

Scoping the Capacity of Indigenous Community Housing Organisations - FIRST DRAFT

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This paper is based on work currently being conducted for a project called *Scoping the Capacity of Indigenous Community Housing Organisations*. The project is a collaboration between the Remote Area Developments Group (RADG) at Murdoch University, the Aboriginal Environments Research Centre (AERC) at the University of Queensland and Shelter WA, and is funded by the Australian Housing and Urban Research Institute (AHURI).

Project Background

The project aims to provide a detailed, contemporary, empirical understanding of Indigenous Community Housing Organisations (ICHOs) to inform an understanding of, and to identify short and longer-term options, to enhance the capacity of the ICHO sector. The study focuses on non-financial factors affecting viability, and builds on AHURI Project 30282, "Indigenous housing - assessing the long term costs and the optimal balance between recurrent and capital expenditure" that explored financial viability factors affecting ICHOs.

The project methodology is to develop a multi-measure model of the capacity factors facing ICHOs, which are then tested by a telephone survey of 60 (10%) of ICHOs and field studies with 9 ICHOs. The project has received additional funding from various jurisdictions to conduct a further 6 field studies.

To date, the following work has been completed on the project:

Early 2006:	User Group formed
March 2006:	Discussion Paper 1
April 2006:	Workshop 1
May 2006:	Feedback on DP1 from User Group
June 2006:	60 case studies, Literature Review
July 2006:	Discussion Paper 2, Survey Instrument developed
Aug 2006	Telephone surveys commenced
Sep 2006	Field studies commenced

The field studies are scheduled to be completed in November 2006, and the final report for the project will be delivered in early 2007.

Key Concepts

Prior to outlining the methodology and preliminary findings of this project, it is necessary to define some key concepts that will underpin the research process with the User Group: types of Indigenous community housing organisations and organisational capacity.

- *Indigenous Community Housing Organisations*

Community housing is not-for profit rental housing provision and management that is delivered by non-government organisations. As at 30 June 2004 there were 34,442 dwellings provided through the Indigenous specific housing programs which were split between two Indigenous-specific housing programs: SOMIH and ICH.

The term SOMIH refers to State Owned and Managed Indigenous Housing organisations. As with public housing, SOMIH is the responsibility of the State Governments and is funded through the Commonwealth State Housing Agreement. As at 30 June 2004, there were 12,725 SOMIH dwellings in Australia.¹

The term ICH refers to Indigenous Community Housing. These are dwellings managed by Indigenous Community Housing Organisations (ICHOs); funding can be provided by the States, the Commonwealth, or by both. The administrative arrangements for ICH are more complex than those for SOMIH, and vary across the jurisdictions. As at 30 June 2004, there were 21,717 ICH dwellings in Australia.²

As stated in the research brief, this study proposes to focus on ICHOs, leaving SOMIHs aside unless there is an organisational link with them from ICHOs.

- *Organisational Capacity*

The terms “organisational capacity” and “viability” can be used in a number of different ways. Viability comprises the range of things that need to be in place to allow a settlement or organisation to function well at a particular point in time.

In the context of the current project, using a systems framework to be discussed in Section 4 (Analytical Framework), it is suggested that the terms organisational capacity and viability be taken to refer to an organisation’s ability to transform the input resources required to deliver the required outputs, ie attain its goals. These resources include, but are not limited to, financial resources, human resources and intangible resources such as community support. Capacity and viability therefore also refer to the systems internal to the organisation that enable this transformation to occur.

Analytical Framework

The project uses a Soft Systems Methodology to analyse the organisational capacity of ICHOs. The key advantage of this approach is that it allows the researchers to describe complex problems that do not have single right or wrong solutions. The Soft Systems Method (SSM) involves an inductive, iterative process that ultimately identifies appropriate courses of action rather than a single solution. This is particularly important in an area such as Indigenous housing, where problems are complex and the issues are viewed differently by different stakeholders.³

In addition, the SSM includes the participation of people involved in potential changes, and requires the researcher to view the issue from different perspectives.

¹ Australian Institute of Health and Welfare, *Indigenous Housing Indicators 2003-04*, AIHW cat. no. HOU 127. Canberra: Australian Institute of Health and Welfare, June 2005, p.xii

² Australian Institute of Health and Welfare, *Indigenous Housing Indicators 2003-04*, AIHW cat. no. HOU 127. Canberra: Australian Institute of Health and Welfare, June 2005, p.xii

³ This type of approach was used by Spring, Jardine-Orr and Anda in an AHURI project on Indigenous housing and governance issues in Western Australia and the Northern Territory: Andrea Jardine-Orr, Frederick Spring and Martin Anda, *Indigenous Housing and Governance: Case studies from remote communities in WA & NT*, Australia Housing and Urban Research Institute, August 2004.

Finally, an essential feature of the process is continual iterations and a constant process of conceptual model building to explain the research issues.⁴

In order to apply SSM to scoping the capacity of Indigenous Community Housing Organisations, it is necessary to view ICHOs as systems that transform inputs into outputs in order to achieve certain goals. In addition to defining these goals, the following aspects of the system need to be considered:

Customers of the system (the beneficiaries or victims of the system);

Actors in the system (the people who conduct the activities of the system);

Transformation that occurs in the system (what the system transforms from one state to another, the input to the output);

World view (the underlying values and assumptions of the system or what makes the transformation process worthwhile);

Owners of the system (those who have the power to stop the transformation); and

Environmental constraints (the elements the system has to take as given) (Rose 2004).

The CATWOE factors are then analysed according to the “3 'Es”:

E¹ efficacy (will it work, will it achieve the transformation);

E² efficiency (is the system the optimal use of resources); and

E³ effectiveness (does the system achieve long term goals) (Checkland 2000b; Rose 2004).

In the context of the current project, the system can be viewed as essentially task based, i.e.:

Customers: Indigenous people are the beneficiaries of the housing system;

Actors: ICHOs;

Transformation: The ICHOs transform rental payments and grants through an Indigenous-controlled bureaucracy, to build, manage and maintain houses.

World View: A political imperative to construct and manage houses in Indigenous communities to a standard and design similar to that in non-Indigenous communities.

Owners: The system is “owned” by Commonwealth and State or Territory governments. They control the funding and largely the nature and form of the housing.

Environmental constraints: Commonwealth and State Government policies, procedures and funding parameters.

⁴ For further discussion on the methodology as it can be applied to Indigenous housing in Australia, see Andrea Jardine-Orr and Martin Anda, *Remote Indigenous Housing in Australia – A Social Assessment*, paper presented at the International Association for Impact Assessment (IAIA) Annual Conference, 26-28 April 2004, Vancouver, Canada

The 3 E's will be measured as follows:

E¹ Efficacy – what makes ICHOs viable?

E² Efficiency – how does the ICHO housing management system make an efficient use of available resources (in this case tax dollars)?

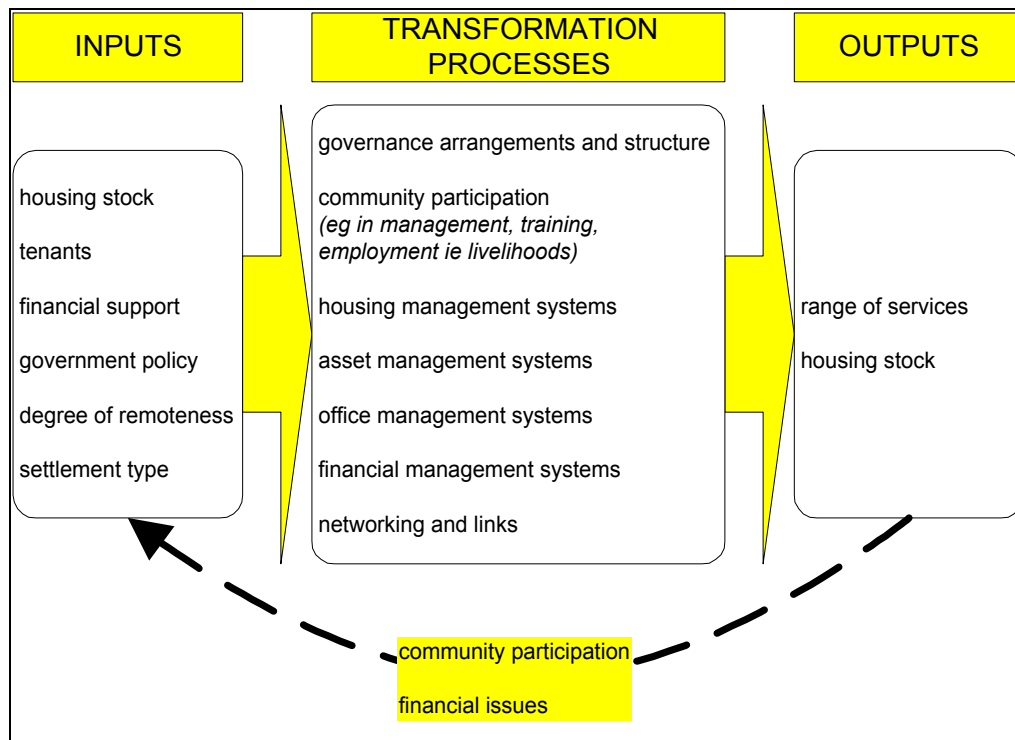
E³ Effectiveness – how does the ICHO housing management system meet the needs of both the beneficiaries and the “owners” of the system?

The analytical framework outlined above will be useful in revealing the factors that determine the organisational capacity of the ICHO system as a whole. In order to analyse the relative impact of each of the viability factors outlined in the following section, the various ICHO types and individual ICHOs, it is necessary to develop a robust Conceptual Model for how ICHOs may be operating.

A ‘resource flows’ system framework is used, adapted from Fisher (2004).⁵ In terms of ICHOs, the viability factors and indicators discussed in Section 3 can be viewed as inputs, outputs, transformation processes and feedback mechanisms. For instance:

1. Inputs include housing stock, tenants, financial support, government policy, human and social capital, settlement type and degree of remoteness.
2. Transformation processes include governance arrangements and structure, community participation (eg in management, training, employment ie livelihoods), housing management systems, asset management systems, data management systems, networking and links.
3. Outputs include range of services, housing stock.

The systems conceptual model for ICHOs can be represented in a diagram as follows:



⁵ Steve Fisher, 2004, The Livelihoods Opportunity, Centre for Appropriate Technology, Alice Springs.

Methodology

The project has developed four viability factors that between them define the organisational capacity of Indigenous Community Housing Organisations, being:

1. Location: refers to the jurisdiction, degree of remoteness and type of settlement.
2. Governance: includes both internal (organisational management and the range of services provided by the organisation) and external factors (government policy and links to other organisations).
3. Human Resource Management: refers to both paid and unpaid functions, including skills development, linked training, and recruitment and retention of staff, enterprise and employment development, and community participation.
4. Housing Management: refers to dwelling numbers and condition, tenancy management, rent setting and collection, and external grant funding.

As outlined in the table below, each of the viability factors has between three and five indicators, with each indicator having a number of measurements. In all, there are 4 viability factors and 16 indicators.

The project has also developed two survey instruments that were designed to provide measurements for each of the indicators. The first survey instrument is for use in the telephone survey of 60 ICHOs, while the second and more extensive instrument is for use in face to face interviews with 9 + 6 organisations. A complete description of each of the Viability Factors, Indicators and Measurements is available in Discussion Paper 2 of this project.

VIABILITY FACTOR	INDICATOR	Element of ICHO Conceptual Model	MEASURE (for desktop survey of 60)	QUESTIONS (for semi-structured interview of 9) (example only)
1. Location	a) Jurisdiction	Input	NT NSW QLD WA SA or VIC ?	
	b) Degree of Remoteness (ARIA)	Input	HA - Highly Accessible: eg major city, urban A - Accessible: eg Inner regional, urban, rural MA - Moderately Accessible: eg Outer regional, urban, rural R - Remote VR - Very Remote	Do you have ready access to services? Why not?
	c) Settlement Type (Merritt & Moran)	Input	DBS1, DBS2, DBS3, DUH1, DUH2	
2. Governance	a) Organisational Management	Transaction	Type of organisation, Form of incorporation Dispute resolution procedure Business Plan	Has your organisation got a governance system in place to ensure you achieve your outcomes?
	b) Range of Services	Output	Number, type?	To what extent do you keep your services management and their finances separate?
	c) Government Policy	Input	Impact of recent policy changes? Capacity of government officers?	How do recent policy changes affect you? How does the current sector reform impact on
	d) Links to other Organisations	Feedback	Number, type?	In what areas do you work with other organisations, to train staff, etc.?
3. Human Resource Management	a) Recruitment and retention of staff	Output	Number, type, turnover, Human resource policy? Y/N	Are you successful at recruiting and retaining staff? Why?
	b) Skill Development Strategy	Input	Human resources policy? Training plan in place? Y/N	What strategies do you use to access training for your staff?
	c) Linked Training	Input	Number, type?	Is training linked to local activities?
	d) Enterprise and Employment Development	Output	Number, type?	Are you able to develop these that reflect the needs of your organisation?
	e) Community Participation	Feedback	What is the mechanism?	How do you involve the community in the participation of your activities?
4. Housing Management	a) Housing Stock	Input/Output	Number, condition?	Is the number sufficient?
	b) Management Systems	Transaction	Allocation Policy? Y/N Tenancy management plan? Y/N Asset management plan? Y/N (including planned cyclical maintenance? Y/N) Financial system? Management information IT system?	How do you allocate your housing? Do you have the capacity to provide a cyclical planned maintenance service?
	c) Rent Setting and Collection	Input/Transaction	Rent policy?	How do you set your rent? What % rents do you collect? What do you do for non-payment? What is rent spent on?
	d) External funding	Input/Transaction	Number, type (capital, R&M, management grants)	How do you use the grants? Is external funding sufficient for operations?
Notes :				
1. Design of draft model for Discussion Paper 1 by indigenous housing specialists Anda, Eringa, Long, Merritt, Spring and West.				
2. Refinement after Workshop 1 with User Group experts.				
3. Further refinement after feedback from User Group on Discussion Paper 1.				
4. Further refinement after review of National Community Housing Standards.				
5. Model will be developed further with feedback from Workshop 2, Discussion Paper 2 and pilot surveys.				

Preliminary Findings from Work to Date

The development of the analytical framework and methodology in combination with the initial field studies have yielded a number of preliminary findings. Perhaps most significantly, the project finds that non-financial factors, while often overlooked, represent a critical element of the organisational viability of ICHOs. Moreover, there are some early indications that strengthening organisational capacity requires

addressing non-financial viability factors before any financial viability factors can be addressed.

In addition, the project has yielded some interesting insights in two distinct areas. The first area regards the profiling of the ICHO sector, while the second area relates to the capacity of ICHOs. The remainder of this paper explores both of these areas in more detail.

- *Profile of the ICHO Sector*

There are a number of different ICHO types across Australia in urban, rural and remote areas that deliver a range of services in addition to housing management. For example, there are Community Government Councils (NT), Association Councils (NT), Housing Associations, Progress Associations, Aboriginal Community Councils (ORAC), Town Camp Resource Organisations, Outstation Resource Agencies, Regional Authorities and Land Councils.

A recent report by Hall & Berry⁶ found that Indigenous Community Housing Organisations in manage 21,717 dwellings or 63% of Indigenous Housing across Australia. More than half of all ICHOs are in remote or very remote locations (42% very remote and 12% remote), 40% are located in regional areas, and the remaining 7% in major cities.

One particularly worrying aspect of the sector is that 20% of stock in remote / very remote areas requires a significant upgrade and 18% full replacement. Estimated total cost: \$705m or \$141m pa for 5 years. Hall & Berry also identify an average operating deficit for remote / very remote ICHOs of \$2,400 / \$3,800 per dwelling at a total of \$52.6m per annum.

Hall & Berry describe the situation as "a ruinous cycle: insufficient revenue ensures inadequate Maintenance and housing management, which ensures poorer quality stock, lower proportions of potential rents (on current charging practices), which ensures further deterioration of the stock, and lower housing management expenditures which ensures even lower revenues, and so on."⁷

Finally, there are a number of sector reforms and related studies under way in most jurisdictions. For example, SCIH have prepared a draft set of corporate governance criteria for ICHOs based on the National Community Housing Standards (2003). The WA Department of Housing & Works is undertaking rolling audits of ICHOs in WA.

- *Capacity of ICHOs*

In terms of ICHO capacity, the project is exploring the position in which many ICHOs find themselves as a conflict between economies of scale, which ICHOs do not deliver, and economies of scope, which many do. Put simply, the premise is that there are benefits associated with one agency delivering more than one service, resulting in cost savings and greater efficiency, as well as a better product.

As highlighted by Hall and Berry, ICHOs face very tight and in many cases negative operating margins on their housing functions. The only way in which an organisation faced with this situation can survive is either by cross-subsidising the housing

⁶ Jon Hall & Mike Berry, *Indigenous Housing: Assessing the Long Term Costs and the Optimal Balance Between Recurrent and Capital Expenditure*, Australian Housing and Urban Research Institute, October 2005

⁷ Jon Hall & Mike Berry, *Indigenous Housing: Assessing the Long Term Costs and the Optimal Balance Between Recurrent and Capital Expenditure*, Australian Housing and Urban Research Institute, October 2005, p.92

function from income derived from other functions, or by exploiting the economies of scope associated with providing multiple services.

Current funding practice is such that ICHOs delivering multiple services find themselves having to comply with extensive reporting requirements that are usually rigidly enforced. In such an environment, an organisation faces potentially severe consequences if it chooses to cross-subsidise any functions explicitly. For this reason, explicit cross-subsidisation between functions is no longer as prevalent as it may have been in the past.

Nevertheless, even in the current funding and reporting environment there remains some scope for implicit cross-subsidisation. This is sometimes achieved through 'creative reporting', such as reporting an officer's time against two or more functions. More commonly, however, it is achieved by an organisation allowing officers performing a number of functions to cooperate, thus allowing them to perform their duties more efficiently.

One example is that of a mental health support officer informing a maintenance officer of any maintenance issues they may have noticed during a visit for other purposes. This type of cross-subsidisation is inevitable and healthy in well-functioning organisations.

In addition to implicit cross-subsidisation between functions, many successful ICHOs appear to have harnessed the economies of scope that can be derived from delivering multiple functions. They typically do so by achieving multiple purposes through performing a single function. The way in which this is achieved varies greatly between ICHOs, and can involve turning onerous administrative requirements into training and employment opportunities for community members, turning potential threats of de-funding of a particular function into a means of building leadership and organisational cohesiveness.

In the longer term, harnessing such economies of scope allows successful ICHOs to build a reputation as a nice place to live, or as a place where people are able to access unique services. Such a positive reputation often results in increased demand for the housing stock of a successful ICHO, which may over time allow it to increase rents to further increase its financial viability.

However, the reliance on harnessing economies of scope and implicit cross-subsidisation can also be a major weakness of the ICHO model. In particular, success is often built on the back of particular government policies applying to a range of functions. Policy changes affecting any function may therefore have unintended and unexpected consequences for the ability of an ICHO to perform its other functions.

Again, the impact of any particular policy change will vary widely between organisations, depending on the role the affected function plays in terms of the way an ICHO harnesses economies of scope or the impact it might have on the implicit cross-subsidisation arrangements between its functions. For instance:

- One ICHO used CDEP workers to perform waste management services. These services extended well beyond the traditional municipal waste collection service to also include managing any waste in open spaces, resulting in improved environmental and personal health. A secondary benefit of the arrangement was the employment opportunities that this provided to community members, which not only increased the income of these community members but also provided them with a constructive occupation.

However, two simultaneous government policy changes meant that the ICHO would no longer be able to use CDEP workers to perform municipal waste

services functions. The ICHO indicated that the impact of the policy change was likely to be a deterioration of the environmental health situation, as well as an increase in violence and substance abuse due to the increased leisure time of people previously employed in the program. The ICHO expected both of these changes to impact on its ability to perform services to its members in the longer term.

- Another ICHO allowed its tenants to access a support program that addressed issues associated with both mental health and substance abuse. The organisation's success in running the program over a number of years had led to significant and measurable improvements in these areas for its own community members.

In addition, it had given the community a unique attribute that was attractive to a range of people in the broader Indigenous community. The resulting increase in demand for its services had created a waiting list for its housing. This increased demand allowed it not only to increase its rents, but also resulted in improvements in the general living environment as many existing tenants were careful not to jeopardise their tenancy, and thereby their access to the associated services, by any aspects of their behaviour.

In this situation, changes to funding for either the mental health or the substance abuse function could threaten the ICHOs longer term ability to deliver its housing function.

Government policy changes can also impact on the organisational capacity of ICHOs in a second and again unexpected way. In order to deal with any changes, successful ICHOs have to spend some of their paid or unpaid human resources creating the organisational capacity to understand the potential impact of any policy changes, as well as to negotiate with and respond to Government officers.

This typically has one of two outcomes. The first possible outcome is that it may create and foster opportunities for ICHOs to develop appropriate leadership and community participation structures. In turn, this builds cohesiveness and social capital, resulting in an organisation that can deal positively with changes to Government policy in many areas, and respond by turning any threats to opportunities in a creative way. The second possible outcome is that it may create a group of people in the organisation who are able to abuse their skills in this area for their own benefit.

The actual outcome will vary according to organisational and individual dynamics within each ICHO. In most cases, however, the outcome will not be either wholly positive or entirely negative, but somewhere in the middle.

In any case, the above discussion indicates that Government needs to evaluate the potential impacts of any policy changes affecting ICHOs in a new and much broader context. 'One size fits all' policies will not have uniform consequences, as they will impact differently on the ability of each ICHO to harness economies of scope and create implicit cross-subsidisation systems. Ideally, policy changes need to be negotiated separately with each ICHO.

Conclusion

This project confirms that non-financial factors, while often overlooked, represent a critical element of the organisational viability of ICHOs. There are some early indications that strengthening organisational capacity requires addressing non-financial viability factors before any financial viability factors can be addressed. The project is focusing its efforts on identifying the relative importance of each of the

following four viability factors: location, governance, human resources and financially related factors such as housing stock. These areas form the basis of the currently proposed multi-measure model and analytical framework.

Preliminary conclusions are that:

- Different ICHOs face different viability constraints depending on location, organisational type, services provided, etc.
- Cross subsidisation between services means that some ICHOs may be unable to deliver their other services if their housing function is defunded;
- Financial viability of ICHOs is a function of organisational capacity;
- Strengthening organisational capacity requires addressing non-financial factors before financial factors can be addressed.

These premises are currently being tested using a combination of telephone surveys and face to face interviews.

References

Martin Anda, Karel Eringa, Stephen Long, Paul Memmott, Fred Spring & Mara West, *Scoping the Capacity of Indigenous Community Housing Organisations: Discussion Paper No.1*, Australian Housing and Urban Research Institute, March 2006

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