

SA Community Housing

Performance Report

2018-2019



Government of South Australia
SA Housing Authority



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Message from the Registrar

I am pleased to present the 'SA Community Housing Performance Report 2018-2019'. The Report aims to give transparency and confidence in the performance of registered Community Housing Providers (CHPs) in South Australia, while ensuring our regulatory activities remain accountable to government and the providers we regulate.

The CHPs included in this report manage or own 96% of the community housing properties in South Australia, and is compiled from the 2018-2019 data submitted in December 2019 as part of the annual compliance returns. This is the State's first report containing detailed information on the performance of South Australian CHPs relative to each other, and against set performance thresholds. It will be released on an annual basis in the following year to which the data relates. We also outline our compliance work and a report card of our findings against the performance requirements under the National Regulatory Code.

SA's Tier 1 and 2 CHPs performed at or above the Registrar's threshold levels across most of the performance measures as outline in this report.

Community housing tenants in SA continue to report high levels of satisfaction with tenancy and maintenance services. This correlates with the relatively low number of complaints we receive from tenants and the public about CHPs. It also demonstrates the successful resolution of most complaints by CHPs, giving us confidence in their complaint management processes. CHPs also continue to improve their systems and practices to demonstrate they are responsive in resolving urgent and non-urgent repairs raised by tenants.

From a financial perspective, the community housing sector continues to demonstrate sound financial stewardship and performance, with the majority of CHPs performing at or above the key financial metrics as outlined in this report. SA's CHPs were proactive during 2018-2019 in looking at refinancing opportunities with the National Housing Finance and Investment Corporation (NHFIC), who will play an increasingly important role in supplying low cost debt finance to support the development of community housing.

A number of important changes were made to the CHP Register, including publishing a compliance history, any notices of non-compliance, and Executive Summaries on each CHP from 1 July 2019. The sector continues to report high levels of satisfaction with the recommendations issued by the SA Registrar, and I look forward to increasing our levels of engagement during our next round of compliance assessments in response to their feedback.

Yours sincerely

Craig Thompson

National Regulatory System for Community Housing (NRSCH)

The regulatory system is administered under a federated model, known as the National Regulatory System for Community Housing (NRSCH). Participating jurisdictions include: Queensland, New South Wales, Australian Capital Territory, Tasmania, South Australia, and Northern Territory, enacting mirror National Law and a National Regulatory Code (NRC). In South Australia, this mirror legislation is contained within the Community Housing Providers (National Law) (South Australia) Act 2013 (the CHP Act).

The regulatory system is designed to contribute to a well governed and managed community housing sector and provide a platform for the ongoing development and viability of the community housing sector across Australia.

The NRC sets out the performance outcomes and requirements that CHPs must demonstrate their ongoing compliance with.

The NRC seven performance outcomes are:

- PO1 Tenant and housing Services
- PO2 Housing assets
- PO3 Community engagement
- PO4 Governance
- PO5 Probity
- PO6 Management
- PO7 Financial viability

Tiers

Registered CHPs are classed into Tiers based on the level of risk arising from the scale and scope of its community housing activities, which in turn determines the intensity of regulatory engagement and oversight.

Tier 1 and 2 CHPs are subject to annual compliance assessments. Tier 3 CHPs have compliance assessments conducted biennially.

Tier 1 registered CHPs operate at a large scale, meaning any serious non-compliance has the potential to impact large numbers of tenants and assets. Tier 1 status is reserved for CHPs with 500 plus properties who have ongoing development activities at scale at the high end of the spectrum, or with 750 plus properties with ongoing development activities at a lower end of the spectrum.

Tier 2 registered CHPs operate at a moderate scale of property and tenancy management with most Tier 2 CHPs managing between 200-750 properties and only ongoing small scale development activities.

Tier 3 registered CHPs operate at a smaller scale of property and tenancy management and have no ongoing development activities or one-off/very small-scale development activities.

Tier 3 CHPs accounted for 63% of SA's registered CHPs as illustrated in Figure 1.

SA REGISTERED CHPs BY TIER 30 JUNE 2019

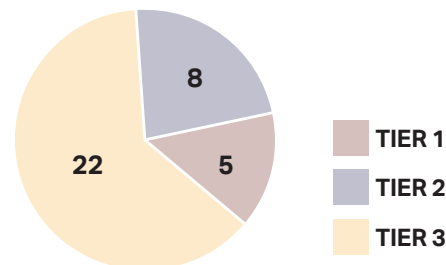


Figure 1: Registered SA CHPs by Tier as at 30 June 2019

The principles of good regulation that underpin the NRSCH are:

Proportionate – reflecting the scale and scope of regulated activities.

Accountable – able to justify regulatory assessments and be subject to scrutiny.

Consistent – based on standard information and methods.

Transparent – clear and open processes and decisions.

Flexible – avoiding unnecessary rules about how housing providers organise their business and demonstrate compliance.

Targeted – focused on the core purposes of improving tenant outcomes and protecting vulnerable tenants, protecting government funding and equity, and ensuring investor and partner confidence.

Sector Information

Property numbers have been collected from CHPs who enter their data directly into the Community Housing Regulatory Information System (CHRIS). Tables 1 and 2 summarise the number of properties as at 30 June 2019. Despite the majority of CHPs in SA being Tier 3, properties are predominantly concentrated amongst Tier 1 and Tier 2 CHPs as Table 1 demonstrates.

CURRENT TIER	TOTAL PROPERTIES	AVERAGE PROPERTIES PER PROVIDER
TIER 1	8729	1746
TIER 2	3265	408
TIER 3	476	22

Table 1: SA CHPs Properties by Tier as at 30 June 2019

Table 2 illustrates the difference between the number of properties located in South Australia and the number of properties where the South Australian Registrar has primary regulatory oversight regardless of property location.

	TIER 1	TIER 2	TIER 3	TOTAL
Properties located in SA	10090	2687	383	13160
Properties where SA Registrar has regulatory oversight	8729	3265	476	12470

Table 2: SA Located Property numbers by Tier and Property numbers by Tier where SA Registrar has responsibility regardless of Property location as at 30 June 2019

The reason for the difference is because some CHPs operate primarily in another jurisdiction.

For example, Community Housing Ltd (CHL) is a Tier 1 provider with over 5,000 properties under management throughout Australia, including over 1,000 properties in SA. As CHL has its primary jurisdiction in NSW, the 1,000+ properties located in SA form part of the NSW's Registrar's regulatory oversight. Notwithstanding this, OHR remains involved in complaints and enquiries involving SA properties.

Since the NRSCH commenced in 2014, there has been a steady increase in the growth of community housing properties in SA. Conversely, there has been a decline in the number of publicly owned rental dwellings available.

Figure 2 provides a comparison between public housing and community housing dwellings in SA, which is based off data from the Australian Institute of Health and Welfare (AIHW). As a result, figures may differ from CHRIS property numbers as AIHW dwelling data is derived from the SA Housing Authority.

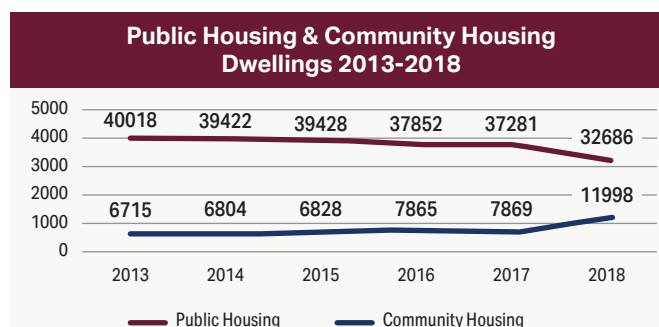


Figure 2: SA Public Housing & SA Community Housing Dwellings 30 June 2013 to 30 June 2018. Source: AIHW National Housing Assistance Data Repository

Most Australian states and territories (jurisdictions) have experimented with the transfer of public housing responsibilities and/or properties to not-for-profit CHPs (Pawson et al. 2013). The motivation for expanding the community housing sector through public housing transfers in SA include:

- **Revenue maximisation** – Converting public housing leases into CHP tenancies enables eligible tenants to apply for CRA payments, which can increase provider revenue. CRA payments are not available for public housing tenants and CRA is channelled to the community housing sector via increased rent charged by CHPs.
- **Leverage for growth** – Public housing transfers may enable leveraging of private finance to generate a new supply of social housing.
- **Service quality** – Enhanced operational efficiency and improved services for tenants.
- **Tenant outcomes** – Improved tenant satisfaction via a responsive and personalised delivery model.
- **Community engagement** – Resident-influenced approach and/or the provision of non-housing services.

Transfers

In October 2015, the property and tenancy management of 608 dwellings in Mitchell Park, and 479 dwellings in Elizabeth Grove/Elizabeth Vale, were transferred from SA Housing Authority to Anglicare SA Housing Ltd and Junction and Women's Housing Ltd, via the Better Places, Stronger Communities (BPSC) program.

An evaluation of the BPSC program revealed that tenants were generally supportive of the CHPs as their new landlord and reported improvements in responsiveness, accessibility, repairs and maintenance and community development activities (Blunden et al. 2017).

Following a national tender process, the property and tenancy management of over 4,000 public housing dwellings were transferred to five CHPs in 2017: Unity Housing Company Ltd, Junction and Women's Housing Ltd, Anglicare SA Housing Ltd, Housing Choices SA Ltd, and Community Housing Ltd. This second tranche of transfers was called Renewing Our Streets and Suburbs (ROSAS). Contracts between the Authority and the selected CHPs includes rigorous performance requirements for tenancy service quality, property maintenance and redevelopment.

These impacts have been positive, as the transfer of management has resulted in greater funding for housing maintenance and repairs, as well as a potential reform to tenancy management.

In line with dwellings growth, the amount of community housing tenancies has increased in SA, as

Figure 3 illustrates.

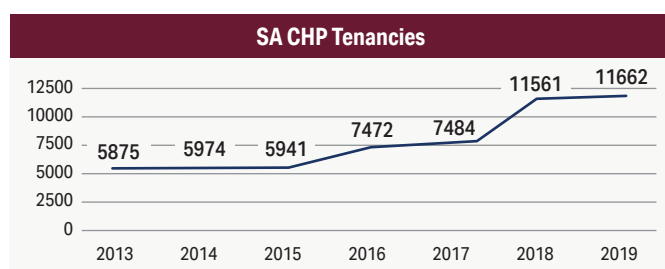


Figure 3: SA CHPs Number of Tenancies June 2013 to June 2019
Source: AIHW National Housing Assistance Data Repository

Mergers

In the context of community housing, a merger involves the transfer of assets (properties, bank balances), liabilities (debts) and tenancies from one CHP to another. These can occur for a variety of reasons, such as volunteer fatigue, internal management capacity, and financial viability.

From 2017-2018 to 2018-2019, there has been a reduction in the number of CHPs in SA, which has been predominantly concentrated amongst Tier 3 CHPs who are merging with larger registered CHPs. Table 3 illustrates the reduction of registered CHPs in SA.

	TIER 1 PROVIDERS	TIER 2 PROVIDERS	TIER 3 PROVIDERS	TOTAL
30 June 2018	5	8	30	43
30 June 2019	5	8	22	35

Table 3: Number of registered CHPs (with SA as primary jurisdiction) by Tier from 2017-2018 to 2018-2019

From 2017-2018 to 2018-2019, there were 8 Tier 3 CHPs that cancelled their registrations in SA. Table 4 outlines the CHPs that have cancelled their registrations and lists the CHPs they have merged with.

PROVIDER	TIER	MERGED PROVIDER	TIER
Flinders Housing Co-Operative Inc	3	Julia Farr Housing Association Inc	2
Stretton Housing Co-Operative Inc	3	Anglicare SA Housing Ltd	1
Acre Housing Co-Operative Inc	3	Common Equity Housing SA Ltd	2
Helping Hand Housing Inc	3	Unity Housing Company Ltd	2
Northern Suburbs Housing Inc	3	Community Housing Ltd	1
Arkadia Housing Co-Operative	3	UnitingSA Housing Ltd	2
Mile End Housing Co-Operative	3	The Frederic Ozanaman Housing Association Inc	2
Southside Housing Co-Operative	3	The Frederic Ozanaman Housing Association Inc	2

Table 4: SA CHP Mergers June 2018 to June 2019

Regulatory Activities

This section of the report relates to SA's compliance related activities during 2019-2020.

During 2019-2020, 70% of all registered CHPs went through either a standard and targeted compliance assessments.

As shown in Table 5, Between 1 July 2019 and 30 June 2020, 21 standard compliance assessments were completed in SA. Over 60% of compliance assessments completed in 2019-2020 were for Tier 1 and 2 CHPs.

STANDARD COMPLIANCE ASSESSMENTS	
TIER 1	5
TIER 2	8
TIER 3	8
TOTAL	21

Table 5: Standard Compliance Assessments Completed 2019-2020

The evidence submitted by CHPs is assessed against applicable performance outcome under the NRC.

The possible results of the assessment for any performance outcome are:

Compliant – The CHP has submitted adequate evidence to demonstrate ongoing compliance with the performance outcome, or - in the case of registration - has demonstrated the capacity to comply with the NRC.

Compliant with recommendations – The CHP has submitted evidence to demonstrate a minimum level of compliance with a performance outcome but needs to take further action to reach full compliance. The recommendations will generally fall into one or more of the following categories:

- Relatively minor and the issue can be resolved in a short period;
- The deadlines for the CHP reaching compliance are reasonable and likely to be met (i.e. evidence of progress has been seen);
- The overall impact on financial viability and services to residents is relatively insignificant; or
- Accepted by the CHP and can be completed by the CHP (i.e. they have the resources, track record, expertise).

Non-compliant – The CHP has not submitted adequate evidence to demonstrate ongoing compliance with performance requirements of the NRC.

Table 6 shows the outcome of the assessment of each performance outcome. A compliance assessment may result in several recommendations in one or more performance outcomes. Those assessed as compliant with a performance outcome are not issued with any recommendations.

	COMPLIANT	COMPLIANT WITH RECOMMENDATIONS	NON-COMPLIANT	% COMPLIANT
Outcome 1 Tennant and Housing Services	18	3	0	100
Outcome 2 Housing Assets	7	12	2	90
Outcome 3 Community Engagement	21	0	0	100
Outcome 4 Governance	12	7	2	90
Outcome 5 Probity	20	1	0	100
Outcome 6 Management	17	2	2	90
Outcome 7 Financial Viability	7	12	2	90

Table 6: Outcome of Assessment against each Performance Outcome SA CHPs 2019-2020

In Table 6 there were 16 CHPs who were issued with Compliant with recommendation findings during 2018-2019. Of these, one was issued with a future targeted compliance assessments. A targeted compliance assessment may be sought where a recommendation is required to be addressed sooner than the next standard assessment.

In Table 6 the non-compliant findings relate to two Tier 3 CHPs: Hindmarsh Housing Co-operative Inc and Developing Alternative Solutions Inc (DASH). Hindmarsh Housing Co-operative Inc. has subsequently merged with a Tier 2 CHP, UnitingSA Housing Ltd, and DASH is currently being managed by a Statutory Manager appointed by the SA Registrar. The actions demonstrate the use of the following enforcement powers available to the SA Registrar to protect community housing tenants and assets:

- Issuing a Notice of Non-Compliance
- Issuing a Binding Instructions
- Issuing a Notice of Intent to Cancel Registration
- Appointing a Statutory Manager
- Cancelling Registration

Complaints

The NRSCH requires CHPs to both provide and promote information to tenants on how to raise a complaint, as well as to address complaints promptly and fairly. Most complaints are raised directly with the CHPs and responded to as part of their complaint management processes.

The SA Registrar receives complaints from the public in relation to a CHPs' compliance with the National Law. In most instances, these complaints relate to service delivery or anti-social behaviour concerns and are referred back to CHPs to address as part of their complaint resolution role.

As **Table 7** illustrates there has been an increased number of complaints and enquiries relating to CHPs, and this correlates to the increased property numbers managed by the community housing sector.

	2015-2017	2016-2017	2017-2018	2018-2019	2019-2020
Complaints	31	22	38	51	98
Enquiries	13	37	47	71	46

Table 7: Complaints and Enquiries 2015-2016 to 2019-2020

Table 8 provides an insight into the origin of complaints that OHR has received from 2015-2016 to 2019-2020. Throughout this timeframe most cases are derived from either the Ministerial Office (57.5% of all cases), tenants or members of the public.

COMPLAINT ORIGIN	2015-2017	2016-2017	2017-2018	2018-2019	2019-2020
Advocate					1
Anonymous					1
Former Tenant					1
Member of Public	3	2		3	19
Ministerial Office	17	18	35	35	33
Non-registered Provider			1		
Provider Employee					1
Tenant	11	2	2	13	41
Third Party					1
TOTAL	31	22	38	51	98

Table 8: Complaint Origin 2015-2016 to 2019-2020

Sector Performance

Tenants Surveys

It is a requirement for CHPs to maintain satisfaction with the overall quality of housing assistance. Tenant survey results and analysis are a source to demonstrate compliance. Tier 1 and Tier 2 CHPs are required to survey their tenants and/or residents at least every two years. CHPs often outsource the surveying of tenants and surveys are often issued independently. Results of the survey are then self-reported by CHPs in their compliance assessments.

In 2018-2019, there were 3,875 tenant surveys that were returned/responded to for Tier 1 and Tier 2 CHPs. As Figure 4 demonstrates, there continues to be a continuation of the positive trend in the number of survey respondents and shows that the data is derived from a large sample size of tenants.

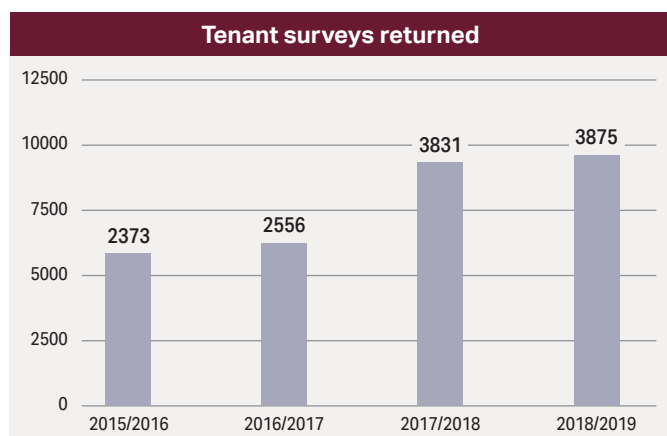


Figure 4: Tenant surveys returned/responded 2015/2016 to 2018/2019

Tenants Overall Satisfied

Tenant satisfaction with overall services is a key measure of the consumer experience within a CHP. Tier 1 and Tier 2 CHPs are required to survey their tenants and/or residents at least every two years, and most outsource this to an external party to conduct the survey.

Figure 5 illustrates that community housing tenants report high levels of overall satisfaction in their CHP surveys, and all SA CHPs are performing well above the 75% green threshold line.

Tier 1s report an average satisfaction rate of 86.3%, and Tier 2s and average satisfaction rate of 90.7%.

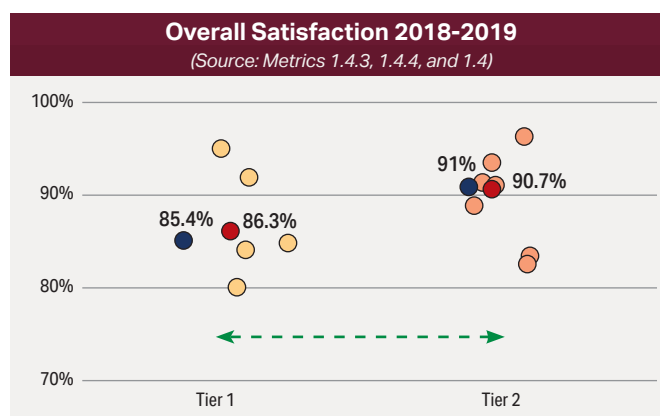


Figure 5: CHP results of tenant satisfaction with overall quality of housing services 2018-2019

The satisfaction with overall quality of housing services represents the number of tenants satisfied with overall quality of housing services as a percentage of surveys returned.

Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

One Tier 2 CHP is not included in the chart, and they reported an overall satisfaction rate of 97%.

Satisfied with Maintenance

Tenant satisfaction with maintenance is a key measure that services are being delivered and properties are being maintained from the tenant's perspective.

Figure 6 illustrates that providers deliver maintenance services that lead to high levels of tenant satisfaction and perform above the 75% green threshold line.

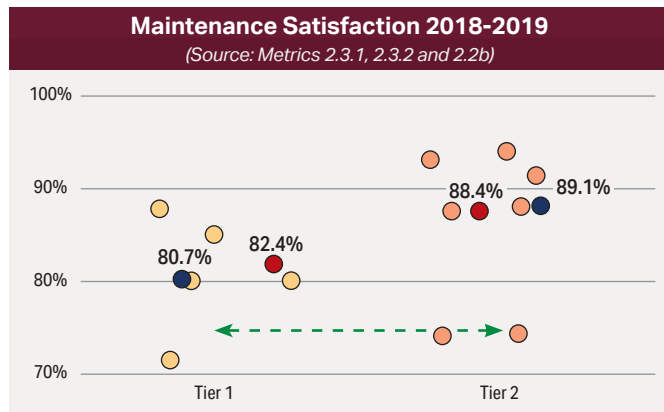


Figure 6: CHP results of tenant satisfaction with maintenance 2018-2019

Satisfaction with maintenance services represents tenants who have expressed satisfaction with maintenance services as a percentage of those answering the question in the survey. The NRSCH threshold is set at 75% of survey respondents being satisfied with maintenance services.

Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

Most Tier 1 CHPs are above threshold for satisfaction with maintenance services in 2018-2019, with an average 82.4%. Tier 2 CHPs had an average of 88.4% maintenance satisfaction.

The Tier 1 CHP that was below threshold did not conduct a tenant satisfaction survey in 2018-2019. There was one Tier 2 CHP that was below the threshold and has made it part of their improvement plans to address these results.

One Tier 2 CHP is not included in the chart, and they reported tenant satisfaction with the maintenance services of 93%.

Responsive to Repairs

Completion of urgent and non-urgent tenant repair requests is a key performance measure on how responsive a CHP is with addressing repairs.

Figure 7 illustrates sector trends during 2017-2018 to 2018-2019. These results demonstrate that tenants believe CHPs respond effectively (by time and outcome) to urgent repairs and perform above the 90% green threshold line.

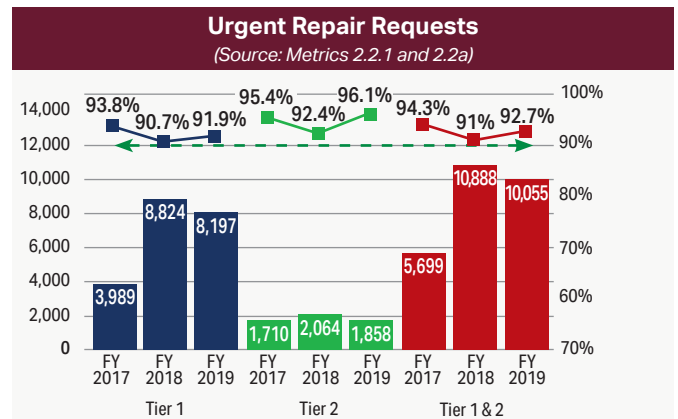


Figure 7: Sector trends 2016-2017 to 2018-2019 for the completion of urgent repairs based on CHPs assessed during the year

Urgent repairs completed in-time represents urgent repairs completed within jurisdictional and CHP requirements as a percentage of urgent repairs requested by tenants. This count also includes requests outstanding from the previous year. The NRSCH threshold is 90% or above.

Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

Compared to 2017-2018, the volume of urgent repair requests decreased among Tier 1 & Tier 2 CHPs in 2018-2019. On average, both Tier 1 and Tier 2 CHPs achieved above threshold results in 2018-2019.

Figure 8 illustrates that Tier 1 and Tier 2 CHPs perform well in response to non-urgent repairs requests, and above the 80% green threshold line.

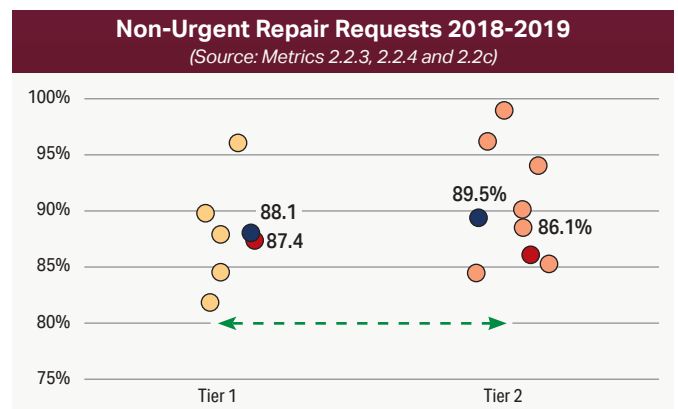


Figure 8: CHP results for non-urgent repairs completed within timeframe by Tier 2018-2019

The non-urgent repair completed in-time represents non-urgent repairs completed within jurisdictional and CHP requirements as a percentage of non-urgent repairs requested by tenants, including requests outstanding from the previous year.

The NRSCH threshold for non-urgent repair in-time completion is 80% or above the green threshold line.

Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

The average for Tier 1 CHPs was 87.4% for non-urgent repairs. All five Tier 1 CHPs were above the threshold for non-urgent repair completion.

The average for Tier 2 CHPs was 86.1% for non-urgent repairs. Whilst not visible in Figure 7, there was one Tier 2 CHP that had a completion rate of 67.6%. This CHP has been issued with a recommendation to demonstrate improved management practices with supporting evidence in the next Compliance Return.

Eviction Numbers to Exits

Evictions as a proportion of exits is a key performance measure in determining the proportion of unsuccessful tenancies at a CHP and sector level.

An eviction is defined as an Order granted by an independent tribunal for vacant possession, or conditions from which vacant possession will be triggered, and the subsequent termination of a tenancy. Eviction data is useful to the extent that rates are compared between like CHPs. However, the difficulty in making such comparisons is that evictions are driven by tenant behaviour, such as not meeting obligations to pay rent or breach of the tenancy agreement, as well as influenced by the housing services the CHP offers (e.g. transitional or boarding house accommodation).

Figure 9 illustrates that eviction numbers have increased with the growth of the sector, and eviction to exit rates have trended upwards, remaining within the 10% green threshold line.

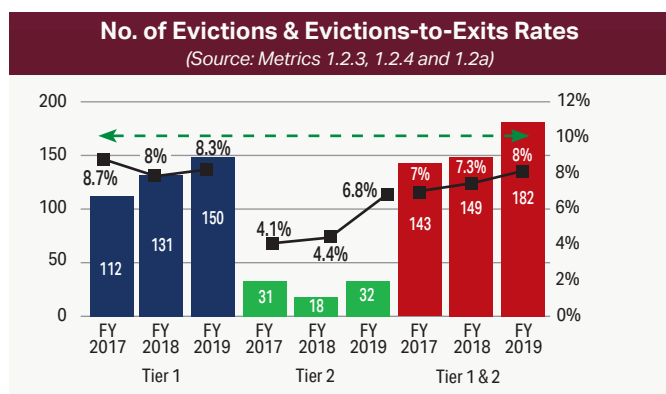


Figure 9: Sector trends 2017-2019 for evictions as a percentage of exits

Tenants evicted as a percentage of the total number of exits for the year. The Y Axis of the graph shows the amount of evictions and the percentage of evictions in relation to exits

Tier 1 CHPs increased evictions, but the pace of increase was steady from 2017--2019. Tier 1 CHPs reported the same annual increase in evictions by 19 from 2016-2017 to 2017-2018, and 19 from 2017-2018 to 2018-2019. Despite the increase in the number of evictions by Tier 1 CHPs in recent years, eviction rates have been steady.

The average eviction rates for Tier 1 CHPs were 8.3% in 2018-2019, which was influenced from two Tier 1 CHPs having eviction rates slightly higher than the 10% threshold. Average eviction rates for Tier 2 CHPs was 6.8% in 2018-2019, with all CHPs having eviction rates below the threshold.

Rent Arrears

Rent arrears is a key performance measure of a CHPs' rent collection and arrears management practices.

Figure 10 illustrates that Tier 1 and Tier 2 CHPs manage rent arrears effectively, with most under the 2.5% green threshold line.

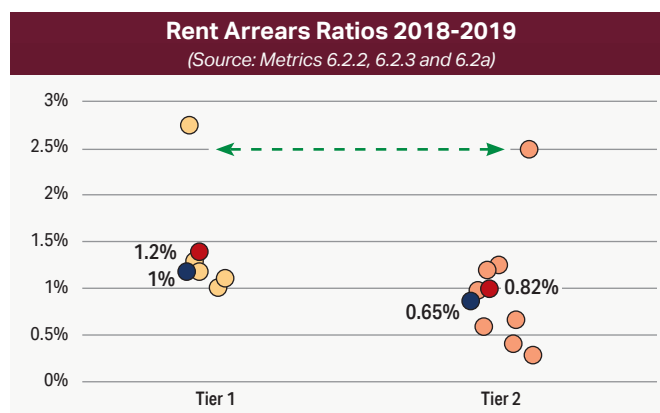


Figure 10: CHP results for rent outstanding as a proportion of total potential rental income 2018-2019

The rent outstanding threshold represents the rent outstanding from current and former tenants as a percentage of total potential rental income. The threshold for rent outstanding is set at $\leq 2.5\%$ of total potential rental income or had no rent outstanding recorded.

Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

On average, Tier 1 CHPs met the green light threshold with averages of 1.20%. Only one Tier 1 CHP did not meet the threshold by a small margin, however, this is not considered a cause for concern at present.

All Tier 2 CHPs met the threshold with averages of only 0.82% in rental arrears. Tier 2 CHPs had low and stable rent arrears ratios with only small movements in recent years.

Properties Occupied

Occupancy rates measures the proportion of properties occupied and is a key measure of the utilisation of a CHP's properties.

Figure 11 illustrates all CHPs maintain high occupancy rates, with most performing well above the NRSCH threshold of 97%. The average occupancy rate for Tier 1s being 99.9%, and Tier 2s being 98.6%.

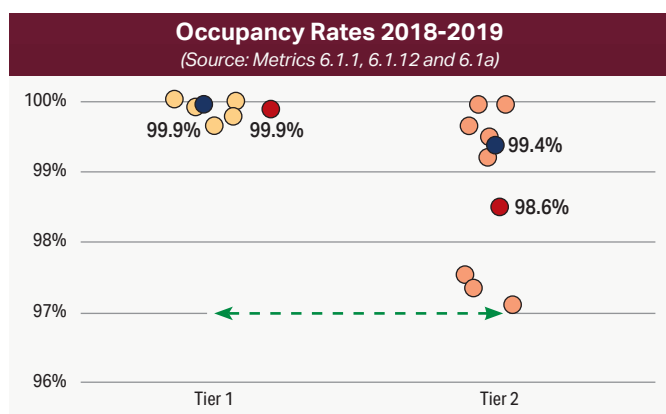


Figure 11: CHP results for Occupancy Rate 2018/2019

The NRSCH occupancy rate represents the number of tenable units occupied as a percentage of the total number of tenancy units.

Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

Tenantable Turnaround

The tenantable turnaround performance metric is a key measure of how long it takes to fill a vacancy when the property is in a fit and habitable condition. This is an efficiency measure.

Figure 12 illustrates a concentrated cluster of tenantable turnaround performance for Tier 1 providers that are within or near the NRCH threshold. A more dispersed range of performance is illustrated for Tier 2s that includes some performing within the target range and others outside.

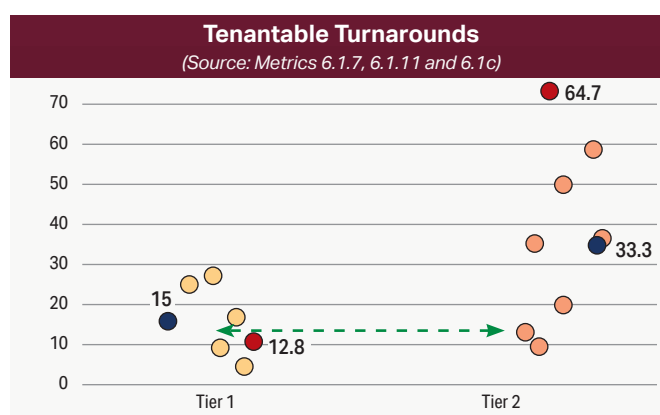


Figure 12: Average number of days to turnaround or relet vacant tenable properties in 2018-2019

Tenantable turnaround performance is the average of the vacant or re-let periods in calendar days for tenable properties, divided by the number of tenable units re-let during 2018-2019. The tenantable turnaround target threshold range is 14 days or less.

Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

There is one Tier 2 CHP that had greater than 70 days tenantable turnaround times and does not appear on this chart.

CHPs that fell outside the target range were issued with recommendations or improvement opportunities during 2018-2019. Some disability focused providers found the target range to be challenging due to more complicated tenant mix and selection processes, and this caused one in particularly to be an outlier.

Data integrity issues in relation to turnaround performance has been a focus area for the NRSCH during 2018-2019, with work also underway to improve definitions to ensure consistency in performance reporting.

Untenantable Turnarounds

The untenantable turnaround performance metric is a key measure of how long it takes to fill a vacancy when the property requires maintenance or refurbishment to restore it to a fit and habitable condition.

The 2018-2019 data (Figure 13) show mixed results, largely outside the target threshold range. Given the nature of events that can lead to a vacant untenantable properties (e.g. weather, malicious tenant damage, and refurbishment requirements), it is not unexpected to see these figures fluctuate and fall outside the target range.

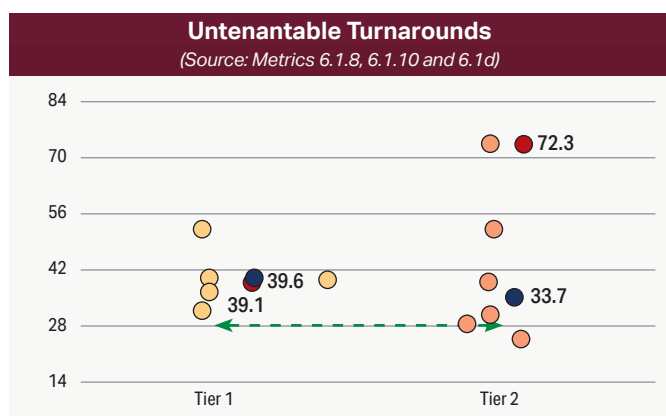


Figure 13: Average number of days to turnaround or relet vacant untenantable properties 2018-2019

Untenantable turnaround performance is the average of the vacant or re-let periods in calendar days for untenantable properties, divided by the number of untenantable units re-let during 2018-2019. The untenantable turnaround target threshold range is 28 days or less.

Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

Two Tier 2 CHPs had zero untenantable turnaround times and do not appear on the chart.

Sector Financial Performance

The financial analysis conducted in this section is based on information submitted in the 2019-2020 compliance returns.

Data from 2017-2018 to 2018-2019, presented in Tables 9 and 10, along with Figures 13-18, are sourced from the latest 2018-2019 Financial Performance Reports (FPRs) from Tier 1 and Tier 2 CHPs.

Table 9 illustrates that the sector enjoyed an increase in rent revenue due to general inflation, revenue from new properties, and the acquisition of Tier 3 CHP properties through mergers. Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) is a measure of profitability and used in NRSCH.

	RENT REVENUE	OPERATING EBITDA
2017-2018	\$98,621,541.00	\$21,938,995.00
2018-2019	\$108,222,063	\$23,814,664.00
% CHANGE	10%	9%

Table 9: Revenue snapshot

Table 10 provides a comparison of CHP assets from 2017-2018 to 2018-2019.

	HOUSING ASSETS	HOUSING LOANS
2017-2018	\$1,367,203,392.00	\$62,618,612.00
2018-2019	\$1,470,318,316.00	\$75,608,602.00
% CHANGE	8%	21%

	NET ASSETS	TOTAL ASSETS
2017-2018	\$1,301,196,997.00	\$1,440,169,191.00
2018-2019	\$1,403,358,641.00	\$1,573,184,929.00
% CHANGE	8%	9%

Table 10: Assets snapshot

The rise in Housing Loans in 2018-2019 was primarily driven by refinancing, although there were also housing loans in 2018-2019 to finance new development projects to a limited extent.

As at 30 June 2019, Tier 1 and 2 CHPs had total assets of \$1,573 million, an increase of \$133 million from the previous year. Total assets were mostly comprised of housing assets (\$1,470 million). Tier 1 and 2 CHPs had equity of \$1,403 million, almost equalling the housing assets.

Operating EBITDA Margins

The EBITDA margin is a key measure of profitability and is monitored under the NRSCH to ensure CHPs are generating sufficient margins to achieve business goals.

The threshold for Tier 1 is 8% or above, and Tier 2 is 3% or above. All of the Tier 1 and Tier 2 CHPs have met the threshold in 2018-2019, as displayed in Figure 14.

Overall, the average operating EBITDA margins for Tier 1 and Tier 2 CHPs indicates good profitability with no CHPs operating on negative margins. These margins indicate that the sector (i.e. Tier 1 and Tier 2 CHPs as an aggregate) is capable of absorbing increases in expenses (e.g. surge in maintenance) and supporting more interest-bearing debt for development activities.

The weighted average operating EBITDA margin was 18.1% for Tier 1, and 20.7% for Tier 2 CHPs. The median operating EBITDA margin was 18.8% for Tier 1, and 20.7% for Tier 2 CHPs.

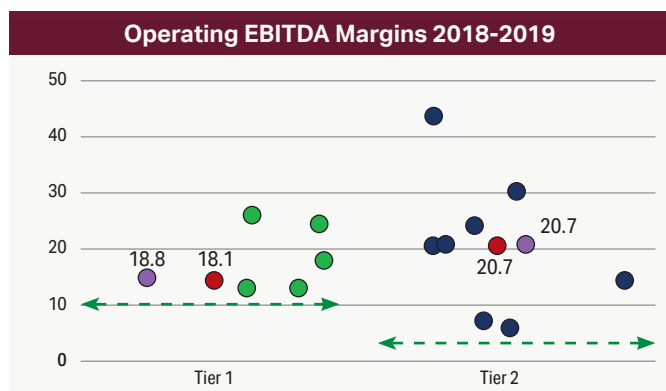


Figure 14: Operating EBITDA Margin 2018-2019

Operating EBITDA margin is calculated as operating earnings before interest tax depreciation and amortisation divided by operating revenue.

Markers in **PURPLE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

Figure 15 provides Operating EBITDA margins from 2016-2017 to 2018-2019 for comparison. Most Tier 1 CHPs commenced significant backlog maintenance works in 2018-2019 after agreeing on the development programs under the Renewing Our Streets and Suburbs (ROSAS). This resulted in increased maintenance expenses together with overheads.

Consequently, this reduced the operating EBITDA margins of Tier 1 CHPs in 2018-2019. Despite a slight decline, the average operating EBITDA margin of 18.1% is well above the Tier 1 threshold of 8%. However, Tier 1 providers expect that margins will be further pressured with increased operating expenses in the coming years.

Tier 2 providers maintained stable operations and increased the average operating EBITDA margin by 2% to 20.7%.

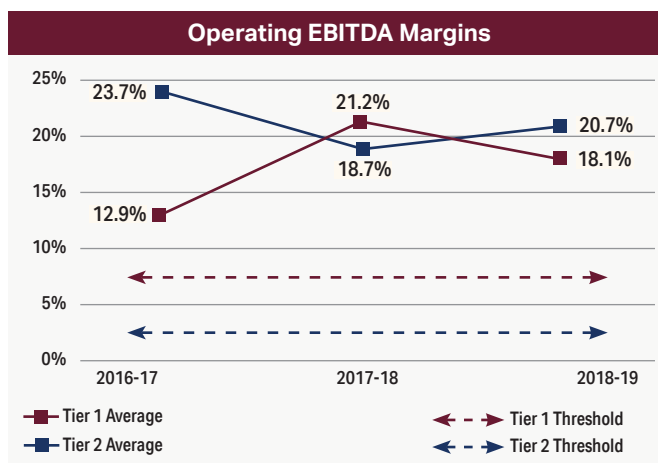


Figure 15: Operating EBITDA Margins 2016-2017 to 2018-2019

Working Capital Ratio

The working capital ratio is a key measure of liquidity and is monitored under NRSCH to ensure CHPs have a sufficient capacity to absorb adverse events.

The threshold for working capital ratio is 1.50 times or above, which has been met by all Tier 1 and Tier 2 CHPs, as seen in Figure 16. This indicates that these CHPs have adequate financial resources to withstand short term adverse events.

Weighted average working capital ratio was 2.21 times for Tier 1 and 4.72 times for Tier 2 CHPs. Median working capital ratio was 1.94 times for Tier 1 and 3.45 times for Tier 2 CHPs. Many Tier 1 CHPs increased current liabilities, which were often related to development activities. Tier 2 CHPs on the other hand substantially reduced current liabilities by reducing payables and other current liabilities as well as repaying loans.

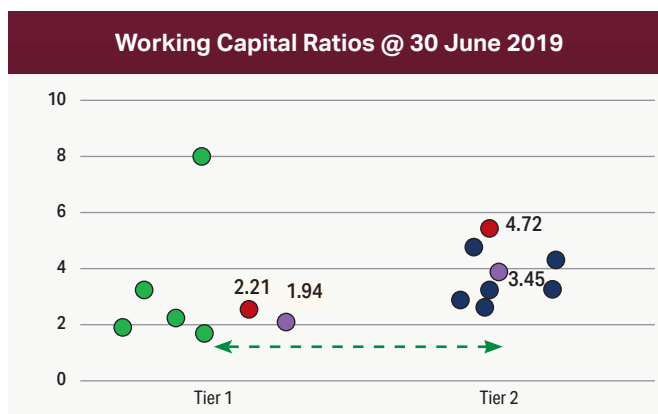


Figure 16: Working Capital Ratios as at 30 June 2019

Working capital ratio is calculated as current assets less restricted cash, divided by current liabilities, less unspent capital grants and accommodation bonds.

Markers in **PURPLE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

Two Tier 2 CHPs had working capital ratios of greater than 10 times and do not appear on the chart.

Interest Coverage Ratio

The interest coverage ratio is a key measure of the ability to service debt obligations and is monitored under NRSCH to ensure CHPs are generating surplus funds to service financial commitments.

The threshold for interest coverage ratio is 1.50 times or above (i.e. CHPs have the capacity to cover their interest payments 1.5 times). Figure 17 illustrates all Tier 1 and 2 CHPs with borrowings were operating above or within an acceptable range of the interest cover ratio threshold.

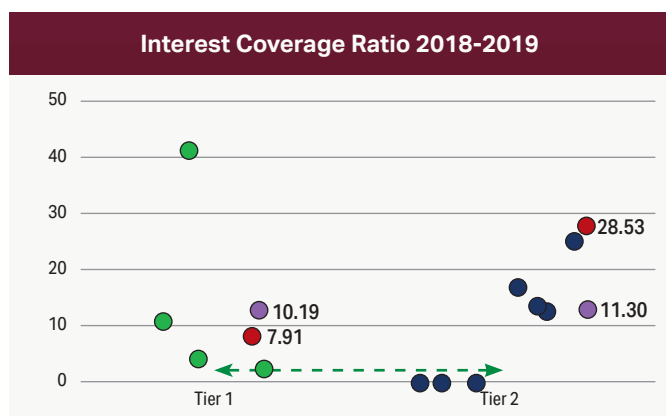


Figure 17: Interest Coverage Ratio 2018-2019

Interest coverage ratio is calculated as operating EBITDA, divided by total interest expense.

Markers in **PURPLE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

Weighted average interest cover ratio is 7.91 times for Tier 1, and 28.53 times for Tier 2 CHPs. Median interest cover ratio is 10.19 times for Tier 1, and 11.30 times for Tier 2 CHPs.

Three Tier 2 CHPs did not have any borrowing as at 30 June 2019.

One Tier 1 CHP and one Tier 2 CHP had Interest Ratio Coverage of greater than 50 and do not appear on the chart.

Gearing Ratio

The gearing ratio is used to determine sustainable debt levels and is monitored under NRSCH to ensure the CHPs' capital structure is viable in the long term.

Threshold for gearing ratio is 30% or less. Figure 18 illustrates all Tier 1 and Tier 2 CHPs had gearing ratios lower than the threshold at 30 June 2019.

Weighted average for gearing ratios was 6.9% for Tier 1 and 1.6% for Tier 2 CHPs. Median gearing ratio was 5.7% for Tier 1 and 0.8% for Tier 2 CHPs.

One Tier 1 CHP had a gearing ratio of 16.2% as at 30 June 2019 as a result of increased borrowing to finance development.

Four Tier 2 CHPs had 0% gearing. One Tier 2 CHP had a gearing ratio of 8.0%, but its borrowing is subsidised with terms and conditions more favourable than what would normally be available on the market.

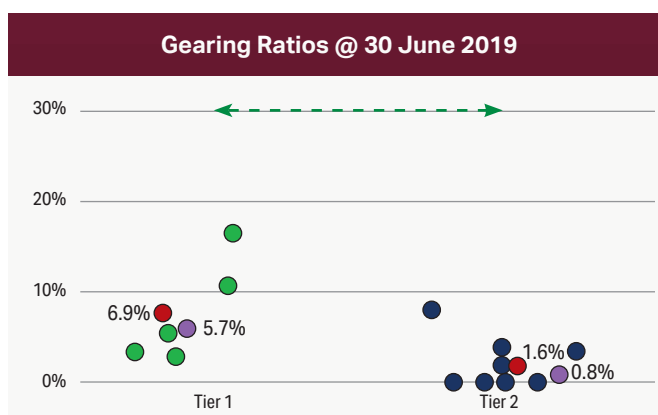


Figure 18: Gearing ratios 30 June 2019

The gearing ratio is calculated as total payable debt divided by total assets.

Markers in **PURPLE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

SA Registrar Performance

The NRSCH is designed to identify, monitor and respond to risks that have serious consequences for tenants, funders and investors, community housing assets and the reputation of the sector.

Each Primary Register is responsible for both promoting a culture of compliance, detecting and addressing non-compliance at the earliest opportunity to protect the integrity of the community housing sector, and the continuous improvement of the sector.

Registrars collect data from a Service Evaluation Survey completed by CHPs following a compliance assessment. A survey is sent to the CHP seven days after the assessment is finalised. One survey is sent for each registration and compliance assessment completed.

Due to the small number of registrations in 2019-2020, only compliance assessment results are presented. Survey results represent the views of CHPs in relation to the provision of regulatory services.

During 2019-2020, 62% of compliance service evaluation surveys were returned. The surveys contain a mix of qualitative and quantitative questions, and invite CHPs to share their views on their experience in the regulatory system.

Registrars are guided by the following principles of good regulation from the NRSCH. The principles below underpin the NRC and are reflected in national performance requirements.

Proportionate - Reflecting the scale and scope of regulated activities.

- The NRSCH tier system reflects the difference in the nature, scale and scope of different CHPs' operations. Registrars continue to implement scheduling for Tier 1 and Tier 2 annually and for Tier 3 CHPs biennially.

Accountable - Able to justify regulatory assessment and be subject to scrutiny.

- Registrars sought to improve the collection of feedback about regulatory services through the redesign of the compliance service evaluation survey. The new survey contains a mix of qualitative and quantitative questions and invites CHPs to share their views on their experience in the regulatory system. The information collected will be used to improve services.

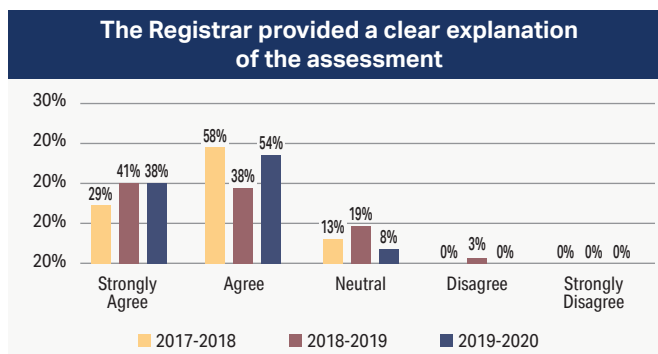


Figure 19: Trend data in response to survey question – The SA Registrar provided a clear explanation of the assessment

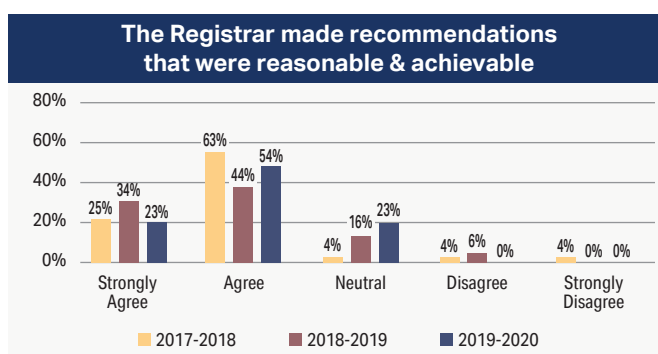


Figure 20: Trend data in response to survey question - The SA Registrar made recommendations that were reasonable and achievable

Consistent - Based on standardised information and methods.

- Improvements to the functionality and capability CHRIS resulting in better data quality and improved reporting.

Transparent - Clear and open processes and decisions.

- Improved transparency of information about CHPs to boost confidence in the community housing sector and support growth and development.

Flexible - Avoiding unnecessary rules about how CHPs organise their business and demonstrate compliance.

- Flexibility and the absence of rules, which could act as inhibitors to certain CHP types. This is evidenced by the diversity in the 35 registered CHPs in SA.

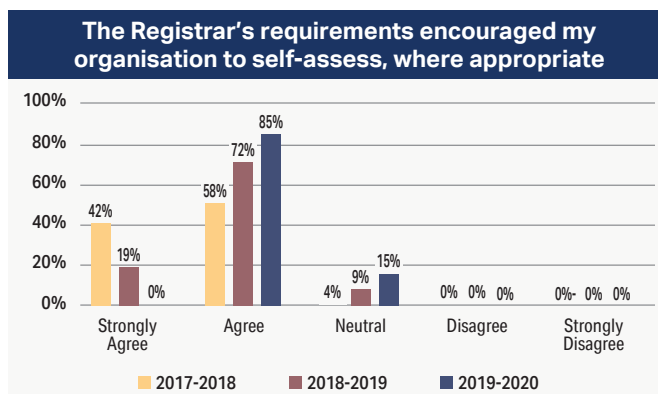


Figure 21: Trend data in response to survey question - The SA Registrar's requirements encouraged my organisation to self-assess, where appropriate

Targeted - Focused on the core purpose of improved tenant outcomes and protecting vulnerable tenants, protecting government funding and equity and ensuring investor and partner confidence.

- As a group, Registrars work preventatively to ensure that negative impacts are minimised. Registrars use their advisory functions to provide such viability assessments to the sector and through to funding and policy colleagues.
- Steps are taken throughout the year to identify state trends and deal with potential issues collectively.

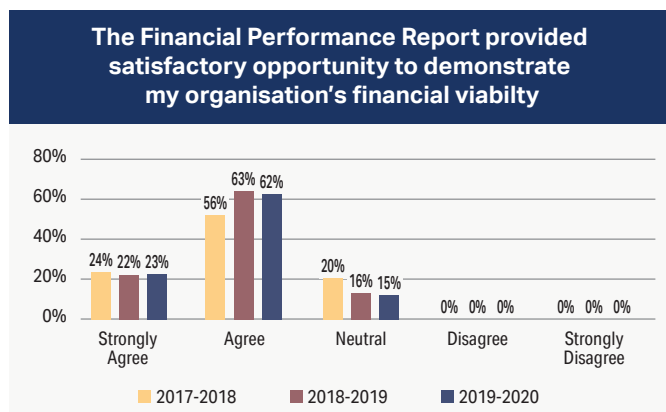


Figure 22: Trend data in response to survey question - The Financial Performance Report provided satisfactory opportunity to demonstrate my organisation's financial viability

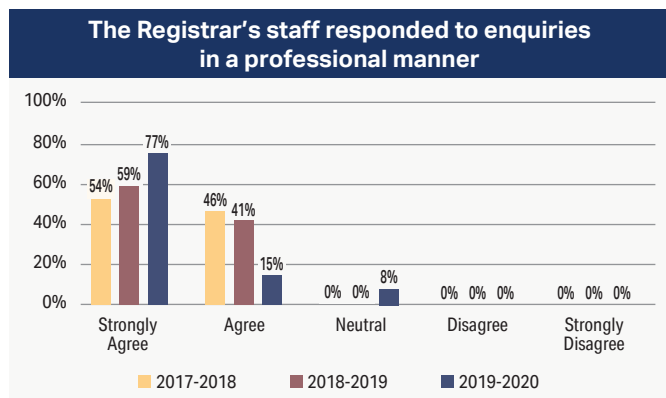


Figure 23: Trend data in response to survey question - The SA Registrar's staff responded to enquiries in a professional manner

Acronyms & Abbreviations

AIHW	Australian Institute of Health and Welfare - An independent Australian statutory agency that provides leading health and welfare statistics used by government, researchers and policymakers.	NRC	National Regulatory Code - The seven performance outcomes that registered housing providers must comply with as a registered community housing provider: Tenant and housing services, Housing Assets, Community Engagement, Governance, Probity, Management, and Financial Viability.
CHP	Community Housing Provider - A non-government entity that provides community housing.	NRSCH	National Regulatory System for Community Housing - A national system of registration, monitoring and regulation of community housing providers to encourage the development, viability and quality of community housing to promote confidence in the good governance of registered community housing providers.
CRA	Commonwealth Rent Assistance - Supplementary payment for eligible households in receipt of Social Security and Family Assistance payments.	OHR	Office of Housing Regulation - The administrative business unit within the SA Housing Authority headed up by the South Australian Registrar appointed under the Community Housing Providers (National Law) (South Australia) Act 2013.
CHRIS	Community Housing Regulatory Information System - The online portal used by NRSCH to collect regulatory information and to determine compliance with the National Law.	The Authority	SA Housing Authority - the State government agency that works with customers, the housing and homelessness sector and the broader community to provide better housing opportunities for all South Australians.
FPR	Financial Performance Report - Used to collect financial information from CHPs that are structured to collect information by different business segments in addition to a provider's consolidated accounts.		
NHFIC	National Housing Finance and Investment Corporation - Operates three finance programs and offers finance to CHPs through one of these programs, the Affordable Housing Bond Aggregatory loans.		

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Appendix

1- CHPs Registered in South Australia as at 30 June 2019

ENTITY NAME	ENTITY TYPE	CURRENT TIER
Anglicare SA Housing Ltd	Company limited by guarantee	Tier 1
Cornerstone Housing Limited	Company limited by guarantee	Tier 1
Housing Choices South Australia Ltd	Company limited by guarantee	Tier 1
Junction and Women's Housing Ltd	Company limited by guarantee	Tier 1
Unity Housing Company Ltd	Company limited by guarantee	Tier 1
Access 2 Place Ltd as trustee for The Disability Housing Trust of South Australia	Charitable Trust	Tier 2
Common Equity Housing South Australia Ltd	Company incorporated with shares	Tier 2
Julia Farr Housing Association Inc.	Incorporated association	Tier 2
Minda Housing Limited	Company limited by guarantee	Tier 2
Salvation Army Housing	Company limited by guarantee	Tier 2
UnitingSA Housing Ltd	Company limited by guarantee	Tier 2
Westside Housing Company Ltd	Company limited by guarantee	Tier 2
YourPlace Housing Ltd	Company limited by guarantee	Tier 2
Acacia Housing Association Incorporated	Incorporated association	Tier 3
Carrington Cottages Limited	Company limited by guarantee	Tier 3
Developing Alternative Solutions to Housing (DASH) Incorporated	Incorporated association	Tier 3
Hindmarsh Housing Co-operative Inc	Incorporated association	Tier 3
Housing Plus SA Incorporated	Incorporated association	Tier 3
Intellectual Disability Accommodation Association Inc	Incorporated association	Tier 3
ISHA Incorporated	Incorporated association	Tier 3
Kangaroo Island Community Housing Association Inc	Incorporated association	Tier 3
Lansones Village Housing Cooperative Incorporated	Incorporated association	Tier 3
MERZ Housing Co-operative Incorporated	Incorporated association	Tier 3
Minda Incorporated	Incorporated association	Tier 3
North East Housing Co-operative Incorporated	Incorporated association	Tier 3
PEACH Housing Co-Operative Inc	Incorporated association	Tier 3
Pennylane Housing Co-operative Incorporated	Incorporated association	Tier 3
Salisbury Housing Co-operative Inc	Incorporated association	Tier 3
Southern Housing Support Co-operative Incorporated	Incorporated association	Tier 3
St Petri Lutheran Community Housing Association Nuriootpa Inc	Incorporated association	Tier 3
SYP Community Housing Association Incorporated	Incorporated association	Tier 3
Town & Country Housing Incorporated	Incorporated association	Tier 3
Uniting Care Wesley Country SA Inc	Incorporated association	Tier 3
Uniting Country Housing Ltd	Company limited by guarantee	Tier 3
Waikerie Community Senior Citizens Home Inc	Incorporated association	Tier 3



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