

SA Community Housing Performance Report

2021-2023



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 2021-2023. The annual report on the community housing sector in South Australia.

This sector report shows how Community Housing Providers (CHPs) have performed against key performance measures during the 2021-2022 financial year. It also highlights the sector's size, property portfolio, and the regulatory activities of the SA Registrar and staff during 2022-2023.

SA's CHPs continue to deliver high standards of service delivery to their tenants, which is reflected in their complaint handling practices, responsiveness to tenant repair requests, and high tenant satisfaction ratings. Only vacancy turnaround times are proving to challenge most of the CHPs, particularly where the property required maintenance work. The availability of tradespersons and material supply chain issues were reported as the main cause for delays with turnaround times.

The Registrar's office continues to monitor the profitability of the sector in the current economic environment with increases in rental incomes, rising property related costs, and implementation of significant maintenance and development programs. Overall, the sector reported higher profitability levels in 2021-2022, and although this and operating cashflows are forecast to tighten in 2022-2023 they are trending above or within acceptable ranges. CHPs also satisfactorily performed against a range of other prudent financial measures involving adequacy of cash reserves, rent arrears and gearing levels.

Over the course of 2022-2023 CHPs were also provided with additional timely performance reporting on their performance and against other CHPs, and we will continue to improve and enhance on this reporting to assist the sector in 2023-2024.

Craig Thompson

SA Registrar for Community Housing



National Regulatory System for Community Housing (NRSCH)

Our vision

A **well governed**, well managed, scalable and **sustainable** community housing sector that meets the housing **needs of tenants** and provides **assurance** for government and investors.

Our objectives

To provide a **consistent regulatory environment** to support the growth and development of the community housing sector.

To pave the way for future housing **product development**.

To **reduce** the regulatory **burden** on housing providers working across jurisdictions.

To provide a **level playing** field for providers seeking to enter new jurisdictions.

Our regulatory principles

Proportionate – reflecting the scale and scope of regulated activities

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

Consistent – based on standardised information and methods

Transparent – clear and open processes and decisions

Flexible – avoiding unnecessary rules about how housing providers organise their business and demonstrate compliance with the National Regulatory Code (NRC)

Targeted – focused on the core purposes of improving tenant outcomes and protecting government and investors' confidence

Sector performance overview

The National Regulatory Code (NRC) requires registered CHPs to be well-governed, financially viable and to perform in compliance with standards to deliver quality housing services.

The NRC sets out the performance requirements that registered CHPs must comply with in providing community housing under the Community Housing Providers National Law (the National Law). It does not prescribe how CHPs should run their business but rather focuses on the achievement of outcomes in the following areas:

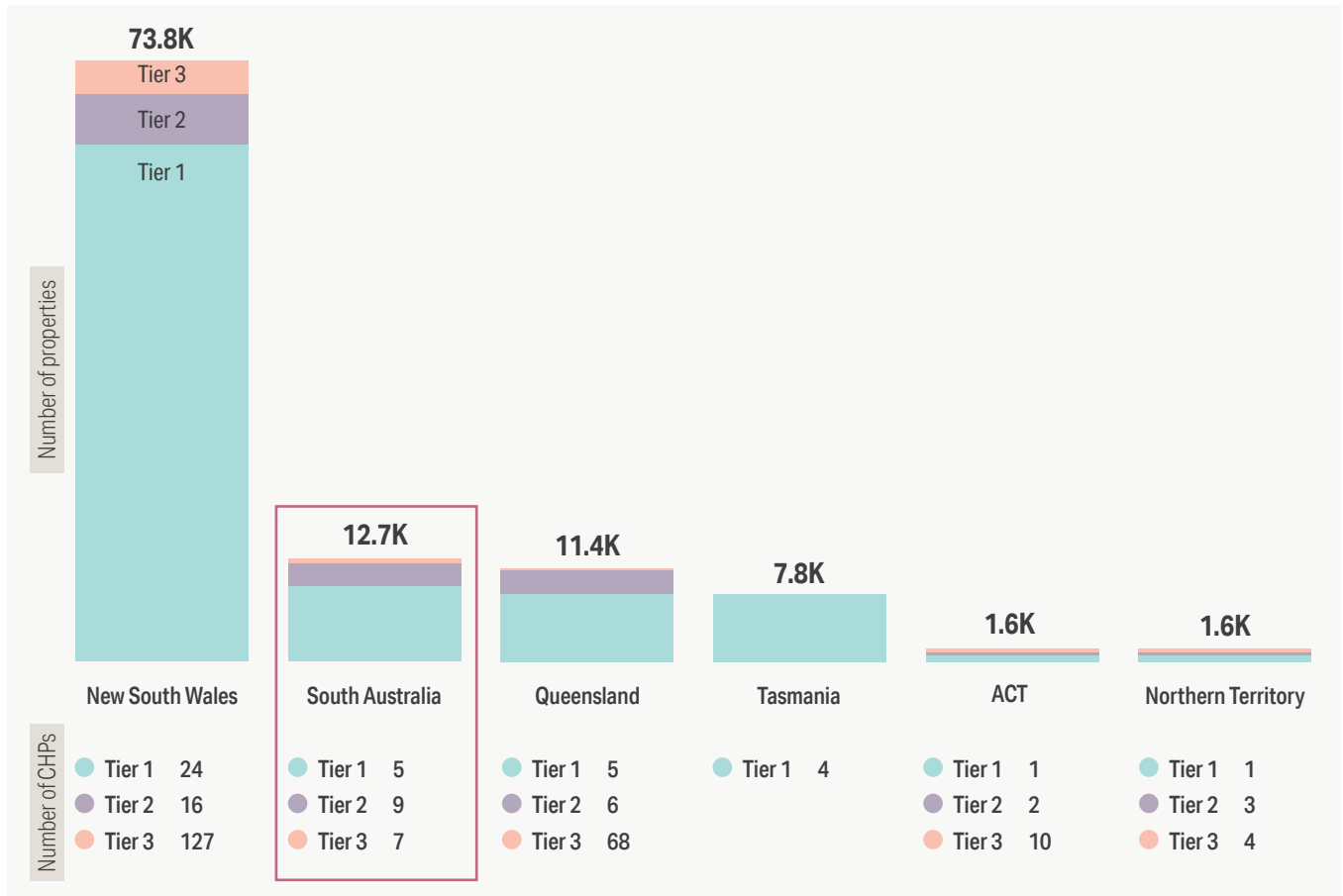
1. Tenant and housing services
2. Housing assets
3. Community engagement
4. Governance
5. Probity
6. Management
7. Financial viability

This year we continue to report Tier 3 providers separately from Tier 1 and Tier 2 providers. This is because some of the key metrics used to measure performance do not provide a meaningful picture when applied to Tier 3 providers because of their diversity and size. Presenting Tier 3 comparative data with Tier 1 and Tier 2 CHPs without detailed explanation may provide a false representation of the performance of Tier 3 providers. Some of these issues include:

- Tier 3 providers are not required to undertake tenant satisfaction surveys.
- CHPs with a small number of properties may distort results. For example, a single vacancy can have an adverse impact on occupancy rates.

Another key distinction is the regularity of NRSCH compliance assessments, Tier 1 and Tier 2 providers are required to be assessed for compliance annually. Tier 3 providers are assessed once every two years.

Community housing properties and CHPs by jurisdiction



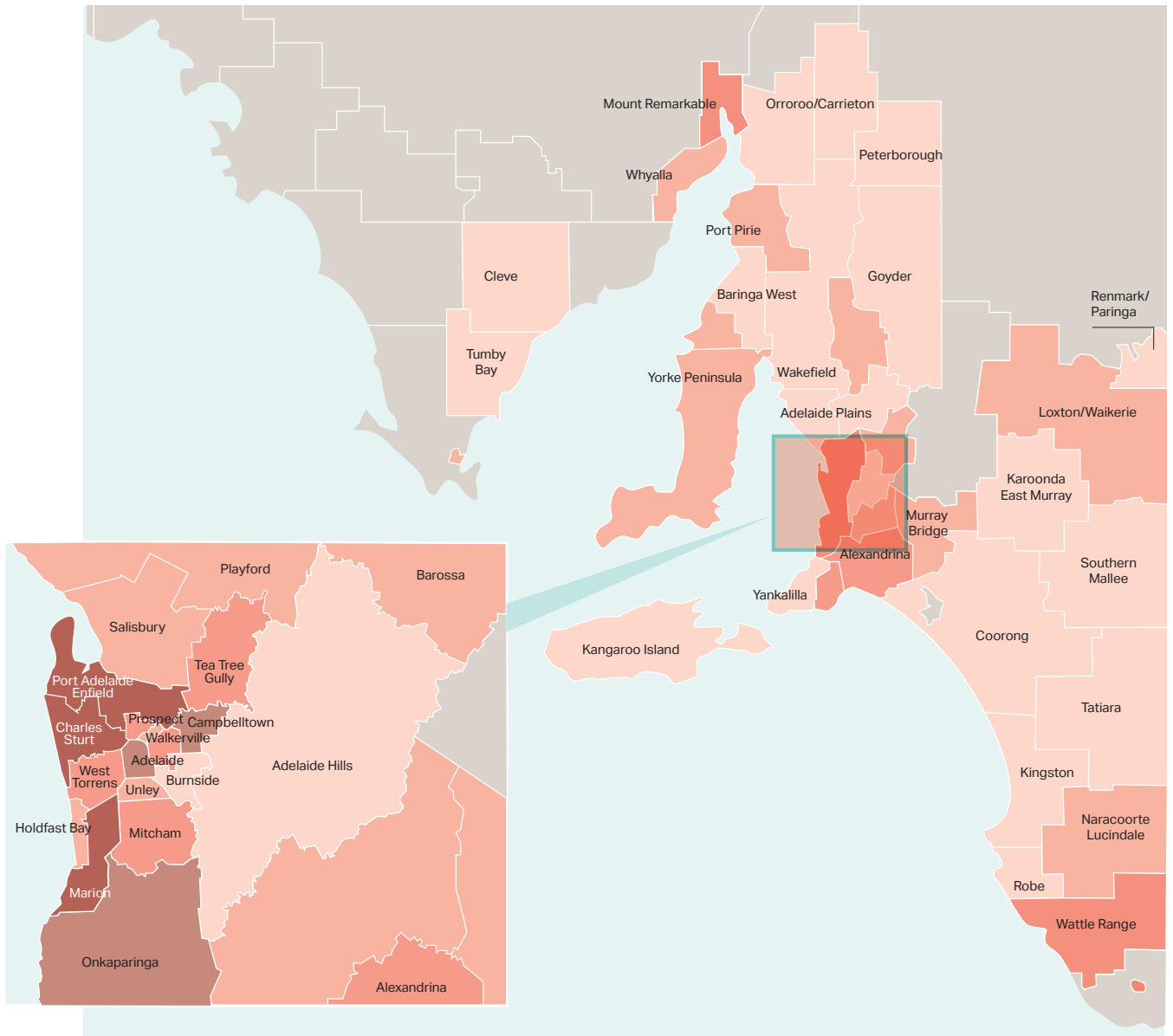
The table above shows SA's registered Tier 1 and Tier 2 CHPs have the second largest jurisdictional property numbers in the NRSCH. In contrast, SA's Tier 3s have the smallest jurisdictional property numbers except for Tasmania.

The NRSCH represents a national federated system for the regulation of CHPs across NSW, QLD, SA, TAS, ACT and the NT, which have all enacted mirror legislation called the *Community Housing Providers National Law*. In South Australia the mirror legislation is contained within the *Community Housing Providers (National Law) (South Australia) Act 2013*.

The tier level reflects the risk attributes from property numbers and involvement in development activities. This, in turn, determines the intensity of regulatory engagement and oversight.



Community housing properties in SA

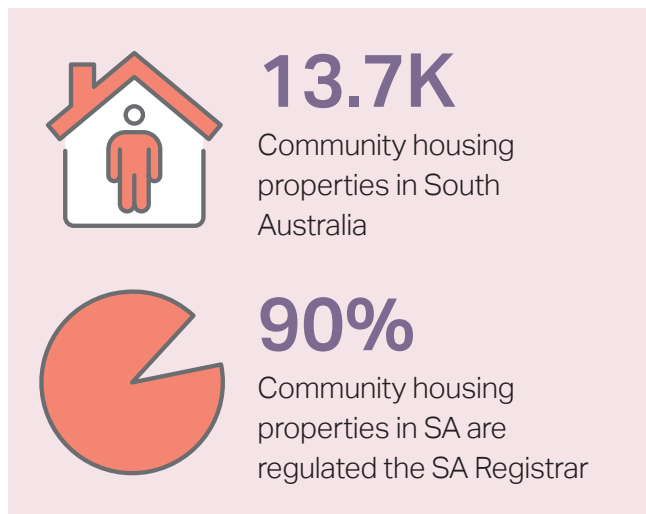


LGA's with more than 200 properties (81% of all properties)

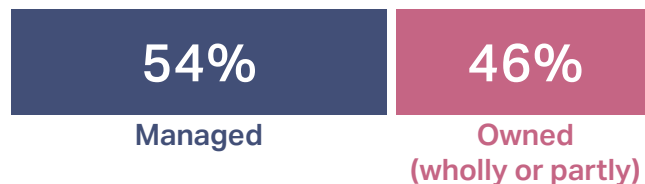
Local Government Area	Property Count
City of Port Adelaide Enfield	2,799
City of Charles Sturt	2,109
City of Marion	2,078
City of Playford	1,128
City of Salisbury	838
City of Onkaparinga	817
City of Adelaide	735
Campbelltown City Council	382
City of West Torrens	283
The City of Norwood Payneham and St Peters	270
Alexandrina Council	245



Community housing properties in SA

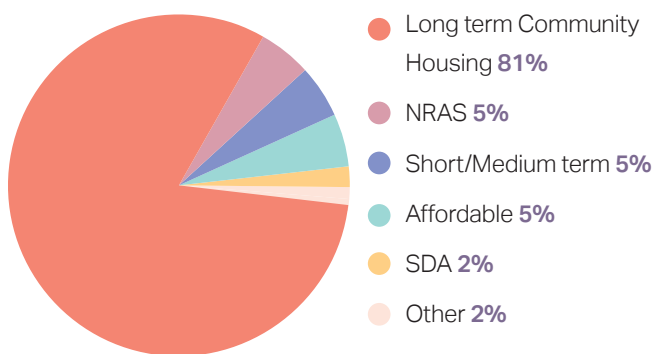


CHP SA Property ownership



The community housing sector is a major provider of housing services in SA with over 13,000 households residing in community housing across metropolitan, regional, and remote areas of SA. Community housing provides rental housing to low-to-moderate income and additional needs households.

SA Properties by Program Type



The tables above provide a breakdown of community housing properties by program type and ownership, showing that the majority (81%) of properties are delivered under a long-term housing program and evenly split between managed and owned properties.

Housing programs include:

- Long-term community housing – properties rented out for more than 12 months, mostly to those on low incomes.
- National Rental Affordability Scheme (NRAS) and Affordable housing – properties rented at affordable rates, often to those on moderate income levels.
- Short to medium term housing – aimed at bridging the gap between homelessness and longer-term housing, and often with support services.
- Specialist Disability Accommodation (SDA) – housing for people with disability and high support needs, allowing increased accessibility and better support delivery.



Sector information

CHPs are not-for-profit organisations that own, manage, and develop their own properties from the rents that they collect.

This report provides data and analysis for CHPs where SA is the primary registrar. The data contained in the report is provided by CHPs as part of their scheduled compliance returns to assess their compliance with the NRC.

SA Registered CHPs by tier at 30 June 2023

TIER	Number of CHPs	Change from last year
Tier 1	5	-1
Tier 2	9	1
Tier 3	7	-6
Total	21	-6

The table above shows a Tier 1 CHP was reclassified to a Tier 2 during 2022 – 2023, which was due to a reduction in the affordable housing properties it managed.

The table below shows who the six small Tier 3 CHPs merged with during 2022-2023. The mergers were a result of such factors as volunteer fatigue, internal management capacity, and financial viability.

Cancelled CHP	TIER	Merged CHP	TIER
Acacia Housing Association Incorporated	Tier 3	Anglicare SA Housing Ltd	Tier 1
Developing Alternative Solutions to Housing (DASH) Incorporated	Tier 3	Junction and Womens Housing Ltd	Tier 1
Lansones Village Housing Cooperative Incorporated	Tier 3	Common Equity Housing South Australia Ltd	Tier 2
Salisbury Housing Co-operative Inc	Tier 3	UnitingSA Housing Ltd	Tier 1
St Petri Lutheran Community Housing Association Nuriootpa Inc	Tier 3	Cornerstone Housing Limited	Tier 2
SYP Community Housing Association Incorporated	Tier 3	Uniting Country Housing Ltd	Tier 2

Regulatory activities

Assessing ongoing compliance of providers

This section relates to SA's compliance related activities during 2022-2023.

Once registered, CHPs must submit a minimum set of evidence supporting their ongoing compliance with the National Regulatory Code (NRC), described as a standard compliance assessment.

The NRC sets out seven performance outcomes, which are:



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

The frequency of standard compliance assessments depends on the CHP's Tier. Tier 1 and Tier 2 CHPs have a standard compliance assessment undertaken annually, whilst Tier 3 CHPs every two years.

During 2022-2023, 17 out of the 21 SA registered CHPs went through a standard compliance assessment. As shown in the table below, over 81% of compliance assessments completed in 2022-2023 were for Tier 1 and Tier 2 CHPs.

TIER	Standard compliance assessments
Tier 1	5
Tier 2	9
Tier 3	3
Total	17

Compliance assessment against each performance outcome

Performance Outcome	Compliance		Improvement Opportunities Raised	Recommendations raised
Tenant and Housing Services	93%	7%	2	1
Housing Assets	86%	14%	1	3
Community Engagement	100%		–	–
Governance	100%		3	–
Probity	100%		–	–
Management	93%	7%	6	1
Financial Viability	100%		2	–
		Compliant	14	5
		Compliant with Recommendations		

The table above shows most of the 14 Tier 1 and Tier 2 CHPs were assessed as fully compliant across the performance outcomes.

Only a small number of unrelated compliance recommendations were issued to Tier 1 and Tier 2 CHPs during 2022-2023, and they related to such matters as the CHPs tenant survey methodology, strategic asset management plans, and vacancy reporting.

For Tier 3 CHPs, three of the seven underwent a standard compliance assessment during 2022-2023, and all were issued with recommendations.

The evidence submitted by CHPs is assessed against each applicable performance outcome under the NRC. The possible results of the assessment for any performance outcome are:

Compliant The CHP has submitted sufficient evidence to demonstrate ongoing compliance with the performance outcome.

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 fully comply.

Improvement opportunities Observations made where the provider is compliant but may need to take action to maintain compliance in the future. They may relate to low level risk areas, or activities affected by environmental issues.



Complaints

The NRSCH requires registered CHPs to have accessible and efficient complaints management systems.

Registered CHPs are required to keep complaint registers, which record the dates and outcomes of all complaints they receive. In 2021-2022, Tier 1 and Tier 2 CHPs recorded 478 complaints received directly from tenants or members of the public, representing 3.7% of total tenancy units within the sector. This figure may include multiple complaints received from a single tenant.

The SA Registrar has powers to investigate complaints about the compliance of registered CHPs with the National Law, and in particular their adherence to their complaints management systems.

The table below shows the number of complaints received by the SA Registrar and provides an insight into the origin of complaints received. Most of the complaints originated from either direct contact from the tenant or were raised through a Member of Parliament.

Complaint Origin	2022	2023
Tenant	35	58
Member of Parliament	38	45
Member of the Public	9	5
Other	8	3
Total	90	111



23%

Increase in complaints handled by the SA Registrar during 2022–2023

Many of the complaints related to service delivery or anti-social behaviour concerns and were referred back to CHPs to address through their complaint management processes. Where OHR did investigate a complaint, CHPs consistently demonstrated they were responding to complaints promptly and fairly.



Reporting methodology

SA consolidated result

This report provides a SA consolidated result for each NRSCH metric. The metrics are an indicator of a CHP's performance. The SA consolidated result is calculated based on the sum of the underlying data for all Tier 1 and Tier 2 providers regulated under the NRSCH.

For example, the SA consolidated result for tenant satisfaction with housing services is 88%, this is calculated by summing all satisfied tenant survey responses divided by the sum of all tenant surveys returned: $3,813 / 4,310 = 88\%$.

The SA consolidated result reflects the overall performance of the sector, which is a departure from previous reporting practices where individual CHP performance and median results were reported.

The Tier 1 and Tier 2 performance visual is also derived using the same methodology as the SA consolidated result, split by tier.

Provider performance

The NRSCH has established metrics and indicators for operational and financial measures. Data submitted by CHPs is used to calculate the key performance metrics. The threshold is used as an indicative guide to assessing performance. The key performance metrics do not determine compliance by themselves, but, rather, provide a starting point to assess performance.



A **green light** indicates that the CHP has met the threshold range.

An **amber** or **red** traffic light indicates that the data does not meet the threshold range. This does not mean the CHP has 'failed' a performance requirement or outcome, rather, this will prompt the Registrar to seek contextual and other factors contributing to the result.

The coloured horizontal bar chart shows the percentage of CHPs that reported performance in each of the threshold ranges.

To illustrate, the tenantable turnaround provider performance table below shows 46% of Tier 1 and Tier 2 providers performed in the **"green"** threshold range (< 14 days average turnaround), 46% of CHPs performed in the **"amber"** threshold range (14 – 29 average turnaround) and 11% of CHPs performed in the **"red"** threshold range (> 29 days average turnaround):

Tenantable turnaround

Provider performance



Tenants satisfied with housing services



88%

3,813 tenants satisfied with housing services (no change from last year).



4,310

tenants surveys returned to inform housing services satisfaction.

Tenants satisfied with maintenance



85%

3,455 tenants satisfied with maintenance (no change from last year).



4,053

tenants surveys returned to inform maintenance satisfaction.

CHP performance against thresholds

93%

7%

Tenant satisfaction surveys are a key indicator of the consumer experience with SA's registered CHPs. Tenant satisfaction with housing services in SA has remained high at 88% and withstood the impacts from COVID-19 and the availability of maintenance tradespersons during this period.

The table above shows that 93% of CHPs have tenant satisfaction results above the 75% green threshold from their tenant surveys. SA's Tier 1 CHPs also performed favourably nationally in the table below.

CHP performance against thresholds

79%

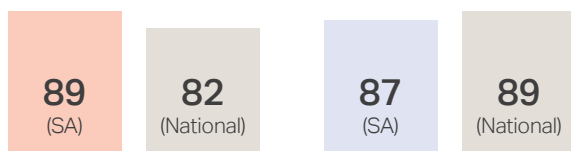
21%

Performance Outcome 2 (Housing Assets) requires CHPs to plan and undertake responsive, cyclical and life-cycle maintenance. Tenant satisfaction with the maintenance is a key indicator that CHP properties are being maintained.

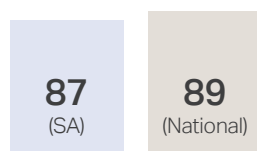
Tenant satisfaction with maintenance in SA has remained high at 85%.

The above table shows 79% of CHPs have tenant satisfaction results above the 75% green threshold. SA's Tier 1 CHPs also performed favourably nationally in the table below.

TIER 1



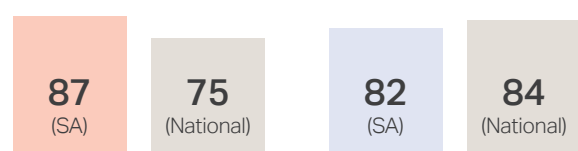
TIER 2



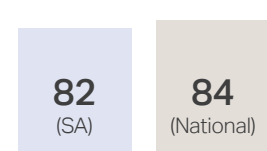
NRSCH Thresholds: Tenant satisfaction with housing services.

- Green light: >75% satisfied
- Amber light: 50% – 74% satisfied
- Red light: <50% satisfied

TIER 1



TIER 2



NRSCH Thresholds: Tenant satisfaction with maintenance.

- Green light: >75% satisfied
- Amber light: 65% – 74% satisfied
- Red light: <65% satisfied



Tenants satisfied with the condition of their property



88%

3,723 tenants satisfied with housing services (+2% from last year).



4,232

tenants surveys returned to inform housing services satisfaction.

CHP performance against thresholds

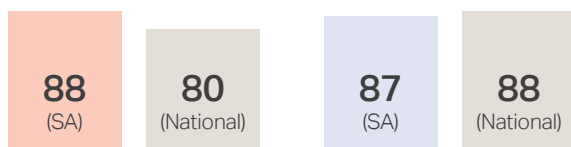
100%

Tenant satisfaction with the condition of their property is another indicator that a CHP's properties are providing a satisfactory level of housing amenity under Performance Outcome 2 (Housing Assets).

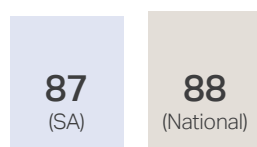
Similar with other survey measures, tenant satisfaction with property condition remained high with SA community housing tenants at 88%.

The above table shows all CHPs have tenant satisfaction results above the 75% green threshold. SA's Tier 1 CHPs performed favourably nationally in the table below.

TIER 1



TIER 2



NRSCH Thresholds: Satisfaction with housing condition.

- Green light: >75% satisfied
- Amber light: 65% – 74% satisfied
- Red light: <65% satisfied



Responsive to urgent repairs



96%

9,622 urgent repairs completed on-time (+1% from last year).



9,985

urgent repair requests

Responsive to non-urgent repairs



91%

22,704 non-urgent repairs completed on-time (-2% from last year).



25,055

non-urgent repair requests

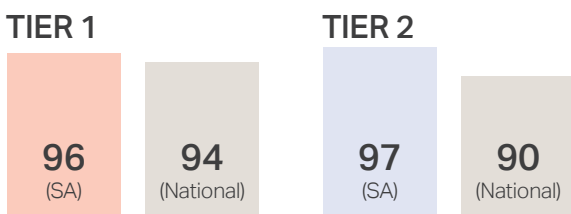
CHP performance against thresholds

100%

Completion of urgent repair requests is a key indicator under Performance Outcome 2 (Housing Assets) that shows how responsive a CHP is to addressing high priority repair requests, such as an event involving emergency services or maintenance that may affect a tenant's health or safety.

SA's CHPs reported 96% of urgent repairs were completed on-time. Completion timeframes are set either through contractual arrangements or by the CHP.

SA's CHPs performed favourably nationally in the table below.



NRSCH Thresholds: Urgent repairs completed on-time.

- Green light: >90% on-time
- Amber light: 79% – 89% on-time
- Red light: <75% on-time

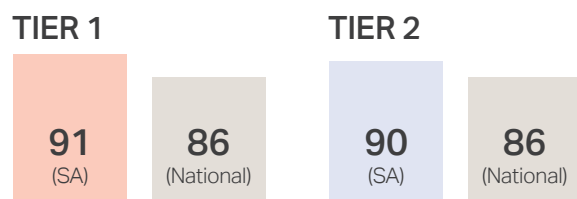
CHP performance against thresholds

100%

Completion of non-urgent repair requests show how responsive (by time and outcome) CHPs were to addressing maintenance that causes inconvenience or amenity issues for a tenant. Completion timeframes are set similarly to urgent repairs.

SA's CHPs reported 91% of non-urgent repairs were completed on-time.

SA's CHPs performed favourably nationally in the table below.



NRSCH Thresholds: Non-urgent repairs completed on-time.

- Green light: >80% on-time
- Amber light: 70% – 79% on-time
- Red light: <70% on-time

Tenantable turnaround times



19 days

Average turnaround time for tenantable unit relets. (+2 days from last year).

8,778 Vacant days for tenantable units.



454

Relets for tenantable units

Untenantable turnaround times



42 days

Average turnaround time for untenantable unit relets. (+8 days from last year).

38.423 Vacant days for untenantable units.



913

Relets for untenantable units

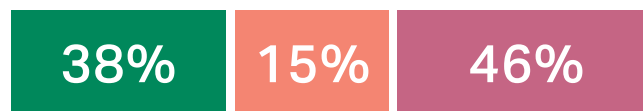
CHP performance against thresholds



Performance Outcome 6 (Management) requires CHPs to demonstrate that they manage their vacancies efficiently. Tenantable turnaround time is an indicator of how long it takes to fill a vacant tenantable property. A property is defined as tenantable when it is in a fit and habitable condition for occupation by a new tenant.

Tenantable turnaround times averaged 19 days in 2021-2022, an increase of 2 days from the previous year. Allocation processes and suitability of properties were reported as impacting on CHPs making the 14 day green threshold.

CHP performance against thresholds



Untenantable turnaround times is a key indicator of how long it takes to perform maintenance work to relet a property.

Average untenantable turnaround times have increased to 42 days, which is above the upper (green) threshold of 28 days or less. CHPs reported emerging challenges with access to tradespersons and supply chain issues when undertaking vacancy maintenance. Other factors included the age of the property and the extent of repair required to bring it up to a tenantable standard.

TIER 1



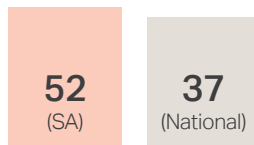
TIER 2



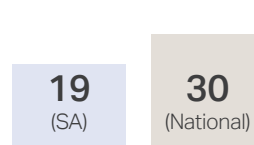
NRSCH Thresholds: Tenantable turnaround times.

- Green light: ≤ 14 days
- Amber light: 14 - 29 days
- Red light: > 29 days

TIER 1



TIER 2



NRSCH Thresholds: Untenantable turnaround times.

- Green light: ≤ 28 days
- Amber light: 29-35 days
- Red light: > 35 days



Low evictions



6%

Eviction to exits rates.
(-1% from last year).



1,966

tenancy exits for the year.

118 Tenancy evictions for the year.

CHP performance against thresholds

100%

Evictions as a percentage of exits is an indicator of the proportion of unsuccessful tenancies under Performance Outcome 1 (Tenant and housing services).

An eviction is defined as a warrant or order for vacant possession and the subsequent termination of a tenancy through the South Australian Civil and Administrative Tribunal. Evictions relate to a breach of a tenancy agreement and are essentially driven by tenant behavior such as a failure to pay rent or anti-social behavior. Exits are defined as the ending of a tenancy and includes evictions.

Tenancy eviction numbers are similar to the previous year and represent 6% of exits.

The table above shows all CHPs performed within the green threshold of 10%.

Registrars have noted that the use of tenancy exits as the denominator in the calculation of the eviction metrics can be problematic, particularly when the CHP has a low number of exits.

Registrars are currently considering changes to this metrics to align with the Victorian regulatory system. This would mean reflecting evictions as a percentage of tenancies.

TIER 1

7.0
(SA)

4.9
(National)

TIER 2

3.2
(SA)

4.4
(National)

NRSCH Thresholds: Eviction Rate.

- Green light: ≤ 10%
- Amber light: 11% – 12%
- Red light: > 12%



Houses occupied



99%

Occupancy rate for tenatable units.
(No change from last year).



86

Vacant tenatable units.
(30 June 2022).

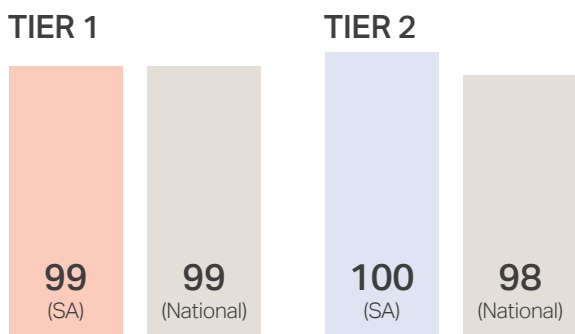
CHP performance against thresholds



Registrars use the occupancy rate as an indicator to assess how CHPs manage their tenatable properties under Performance Outcome 6 (Management).

SA's CHPs reported 99% of their tenatable properties occupied.

The table above shows 93% of CHPs had more than 97% of their tenatable properties occupied.



NRSCH Thresholds: Occupancy Rate.

- Green light: $\geq 97\%$
- Amber light: $< 97\%$

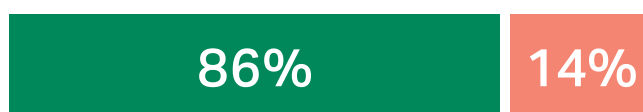
Low rent outstanding across the sector



1%

Rent outstanding as a percentage of total potential rent.
(No change from last year).

CHP performance against thresholds

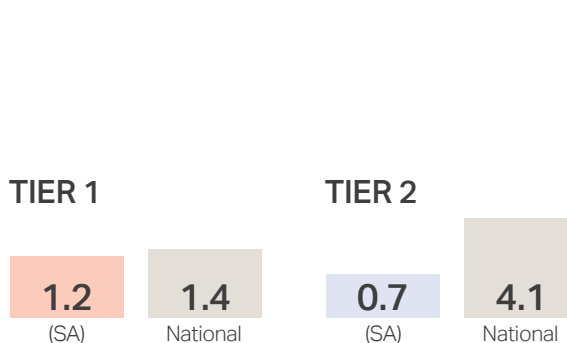


Rent outstanding represents the rent outstanding for tenants as a percentage of total potential income. It is a key performance indicator of the effectiveness of a CHPs rent collection and rent arrears management policy and practices under Performance Outcome 6 (Management).

SA's community housing rent arrears from current and ex tenants represent 1% of total potential rent annually.

The table above shows 86% of CHPs had rent arrears within the green threshold of 2.5%.

The table below show SA's CHP have low rent arrears in comparison to national performance.



NRSCH Thresholds: Rent outstanding.

- Green light: $\leq 2.5\%$
- Red light: $> 2.5\%$



A financially viable sector

This report provides an overview of the financial performance of the community housing sector.

Financial viability is one of seven performance outcomes specified in the NRC.

The assessment of financial viability is an integrated process involving a review of audited financial statements, financial performance reports which includes the budget and forecasts, business planning documents such as operational and strategic plans and other information that supports financial analysis.

Financial viability is assessed against three broad criteria:

1. Ensuring a viable capital structure (PO7a)
2. Maintaining appropriate financial performance (PO7b), and
3. Managing financial risk exposure (PO7c).



Sector financial performance

Under Performance Outcome 7 Financial Viability, registered CHPs must maintain financial viability by effectively managing their financial risk exposure, maintaining satisfactory financial performance, and ensuring a viable capital structure.

Registered CHPs report a range of detailed financial information to the NRSCH as part of their annual compliance assessment process.

This reporting includes provision of the:

- Financial Performance Report, containing historical and forecast data, including measuring performance against the NRSCH financial prudential measures
- audited financial statements
- financial risk management arrangements, including financial related policies and procedures, and financial governance oversight from the executive, board and audit committees.


Data presented is sourced from the latest 2021-2022 Financial Performance Reports (FPRs) from Tier 1 and Tier 2 CHPs.



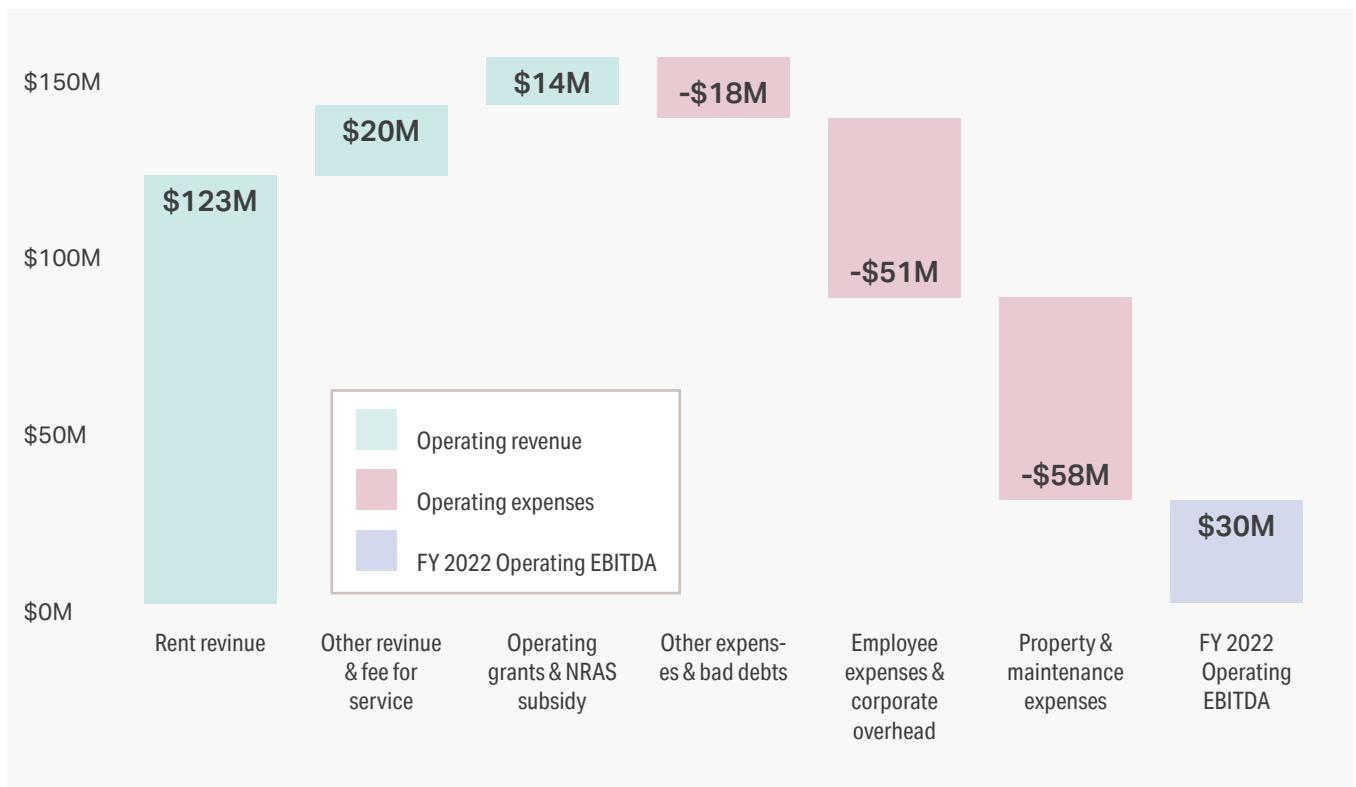
Profitability analysis

Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) is a measure of profitability used by NRSCH.

Operating EBITDA increased by 25% in 2021-2022 compared to the prior year, with this largely attributed to an increase in rental income.



\$30,043,446
Operating EBITDA.
25% increase from last year.



The above chart shows the breakdown of revenues and expenses for the 2021-22 Operating EBITDA.

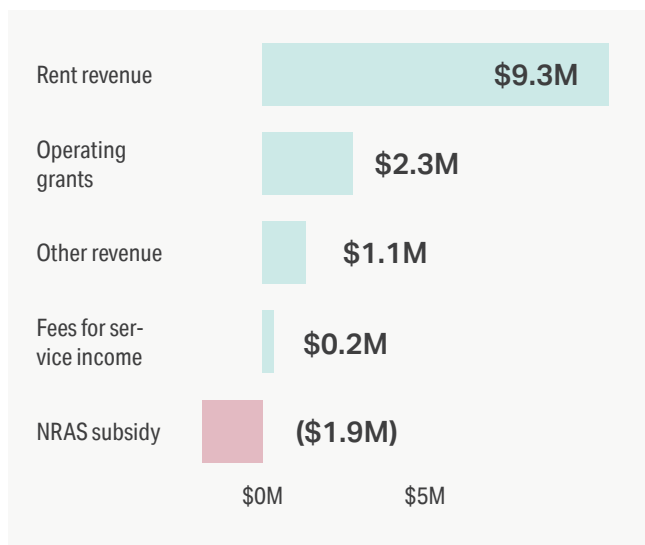


Profitability analysis (continued)

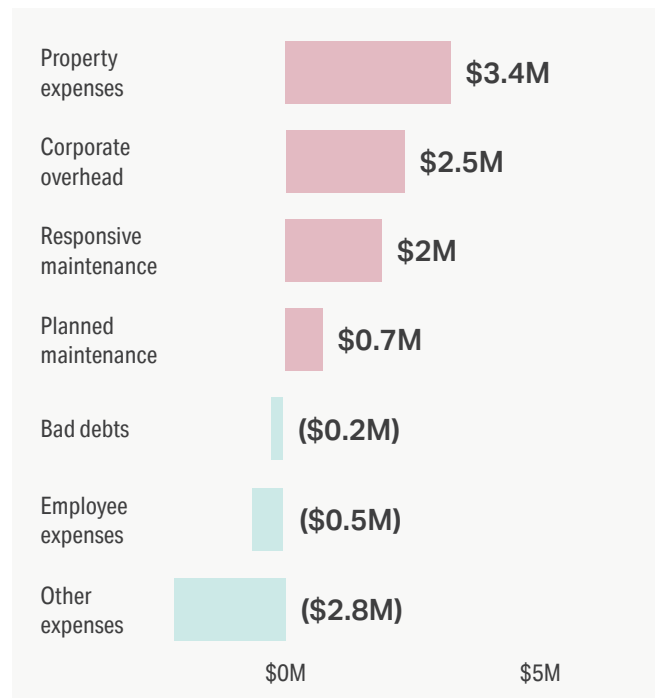
The chart below shows rent revenue (\$9.3m) contributed most to the 25% increase in the operating EBITDA result due primarily to additional rent income from newly developed properties and an increase in housing incomes for Centrelink recipients.

The increase in rent revenue saw corresponding increases in property expenses, corporate overheads and maintenance expenses as in the chart below.

Variance from previous year

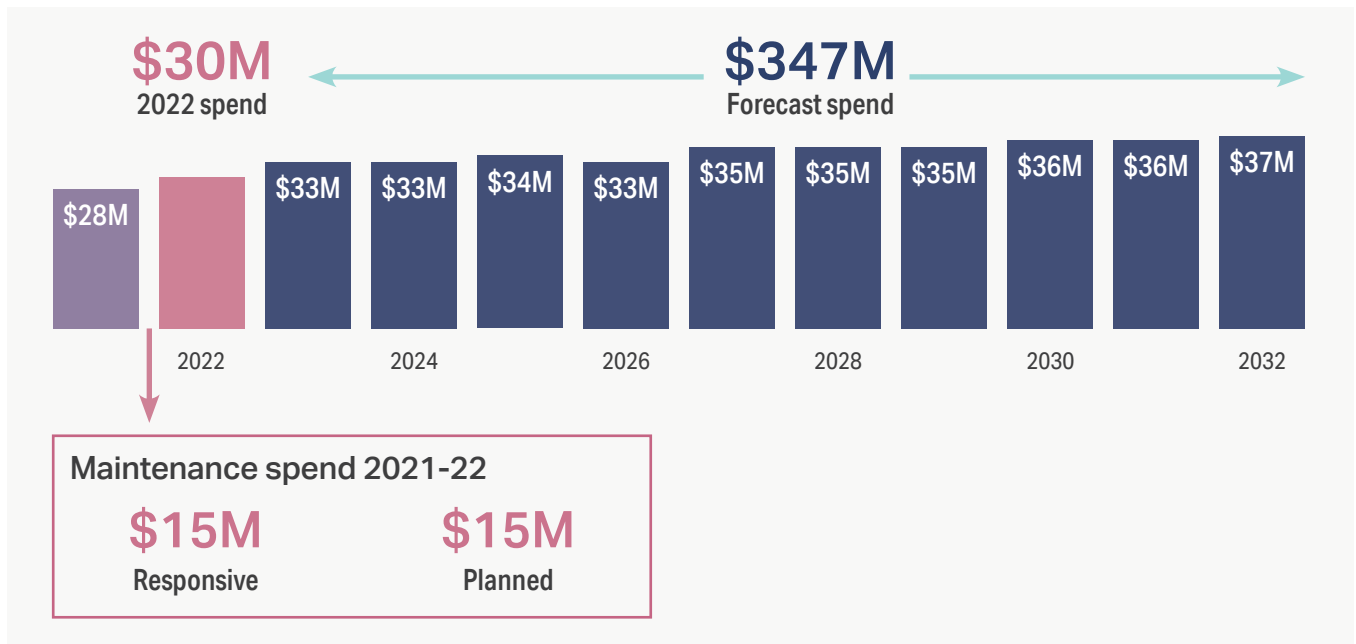


Variance from previous year



Tier 1 and Tier 2 financial performance

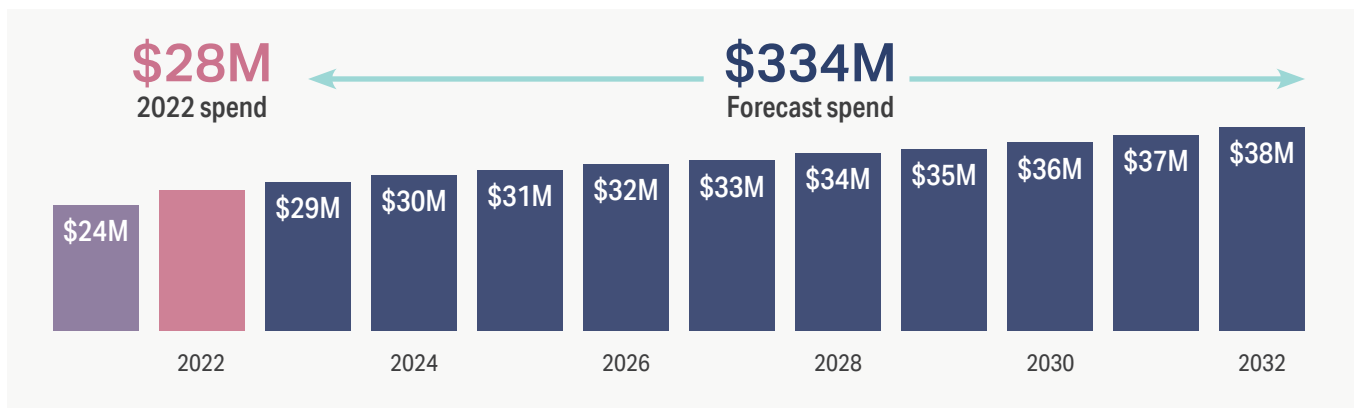
Maintenance expenses - actuals and forecast



Registered CHPs are required to plan and undertake responsive, cyclical and life cycle maintenance to maintain property conditions.

The above shows that the sector is forecasting a significant investment to maintain community housing assets under the NRSCH.

Property expenses - actuals and forecast



Property expenses have grown since last year and are expected to incline.

This is primarily driven by increased:

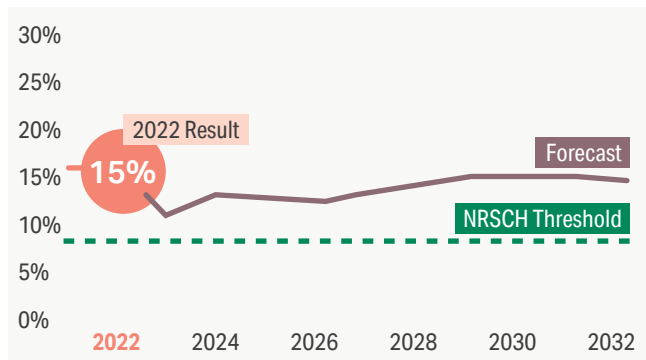
- insurance premiums
- rates triggered by an increase in capital values
- property expenses including utilities, property management fees and rental expenses.



Strong financial performance

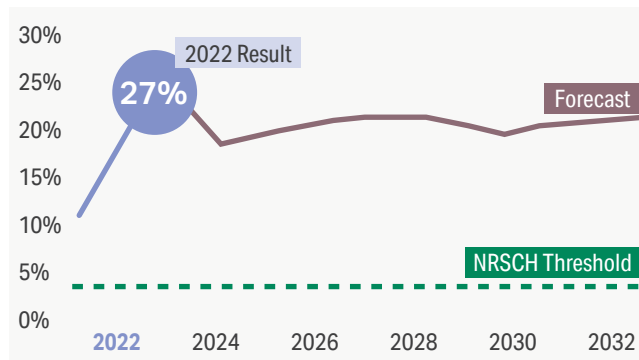
Operating EBITDA margin - Tier 1

Tier 1 consolidated result and forecast



Operating EBITDA margin - Tier 2

Tier 2 consolidated result and forecast



CHP performance against thresholds



The operating EBITDA margin is a key measure of profitability and is monitored under the NRSCH to ensure CHPs are generating sufficient margins to absorb either one off events or adverse economic conditions.

Tier 1 CHPs produced a consolidated operating EBITDA margin of 15% in 2021 – 2022, which is above the 8% threshold set for Tier 1 CHPs to ensure they can withstand adverse development and financing risks. Tier 1 CHPs are expecting a decline in their margins in 2022-2023, but most are forecasting to remain above the 8% threshold.

The above table shows 80% of SA's Tier 1 CHPs performed above the green threshold, however, the table below shows their performance was below other Tier 1 CHPs nationally.



NRSCH Thresholds: Operating EBITDA Margin.

- Green light: Tier 1 \geq 8%
- Red light: Tier 1 $<$ 8%

CHP performance against thresholds



The above chart shows Tier 2 CHP forecasted trends with their operating EBITDA margins. The NRSCH sets a lower threshold of 3%, with most forecasting to remain above this.

Tier 2 CHPs produced a consolidated operating EBITDA margin of 27%, which is significantly above the 3% threshold set for Tier 2 CHPs and the national result in the table below.

The table above shows all SA Tier 2 CHPs met the threshold.



NRSCH Thresholds: EBITDA Margin

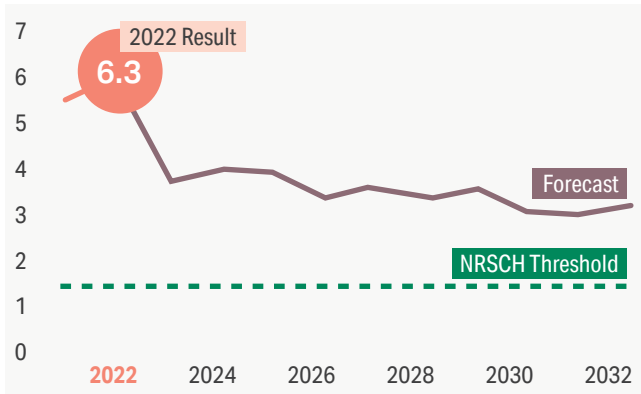
- Green light: Tier 2 \geq 3%
- Red light: Tier 2 $<$ 3%



Debt costs covered

Interest Cover - Tier 1

Tier 1 consolidated result and forecast



CHP performance against thresholds

100%

The interest coverage ratio (ICR) measures how many times a CHP can cover its interest payments from available earnings and is a key measure of the ability to service loans obligations.

In 2021-2022, Tier 1 CHPs produced a consolidated ICR of 6.3 times against a threshold of 1.5 times. CHPs are forecasting their ICR to fall in 2022-2023 due to a decline in Operating EBITDA Margins. This fall is not attributed to higher CHP interest costs on existing loans, as these loans are largely quarantined from recent interest rate rises due to being long-term fixed rate loans with Housing Australia.

The above table shows all Tier 1 CHPs reported ICRs in the green threshold.

SA **6.3**
National **4.6**

NRSCH Thresholds: Interest Cover.

- Green light: Tier 1 ≥ 1.5
- Red light: Tier 1 < 1.5

Interest Cover - Tier 2

Tier 2 consolidated result and forecast



CHP performance against thresholds

87%

13%

Tier 2 CHPs produced a consolidated ICR of 7.4 times against the threshold of 1.5 times in 2021 - 2022. Similar to Tier 1 CHPs, the ICRs for Tier 2 CHPs are forecast to drop in 2022 - 2023 due to a contraction in forecasted EBITDA Margins but continue to remain above the green threshold.

The above table shows 87% of Tier 2 CHPs performed above the green threshold in 2021 - 2022.

SA **7.4**
National **4.4**

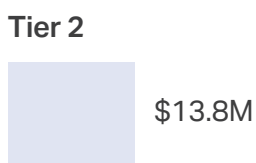
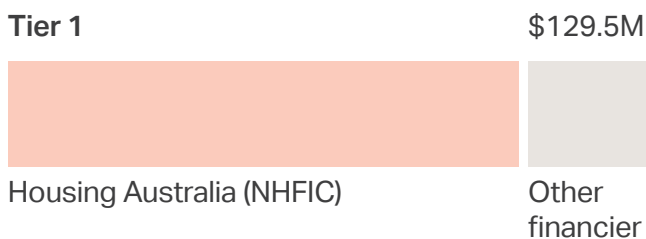
NRSCH Thresholds: Interest Cover.

- Green light: Tier 2 ≥ 1.5
- Red light: Tier 2 < 1.5

Community housing debt

The 2021-2022 growth in debt came from an intercompany loan from a parent entity to its subsidiary community housing entity. Most of the SA sector debt sits with Tier 1 CHPs, and comes from Housing Australia (formerly NHFIC).

Outstanding CHP Debt



83%

of SA CHP debt with Housing Australia (NHFIC) at June 2022

\$143M

Total loans at 30 June 2022

\$7M

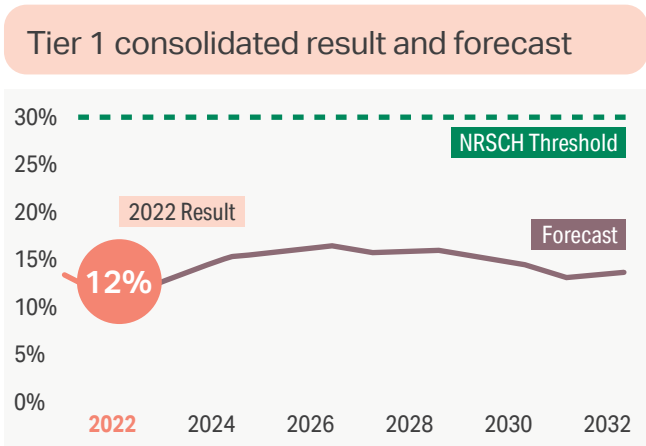
Additional loans since FY2021

Housing Australia debt is sourced through its Affordable Housing Bond Aggregator facility, which enables CHPs to obtain low cost, long term, fixed rate, interest only loans.



Debt risks mitigated by providers

Gearing Ratio - Tier 1



CHP performance against thresholds

100%

The gearing ratio is used to determine sustainable loan levels and is monitored under NRSCH to ensure the CHPs capital structure is viable in the long-term. The threshold for gearing ratio is 30% or less. The gearing ratio is calculated as total payable loans divided by total assets.

Tier 1 CHPs produced a consolidated gearing ratio of 12% in 2021 – 2022, well below the NRSCH ceiling threshold of 30%.

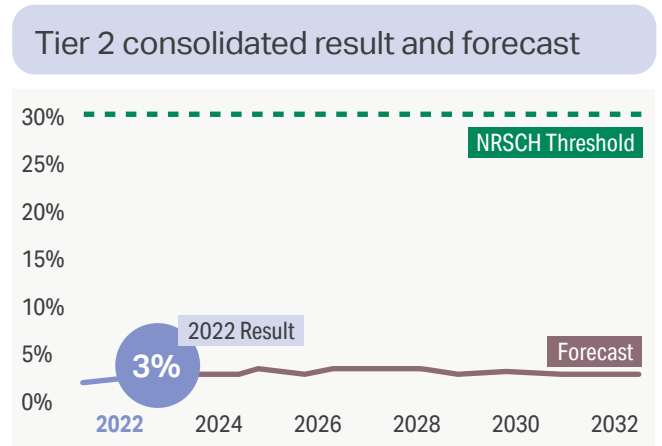
The table below shows SA's Tier 1 CHPs are significantly less geared than Tier 1 CHPs nationally.



NRSCH Thresholds: Gearing Ratio.

- Green light: Tier 1 ≤ 30%
- Red light: Tier 1 > 30%

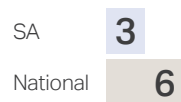
Gearing Ratio - Tier 2



CHP performance against thresholds

100%

Tier 2 CHPs produced a consolidated gearing ratio of only 3% in 2021 – 2022, which is well below the 30% ceiling threshold. Similar to SA's Tier 1 CHPs, SA's Tier 2 CHPs are less geared than Tier 2's nationally from the table below.



NRSCH Thresholds: Gearing Ratio.

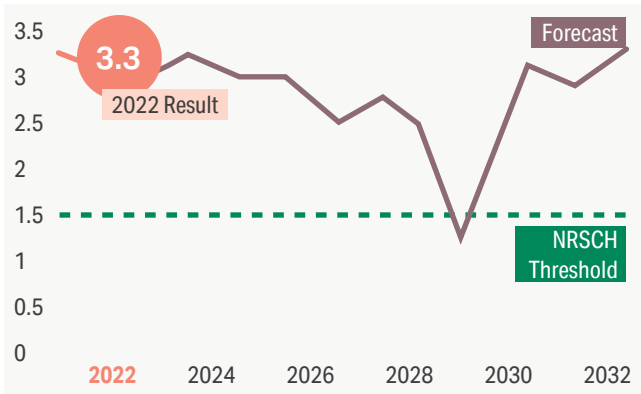
- Green light: Tier 2 ≤ 30%
- Red light: Tier 2 > 30%



Liquidity

Working Capital Ratio – Tier 1

Tier 1 consolidated result and forecast



CHP performance against thresholds

100%

The working capital ratio is a key measure of liquidity and is monitored under NRSCH to ensure CHPs have sufficient capacity to absorb adverse events. Working capital ratio is available liquid assets to cover short-term liabilities.

The threshold for working capital ratio is 1.5 times or above for both Tier 1 and Tier 2 CHPs. Tier 1 CHPs produced a consolidated working capital ratio of 3.3 times in 2021 – 2022, with all performing above the green threshold.

The chart above shows a temporary dip in the forecast working capital ratio in 2028 – 2029 due to one CHP reflecting the maturity of a significant loan that is yet to be refinanced.

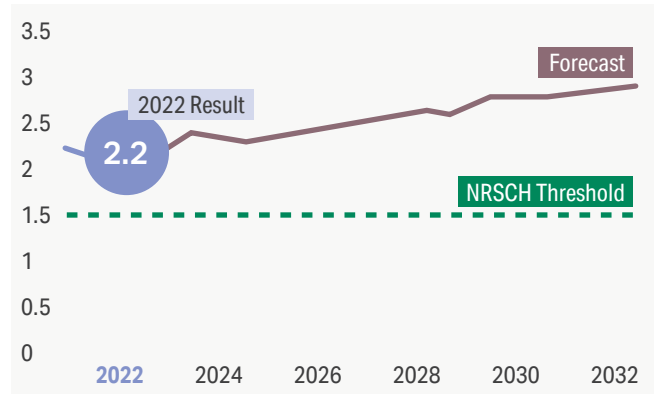
SA **3.3**
National **2.5**

NRSCH Thresholds: Capital Ratio.

- Green light: Tier 1 ≥ 1.5
- Red light: Tier 1 < 1.5

Working Capital Ratio - Tier 2

Tier 2 consolidated result and forecast



CHP performance against thresholds

78%

22%

Tier 2 CHPs produced a consolidated working capital ratio of 2.2 times, with 78% of CHPs performing above the green threshold.

SA **2.2**
National **1.8**

NRSCH Thresholds: Capital Ratio.

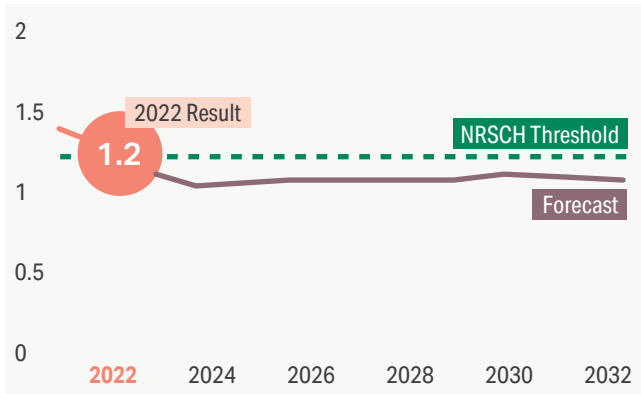
- Green light: Tier 2 ≥ 1.5
- Red light: Tier 2 < 1.5



Sound cash flows

Operating Cash flow Adequacy – Tier 1

Tier 1 consolidated result and forecast



CHP performance against thresholds



Operating cash flow adequacy measures a CHPs ability to generate cash inflows from its operating activities to cover its cash outflows from those activities.

Thresholds for operating cash flow are 1.2 times or above for Tier 1 CHPs to mitigate loans finance and development risks. A ratio above 1.0 indicates that a CHP's cash flows generated from operations are enough to meet outgoing cash outflows.

Tier 1 CHPs produced a consolidated operating cash flow adequacy ratio of 1.2 times in 2021 – 2022, with 60% performing above the green threshold of 1.2. All are forecasting to trend between 1.0 and 1.2 times in future years.

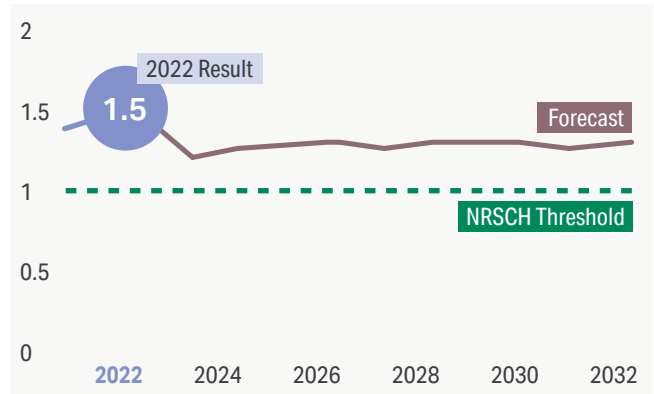


NRSCH Thresholds: Cashflow Adequacy Ratio.

- Green light: Tier 1 \geq 1.2
- Red light: Tier 1 $<$ 1.2

Operating Cash flow Adequacy – Tier 2

Tier 2 consolidated result and forecast



CHP performance against thresholds



Tier 2 CHPs produced a consolidated operating cash flow adequacy ratio of 1.5 times in 2021 – 2022, with 89% performing above the green threshold of 1.05 times for Tier 2 CHPs.

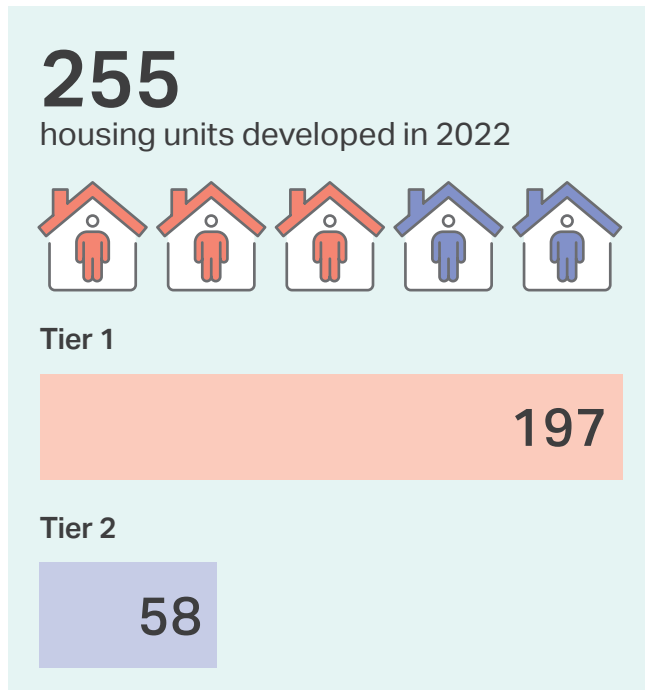


NRSCH Thresholds: Cashflow Adequacy Ratio.

- Green light: Tier 2 \geq 1.05
- Red light: Tier 2 $<$ 1.05

Housing developments completed in 2022

Developments completed by Tier



The table on the above shows most of the housing developments in 2021-2022 were from Tier 1 CHPs.

Over half of the Tier 1 units developed relate to one large scale project in the western suburbs of Adelaide, delivered in collaboration with the SA Housing Authority.

Other notable projects completed in 2021-22 include developments under the Community Housing Asset Renewal Program (CHARP). This program enables CHPs the opportunity to redevelop old and underperforming stock from the former South Australian Community Housing Authority (SACHA) Funded Assets.



Appendix – Non-financial metrics

Definitions

Housing services satisfaction

Tenants expressing satisfaction with the overall quality of housing services as a percentage of surveys returned

Maintenance satisfaction

Tenants who express satisfaction with maintenance services as a percentage of those answering the question

Housing condition satisfaction

Tenants who express satisfaction with overall condition of the housing unit as a percentage of those answering the question

Urgent repairs on-time

Urgent repairs completed within jurisdictional requirements as a percentage of urgent repairs requested including requests outstanding from the previous year

Non-urgent repairs on-time

Non urgent repairs completed within jurisdictional requirements as a percentage of non urgent repairs requested including requests outstanding from the previous year

Tenantable turnaround time

Average calendar days vacant (tenantable) determined with reference to the total number of actual vacant tenantable properties relet

Untenantable turnaround time

Average calendar days vacant (untenantable) determined with reference to the total number of actual vacant untenantable properties relet

Eviction rate

Tenants evicted as a percentage of the total number of exits for the year

Occupancy rate

Occupied units as a percentage of the total number of tenancy units

Rent outstanding

Rent outstanding from current and ex tenants as a percentage of total potential rental income

Appendix – Financial metrics

Definitions

Operating EBITDA margin

$$\frac{\text{Operating EBITDA (Operating Earnings before interest, tax, depreciation and amortisation)}}{\text{Operating Revenue}}$$

Working Capital Ratio

$$\frac{\text{Current Assets less unspent capital grants}}{\text{Current Liabilities less (capital grants received in advance and accommodation bonds)}}$$

Operating Cashflow Adequacy Ratio

$$\frac{\text{Operating Cash Inflows}}{\text{Operating Cash Outflows}}$$

Interest Cover

$$\frac{\text{Operating EBITDA}}{\text{Financing costs and lease interest paid}}$$

Gearing Ratio

$$\frac{\text{Total repayable debt}}{\text{Total assets}}$$

Appendix – Acronyms & Abbreviations

CHP

Community Housing Provider –

A non-government entity that is registered under the NRSCH to provide community housing.

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 (now known as Housing Australia) –

Operates three finance programs and offers finance to CHPs through one of these programs, the Affordable Housing Bond Aggregatory loans.

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.

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.

OHR

Office of Housing Regulation – The administrative business unit within the SA Housing Authority headed up by the South Australian Registrar under the *Community Housing Providers (National Law) (South Australia) Act 2013*.



Appendix – Tier 1 and Tier 2 CHPs

Registered Tier 1 and Tier 2 CHPs in South Australia as of 30 June 2023 that have South Australia as their primary jurisdiction.

Entity Name	Entity Type	Current Tier
Anglicare SA Housing Ltd (t/a Believe Housing)	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
UnitingSA Housing 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
Cornerstone Housing Limited	Company limited by guarantee	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
Uniting Country 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
Common Equity Housing South Australia Ltd	Company limited by guarantee	Tier 2

Appendix – Tier 3 CHPs

Registered Tier 3 CHPs in South Australia as of 30 June 2023 that have South Australia as their primary jurisdiction.

Entity Name	Entity Type	Current Tier
Carrington Cottages Limited	Company limited by guarantee	Tier 3
MERZ Housing Co-operative Incorporated	Incorporated association	Tier 3
North East Housing Co-operative Incorporated	Incorporated association	Tier 3
Pennylane Housing Co-operative Incorporated	Incorporated association	Tier 3
Southern Housing Support Co-operative Incorporated	Incorporated association	Tier 3
SYC Ltd	Company limited by guarantee	Tier 3
Town & Country Housing Incorporated	Incorporated association	Tier 3





**Government
of South Australia**