

SA Community Housing

Performance Report

2019-2020



Government of South Australia
SA Housing Authority



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Message from the Registrar

As the recently appointed National Regulatory System for Community Housing (NRSCH) Registrar for South Australia, I am pleased to present the SA Community Housing Performance Report 2019-2020.

This sector report highlights the growth and performance of South Australia's registered Community Housing Providers (CHPs) during 2019-2020, and their compliance with the performance outcomes under the National Regulatory Code.

I would like to acknowledge the challenges confronted by the community housing sector in South Australia since the first wave of the COVID-19 pandemic began in March 2020. Social distancing and lockdown requirements during the latter part of 2019-2020 had a significant impact on service delivery arrangements for CHPs, particularly on tenancy inspections, maintenance works, development programs, and how staff, management and CHP boards continued to perform their roles. Although some CHPs reported an impact on their performance, the sector has shown an improvement with vacancy turnarounds, tenant repair requests completed on time and rent arrears overall.

I would also like to recognise the efforts of CHPs and my own regulatory staff, who continue to successfully complete the NRSCH 2020-2021 compliance program for Tier 1 and 2 CHPs. Overall, there was a significant reduction in compliance recommendations made this year, reflecting the resilience and agility of CHPs to respond to compliance recommendations, despite disruption from COVID-19. It also enabled us to embrace virtual meetings, which were particularly useful in proactively engaging with CHPs on compliance findings.

In 2019-2020 we witnessed a significant increase in National Housing Finance and Investment Corporation loans, as more CHPs took out new debt to fund development activities. The management of these development activities are forecast to grow in volume, particularly for the Tier 1 CHPs, and will present new challenges for compliance assessments and sector reporting.

A review of the NRSCH was also completed in April 2021 and published on the New South Wales Department of Communities and Justice website. Work continues with fellow registrars to implement potential reforms identified from that review where a collective position has been reached. This includes work on data integrity issues and sector reporting activities that I and my regulatory staff have taken the lead on nationally.

I look forward to the new challenges and engaging earlier with Tier 1 and Tier 2 CHPs with our next annual compliance assessments.

Craig Thompson
Registrar for South Australia



National Regulatory System for Community Housing

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

The regulatory system is designed to contribute to a well governed and managed community housing sector and to provide a platform for the ongoing development and viability of the community housing sector across Australia. Its core purposes include improving tenant outcomes and protecting vulnerable tenants, protecting government funding and equity, and ensuring investor and partner confidence.

It is a condition of registration that CHPs must:

- comply with the NRC
- provide any information to the Registrar with respect to the NRC
- notify the Registrar of the occurrence of certain specific events
- maintain a list of all of their community housing assets in a form approved by the Registrar
- include a provision in their constitutions that, in the event of winding-up, their remaining community housing assets will be transferred to another registered CHP.

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

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

Sector information

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

Community Housing Providers

The community housing sector is a major provider of housing services in South Australia, with more than 13,000 households residing in community housing across metropolitan, regional and remote areas of the state. Community housing provides rental housing to low to moderate income and special needs households.

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

Registered CHPs range from large complex businesses developing and managing thousands of properties across multiple jurisdictions to small tenant managed organisations. CHPs are categorised into tiers based on the level of risk arising from the scale and scope of their community housing activities, which in turn determines the intensity of regulatory engagement and oversight.

TIER 1	<ul style="list-style-type: none"> Registered CHPs operate at a large scale and have ongoing development activities. Status is reserved for CHPs with 500+ properties with ongoing development activities at the high end of the spectrum, or 750+ properties with ongoing development activities at the lower end of the spectrum.
TIER 2	<ul style="list-style-type: none"> Registered CHPs operate at a moderate scale of property and tenancy management and may undertake small scale developments. Most CHPs manage between 200 and 750 properties and may also undertake ongoing small development activities.
TIER 3	<ul style="list-style-type: none"> Registered CHPs mostly operate at a smaller scale of property and tenancy management and have no ongoing development activities or one-off or very small-scale development activities. All Tier 3 CHPs in South Australia have fewer than 200 properties.

Tier 1 and 2 CHPs are subject to annual compliance assessments, as any serious non-compliance has the potential to impact large numbers of tenants and assets.

Tier 3 CHPs have compliance assessments conducted biennially and account for 52% of the state's registered CHPs, as illustrated in Figure 1.

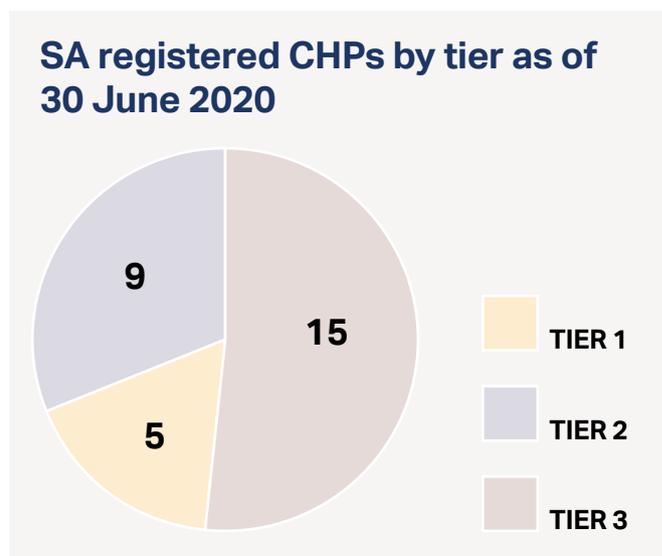


Figure 1: Registered South Australian CHPs by tier as of 30 June 2020

Property information

Property numbers have been collected from CHPs, which enter data directly into the Community Housing Regulatory Information System. Tables 1 and 2 summarise the number of properties that are regulated by the Registrar for South Australia. Despite the majority of CHPs in the state being Tier 3, properties are concentrated amongst Tier 1 and Tier 2 CHPs, as Table 1 demonstrates:

CURRENT TIER	NUMBER OF CHPs	TOTAL PROPERTIES
TIER 1	5	8,946
TIER 2	9	3,316
TIER 3	15	249

Table 1: Properties by tier

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 South Australia	10,293	2,824	251	13,368
Properties where Registrar has regulatory oversight	8,946	3,316	249	12,511

Table 2: Properties located in South Australia by tier and property numbers by tier where the Registrar has responsibility, regardless of property location

The reason for these differences in properties located in South Australia compared with the properties where the Registrar for South Australia has regulatory oversight is that some CHPs operate primarily in another jurisdiction.

For example, Community Housing Ltd is a Tier 1 provider with more than 5,000 properties under management throughout Australia, including in excess of 1,000 properties in South Australia. As it has its primary jurisdiction in New South Wales, its properties in South Australia form part of the New South Wales Registrar's regulatory oversight.

Amelie Housing is also another example of a Tier 1 CHP that has hundreds of properties located in South Australia and which has its primary jurisdiction and Registrar in New South Wales.

From a Tier 2 perspective, Salvation Army Housing Limited has properties located in South Australia, Tasmania and Western Australia. As South Australia is its primary jurisdiction, the properties located in Tasmania and Western Australia have regulatory oversight from the Registrar for South Australia.

Table 3 provides a summary of the 13,368 properties by location, which illustrates that the vast majority of community housing in South Australia is located in metropolitan Adelaide:

LOCATION	PROPERTIES
Northern Adelaide	3,743
Western Adelaide	2,998
Southern Adelaide	2,808
Eastern Adelaide and Adelaide Hills	1,422
Regional South Australia	1,698
Adelaide CBD	699
TOTAL	13,368

Table 3: Location of community housing properties in South Australia

Table 4 illustrates the stock profile of community housing, which illustrates that more than 80% of properties are used for long term housing:

HOUSING PROGRAM	NUMBER OF PROPERTIES
Affordable Housing	550
Boarding/Rooming House	4
Crisis	75
Long term community housing	10,917
NRAS	927
Other	73
Private Rental/Housing	7
SDA	57
Short to medium term housing	758
TOTAL	13,368

Table 4: Properties in South Australia by housing program type

Figure 2 illustrates the tenancy growth in South Australian community housing between June 2015 and June 2020, with data sourced from the Australian Institute of Health and Welfare National Housing Assistance Data Depository:

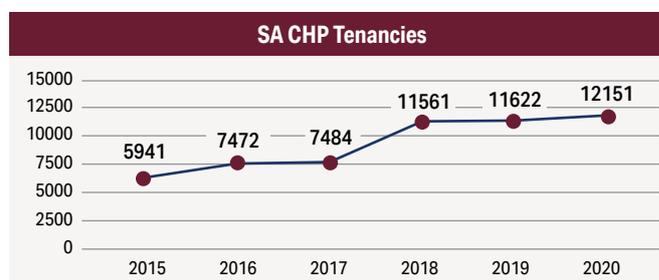


Figure 2: Number of CHP tenancies in South Australia from June 2015 to June 2020

Community housing tenancies numbers are forecast to increase in the future as many Tier 1 and Tier 2 CHPs have development programs that renew and grow their property portfolios.



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 mergers can occur for a variety of reasons, such as volunteer fatigue, internal management capacity and financial viability.

From 2017-2018 to 2019-2020 there was a reduction in the number of CHPs in South Australia, which was predominantly concentrated amongst Tier 3 CHPs merging with larger registered CHPs. While there was a reduction in the number of Tier 3 CHPs, the number of Tier 1 CHPs remained stable and the number of Tier 2 CHPs increased due to an existing CHP being reclassified from Tier 3 to Tier 2.

Table 5 illustrates the reduction of CHPs registered in South Australia.

	TIER 1 CHPs	TIER 2 CHPs	TIER 3 CHPs	TOTAL
30 JUN 18	5	8	30	43
30 JUN 19	5	8	22	35
30 JUN 20	5	9	15	29

Table 5: Number of registered CHPs with South Australia as primary jurisdiction from 2017-2018 to 2019-2020 by tier

From 2018-2019 to 2019-2020, there were five Tier 3 CHPs and one Tier 2 CHP that applied to cancel their registrations in South Australia. Table 6 outlines the CHPs that initiated the cancellation of their registrations and how many properties these CHPs had:

PROVIDER	TIER	PROPERTIES
Intellectual Disability Accommodation Association Inc	3	102
ISHA Incorporated	3	13
Kangaroo Island Community Housing Association	3	15
PEACH Housing Co-operative Inc	3	21
The Frederic Ozanam Housing Association Inc	2	259
UnitingCare Wesley Country SA Inc	3	120

Table 6: Property numbers of South Australian CHPs that merged from June 2019 to June 2020

Table 7 outlines the CHPs that cancelled their registrations between June 2019 and June 2020 and lists the CHPs they merged with

PROVIDER	TIER	MERGED PROVIDER	TIER
Intellectual Disability Accommodation Association Inc	3	YourPlace Housing Ltd	2
ISHA Incorporated	3	Common Equity Housing South Australia Ltd	2
Kangaroo Island Community Housing Association	3	Junction and Women's Housing Ltd	1
PEACH Housing Co-Operative Inc	3	Westside Housing Company Ltd and Common Equity Housing South Australia Ltd	2
The Frederic Ozanam Housing Association Inc	2	Amelie Housing	1
UnitingCare Wesley Country SA Inc	3	Uniting Country Housing Ltd	2

Table 7: CHP mergers in South Australia from June 2019 to June 2020

Regulatory activities

Assessing ongoing compliance of providers

This section of the report relates to South Australia's compliance-related activities during the 2020-2021 financial year.

Once registered, CHPs must submit a minimum set of evidence supporting their ongoing compliance with the NRC, described as a standard compliance assessment. The frequency of standard compliance assessments currently depends on the CHP's Tier. Tier 1 and Tier 2 CHPs have a standard compliance assessment undertaken annually, whilst Tier 3 compliance assessments are undertaken every two years.

During 2020-2021, 66% of all registered CHPs went through a standard compliance assessment. As shown in Table 8, between 1 July 2020 and 30 June 2021, 19 standard compliance assessments were completed in South Australia. More than 73% of compliance assessments completed in 2020-2021 were for Tier 1 and Tier 2 CHPs.

STANDARD COMPLIANCE ASSESSMENTS	
TIER 1	5
TIER 2	9
TIER 3	5
TOTAL	19

Table 8: Standard compliance assessments completed in 2020-2021

Assessing each performance outcome

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. 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 (for instance, where evidence of progress has been seen)
- the overall impact on financial viability and services to residents is relatively insignificant
- accepted by the CHP and can be completed by the CHP (for instance, where the CHP has the required resources, track record, expertise, etc).

Non-compliant

The CHP has not submitted sufficient evidence to demonstrate ongoing compliance with performance requirements of the NRC.

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.

Table 9 shows the performance outcome results for Tier 1 and Tier 2 CHPs, while Table 10 shows the results for Tier 3 CHPs:

TIER 1 AND 2	COMPLIANT	COMPLIANT WITH RECOMMENDATIONS	NON-COMPLIANT	IMPROVEMENT OPPORTUNITIES
Outcome 1 Tennants and housing	93%	7%	0%	21%
Outcome 2 Housing assets	93%	7%	0%	29%
Outcome 3 Community	100%	0%	0%	0%
Outcome 4 Governance	100%	0%	0%	7%
Outcome 5 Probity	100%	0%	0%	0%
Outcome 6 Management	100%	0%	0%	50%
Outcome 7 Financial viability	86%	14%	0%	29%

Table 9: Outcome of assessment against performance outcome for Tier 1 and 2 CHPs in South Australia in 2020-2021

Tier 1 and Tier 2 CHPs were generally fully compliant across all the performance outcomes. Only a small percentage of the findings related to a relatively minor issue of compliance under the NRC, such as the further development of its KPIs to monitor their financial performance.

Most of the Tier 1 and Tier 2 findings in the 2020-2021 compliance assessments were raised as improvement opportunities. For example, in performance outcome 6 where 50% of Tier 1 and Tier 2 CHPs had an improvement opportunity raised in their compliance assessment, they related to emerging external factors beyond the CHP's control. Examples included the availability of tradespersons in regional areas or contractual requirements to upgrade properties when they became vacant, which had a negative impact on their untenable turnaround times in Figure 18. The improvement opportunity in this instance is to

encourage CHPs to explore strategies to best manage these external factors and is not currently an issue of compliance with the performance outcome.

As shown in Table 10, compliance recommendations were commonly raised against Tier 3 CHPs in relation to how they were managing their tenant repair requests in Performance Outcome 2, how they were managing vacancies in Performance Outcome 6, and how they were monitoring their financial performance. Tier 3 CHPs also experienced a broad range of governance issues in Performance Outcome 4 due to being volunteer tenant managed.

A small Tier 3 CHP was found to be non-compliant across a number of performance outcomes during 2020-2021. As a result, this Tier 3 CHP was assessed as overall non-compliant and was subject to regulatory enforcement action.

TIER 3	COMPLIANT	COMPLIANT WITH RECOMMENDATIONS	NON-COMPLIANT	IMPROVEMENT OPPORTUNITIES
Outcome 1 Tennants and housing	60%	20%	20%	0%
Outcome 2 Housing assets	0%	80%	20%	40%
Outcome 3 Community	100%	0%	0%	0%
Outcome 4 Governance	40%	40%	20%	40%
Outcome 5 Probity	80%	0%	20%	20%
Outcome 6 Management	40%	60%	0%	20%
Outcome 7 Financial viability	20%	60%	20%	0%

Table 10: Outcome of assessment against each performance outcome for Tier 3 CHPs in South Australia in 2020-2021

Providers subject to regulatory enforcement due to non-compliance

A range of enforcement actions are available to the Registrar where a CHP fails to demonstrate a sufficient level of compliance with the performance outcomes.

During 2020-2021, one Tier 3 continued to have its affairs managed by a statutory manager appointed by the Registrar for South Australia after investigation for non-compliance with the NRC. This failure to comply was deemed serious and required urgent action. The properties and tenancies of this CHP are in the process of being transferred to another registered CHP through a competitive procurement process. The provider's registration will be cancelled after the transfer takes place.

During 2020-2021, a Tier 3 CHP was assessed as overall non-compliant with the NRC and issued with a notice of non-compliance to remedy the issues. This CHP decided to merge with a Tier 2 CHP and will have its registration cancelled after the merger is complete.

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 Registrar also receives complaints from the public in relation to a CHP's compliance with the NRC. In most instances, these complaints relate to service delivery or anti-social behaviour concerns and are referred back to CHPs to address through their complaint management processes.

As Table 11 illustrates, there has been an increase in complaints and enquiries relating to CHPs, which correlates with the increased property numbers managed by the community housing sector.

	2016 -2017	2017 -2018	2018 -2019	2019 -2020	2020 -2021
COMPLAINTS	22	38	51	98	101
ENQUIRIES	37	47	71	46	134

Table 11: Complaints and enquiries from 2016-2017 to 2020-2021

Table 12 provides an insight into the origin of complaints that the Office of the Housing Regulation has received from 2015-2016 to 2019-2020. Cases originate from direct contact by the tenant or from members of the public, such as neighbours or support agencies, or raised via a Member of Parliament or the Minister for Human Services.

COMPLAINT ORIGIN	2016 -2017	2017 -2018	2018 -2019	2019 -2020	2020 -2021
TOTAL	22	38	51	98	101
Ministerial Office	18	35	35	33	38
Tenant	2	2	13	41	49
Member of Public	2	–	3	19	12
Advocate	–	–	–	1	–
Anonymous	–	–	–	1	2
Former Tenant	–	–	–	1	–
Non-Registered Provider	–	1	–	–	–
Provider Employee	–	–	–	1	–
Third Party	–	–	–	1	–

Table 12: Complaint origin from 2015-2016 to 2020-2021

Sector performance

Tenant surveys

CHPs are required to maintain tenant satisfaction with the overall quality of housing assistance, and tenant survey results and analysis 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.

As Figure 3 demonstrates, the data is derived from a large sample size of tenants. There have been fairly consistent tenant survey responses sent and received over recent years. In 2019-2020, there were 3,870 tenant surveys that were returned/responded to for Tier 1 and Tier 2 CHPs.

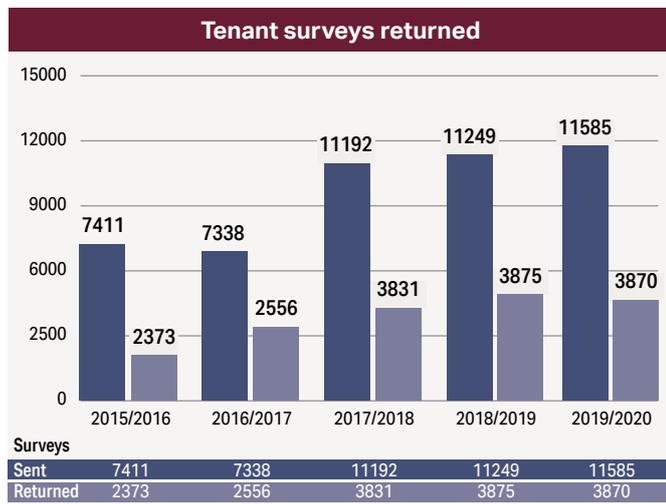


Figure 3: Tenant surveys returned/responded to from 2015-2016 to 2019-2020

Tenants overall satisfied

Tenant satisfaction with overall services is a key measure of the consumer experience with a CHP.

Figure 4 illustrates that community housing tenants report high levels of overall satisfaction in their CHP surveys, and all South Australian CHPs are performing well above the 75% green threshold line.

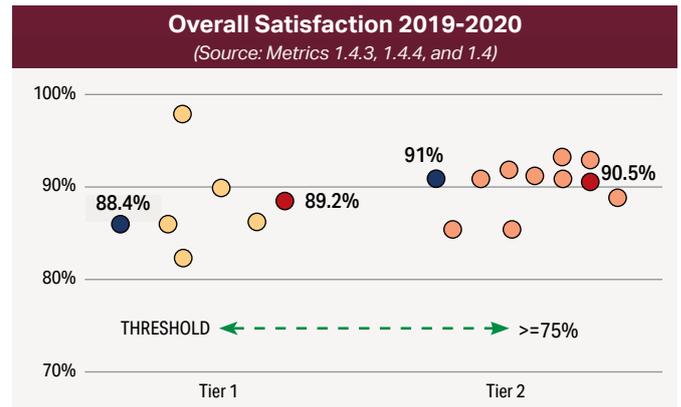


Figure 4: CHP results of tenant satisfaction with overall quality of housing services in 2019-2020

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.



Tenants satisfied with maintenance

Tenant satisfaction with maintenance measures the extent to which services are being delivered and properties are being maintained from the tenant's perspective.

Figure 5 illustrates that all CHPs deliver maintenance services that lead to high levels of tenant satisfaction and perform above the 75% green threshold line.

All Tier 1 and Tier 2 CHPs are above threshold for satisfaction with maintenance services in 2019-2020.

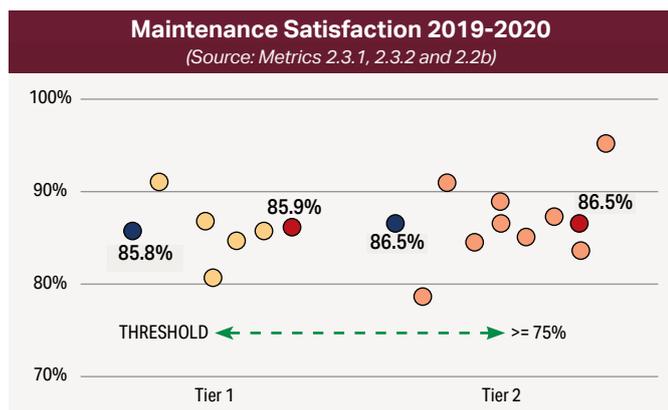


Figure 5: CHP results of tenant satisfaction with maintenance in 2019-2020

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.

● median values ● weighted averages ← - - → NRSCH thresholds

Responsiveness to repairs

Completion of urgent and non-urgent tenant repair requests is a key performance measure that shows how responsive a CHP is to addressing repairs requests from the tenant.

Figure 6 illustrates sector trends during 2017-2018 to 2019-2020. These results demonstrate that urgent repair requests have remained relatively stable, and the percentage of urgent repair requests completed on-time is trending upwards and remains above the 90% green threshold line for the sector.

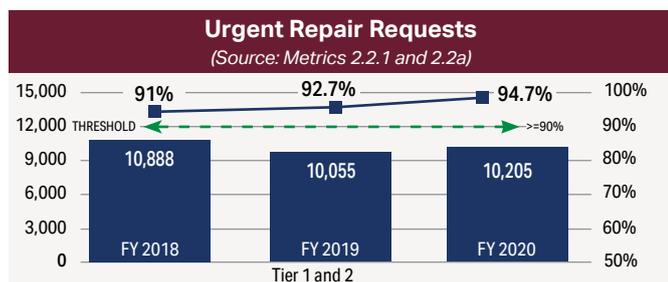


Figure 6: Sector trends 2017-2018 to 2019-2020 for the amount and completion of urgent repair requests

Figure 7 illustrates the urgent repair requests performance of Tier 1 and Tier 2 CHPs in 2019-2020.

All Tier 1 CHPs provided above-threshold results for urgent repair requests, whilst most Tier 2 CHPs had above-threshold completion rates, with an average of 94.0%.

There was one Tier 2 CHP that recorded urgent repair completion rates of 85.1% against the NRSCH threshold of 90% in 2019-2020. Although this result was below-threshold, it was an improvement from 66.7% in the previous year and the urgent repair requests for this CHP will continue to be monitored closely.

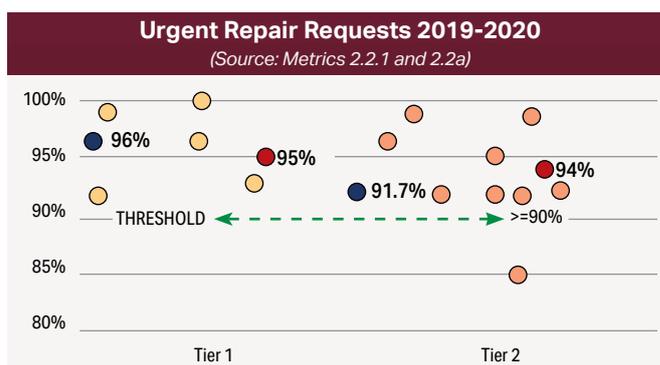


Figure 7: CHP results for urgent repairs completed within timeframe by tier in 2019-2020

The urgent repair completed in-time represents urgent repairs completed on-time as a percentage of urgent repairs requested by tenants, including requests outstanding from the previous year.

The NRSCH threshold for non-urgent repair in-time completion is 90% or above the green threshold line.

● median values ● weighted averages ← - - → NRSCH thresholds

Figure 8 illustrates sector trends during 2017-2018 to 2019-2020.

These results demonstrate that the total number of non-urgent repair requests has increased for Tier 1 CHPs and decreased for Tier 2 CHPs. In terms of aggregate repair request completion times, there has been an overall improvement in the sector. Ninety-two per cent of non-urgent repair requests were completed within timeframes, which is well above the NRSCH threshold of 80%.

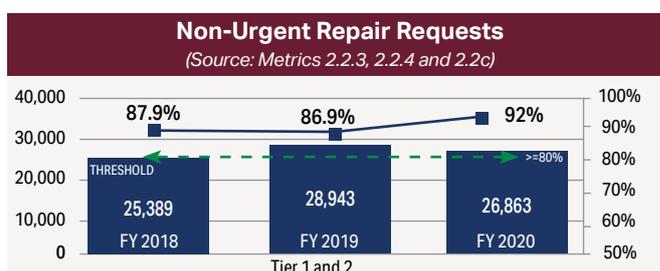


Figure 8: Sector trends 2017-2018 to 2019-2020 for the amount and completion of non-urgent repairs



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

Figure 9 illustrates the non-urgent repair requests performance of Tier 1 and Tier 2 CHPs in 2019-2020. All Tier 1 and Tier 2 CHPs had non-urgent repair request completion rates 80% or higher in 2019-2020, as illustrated in Figure 9.

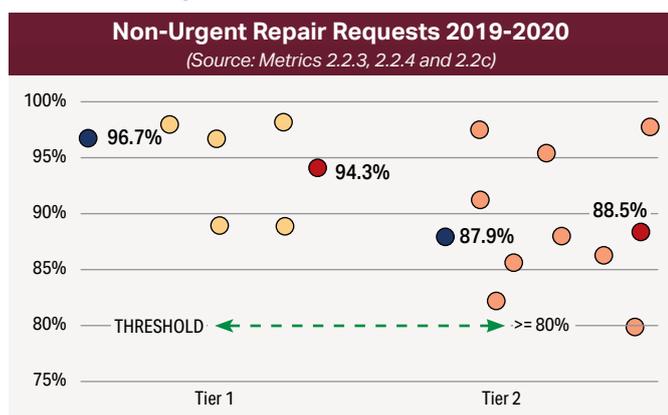
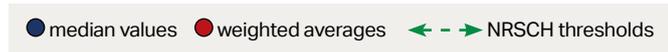


Figure 9: CHP results for non-urgent repairs completed within timeframe by tier in 2019-2020

The non-urgent repair completed in-time represents non-urgent repairs completed on-time 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.



Eviction numbers to exits

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

An eviction is defined in the NRSCH guidelines 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.

Figure 10 illustrates the number of evictions for Tier 1 and Tier 2 CHPs and the evictions as a percentage of exits.

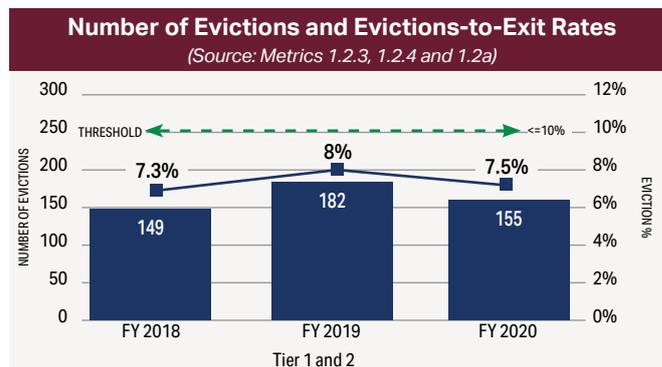


Figure 10: Sector trends from 2017-2018 to 2019-2020 for evictions as a percentage of exits

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

Figure 11 illustrates the eviction to exit rate for Tier 1 and Tier 2 CHPs in 2019-2020.

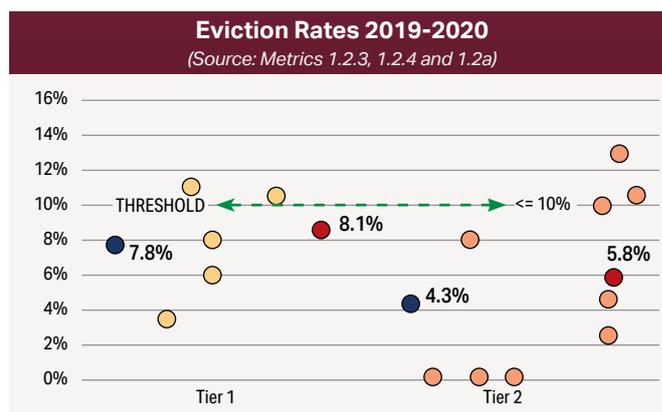
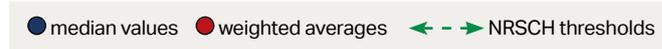


Figure 11: Eviction to exit rate for Tier 1 and Tier 2 CHPs in 2019-2020

The eviction to exit rate is evictions for the year divided by exits for the year. The NRSCH threshold for evictions to exits is 10%.



Rent arrears

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

Figures 12 and 13 illustrate that Tier 1 and Tier 2 CHPs manage rent arrears effectively, with the sector having low amounts of rental arrears.

There was a reduction of \$146,957 in rental arrears outstanding from Tier 1 CHPs in 2019-2020. The amount of rental arrears for Tier 2 CHPs was fairly steady.

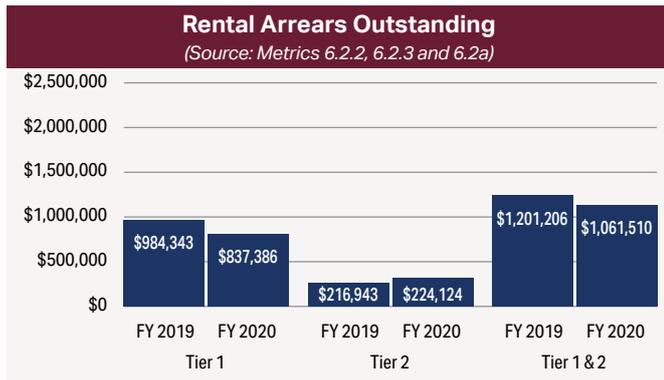


Figure 12: Rental arrears ratios from 2018-2019 to 2019-2020

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.

Overall, most CHPs are comfortably under the rent arrears threshold of 2.5%, with only one Tier 1 CHP on the threshold by a small margin (2.52%). This CHP is currently implementing rent recovery strategies to ensure that unpaid rent is closely monitored, with staff having undertaken training in rent recovery.

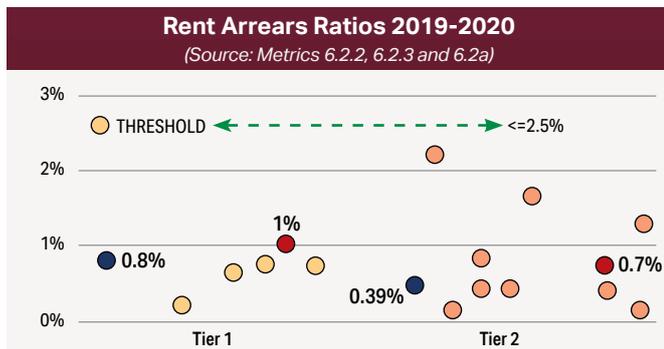


Figure 13: CHP results for rent outstanding as a proportion of total potential rental income 2019-2020

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.

● median values ● weighted averages ← - - → NRSCH thresholds

Rent revenue

Figure 14 illustrates average annual rent per tenancy unit from 2018-19 to 2019-2020.

There were marginal increases in average rents for Tier 1 and Tier 2 CHPs from 2019-2020 compared with the previous year. It is understood that the average Tier 1 rent in 2017-2018 was suppressed due to some tenancy units being intentionally left vacant or withdrawn in anticipation for redevelopment.

In March 2020, COVID-19 was declared a pandemic by the World Health Organisation. In April 2020, CHPs were prevented from undertaking their bi-annual rent reviews, as well as pursuing rent arrear evictions where the tenant was experiencing financial hardship as a result of COVID-19. Rent reviews resumed in September 2020.

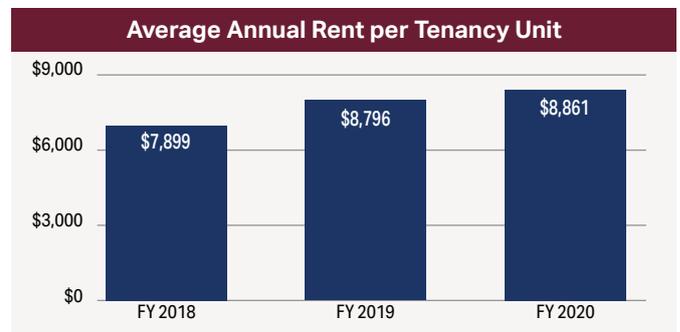


Figure 14: Average annual rent per tenancy unit for Tier 1 and Tier 2 CHPs from 2017-2018 to 2019-2020

Properties occupied

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

Figure 15 illustrates that all CHPs maintain high occupancy rates, with most performing well above the NRSCH threshold of 97.0%.

There was one Tier 1 CHP that had an occupancy rate of 95.1%, although there are extenuating circumstances in this case due to the tenancing of a development overlapping with the end of the financial year. This resulted in some properties being vacant as of 30 June 2020.

All Tier 2 CHPs had occupancy rates of 97.0% or higher in 2019-2020.

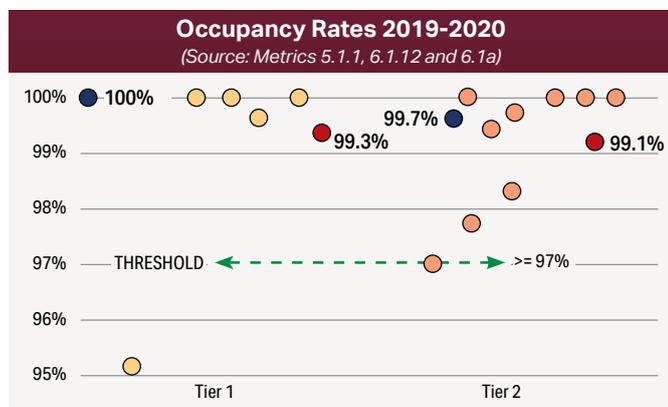


Figure 15: CHP results for occupancy rate in 2019-2020

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

● median values ● weighted averages ← - - → NRSCH thresholds

Tenantable turnarounds

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, as ongoing delays in re-tenancing properties represents a risk in terms of potential lost revenue and under-utilisation of properties.

Figure 16 illustrates the tenantable turnaround performance for Tier 1 and Tier 2 CHPs. All Tier 1 CHPs in 2019-2020 had tenantable turnaround times below the 14-day NRSCH threshold. Several Tier 2 CHPs reported that COVID-19 restrictions had an impact on their ability to turnaround some of their properties and therefore increased the average time taken to relet their properties. However, a combination of other factors, including improved reporting, has led to an overall improvement in tenantable turnaround times.

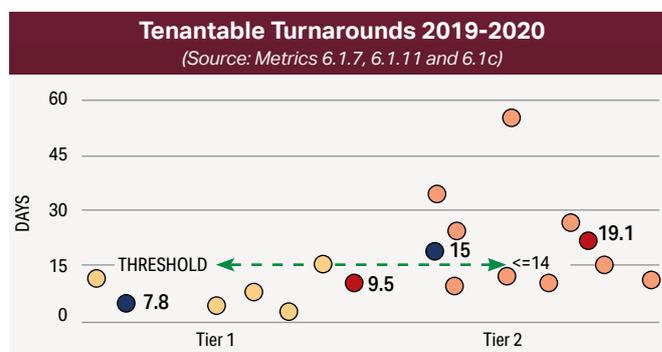


Figure 16: Average number of days to turnaround or relet vacant tenable properties in 2019-2020

Tenantable turnaround performance is the number of vacant calendar days for tenable properties, divided by the number of tenable units re-let during 2019-2020. The tenantable turnaround target threshold range is 14 days or less.

● median values ● weighted averages ← - - → NRSCH thresholds

Figure 17 illustrates the number of calendar days that were vacant and tenantable for Tier 1 and Tier 2 CHPs from 2017-2018 to 2019-2020.

Tier 1 CHPs have significantly decreased vacant tenantable calendar days from 9,653 in 2017-2018 to 2,297 in 2019-2020. A number of Tier 1 CHPs have advised that vacancies occurring with their public transfers are being treated as untenable while they perform maintenance work to renew these properties.

The spike in vacant tenantable calendar days in 2018-2019 was the result of vacancies being incorrectly classified as tenantable, when in fact the CHPs was unable to tenant the property due to relying upon third parties to perform the tenant allocation. These reporting issues were addressed in the 2019-2020 compliance returns.

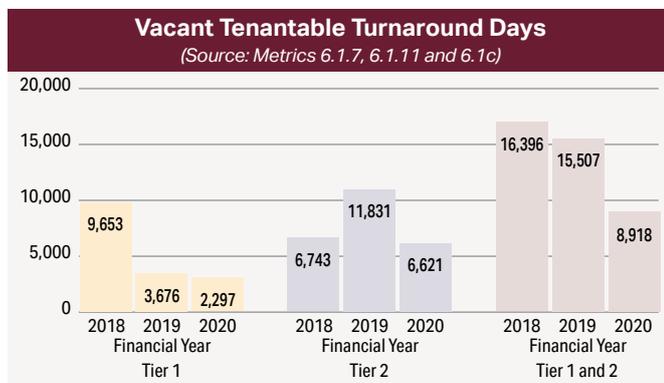


Figure 17: Vacant tenantable turnaround times from 2017-2018 to 2019-2020

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 2019-2020 data in Figure 18 show mixed results, mostly outside the target threshold range. Extended turnaround times can result in lost revenues and under-utilisation of housing assets. The Office of the Housing Regulation monitors turnaround times closely.

Tier 1 CHPs show an aggregate improvement in untenantable turnaround times, with the weighted average falling from 39.1 days in 2018-2019 to 37.5 days in 2019-2020. Three of the five Tier 1 CHPs improved their untenantable turnaround times compared to the previous financial year.

The two CHPs that have shown deterioration had untenantable turnaround times of 47.8 and 54.7 days respectively, which is well above the 28-day threshold. Both of these CHPs have public transfer properties, which have contractual requirements relating to refurbishment due to their ageing and extensive

maintenance requirements. Other factors identified as exacerbating untenantable turnaround times included properties that were subject to deceased estates arrangements and the availability of tradespersons in regional South Australia. Improvement opportunities have been issued to these two Tier 1 CHPs in their 2020 financial year compliance returns and both were already implementing proactive strategies to improve their untenantable turnaround times by improving internal processes, reporting and contractor management.

The weighted average of untenantable turnover times for Tier 2 CHPs as an aggregate was 29.4 days in 2019-2020, which is an improvement from previous years. Whilst not visible in Figure 18, there was one Tier 2 CHP that recorded a turnaround time of 143 days and this CHP has been issued with a recommendation to address this matter. In addition, there were three Tier 2 CHPs that had untenantable turnaround times of more than 50 days, and they have been issued with improvement opportunities.

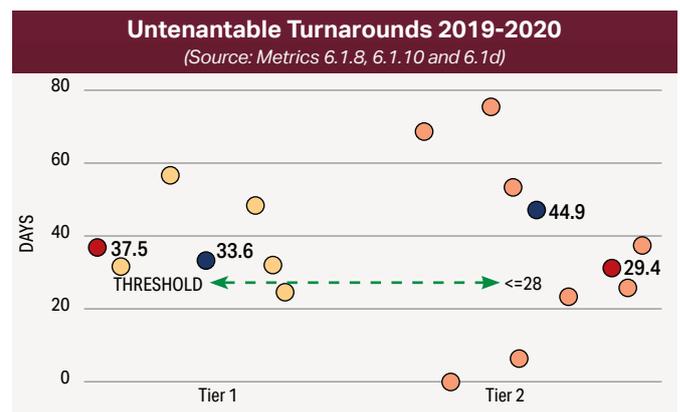
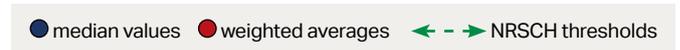


Figure 18: Average number of days to turnaround or re-let vacant untenantable properties in 2019-2020

Untenantable turnaround performance is the number of calendar days for untenantable properties, divided by the number of untenantable units re-let during 2019-2020. The untenantable turnaround target threshold range is 28 days or less.



Sector financial performance

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

Data from 2018-2019 to 2019-2020, presented in Tables 13 and 14, along with Figures 19 to 27 are sourced from the latest 2019-2020 financial performance reports from Tier 1 and Tier 2 CHPs.

Table 13 illustrates that the sector's rent revenues increased during 2019-2020, and is attributed 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 is used in NRSCH.

	RENT REVENUE	OPERATING EBITDA
2018-2019	\$109,788,959	\$23,973,595
2019-2020	\$111,961,513	\$27,218,756
% CHANGE	1.98%	13.54%

Table 13: Revenue snapshot

Table 14 provides a comparison of CHP assets from 2017-2018 to 2018-2019.

The rise in housing loans from \$75.6 million in 2018-2019 to \$123.3 million in 2019-2020 was primarily driven by refinancing. Tier 1 CHPs held \$112.7 million in housing loans, driven by development programs and requirements from public transfers.

As of 30 June 2020, Tier 1 and 2 CHPs had total assets of \$1,735 million, an increase of \$152 million from the previous year. Total assets were mostly comprised of housing assets (\$1,552 million). Tier 1 and 2 CHPs had equity of \$1,501 million, almost equalling the housing assets.

	HOUSING ASSSETS	HOUSING LOANS
2018-2019	\$1,479,552,478	\$75,608,602
2019-2020	\$1,552,401,809	\$123,361,579
% CHANGE	4.92%	63.16%

	NET ASSETS	TOTAL ASSETS
2018-2019	\$1,412,986,224	\$1,582,889,256
2019-2020	\$1,501,232,883	\$1,735,313,382
% CHANGE	6.25%	9.63%

Table 14: Assets snapshot

Maintenance expenses

Figure 19 illustrates maintenance expenses per housing unit and shows a trend of increasing maintenance expenses for Tier 1 and Tier 2 CHPs.

Despite COVID-19 curtailing maintenance activities in the later part of 2019-2020, both Tier 1 and Tier 2 CHPs have reported a growth in overall maintenance expenses for the period.

Tier 1 had an increase in both responsive and planned maintenance expenses as refurbishment programs for the properties transferred through the public transfers were implemented.

For Tier 2 CHPs, the increase on maintenance spending was attributed to planned maintenance.

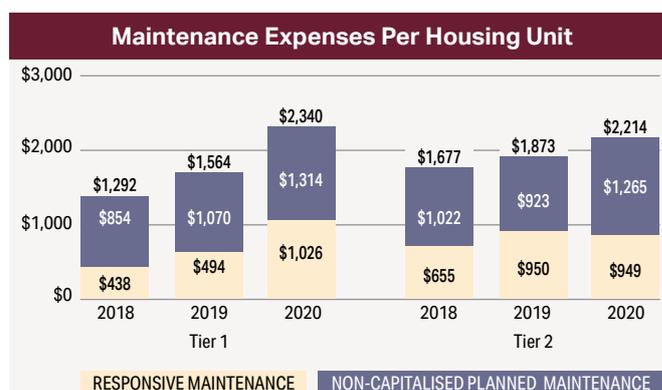


Figure 19: Maintenance expenses per housing unit from 2017-2018 to 2019-2020

Operating EBITDA margins

The operating 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 higher and 3% or higher for Tier 2.

Figure 20 provides operating EBITDA margins for Tier 1 and Tier 2 CHPs in 2019-2020, which demonstrate that the average operating EBITDA margins for Tier 1 and Tier 2 CHPs indicated good profitability, with no CHPs operating on negative margins.

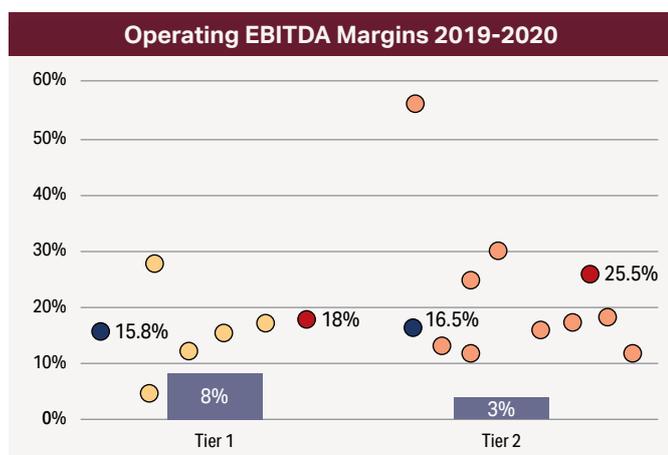


Figure 20: Operating EBITDA margin in 2019-2020

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

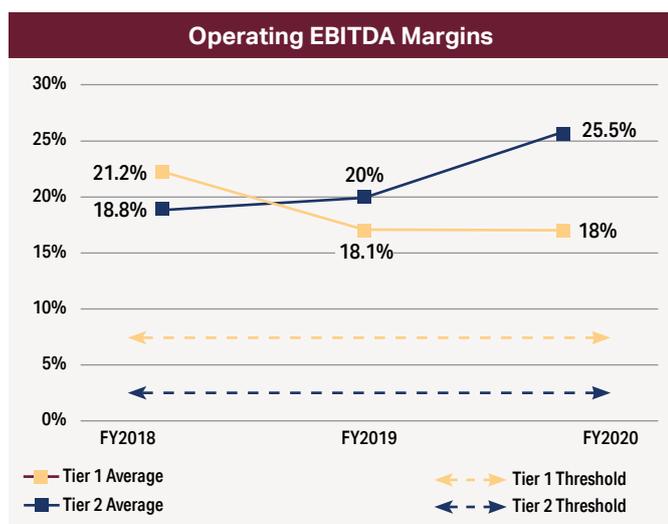


Figure 21: Operating EBITDA margins from 2017-2018 to 2019-2020

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 higher for both Tier 1 and Tier 2 CHPs.

As demonstrated in Figure 22, most Tier 1 and Tier 2 CHPs were above the NRSCH threshold and have been assessed as having adequate financial resources to withstand short term adverse events.

One Tier 1 CHP fell below the threshold at 1.4 times due to the recognition of a current liability from the adoption of a new accounting standard. This liability has been assessed as not impacting on its liquidity, and the CHP would otherwise be comfortably above the threshold after removing this accounting treatment.

One Tier 2 CHP also fell below the threshold at 1.3 times, however its not considered to present a liquidity risk. Some of its liabilities belong to its parent entity and it has forecast to accumulate cash reserves to deliver above threshold results in future years.

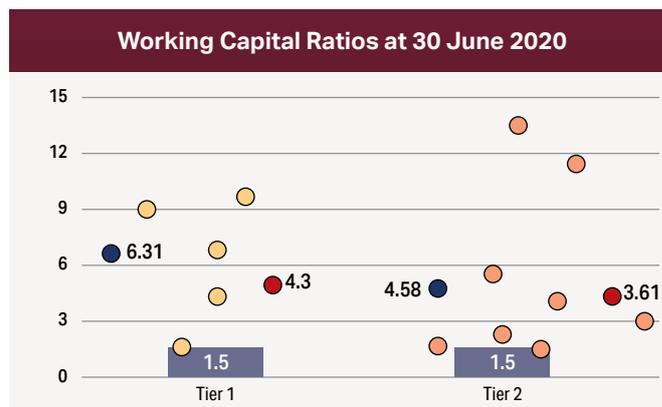


Figure 22: Working capital ratios as of 30 June 2020

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



Operating cash flow adequacy

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

Thresholds for operating cash flow are 1.20 times or higher for Tier 1 CHPs to mitigate debt finance and development risks. Tier 2 CHPs have a threshold of 1.05 times or higher.

Figure 23 illustrates the operating cash flow adequacy for Tier 1 and Tier 2 CHPs in 2019-2020.

There were two Tier 1 CHPs that did not meet the NRSCH threshold. One CHP had 0.97 times operating cash flow adequacy ratio due to both implementing a backlog of maintenance work and bringing forward maintenance work in relation to its public transferred properties. This CHP is forecast to achieve above-threshold results next financial year.

The other Tier 1 CHP recorded operating cash flow adequacy ratio of 1.01 times and is forecast to improve next year without any development activity at present.

All Tier 2 CHPs had operating cash flow levels above the NRSCH threshold of 1.05 times.

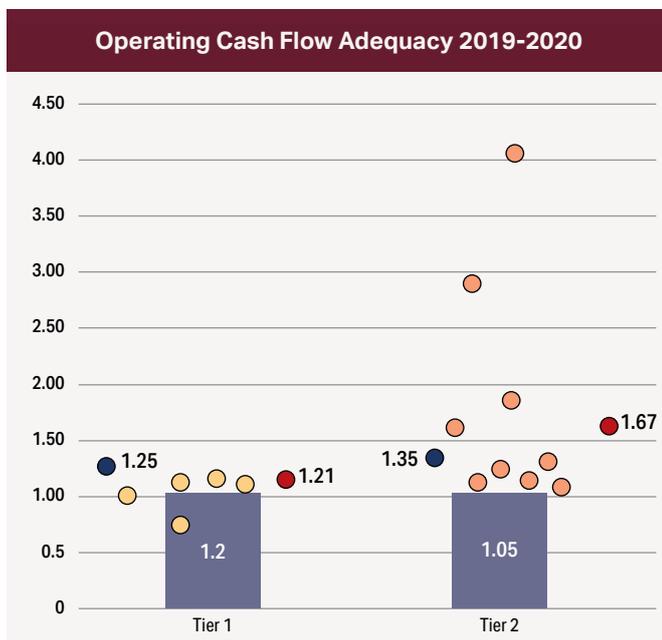
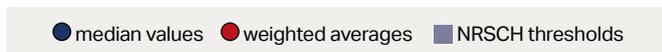


Figure 23: Operating cash flow adequacy as of 30 June 2020

Operating Cash Flow is calculated as operating cash inflows divided by operating cash outflows.



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. The threshold for gearing ratio is 30% or less.

Figure 24 illustrates all Tier 1 and Tier 2 CHPs had gearing ratios lower than the threshold as of 30 June 2020.

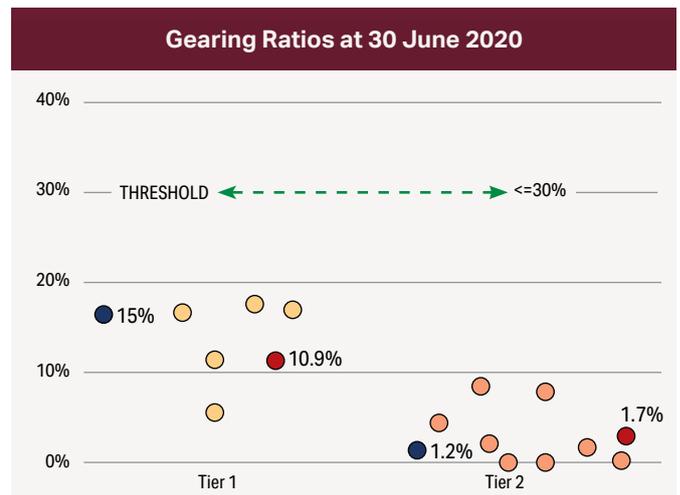
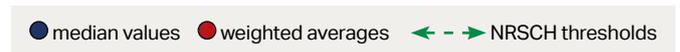


Figure 24: Gearing ratios at 30 June 2020

One Tier 2 CHP has been excluded from the graph because of an accounting anomaly

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



Debt levels

There was an increase in total debt of \$51.3 million for Tier 1 and Tier 2 CHPs from June 30 2019 to June 30 2020. Registered CHPs can attain low cost, long-term loans to support the provision of more social and affordable housing from the National Housing Finance and Investment Corporation. Three CHPs in South Australia have taken advantage of this opportunity and either refinanced their existing debt or taken out new debt to fund redevelopment opportunities.

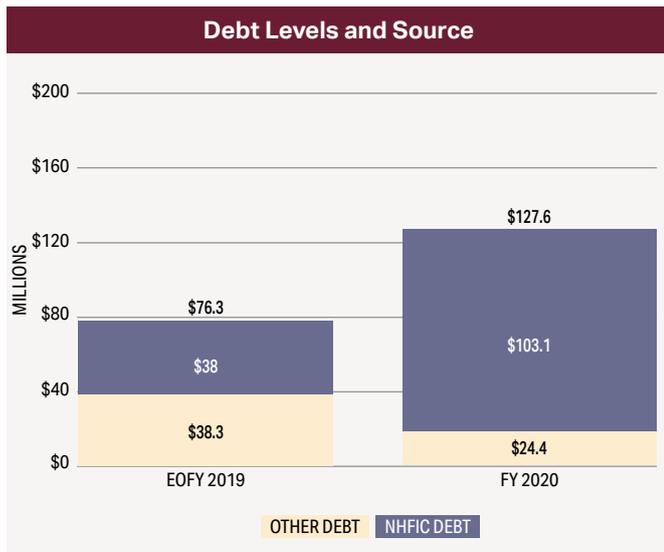


Figure 25: Debt levels and source Tier 1 and Tier 2 CHPs

Interest coverage ratio

The Interest Coverage Ratio (ICR) measures how many times a CHP can cover its current interest payment with its available earnings and is a key measure of the ability to service debt obligations.

The threshold for ICR is 1.50 times or higher. For instance, CHPs have the capacity to cover their interest payments 1.5 times.

Figure 26 illustrates the ICR of Tier 1 and Tier 2 CHPs and shows that almost all CHPs were operating above or within an acceptable range of the NRSCH threshold.

There was one Tier 1 CHP that had an ICR of 1.03 times and fell below the NRSCH threshold, as a consequence of a decrease in their operating EBITDA. This CHP is projected to increase its operating EBITDA in the future, as well as seeking alternative debt financing, which is expected to reduce pressure on profitability. As a result, the ICR is not seen as a concern at this stage.

There was one Tier 2 CHP with an ICR of 0.80 but this was due to the unique accounting treatment it adopted for its leased properties with SA Housing Authority, which it will review.

Two Tier 2 CHPs did not have any borrowing as of 30 June 2020.

Most Tier 2 CHPs with borrowings had low interest expenses with high ICR coverage. This indicates that there is untapped borrowing capacity, which could be mobilised for more leveraged development activities.

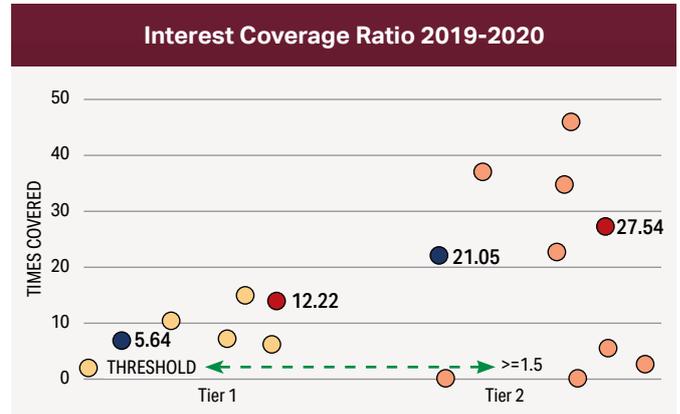


Figure 26: Interest coverage ratio as of 30 June 2020. One Tier 2 CHP had an ICR of 82.16 and is not visible in the graph

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



Figure 27 illustrates that, despite a slight decline, Tier 2 CHPs are keeping their ICRs very high.

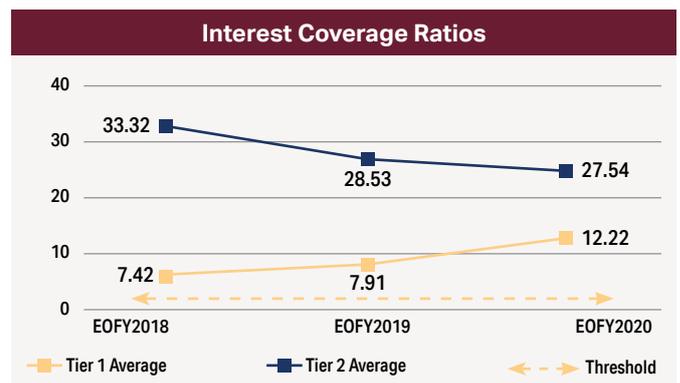


Figure 27: Tier 1 and Tier 2 CHP sector trends for interest coverage ratio from 30 June 2018 to 30 June 2020

Acronyms and 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 policy makers.	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 that promotes confidence in the good governance of registered community housing providers.
CHP	Community Housing Provider A non-government entity that provides community housing.		
NRC	National Regulatory Code The seven performance outcomes that registered housing providers must comply with as a registered community housing provider.		

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Appendix

CHPs Registered in South Australia as at 30 June 2020

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
Uniting Country Housing Ltd	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
Lansones Village Housing Cooperative Incorporated	Incorporated association	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
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 and Country Housing Incorporated	Incorporated association	Tier 3
Waikerie Community Senior Citizens Home Inc	Incorporated association	Tier 3



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