established a network of community housing organisations to offer generalist long-term tenancy services in addition to those offered through public housing, Victoria and Western Australia encouraged their respective third sectors to undertake specialised roles in transitional housing services, supported housing (e.g. for people with a disability) and, in the case of Victoria and South Australia, cooperative housing. These different foundations notwithstanding, the established organisations in the sample had all shifted towards operating a more holistic housing business centred on long-term tenancy and property management services for a mix of client groups (with general or special needs) and asset acquisition and trading (indeed, this was the basis for their selection for this study, as set out above).

1.5.4 Scale of operations

The organisations represented in the sample comprised a major proportion of the leading housing NFPs operating in Australia at the time of the research, although they were on average smaller than many of their counterparts in Europe and the US. Measurement of scale can be indicated in different ways. We chose a number of indicators from publicly available data. 'Dwellings under management' (Table 1) gave a picture of the size of tenancy management services, which for most organisations in the sample was the most established function in their business. This ranged from less than 300 dwellings, to more than 4000. As a proportion of dwellings had multiple

³ A public benevolent institution (PBI) is a non-profit institution organised for the direct relief of poverty, sickness, suffering, distress, misfortune, disability or helplessness (<http://www.ato.gov.au/nonprofit/content.aspx?doc=/content/26553.htm&page=2>). They are able to access charity concessions under income tax, goods and services (GST) and fringe benefits tax laws (<http://www.ato.gov.au/content/61173.htm>). A deductible gift recipient (DGR) is a fund or organisation that can receive tax deductible gifts (<http://www.ato.gov.au/nonprofit/pathway.aspx?pc=001/004/006>). ATO website accessed 21 August 2012.

tenancies (e.g. boarding houses and group homes), the number of tenancies managed may have been a little higher than these figures. Directly related to this measure was annual rent revenue, which gave a financial indication of operational scale. In 2011 rent revenues for these leading organisations ranged between \$3 million and \$23 million (Table 1). Differences in rent revenue per dwelling mainly reflected differences in rent setting, targeting and dwelling mix, as discussed later.

At the time of the research, most organisations had a portfolio of dwellings that included those that they owned and those that they managed on behalf of another organisation (usually a state housing authority or, in some cases, private landlords).⁴ The scale of organisational ownership was indicated by the value of assets (comprising predominately residential dwellings and cash) that was recorded in each organisation's balance sheet and reported in annual financial returns to the corporate regulator. Table 2 presents grouped data on asset holdings and liabilities for the selected organisations at the end of financial year 2010–11. Total assets ranged from less than \$10 million for the smallest organisation to over \$300 million for the largest. Eight organisations held between \$100 and \$400 million in total assets.

Organisations were made up of professional staff and there were few volunteers, other than on some Boards. Variations in staff numbers were explained mainly by business size and whether organisations took a major in-house role in service delivery (including, for some, homelessness services) or outsourced some or all of this function.

Table 1: Main characteristics of selected organisations 2011ⁱ

	Dwellings owned and/or under management (rounded)ⁱⁱ	Geographic areas of operationⁱⁱⁱ	Main established functions	Annual rent revenue (rounded) \$ million	Staffing levels (rounded, FTE)
1	1,100	1 jurisdiction Multiple regions	Affordable and social housing ownership and management, private housing developer	6	30
2	4,000	1 jurisdiction 1 region (large)	Affordable and social housing ownership and management, some specialist supported housing	23	100
3	3,000	1 jurisdiction 2 regions	Affordable and social housing ownership and management	19	90
4	1,300	3 jurisdictions Multiple regions	Affordable housing and specialist social housing ownership and management, transitional housing services	21	50
5	1,400	1 jurisdiction 2 regions	Affordable and social housing ownership and management	10	80

⁴ Figures on ownership of dwellings are not separately reported by most organisations.

6	300	1 jurisdiction 2 regions	Social housing ownership and management, transitional housing services; housing development subsidiary	5	30
7	800	1 jurisdiction Multiple regions	Affordable and social housing developer/ owner	3	n.a.
8	1,700	1 jurisdiction Multiple regions	Social housing procurement, ownership and management, transitional housing services	8	80
9	3,000	5 jurisdictions Multiple regions	Affordable and social housing ownership and management, transitional housing services, contract house builder	19	170
10	700	1 jurisdiction 3 regions	Affordable and social housing ownership and management and transitional housing services	5	120
11	1,300	2 jurisdictions 2 regions	Affordable and social housing ownership and management, transitional housing services	6	40
12	1,100	3 jurisdictions Multiple regions	Affordable and social housing ownership and management	5	30
13	1,100	1 jurisdiction 2 regions	Affordable and social housing ownership and management, private housing developer (mixed tenure development)	9	50
14	1,400	1 jurisdiction 1 region	Affordable and social housing ownership and management, private housing developer	9	40

ⁱ Data reported at 30 June 2011.

ⁱⁱ Data for some organisations may include transitional housing as well as long-term housing. Tenancies managed may have been higher due to dwellings, such as boarding houses and group homes with multiple tenancies.

ⁱⁱⁱ Jurisdiction refers to a state or territory. Region refers to a contiguous area of operation.

Source: Annual reports 2010–11

All organisations had experienced significant business growth (generally from a small base) in the five years preceding this study, driven both by their own initiatives and by opportunities offered by governments. For most, an initial growth phase arose mainly through increases in tenancies under management and associated revenue. Several also achieved revenue growth from restructuring their rents (see Section 3.1.1). More recent growth has been associated with changes in organisational worth, specifically the acquisition of assets. To illustrate the extent and pace of growth that has occurred

among the housing organisations in the sample, Table 2 shows changes in rent revenue, total assets and total liabilities between 2008–09 and 2010–11. The average rate of growth in the value of total assets, total liabilities and total rent revenue has been 217 per cent, 156 per cent and 135 per cent respectively.

Table 2: Change in balance sheets and revenue, all organisations in sample, between 2008–09 and 2010–11

	2008–09	2009–10	2010–11
Total assets \$ million	826 ¹	1503	2620
Average assets \$m	64 ¹	107	187
Total liabilities \$m	299 ¹	512	764
Average liabilities \$m	23 ¹	37	55
Rent revenue \$m	56 ²	91 ²	132 ²
Average rent revenue \$m	5 ²	7 ²	10 ²

¹ Data for 13 organisations

² Data for 12 organisations

Source: Annual Reports 2008–09, 2009–10 and 2010–11

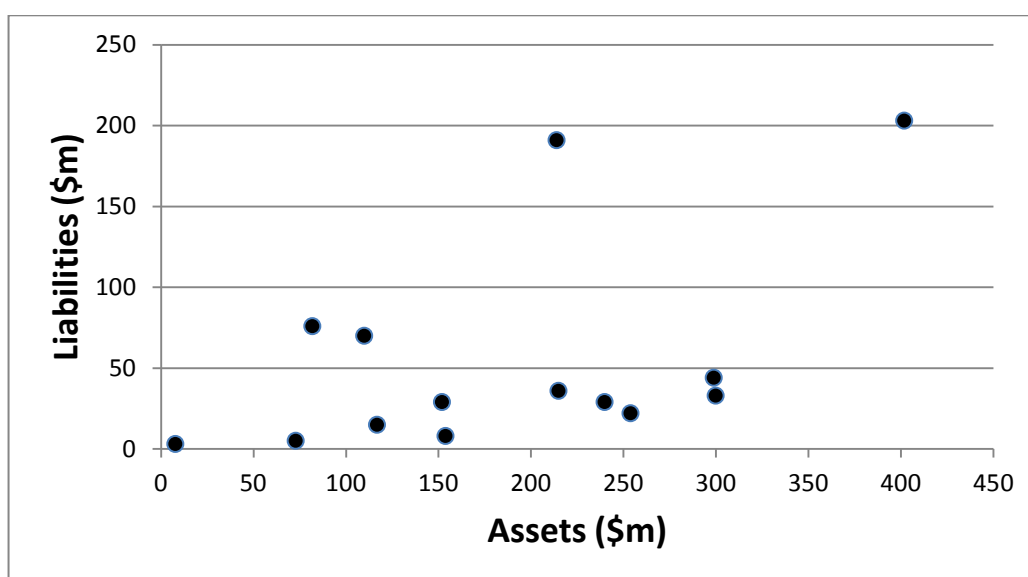
1.5.5 Public financing

All organisations in our study received substantial amounts of public funding, but the level and type could vary significantly from year to year and by jurisdiction. The main forms received in the three years preceding this study included operating subsidies for tenancy management in some jurisdictions; funding for homelessness services to those organisations where these are integrated with long-term housing services; capital grants (or public loans and transfer of land) for housing construction and upgrading; transfer of housing assets in some jurisdictions; seed funding for new initiatives; and annual national rental incentive cash payments provided under NRAS.

1.5.6 Private financing

An important feature of the development of the organisations in the few years preceding the study had been the introduction of private financing. In some jurisdictions this had been a leveraging requirement of governments in return for asset transfers or the allocation of grants (see Chapter 3). In other instances, organisations themselves had sought private finance as a means of using their assets and revenue surpluses to drive some level of self-initiated growth. At this early stage in the development of more independent third sector housing enterprises in Australia, private funding levels were modest (amounting to liabilities of between \$4 million and \$200 million across the sample in 2011). Nearly \$800 million in private lending facilities had been negotiated by this group of organisations in 2011. Figure 1 maps the level of liabilities against the level of assets for each of the sampled organisations as reported at the end of the 2010–11 financial year. This suggests that there may have been quite large differences between organisations in their appetite for financial risk; a few smaller and larger organisations were already quite heavily geared, but most were not. This situation also had implications for the future growth plans of organisations, which are examined in Chapter 6.

Figure 1: Balance sheet dimensions, all organisations in sample, 2010–11



Source: Annual reports 2010–11

1.5.7 Geographic areas of operation

Organisations in the sample operated in one or more of the five mainland Australian states. At the time of the survey, only two still limited their activities to one region. Eight operated across more than one region in their state and four across state and territory (hereafter state) jurisdictions (Table 1). As we discuss later, having a broader geographic remit was a recent development among the larger players in the sector, which set them apart from most traditional community-based housing services in Australia that are locally based.

1.5.8 Panel members

Panel members were the current CEOs of their organisation. Many of them had a long history with that particular organisation or one of its predecessors. Six were founding leaders of their organisation and had steered it through various stages of growth since foundation. For these CEOs, the expansion, diversification and restructure of their organisations had meant that their jobs had gradually changed in scope from typically managing a very small team of service staff to leading a rapidly expanding integrated business enterprise. Similarly, in most cases their day to day role had changed from one centred on being a general manager of operations to one of business development leader, supported by an executive management team. In the reported words of one panel member's partner he 'didn't need to change jobs, as he just changed the one he was in' (interview, panel member).

In addition to the six long-serving CEOs, another six panel members had long career histories in housing, working in the NFP or public sectors (i.e. state housing authorities) or both. Only two had moved into their current role from positions outside of the housing industry. Panel members had little direct private sector experience at senior levels. Reflecting their career choices, they demonstrated very strong commitments not just to their organisations but to the housing third sector as a whole. For instance, nine were past or current Directors of sector trade or peak bodies and all were active in various ways in sector networks.

1.6 Report structure

Following this introduction, Chapter 2 provides an overview of a recent and expanding field of research that is concerned with analysing social housing organisations and/or the third sector more generally, using concepts of ‘social enterprise’ and ‘hybridity’ to help to interpret the forms, characteristics, values and *modus operandi* that define and distinguish such entities. The main purpose of the chapter is to introduce ideas and concepts to assist with the interpretation of our empirical findings.

Chapter 3 focuses on the first two research questions for the study: external and internal drivers of developments in leading Australian social housing organisations over the three years preceding this study. Using the quantitative (survey) and qualitative (interview-based) assessments made by members of the panel of experts, the chapter first examines the most important external factors—policy settings and market conditions, including housing and finance aspects—that had shaped the characteristics and decision making of the organisations in our sample. It then considers the role of organisational values.

Responding in part to research questions 3 and 4, the first set of findings on organisational responses is presented in Chapter 4. These concern developments over the three years preceding the study, and prospective developments in strategic positioning, business activities and models, and relationships to external stakeholders. Similarities and differences among the panel are described and attempts made to relate these to internal factors, such as the different organisational types in the sample, and external factors, such as the diverse geographical, housing policy and political environments in which they were operating.

The second set of findings about organisational responses, presented in Chapter 5, is concerned with adjustments to the capabilities and attitudes of organisations themselves, with a focus on developments in governance, structure and culture. It also highlights similarities and differences across the panel in organisational developments and suggests possible explanations for those.

Research question 5, concerning the outlook, directions and future challenges for the sample organisations is addressed in Chapter 6. This considers organisational goals, prospects and business plans in the context of likely changes and developments in policies and market conditions, as well as internal conditions.

The final chapter presents the conclusions and outcomes of the study in five parts. First, it sets out high level findings about how the leading Australian third sector housing providers have responded to recent policy stimuli and prevailing market conditions to create the conditions for their independent development and to generate additional housing services and social benefits. Second, it reflects on how these findings relate to and build on the outcomes of comparable research in England and the Netherlands and what they might add to understanding of hybridised and entrepreneurial housing organisations. It then considers the implications for policy making, funding and regulation of the housing third sector in Australia. This is followed by a brief reflection on the Delphi methodology that has been applied in the study. The chapter concludes by describing plans to extend the research by tracking future decision making of the organisations studied; involving new organisations that have entered the sector in response to recent opportunities; and applying the Delphi methodology to a longitudinal analysis of developments in the sector.

2 CONCEPTS AND WIDER CONTEXT

2.1 What are third sector organisations?

There has been developing interest internationally in theories of the role, function and behaviour of NFP or third sector organisations.

Traditionally before the 20th century, NFP organisations were broadly understood as philanthropic entities (with faith based or secular roots) having charitable missions and relying on donations and voluntary effort to address the needs of the 'poor and disadvantaged' who were not being catered to by their families, market systems or governments.

Over the course of much of the 20th century with the rise of welfare states, this conception was augmented by one of organisations being steered, funded and regulated by government to deliver services to complement government service provision. After what has been termed the 'fiscal crisis of the state' in the 1970s (O'Connor 1973), governments began to retreat from direct service provision and instead attempted to establish alternative and contestable service responses, in the context of growing diversity and complexity of household and community needs as well as declining public funding. This governmental agenda became known as 'new public management' (Gilbert 2002).

With the retreat of governments from welfare provision and the privatisation of public services which gradually became more widespread from the 1970s, a conception of NFP organisations as social enterprises has been elevated in discourse about this sector. A social enterprise in its simplest form can be thought of as a commercial business with a social purpose, although the concept has been defined in many different ways and used inconsistently in both the housing literature and more widely (Teasdale 2012; Czischke et al. 2012). At the core of most definitions is the idea that social enterprises 'combine the logic of business with a not-for-profit or social mission' (Barraket 2008, p.3). Put differently, they are driven by a mission other than maximising profits for their owners or shareholders; instead, they use commercial revenue and business activity strategically to generate social benefits (Ko & Kong 2012, p.171). In the housing field, mission and social purpose centrally involves production, management, ownership, renewal and (sometimes) sale of housing that is affordable to a spectrum of income-constrained households. However, third sector housing organisations may pursue a wider range of social and commercial activities that have synergies with their housing role as well, such as tenant support, employment and training; resident participation; and community building. For example, housing associations in the UK have made substantial investments in 'neighbourhood services' (National Housing Federation 2008, 2012).

Consideration of how NFPs have pursued a social enterprise model has led to related ideas that they have a distinctive organisational character that is neither state nor market but a hybrid form that embraces a mix of the defining values, characteristics and behaviour of public entities, private firms and the third sector (see e.g. Billis 2010; Brandsen et al. 2005; Evers 2005). In particular, housing NFPs have to balance private financing and housing development (commercial operations) with fulfilling their responsibilities to stakeholders to meet housing needs appropriately and affordably (social mission).

Social enterprises with hybrid forms continue to receive the benefits of public subsidies and concessions; they retain close relationships with government and are subject to a variety of forms of public accountability, through means such as legal and contractual provisions, and regulation. Nevertheless, they generally have greater

independence from government than simpler forms of outsourced services. This autonomy raises the possibility and, in an era of public sector retreat, growing expectation that they can act entrepreneurially, that is, engage in innovative and competitive behaviours with the aim of increasing efficiencies, generating surpluses and mobilising non-government resources (leverage) to meet their social goals, such as investment in additional social housing and community development. The potential complexity of such social enterprises and what has been described (Mullins 2006b) as their competing institutional logics of efficiency (comparable to profit-seeking players) and accountability (comparable to that of the public sector) lies at the heart of recent research and policy interest in better understanding third sector organisations, in the context of their expanding role in human service provision.

Connected to this analytical focus on organisational behaviour have been developments in institutional theory that recognise the importance of understanding both the organisations themselves and individuals as key actors in such organisational environments (Ko & Kong 2012; Powell & DiMaggio 1991; DiMaggio & Powell 1983). The pioneering work of Mullins fostering research inside third sector housing organisations (as described in Chapter 1 and emulated in this study) has also been built on this analytical standpoint.

The concepts of social enterprise and hybridity, along with ideas drawn from organisational theory, have been applied in a growing number of recent studies of third sector housing organisations especially in Europe and the UK but also in North America, Australia and East Asia (for the most recent examples, see *Housing Studies*, June 2012, special issue on social enterprise, hybridity and housing organisations). Studies in this field have begun to offer an evidence base of how contemporary third sector housing organisations operate, the factors that shape their decision making and strategic positioning, and the outcomes of their endeavours, as we outline in Section 2.3. First, as further background and context, we provide a brief review of developments in the wider Australian NFP sector.

2.2 The context of broader third sector developments in Australia

Australia has a large and diverse NFP sector comprising some 600 000 organisations (Productivity Commission 2010, p.xxiii). These organisations, most of which are very small, operate in many fields and the vast majority do not receive government funding. A much smaller number are said to be economically significant;⁵ the ABS identified 59 000 such NFPs, contributing \$43 billion to Australia's GDP in 2006–07. The housing NFPs in this study can be compared to these more economically active NFPs, many of which operate in other human service areas, especially disability support, aged care, health services, child care and employment and training.

Until recently, NFPs in distinct service areas have largely developed along different tracks related to the responsibilities of different levels of government and influenced by specific program-based policy, funding and regulatory arrangements. Much of the external impetus to developments in the sector historically has been at state government level since the states have the prime responsibility for service delivery in Australia's federal system of government. These factors have contributed to significant diversity both across service areas and jurisdictions.

Notwithstanding these disparate pathways, there is evidence of convergence in the strategic ways that larger NFPs are operating in Australia. Shared trends include: having a stronger business orientation; professionalisation; greater independence

⁵ 'Economically significant' is defined as employing staff and receiving tax concessions.

from government (as a result of both entrepreneurial initiatives originating in the sector and reduced funding opportunities); multiple accountabilities; more complex organisational forms; and deeper relationships with the private sector (Productivity Commission 2010; Barraket 2008). As well, there is some evidence of greater integration of services occurring, especially in larger hybrid organisations and through partnership models. The extent to which these trends have developed among leading housing NFPs is shown in the findings of this study that follow.

Another factor driving developments across the broader sector has been renewed interest at the national level in its future role, shape and efficiency. An important driver for this has been the Australian government's social inclusion agenda and, more particularly, recognition of the important role of NFPs in combating social exclusion. As part of this process, a National Compact between the Australian government and the NFP sector was launched in March 2010.⁶

Relevant strategic activities in the recent past have included:

- A research study by the Productivity Commission on the contributions of the NFP sector with a view to maximising its contributions to society. Their role in social housing was featured as a case study in this work, demonstrating among other findings the largely ad hoc nature of the development of the NFP housing sector so far (Productivity Commission 2010, Appendix I).
- Establishment of the Office for the Not-for-Profit Sector in the Department of Prime Minister and Cabinet in 2010 to achieve a consistent national approach to the NFP sector within the spirit of the National Compact and, in particular, to drive for reform in tax, regulatory and administrative arrangements to promote an efficient and accountable sector.⁷
- A major review of taxes and transfers ('the Henry Review') which considered, inter alia, the tax framework for charitable third sector organisations. Of specific relevance to social enterprise organisations was the view taken by the review that NFPs should be able to apply their income tax concessions to their commercial activities (Australian Government 2010b, Recommendation 42).
- In keeping with recommendations of the Productivity Commission and the Henry Review, the proposed establishment of an independent statutory body, the Australian Charities and Not-for-profits Commission, to be responsible for determining the charitable, public benevolent institution and other NFP status of organisations.
- An inquiry by the Senate Economics References Committee (2011) into mechanisms and options for developing a robust capital market for what they termed 'social economy organisations' in Australia.

These policy directions at the national level form one important backdrop to the environment in which housing NFPs operate, which we discuss further in Chapter 3.

2.3 Recent empirical studies of third sector housing organisations

In this section we review recent contributions to the study of third sector housing organisations. The focus of our brief overview is on the findings about the organisational logics, dynamics and outcomes, and the drivers of these, in NFP housing organisations, not on theoretical developments per se. For a theoretically

⁶ Details of the National Compact at <http://www.nationalcompact.gov.au/>, last accessed 24 August 2012.

⁷ See <http://www.notforprofit.gov.au/>.

informed review of some of this literature, see Mullins et al. (2012), and to further explore the application of the concepts of social enterprise and hybridity in the housing field, see Czischke et al. (2012) and Blessing (2012) respectively.

Gruis (2008) investigated organisational strategies in the large, well-established Dutch housing association sector to assess differences in the orientation of individual associations towards their housing functions. He compared selected associations on two scales. First, whether they had a people- or welfare-oriented approach and pursued traditional social housing activities, or whether they were business- and property-oriented, pursuing a wider range of housing and real estate activities. Second, by applying Miles and Snow's 1978 distinction between businesses as 'prospectors' or 'defenders', Gruis considered the extent to which organisations actively pursued innovation, new business opportunities and financial return (classed as prospectors) or retained a narrower, more fixed focus on social return and 'doing a good job of' their core social housing functions (classed as defenders). Using the results of a survey of the actual activities of Dutch housing associations and interviews with key actors, Gruis positioned their business models in a typological framework defined by the axes of social/commercial and prospector/defender. However, he did not find that there were clear-cut differences in the social contributions of different types of housing associations. This suggests that the overall strategic orientation of Dutch associations at the time was more shaped by environmental factors—the policy and market environment in which they operated—and by mutual underlying social values and purpose than by their particular organisational goals and business models.

Mullins and Pawson (2010a) examined hybridity in Dutch and English housing associations by comparing their governance, structure, finance and activities. While describing organisations in both national sectors as strongly hybridised, they found that their organisational identities were quite different. Dutch associations were more independent of government and held a strong position in the housing market. English associations, while successful in raising large amounts of private finance and adopting similar cross-subsidy business models to the Dutch associations, had had their activities more proscribed by government requirements and regulation. However, this was a fluid situation, with the positioning of associations in both countries being heavily challenged by economic and finance conditions following the GFC and by changing government policies and community attitudes. The authors concluded that more specific research was required to further unpack different types of hybridity.

Some of the shifts in organisational positioning occurring in the Netherlands were picked up in Nieboer and Gruis' (2011) study which used similar methodology to this research to look at the changing strategies of 31 Dutch housing associations. Their findings show that the associations had to strike a different balance between their social and commercial activities in a period of economic downturn and fiscal austerity because cross-subsidy models were no longer able to underpin growth in social provision and their investment in neighbourhood renewal, public subsidies had been retracted and political support had declined. Because these findings lend themselves to some direct comparison with our research, we will consider them in more detail in the final chapter of this report after reporting the Australian findings.

In another consideration of the qualities and performance of Dutch and Australian housing associations as hybrid organisations, Blessing (2012) pinpointed such a balancing act as concerning the level of public scrutiny and accountability on the one hand and the degree and vigour of autonomous social enterprise on the other. According to Blessing, the strikingly different situation of the Dutch and Australian third sector housing providers recently showed that what can be portrayed in one

place as 'magical'—the rapid, innovative expansion of housing services through third sector enterprise as has occurred recently in Australia (Gilmour and Milligan 2012a)—in another time and place can become 'monstrous'—the loss of legitimacy of the Dutch housing associations that have strayed too far into private markets and transgressed public interests (Blessing 2012, p.205). This analysis highlights why a deeper understanding of the complexities and risks of this form of entrepreneurial provision is essential to the achievement and sustainability of core housing policy goals via third sector models.

A wider analysis of social housing organisations in 12 European countries (Heino et al. 2007) highlighted the variety and diversity of their formal characteristics as reflected in their legal status, forms of governance, regulatory controls, stakeholder (democratic) participation etc. The findings of this study have lent emphasis to the importance of differences in such characteristics to delineating the degree of independence experienced by organisations and determining the orientation of their values and behaviour.

In the United States, Bratt (2012) has reviewed the record of empirical research on NFP housing organisations to identify the characteristics of the US housing third sector using the concepts of hybridity and social enterprise. She concludes that there is increasing hybridity in third sector housing organisations, which has resulted from their multiple goals of having a financially viable housing business, meeting the social and economic needs of residents, contributing to neighbourhood viability and contributing to environmental sustainability. Accordingly, she describes the decision-making challenges and trade-offs facing NFPs as involving juggling a 'quadruple bottom line', that is, even more complex and challenging than a double bottom line of generating profits and achieving social benefits (Emerson & Twersky 1996, cited in Ko & Kong 2012, p.171). Bratt noted that different analysts in the US have taken different views on the possibility of addressing such challenges successfully, from seeing them as being contradictory and insurmountable on the one hand (Stoeker 1997, cited in Bratt 2012, pp.12–13) to considering that active, hard-working and highly collaborative NFPs have the power and capability to positively change social and community outcomes, on the other (Rubin 2000, cited in Bratt 2012, p.13).

Reviewing the conceptual and empirical work that has emerged to date on the characteristics of housing organisations considered as social enterprises, Czischke et al. (2012, p.434), following Crossan (2007), proposed that they be classified and analysed using a multi-layered framework comprising 'descriptive variables (formal institutional characteristics), motivator variables (missions and drivers) and behavioral variables (nature and range of activities).' They argue that recognising these multiple attributes and the connections between them would be important to gaining a richer and deeper understanding of what organisations do and why.

2.3.1 Previous studies using the Delphi methodology

The first application of the modified Delphi methodology in the housing association sector was to a selection of associations in England, where several surveys have been conducted from the mid-1990s. The most recent survey results from 2003 (Mullins 2006a) identified key tendencies, concerned with sector identity, organisational governance, organisational forms, organisational scale and spatial reach, that had to that point characterised the overall transformation of the sector. Many of the themes that emerged strongly echo current trends in Australia, providing fertile ground for comparative analysis of the findings, which we consider in Chapter 7.

The second international study was a comparative analysis of the housing association sectors in Northern Ireland and Ireland (Mullins et al. 2003). This was a wider study of

the respective third housing sectors of those two jurisdictions that included (as one part of its methodology) a Delphi survey chosen to highlight organisational values, strategic positioning and future directions. In several respects, the stage of development of the two Irish sectors at the time of the research (early 2000s) was comparable to that of the sector in Australia at the same time. Leading organisations were emerging from very small-scale local and voluntary foundations to take on wider functions and, under government influences, to grow, albeit with limited resources. The Delphi survey was directed to uncovering and comparing how the two Irish sectors (which had different foundations and histories as well as distinctive policy environments) were changing, and how individual organisations were adapting to the challenges of expansion and new roles and opportunities. Key themes arising from the findings included the growing importance of business efficiency, professionalisation of the sector (especially in Northern Ireland) and changing business models and organisational identities. Common trends in business orientation involved forging partnerships for a range of purposes, attracting private finance and responding to growing competition in the sector. Individually, organisations were facing choices between operating to meet general needs or pursuing specialised (niche) social service activities, with most of the larger organisations that saw themselves as becoming more independent belonging to the former group.

The most recent study applying a common methodology is of the Dutch housing association sector in 2010, referred to above (Nieboer & Gruis 2011). The sector is at a different stage of its development to that in Australia, having achieved independence in the 1990s followed by an entrepreneurial phase that was built off a large asset base, healthy reserves and favourable business conditions (Blessing 2012). The findings of the Delphi survey show that the commercial orientation of Dutch associations appears to be in decline as policy changes (e.g. loss of tax benefits) and market cycles (e.g. rising production costs, post-2008 credit crunch) have reined in their lucrative market-directed activities. Similarly, the defender position—supporting traditional social landlord activities—is also returning to the fore after a period of innovation and broadening of roles which eroded political support for the sector. In Chapter 7, we consider in more detail how the key findings in England and the Netherlands compare with those from this study.

2.4 Implications for this study

This study has built on the research field just outlined in a number of ways. First, it has adopted a consistent methodology and similar set of survey questions to the Delphi studies of housing organisations that have been designed to promote understanding of how hybridised housing organisations have applied their resources and entrepreneurial skills to achieving social outcomes and public policy goals, and how social enterprise has been delivered in practice in the housing field in different national contexts (Mullins et al. 2012). A comparative perspective has also been used to help to inform our assessment of the impacts of local policy and institutional settings and economic conditions on the functioning of Australian organisations.

The ideas and concepts outlined above have also been applied to the interpretation of our findings. In later chapters, we draw on them to help to show how the defining features of hybridised third sector organisations—such as having both social and commercial drivers and being independent of government but publicly accountable—have been reflected in organisational identity, characteristics, decision making and direction setting in our sample of housing organisations.

3 FACTORS DRIVING RECENT ORGANISATIONAL DEVELOPMENT AND CHANGE

This chapter discusses the environment in which recent developments in the Australian housing third sector have taken place. First, it identifies what the panel members for the study have indicated through the survey and interviews were the most important external drivers that had shaped their organisation's development, decision making and operations over the last three years. This addresses the first research question concerning how external factors have been impacting on decision making and directions of change among leading NFP housing providers.

Second, it considers core organisational values and their significance to organisational responses. This addresses the second research question about how organisational leaders perceive the influence of their organisations' social values on decision making and direction setting. How organisations have responded to these external influences in the context of their organisational values will be further elaborated in the next two chapters (Chapters 4 and 5).

3.1 External drivers and change factors

External drivers that were measured in the survey concerned those deriving from government policies and priorities and housing market and financial market influences. To identify what panel members considered to be the most significant external influences on organisations, the 'importance' scores for the 17 factors that were listed in part 3 of the survey (Appendix 1) as potential external organisational drivers and change factors were averaged across panel members and then ranked from highest to lowest average score.

Column 1 of Table 3 lists the factors which panel members rated as those where the biggest changes affecting their organisation had occurred over the last three years. Alongside these, in column 2, the table lists the panel's assessment of the factors that were the most important drivers of changes in the way organisations operated over that period in terms of governments and markets. The second column includes several drivers that were not subject to 'big change' (i.e. that rated lower in importance as change factors than those shown in column 1) but were considered very important to the way that organisations have operated nonetheless. The particular ways that these changes and drivers have impacted on organisations was the subject of discussion in the follow-up interviews to explain how these drivers had been affecting organisations. Below we discuss the key aspects of the most important government and market influences in turn.

Table 3: Biggest external change factors and most important drivers of organisational development, 2008–11

Drivers	Biggest change factors¹ (Column 1)	Most important drivers¹ (Column 2)
Government and regulation	Influence of federal government Allocation rules	Influence of federal government Influence of state government Rent setting rules Allocation rules External supervision Government leverage requirements Planning benefits
Market conditions	Market pressures Private sector collaboration	Private sector collaboration Market pressures Finance costs

¹ Factors that received an average score from panel members of four or greater (on a seven-point scale from least important to most important) are included in these lists. Within each column, factors are listed in order of importance from the highest score.

Source: Calculated from survey results.

3.1.1 The importance and impacts of government policies and regulation

Influence of government housing strategies

Traditionally in Australia, NFP housing providers have had their strongest direct relationship with state/territory governments which have had core responsibility for allocating funding and housing stock to NFPs and for managing service contracts. This has resulted in a fragmented sector with state governments laying down different foundations and pursuing differing models, priorities and growth paths for organisations in their respective jurisdictions (Bisset & Milligan 2004; Gilmour & Milligan 2012a).

Since the 1990s there have been gradual moves led by some state governments to develop a more strategic framework in support of NFP provision of social and affordable housing (Milligan et al. 2004, 2009). However, it is only since 2007 that the Australian Government has adopted a much greater direct role in shaping the sector's future in the context of very significant changes in housing policy and funding that were driven by the federal Labor government, resulting in a new intergovernmental framework, the National Affordable housing Agreement (NAHA), in 2009 (see details in Milligan & Pinnegar 2010).

The survey asked providers to look back over the three years before December 2011 to consider the biggest external influences on their agencies. This timeframe coincided with the up-scaling of federal government influence. Unsurprisingly therefore, the changing influence of the federal government emerged as the most important change factor (among all 35 listed in the survey) in the period, although state government policies (and recent changes in those in several jurisdictions) continued to be seen as an important driver by most though not all organisations (Figure 3). The assessment of federal government influence was consistent across the group (Figure 2).

Figure 2: Change in influence of federal government

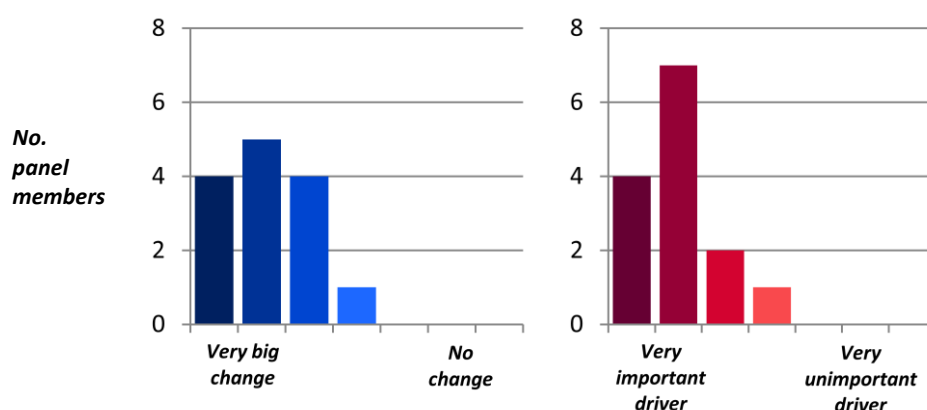
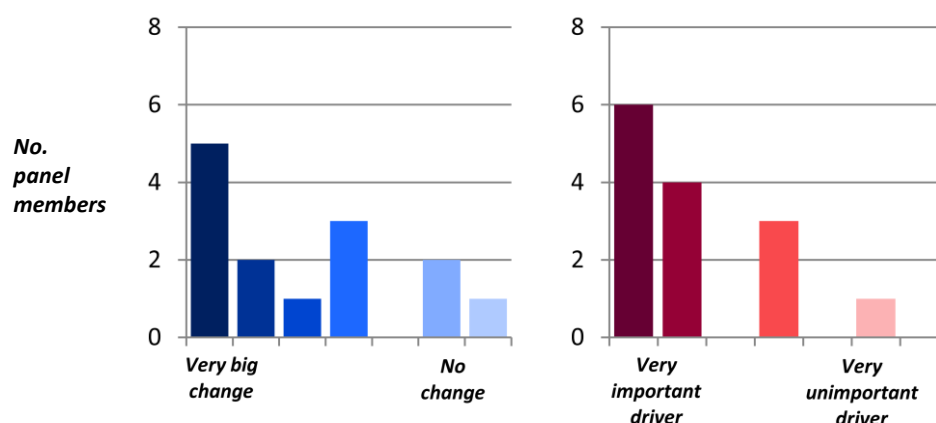


Figure 3: Change in influence of state government



The panelists' views and other documentary evidence showed that the two most significant changes to national housing provisions in the last three years have been:

- The introduction of the National Rental Affordability Scheme (NRAS) in 2008, offering 50 000 rental incentives to private (i.e. non-government) investors over a four-year (now eight-year) period for the supply of additional affordable housing for ten years (Australian Government 2008).
- The adoption in February 2009 of a large investment program in social housing supply, the Social Housing Initiative (SHI), a \$5.6 billion economic stimulus measure designed to mitigate potential impacts of the GFC, particularly by maintaining jobs in the construction industry.

The recent growth and diversification of most NFPs in this study has been driven largely by utilising both these Commonwealth initiatives, as explained next.

NRAS offers NFPs the opportunity to directly invest in, or to manage on behalf of private investors, new rental housing that has been financed with a mix of public and private funding. It has driven private debt and equity finance into the NFP sector across Australia, promoted private/NFP partnerships in the financing and management of rental housing and allowed NFPs to broaden their client base consistent with the remit of the scheme to assist low and moderate income earners.

Twelve of the 14 organisations in this study had applied successfully for nearly 5000 rental incentives since 2008 and, by the end of March 2012, they had delivered about one-third of the 5600 NRAS-funded dwellings owned in the sector at that time (calculated from Australian Government 2012).⁸ For several of them, NRAS had become a primary driver of their business development, as we explain further in Chapter 4.

Following the introduction of the SHI as an economic stimulus measure, the federal housing minister promoted its potential to enhance the scale and capacity of the NFP housing sector by signaling her preference for ownership and/or management of the majority of SHI-funded dwellings to be directed to that sector (in preference to state housing authorities) (Plibersek 2009). Subsequently, agreement was reached with state and territory housing ministers that in order to increase tenant choice, increase competition and leverage assets for further growth:

- Up to 75 per cent of housing stock constructed under Stage Two of the Nation Building and Jobs Plan Social Housing Initiative be transferred to community housing providers either to own and/or manage by 30 July 2014.
- Jurisdictions and the Commonwealth develop, over time, a large-scale community housing sector, comprising up to 35 per cent of social housing by 2014 (Housing Ministers Conference 2009, p.18).

The conditions under which this elastic target has been being implemented, and the implications for NFPs, have varied considerably from state to state. In particular, a variety of rules and conditions have been applied by governments at both levels to the continuing use of housing built by, or transferred to, third sector organisations to own and/or operate. According to providers in this study, the most important of these to their business considerations have concerned allocation rules, rent setting and government leverage requirements (Table 3). It is the configuration of these key policies that drives business opportunities through their combined impacts on resident mix, economies of scale, revenue and the potential for using assets to secure additional growth, as discussed in more detail below.

Housing allocation rules

Following the introduction of the SHI, the Australian Government identified and negotiated with states a number of priorities to apply to the allocation of those additional social housing dwellings, including those to be owned and/or managed by NFPs. The broad requirement was that the extra housing would be targeted at meeting the needs of high priority groups including persons who were homeless or at risk of homelessness, the elderly, persons with disabilities and Indigenous persons (Housing Ministers Conference 2009, p.5). State government agencies charged with implementation then determined the specific allocation rules to be applied in their jurisdiction and included those requirements in contracts negotiated with recipient NFP organisations and monitored through the regulatory system.

Approaches have varied from state to state. In one jurisdiction, all applications have been registered, assessed and priority-ranked centrally and then referred to NFPs for allocation. In another, SHI-funded stock has been dedicated to helping to meet that state's target to provide long-term housing for homeless people, leaving providers with no discretion over which type of client they housed in particular properties:

⁸ Information is not available on the additional number of dwellings being managed by NFPs on behalf of private NRAS recipients.

Every one [of the houses transferred to us] has been identified for a high needs client group ... the housing stock they [the state housing agency] built is not problematic but it is when you combine it with that target group.

The challenges that prescribed allocation targets gave rise to were described by another panellist (in a different jurisdiction) as follows:

Through Nation Building, we had targets around homelessness, women escaping domestic violence and Indigenous, criminal justice etc. We had to put a lot of effort into ensuring that we had the right social mix, the right balance of people in places, so we didn't create little block units of disadvantage. It's about giving us the flexibility to make sure that you have got a location or a block/complex that can work effectively ... You can do it if you have the right social mix. There is a real concern that governments can change the rules.

At the same time as providers have been required to direct additional social housing to low income, high needs clients, paradoxically the allocation rules for NRAS have allowed many of them to bring housing for moderate income households into their service mix.⁹ This had social and financial benefits for their organisations. It allowed them to build their revenues and potential surpluses through having a proportion of properties at higher rents and, through mixing allocations within projects and precincts, to contribute to social mix in local neighbourhoods.

In summary, allocation rules have driven who is housed and their service needs. This in turn has had direct implications for revenue and cost structures, especially the capacity to service private financing costs.

Rent setting and rent restructuring

In the period covered by the survey, providers had experienced significant growth in rent revenue (see Table 2) enabling them to become more financially independent. The biggest improvements in total and/or per dwelling rent revenues have stemmed from three main drivers:

- Restructuring of rents in the NFP sector so that tenants receiving statutory incomes (from Centrelink) can apply for additional Commonwealth Rent Assistance (CRA) which is passed on to non-government social landlords.¹⁰ This reform has been initiated at state level (and is being adopted progressively across jurisdictions) but has been supported by the Australian government. It allows providers to gain additional revenue while tenants are said to be no worse off financially after paying their rent than they would be in public housing.¹¹
- NRAS guidelines enabling higher rents (up to 80% of market)¹² than typically apply for social housing properties.
- The increasing scale of rental operations of many organisations. This has been achieved through a mix of strategies including: SHI capital funding and new stock

⁹ NRAS dwellings are available to rent to households on low and moderate incomes. The income limits that apply are intended to include key and essential service workers, for example, childcare workers, nurses, police officers and firefighters. Generous provisions for remaining in a tenancy as income increases also apply. Income limits are adjusted annually (Commonwealth of Australia 2010).

¹⁰ Tenants of government landlords are not eligible for CRA.

¹¹ This reform has been introduced at different times in different jurisdictions and thus not all providers in the study had this as a significant change factor over the last three years.

¹² If NFP housing providers own NRAS-supported properties they usually charge no more than 74.9 per cent of market rent to comply with a ruling of the Australian Tax Office on the maximum rent that can be charged by charitable organisations without jeopardising their charitable status. However, where they manage NRAS properties on behalf of another owner on a fee-for-service base, rents can be set by the (private) owner at 80 per cent of market and comply with the NRAS.

transfers and, in some jurisdictions, transfers of former public housing stock and capital investment in new dwellings; absorbing the rental portfolio of other community housing organisations through mergers and takeovers; the take-up of NRAS-funded properties providing either a management fee or rental revenue stream; and the investments of organisations themselves.

Improvements in rent revenue have been critical to improving the cash position of organisations and, thereby, the feasibility of introducing private debt finance:

Up until two years ago, we couldn't collect CRA. Well, that's improved our revenues by about 30 per cent by collecting CRA, so it was an important change.

However, several panel members were concerned about the security of their rent revenue in the context of maintaining affordability for social housing tenants, especially where social housing rents were based on a percentage of household income and because of the reliance on indirect rent subsidies being obtained through CRA:

Dependency on social housing rents as a major source of income makes us financially vulnerable. Diversifying income sources, including increasing the proportion of affordable housing rentals, secures our viability. About 20 per cent of our rent revenue now comes from our affordable rental portfolio, including management of NRAS properties.

To explain this further, where rents are fixed, NFP organisations will be less exposed to revenue fluctuations. If rent paid is related to tenants' incomes and their continuing eligibility for subsidy, as in public/social housing, revenue becomes less predictable as it varies with changes in tenant circumstances. A mixed income client base helps to redress this risk.

The combination of allowable rent levels, the way rent subsidies have been delivered and policies influencing tenant mix have been critical to the level and sustainability of rent revenue in NFPs. As two levels of government have been involved in determining such policies, the outcomes have differed depending on jurisdiction, program and client group.

Government leverage requirements

Commencing in Victoria in 2005, a number of state governments have introduced requirements for NFP housing providers to use the additional revenue and asset value generated through public subsidies and transfers of ownership of (formerly public) dwellings to leverage additional social and affordable housing. Again, requirements placed on providers have varied from jurisdiction to jurisdiction and by program. For example, being able to provide an additional 25 per cent of funding upfront was a requirement for recipients of SHI funding in Victoria. In New South Wales, targets for utilising transferred SHI assets to generate additional dwelling numbers over ten years were set on a competitive basis through a provider bidding process. The form that such leverage requirements have taken has major implications for who is housed, ongoing business risk and prospects for further growth and, hence, the importance that panel members attached to this factor. One described this development as the 'grand experiment' and another expressed significant concerns about a lack of future flexibility because debt had reached a peak level. Such views reinforce a finding by the Victorian Auditor General (2010) that leverage targets (in Victoria at least) had not been rigorously determined.

Providers are concerned about the longer-term implications of debt levels for their asset security and business viability, especially in relation to another critical external factor, financing terms and conditions, which we discuss in Section 3.3.2.

Specialist regulation

Commencing in the mid-2000s, most state governments introduced enhanced regulatory models to encourage larger-scale and more independent NFP housing providers. They replaced (or reduced) a plethora of fee-for-service contracts, program guidelines and other forms of administrative review that previously applied. Regulatory reform has been centred on stronger risk assessment, monitoring organisational performance against industry performance measures and improving accountability for tenant and financial outcomes, with the hope of attracting greater private investment (Travers et al. 2010). However, these state-based models have taken different forms, prompting a sector-led push to the federal government to encourage a uniform national approach to regulation (Australian Government 2010a).¹³

In the survey, business regulation and, to a lesser extent, supervision of governance were identified as important changes to the operating environment and as key business drivers. However, discussions in interviews suggested that the greatest regulatory influence so far had not come from the specialist government regulators but from the requirements (e.g. loan covenant conditions) and scrutiny of private lenders.

The policy and regulatory framework for the NFP sector

As outlined in Section 2.2, a growing area of influence on the future of the wider NFP sector since 2008 has been a set of changes to policy, regulatory and funding approaches that have been explored and/or foreshadowed by the federal government. Prospective changes include streamlining of the regulatory and reporting environment for all NFPs to improve their efficiency, transparency and accountability; new taxation provisions for NFPs, especially charitable institutions, to achieve better targeting of concessions; a review of governance arrangements applying to companies limited by guarantee and other NFP entities; and facilitated access to more substantial levels of private finance.

While panel members did not single out these wider changes as among the most important drivers of their current business decisions, they were well aware of these developments and several expressed their general concern about the uncertainty prevailing in the NFP policy and regulatory environment, and about delays in implementation of proposed reforms. Several organisations had already experienced problems with the Australian Tax Office (ATO) over their moves into affordable housing using NRAS, which initially was not viewed as a charitable activity by the ATO. This led to intervention by the federal Treasurer who issued a specific policy ruling to give comfort that organisations' charitable status would not be put at risk by engaging in NRAS. Others were setting up special purpose vehicles for their commercial activities to quarantine perceived risk to their charitable status (see Chapter 4). While acknowledging that the broad intent of the reform agenda was to improve opportunities for the NFP sector generally, uncertainty made forward planning for Boards and management difficult, and it was anticipated that issues arising in the transition to new arrangements could be significant for complex and high risk activities such as housing development and financing. This example underlines the significance of a wide array of government policies to decision making and business planning in housing NFPs.

¹³ A national regulatory model has been developed and is scheduled for introduction sequentially across jurisdictions commencing in New South Wales in 2013 (see www.nrsch.gov.au). The shape of national regulation was a key issue for providers going forward, as we discuss in Chapter 6.

Planning policies for affordable housing

Having planning policies that support the provision of affordable housing also scored highly as a driver of business opportunities. These concern the role and influence of both local governments (as local plan makers and development approval authorities) and state governments, some of which have introduced specific planning policies and strategies to support the provision of well-located affordable housing (Milligan et al. 2009; Davison et al. 2012). Local governments were seen as most important in terms of where providers could build affordable housing. Several organisations had well-established or growing relationships with particular local governments but relationships varied widely between locations (for the same organisation) and among organisations. While providers acknowledged the potential of special policy instruments to support their affordable housing development plans, most had found there had been little improvement in these policies in the recent past and, in one jurisdiction, an affordable housing policy had been suspended.

Overall, recent federal and state government housing policies and programs have had critical impacts on Australia's leading third sector housing providers who have strongly aligned their business development strategies with government priorities over the last three years. In particular, government housing initiatives aimed at larger players in the sector have been fundamental to the ability of these organisations to expand their rental services, obtain private finance and increase affordable housing supply. Unfortunately, however, many of the government-made opportunities that organisations had responded to have been one-off or time limited. This situation has given rise to growing uncertainty among panel members about the potential for future growth, as we consider further in Chapter 6.

3.1.2 Market factors

In this section, we consider the housing market and housing finance conditions that have applied over the last three years when procurement of additional housing was a major activity for almost all of the organisations studied.

Housing market influences

Over the same period that government policies have been favourable to larger NFPs, housing market conditions generally also appear to have assisted these organisations to undertake development or otherwise procure housing.

Depressed market conditions make it ripe for governments and NFPs to run counter cyclical policies to stimulate the industry whilst simultaneously getting value for money in land acquisitions and construction costs.

Obtaining suitable land at an appropriate cost is a constant challenge for affordable housing providers. However, following the GFC and particularly the ensuing credit crunch that affected the activity levels of private developers, several of our survey respondents reported that they had been able to obtain development-ready land more cheaply than previously:

In the current tight housing market conditions, we are getting very good deals for volume house and land packages as land developers are feeling the crunch.

With the GFC we were able to pick up development ready land at a bargain because no one else had money ... and land generally since the GFC is cheaper and more affordable.

Similar conditions have applied in the building industry:

The housing construction industry is depressed in [jurisdiction] and we are currently getting very good square metreage rates in our construction contracts.

These conditions did not apply in some areas, such as those affected by the minerals and resources boom where there had been greater competition for labour and materials. Nevertheless, demand for affordable housing in such areas was also presenting as a business opportunity for several affordable housing providers, as discussed further in Chapter 4. Being responsive to such opportunities was linked to organisations having wider geographical coverage, as few housing NFPs operated in mining towns previously.

Under subdued housing market conditions, other providers, particularly those that did not have an established development capacity, had found buying dwellings off the plan to be cost effective and less risky:

The cost for us to build was higher than we could buy off the plan by a significant amount, even including built-in savings we get for project management. So we have not done it since ... the GFC started to hit, and land prices are not that dear here.

One of the most important changes in the recent period of growth that was identified by several panel members was their increasing engagement with private sector organisations, especially developers, specialist advisors and finance institutions. One CEO reported that:

Over 70 per cent of our meetings in the recent development phase would have been with private sector people—consultants, banks etc.

Increased collaboration with the private sector has been driven by needs on both sides. For instance, private developers have been looking for new customers and joint venture partners as the market turned down, and rapidly expanding NFP developers have sought knowledge and skills transfers from the private sector. Governments have also been promoting forms of private/NFP partnerships, for example, by encouraging private investors and NFP managers in NRAS developments, and in estate renewal projects, where typical specifications have sought the combination of the finance and development expertise of the private sector and the tenancy management and community development skills of the third sector.

While provider assessments of recent market conditions were generally favourable, they also highlighted the significance of market cycles to business planning for organisations. Several panel members spoke of the vagaries of the market and their need for long-term strategies to secure their land supply and maintain a pipeline of development projects. Turning on and off development capacity in response to both market cycles and government policy changes was identified as a major strategic challenge for organisations, as we consider later in the report.

Housing finance conditions

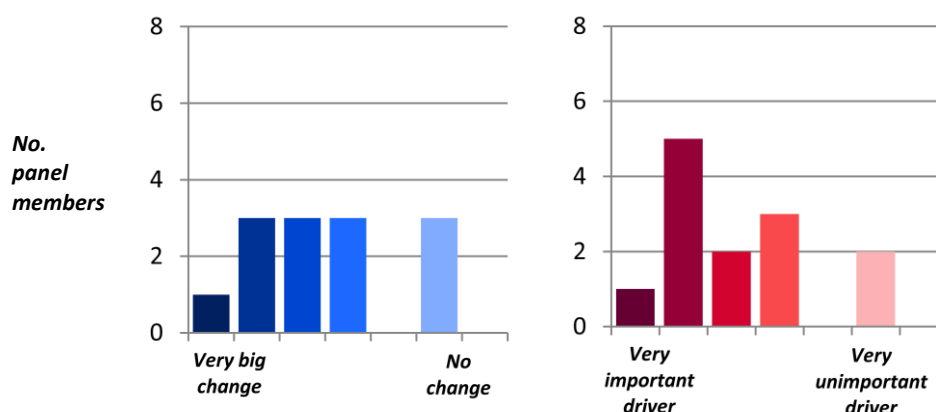
Levels and forms of private finance varied across the organisations, as shown in Chapter 1, with some still relying on project finance while others had loan facilities of between \$20 and \$120 million. While a few had set up private financing mechanisms prior to the last three years, private borrowing was a new activity for most.

Thus most panel members rated obtaining private finance as both a big change factor and a major business driver over the last three years (Figure 4):

Securing the terms of finance is having a huge impact on our organisation. ... Obtaining that finance is significant ... it is not the cost of funds that is the issue but the commitment.

Most organisations had not had a significant problem getting finance at the volumes they sought. Most major banks were lending into the sector along with some smaller banks and other lenders, and the cost of borrowing had come down in line with interest rate reductions since the GFC. However, several panel members reported that loan terms and conditions had become more onerous over the period with shorter-term lending, lower loan to valuation ratios (LVRs) and higher interest coverage ratios (ICRs) becoming the norm.

Figure 4: Change in terms and conditions of loan finance over the last three years



One experienced borrower from the panel described the current climate as not being a mature private financing environment and explained what had changed in detail:

What with the change in the financing environment since the financial crisis has been around—these financiers are really playing extremely rough in terms of what they're seeking. And I suspect many community housing organisations are selling their souls with the first deal, and are then going to find it extremely difficult to get finance afterwards. You've got to negotiate extremely hard in ways you would never have had to deal in terms of the public sector, just to be able to get the money you want and the terms you want ... The terms that we're being now offered are very different to the terms we were offered five years ago—and they're not getting better ... The first financing deal, the very first ones we got, were actually as good as a homeowner would get. Pre-GFC ... we got 25-30 year money ... we got it at ... 90 per cent LVR, now we don't get better than 50 per cent and don't get better than five years ... and [the financiers] want to have everything charged, they go for the maximum type security options ... and we have to fight them at every hurdle.

Facing such difficulties, another provider suggested that:

We need a stronger sector voice to facilitate access to bank loans for providers.

3.2 The influence of organisational values

Seeing NFPs as being value driven, not profit driven, is argued to be a distinguishing feature of third sector organisations (Chapter 2). However, there has been no research on what values contemporary Australian housing NFPs have adopted and how these influence their operations.

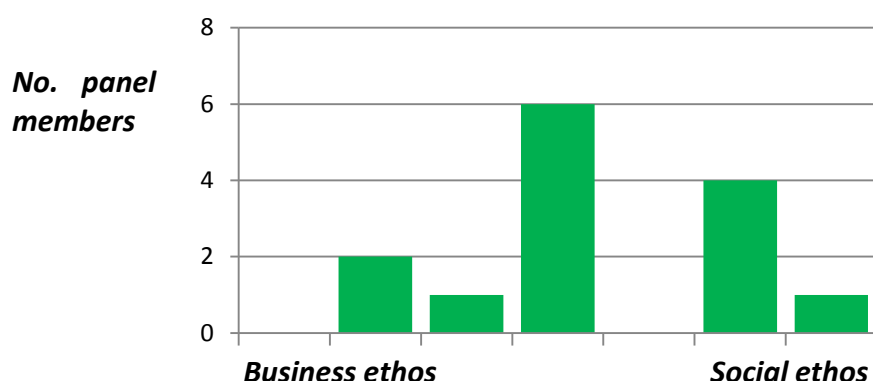
Chapter 1 gave an overview of the background, governance and functions of the organisations that took part in this study. In this section, we look behind these characteristics to try to understand the values that drive these leading housing NFPs and influence the choices and decisions that they made.

Values were explored in two main ways. After testing and refining in the pilot study, a set of value statements that had been used in a previous study of housing associations (Mullins & Riseborough 2000) was included in the survey (Appendix 1, section 1). Panel members were presented with six pairs of values and asked to evaluate the extent to which one was more central to their organisation's core values than the other. At the end of the section, they were also given the opportunity to list any other values that were important.¹⁴ In the follow-up interviews, with the evidence of differences across the panel placed in front of them, panellists were asked to explain the positions that they had taken. For particular values exhibiting strong differences across the panel, members were asked to illustrate how their stance influenced strategic positioning and decision making in their organisation. Although CEOs were being asked to express their own views, in the discussion of values several referred directly to the position of their Boards, as shown below.

Business ethos versus social ethos

This value question represents a key tension faced by third sector organisations that use business logics to achieve their social goals. Figure 5 shows there were significant differences in scoring on this dimension, which provoked robust discussion in the follow-up interviews.

Figure 5: Business ethos versus social ethos



Six panel members considered that having a balance between business and social ethos was the key. As noted by several respondents, this reflects the idea that the function of social enterprise, or 'being in the business of delivering public good', is to strike a balance between a social and business orientation.

This balancing act was seen as presenting a considerable challenge for the sector:

I see in the sector a lot of new people coming who are very influenced by the business ethos and there is a lessening of the social ethos. The thing that keeps in my mind is that we have to keep the community in community housing ... What makes the difference between those [the local real estate agent or a public housing provider] is to get the balance between the business ethos and the community, to get that right. There is always going to be

¹⁴ As only one organisation included additional values, we have not included them in this report.

tensions and challenges in there, and it's not something you can say you've finally got, because the dynamics are always changing.

Five panel members scored social ethos as the more important value and backed this strongly in their interviews, having seen the results across the panel. For these CEOs and their Boards, organisational decision making and commercial behaviour have been predicated on their social purpose. That could, for example, have meant not doing a deal or not pursuing a growth opportunity if it did not achieve their social goal:

[Organisation] was doing business stuff when the business was small ... when the expectations were small. And as they've grown to the tremendous proportion of where we are, they've never flooded out the social ethos. In the end, if all the opportunities started to just go at the more business end of things, the more commercial end, we would just retreat from the field.

For the three organisations that rated business ethos more highly, operating as an effective private organisation—achieving results, driving efficiency, servicing loans—was the key to their success (or, in tough times, continuity):

[Organisation] is a commercial organisation trying to advance social ends.

Our emphasis on a business ethos applies to our tenancy and property management services ... [it] enhances and complements our compassionate social landlord philosophy as we are able to embed earlier intervention and preventative strategies. Neither ethos need preclude the other. There is no recurrent government funding for our landlord services so our company is reliant on the efficiencies and scale of our rental business to generate recurrent earnings and profits so that we can contribute to increasing housing supply through our development programs. These development programs create a further source of profits as they are undertaken on a commercial basis, providing a return on investment.

Overall, the outcomes of the survey and interviews concerning this dimension made it apparent that, while the survey question had somewhat polarised scoring, having a social ethos and a business ethos were not opposites but represented an ever present tension that needed to be kept in balance. Nevertheless, some among the larger players felt strongly that social principles should never be compromised by business drivers. Others appeared to have a greater appetite to innovate and take on business risks to advance social goals, as we discuss further in Chapter 4.

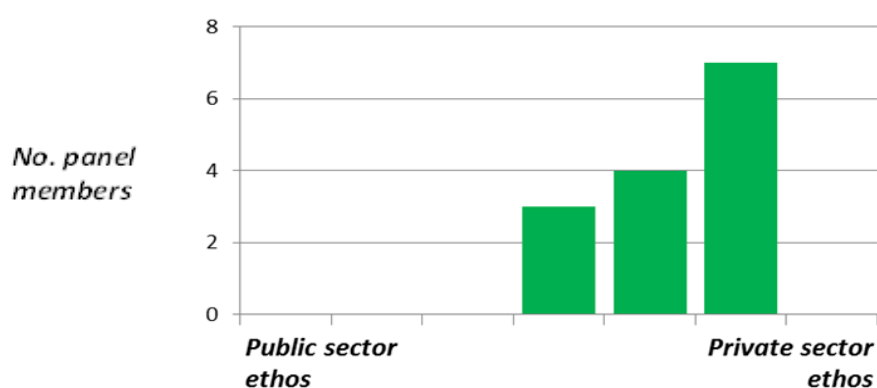
Public sector ethos versus private sector ethos

There was strong support for a private sector ethos, with 11 of the 14 organisations rating this as more central to their core values than a public sector ethos (Figure 6). For these organisations, having a private ethos was preferable to a public sector ethos, although private in this context may simply have meant non-government.

The remaining three organisations indicated that both of these ideals were equally represented in their values. The importance of having a private sector culture but also having good relationships with the public sector was highlighted by some panellists, for example:

We enjoy our relationship with the state government and we work very closely with them and we have taken some of their staff ... but we have a business model.

Figure 6: Public sector versus private sector ethos



Professionalist versus volunteerist

Organisations overwhelmingly valued the 'professionalist' label over the 'volunteerist' label. All 14 respondents rated professionalism as more central to their core values than volunteerism, with eight organisations indicating maximum identification. As one CEO explained it:

Volunteerism is not ruled out but was not being sought.

Thus, while several agencies had voluntary Boards and welcomed other voluntary effort, our group of leading NFP housing providers did not identify with voluntarism as a core value. This reflects a wider trend associated with the emergence of larger-scale social enterprise models in the broader third sector.

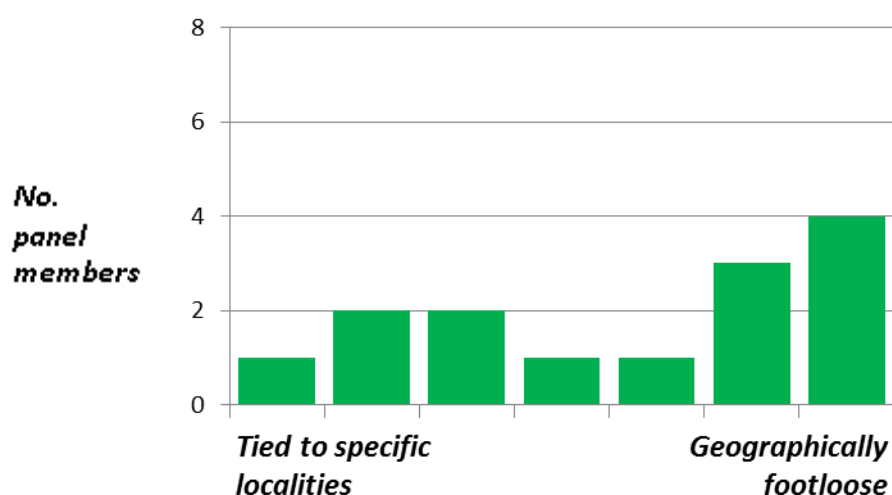
Tied to specific localities versus geographically footloose

Although responses on this dimension were quite varied, there was an overall tendency for organisations to nominate being geographically unrestricted as one of their core values, with eight showing moderate to strong identification with this value. In comparison, five displayed moderate to strong identification with commitment to a specific locality (Figure 7).

While diversification and expansion via extending market reach has been a strong tendency across the leading housing NFPs in Australia in recent years (see Figure 23, Chapter 5), there are interesting differences in the values associated with this trend. Across our sample there were organisations for which growth opportunities in other areas and seeking economies of scale had to be tempered with remaining closely involved in communities:

Our board see that we really need to consolidate the work we're doing ... in the existing regions we're working in before we then start to spread out much further ... and our strategic asset management plan is really about saying it can get very ineffective if you're travelling great distances ... so it's looking at the efficiencies of management as well, and also that if we concentrate in nodes ... the benefits are cost efficiencies in terms of staff. It also means that we can have a greater response to, and influence on, issues that may affect our tenants in those regions and be involved in a more community development role, which you can't do if you're spread really widely in geographical terms.

Figure 7: Tied to specific localities versus geographically footloose



For others, expanding into other areas was a more open question which depended on whether there was a perceived need and an organisation considered it could ‘add value’, including in partnerships with local organisations to promote community connections. Some saw working nationally or even internationally as their ultimate vision.

Positioning in Australia on this spatial dimension reflects a theme in international studies of housing associations where similar tensions have emerged as the third sector’s role in housing has expanded (see e.g. van Bortel et al. 2009; Mullins 2006a). From one value perspective, it has been argued that anchorage in local communities and consequential positive influences on tenant outcomes is what has helped to distinguish third sector housing organisations and promoted their legitimacy. However, as more expectations have been placed on that sector, investment in and accountability to neighbourhoods (bottom-up approaches) have come up against efficiency drivers, viability and risk concerns, and government requirements to leverage resources, all of which have tended to lead to larger organisations and top-down approaches. This trend has generated debate about how larger multi-nodal organisations can be locally effective. To meet both sets of expectations, van Bortel et al. (2009) argued that housing organisations need to find specific ways of operating that maintain their neighbourhood connections and responsiveness while also achieving efficiency and growth. Some of the ways that the Australian organisations have been tackling these competing expectations are examined in Chapter 4.

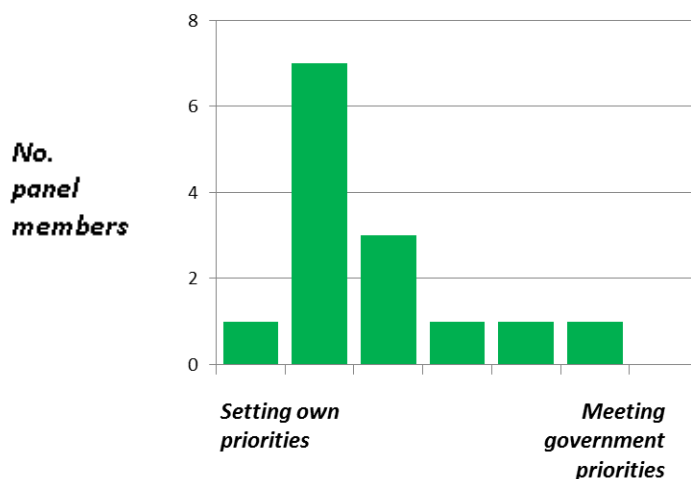
Setting own priorities versus meeting government priorities

Most organisations expressed the view that they valued setting their own priorities instead of being driven by government priorities. For 11 organisations, setting their own priorities was recognised as a core value, whereas only two gave precedence to a commitment to government priorities (Figure 8).

In those cases, one CEO was concerned to recognise the importance of government housing priorities at a time when these appeared to be losing political ground. For the other, the reality for his/her organisation was that they did not have independence from government (because of their contractual commitments) although they aspired to this. Setting their own goals was important to them because:

We meet government priorities in service delivery as contracted, but believe that the disconnect between government policy intent and practice outcome is large, so it is increasingly important that we set our own priorities.

Figure 8: Setting own priorities versus meeting government priorities



Taking an international perspective, there have been questions raised about the legitimacy of some housing social entrepreneurs in political, policy and media discourse as the independence of these organisations has developed and they have shifted further towards having a private market ethos with larger-scale commercial real estate operations (Milligan et al. 2012). We return to this issue in Chapter 7.

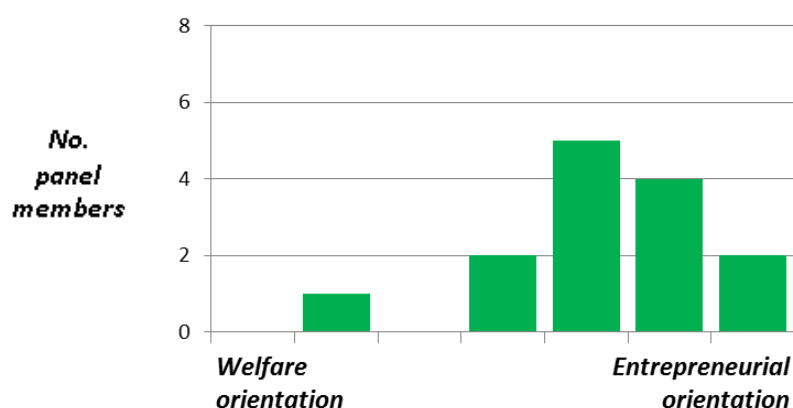
Welfare orientation versus entrepreneurial orientation

Identification with an entrepreneurial orientation was more common among the organisations in the sample. Specifically, 11 valued an entrepreneurial focus over a welfare focus, whereas only one expressed that they hold core values in line with a welfare orientation rather than an entrepreneurial orientation (Figure 9). This was explained as follows:

Welfare orientation reflects our commitment to alleviation of poverty by maximising the number of 'hardest to house' people that we can. However, we cannot have 100 per cent of tenancies being those most in need as then we don't have a viable organisation. We have to have a range of income cohorts.

This comment reflects to some extent the earlier discussions of how social and business values interact and the impact of external factors, such as government requirements and subsidy levels.

Figure 9: Welfare orientation versus entrepreneurial orientation



3.3 Summary

This section began by presenting an analysis of the responses of panel members to questions about which external factors have most influenced the ways that their organisations have conducted their business over the last three years. Overall, the panel rated the expanded role of the federal government—driving funding and resources into the NFP sector—as the most significant external change factor and driving influence. Government guidelines, regulations and targets, which are set by both federal and state governments, were also identified as a key influence, especially on how new housing services were being priced and allocated and, thereby, on the financial and social performance of organisations and their capacity for independent growth. Government leverage requirements (where they applied) had become increasingly important, especially in the face of more stringent and volatile private lending conditions.

The three years prior to the survey were also marked by big changes in financial position, stemming from the take-up of larger tranches of private finance by almost all organisations in this study. Housing market factors, especially the costs of land and construction, were also core business drivers but in recent times had not necessarily been as big a constraint as in the past, as the GFC had helped the competitiveness of NFPs. The downturn in private housing development and the major growth opportunities provided by government stimulus had in combination helped to generate new relationships with private sector organisations, especially banks and development partners.

The second part of the chapter attempted to interpret key organisational values and their influence. Several of the organisational values that are acknowledged to be important attributes of modern third sector organisations were found to be shared across most panel members. These included having a professional approach, being entrepreneurial, being geographically diverse (to a greater or lesser extent), having the means to set one's own priorities and adopting a private sector ethos. The core social purpose of leading housing NFPs came strongly to the fore, especially in discussions about organisational purpose, priorities and decision making. However, there were interesting differences across the panel (and by implication in underlying organisational culture), with some members emphasising that having a business ethos was critical to optimising social outcomes while others considered that social purpose should prevail in all strategic decisions.

4 STRATEGIC POSITIONING, BUSINESS MODELS AND STAKEHOLDER RELATIONSHIPS

The next two chapters show *how* the organisations have interpreted and responded to external drivers in the context of their organisational values, especially in terms of their strategic positioning, stakeholder relationships and organisational change and development (research question 3) and consider to what extent, and how, these responses differ and why (research question 4).

The chapters are based on the quantitative results from the survey and the qualitative findings from the interviews, with a particular focus on areas of change both over the last three years and in terms of expected changes over the next three years. Survey findings are presented across all panel members, patterns of responses are identified, and explanations of convergence or difference in responses based on the interview data are offered, in line with the Delphi methodology. The interview data are used to explore the reasons for responses and, as noted in Chapter 1, individual responses are anonymous.

- Chapter 4 outlines changes in strategic positioning, business strategies and relationships with governments, the private sector and other NFPs.
- Chapter 5 presents findings on changes in organisational governance, structure and culture.

4.1 Changes in strategic positioning

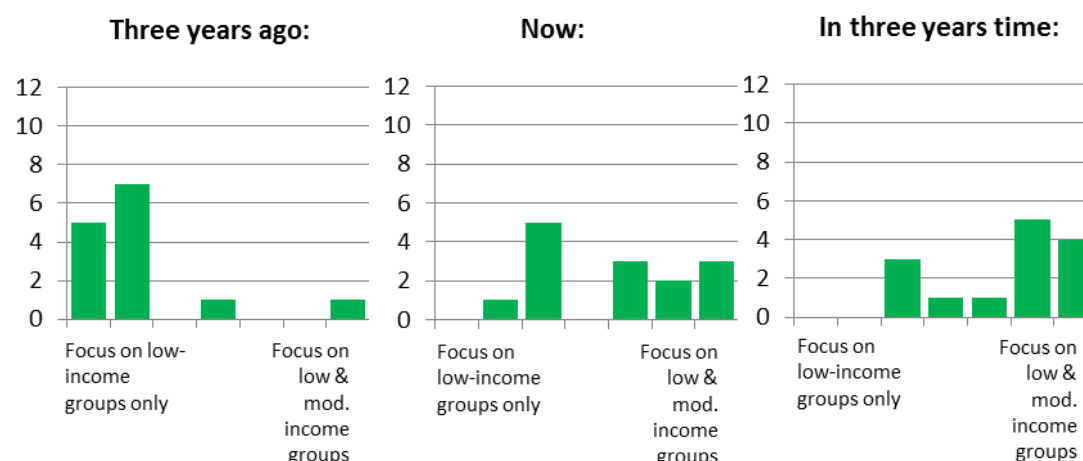
This section examines changes in strategic positioning on key dimensions over the last three years and the ways in which panel members viewed some of the tensions resulting from a policy environment which enabled substantial growth, in the context of the organisational values discussed in Section 3.2.

4.1.1 Target group

Arguably the most important, and contentious, change in strategic positioning was in the broadening of the target group, as illustrated in Figure 10. Many of the organisations in the panel had their origins in locally-based community housing or welfare organisations which were set up to assist homeless and disadvantaged people. Three years ago, all but two had targeted low income households.

All organisations had responded to the external drivers of the last three years by changing their focus to some extent to broaden their target group although, as seen in Figure 10, the survey results indicated some divergence in responses. Six organisations retained a focus on low income groups while eight were serving low and moderate income households.

Figure 10: Focus on low-income groups only → Focus on low- and moderate-income groups¹



¹ y axis shows number of panel members

The interviews indicated, however, that all organisations had retained a strong commitment to housing low income households; what differed was their business strategy for achieving this, the extent to which they wanted, or were able to, take up new opportunities such as NRAS and, to some extent, the history and values of the organisation:

The fundamentals of what we do have not changed. The vast majority of everything we do is for people on low or very low incomes.

The organisations that focused on low and moderate income households had mixed origins, with some being the result of merger of traditional community housing organisations in order to scale up and others being established as affordable housing providers with a broader target group than the traditional organisations. Some saw an expansion of their target group as a means of meeting unmet need, for example, in resource development areas, whilst others saw an expanded target group as a means of providing cross-subsidy to house more low income households.

What changed for us was a realisation that there are no capital funds available anywhere for disability accommodation, and that it was both good policy and pragmatic to look for a broader-based market that enabled you to both meet affordable housing need and maximise the amount of ... disability accommodation.

Despite some divergence in current positioning, there was broad agreement that the focus will move further towards low and moderate income groups in the next three years, as shown in Figure 10. The interviews indicated that this was primarily about financial sustainability, with no new government grant funding on the horizon and the likely end of new NRAS allocations:

We're about that alleviation of poverty and we're about maximising the number of hardest to house people that we can but it has to be within a sustainable framework so we can't have 100 per cent of our tenants being those most in need because we don't have a viable organisation—we have to have that range of income cohorts.

In moving in this direction, some panel members expressed concern about the acceptability of this change in strategic positioning, both within the broader NFP

sector and, more generally, including whether there will be community and political support for organisations that have a broader target group:

We do want to help out with government policies like NRAS and social housing ... we do care what government priorities are ... we get a bit of criticism for not being social enough at times from some of the smaller providers ... we have a great reputation for taking on the highest needs clients and many of them ... but we do get accused of 'looking like McDonalds' and trying to take on the world and being very entrepreneurial. Our objective is to grow social and affordable housing ... and there's no way we're going to let that [social housing] slide.

In summary, there had been general broadening of the target group over the past three years, which was expected to continue over the next three. Whilst there was support for the idea of some income mix for reasons of social sustainability, particularly in larger developments, the main driver of strategic positioning, particularly for the next three years, was the need to ensure financial sustainability through some mix in target groups to boost revenue.

4.1.2 Asset procurement, ownership and utilisation

A significant change in strategic positioning in the last three years for many of the organisations was a new focus on assets (procurement, ownership and utilisation). There had been a broad general move away from managing assets for other owners, in particular, state housing agencies, and a focus on using assets to develop the business, as shown in Figure 11. There was also quite strong agreement that this process will continue in the next three years.

Three years ago, the organisations were at quite different positions in relation to asset development and ownership. Four (each in a different state) were focused purely on managing assets for other owners, whilst at the other end of the spectrum, three were already focused on using assets to develop their business.

Figure 11: Using assets to develop your business → Managing assets for another owner¹



¹ y axis shows number of panel members

There had been a general move by the organisations towards using assets to develop their business in response to the external drivers discussed in Chapter 3. The ways in which these drivers were interpreted depended on: the views of CEOs and their Boards about the importance of asset growth in terms of their mission and values; the opportunities and risks to their core housing services business; and the type of requirements associated with these opportunities.

The organisations that had changed most in the last three years, not surprisingly, were some of the traditional community housing providers whose expertise had been in tenancy management but who had positioned themselves to capture new funding opportunities that involved asset ownership. However, others were still predominately tenancy managers of leased properties that had had assets transferred to them under the SHI but had done only small development projects, or whose strategic positioning did not centre on building their balance sheet.

In addition to organisations that had changed their focus, a few had set up, or developed, a mixed model of social and affordable housing which involved ownership of the asset and developing their balance sheet as a strategy for growth:

So that's very much focusing on your assets, focusing on what leverage you can pull out of them, what leverage you can support out of them ... how you determine what assets you hold, which ones you dispose, how you manage those assets.

More generally there was greater appreciation of the responsibilities of asset ownership and in particular the need to 'churn assets' for a variety of other reasons including responding to changing needs, reducing future maintenance and upgrade costs, and paying down debt. Many organisations talked about developing a more proactive asset strategy:

Maintenance costs when you own is what kills you ... We need a total asset management process which is in place, which looks not just at the asset but also service delivery around this. We need a program around churn and developing and selling, not just developing and keeping.

A key concern was depreciation of property assets over time. This had implications for provisioning for future maintenance and upgrades:

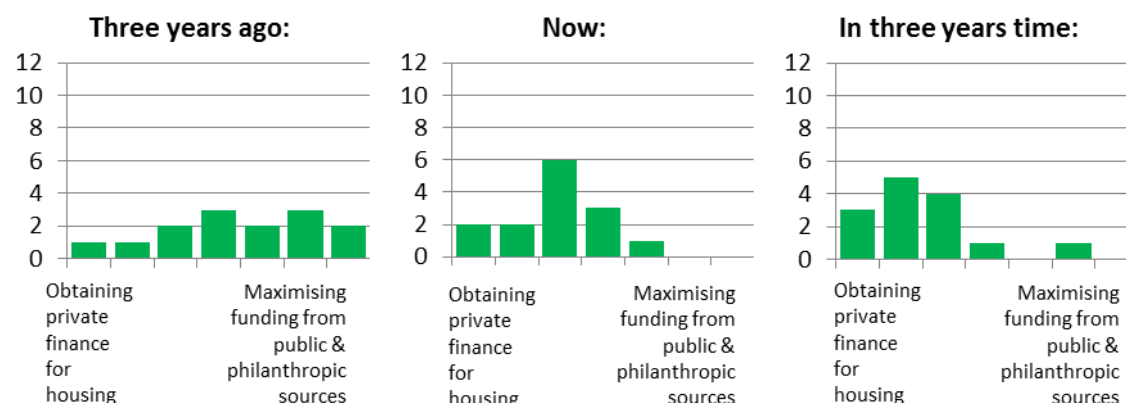
We've adopted a very conservative approach for long-term maintenance provisioning. So we probably almost overprovision because it was extremely conservative and as time's going on we're understanding and refining that long-term maintenance schedule so that we're actually getting a lot more sophisticated and combining that with a strategic asset management plan.

In brief, there had been a strong general trend away from managing assets for another owner to using assets to develop the business, a trend which was expected to continue. Some organisations were the beneficiaries of asset transfers, either through the SHI or other state-based schemes, but had little experience in procurement (purchase and development). Others had already gained substantial experience of asset procurement and there was general agreement that strategic asset management would become more important in the next three years.

4.1.3 Private finance

All of the organisations were familiar with capital funding from governments and most had a long history of securing other contributions from churches, local government and philanthropic sources. Three years ago there was considerable divergence in the exposure of organisations to private finance, with four having already developed in this direction. Given the policy settings of the last three years, there had been a general trend among all organisations towards private finance, as shown in Figure 12.

Figure 12: Obtaining private finance for housing projects → Maximising funding from public and philanthropic sources¹



¹ y axis shows number of panel members

Most of the organisations expected this trend to continue, with one outlier, an organisation that is involved in public housing urban renewal. The organisations that most expected to obtain private finance for housing projects in three years' time were in resource development jurisdictions.

The drivers of the move to private finance were both external and internal. Externally, there were differences in the ways in which state governments had implemented the SHI, with some requiring upfront leverage and others negotiating leverage targets once the SHI dwellings had been delivered. The primary internal driver was strategic positioning around growth.

Whatever the mix of internal and external drivers, the introduction of private finance had affected organisations deeply. The extent of change depended on the scale and type of private finance. This varied from small-scale, project-based finance to very substantial lending facilities with major banks negotiated by the more commercially oriented organisations. At the time of the interviews, three organisations were negotiating for a lending facility with major banks. Some of the organisations expressed concern about the implications of raising private finance for their organisations:

We're doing a review of our loan portfolio. Some of the big four want to have a charge over all our business in order to deal with us. And, yeah, we would resist that very strongly; because at its worst it means you have a quasi-second Board of Directors sitting over there that gets to approve all of your major strategic decisions.

Introduction of private finance, whether on a project basis or by negotiating a lending facility, was a major change for many of the organisations. It was rare that a housing NFP had been adequately capitalised, and the requirement to leverage against their assets contained substantial risks as well as opportunities. The organisations had to make difficult decisions about how much they wanted to grow and why, how to blend government and private finance, and the level of risk that they were prepared to take.

4.1.4 Geographic expansion

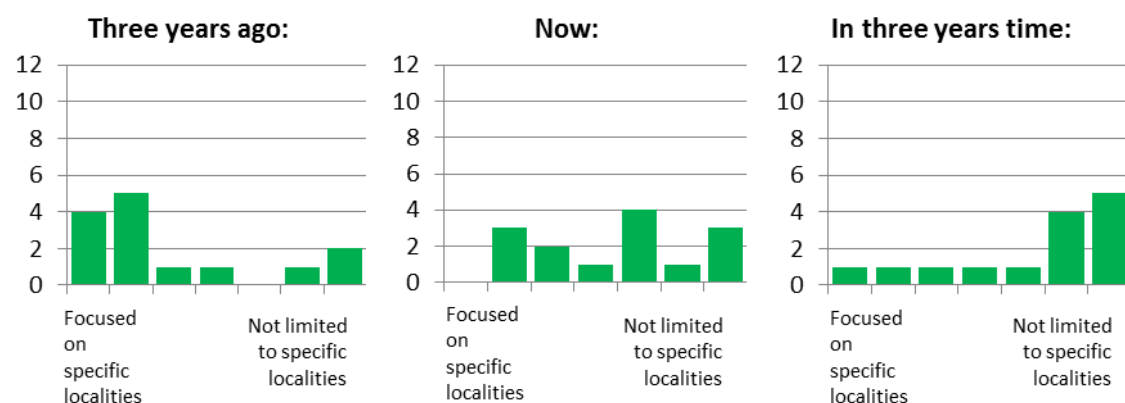
All of the organisations had started with a particular geographic focus; this might have been certain suburbs, a part of a city, a city or a regional area. Three years ago, only three did not regard themselves as being tied to specific localities, and only one of

these operated beyond an individual state. Over the last three years, there had been a trend for organisations to move beyond these localities although the responses were still quite divergent. Over the next three years, nine of the organisations expected not to be tied to locality but five did expect to be connected to locality to varying degrees, as indicated in Figure 13.

Some of the organisations saw geographic expansion as a means of scaling up so that they could get efficiencies of scale in terms of their operations and could support key specialist positions in finance and development. A related concern was to be able to grow their balance sheets and achieve greater financial independence from state governments. For some, expansion into other states enabled them to contain political risk; if policy settings in one jurisdiction were not favourable, they could do business in other states and spread their risks.

We're so happy we [went national] because otherwise we'd have stopped dead.

Figure 13: Focused on specific localities → not limited to specific localities¹



¹ y axis shows number of panel members

Four organisations operated in more than one state at the time of the fieldwork and eight others had expanded to new areas within their state, which is very significant since some states are geographically very large:

We've got no boundaries ... it had a lot to do with winning NRAS when we partnered with [private company] who operate across [the state] and wanted us to take on all their locations.

To date we have taken an opportunistic approach to regional property developments. However, we are now overlaying a strategic planning framework which identifies demand and financial drivers across a range of markets. This approach will inform our analysis of whether we move into other regional areas of the state.

Two organisations appeared to have remained pretty much within their specified areas. These were organisations that had a particular concern with local support for tenants. However, whilst they had positioned themselves in this way, both had widened their area of operation somewhat in respect of the stimulus and tender opportunities within their states and, if there was a need to be addressed and no other provider in the area, they would consider some geographical expansion:

We will move into niche areas in other geographic locations but not for general housing and if there is already a community housing provider there ... I don't

have a Board that is pushing me to do anything like that ... Their planning rules, everything is different.

Through their responses to opportunities from SHI, NRAS and stock transfers, some organisations now had assets in a variety of places and were seeking to consolidate to ensure effective management and to meet community needs. They foresaw some geographic reconfiguration of stock.

In terms of the housing we've got, we're going to consolidate where we manage that housing, we're going to look to sell that housing in areas we don't want to be in any longer ... or where we don't think we have something to offer in the community.

The move towards broader geographic areas by leading NFP housing providers follows trends internationally, in countries such as the UK and the Netherlands. Whilst there was some divergence in responses, all of the organisations had had to expand geographically to some extent in order to take advantage of opportunities to grow their businesses. This meant increased competition, or prospect of competition, between providers, which we discuss in Section 4.3.

4.2 Development of business models

In this section, we examine the organisations' decisions on the range and mix of products and services which indicate the development of their business models.

4.2.1 A provider of low rent housing or a more diverse product mix?

Differences in rental product due to the SHI were largely attributable to state government policy settings (see Section 3.1.1) rather than the business models of the organisations. Where there was a government requirement to leverage additional funding, the organisations had to diversify their tenant mix to generate sufficient rent revenue to cover interest and debt repayments. In states where there were no, or only limited, leverage requirements, NFPs could provide a greater percentage of housing for low income households.

Whilst state policies drove differences in rental segments under SHI, the organisations had to make internal decisions in respect of NRAS, which offered an opportunity to become involved in other rental segments and to partner in different ways with for-profit companies.

Not surprisingly, there was a diversity of views about the role and importance of NRAS in terms of individual businesses and the sector in general. There appeared to be an emerging difference between organisations that were interested in NRAS and other funding streams to grow their property portfolio for a mix of target groups and those that were primarily interested in NRAS as providing a funding stream which can be used to cross-subsidise rental products for low income households.

[NRAS incentives] are more attractive to us as a rental stream ... it generates a very healthy cash flow for us and a surplus...we've got volume ... it is a means to an end to build our own assets ... it's very commercial that side of our business...we love our social housing, our state funding but we want to be as independent as we can and have other funding streams.

In both cases, the organisations had a more diverse rental product than previously, but holding NRAS incentives had implications for the balance sheet and entailed higher risks and compliance costs.

Two organisations had decided not to become involved with NRAS at all:

Our Board is really clear about high needs. Yes, we look at other housing needs but the cornerstone of [organisation] is people on really low incomes with support needs. They want to stay in that space. They didn't want to get seduced by NRAS and things like that at the expense of that group because they saw that group being neglected and all the attention policy-wise and money-wise was elsewhere.

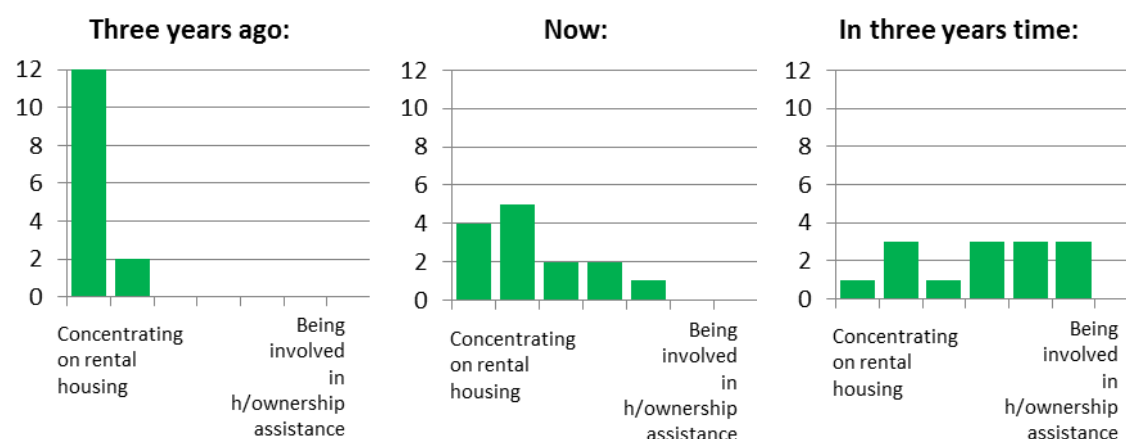
We did have an initial ... look at NRAS and what we were going to try and do was actually use it as a subsidy for our growth strategy ... but ... from our perspective, NRAS works well for moderate income families on relatively low land value sites ... That's not our game ... It certainly doesn't work for us.

In summary, the different policies of state jurisdictions on the SHI were important in driving different business models as well as decision-making by the organisations. NFPs had little say in how states administered the SHI funds and had to adapt to this. The organisations in the sample, however, had made decisions about the extent of their participation in NRAS, and the form of participation, which had implications for their business model. These findings indicate that discernible differences are emerging in Australia between what the international literature refers to as 'prospectors' and 'defenders', even in an environment of external conditions that have been favourable to growth and diversification as occurred over the last three years.

4.2.2 A rental business or a housing business

Three years prior to the survey, all of the organisations were focused entirely on rental housing but since then there had been some limited movement towards involvement in home ownership, a trend that an increasing number of the organisations expected to continue in the next three years, as illustrated in Figure 14.

Figure 14: Rental business → housing business¹



¹ y axis shows number of panel members

Six organisations had some interest in home ownership, as a means of developing pathways out of rental housing. Despite their interest, most saw this as a long-term project, requiring some change in policy settings and organisations that are financially and organisationally equipped to take on this type of risk:

You need a good balance sheet. We are not as big in this respect as, say, [organisation] and it is hard to do this [home ownership schemes] on our own, but we would like to do this and we have done a little bit of work on this but it is not enough.

Six organisations were involved in sales as a means of financing mixed tenure projects, including sales to NRAS investors and market sales to home buyers or investors. These were organisations with more commercial business models, and the extent of sales varied. They were aware of the tension between sales to generate cash to pay down debt and/or finance social housing and sales to provide pathways for people:

Our core business is still rental housing, however, [the organisation] is increasing the development of property for home ownership. In two years' time, home ownership sales will likely exceed rental revenue.

Some organisations had tried to develop pathways into home ownership but found that current policy settings were not favourable or that the balance between market sales and pathways for low income households was difficult to achieve in practice:

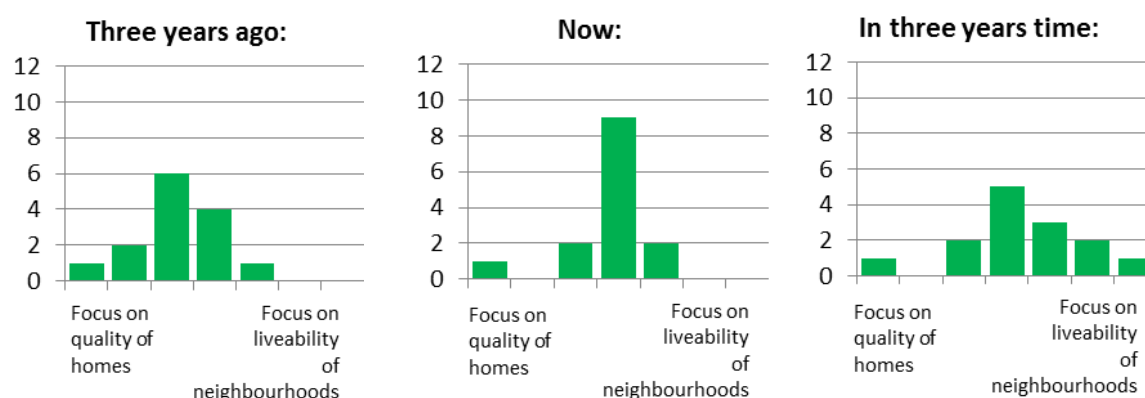
Effectively we are looking at first home buyers and other low-mid income earners under shared equity or [full] home ownership. We have made the decision to target our sales programs by means testing potential purchasers. The other sales market for our company is to investors under the NRAS. With these sales we retain the management rights and ensure that the properties are let as affordable rentals to people that meet the NRAS eligibility criteria.

In summary, while some organisations were interested in home ownership primarily as a means of providing pathways out of rental housing for their clients, the more commercial organisations were interested in developing and selling assets to generate funds to make mixed tenure developments stack up financially so that they could grow their social housing portfolios. Most, however, had found the policy environment not conducive to providing home ownership assistance, and there was a tension between raising funds through market sales and targeting sales to low income buyers, however much they would liked to have been involved in the latter.

4.2.3 A housing business and/or a place developer/manager

A clear trend from the survey was a move towards focusing on the 'liveability' of neighbourhoods rather than focusing only on the quality of individual homes, as shown in Figure 15.

Figure 15: Housing business → place management¹



¹ y axis shows number of panel members

Whilst there was a general move towards focusing on improving the liveability of neighbourhoods over the next three years, there was some divergence in views, which centred on asset transfer.

Half of the organisations saw public housing asset transfers as being an important part of their business models going forward. They were interested in title transfer that would enable them to have an asset that could be redeveloped to improve the living conditions of current residents *and* grow the social and affordable housing stock through redevelopment. They saw this as an opportunity for NFPs to offer a solution to some of the most pressing problems about the age and conditions of some public housing estates and the consequences for residents. Integral to their consideration was the notion of redevelopment at higher density and from mono tenure to mixed tenure estates:

There's going to be loads and loads of opportunities for housing ... public housing homes in Australia owned by state governments ... most of the units are past their sell-by date ... most are in locations where there is an over-concentration of public housing ... There is so much scope to increase the density of those areas and provide mixed tenure housing. So there's a real opportunity for mixed tenure redevelopment of public housing.

Four organisations were interested in management rather than title transfers, seeing this as a means of improving services to tenants and securing an ongoing revenue stream, with some potential to have an affordable housing component:

As an organisation we see our role as getting as much housing on the ground as possible which doesn't necessarily equate to us having to own those assets ... we're not convinced that treasury and government are going to go down the path of the wholesale transfer of assets that was first mooted a while ago—you know we only have a cash flow from our portfolio so the ability to construct and own is limited.

Three organisations did not see asset transfers as either desirable or as part of their current business model expressing scepticism about benefits to sitting tenants and concern about risks in terms of property quality and lack of flexibility in transfer arrangements.

The risks are that you take on a portfolio that needs a huge amount of capital works without any money to undertake those works ... The risk is that you take on a portfolio of badly designed, badly located public housing assets, you have no money to do anything with them. And to make it work you have to social engineer the tenant mix ... move out public housing eligible tenants and replace them with employed tenants.

In summary, improving the liveability of places was considered mainly in terms of public housing stock transfers. Some organisations saw such transfers as an opportunity not only to grow but also to address some of the problems associated with rundown public housing. Others wanted to be assured of a benefit to existing residents and were concerned about the risks of taking on poor quality housing. For all organisations, however, the key issue in contemplating stock transfer was the conditions under which it was carried out.

4.2.4 A housing and/or a service business?

Half of the organisations in the panel operated homelessness services which gave them a stream of recurrent funding from state governments. A small number had also expanded their services to other high needs groups in line with their social objectives such as housing services for Indigenous households, asylum seekers and recent

refugees, or people who had been through the criminal justice system, in some cases in addition to their existing homelessness services.

Some of the more commercially focused organisations had applied, or were considering applying, their skills and expertise in the development of affordable housing to meet the demonstrated needs of Indigenous households, particularly in regional and remote areas. The opportunities involved facilitation rather than ownership or even management. For some of these organisations there was potential synergy with their work in resource development sectors, including expertise in the housing types which are suitable for, and can be constructed in, remote areas:

I suppose the other significant challenge for us is developing a role, particularly in areas like the [area], as a facilitator of housing development in the affordable and social housing space rather than directly investing in that. That's work that we're doing with Indigenous Corporations that are delivering housing out of significant royalties.

Three other organisations with a strong social focus had plans to increase their role in relation to Indigenous housing, usually in conjunction with a variety of Indigenous and non-Indigenous organisations. Developing specialised housing services drew on the mission of a number of the organisations and, in some cases, had become part of their business model, providing the opportunity for an additional recurrent revenue stream. Organisations were well aware, of what was required to provide additional services:

We really have very considered decision making about [new business] which is to be complementary to our existing business.

This section has illustrated the different ways that organisations in the sample have developed their business models in relation to property and services respectively, and some of the challenges they face in doing this.

4.3 Stakeholder relationships

Historically, the key stakeholder relationships for NFPs were with state governments, other NFP providers and local communities. The changes of the last three years, the ways in which the organisations are now positioning themselves, and the business models that they have developed have resulted in a rethinking and remaking of relationships. This includes developing relationships with the federal government, forging new relationships with state governments, negotiating new relationships with private developers and financiers and redeveloping relationships with other not-for-profit organisations.

4.3.1 Renegotiating relationships with governments

In the last three years, relationships with the federal government had become much more important to the organisations than previously. Apart from capital funding, SHI transfers and NRAS, the availability of rent assistance to tenants had been of utmost importance:

Most of our funding comes from federal government through CRA or any sort of [Centrelink] benefits (i.e. 73% of revenue comes from rents).

The injection of Australian government funding in these various (direct and indirect) ways had been critical in enabling the organisations to take on new functions and acquire specialist staff in areas such as development and financing.

The interviewees were also aware of the need to manage relationships with the Australian Government in relation to key changes which could affect the sector, such

as potential changes to taxation of the NFP sector and national regulation. Some panel members were active participants in such debates but often the organisations took the view that the sector's interests on these matters were represented to the Australian Government through industry organisations, discussed in Section 4.3.3.

Relationships with state governments had been and remained of great importance as state governments have at least three main roles in terms of NFPs: setting the housing policy framework; funding and resource allocation; and regulation. The consequences were that the organisations wanted to contribute to the development of state (and federal) government policy settings as well as working within them. Some had undertaken modelling for state governments; others had engaged directly with central agencies of government, such as Treasuries, rather than going through the departments responsible for housing; and there had been some staff transfers between government and NFP housing providers.

One of the reasons we do so well I think is our relationships with government agencies and councils. We value these, we don't have that hand out mentality, we don't criticise them publicly, we try and work with them ... it's about building a relationship and partnering with them ... it's so important to us.

Whilst the housing agencies of government were still very important, the organisations had diversified their relationships with other state government departments to include planning departments, land agencies and central agencies. Some of the CEOs had instigated a business development role in which they had discussions with politicians and senior public servants in more than one state as they looked for opportunities for their organisations. There was high awareness of the political risks associated with policy changes at a state level:

The state governments are all over the place ... Even if you just look at [jurisdiction] ... the Planning Minister seems to be more interested in affordable housing than the Housing Minister or the Finance Minister. But it needs to be cross-divisional ... It has to be from the Premier down.

Whilst all the organisations worked closely with state government, several had been pushing for policy changes on specific issues:

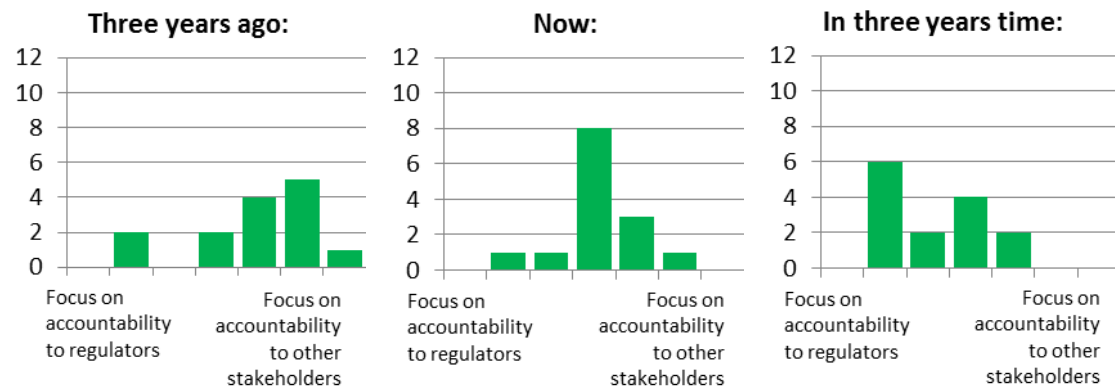
[Organisation has been] constantly replaying this message that the state government needs to be specific about its targeting policies—not to just have this idea of leverage and whatever outcomes happen ... There has to be some sort of vision from the state government that deals with the tension between having socially sustainable communities with people living in them, having leverage and financial viability, but also meeting the needs of people who have the highest level of need.

It was clear from the interviews that most of the organisations were aware of the policy context and funding opportunities not only in their home jurisdictions but also in other jurisdictions. At the time of the interviews there were a couple of major tenders which some organisations had submitted for: public housing stock transfer in Tasmania, and community renewal/redevelopment in a large estate in New South Wales. This created a situation in which there was both cooperation and competition between providers, as we discuss later in this chapter.

As they mature, and as regulatory regimes develop, the panel members expected that the key relationship in terms of accountability will be to the regulator of NFP housing providers rather than state housing agencies as policy units or funders. This was reflected in the panels' views on accountability, which showed a general move

towards accountability to regulators rather than other stakeholders, as shown in Figure 16.

Figure 16: Focus on accountability to regulators → focus on accountability to other stakeholders¹



¹ y axis shows number of panel members

Whilst views varied on the nature of current regulation and the prospects for national regulation, there was convergence around the importance of regulation in providing assurance to private lenders about the competence of the sector and the organisations within it:

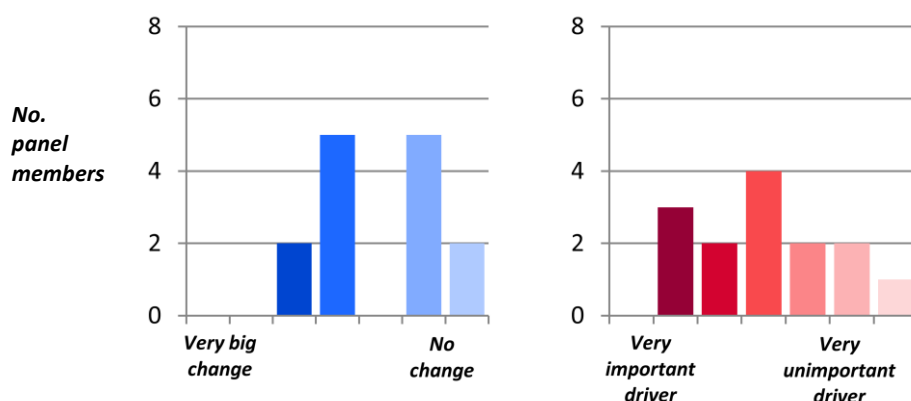
The banking system and all of these people are taking more and more notice of what our regulatory status is. I think that's where it [our accountability] will go in the future.

There was divergence of views about the importance of the influence of local government as shown in Figure 17. For some organisations, local government was important mainly in terms of planning approvals for new developments. Others had closer partnerships with local government, including some organisations that had originally been founded by local government, were preferred housing providers for local councils, and had partnerships in which they had developed on council land.

The consistent thing, regardless of political environment, is the need for housing, both for social and affordable housing. I think that the message is starting to get through about the benefits of affordable housing, particularly for ... local governments such as the [local council]; they can see the benefits of having affordable housing in their areas.

The relationship to local governments of those organisations that were geographically diversified was somewhat nuanced. They pursued relationships where opportunities presented but had found some local governments less receptive than others.

Figure 17: Change in influence of local government



In summary, over the last three years, there was some consensus about changing relationships with governments. The federal government had become more important as a driver and state governments remained important, although many NFPs had become more independent of state housing agencies and were seeking to partner with governments in different ways. Views about the importance of local government diverged.

4.3.2 Relationships with private sector organisations

One of the biggest changes over the last three years for many of the organisations had been developing relationships with a variety of for-profit organisations, in particular, developers, construction firms, and banks and other lenders. The SHI was a stimulus measure and coincided with a downturn in the development and construction industries. This meant that companies in these industries were more willing to partner with NFP housing associations. The introduction of NRAS also provided opportunities to partner with for-profits, both in terms of construction and, as discussed earlier in this chapter, in providing management on a fee-for-service basis for NRAS incentive holders:

We are getting very good deals for volume purchases as land developers are trying to off-load, particularly at this time of year [before end of financial year].

Not all developers, however, were as keen to partner with NFP organisations, even in the aftermath of the GFC. Some were anxious about perceived risks associated with mixed tenure developments which included social housing:

One way of doing mixed tenure development is that we do a turnkey project with a developer and buy, say, 40 per cent of a big development. We had been trying to negotiate that with some developers but had met with a lot of resistance because although that was a good pre-sale from their point of view, they were anxious about the impact that might have on perceptions and marketability of the rest of the development.

One of the important external drivers affecting the organisations over the last three years had been changes in the terms and conditions of loan finance, as outlined in Chapter 3. The effect of the GFC was to reduce the supply of credit and introduce more conservative terms and conditions of lending at the same time as many of the organisations were trying to secure private finance, some for the first time. This meant that developing relationships with lenders had become increasingly important, typically involving discussions with more than one potential lender.

Involvement with private finance markets entailed cultural change. The recruitment of finance specialists by some organisations had assisted in this process, enabling Boards and CEOs to have greater confidence in negotiations:

One of the challenges for the sector in development has been in negotiating finance. [Organisation] has people who can talk their language. Bankers and the community sector have different languages but they have got better at bridging the gap through importing people with skills and knowledge of the banking sector, both on the Board and the staff.

In summary, the organisations had developed relationships with a greater range of people and organisations in the housing development and finance industries than previously. This involved explaining and promoting the sector generally in industries where there was very little knowledge about NFP housing and being attuned to the ways in which these sectors assessed risk.

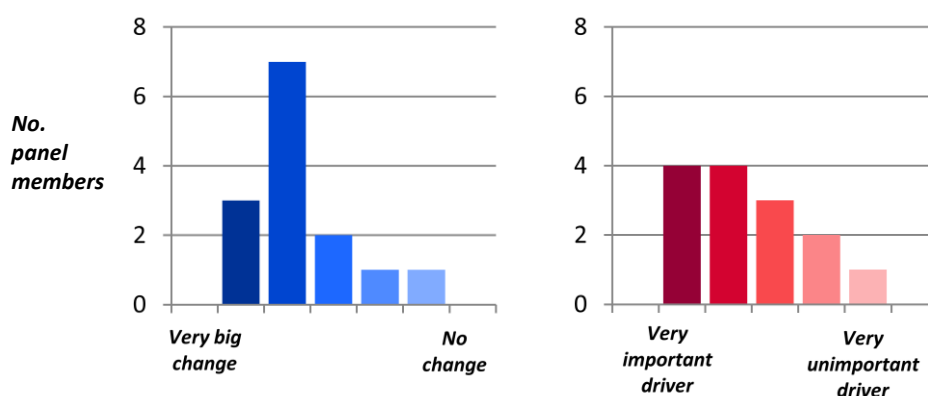
4.3.3 Relationships with other NFP housing providers

Many of the organisations had their origins in small-scale community housing organisations that had developed a strong sense of intra-sector collaboration. State government policy settings in the 2000s had generally encouraged the development of larger NFP 'growth' providers, through targeting resources to designated providers and encouraging merger activity. A part of this process was competitive tendering for SHI resources and NRAS funding. In some states, there were also tenders for public housing stock transfers.

As a result, the organisations had to operate in a competitive environment but one in which they also wanted to have a cohesive voice to government to promote the sector and forums in which they could exchange ideas. The Community Housing Federation of Australia (CHFA), the peak organisation, traditionally provided the former whilst PowerHousing had been established in 2006 as a trade association for larger NFP housing providers. Ten of the organisations were members of CHFA and PowerHousing (representing about a third of the membership of the latter¹⁵) whilst four were members of CHFA only.

Survey respondents saw changes in the degree of competition among NFP housing providers, although there was some divergence in views about how important these changes were, as indicated in Figure 18.

Figure 18: Change in level of competition among NFP housing providers over the last three years



¹⁵ <http://www.powerhousingaustralia.com.au/membership>, last accessed 8 June 2012.

In the interviews, most of the panel members pointed to increased competition between the larger NFPs as a result of being involved in competitive tenders. For some this was about competition within a state, but others were expecting increased competition from new types of organisations entering the sector and from organisations from interstate:

There is enormous naivety on the part of government and the sector in [state] in terms of what will happen on this issue—stock transfers will generate competition, new entrants, interstate competition.

Whilst acknowledging increased competition, almost all the organisations were also concerned that collaboration between the larger organisations in the sector remained important to share skills and transfer knowledge and ensure the viability of the sector as a whole rather than just individual organisations:

We as an organisation encourage lots and lots of collaboration but we are competing for EOIs [expressions of interest] ... It's the reality of what exists. It's about how much you share and when you share it ... It's important we collaborate. As a sector, our strength is together. We only need one organisation to fall down and that affects all of us. You have to collaborate but at the same time you are competing. It is hard to get the balance right sometimes.

It is clear that the organisations operated in an environment in which there were both competitive and cooperative relationships with other NFP providers, or at least the leading ones. Panel members were well aware of the tension between the two modes of operation and saw this as a necessary part of doing business. Overall, the results reveal an interesting dynamic: values that support collaboration and a political understanding about the importance of developing and promoting the sector have to coexist with day to day competition for resources.

4.4 Summary

The NFP organisations in the sample had responded positively to very significant changes in the external environment over the last three years. There was some convergence in terms of their strategic positioning: in broadening the income mix of their target group; in acquiring and using property assets to develop their business; in seeking and securing private finance and in extending the geographic area of their operations. In the three years surveyed (2008–11), they had taken up opportunities provided by federal and state governments in somewhat uncertain market conditions, and positioned themselves to be growth providers within the larger NFP sector. Whilst these were general trends across the organisations in our study, there was some divergence in views, particularly where organisations did not want to stray too far from what they saw as their core social mission to house low income households in specific localities.

Another conclusion concerns the tension between social objectives and commercial strategies which is a feature of the literature on hybrid organisations. Based on this research it is not possible to categorise the organisations as 'social' or 'commercial' in their business models but some clear differences in approach were evolving. In particular, whilst all the organisations had strategies to offer more housing opportunities to low and moderate income households, some were very actively pursuing asset and revenue growth. They had used a blend of SHI capital funding or asset transfers (according to the jurisdiction), NRAS subsidies and private finance to grow the balance sheet, whilst ensuring that they had sustainable trading operations so that they could meet commitments to private lenders as well as other operating

expenses. For other organisations growing the balance sheet was not the primary driver, although some differences in strategy were attributable to jurisdictional policy differences and the scale and development stage of the organisations.

The NFP housing organisations in the sample have diversified their stakeholder relationships over the last three years. They have developed new relationships with the federal government and, while state government housing agencies remain important to them in terms of policy settings and funding, they have also developed relationships with other state government agencies, in particular, regulators, planning, Treasury and finance, and other agencies. There was some tension between managing relationships between these two tiers of governments and, at a state level, between different agencies. Some of the organisations also had developed strong relationships with specific local governments. Most panel members were fully aware of government policies and market opportunities beyond their 'home' jurisdiction or region and developed relationships accordingly as part of business development. The organisations had also developed relationships with a range of people and organisations in the private sector, in particular, the finance and property development sectors, which had heightened their understanding of risk assessment and management. The organisations competed with other NFP providers for individual tenders put out by government, but also saw the importance of the NFP housing sector having a strong and coordinated voice in terms of government policies and being able to convince lenders about the growing maturity of the sector.

5 GOVERNANCE, ORGANISATIONAL DEVELOPMENT, STRUCTURE AND CULTURE

This is the second of two chapters which present the research findings on how leading NFP housing organisations are responding to changes in government policy settings and market factors, in the context of their organisational values, and the extent of convergence/divergence in views. As with Chapter 4, it is based on analysis of the survey data, interviews with panel members and review of available documentation such as annual reports. It covers the three years prior to the survey and interviews (early 2009 to early 2012).

Three aspects of organisational change are discussed; governance, organisational structure and organisational development and culture. Matters selected in each of these areas are those which were scored by the panel overall as major change factors and important drivers in their organisations, and other matters measured in the survey where a clear divergence of views was evident across the panel.

5.1 Corporate governance

The organisations in the sample have mostly been selected by state/territory governments as 'growth organisations' or 'preferred providers'. In jurisdictions where tiered regulation applies, they are registered to operate at the highest tier. As such, they have to demonstrate not only the ability to successfully acquit projects using large amounts of public funds but also to manage the risks associated with more complex operations, such as raising private debt finance secured against their assets and entering into commercial arrangements with private sector developers and builders. Increased expectations about what housing NFPs can deliver, and the means of achieving this, have important implications for organisational governance which, according to a recent report by the Productivity Commission (2010; Appendix I: I.32), must 'become more sophisticated, and CHOs [community housing organisations] must embrace complex, risk management strategies'.

Corporate governance is important to all organisations, whether for-profit or NFP. As the organisations in our sample have grown in the last three years through a large injection of government funding, private finance and involvement in asset procurement and development, the risks have extended and intensified. Good corporate governance is defined as 'the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within an entity' (ASX 2010).

The CEOs in the sample reported that corporate governance was a priority in a period of rapid change and that their organisations had developed or refined their policies/protocols over the past three years:

We instituted clear role descriptions for Directors, we beefed up Board procedures such as processes around accountability for attendance, about informed decision making. We spent quite a lot of time over a lengthy period doing that. Now there is an annual review of governance policy and procedures. I think this has been really worthwhile.

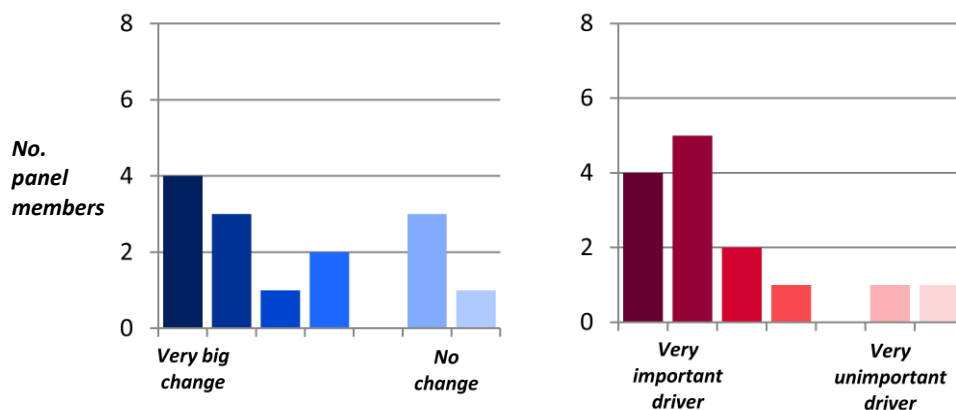
5.1.1 Board priorities and skills

Overall responsibility for corporate governance rests with Boards. All the panel members highlighted their importance in a period of rapid change over the last three years and almost all reported changes in Board priorities over that time. The

exceptions were two well-established organisations with very long-standing CEOs and a core of long-serving Board members.

There were more divergent responses on the extent of change in Board skills sets and the importance of this for the way in which the organisations carry out their business, as shown in Figure 19.

Figure 19: Importance of and change in Board skills sets over the last three years



Ten organisations saw change in Board skills sets as both a big change and an important driver of change in their organisations over the last three years. Five of these were the result of a merger or group structure in which Board membership was negotiated with some regard to a balance of skills, but subsequent positions have been filled on a skills basis as vacancies occur. Four other organisations not involved in mergers reported that they had experienced substantial change in Board skills sets as they deliberately sought new skills. Another organisation was established by a parent organisation with Directors from the parent company but has been progressively appointing independent Directors with required skills. Four organisations experienced less change in their Board's skills sets, judging that that they had always had a core of longer-term Directors who had the skills required or had been set up relatively recently with a Board which had the required skills.

Three years ago, most of the organisations had had Directors with legal, accounting, housing and welfare backgrounds, with some adding other skills in fields such as architecture, planning, engineering and commerce. During the last three years, they had increasingly recruited people with skills/experience in land development, building construction, banking/private finance and business as they took on development/procurement and financing functions which carry greater risk. Many had been able to recruit well in these areas, adding strength to the organisation's capacity and broadening the range of people involved in the NFP housing sector.

We [our Board] have a very diverse range of skills—all professional people ... The skills that we want to have, and have pretty well got, are legal skills, financial skills (banking and finance), development skills (which is one of the areas where we will bring people on with more commercial development expertise) and engineering and a whole range of skills on the Board.

5.1.2 Strategy and risk management

It was clear that Boards were involved in important strategic decisions, such as whether to expand to other geographic areas or diversify into other products/services (discussed in Chapter 4), in addition to their roles in monitoring and ensuring

regulatory compliance. They were also important in considering strategic direction in terms of the core values of the organisation:

The Board is quite on top of where the organisation is based, on balance.

It was evident from the interviews with CEOs that up-skilled Boards played an important role in managing financial and reputational risk. They not only ensured that the organisation met its fiduciary and legal responsibilities but also had a role in assessing potential benefits and risk associated with strategic directions and business models:

Our Board is really clear that ... we don't run services on surpluses because you may or may not get them. So their view is that we should be reinvesting those funds in property, although it's not so black and white as that.

Some respondents also talked about the role of Boards in both supporting and mentoring senior management and also challenging their ideas:

The organisation has always had really good Directors. If you don't have good Directors, the whole thing degenerates rapidly because the CEO needs a good Board to challenge them and support them.

A key trend which emerged from the interviews was clarification of the respective roles of the Board and management. In some of the long-standing organisations, these had worked closely together, with the Board actively involved in operational issues. This is quite common in organisations which are small-scale and developed from an associational model (Billis 2010). As more specialist skills were recruited at Board level, the next development was often contribution by individuals based on a particular skills set. A further transformation that some respondents noted is when Directors act fully as company Directors, rather than representing their organisation of origin (in the case of merged organisations) or source skills set.

Differentiation of the role of Boards and management required a high level of skill for both and was easier as the organisations had become larger:

When you get to 3–4000 homes, it can sustain a management team, it can keep the interest of a Board. You can employ a CFO, a development person, a more senior housing manager person. You can share the risks with the Board and get appropriate sign-off to the risks from the Board. Under that level the CEO has to be the chief cook, the bottle washer, everything, which is OK, but you can't grow the organisation strongly enough and you can't cover all the bases.

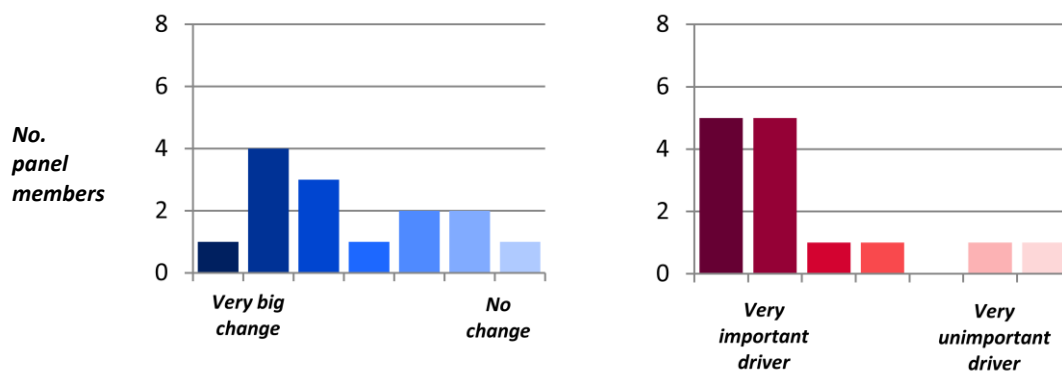
Several respondents said that clear separation of the role of the Board and management made it more attractive for people with skills to become Directors of an NFP for no or minimal remuneration. Importantly, Directors of this calibre do not want to become embroiled in detailed operational issues nor, importantly, do they see themselves as agents of state governments:

If you don't give organisations like ours a degree of autonomy, then you don't get Board members who are really fit for the purpose ... If you want a not-for-profit sector that takes responsibility and is independent and effective, you have to really let it stand on its own two feet.

Good corporate governance requires that the Board works harmoniously with the CEO and senior management. Almost all the panel members saw change in executive leadership as an important driver of change in their organisations, but the extent of this varied, as illustrated in Figure 20. Several organisations had had the same CEOs over a long period. This raises questions of risk in terms of reliance on (founder)

CEOs. Ensuring succession planning for the CEO is a primary responsibility of Boards (ASX 2010). Thus, whilst respondents did discuss Board succession planning, CEOs were not questioned on their own succession. This is something which can be taken up in the second stage of the project.

Figure 20: Importance of and change in executive leadership over the last three years

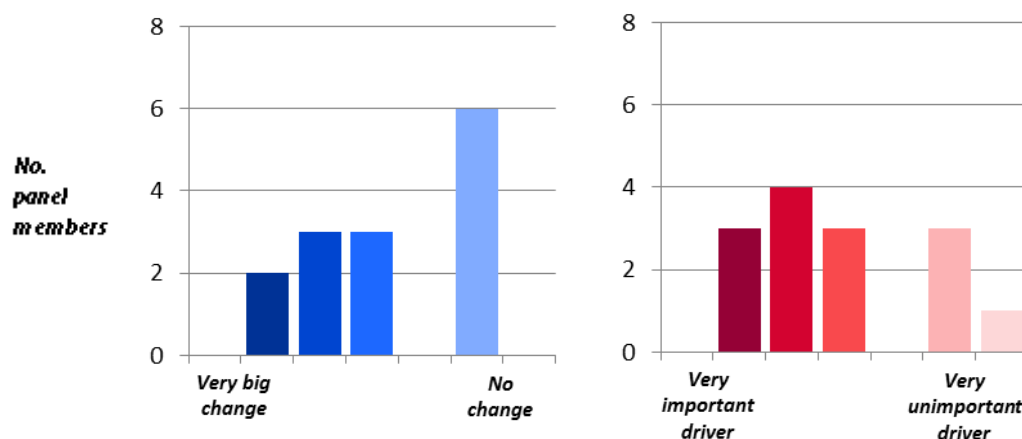


The organisations differed in their ownership structure. Most had members (generally thought to be small in number), although it is not clear in some cases that the members played an active role other than through annual general meetings. What was apparent, however, was a trend towards independent Directors, that is, not representing either individual members or being executives of the NFP (or its parent). Those organisations that were the result of a merger or group structure, or that had been established with a Board appointed by members, had moved in this direction to recruit specific skills, as discussed above. Appointment of Directors varied, as is common in the NFP sector (Billis 2010). Approaches included nomination by members, nomination by existing Directors, and mixed systems in which there was a combination of both methods. Where members had a strong connection with a particular geographic area, there was an interesting dynamic which resulted in some changes to organisational structure, which we discuss in Section 5.2.2.

5.1.3 Tenant involvement in governance

We found a range of views about whether there has been change in scope for resident/tenant influence and the extent to which this had been an important driver for change for organisations in the sample, as illustrated in Figure 21.

Figure 21: Importance of and change in scope for resident/tenant influence over last three years



In the UK housing association sector, which has been an important influence on the development of NFP housing organisations in Australia, tenants are an important part of governance at least for some types of organisations.¹⁶ In Australia it is relatively unusual to have tenants on the Boards of large growth NFP housing providers.

Many panel members affirmed that tenants could become Directors; if nominated and accepted, there was nothing to stop this happening. However, there were mixed views on the desirability of this in terms of good governance:

Tenant participation is touched on in our constitution in that tenants can be Directors of the company but we don't have to have a tenant on the Board. It would happen if a tenant was nominated ... and won a majority of votes, that's how it could happen.

A tenant with the relevant skills set and able to present the best interests of the company would not be precluded from being on the Board. However, to have a tenant representing tenant interests on the Board is not in keeping with the Corporations Act.

In general, there was convergence around the view that skills-based Boards represented a move away from tenant representatives on Boards, although a few disagreed with this. However, most of the organisations reported that they had other mechanisms to involve tenants. Examples given of mechanisms included tenant newsletters, tenant satisfaction surveys, resident committees, community reference groups for projects which included tenants, tenant forums, events for tenants, and supporting social enterprises involving tenants:

In the last three years that [resident engagement] hasn't been a focus but ... we are aware of that. We are now very keen to look at ways of re-engaging with our tenant population. It's become more complex, we are spread geographically ... but we are very keen as part of the growing community development / place making role that we are taking on that engaging with our tenants has to be a central part of what we do.

We recently appointed a specific tenant engagement officer. So they have that role of working out a whole range of strategies and implementing how we facilitate tenant engagement in the organisation.

In summary, the leading NFP housing organisations in the panel have paid considerable attention to improving corporate governance including the key role of Boards in terms of strategic positioning (the future), decisions on major issues (the present) and monitoring/compliance role (performance). For many, this has required up-skilling to include Directors with skills in private finance and property development/construction. It was unusual for these organisations to have tenant involvement in governance at Board level. There has been a new focus on strategy and risk management in the context of the rapid changes to the external environment outlined in Chapter 3. It appears that whilst these organisations have roots in the third sector, they are hybrids and are increasingly acting like private organisations in governance terms (Billis 2010, p.57).

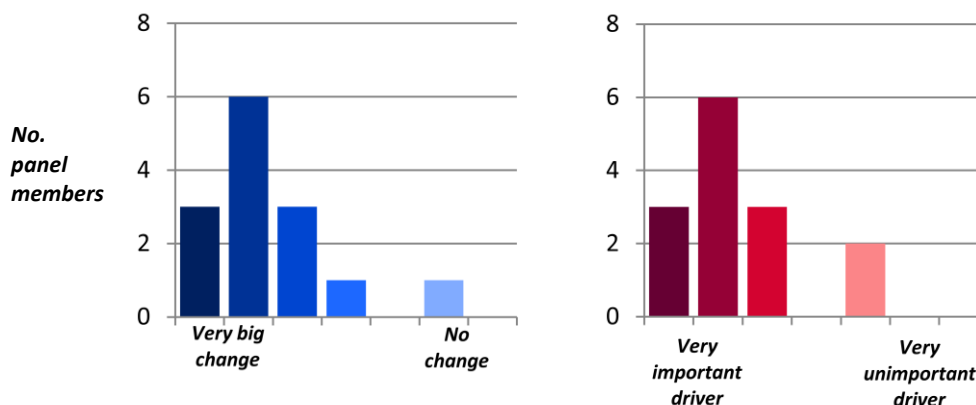
5.2 Corporate structure

The panel members reported substantial changes to corporate structures of most of the organisations over the last three years, and these were seen as an important

¹⁶ Tenants constitute a third of Board members in organisations which have stock transferred from local authorities, although representation is much lower in traditional housing associations (Mullins & Pawson 2010a, p.200).

driver of change in the way in which the organisation fulfilled its tasks, as illustrated in Figure 22. The outlier was an organisation which had been through a period of organisational consolidation following a merger with a smaller community organisation prior to the period in question.

Figure 22: Importance of and change in organisational structure over the last three years



There were two main strands to change in corporate structure: development of separate entities such as special purpose vehicles in order to manage risk, particularly in relation to development/construction and NRAS; and new entities to enable the organisation to do business in other places.

5.2.1 Structures to protect core business and manage risk

Half the organisations in the sample had structures to contain or quarantine risk that was associated with private finance, development/construction and NRAS from their core rental housing business. A main vehicle for doing this was the special purpose vehicle (SPV), which is a subsidiary set up for a specific purpose, such as financing and developing new housing. The main features of SPVs are that they operate at arm's length from the founding organisations and can isolate financial risk from the founder.

There are a number of drivers of this type of structure. Firstly, they protect the core business of the founder organisation if for some reason the SPV runs into financial difficulties. Secondly, they are a device to protect the tax status (PBI and DGR) of the core organisation. SPVs typically do not have PBI or DGR status, but GST exemptions still apply when they are NFP organisations. Thirdly, they are a vehicle to attract private finance through a lending facility at a lower cost because the risk has been contained:

We have ... set up another company and the reason for that is that we now have an NRAS program of a size that is incompatible with being done through a wholly owned subsidiary or directly by [company]. It's becoming such a significant part of our activities the lawyers feel that the ATO could come along and say you're not really a social housing provider, you're an NRAS provider. By doing it through a company limited by guarantee, the lawyers think that's better.

Having additional structures enables organisations to generate surplus income which can be invested in additional social housing and has helped to attract people with specialist skills in private sector land development, residential construction and

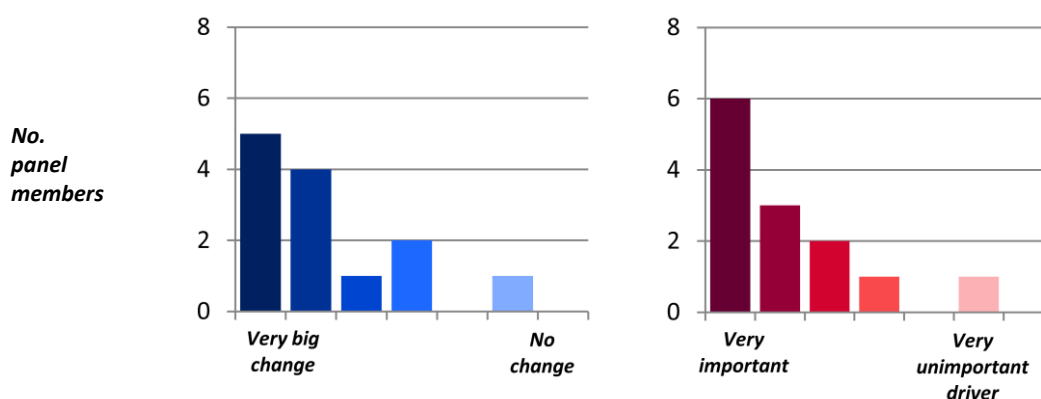
financing. It also adds considerably to legal and organisational complexity and transaction costs.

Not all organisations had taken this path. Several were involved in joint ventures with private sector developers and builders on a project by project basis. For example, one now does joint ventures in which the builder takes on half of the debt and half the risk on sales. They have adopted this model because they do not have the experience in property sales themselves which constitutes a risk.

5.2.2 Structures to enable geographic expansion

The other main reason for making changes to corporate structure was expanding operations either within a state (where an organisation had a specific geographical mandate) or interstate. This was an important driver for most organisations, as shown in Figure 23, with one outlier that had decided to focus on developing a critical mass in a specific area of one state so that it could have locally-based tenancy services and support services.

Figure 23: Importance of and change in geographic areas of operation over the last three years



In some cases, Boards wanted to maintain the focus on specified geographic areas, particularly where they had members whose interests were primarily in that area. They were aware, however, of opportunities in other parts of their state or other states, for example, in providing affordable housing in resource development areas. In such cases, one strategy was to establish another organisation to expand to that area. The Board of one organisation had agreed to set up another company in which they will have minority share.

In order to expand geographically, the organisations had developed a number of organisational strategies including mergers, group structures and the establishment of subsidiary organisations. Some organisations had developed structures over the last three years to position themselves for, and/or move into, interstate operations. Some drivers for this were the desire to be a national NFP provider, to take advantage of opportunities in other states when little was happening in the 'home state', and to build or maintain a national operation. This was not just about achieving greater scale but also risk management because of policy uncertainty, especially at state government level. The lack of national regulation posed a difficulty for NFPs that were unable to use assets in one state as security for finance to build in other states. They had developed different organisational responses to this problem.

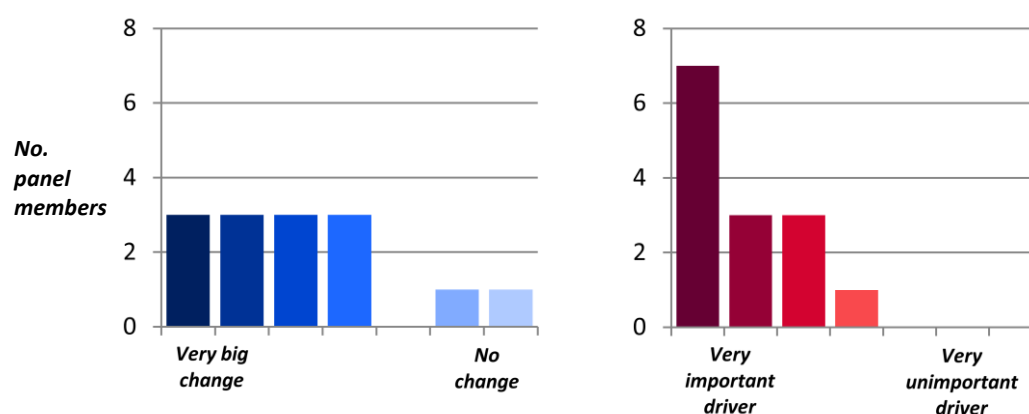
5.3 Organisational development and culture

The extent of change in the last three years had created many challenges for the organisations and the people who work for them, which involved both opportunities and risks. Panel members rated financial competency, investment in information technology, and management operating costs as some of the biggest internal drivers of change. Leadership, management and having the right skills were consistently identified in the interviews as crucial to organisational performance.

5.3.1 Specialist skills

An important driver of change over the previous three years had been improvement in financial competency, as shown in Figure 24. Two organisations thought that they had already developed this prior to the study period.

Figure 24: Importance of and change in organisation's financial competency over the last three years



Typically, improving financial competency had involved recruiting people with specialist skills, many of whom came from the private sector rather than from other NFPs. CEOs were relieved when their organisation was financially able to sustain a chief finance officer (or equivalent) as this took the pressure off them, enabling them to focus on strategy and business development. Appointment of additional lower level personnel with financial expertise was also common.

Recruitment of staff with financial skills posed some challenges in that these often required higher levels of remuneration than housing delivery staff. This challenge was not as great as in recruiting people with expertise in development and construction. The latter type of expertise is associated mainly with the private sector where remuneration is often higher than that familiar to NFP organisations. This posed challenges for some of the staff who had worked there for a long time and whose focus was on housing services and social housing:

It is manifest in some of the people who had worked there for a long time who have seen other people come over them as a result of a higher degree of professionalisation and corporatisation, which has been difficult for them but they are still engaged.

There appeared to be three types of organisations in the sample:

1. Those that had developed the capacity to project manage small developments in-house but relied on other organisations for development and construction expertise.

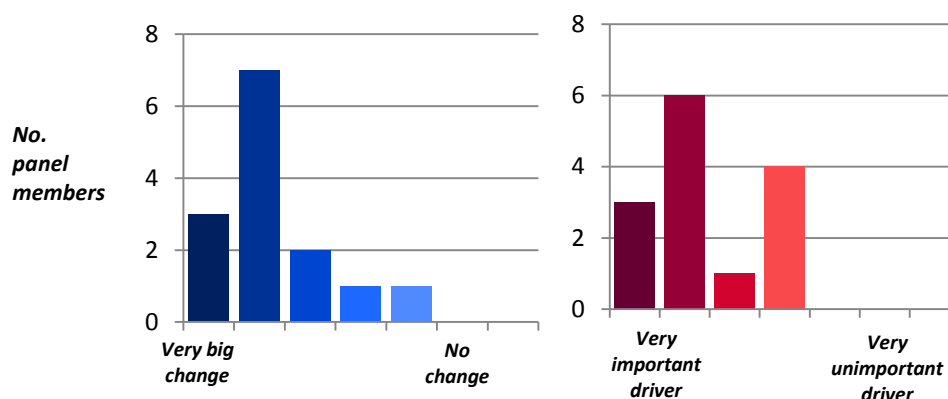
2. Those with in-house project management capacity that could buy off the plan and/or do 'design and construct' projects. They used consultants for different components and entered into contracts with commercial builders.
3. A small number of organisations that had development capacity, either on their own or in conjunction with other organisations. These could develop, design, construct and market properties, each of which required specialist skills, although they also used consultants for particular tasks such as design.

There is not a linear path between these organisational types. Not all organisations aspire to have an in-house development function nor to supply housing for different market segments, such as affordable housing or market for-sale housing. However, there has been a general move towards attracting specialist staff rather than partnering and outsourcing which many, although not all, of the panel members expected to continue in the next three years, as we saw in the last chapter:

I get fairly insulted when I hear people say the sector hasn't got capacity... after the last couple of years the capacity we have is huge ... we try to build our capacity not pay someone else to do it.

As organisations have grown in size and complexity of operations, existing information technology (IT) systems had quickly become outmoded. Organisations were at various stages of migrating to better systems, with ten having undergone big IT changes recently. Investment in IT was a big internal driver for two-thirds of the organisations, as shown in Figure 25.

Figure 25: Importance of and change in investment in IT over the last three years



All organisations had invested in IT recently, which involved not only substantial expenditure of funds but also changes in procedures and practices. Attracting people with skills in this area was challenging for many organisations, and the housing NFPs in the panel had been resourceful in using their own funds but also using expertise from Board members and pro bono advice from a variety of sources:

We implemented a new system last year and invested big. I've got a continuing change management team that is looking at it and we will continue to invest in the next couple of years and it will grow with us.

Changes in the three areas of financial competency, asset development and IT systems had introduced new dynamics into the organisations, which we consider next.

5.3.2 Organisational culture

As organisations developed in size and complexity, there was concern to ensure that they did not lose their mission and purpose and, in particular, the interests of those

whom they had been set up to house. For many, this was about change management and organisational culture:

The biggest challenge internally is change management; keeping the focus on all the good things that community housing was about and keeping those very much as part of our values—the tenant, the family type approach to things, the caring, the compassion. As you grow, it's critical that's maintained ... You can get very seduced by all of that [development and finance] and think that's where the real action is. It isn't ... It's actually the stuff around the tenants and the impact that you have on their lives.

There was a particular challenge in melding together a team with disparate backgrounds as organisations recruited people from the private sector with skills in finance, development, marketing and communications. Many respondents in the panel talked about the challenges of organisational culture in the interviews, even though this was not a specific question in the survey.

A key point made by some respondents was that they wanted to establish a more active, entrepreneurial culture and not a 'public service' culture, which was seen rightly or wrongly as more passive and risk averse, or the culture of a traditional welfare organisation operating on a contract-for-service basis with government:

There are aspects of the private sector that I really like. This is about giving high quality customer service to people who normally don't experience this or expect it.

Recruitment was a key component in developing organisational culture. Some people had good specialist skills but were not suitable for working in a housing NFP and did not understand how to be commercial to achieve social objectives:

We're recruiting a diverse group of people; people who like people; people who believe in customer service ... We did that [last year's achievements] by people buying into the vision and understanding that this is going to be a hard place to work.

Some organisations had an easier task in that they had been established to fit their current purpose but others had to ensure that staff from an older culture were melded with more recent arrivals with different skills and different expectations. Whilst recognising the problems, there was some optimism about this process:

It is a good culture but it is passive and compliant. When you look at where the change blocks are, it is people harking back to the times when there was less accountability and less rigour ... We have gone through enormous change.

One of the elements of organisational culture is giving staff pride in what they do and a sense of achievement. Diversification of their business had provided the opportunity to do this for some of the larger providers:

The whole business of doing mixed tenure and having to present our product in a more stylish way ... We treat our tenants as customers more. It has been a challenge, but a welcome challenge.

An interesting take on this was that changing the culture also involved tenants. One organisation that had been involved in transfer of public housing stock said that they had faced difficulties with this:

With people transferring from public housing one of the big issues I have noticed is the culture they have generated, the type of mindset they have

about their landlord remains ... we know now that a lot of work has to be done in terms of organisational culture ... this is going to require resources.

Part of the challenge appears to be in developing a more respectful and professional relationship with many stakeholders, including tenants, and moving away from what is often regarded as a paternalistic culture in social housing, without losing the focus on achieving social objectives which were very important for all respondents.

5.4 Summary

The changes of the last three years have had a significant impact on the larger NFPs in the housing sector. Some of the long-standing organisations had developed the skills and capacity of their Boards as the organisation matured; others had had to rethink their requirements as a result of mergers. Newer organisations had been able to establish Boards with skills in finance and development/construction as a part of their establishment, or soon after. In all cases, there was a trend towards independent Directors with a range of skills and towards separation of the role of Boards and senior management. A key challenge for the sector is in retaining Directors with such skills, if there is no obvious stream of capital growth funding and if governments place too many restrictions on organisations, such that Directors do not have sufficient independence to apply their skills to the sustainment and development of the business.

Some of the organisations had to rethink their corporate structures to take advantage of new opportunities. A key driver was managing risk as they attracted private finance and engaged in housing development. A common choice was a special purpose vehicle to protect the core business of housing services in terms of financial exposure, modus operandi and risk to charitable status. These and other vehicles involved high transaction costs but were necessary to expand the area of geographic coverage and enter into new markets, either in the home state or in one or more other states. In one way or another, organisations had to manage change processes; in some cases this was sudden, as in mergers and transfers, in others more gradual and organic. A critical issue was organisational culture. In the move to more business-oriented and entrepreneurial organisations, as discussed in Chapter 2, there were twin challenges: attracting skilled people who subscribed to the mission of the organisation, and enabling longer-term staff to adopt more businesslike regimes that would benefit its clients.

6 OUTLOOK AND CHALLENGES

This chapter looks at the future outlook and challenges for panel members (and, by implication, for leading housing third sector organisations) with particular reference to the range of strategic issues and decisions that panel members identified as being those most likely to impact the structure, direction and purpose of their organisation in forthcoming years. The chapter is based mainly on the findings from Section 5 of the survey and a discussion of those results in interviews. In considering the foreseeable future, however, the chapter also reflects on recent and current practice and organisational trajectories, as outlined in earlier chapters.

6.1 Changing drivers

As discussed in Chapters 3 to 5, all organisations had experienced a period of rapid change and growth in the three years preceding this study, due mainly to the SHI and, to a lesser extent, NRAS. Among panel members, there were divergent views about the prospects for their organisations in the next five years. Some were buoyant and expected organisational growth to continue into the foreseeable future, often through an increased involvement in the provision of moderate income housing. Others were more cautious, predicting a period of consolidation and regrouping. However, there was general agreement that the next five years would be quite different to the last three. This assessment was summed up by one panellist:

Looking at [the responses to the survey overall] I think there is growing awareness there ... a sense that we are entering a new phase ... it will be different again and different state by state as always ... I wouldn't say just consolidation, it's more than that but I think it is time to take stock and think carefully about what the next steps might be and make sure we don't put at risk what we've built ... for me that is a very important issue—the growing sense of responsibility for the tenants we have and the stock we have.

A number of changing external drivers that were likely to affect organisations and the housing third sector more generally were identified as follows:

- The level of government funding available to NFP housing organisations seemed likely to be significantly reduced.
- It was expected that the next phase of growth would increasingly need to be funded through asset utilisation, diversifying revenue streams or by raising additional private finance.
- Private finance institutions in Australia remained cautious at the time of the research, with some panel members indicating that this was making it more challenging to secure debt finance on favourable terms and conditions. As well, the future leveraging potential of organisations and their attractiveness to lenders was seen to depend on their business viability. If public investment dries up and balance sheets and revenues don't grow, their appeal to lenders will be adversely affected.
- In several states, NFP housing organisations were entering a period of greater policy uncertainty following changes in political leadership.
- National regulation of the sector will be introduced from 2013 and a set of other changes to tax and regulatory provisions for the NFP sector are imminent (see Chapter 3). It was expected that these changes would have important implications for organisations over the next five years but, as the direction and impact of change is unknown, forward planning had been compromised.

- At the time of this study, there were moves to increase transfers of public housing stock from several state governments to NFP housing providers, but under different terms and conditions in each jurisdiction. There was considerable uncertainty surrounding the costs and benefits to organisations of this growth vehicle.

6.2 Key issues and decisions in the next five years

Section 5 of the questionnaire for this study (Appendix 1) asked panel members to think about the next five years and identify the three issues that they believed were most likely to impact upon the structure, direction or purpose of their organisation. These could be issues that were only just being considered, or where decision making had already started. All panel members identified three issues in their questionnaire response, meaning that 42 issues were identified in total. Thirty seven of these could be grouped under one of seven themes:

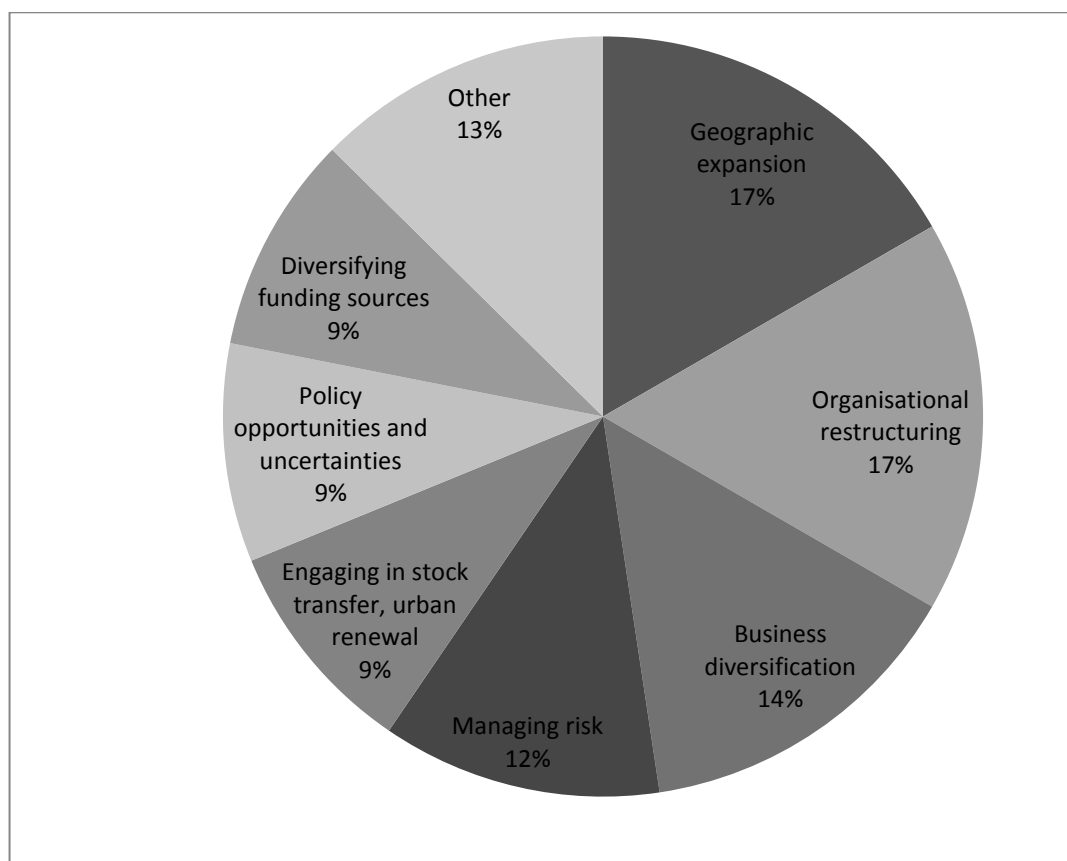
- geographic expansion
- organisational restructuring
- business diversification
- managing risk
- stock transfer/urban renewal
- policy and regulatory opportunities and uncertainties
- diversifying funding sources.

An eighth 'other' group was added by the research team in order to capture the remaining five distinct issues that were identified by individual panel members.

Figure 26 presents the aggregate views of panel members on the range of issues that were seen to be most likely to impact organisational structure, direction or purpose in the next five years. It shows the proportion of total issues identified that fall into each group (e.g. 17% of the 42 issues were linked to geographic expansion). These groupings are based on the researchers' thematic classification of the specific responses. However, it is important to note that the groups are not mutually exclusive and indeed frequently intersect; an issue relating to business diversification can also relate to minimising risk, stock transfer or organisational restructuring, for instance.

In the remainder of this chapter, the range of issues identified by panel members in Section 5 of the questionnaire as being likely drivers of organisational change over the next five years is discussed. Emphasis here is on the nature of the issues identified, the reasons that they are likely to be important to organisations and the major decisions that they are likely to prompt for panel members and other decision makers, especially Boards.

Figure 26: Key strategic decisions/issues for the next five years



6.3 Geographic expansion

Along with organisational restructuring, geographic expansion was the pending strategic decision most commonly raised by panel members, with 17 per cent of the issues raised related to geographic expansion.

As discussed in Chapter 3, half of all panel members nominated being geographically unrestricted as a core value for their organisation at the time of the study. In the next five years, several more organisations were expecting to move interstate and almost all were seriously considering growth opportunities outside their home state. As one panel member put it in thinking about the key decisions they faced over the next five years: 'Should we grow nationally or shouldn't we, and if we should, then when?'

For many CEOs, networking in areas of planned future expansion had been a key emerging role. One panel member described his/her job as increasingly being about 'business development', building and nurturing relationships and partnerships with a wide range of government and non-government agencies outside the organisation's core areas of operation.

Further geographic expansion was seen by many panel members to be an important part of the 'entrepreneurial culture' that they had sought to instil in their organisations, and to be a crucial way of improving organisational efficiencies, developing economies of scale, growing balance sheets, increasing independence from government and spreading political risk.

The key decisions that panel members foresaw in the next few years regarding geographic expansion related to the extent of their expansion, the areas that the organisation would be expanding into, and how this could be balanced with a need to ensure that appropriate local support services were available. While some panel

members saw a risk that organisations become over-stretched and that connections to the community are lost or diminished, others highlighted the risks with remaining geographically anchored to a small number of localities and a single state. In that situation, risk to an organisation cannot be mitigated should policy settings in that state become less favourable, and targets for growth and leverage are likely to be more difficult to achieve. Overall, scarcity and uncertainty of resources could be seen as key factors driving plans for geographic expansion.

Another key external factor raised by several panel members as likely to influence decision making regarding geographic expansion was the foreshadowed national regulation of the NFP housing sector (Australian Government 2010a). At the time of the study, organisations operating across jurisdictions were required to register in each state in which they were active, adding complexity to their business. Importantly, regulations also prevented NFPs from using assets in one state as security for finance to build in other states, making it necessary to set up separate legal entities or to partner with interstate providers. Some state governments had also actively resisted the entry of interstate providers into their jurisdictions, primarily by giving preference to local providers in tenders. The hope of panel members who were aspiring to go national was that national regulation, when introduced, would simplify regulatory requirements and enable them to develop a national business strategy.

6.4 Organisational restructuring

Six panel members raised organisational restructuring as an issue likely to influence change and development in their organisations over the next five years. However, the specific issues raised were typically about how an organisation would respond to other expected changes, rather than being drivers of organisational change in themselves. For example, where further business diversification or geographic expansion was planned or expected, panel members foresaw that there would be a related need for organisational restructuring. The issues raised relating to this organisational restructuring could be grouped into two broad themes: restructuring to enable diversification and/or growth, and restructuring to remove functions.

Much of the discussion of restructuring to enable diversification and/or growth centred on decisions to be made about the use of group structures or SPVs. As discussed in Section 5.2.1, SPVs are subsidiaries of a core organisation that are set up with a specific purpose, such as to finance or develop housing—several SPVs already existed among the participating organisations at the time of the study. Having multiple entities allows a parent organisation to conduct a greater variety of activities that generate surplus income which can be reinvested in social housing development, protecting the core organisation from risk and allowing it to retain its favourable tax status. Several of the issues raised by panel members concerned the possible creation of new group structures or SPVs, often as a way of ‘cross-subsidising’ their core business:

How can [the organisation] restructure in a way that enables us to undertake more NRAS and market for-sale development without compromising [our] PBI status?

In this sense, the possible creation of SPVs reflected an expectation that there would be further shifts in organisational function away from a focus solely on low income housing, towards a broader remit that included moderate income rental and affordable home ownership. It can also be anticipated that proposed wider changes to taxation provisions (outlined in Chapter 3) could prompt further changes to NFP housing organisations as they move to restructure their organisation in order to remain tax and

cost effective. A specific issue that was raised by one provider but is likely to affect others concerned changing conditions for social and community sector workers:

One challenge is the recent decision about a modern award for social and community sector workers. From 2012–13, there will be an extra \$300 000 in staff expenses including CPI. It looks like a 40 per cent increase for existing staff over eight years. I am happy for them to be earning more money, but we will need to generate efficiencies internally.

The second theme in the issues raised by panel members relating to organisational restructuring concerned the reduction of in-house development functions as development pipelines dried up. This was an immediate concern for a couple of organisations. However, as discussed in Chapter 5, many others had recruited project development and project management staff in recent years, primarily in order to deliver housing under the SHI and using NRAS. With the conclusion of the SHI, a key question that panel members in these organisations were asking was: 'Do we take out the project development and project management skills that we have built up recently?' A related issue concerned the retention of the commercial and construction expertise that has been built up on Boards. Retaining these skills sets will be a challenge in organisations where growth is expected to slow significantly in the next few years.

6.5 Business diversification

A key business strategy and a major area of convergence in survey responses was a trend towards diversification of business activities and development of new products and services. However, there were two quite different themes in the issues raised regarding likely business diversification over the next five years:

- Decisions to be made about organisations taking on an increasing role in the provision of a wider range of housing products, including through the development of home ownership products.
- Decisions about how outcomes could be improved for existing tenants through the expanded provision of other services, especially as organisations grew and diversified.

For several panel members, key issues for the next five years included whether their organisation could and should become increasingly involved in the delivery of home ownership, either as a means of offering pathways to home ownership for tenants (e.g. those in NRAS rentals) or as a means of realising the value in some of their assets. The views of a couple of panel members highlighted the tensions that are inherent in decisions about this issue: they wanted to diversify the business of their organisation for a range of reasons relating mainly to growth, funding diversification and risk management, but also wished to retain a focus on specific target groups. These panel members foresaw that in the next few years, big decisions would need to be made by them about whether their organisation broadened its remit or remained a niche provider. If they did not diversify, there was a risk that they would struggle to grow and would not be able to compete with larger and more diverse providers, but if they did diversify then the organisation might lose sight of its social mission. As expressed by one panel member, the key issue for the next five years is whether 'we should become a large and diverse provider or remain a niche provider for marginal households.'

For several other panel members, the issue was not whether they should increase their housing products, but how they should do so—it was an issue of strategy rather than positioning. Several organisations had made the decision to move increasingly

into moderate income housing provision, and the major decisions to be made in the next five years were about how best to do this, or indeed to determine what they would be able to do, especially considering policy and funding constraints:

We've spent probably six or eight months ... running down every burrow that we can see. So whether that's about participation in the private rental market ... introducing new products with the private market in terms of shared equity or mixed equity, putting up alternative models for ownership and management ... corporatising aspects of government by joint ventures with government, utilising under-capitalised assets that we've got ... I'm sure I've missed a couple of others, but all the things you could think of ... And it's not that the ideas or the thinking are wanting, but the policy and funding environment isn't there.

The second theme apparent in the issues raised relating to business diversification was a desire to expand activities to provide improved services for specific target groups such as Indigenous households or the homeless, or to engage to a greater extent in non-housing support for existing tenants, for example, through employment and training programs:

[The organisation's] creative energy will go partly to settling and consolidating in the present and near future, but also a big push towards the creation of opportunities for community and economic participation for tenants.

We've had a few discussions about social enterprise, particularly some of the services that we currently contract out—cleaning, yard work, gardening, catering. We're looking at that right now ... it's about keeping it complementary to what we do.

Usually, such directions were most important to organisations who foresaw a period of regrouping and consolidation in the next few years, rather than those with ambitious targets for continued growth. The former tended to welcome the opportunity to invest more in tenant services now that the frenetic pace of the last few years was slowing.

While business diversification was identified explicitly by panel members in 14 per cent of the issues raised, it is important to note that it was also implicitly raised many more times through discussion of issues and likely decisions relating to stock transfer and urban renewal, risk management, geographic expansion and diversification of funding sources.

6.6 Managing risk

Issues raised by panel members regarding the management of risk in the next five years accounted for 12 per cent of all issues identified, but the risk appetite of organisations underpinned many other pending decisions discussed in this chapter. Mostly the risk management issues explicitly raised were about minimising financial risk, rather than other forms of risk, and generally they concerned decisions to be made about how fast an organisation would grow and how much private debt finance it should take on in order to enable that growth.

One panel member described the major issue concerning financial risk as being about the point at which Boards and executive staff would get 'scared of debt'. The key question for the next few years was about how fast organisations could and should grow, given that much of that growth would have to be privately financed, if public investment declined as expected. How could an organisation maintain its desired growth trajectory in the absence of significant public funding and without risking its long-term financial viability? A key issue affecting decisions made on this question will

be the costs of operations and the terms and conditions of the private finance secured.

Beyond the question of how much debt was too much, many organisations had put strategies in place to manage financial risk or were planning to. Some were looking at how they could better balance the use of private finance with public and philanthropic sources, equity investment and local government partnerships, balancing these different sources carefully in order to spread exposure to risk (Section 6.9). Others were considering more strategic partnerships with private developers who take the development risk, and yet others were using different structures to undertake riskier activities (Section 6.4).

Although not raised specifically by panel members in Section 5 of the questionnaire as a key issue relating to risk management, the long-term maintenance of properties in an expanding portfolio was seen by many panel members in interviews to be a key issue requiring greater attention from them in the next five years, especially where organisations had taken on, or were planning to take on, transfers of assets from state governments:

For us to be [financially] viable long term ... we need new properties, we need to churn them at years 15 to 20, if we are going to avoid the big costs that come with that.

While some organisations already had long-term maintenance plans in place for their properties, many did not. Some panel members from the latter organisations did not see maintenance as an issue currently, mainly because their housing portfolio consisted of new properties and they planned to redevelop any transferred state government properties rather than retain them (see below).

6.7 Stock transfer and urban renewal

As discussed in Chapter 1, the expansion of the NFP housing sector in Australia has been driven partly by modest rates of housing stock transfers from state housing authorities in recent years. Moves towards larger-scale transfers were under discussion in several jurisdictions at the time of the research.

The potential for larger-scale transfers presented something of a dilemma for panel members. On the one hand, transfers of assets could be expected to improve the borrowing capacity of organisations in the future, as well as giving them the means to turn over assets and reinvest the proceeds, subject to regulatory rules. However, several panel members felt that any older properties transferred from state governments to them in the next few years were best seen as redevelopment, rather than management, opportunities due to the poor quality of stock. Redevelopment of transferred public housing stock was seen by several panel members as a major opportunity for making a move into mixed tenure development and urban renewal. Others felt that, realistically, stock transfers were the 'only likely game in town' for organisations wishing to grow their portfolio in the coming years, in the likely absence of any significant level of capital funding from governments.

The transfer of assets from state governments was specifically identified by four panel members as a key issue for their organisation in the next five years, but it was also central in the thinking of several others, often discussed by them under business diversification (Section 6.5). Half of all panel members felt that becoming a lead agency in urban renewal would be an important strategy for their organisation in the next few years. The main decisions foreseen regarding stock transfer and urban renewal concerned the level of stock transfer that was appropriate for their organisation and whether or not they would be taking whole-of-location transfers in

order to engage in large-scale urban renewal and place management. For organisations expecting to increase their involvement in urban renewal, decisions would hinge on the appropriate scale of stock transfer being made available by governments (i.e. not too large or too small) in the right location, and on their ability to establish partnerships with the right private sector developers:

The only way you can do it [urban renewal] at scale is by being aggressive on outcomes and clear about the finances and the figures and by being a partner rather than thinking that you can do this yourself. It's about exploiting the opportunity to get the right level of social outcome.

For organisations not wishing to become involved in urban renewal but still seeing stock transfer as an important business strategy, the most important issues were about the quality of the stock that was being transferred and the level of upfront and ongoing investment that it was likely to require.

Two panel members raised questions about the usefulness of stock transfers to the social housing sector and social housing tenants as a whole. One took the view that stock transfers from government to the NFP sector shouldn't be pursued for the sake of growing organisations, but only where it could be demonstrated that clients would benefit from an improved service following the transfer of properties:

[The organisation would advocate for stock transfer from the state government] only if we genuinely thought that we could create benefits for the current public tenants. And that question hasn't been fully resolved.

Government policy directions were seen to be a major factor likely to influence decisions made by organisations about stock transfers in the next five years. At the time of the fieldwork for this study, there was a great deal of uncertainty regarding state government policy on stock transfers in New South Wales, Queensland and Victoria as a result of recent political changes. Decisions made by state governments about the appropriate levels of stock transfer, the properties that should be transferred and the conditions of transfer will clearly have a major bearing on decision making for NFP housing organisations. They will also have flow-on impacts in terms of the level of borrowing that organisations can take on and the extent to which they can engage in urban renewal and place management. If stock transfer is to be the major direction for the next five years, NFPs clearly have a large stake in the decisions that governments make about it, as we highlight in Chapter 7.

6.8 Policy and regulatory opportunities and uncertainties

At the time of the fieldwork for this study, new state governments had recently come to power in several jurisdictions. Partly as a result of these political changes, there were some uncertainties for panel members regarding state government policy directions for the NFP housing sector, particularly with respect to asset transfers and other state government investment programs directed to NFPs, as discussed above. However, the policy issues they raised as being important for their organisations in the next five years were also about the role that the federal government would play, as well as the likely impact of national regulation of the sector. Issues relating to policy opportunities and uncertainties were not so much decisions that needed to be made by panel members (as with the issues discussed above regarding urban renewal or geographic expansion for example), but external factors to which their organisations may or may not have to respond in due course.

As discussed in Chapter 3, 12 of the organisations participating in this study had been successful in securing NRAS incentives. Moderate income rental housing was seen to be an increasingly important part of their business model and several panel members

raised the future of NRAS beyond 2015 as a key issue over the next five years. NRAS has provided many NFP housing organisations with an additional and secure revenue stream to service debt, it has allowed them to increase their scale and address a broader continuum of housing needs, and it offers a mechanism for facilitating mixed tenure development. Because NRAS has become such an important part of the business for the leading NFPs, decisions made by the federal government about NRAS will directly influence the future of their prevailing business model.

Another factor highlighted by several panel members as being likely to influence decision making and change in their organisations (albeit in unpredictable ways) in the next five years was the new national regulation of the NFP housing sector which will be implemented progressively across jurisdictions from 2013. Some were finding that uncertainty regarding the national regulation was making forward planning difficult for their organisation and anticipated that some changes in direction and/or approach would be necessary once national regulation was introduced. Key issues here included the extent to which national regulation of the sector will assist (or not) interstate expansion, what competition it will induce and what opportunities it will present for the development of new partnerships. It is possible that, with time, national regulation will help to promote greater policy convergence across jurisdictions, possibly simplifying geographic expansion for organisations.

Finally, there was an ongoing concern among panellists that policy change in other areas of government, such as taxation policy or CRA levels, could have unforeseen or unintended consequences for the business models of their organisations.

6.9 Diversifying funding

The diversification of funding sources was explicitly raised by four panel members as a key issue for their organisation in the next five years. However, it also underpinned many of the issues raised by others in relation to business diversification, risk management, urban renewal and policy uncertainty.

My board has a very strong business base ... Cash is king. We are out to make a surplus ... you need a nest egg if times get tough

The issue of diversifying an organisation's funding sources was usually linked to a concern that it was at risk of becoming financially vulnerable because it depended too heavily on a small number of sources. Another important factor closely related to this was a desire among some panel members for their organisation to become more independent of government in the face of continued policy and regulatory uncertainty.

The key decisions that panel members foresaw relating to the diversification of funding sources were about how businesses could be diversified to generate new sources of revenue, discussed in Section 6.5, or how new sources of funding could be identified and harnessed. In this latter respect, the issues raised often concerned the extent to which further private debt should be taken on, whether an organisation's social housing activities could (or should) be cross-subsidised through a newly created for-profit arm of the business, or possible ways in which additional external investment could be attracted from the private sector. For some organisations operating in states where resource industries are flourishing but having an adverse impact on local housing markets, a key business strategy was to seek upfront capital investment from resource extraction companies to build, own and manage housing in resource-boom areas.

6.10 Summary

At the conclusion of this study, the policy, regulatory and market environment for leading NFP housing organisations was characterised by less certainty than in the recent past. In the likely absence of major financial investment in the sector by governments in the next five years and with increasing pressure on the sector as a whole to deliver growth, it seems likely that many organisations will increasingly depend on their own resources and greater levels of private financing, rather than public funding. However, private financial institutions in Australia remain cautious about investing in the sector, and the terms and conditions available to NFP housing organisations for debt finance were seen by some panel members not to be particularly favourable. There are also major questions about the extent to which NFP housing organisations can leverage off their assets without putting their long-term financial viability at risk or comprising their legitimacy as socially driven organisations helping the most disadvantaged.

With some organisations increasingly involved in higher risk activities such as mixed tenure development, with those activities increasingly funded through private debt finance, and with ongoing policy and regulatory uncertainties, the management of risk was a key theme underlying the range of issues raised by panel members as being most likely to impact the structure, direction or purpose of their organisation in the next five years. In other words, the key issues and decisions they face will be about the risk appetite of organisations to grow the business in the absence of significant investment from governments, and how that risk can best be managed. As well as the obvious financial risks involved with the increased use of private debt finance, some panel members saw legitimacy risks in business diversification and geographic expansion, particularly if such changes shifted focus away from their core social purpose. Several strategies had been used, or were being considered, to manage risk: the use of group structures and SPVs to quarantine financial risk from core businesses, the spreading of political risk through geographic expansion and the diversification of business and funding sources, and the focusing of geographic expansion on a limited number of localities in order to retain local anchorage and responsiveness.

While the key decisions for some organisations in the next five years will be about the specific strategies that they adopt in order to support their business development and growth, for others, decisions to adopt new business directions have not yet been made. For those organisations, forthcoming decisions will be more about positioning. For instance, to what extent should an organisation shift its geographic focus and/or broaden its target groups? How can the continued growth of the organisation add value for tenants rather than just being for the sake of growth? Would expanding the range of non-housing programs at an organisation be a more worthwhile direction than growing the property portfolio?

7 CONCLUSIONS AND FURTHER RESEARCH

Progressively over the last decade in Australia, NFP organisations have become the preferred providers of social and affordable housing for lower income households. They have developed more complex business models with a greater range of functions than previously. Previous research (listed in Chapter 1) has documented various aspects of this changing model of housing provision, such as by examining the rationale for the model, the policy and regulatory settings applying to the sector, and by assessing some innovative housing projects and services. The broad aim of this study has been to bring new insight into how leading NFP housing providers have responded to opportunities to develop their businesses by using first-hand accounts of what has been driving their decision making, how their organisations are governed and operated, and the business challenges that they have faced. For this purpose, a group of 14 CEOs from among the largest housing NFPs were selected, surveyed and interviewed, using a methodology designed to elicit an in-depth understanding of what, how and why organisations make decisions and the sort of organisations that they are becoming. This organisational perspective differs from other studies which focus on the housing policy context. While it is the first study of its kind involving intensive and staged dialogue with a panel of decision makers in Australian housing NFPs about their business motivations and behaviour, it builds on similar international research that was described in Chapters 1 and 2.

The study's timing was opportune. It took as its starting point the positioning of leading individual organisations in the NFP housing sector since 2008. That coincided with the beginning of a period of massive change for these organisations as the metrics presented in Chapter 1 indicated. Organisational expansion has been driven by opportunities to undertake housing development at larger scale (stemming essentially from government initiatives, SHI and NRAS, as discussed in Chapter 3), by harnessing private finance to facilitate housing supply, and by the growth of organisational balance sheets and revenues (stemming from a variety of strategies, especially title transfers from public housing, organisational mergers, rent restructuring and housing a wider mix of households).

Using the methods outlined in Chapter 1, the study has explored five key themes with the group of 14 NFP housing CEOs:

1. The key external environmental factors that have driven recent changes in organisations.
2. The views of CEOs about key values of their organisations and how these have influenced their decision making.
3. The strategic positioning of organisations over the last three years.
4. Changes in organisations (governance, capacity, culture) that have resulted from expansion and business development over the last three years.
5. The most important strategic decisions that are facing organisations over the next five years and their potential significance.

To conclude our report, this chapter first outlines key findings about how leading housing NFPs are developing and changing, considering both strategic and operational aspects. Second, it compares key findings on strategic positioning with comparable research from the UK and the Netherlands; this helps to highlight the significance of external factors to the continuity and success of these hybrid entrepreneurial models. The third section considers the policy, funding and regulatory

implications of the research findings. To conclude the chapter, we reflect on our methodology and describe plans for extending our research.

7.1 Summary of key findings

7.1.1 The changing strategies of leading NFP housing organisations

The most significant changes in the strategic positioning of leading housing NFPs that have emerged from this study concern who these organisations assist, what they do and where and how they do it.

Who is housed

All organisations surveyed have, to a greater or lesser extent, expanded their remit recently to address the needs of both low and moderate income households from a range of circumstances—from households with special needs or those outside the workforce to lower paid workers. This shift to housing a more diverse mix of households has arisen from a combination of internal and external drivers. Key among these have been: well-evidenced need for a wider range of affordable housing options; government-subsidised and private sector opportunities to introduce products for moderate income groups (especially NRAS rentals and other affordable housing products); imperatives to underpin the financial viability of organisations by securing adequate revenue (in conjunction with increased borrowing); and organisations themselves striving to do more for their traditional clients (those in highest need) by generating a capacity to cross-subsidise their social investment from other more profitable activities, such as fee-for-service activities and mixed tenure housing developments.

Reflecting both different value positions and contextual factors, we also found differences in the extent to which organisations had shifted to a mixed income model. At one end of the spectrum, cross-subsidy was the heart of new business directions. At the other, some organisations were more cautious about losing sight of their core mission to house low income households. In some jurisdictions, there was some conflict between government policy settings that prescribed who the organisations housed (and hence determined a large part of their revenue) and their fiduciary responsibilities as companies to ensure that their operations were financially sustainable in an ongoing way. All panellists expected the policy and financial climate over the next few years to require them to give further consideration to a greater income mix to ensure that they have a financially sustainable business model.

What organisations are doing

Nearly all the organisations in this study are long-established social housing landlords having extensive experience in providing tenancy management and support services for low income tenants, along with some asset management experience. A number also run homelessness services. Over recent years, they have taken on a broader range of functions relating to the property asset—financing, development and strategic management—along with offering a wider range of rental products and services.

While the core business of all organisations remains as rental housing, several were positioning to take on new housing products (e.g. sales of properties on the open market in mixed tenure developments and home ownership products aimed at low-moderate income earners) and/or had plans to expand what had been limited areas of operation previously, especially place management services and other non-housing services for residents. Options to introduce a greater range of new products and services have arisen from both ‘push’ and ‘pull’ factors. On the one hand, after a

period of revenue and asset growth, organisations saw themselves as having greater autonomy and better opportunities for business development. On the other, they faced greater uncertainty about whether their core social housing functions could be expanded further, other than through transfers of public housing.

Where organisations operate

Alongside of the expansion of business activities and client groups, a third area where significant changes in strategy are unfolding concerns the spatial scale of operation of leading housing NFPs. Not being geographically confined emerged as a core value for about half the panel. Having multiple areas of operation emerged as a key means of achieving scale and business diversity for most organisations, as well as a strategy for mitigating political risk in the context of fluid and uncertain state government policies. Eight organisations already have operations beyond a region of a state and four operate across state borders. More have plans for, or are considering, interstate expansion, subject to when and how national regulation for the sector is implemented. This trend clearly distinguishes these players from traditional locally-based NFP housing providers that still make up most organisations in the sector.

For this study, it was too early to assess in detail how these larger organisations manage their business across different geographic areas. Strategies that were emerging included having more diverse governance arrangements, devolved management, limiting the number of local areas in which an organisation operated and partnering with local service providers.

The study also identified differences of view within the panel about how being a national provider affected characteristics that are often claimed to be key aspects of NFP identity, such as local responsiveness and degree of tenant and community engagement. This reflects a core tension for organisations concerning how growth and economies of scale can be achieved on the one hand, while retaining connections with civil society on the other. How organisations address this issue as they expand spatially and grow larger and more complex warrants further detailed research.

How organisations operate

The business models of the organisations surveyed had undergone rapid growth and adjustment over the three years to 2012. Developments common to all organisations included rapid increases in balance sheets and revenue, and the introduction or up-scaling of levels of debt financing. Building or consolidating an in-house property development function was also a business direction for about half the organisations. Consideration of the future use of the assets that had been acquired in recent years from various sources (especially stock transfers, new build and market purchases) was emerging as a major business issue for the future but it was too soon to assess how asset utilisation decisions will shape future business plans.

Whilst these were general trends, we also observed variations in how organisations operate. For instance, there were differences in the extent to which they were prepared to enter into more commercial activities—such as mixed tenure developments, higher rental products, market sales, for-profit activities and asset realisation—to seek out financial return and drive their business expansion. Those at one end of the spectrum of responses had already leveraged the resources they have to a considerable extent and had trialled cross-subsidy approaches, mixed tenure projects and partnering with the private sector with the overall aim of generating more housing for low income groups. They had an open mind about their future business strategy and activity mix and were seeking to pursue a wide range of (at this stage mainly) housing-related activities for both low and moderate income client segments, subject to financial feasibility. Others were more cautious about, or constrained in

pursuing, additional activities and expansion, such as into higher cost renting and new locations. Generally this positioning was related to having a strong commitment to expanding services to existing households and to retaining locally anchored, client centred services. Some organisations had too small a balance sheet to embark on more commercial activities.

These differences in approach notwithstanding, we are cautious about drawing further conclusions about the business intention and focus of organisations. The development of greater business autonomy was at an early stage and organisations had faced varying constraints and opportunities. Therefore, differences in approach may be related more to the extent of change that it has been feasible to implement, rather than to underlying differences in organisational mission and values. For instance, a key factor that has differentiated the ability of organisations to sustain significant levels of private finance until recently has been whether they were revenue driven or owned substantial assets. This is one reason for studying the choices organisations make over a longer period of time in a follow-up study (discussed further below).

The last few years have seen what we have described elsewhere as ‘the first substantial flowering of social enterprise among leading players in the Australian housing third sector’ (Milligan et al. 2012). The introduction of private financing, partnering with private sector organisations, innovative projects generated by organisations themselves (e.g. mixed tenure developments) and engagement with government in new ways (e.g. transfer of title of new social housing) are all signs of a new entrepreneurial model emerging. However, as the viewpoints of the panellists about the next five years attest (Chapter 6), the future looks more fluid and uncertain as the social housing stimulus program completes, NRAS faces an uncertain future and political changes at state government level (and potentially the federal government) put current policy settings (such as the transfer of larger tranches of public housing) at risk. A short-term risk is that the organisational skills and capacity that organisations have developed will be under-utilised or lost and that they could be forced to reduce their scope of activities and retreat to sustaining their businesses rather than growing them. Alternatively, they may decide to shift their focus into serving those market segments where financial returns are better, such as key workers and resource towns (Milligan et al. 2012). The future of the social enterprise model for providing social housing in Australia appears to be an open question.

7.1.2 Findings about organisational dynamics and capacity

Changes in business models, scale, complexity and market reach as described above have had major implications for organisational governance, management capacity and skills, and organisational culture.

With regards to governance, there has been a considerable refocusing and up-scaling of Board capacity, especially by organisations seeking out and appointing commercially savvy Directors and those with specialist financial, legal and property skills, instead of relying solely on community-based elected Directors. Several organisations have entirely skills based Boards while others have a mixed model comprising appointed expert Directors and those who are community-based. This shift has been accompanied by a move to remunerate Directors, especially in the more commercially oriented organisations, emulating private practice. There is a risk of loss of newly acquired skills at Board level if the organisations adopt a defender position and focus on rental housing management and/or if governments seek to prescribe the activities of housing NFPs too closely.

Organisations have developed more complex governance arrangements to deal with growth and a greater emphasis on property assets. Special purpose vehicles and other corporate structures have been developed to quarantine risk in different parts of the business.

Organisational capacity has been developed rapidly, especially through an injection of financial experts and development managers, and establishment of a senior executive layer, which has facilitated the move of several CEOs from operational management to business development. Investment in information technology has also been considerable, emerging as the most important internal driver of changes in organisational capacity according to the panellists. Having professional staff is necessary for strong internal management but also to develop relationships with a wider range of stakeholders (for-profit organisations, government departments and other NFP organisations).

Changes in organisational culture have been a key issue for both existing staff, who have had to adapt to additional functions, different clients and new business-oriented regimes, and for newly recruited specialists, many of whom have developed their skills in the private sector and do not have deep connections to the social role of the organisations they have joined. Several organisations had developed change management processes to manage such tensions and to create a culture of social enterprise, in which organisations must operate in a more commercial way to achieve their social mission.

Beyond individual organisations, there have been important shifts in intra-sectoral relationships. Directions were somewhat paradoxical. On the one hand, the players in our study had been actively strengthening their collaboration, partnering and networking. On the other, they found themselves increasingly competing for resources. Panel members juggled with this tension, recognising the value of the former and the reality of the latter.

Overall, the direction of change in organisational ethos and management over the period of the study can be seen to have been moving away from a quasi-government modus operandi towards adoption of private sector principles and practice, albeit situated within the identity of a distinctive strongly socially-oriented sector (or network of organisations). This situation broadly reflects the characteristic hybridity of third sector organisations discussed in Chapter 2 but it is too early to say how well the balancing act is being achieved. While the strength of accountability of the organisations studied to their community interests was not assessed in detail in this study, participation of tenants, building organisational membership and civic engagement did not appear to have been major foci recently. The literature on hybridity points to the engagement of civil society as being an important factor in how organisations maintain their social mission and values over time, especially as tensions develop between the requirements of policy makers and regulators, on the one hand, and commercial imperatives, on the other (Billis 2010). This is another area for further research.

7.2 International comparison of findings

In developing hybrid organisational forms and a social enterprise approach, Australia's leading housing NFPs have been following a pathway that has been previously travelled by similar organisations in Europe and the United States, albeit in diverse local contexts and under different policy settings. As discussed in Chapter 2, some of these international organisations have participated in similar research to this study.

In this section, we consider the findings from an English study conducted nearly a decade ago and some more recent findings from a parallel Delphi study in the Netherlands.

7.2.1 Comparison of findings between English and Australian organisations

Column 2 of Table 4 gives a summary of some key findings about tendencies among UK housing associations that emerged from a 2003 study which used the Delphi method to explore the nature and dynamics of English housing associations with 22 panellists (see Mullins 2006a for a full account of this research). Taking the same fields of attributes, Column 3 provides a summary of the findings of this study. Before commenting on the similarities and differences shown in the table, it is important to note some factors that may qualify the comparison of findings. First, although the original design of the Australian survey was based on that used in England, detailed items in the respective survey instruments are not fully comparable, as the Australian survey was adapted for the local context. Second, there is an eight year time difference in the two sets of results. However, this should be put in the context that the moves of the English housing association sector into more independent and commercially oriented businesses began much earlier than in Australia, largely triggered by two factors: changes to the Housing Act (UK) in 1988 that gave housing associations new commercial freedoms and exposed them to financial risk (Mullins & Pawson 2010a), and commencement of large-scale transfers of municipal housing at around the same time (Mullins & Pawson 2010b). Third, there was more diversity in the sample of English organisations, including specialist associations serving black and minority groups, smaller and larger organisations (referred to as stock transfer associations) that were set up specifically to receive large-scale transfers of housing from local authorities, and supported housing services (Mullins 2006a).

Notwithstanding these differences, there appear to be strong similarities in recent tendencies in these two national sectors. In particular, professionalisation, hybrid organisational forms, geographical expansion and the kind of tensions that arise with some of these changes appear to have gone hand in hand with the development of more commercial enterprises in both cases.

Positioning appears to be more divergent with regards to group structures, tenant involvement and the typical nature of the business mix. As discussed in Chapter 5, while one organisation was in a group structure, this is not currently a strong trend in Australia, possibly because the scale of growth in the sector is much less than for its English counterpart of nearly a decade ago and future directions that might give impetus to such moves have not been legislated. Tenant engagement also has tended to take other forms in Australia (described in Chapter 5) than participation in governance, which at least for stock transfer associations in the UK was a regulatory condition. Perhaps the most interesting difference that emerges was the move of the period in the UK from the focus on housing as core business towards supporting community businesses and employment initiatives as a primary form of diversification. That agenda, known there as Housing Plus, has not developed to the same extent in Australia. One reason for this may be that the provision of such services in Australia has been undertaken by alternative NFP organisations, such as neighbourhood centres, support service agencies and the jobs network.

Table 4: Comparison of findings between English and Australian NFPs¹

Attributes	UK tendency 2000–03	Australia tendency 2008–11
Sector identity	<p>A shift to placing more importance on identifying as an individual organisation than as a sector.</p> <p>An increasingly entrepreneurial orientation centred on supporting community businesses and employment initiatives.</p> <p>Valuing distance from the private sector, or, in the specific case of stock transfer organisations, from the public sector.</p>	<p>Sector identity and collaboration strong but competition for resources between organisations intensifying</p> <p>An increasingly entrepreneurial orientation centred on a spectrum of housing products for low to moderate incomes.</p> <p>Valuing distance from public sector, private sector partnerships increasing.</p>
Governance	<p>Professionalisation of Boards, especially through incorporation of executive staff and payment of Board members.</p> <p>Divergence in positioning on involvement of tenants on Boards.</p> <p>Greater delegation of decision making about services away from Boards to local processes.</p>	<p>Professionalisation of Boards though appointment of skills based Directors and addition of executive management layer to organisations. Remuneration of Directors in some agencies.</p> <p>Almost no involvement of tenants in Boards.</p> <p>Delegation generally not occurring.</p>
Spatial level	<p>Clear tensions between organisations seeking local anchorage and accountability and those striving for efficiency, scale and risk mitigation who favoured operating nationally. Different viewpoints about how to manage these tensions, for example, whether national organisations can be locally effective.</p>	<p>Emerging tensions between organisations seeking local anchorage and accountability and those striving for efficiency, scale and risk mitigation who favoured operating nationally. Different viewpoints about how to manage these tensions, for example, whether national organisations can be locally effective.</p>
Organisational scale	<p>External (public policy) and internal (organisational efficiency) pressure for further consolidation and concentration of the sector. This was particularly affecting the operation of multiple associations in local areas and the geographic spread of individual associations.</p>	<p>External (public policy) and internal (organisational efficiency) pressure for larger organisations. Rapid geographic spread occurring among leading NFPs. Regulatory streamlining to support national organisations under development.</p>
New organisational forms	<p>Two somewhat contradictory trends were identified:</p> <p>1) Simplification of group structures after a period where this model had not delivered expected efficiencies;</p> <p>2) Increasing organisational complexity arising from inter-organisation alliances (e.g. joint ventures and special purpose models) and the promotion of new activities.</p>	<p>Group structures not typical but merger activity was significant over period preceding survey timeframe.</p> <p>Increasing organisational complexity arising from inter-organisation alliances (e.g. joint ventures and special purpose models) and the promotion of new activities.</p>

¹ This comparison concerns the situation of English housing NFPs in 2003 and Australian housing NFPs in 2011.

Source: second column summarised from Mullins (2006a, pp.245-8); right hand column summarised from Australian survey results.

7.2.2 Comparison of findings between Dutch and Australian organisations

Turning to the findings of research on organisations in the Netherlands, it is possible to make some more specific comparisons with the data collected in both studies because the Dutch survey was conducted over a similar time period to this research and because the survey instrument used in the Australian study purposefully comprised 60 per cent of the items in common with the Dutch survey to enable such a comparison. Although there were some differences in sampling methods, representation is broadly similar; 31 large or middle-sized Dutch housing associations completed the survey and ten panel members were selected for interview. Panellists comprised a mix of Directors, CEOs, other executive team members and senior policy officers who had the knowledge of organisational strategy, though some did not have the same degree of authority as the members of Australian panel.

Dutch housing associations, which today own around one-third of all housing in the Netherlands, have been embracing a hybrid model of social enterprise over the last 15 years. The defining characteristics of their general approach have included strong independence from government which ceased direct funding to the sector in the mid-1990s, although contributing to a joint government sector guarantee for private borrowings, and a light approach to regulation. Independence was coupled with enthusiastic moves by many (but not all) associations into a cross-subsidy business model based on business diversification, private financing and profit-taking. This in turn has enabled very substantial levels of investment by housing associations in new social housing supply and neighbourhood renewal for many years.

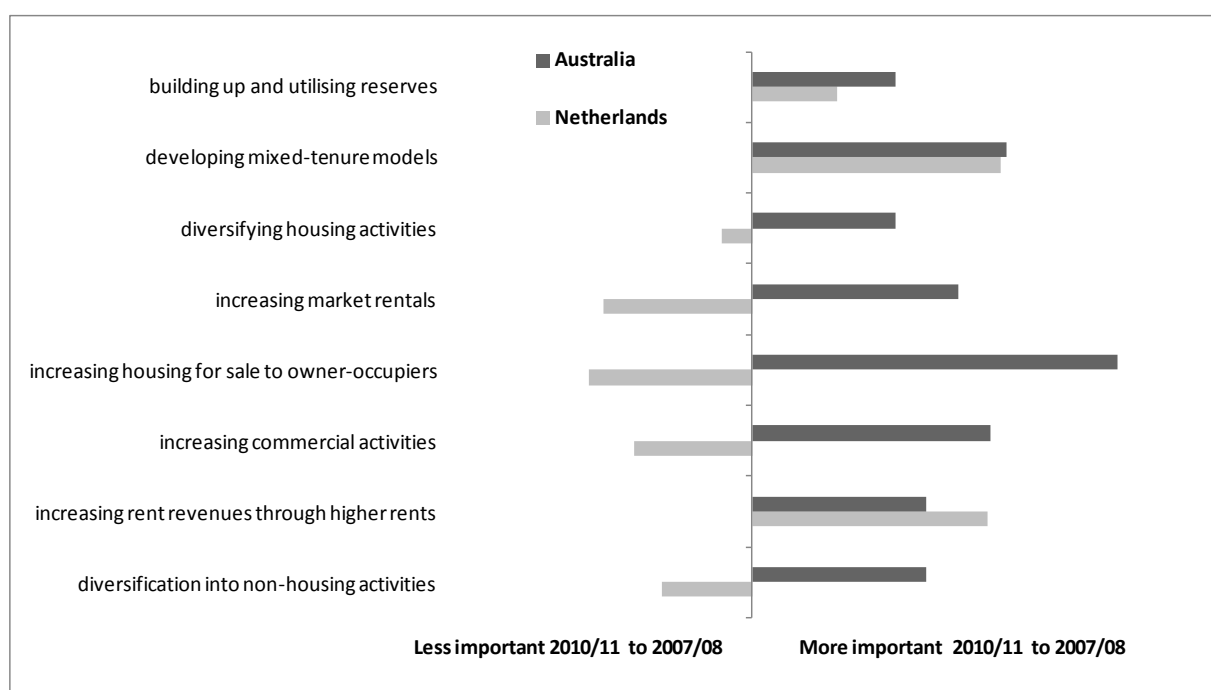
Now, however, this model has come to a halt. In the context of the credit crunch limiting the availability of private finance, new tax levies on their commercial business, weakening political support and European Union regulation circumscribing their competitive behaviour in the market which had become a bone of contention with private sector competitors (Premius 2010; Premius & Gruis 2011), Dutch associations were found to be retreating from their commercial activities and opting to defend their traditional function of managing and developing homes for low-income groups. Paradoxically, under pressure from current economic and financial conditions in Europe, the relative importance those surveyed gave to financial return vis-à-vis social return had increased, driving changes such as more market-driven rent policies and the pursuit of alternative (more efficient) procurement options.

While leading Australian housing NFPs have been striving for greater business independence and growth opportunities, Dutch NFPs have been contracting and have become subject to greater levels of government scrutiny. A comparison of changes in the strategic positioning of surveyed organisations over the three years before the Delphi survey was conducted (Figure 27) highlights just how much business strategies of NFPs can differ and change depending on external conditions. In the Netherlands in response to the changes just outlined, housing associations have been reducing their commercial exposure and costs, phasing out non-core activities, rebuilding their reserves, restructuring their assets and increasing their revenue (by charging higher rents to new tenants). Socially, they have been refocusing around low income clients, strengthening core products and services and helping to address the wider social and economic needs of their tenants. Over the same period, their Australian counterparts, responding to positive government stimuli and more favourable market conditions, have been embarking on geographic expansion,

introducing new rental and mixed tenure products, broadening their client mix and increasing their commercial activities, as this study has shown.¹⁷

The retreat since 2007 of many of the Dutch housing associations from their broader roles points to the vulnerability of the social enterprise model to housing market conditions, a situation that was aggravated by government and regulatory measures that further curtailed financial viability in the sector. This has important implications for both governments and NFPs, especially concerning the need for business models to be sustainable and for governments to remain closely connected to developments in the sector. Comparison of these divergent national situations also shows the importance of both market conditions and government policies to the success and stability of these organisations (Milligan et al. 2102). The limitations of cross-subsidy models have also become increasingly apparent in the housing association sector in the UK following public austerity measures affecting housing subsidies and housing market stagnation (Schwartz 2011; Mullins & Pawson 2010b).

Figure 27: Comparing changes in strategic positioning of third sector housing organisations, Australia and the Netherlands, between 2007–08 and 2010–11



Source: Milligan et al. (2012, Figure 2)

The wave of recent studies of hybridity and social enterprise in third sector housing entities has coincided with a period of structural change in Western housing systems following the housing finance-induced GFC. The resultant evidence of new challenges to a hybrid and entrepreneurial model of social housing provision arising from economic crisis and fiscal austerity has led some analysts (e.g. Mullins et al. 2012; Schwartz 2011) to suggest that the most important question to be addressed now is the policy consequences of reliance on these forms of delivery, which we consider next.

¹⁷ It is important, however, to note that the capacity for investment in commercial activities among housing NFPs in Australia is much less than that of the Dutch associations in the latter's earlier entrepreneurial phase. This is because even the largest of the Australian organisations are much smaller and less financially endowed than were their Dutch counterparts when they gained independence.

7.3 The policy, funding and regulatory implications of the research findings

The findings of this study have clearly shown how important government drivers, and especially the increased involvement of the federal government, have been to the recent transformation of the business models of Australia's leading housing NFPs (Chapter 3). Leading organisations, such as those in this study, were well positioned to respond to the opportunities to up-scale and diversify that were offered by governments from 2008 (Milligan et al. 2009). However, without the subsidy streams that have flowed into the sector (from NRAS, SHI and CRA), their moves beyond small-scale projects and one-off initiatives into having (potentially) sustainable commercial modes of operation would not have occurred.

Our brief review of the findings of comparable international studies of third sector organisations has also shown some of the important influences that the presence (or absence) of government interventions can have on the effectiveness and reputation of government-regulated housing providers. Governments can be enabling but also a risk to these organisations, especially where business decisions have to be taken without any certainty of policy settings or in a changing political climate.

As suggested above, now is a critical period for the future of the leading players in the NFP housing sector in Australia. Having longer-term certainty of government policy settings and, in particular, funding to support a pipeline of housing production is crucial to enable these organisations and others like them to bed down and sustain the business models and the associated organisational capacities that have been developed.

While Housing Ministers have agreed to a target of up to 35 per cent of social housing being delivered through NFPs by 2014, currently there are no state by state implementation plans to achieve this goal. Governments also appear to have continuing expectations of leveraging growth in social housing using enterprise models that involve private financing and cross-subsidy. However, a rigorous approach to how and to what extent this can be achieved, such as by using existing social housing assets and current levels of rent revenue, has not been developed (Milligan & Pawson 2010). In practical terms, governments cannot prescribe who should be housed, nor impose restrictions on asset trading, without considering the effects of financial viability. Additionally while banks are now lending into the NFP housing sector, changes in plans for transferring public housing assets to the sector in some jurisdictions and uncertainty about future government policy and funding levels have contributed to a situation where the interest of major lenders has been waning (Hamilton 2012). This has been occurring in a broader context where investment in social infrastructure by capital markets is yet to develop in Australia (Senate Economics References Committee 2011) and the implications of changes in capital markets following the GFC have not yet become fully manifest.

All these indicators point to the need for a dedicated intergovernmental policy framework for the development of third sector housing enterprises, if governments want to use this sector to pursue desirable policy objectives such as increasing the supply of affordable housing, accelerating the renewal of rundown public housing estates, promoting more socially inclusive forms of housing assistance and rebuilding pathways for tenants out of high subsidy social housing.

7.3.1 A framework for development of the housing third sector

Drawing on the findings of this study and the body of previous research on affordable housing to which we and colleagues have contributed, this section proposes eight

core components of a framework for development of the housing third sector in Australia.

A ten-year co-funding strategy

The first requirement is for a new funding strategy based on combining public and private funding streams to support development of a variety of forms of affordable housing (on a continuum from deep subsidy products to low cost home ownership) over, say, a 10-year period. Provision for a capital fund dedicated to the growth of social housing within the National Affordable Housing Agreement (from 2014) and continuation of an NRAS-type instrument (after 2015) for stimulating private investment in affordable rental housing offer established ways by which the Australian government could continue to drive growth through the sector. Funding from the Australian government for this purpose needs to be better integrated with state government investment in housing, which occurs through budget outlays and in-kind mechanisms such as provision of sites for development/redevelopment (on either a leasehold or title transfer basis), public housing transfers without charge, and planning benefits for affordable housing. At present, states can independently determine their level of contributions to the NAHA and NRAS and this has added to uncertainty of funding levels for affordable housing and resulted in uneven outcomes across jurisdictions (Gilmour & Milligan 2012b). Linking state and federal funding commitments could occur via a COAG-driven partnership agreement or similar. Overall funding from governments for growth in the sector will need to be at a level that will be sufficient to attract private investment at scale and to ensure that a contestable delivery system operates in all areas—including capital cities, resource towns, regional growth centres and remote Indigenous communities—where the greatest levels of additional investment in supply and renewal are needed.

Reform of Commonwealth Rent Assistance to support private financing

Reform of Commonwealth Rent Assistance (CRA) along the lines suggested in the Henry review of taxation and transfers (Australian Government 2010b) is also required. For the NFP sector in particular, increasing the maximum payment level to align with lowest quartile capital city market rents and indexing this to movements in rents would improve the capacity of NFPs to maintain their leveraging efforts and continue to house low income households affordably by increasing their revenue and, thereby, increase their ability to cover the costs of having a component of private financing.

Enhancing administrative skills and capacity within government

To effectively steer the development of the third sector's role in expanding affordable housing options there will be a need to dedicate resources and administrative capacity within the Australian government and all state governments.¹⁸ Currently there is a view, which was reinforced by panellists, that governments lack the capacity and expertise to steer development of the NFP housing sector and, in particular, to understand the requirements of private financiers and other potential private partners (Milligan & Tiernan 2011; Victorian Auditor-General 2010). Thus the capacity of governments is a major constraint at present to the development of NFP housing. This has been exacerbated by frequent changes in responsibilities, administration and personnel in housing administrations across much of the country in the past decade. Such changes have reflected and reinforced framing of housing policy issues largely

¹⁸ New South Wales panellists commented on the value they saw in the existence of the long-running division dedicated to the development of community housing in that jurisdiction. The Community Housing Division (formerly the Office of Community Housing) has operated on a continuous basis since the mid-1990s.

in narrow social welfare terms, which focus on people not assets or finance, and the failure of politicians and key policy makers to recognise the significant implications of the growing shortage of affordable housing for broader economic development and productivity concerns of governments. To successfully implement a new ten-year framework that drives the provision of larger-scale, well-integrated affordable housing through partnerships with private and third sector players and to foster further product development will require government officials working in housing to have additional skills to those normally associated with their public policy and program management functions, including a better understanding of the commercial environment and modus operandi of NFP organisations.

Joint policy deliberations

Given the complexities of NFP business models, it would be desirable for governments to establish a formal role for third sector players in policy development affecting that sector. In our view, one of the key benefits of this study has been the voice it has given to leaders of housing NFPs who understand the strategic issues and business challenges facing their organisations and who can anticipate and interpret the possible impacts on their business viability of changes in policy, market and financial drivers. Establishing a mechanism for regular dialogue between sector representatives and government officials, such as was achieved through the cross-sector National Community Housing Forum in the mid-1990s, will strengthen the relationship between government and third sector housing organisations. This has the potential to reduce the risks to government of organisations losing sight of public policy objectives as well as assisting organisations to ensure that policy settings and changes do not have unintended consequences for their businesses. It could take the form of an affordable housing industry advisory board that also includes other stakeholder voices, such as consumer and community representatives, and the private sector. Considerations being given at present to large-scale public housing asset and tenancy transfers to the sector provide an immediate opportunity to involve the sector in informing the complex policy deliberations that are entailed in such a move, as discussed in Chapter 6.

Developing regional housing plans

A devolved planning process (conducted by state governments) to develop and coordinate strategic plans for the regional allocation of funding incentives (NRAS incentives and proposed NAHA growth funds) should be initiated within each jurisdiction in line with the national framework, community needs and state government priorities. By means of this process, a three-year approved housing plan with targets for supply growth, public housing transfers, asset renewal and replacement, and other locally appropriate housing assistance measures would replace current approaches to funding allocations, such as for NRAS and NAHA, which lack transparency and equity and are piecemeal and cumbersome. The plan would also be one vehicle for encouraging coordination and blending of funding opportunities at different levels of government (including local government), overcoming obstacles which arise in program based approaches. Funding for individual projects that contribute to the state plan for the provision of additional affordable housing and/or the renewal of existing neighbourhoods would be contestable.

Continuous improvement in regulation

Maintaining a responsive system of regulation that is appropriate to leading housing providers is another core requirement. Much of the focus of the existing state based regulatory systems that have been established over the last few years (Travers et al.

2010) has been on the performance of housing management services as this is the predominant activity of most NFPs, rather than on the more complex financing and development models that leading organisations have embarked on. Furthermore, the capacity to supervise more complex business models is not yet established in Australia. Government moves to establish a national regulatory framework for the provision of social and affordable housing by government-funded providers from 2013 has been strongly supported by both the third sector and private funders as one foundation necessary to stimulate investment in that sector at greater scale and to encourage growth and innovation among more commercially savvy providers (Housing Ministers Advisory Committee 2012). One key advantage of the move to a nationally consistent model of regulation is the potential it offers to cross-jurisdictional operations that are in keeping with the strategic directions of many of the organisations in this study. Another concerns the assurance that having a robust regulatory model provides to private lenders. However, as discussed in Chapter 6, panellists in this study felt that it was too soon to say how effective the proposed new model will be, as much will depend on how it is developed and implemented and, in particular, on how the sector is involved in the policy development process. Similar to the need for more specialised policy capacity discussed above, resourcing the development of regulatory expertise and ensuring the emerging national approach to regulation continues to reflect developments and opportunities in the sector will be key matters for ongoing attention. The strategic directions of organisations identified in this study suggest that, in addition to supervising financing and asset upkeep, measuring social benefits, tenant engagement and community investment should be priority areas of attention for regulators.

A framework for sector development

Continuing attention needs to be given by both governments and the NFP sector (through its trade associations) to establishing and maintaining a shared strategic framework for the development of the sector—an example is provided by the NSW Community Housing Industry Development Framework (Housing NSW 2010). Housing Ministers are reported to be currently working on a National Industry Development Framework for Community Housing to support development and expansion of the sector. Priority areas for attention that have been stipulated are governance, risk management and strategic planning, construction and development, finance and regulation (COAG Select Council on Housing and Homelessness, 2012). This is a welcome direction that, with appropriate resources, can help to steer continuous improvements in the governance and capabilities of the sector; deepen knowledge within the sector and promote the sharing of that knowledge and associated industry information; strengthen the identity of the sector and promote wider understanding of its role and capacity; and ensure there is adequate investment in relevant research and evaluation.

Improved information and evaluation

Current housing data collection is not aligned meaningfully with the changing roles and responsibilities of NFP housing providers within the social and affordable housing system. As delivery of social and affordable housing is further diversified, it will be necessary to ensure that appropriate data is collected through the regulatory process and by other means to track what happens to government investment and assets and to measure the main activities of housing providers. The data can then be input into research and evaluation activities concerned with assessing the efficiency,

appropriateness and effectiveness of the outcomes being achieved by the NFP housing sector.¹⁹

7.4 Reflections on the Delphi methodology

This research adopted and built on a specific methodology that had been used previously to explore change in NFP organisations ‘from the inside’, as explained in Chapter 1. In this section, we reflect on some of the benefits and limitations of the methodology as we see them. Reflections from earlier applications of the methodology can also be found in Mullins (2006a).

We consider that a clear benefit has been the depth of understanding that we have gained by interviewing panellists on a common, structured basis after sharing with them the aggregate results of the survey. This iteration of quantitative and qualitative research methods has significantly improved our ability to interpret the results of the survey, highlighted similarities and differences in views across the panel and provoked frank discussion of divergent views, for example, about social versus business drivers, which may not have been possible if other methods such as focus groups had been used. Several panellists also commented to us that the process had been worthwhile for them and that they had plans to use the survey results to provoke further dialogue within their organisations. The findings should also provide policy makers and others with fresh insights into the types of entrepreneurial NFP organisations that are developing in Australia.

The application of the Delphi methodology in this study provides not only a cross-sectional view of panellists’ perspectives of their organisations in the past three years and their expectations for the foreseeable future but it also provides the basis for a longitudinal study to examine change in the perspectives of panellists over time on organisational values and strategies and their causes (see Section 7.5). All panel members indicated that they would like to participate in a further study, signalling that those involved so far see merit in the research approach.

We also expect that establishing a strong basis for comparative research (through international collaboration using common methods and instruments) will be fruitful, especially by providing a foundation for adding to conceptualisations of third sector enterprise and hybridity, as well as offering insight into the significance of different external influences and national contexts on organisational responses.

Finally, we consider that there was considerable value and benefit to be gained from obtaining direct (‘insider’) insights into positioning and decision-making in these rapidly changing organisations.

The Delphi methodology also had a number of limitations. The survey generated a large amount of quantitative data on many scaled questions but it was difficult to weight the questions in terms of their importance or to get a precise understanding of the clustering of responses across organisations in relation to key issues.

A limitation in the way that we applied the methodology was that it relied on only the CEO’s perspective from each organisation. Involving other decision makers, such as Board Directors or executive managers, has the potential to reveal more about how organisations operate and the tensions and trade-offs that lie behind their decision making.

Validation of the views of organisational experts using other methods, such as an evaluation of organisational performance, was beyond the scope of the study.

¹⁹ See Milligan et al. (2007) for a developed proposal for an evaluation framework related to affordable housing strategies and their impacts.

The data collected through the survey was extensive, and analysis of the data was challenging. While the interview process allowed us to focus on key issues that emerged either from the survey data or were raised by panellists, there are many areas we were unable to explore in the time available, for example, in relation to governance, organisational structures and financial models. There is potential for these to be followed up in subsequent research. The existing data base also lends itself to further statistical analysis.

Finally, it is also important to note that while the results from this study could be generalised to the larger housing NFPs in Australia, since they represent about half of such organisation, they cannot be generalised to the highly diversified housing third sector (comprising many small organisations) and its contribution as a whole.

7.5 Next stage of research

A second stage of this research into strategic positioning and decision making in third sector housing organisations has been funded by AHURI Ltd to commence in 2013. The main aims of the follow-up project will be to:

1. Introduce a longitudinal element to the research by re-surveying panel members from the 14 organisations included in the first study.
2. Incorporate a further comparative element into the study via more detailed comparison of the Australian findings with international research.
3. Extend coverage of the research to six additional NFPs that have built their business since 2008, reflecting expansion and diversification of the sector.
4. Promote understanding of similarities and differences in strategic positioning and organisational development across organisations with different genesis, business models and operational parameters (e.g. regional or national organisations and traditional NFPs or new hybrids).

There will also be scope in the second study to undertake further analysis of the survey data collected in both rounds 1 and 2.

To further develop outcomes from the current research, the next stage will also involve panel members completing a 'strategic decision diary' at four-month intervals from September 2012. Diary entries will comprise the three issues that panel members identified in the first survey (survey section 5) as being most likely to impact the structure, direction and purpose of their organisation. The diary record will help both the researchers and the panel members to track decisions made on each of the key issues, which can then be followed up in subsequent interviews. For each of the three issues they have nominated, panellists will be asked to record in the diary:

- Any decisions made on the issue since their last correspondence with the research team.
- Any changes of position on the issue for the panel member or organisation, including whether or not it was still a strategic issue and why.
- The factors (internal and/or external to the organisation) that influenced a decision or change in position, if applicable.
- The process of decision making—by whom the decision was made, who was involved etc.

The diary method will provide an opportunity to dig deeper into the reasoning for decisions made in NFP housing organisations, the factors that influence those decisions (whether facilitative or obstructive) and the trade-offs that they involve.

Active ongoing engagement of the panelists in the research process by means such as a diary exercise is a key feature of the Delphi research methodology.

An additional survey round applying simultaneously to both newly recruited and original panel members is also envisaged for 2014–15. Its exact timing is dependent on the outcomes of the first two rounds and developments in the policy and institutional contexts affecting housing NFPs in Australia. Specifically, the timing will be determined with a view to measuring the impacts of forthcoming major policy developments, such as renegotiation of the NAHA, any move to large-scale tenanted stock and title transfers, the outcomes of larger-scale NRAS allocations, and the introduction of national regulation.

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APPENDIX 1: PRINT VERSION OF ONLINE QUESTIONNAIRE

Understanding leadership, strategy and organisational dynamics in the not-for-profit housing sector

Introduction to this questionnaire²⁰

Thank you for taking part in this expert panel of decision-makers in the Australian not-for-profit housing sector. The panel is part of an Australian Housing and Urban Research Institute (AHURI) research project being undertaken jointly by the University of New South Wales, Swinburne University and the University of Western Australia, in collaboration with colleagues at the Centre for Social Impact (CSI), University of Birmingham (UK) and Delft University of Technology (Netherlands). The project will explore the external changes that affect the strategic priorities of not-for-profit housing providers and the ways in which organisations respond to these changes. This questionnaire seeks your views about the changing values and strategic priorities of not-for-profit housing providers and future organisational forms and cultures in a rapidly-changing environment. We will use this information to collate an overall pattern of views on the future shape and structure of the not-for-profit housing sector across the panel. By completing this questionnaire you enable us and yourself to compare the position of your organisation with that of other not-for-profit housing providers. We will let you know if and how your perspective varies from that of the panel as a whole, but will not identify individual responses in any outputs we circulate more widely.

For some questions, answers may vary depending on the jurisdiction(s) in which the organisation operates. Therefore, for those providers operating across multiple states, we ask that you base your answers on the jurisdiction in which you do most business presently. A draft version of this questionnaire has been tested by three not-for-profit housing providers. On the basis of their experience we estimate that it takes up to 45 minutes to complete. These providers have also indicated that it is simple to fill in the questionnaire. There is no need to look up data.

We ask you to complete the questionnaire by Monday 5th December. If you have any queries or remarks about the questionnaire or the research more generally, feel free to contact Vivienne Milligan on (02) 9385 6381.

At the bottom of each page there is a 'Save and Finish Later' button, should you wish to use it.

We thank you in advance for completing the questionnaire!

²⁰ The presentation of the questionnaire was slightly different in the online version, but the format of questions was identical to that reproduced here.

Structure of the questionnaire

The questionnaire has five sections:

Section 1 is about the values of not-for-profit housing providers

Section 2 is about the strategic positioning of your organisation

Section 3 is about recent changes affecting not-for-profit housing providers

Section 4 is about the strategies that enable adaptation to changing circumstances

Section 5 is about the strategic decisions that your organisation is contemplating or engaged in at an early stage

Sections 2, 3 and 4 include spaces for you to identify any relevant issues that have not been covered by the questions.

Guidance on completing the questionnaire

The questionnaire mainly uses a 7-point scale, in which each 'point' is indicated with a circle. Please click the circle of your choice. Please use the whole of the scale to reflect your strength of views on each topic, and enable meaningful comparisons to be made of your responses to different questions.

1. Values

To be able to assess the core values of your organisation, six pairs of values are presented below. We ask you to use the whole of the scale to reflect the position of your organisation. Please indicate on the scales:

- The extent to which one value is currently more central to the core values of your organisation than the other.

The more that you think the left value predominates for your organisation, the nearer you click to the left of the scale. The more that you think the right value predominates, the nearer you click to the right end of the scale. If neither value predominates, please click in the middle of the scale.

1.1	Business ethos	< O O O O O O O >	Social ethos
1.2	Public sector ethos	< O O O O O O O >	Private sector ethos
1.3	Professionalist	< O O O O O O O >	Volunteerist
1.4	Tied to specific localities	< O O O O O O O >	Geographically footloose
1.5	Setting own priorities	< O O O O O O O >	Meeting government priorities
1.6	Welfare orientation	< O O O O O O O >	Entrepreneurial orientation

2. Strategic positioning

To be able to assess the strategic positioning of your organisation, several pairs of strategic priorities are presented. We ask you to use the whole of the scale to reflect the position of your organisation. Please indicate on these scales:

- The extent to which one priority prevailed against the other three years ago.
- The extent to which one priority prevails against the other at present.
- The extent to which one priority will prevail against the other in three years' time.

The more that you think the left value predominates for your organisation, the nearer you click to the left of the scale. The more that you think the right value predominates, the nearer you click to the right end of the scale. If neither value predominates, please click in the middle of the scale.

2.1	3 years ago:	Focus on low-income groups only	< O O O O O O O >	Focus on both low and moderate-income groups
	Now:	Focus on low-income groups only	< O O O O O O O >	Focus on both low and moderate-income groups
	In 3 years' time:	Focus on low-income groups only	< O O O O O O O >	Focus on both low and moderate-income groups
2.2	3 years ago:	Focus on financial performance	< O O O O O O O >	Focus on social return
	Now:	Focus on financial performance	< O O O O O O O >	Focus on social return
	In 3 years' time:	Focus on financial performance	< O O O O O O O >	Focus on social return
2.3	3 years ago:	Focus on accountability to regulators	< O O O O O O O >	Focus on accountability to other stakeholders
	Now:	Focus on accountability to regulators	< O O O O O O O >	Focus on accountability to other stakeholders
	In 3 years' time:	Focus on accountability to regulators	< O O O O O O O >	Focus on accountability to other stakeholders
2.4	3 years ago:	Focus on quality of homes	< O O O O O O O >	Focus on liveability of neighbourhoods
	Now:	Focus on quality of homes	< O O O O O O O >	Focus on liveability of neighbourhoods

	In 3 years' time:	Focus on quality of homes	< O O O O O O O O >	Focus on liveability of neighbourhoods
2.5	3 years ago:	Concentrating on rental housing	< O O O O O O O O >	Being involved in home-ownership assistance
	Now:	Concentrating on rental housing	< O O O O O O O O >	Being involved in home-ownership assistance
	In 3 years' time:	Concentrating on rental housing	< O O O O O O O O >	Being involved in home-ownership assistance
2.6	3 years ago:	Developing new products and services	< O O O O O O O O >	Improving existing products and services
	Now:	Developing new products and services	< O O O O O O O O >	Improving existing products and services
	In 3 years' time:	Developing new products and services	< O O O O O O O O >	Improving existing products and services
2.7	3 years ago:	Concentrating on housing activities	< O O O O O O O O >	Being involved in non-housing activities as well
	Now:	Concentrating on housing activities	< O O O O O O O O >	Being involved in non-housing activities as well
	In 3 years' time:	Concentrating on housing activities	< O O O O O O O O >	Being involved in non-housing activities as well
2.8	3 years ago:	Using assets to develop your business	< O O O O O O O O >	Managing assets for another owner
	Now:	Using assets to develop your business	< O O O O O O O O >	Managing assets for another owner
	In 3 years' time:	Using assets to develop your business	< O O O O O O O O >	Managing assets for another owner
2.9	3 years ago:	Purchasing housing in the market	< O O O O O O O O >	Developing own housing
	Now:	Purchasing housing in the market	< O O O O O O O O >	Developing own housing
	In 3 years' time:	Purchasing housing in the market	< O O O O O O O O >	Developing own housing

2.10	3 years ago:	Focused on specific localities	< O O O O O O O >	Not limited to specific localities
	Now:	Focused on specific localities	< O O O O O O O >	Not limited to specific localities
	In three years' time:	Focused on specific localities	< O O O O O O O >	Not limited to specific localities
2.11	3 years ago:	Growing mainly through stock transfer from public housing	< O O O O O O O >	Growing mainly through other processes e.g. merger, geographic expansion
	Now:	Growing mainly through stock transfer from public housing	< O O O O O O O >	Growing mainly through other processes e.g. merger, geographic expansion
	In three years' time:	Growing mainly through stock transfer from public housing	< O O O O O O O >	Growing mainly through other processes e.g. merger, geographic expansion
2.12	3 years ago:	Obtaining private finance for housing projects	< O O O O O O O >	Maximising funding from public and philanthropic sources
	Now:	Obtaining private finance for housing projects	< O O O O O O O >	Maximising funding from public and philanthropic sources
	In three years' time:	Obtaining private finance for housing projects	< O O O O O O O >	Maximising funding from public and philanthropic sources
2.13	3 years ago:	Building internal capacity by attracting specialist staff	< O O O O O O O >	Obtaining specialist advice through partnering and outsourcing
	Now:	Building internal capacity by attracting specialist staff	< O O O O O O O >	Obtaining specialist advice through partnering and outsourcing
	In three years' time:	Building internal capacity by attracting specialist staff	< O O O O O O O >	Obtaining specialist advice through partnering and outsourcing

3. Importance of change factors

In the following, several factors are listed that could influence the way in which your organisation fulfils its tasks. For each factor, please answer the following questions:

- How big do you think this change was in the last three years?
- How important do you think this factor was as a driver for change in the way that your organisation fulfilled its tasks in the last three years?

Finance

3.1 Change in building cost level

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.2 Change in land price level

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.3 Change in taxation of the not-for-profit sector

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.4 Change in percentage of revenue from rent

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.5 Change in percentage of revenue from sale of homes

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.6 Change in percentage of revenue from other sources than rent or sale of homes

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.7 Change in use of assets to develop your business

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.8 Change in cost of obtaining loan finance

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.9 Change in terms and conditions of loan finance

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.10 Change in cost of management operations

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

Government policy and regulation

3.11 Change in the rules about allocation of dwellings

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.12 Change in the rules about rent setting

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.13 Change in government regulation of organisational governance

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.14 Change in government regulation of business activities

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.15 Change in planning benefits for affordable housing

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.16 Change in government leverage requirements

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.17 Change in influence of State government

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.18 Change in influence of Federal government

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.19 Change in influence of local government

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

Not-for-profit sector

3.20 Change in level of competition among not-for-profit housing organisations

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.21 Change in degree of collaboration among not-for-profit housing organisations

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.22 Change in level of independence from government

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.23 Change in level of degree of collaboration / partnering with private sector organisations

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.24 Change in public attitudes towards your housing developments

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

Corporate Management and Operations

3.25 Change in organisational structure

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.26 Change in Board skills sets

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.27 Change in Board priorities

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.28 Change in geographical area(s) of operation

very big change	< O O O O O O O >	no change
very important driver	< O O O O O O O >	very unimportant driver

3.29 Change in investment in IT

very big change	< O O O O O O O >	no change
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	very important driver	< <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> >	very unimportant driver
3.30	Change in executive leadership		
	very big change	< <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> >	no change
	very important driver	< <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> >	very unimportant driver
3.31	Change in scope for resident/tenant influence		
	very big change	< <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> >	no change
	very important driver	< <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> >	very unimportant driver
3.32	Change in your organisation's financial competency		
	very big change	< <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> >	no change
	very important driver	< <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> >	very unimportant driver

Housing market

3.33	Change in pressure in the housing market(s) in which your organisation operates		
	very big change	< <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> >	no change
	very important driver	< <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> >	very unimportant driver
3.34	Change in availability of suitable land for project development		
	very big change	< <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> >	no change
	very important driver	< <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> >	very unimportant driver
3.35	Change in qualitative housing demand (e.g. dwelling size, dwelling type)		
	very big change	< <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> >	no change
	very important driver	< <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> >	very unimportant driver

4. Adaptation to changes

In the following section, a number of strategies are presented which may or may not have enabled your organisation to adapt to recent changes. For each issue, please answer the following questions:

- How important was this strategy in your organisation adapting to changed circumstances in the last three years?
- How important will this strategy be in your organisation adapting to changed circumstances in the next three years?

We realise that the importance of a future strategy cannot always be indicated. However, we ask you to give an expectation that is realistic given your present knowledge. If it is impossible to indicate an expectation for the next three years, please click the circle in the column 'expectation entirely uncertain'.

	<div> <div>very important</div> <div> <div></div> <div></div> </div> <div>very unimportant</div> </div>	expectation entirely uncertain
Operational management		
4.1 Restructuring of maintenance services		
in the last three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	
in the next three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	<input type="radio"/>
4.2 Outsourcing of project development/management		
in the last three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	
in the next three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	<input type="radio"/>
4.3 Changing the provision of services to better meet customer needs		
in the last three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	
in the next three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	<input type="radio"/>
4.4 Increasing client involvement in how services are delivered		
in the last three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	
in the next three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	<input type="radio"/>

		<div> <div>very important</div> <div> <div></div> <div>←</div> <div>→</div> <div></div> </div> <div>very unimportant</div> </div>	expectation entirely uncertain
Finance			
4.5	Seeking assets and/or revenue to secure further housing development (e.g. through stock transfer)		
	in the last three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	
	in the next three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	<input type="radio"/>
4.6	Making greater use of financial reserves and assets		
	in the last three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	
	in the next three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	<input type="radio"/>
4.7	Enlarging income by restructuring rent policy		
	in the last three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	
	in the next three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	<input type="radio"/>
4.8	Enlarging income by changing allocation / tenant mix		
	in the last three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	
	in the next three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	<input type="radio"/>
4.9	Increasing loan funding for housing development/redevelopment		
	in the last three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	
	in the next three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	<input type="radio"/>
4.10	Increasing private equity investment (e.g. sale and leasehold products, partnering with developers/institutional investors)		
	in the last three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	
	in the next three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	<input type="radio"/>
4.11	Sale of assets to release funds for housing development		
	in the last three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	
	in the next three years	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	<input type="radio"/>

Products and Services		<div>very important<div>←</div><div>→</div>very unimportant</div>								expectation entirely uncertain
4.12	Diversification into new housing products and services									
in the last three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>		
in the next three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
4.13	Diversification into new non-housing products and services									
in the last three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>		
in the next three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
4.14	Developing expertise in construction methods and/or processes									
in the last three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>		
in the next three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
4.15	Developing successful models of mixed tenure housing									
in the last three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>		
in the next three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
4.16	Improving the energy/environmental performance of your housing stock									
in the last three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>		
in the next three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
4.17	Intensifying portfolio maintenance and/or upgrading									
in the last three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>		
in the next three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
4.18	Increasing provision for long-term maintenance									
in the last three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>		
in the next three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
4.19	Developing rental housing for very low income groups									
in the last three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>		
in the next three years		<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	

Products and Services (cont.)		very important	←	→	very unimportant	expectation entirely uncertain	
4.20	Developing other sub-market rental housing						
	in the last three years	○	○	○	○	○	
	in the next three years	○	○	○	○	○	○
4.21	Developing housing for sale in the market						
	in the last three years	○	○	○	○	○	○
	in the next three years	○	○	○	○	○	○
4.22	Developing housing for sale to lower income households (including innovative shared ownership / rent to buy products)						
	in the last three years	○	○	○	○	○	○
	in the next three years	○	○	○	○	○	○
4.23	Developing other commercial activities						
	in the last three years	○	○	○	○	○	○
	in the next three years	○	○	○	○	○	○
4.24	Developing and adapting products and services to meet the needs of specific population groups e.g. older people, ethnic populations, the homeless, people with disabilities						
	in the last three years	○	○	○	○	○	○
	in the next three years	○	○	○	○	○	○
4.25	Developing and adapting products and services to meet the needs of Indigenous people						
	in the last three years	○	○	○	○	○	○
	in the next three years	○	○	○	○	○	○
4.26	Changing assets to align with housing demand						
	in the last three years	○	○	○	○	○	○
	in the next three years	○	○	○	○	○	○

Collaboration and partnering		very important	Very unimportant	expectation entirely uncertain
4.27	Merging with one or more other housing organisations			
	in the last three years	<input type="radio"/>	<input type="radio"/>	
	in the next three years	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.28	Involvement in joint ventures with private sector partners			
	in the last three years	<input type="radio"/>	<input type="radio"/>	
	in the next three years	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.29	Joining procurement clubs and/or purchasing consortia			
	in the last three years	<input type="radio"/>	<input type="radio"/>	
	in the next three years	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.30	Being involved in a larger number of partnerships and coalitions concerning care and support services for tenants			
	in the last three years	<input type="radio"/>	<input type="radio"/>	
	in the next three years	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.31	Being involved in a larger number of partnerships and coalitions concerning work, education and training support for tenants			
	in the last three years	<input type="radio"/>	<input type="radio"/>	
	in the next three years	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.32	Working to empower tenants e.g. through participation in governance and/or employment			
	in the last three years	<input type="radio"/>	<input type="radio"/>	
	in the next three years	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.33	Reducing the number of partnerships and coalitions			
	in the last three years	<input type="radio"/>	<input type="radio"/>	
	in the next three years	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.34	Becoming a lead agency partner in neighbourhood renewal			
	in the last three years	<input type="radio"/>	<input type="radio"/>	
	in the next three years	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.35	Developing place-management services (e.g. housing estates, urban renewal neighbourhoods)			
	in the last three years	<input type="radio"/>	<input type="radio"/>	
	in the next three years	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5. Most significant strategic decisions

Finally, we would like you to think about the issues that have the greatest influence on major strategic decisions in your organisation.

What would you say are the three issues most likely to impact the structure, direction or purpose of your organisation in the next 5 years? These may be issues that are only just being considered, or those where the decision-making has started.

Anticipated decision 1...

Anticipated decision 2...

Anticipated decision 3...

Contact details

Please write in your name and organisation and the most convenient phone number for us to call you on. These details will be used for administrative purposes only and will not be revealed in any published outputs.

Name of panel member:

Position:

Contact phone number:

Name of organisation:

Address of organisation:

This is the end of the questionnaire. Thank you for participating! If desired, you can add your remarks below.

AHURI Research Centres

AHURI Research Centre—Curtin University

AHURI Research Centre—Monash University

AHURI Research Centre—RMIT University

AHURI Research Centre—Swinburne University of Technology

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