



The South Australian Housing Trust Triennial Review 2013-14 to 2016-17

Purpose of the review

The review of the South Australian Housing Trust (SAHT) reflects on the activities and performance of the SAHT over the period of 2013-14 to 2016-17.

The review was conducted to provide an understanding of the current performance of the South Australian public housing system. The review includes dwelling statistics, the SAHT financial position and jurisdictional comparison of other housing models across Australia.

SAHT Activities

The SAHT is the main provider of social housing for South Australians through their two key social programs; the Public and Aboriginal Housing Programs. The role of the SAHT is to facilitate a range of housing options; aiding those who need a secure and supportive housing solution. Assistance ranges from crisis accommodation to affordable home ownership initiatives.

Strategies and policies:

1. 'Renewing our Streets and Suburbs' Initiative

The SAHT, through Renewal SA, is in the process of renewing its public and Aboriginal housing stock. This initiative aims to renew aged SAHT dwellings.

The main agendas that are related to this initiative are;

- Building 1,000 homes in 1,000 days, including 100 disability houses
- Renewal of 4,500 pre-1968 SAHT homes within 10 kilometres of the city by 2020
- Transfer of 5,000 properties to the not-for-profit community housing sector

These initiatives also aim to stimulate the housing and construction industry in addition to rejuvenating older housing stock held by the SAHT and increasing the supply of affordable housing. The investment by the State is \$1.9 billion and it is estimated to create 2,400 jobs.

The progress of these objectives has been reported in the Auditor-General's report on the SAHT completed on 30th June 2017. The progress is charted overleaf.

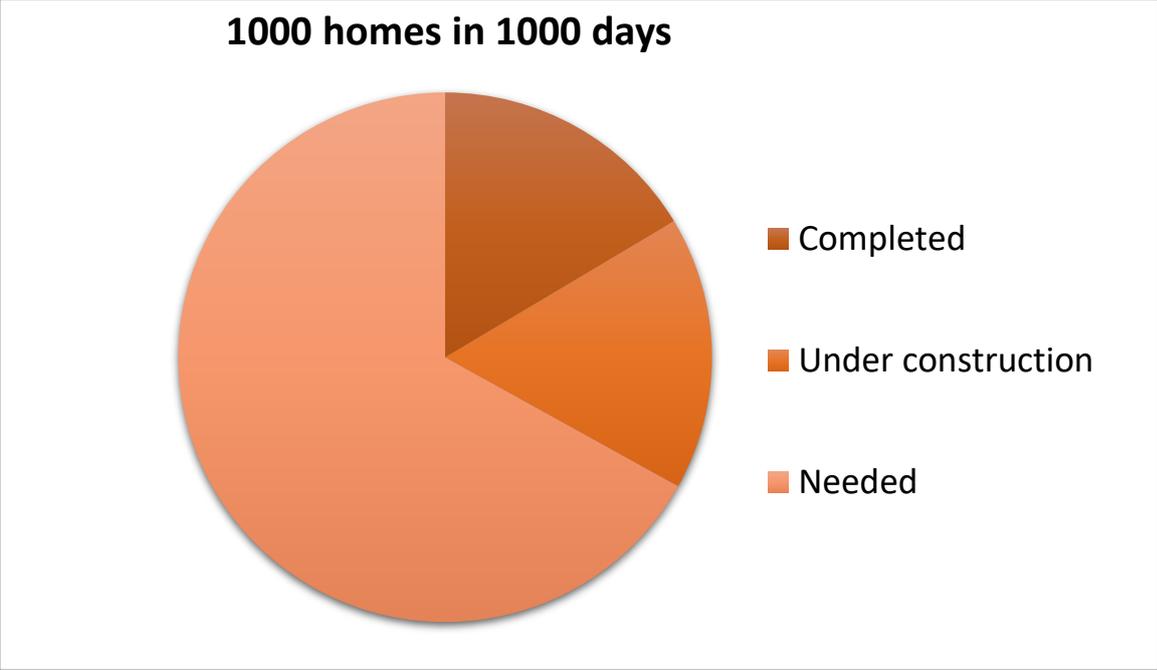


Figure 1: Initiative progress at June 2017

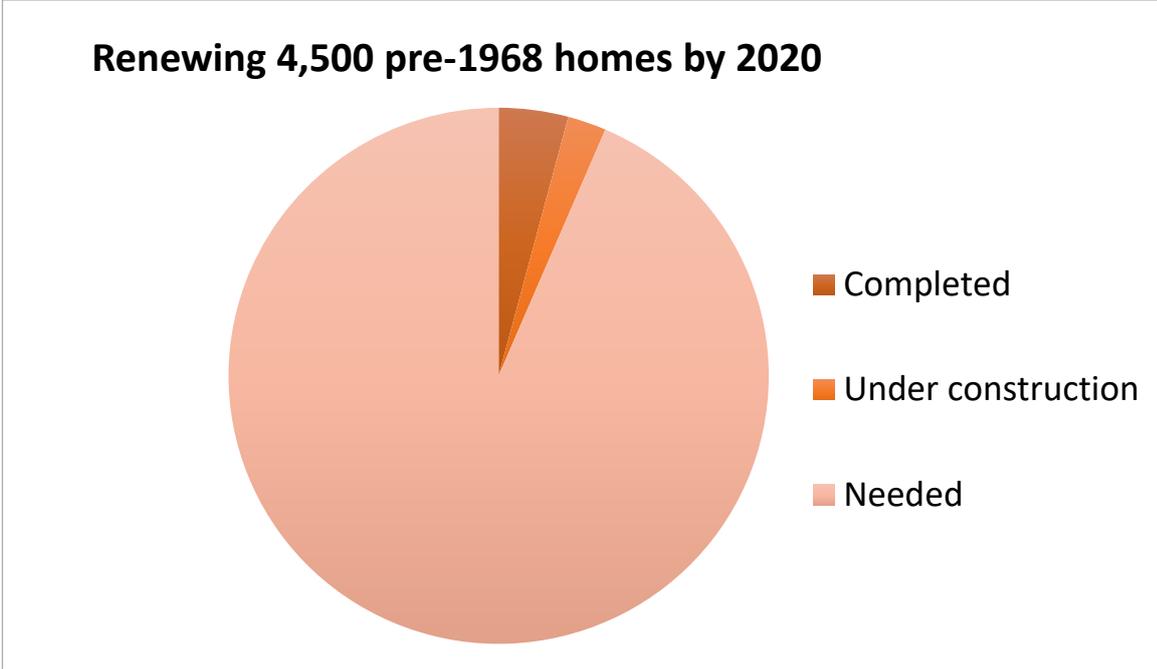


Figure 2: Initiative progress at June 2017

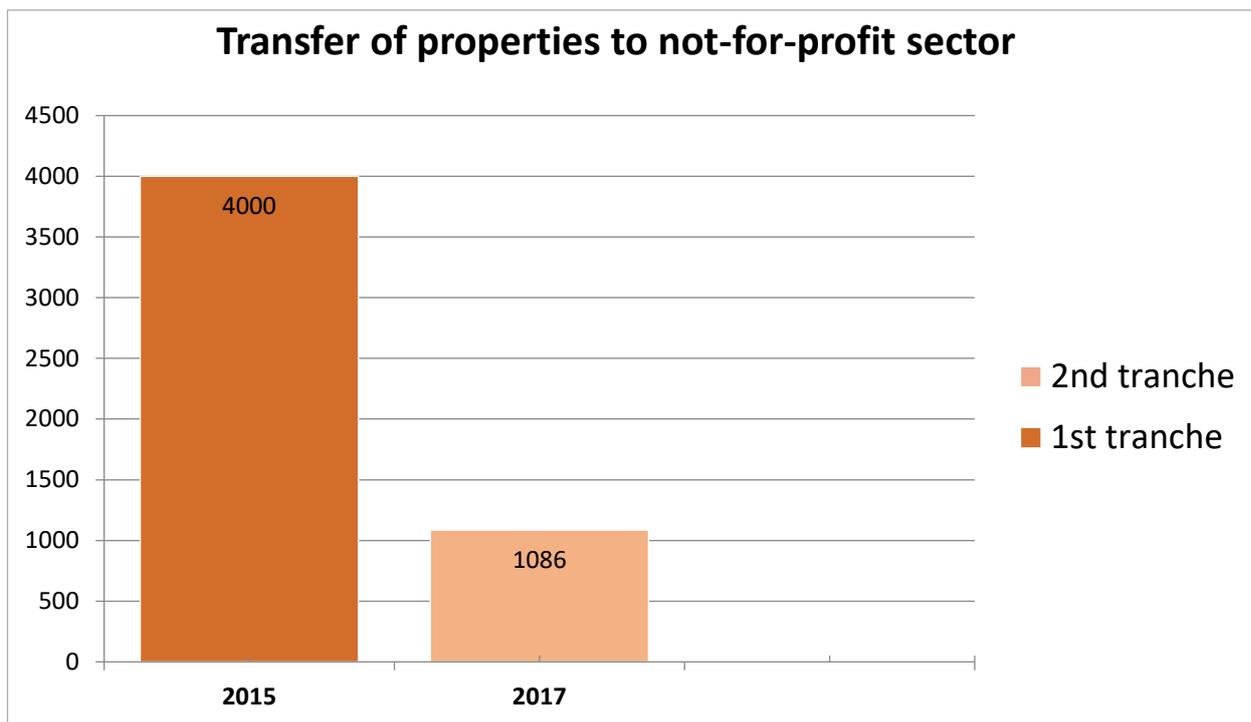


Figure3: Initiative progress at June 2017

2. Housing Strategy for South Australia 2013-18

Developed in alignment with the State's plan to 'Build a Stronger South Australia'.

The main strategies:

- Increasing housing choice and diversity through growth of the community housing sector
- Initialising innovation to deliver greater diversity
- Supporting affordable home purchases
- Stimulating investment in affordable rental
- Securing the sustainability of social housing
- Creating new vibrant communities
- Facilitating investment in regional South Australia
- Delivering on climate change priorities
- Altering the method through which the housing services are delivered
- Assisting people into secure and affordable private rental
- Providing a variety of housing options for people living with disabilities

SA Housing System

Supply of social housing:

There has been a decline in public housing stock over the last 10 years, mainly caused by the recent management transfers to the community housing sector and the continual sale of assets out of the social housing system.

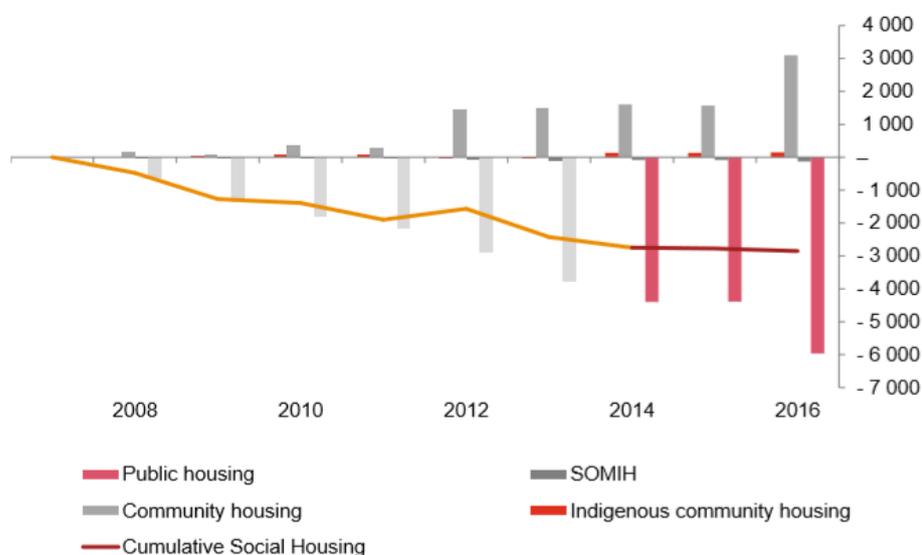


Figure 4: Based on 2016 Report On Government Services (ROGS) data

Data from Housing SA in the year 2017 shows a net decrease in public or Aboriginal dwellings between June 2016 and June 2017 of 843 (Note: this excludes property transfers).

Since 2007, there has been a decrease of 3,000 social housing dwellings. This is a result of the 6,000 decrease in public housing dwellings offset by the 3,000 increase in community housing.

The first tranche of 1,087 transfers in October 2015 to community housing providers has led to a shift from public housing to community housing of approximately 1,500 over this review period.

Transfers to not-for-profit providers:

The government has concentrated on transferring the tenancy management of public housing stock to the not-for-profit (community) sector. The expansion of the community housing sector was prioritised during the 2009 Housing Ministers Conference by the State and Territory ministers; indicating this sector should possess 'up to 35 per cent' of all social housing by 2014. The first of two major transfers to community housing providers was carried out in October 2015, however, the title remains with State Government.

The first tranche of transfers involved 1,100 public housing properties in Elizabeth Grove, Elizabeth Vale and Mitchell Park being transferred to Anglicare SA and Junction Australia.

The transfer was to focus on utilising the taxation benefits and Commonwealth Rental Assistance (CRA) available to community housing providers to meet maintenance requirements and improve tenancy support services.

The second tranche of transfers occurred in September 2017.

The tenancy management of a total of 4,000 public housing properties across the State were transferred to 5 different community housing providers.

This transfer focused on a renewal and redevelopment outcomes.

Asset Sales and disposals:

Financial viability sales:

- In 2007 a financial viability strategy was developed. This strategy would ultimately enable the SAHT to continue providing social housing in a financially sustainable manner through eliminating the interest-bearing debt accumulated over several years.
- The strategy included the sale of assets held within the SAHT to pay down debts and to create a surplus for future capital investment. Sales of this nature have since been used outside of this specified strategy by SAHT management intentionally in recent times, such sales have supported renewal and community housing transfer initiatives.
- The number of financial viability sales has fluctuated over time, peaking in 2011-12 at 630. These sales have raised revenue of between \$47.1 million in 2008-09 up to \$126.7 million in 2013-14. In 2016-17 there were 283 financial viability sales raising \$50 million in revenue, this is lower than previous years, but this is a result of delaying scheduled sales to later years. The collective total financial viability sales since 2007-08 is 4,482. These figures include sales to tenants, which was a crucial part of the strategy to provide a housing pathway into home ownership. Sales to tenants in the last financial year totalled 17.

Profile of current housing stock:

Public and Aboriginal Housing dwelling build year

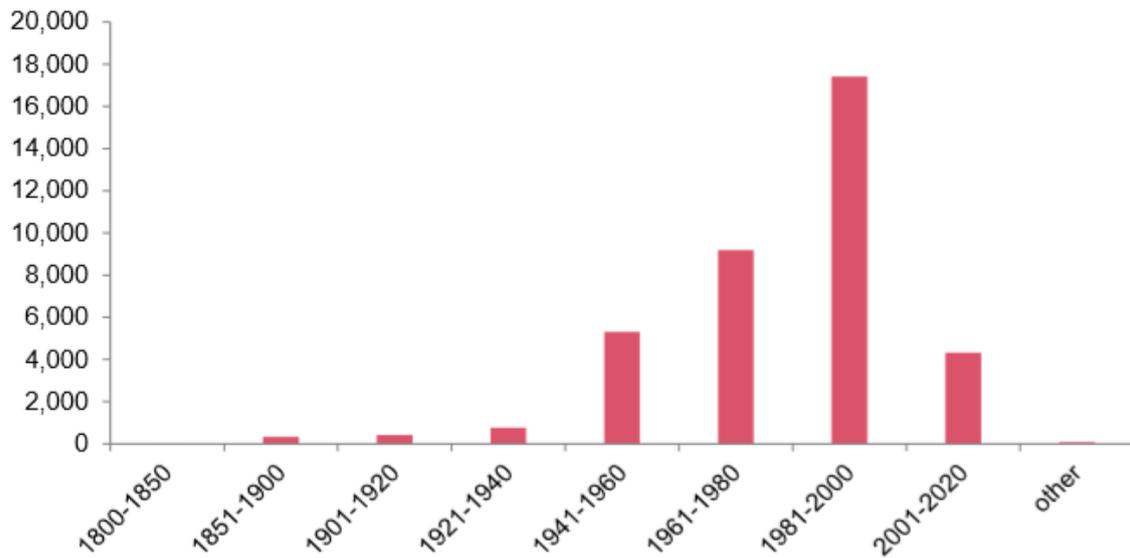


Figure 5: Public and Aboriginal dwelling build indicator

Community housing build year

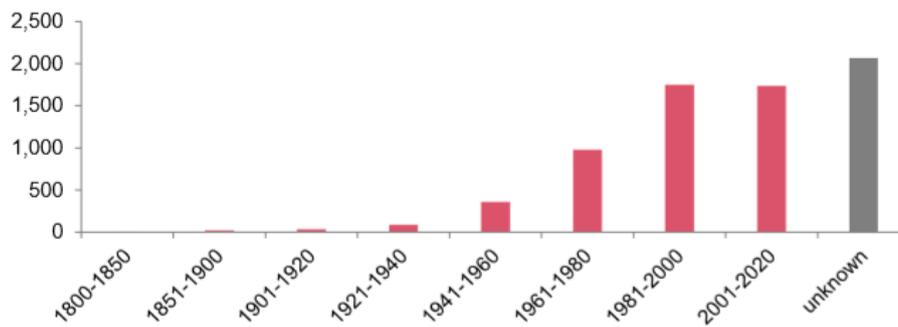


Figure 6: Community dwellings build indicator

Type of stock:

Dwelling Type	% of Overall Stock	Definition
Single Unit Brick	31.55%	Detached brick dwelling
Attached House	29.54%	Medium density, ground level or multistorey
Double Units	16.71%	Dwellings constructed in pairs with party wall
Cottage Flats	11.58%	Purpose build flats for the older people, usually ground level
Flats	6.21%	Attached, generally multi-storey configurations
Single Unit Timber	4.38%	Detached timber dwelling
Boarding House	0.04%	A number of people (10+) rent single or shared rooms

Figure 7: Current types of housing stock.

Location of stock:

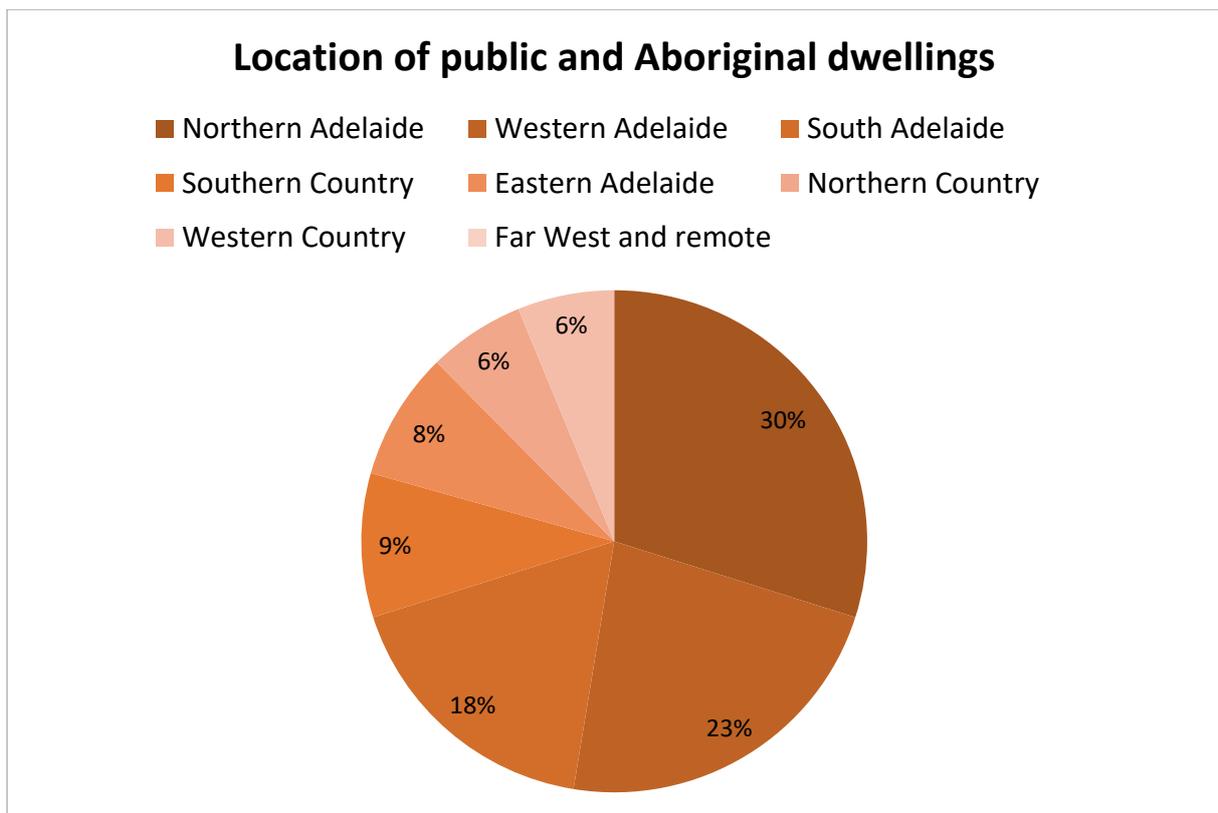


Figure 8: Location of public and Aboriginal dwellings in South Australia

Condition of stock:

Complete property condition profiles have not been kept up to date by the SAHT in recent years. The last comprehensive property condition inspection was carried out in 2003, covering approximately 80% of properties.

The SAHT is developing a strategic asset management plan and has initiated a program of inspecting and maintaining profiles of property conditions. Currently the maintenance backlog per property is in excess of \$20,000, following the transfer of properties to the Community Housing Providers.

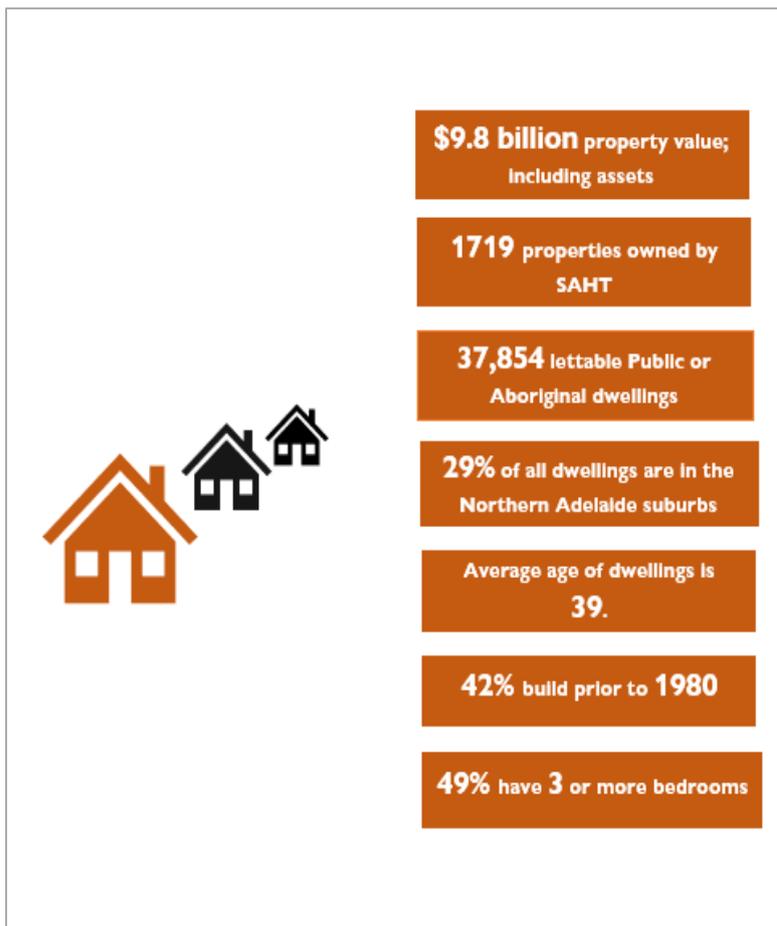


Figure 9: Current state (June 30, 2017) of the dwellings held by the SAHT

Demand for social housing:

Housing SA has two housing registers;

- Public housing: 20,930 registered
- Community housing: 12,405 registered

There is only one registration form through which customers can apply for both public and community housing when they initially register. The SAHT is improving the method of application by wanting to move to a single database register after the completion of the Business Systems Transformation project, planned to be completed in 2020.

Needs categories:

- Category 1 – Urgent housing need with long term barriers to accessing or maintaining private housing options;
- Category 2 – Not currently in urgent housing need, but has long term barrier to accessing or maintaining private housing options;
- Category 3 – No urgent housing need or long-term barriers to other housing options (Highest amount registered with 55% total); and
- Category 4 – Public or Aboriginal housing tenants who apply for and are approved for a transfer, but don't pass the needs test in line with the Transfer Policy.

Over 55% of applicants fall under category 3 in the public and Aboriginal housing register. There is an 'under reported need', especially amongst Aboriginal people, who should be considered as category 1 tenants. The inability to complete the necessary documents, due to language barriers or lack of access to services, have been the main causes of people not being categorised appropriately.

In June 2017, there were 44.5% Category 1 applicants. An increase from 26,414 in 2014 to 33,284 in 2017 in combined housing register. The public and Aboriginal register declined by approximately 300 applications and the community housing register increased by approximately 7,000. There is a possibility of double counting of people who are on both the public and Aboriginal housing registers

In 2017 there were 2,082 public housing allocations, with 88% of these Category 1 allocations. Approximately 81.5% of the 1,324 community housing allocations in 2016-17 were Category 1.

The average SAHT tenant is single, older, and dependent on Commonwealth Supports as an income and reside in public or Aboriginal housing for longer periods.

Indicated below is the current public housing profile:

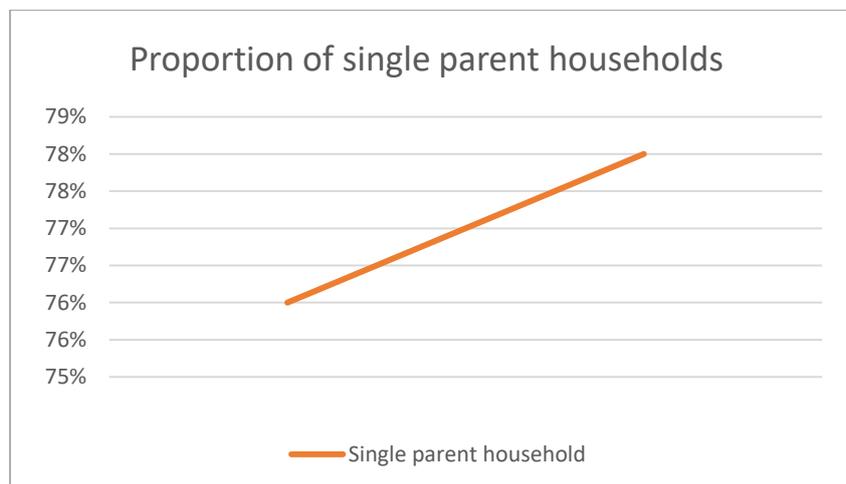


Figure 10: Increase in the proportion of single parent households

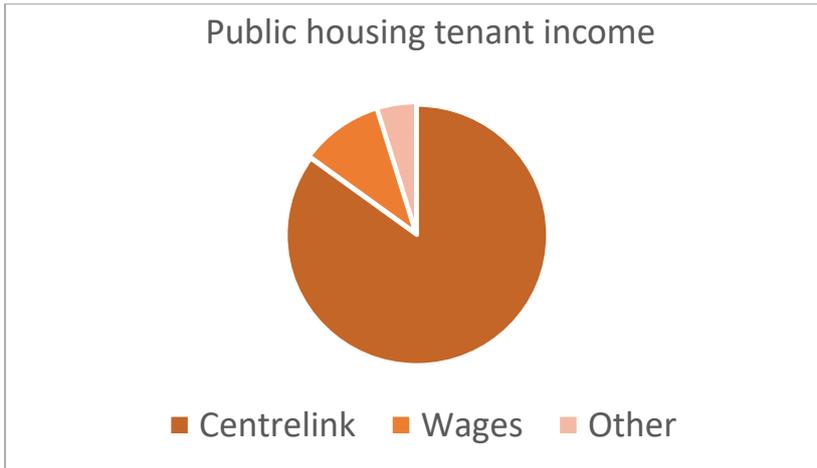


Figure 11: Form of income of a public housing tenant

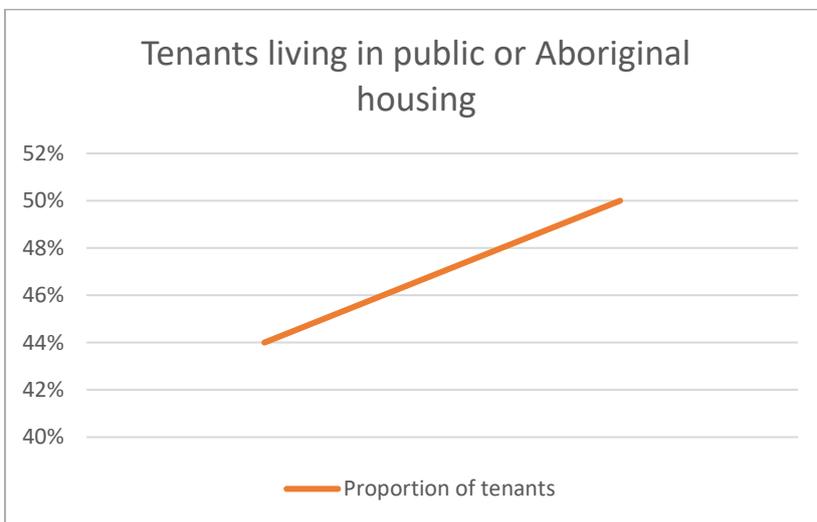


Figure 12: Increase in tenants living in Aboriginal or public housing for more than 10 years

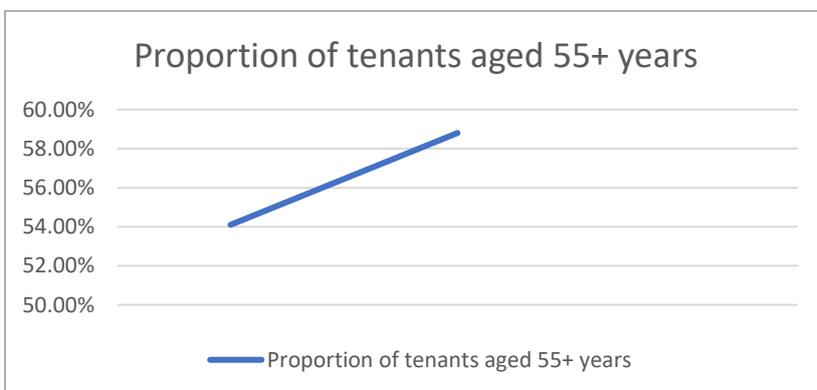


Figure 13: Increase in the proportion of tenants aged 55+ years residing in public or Aboriginal housing.

Profile of a social housing tenant:

- Ageing population – high proportion of tenants aged 55+ years
- Reliance on Commonwealth supports – high proportion of tenants primary income source is some form of Commonwealth support
- Single households – less families and more singles residing in social housing
- Longer length of stay – higher proportion of tenants staying in public housing for extended period

SAHT Financial Performance

The SAHT had \$880 million of interest-bearing debt removed in 2007 through the introduction of the financial viability strategy. Currently the SAHT has no interest-bearing debt because of the \$320m Commonwealth debt forgiveness provided in 2012 and 2013 and the sale of housing assets. A total of \$600 million worth of proceeds have been accrued through rental property asset sales. Without the asset sales and debt forgiveness, the SAHT would have a negative cash balance.

The State decreased the total grant funding following this Commonwealth debt forgiveness, however the amount of reduced funding has not been made clear. Funding is expected to increase in 2018 and 2019 as indicated by the recent State Budget. A total of \$63.1 million in 2018–19 will be granted.

The equity held within the SAHT is approximately \$10 billion due to the property, plant and equipment holdings through public, Aboriginal and community housing stock.

The SAHT funds operations through rental income, Commonwealth and State government revenues. Rental property expenses and staffing costs are the major expenses.

SAHT is operating with total expenses exceeding total income. It is positive for 2 out of the 4 financial years analysed during this review mainly because of asset revaluations by the Valuer-General.

	% of Total Expenses	% of Total Income	% of Total Assets	% of Total Liabilities
Public Housing	82.5	88.8	78.7	91.9
Indigenous Housing	7.3	3.6	6.7	3.1
Community Housing	2.7	2.8	14.5	1.1
Private Rental Assistance	5.0	2.0	0.0	2.1
Homelessness Services and Support	1.0	0.9	0.0	1.6
Emergency Relief Function	1.4	1.9	0.0	0.0

Source: SAHT audited financial statements

Figure 14: SAHT 2016-2017 breakdown of expenses, income, assets and liabilities

Characteristics of a future system



Figure 16: Snapshot of social housing tenants in Australia

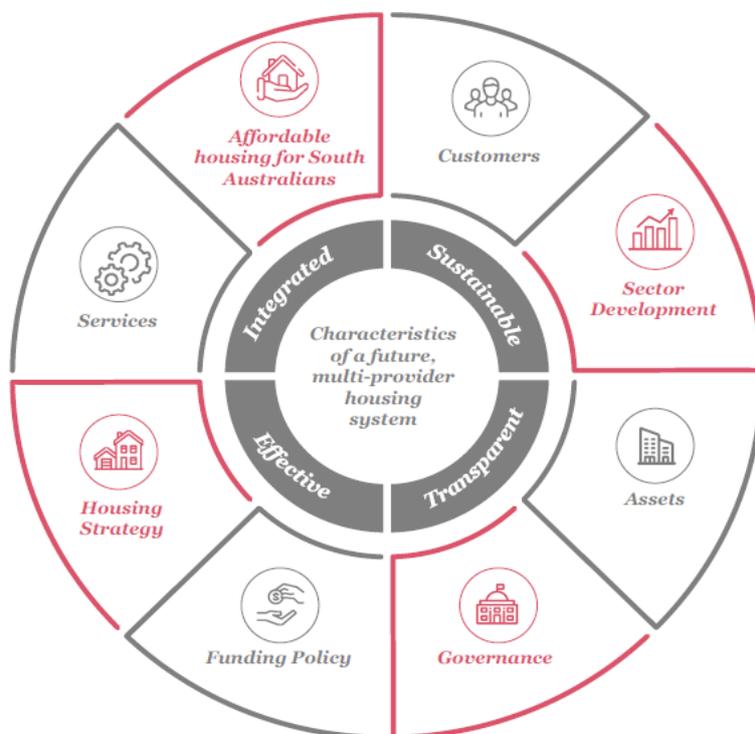


Figure 17: Characteristics of a future housing system

Review terms of reference

The current and upcoming customer profile doesn't match the current asset base and the deeper level of support tenants need.

The key expected changes in the profile of SAHT tenants are:

- The average age of tenants will continue to grow: 50% of tenants have been in the housing system for more than 10 years.
- High dependency on Commonwealth supports: The likelihood of tenants achieving stable employment is low because of the increasing complexity of those entering the system.
- Increasing profile of single households: 89% of allocation and 85% of those on the register are single or single parent households. Older couples are more likely to become widowed and will need more specialised care.

SAHT tenants have more complex needs and lower earnings which results in costlier services.

1. Demand for appropriate built form and asset planning

26% of public housing dwellings are underutilised and 2% are overcrowded. There is an existing challenge to match stock to tenants needs.

Further challenges for the SAHT is to deliver:

- Appropriately sized properties
- Properties which meet the needs of vulnerable people
- Access to support services
- Properties which meet the needs of larger families; specifically, Aboriginal and migrant families.

2. Net rent revenue

Household income is linked to current rent policy, including Centrelink benefits.

- Net rent revenue per dwelling is expected to decrease over time because of new tenants/allocations being increasingly high need with a high reliance on Centrelink benefits
- Increasing proportion of single tenant households
- No incentive for being employed

3. Ability to deliver urban renewal

- Funded by grants and asset sales
- Tenant profile will have an affect on the SAHT's ability to deliver the strategy because of the decline in net revenue per dwelling which has an influence on the SAHT's financial capacity to provide renewal strategies. The needs of tenants will increase the cost of urban renewal projects.

4. Private rental market

- Less affordable private rental stock is available for low income earners.
- The heavy reliance on Commonwealth supports makes the tenant less likely to have any kind of experience with the private rental market, making it more difficult to pay market rental rates. The SAHT has a variety of programs which support all South Australians through influencing the supplement of affordable housing.

- Less chance of the SAHT tenant to transition into the private rental market from social housing. Approximately 50% of tenants are in SAHT accommodation for more than 10 years, and only 14% of tenants pay market rent. Only a small portion of private rental accommodation is affordable to a single person on the aged pension. The transitioning of older people into the private rental market is decreasing over time, as they have higher needs and are less likely to maintain employment.
- Increasing proportion of single tenant households. The average rent revenue per dwelling for single person household is \$103/week and \$172/week for a couple. Approximately 89% of new tenant allocations were single or single parent households.

The evolving profile of the tenants will influence the cost of service delivery. Cost pressures might arise from;

- Demand for additional tenancy management and other services, ie already seen through introduction of regional response teams to deal with complex mental health, drug abuse, family violence
- Increasing requests for property adjustments (eg security for victims of domestic violence)
- Increasing requirement for repairs and maintenance based on property damage

There is an urgent need for the SAHT to ensure that there is a clear directive across departments to deliver a positive housing outcome. In order to build a modern housing system, a plan of action is required that makes policy objectives easily achievable and sustainable.