

# HOUSING REGISTRAR

## SECTOR PERFORMANCE REPORT **2017-18**





# The Housing Registrar

## Our vision

A community housing sector that provides access to safe, secure and affordable housing solutions to Victorians in need.

## Our purpose

To contribute to the development, growth and continual improvement of the Victorian community housing sector through proactive, risk based, and outcomes focused regulation.

## Our priorities

- Organisational excellence
- Better regulation
- Strong partnerships and engagement

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## Message from the Registrar

I'm pleased to present the 2017-18 *Housing Registrar Sector Performance Report*. This is the 11th annual report published by the Housing Registrar.

The role of the Registrar of Housing Agencies was created following the enactment of Part VIII of the *Housing Act 1983* (the Housing Act), which provided functions and powers to the Registrar to register and regulate rental housing agencies in Victoria. The aim of the regulatory framework is to ensure viable and well governed housing agencies that effectively use government assets and attract further investment from both the public and private sector.

We have revisited the structure of the annual report this year and transitioned to a new format which comprises two separate volumes:

- **Sector Performance Report** (2017-2018)  
A data-focused publication providing timelier and detailed analysis of sector performance for the financial year ended 30 June 2018;
- **Regulation Update** (2018-2019)  
The publication provides a yearly update of the key projects, regulatory matters and sector updates for previous financial year.

Separation into two volumes ensures that sector data is released to the public as soon as possible following completion and analysis of annual performance reviews for the sector. This Sector Performance Report is produced in July, using data from the previous annual performance cycle.

The Regulation Update summarises the activities and initiatives of the Housing Registrar and is published as a separate report following the end of each financial year.

The annual regulatory review outcomes for 2017-18 indicate that the sector performed well overall. Of the 39 registered agencies, 36 were assessed as meeting all Performance Standards, an improvement from 35 in 2016-17. However, the number of registered agencies assessed as meeting other legislative requirements decreased from 27 in 2016-17 to 19 this year. Mostly, this was due to registered agencies' missing regulatory reporting timeframes, which resulted in more agencies being assessed as non-compliant. Table 1 illustrates the outcomes of the Housing Registrar's annual regulatory reviews.

I would like to thank the Housing Registrar team, our colleagues at the Department of Health and Human Services (DHHS), Community Housing Industry Association Victoria (CHIA Vic), the members of the Registrar's Advisory Panel and our registered housing agencies for their continued efforts and assistance over the past year.

I look forward to working closely with the sector to drive positive outcomes for community housing in Victoria.

Yours sincerely  
**Bernard Gastin**



## Victorian Regulatory System

The Victorian system of regulation was introduced in January 2005, with the enactment of Part VIII of the *Housing Act 1983* (the Act). Part VIII to the Act underpins the Registrar’s regulatory powers and provides a platform to support a well-managed, well-governed and financially viable community housing sector, establishing:

- a clear set of criteria that agencies must meet to achieve registration;
- public information on all registered agencies (plus confidential details, only available to the Housing Registrar);
- powers of investigation and intervention for the Registrar to use where a registered agency is in breach of the Act, or fails to meet Performance Standards;
- annual reporting requirements and declarations; and

- a complaints process for tenants and prospective tenants affected by a registered agency’s decision on a rental housing matter.

The Victorian regulatory framework aims to strengthen the registered agencies’ capacity to attract, develop and protect capital investment and manage existing housing stock and tenancies.

Registered agencies are required to comply with the gazetted Performance Standards, in accordance with section 95 of the Act. Performance Standards determined by the Assistant Treasurer are related to, among other things, a registered agency’s governance, management, probity, financial viability, tenancy management, housing management and maintenance, allocation of housing, rent setting policy and risk management.



The Housing Registrar conducts annual regulatory reviews of all registered agencies examining:

- annual reporting received from registered agencies, including performance against the 13 key performance measures (KPMs) and financial performance results and projections;
- progress on agreed compliance and improvement actions from the previous year's annual regulatory review;
- evidence of compliance against Performance Standards, including policies, procedures and the outcomes of projects or improvement initiatives undertaken;
- feedback from DHHS on:
  - agency performance against lease contracts held with the Director of Housing (DoH);
  - progress of capital development projects; and
  - delivery of services under agreements with the DoH; and
- any non-routine contact with the registered agency in the past year including complaints and emerging risks and issues.

## Annual regulatory reviews

Annual regulatory reviews are one of the major responsibilities of the Housing Registrar in the regulatory calendar. During the annual regulatory review, registered agencies must demonstrate the following:

- compliance with Performance Standards;
- compliance with other legislative and regulatory requirements; and
- achievement and continuous improvement, in particular against KPMs and other measures contained in the agency's annual business plan.

The primary audience of the annual regulatory review is the board and management of the registered agency, who have the key responsibility for regulatory compliance, governance and performance of the registered agency. The annual regulatory reviews aim to assist registered agencies to develop their service, expertise and capacity to undertake new initiatives.

To minimise regulatory red tape and duplication, the Housing Registrar has information sharing agreements with DHHS. As the secondary audience of the report, DHHS receives information related to outcomes of annual regulatory review against Performance Standards.

## Compliance with performance standards

The performance of each registered agency is assessed by the Housing Registrar as part of the annual regulatory cycle.

There are three possible outcomes for compliance with Performance Standards:

- met;
- capacity to meet; and
- not met.

A finding other than 'met' for a Performance Standard will only be recorded where there is clear evidence that a registered agency did not meet the Performance Standard.

Where the Housing Registrar concludes that a registered agency will comply with a Performance Standard in the forthcoming year by taking specific, agreed action, the finding will be 'capacity to meet'.

Where the Housing Registrar concludes that a registered agency is unlikely to attain compliance with the Performance Standard at some point in the coming year due to issues that exist in the registered agency and/or on past history of the agency failing to address previous compliance issues, a finding of 'not met' is recorded.



## Compliance with legislative requirements

Registered agencies are required to comply with reporting and other legislative requirements under Part VIII of the Act. There are two possible compliance outcomes against legislative requirements:

- complied; and
- did not comply.

Registered agencies are considered compliant with this requirement if they meet the two reporting tranches during the year and other legislative requirements, including:

- having a complaints procedure and keeping an accurate register of complaints;
- fulfilling the annual reporting requirements within required timeframes;
- submission of annual declarations on time;
- maintaining the accuracy of their agency register;
- implementation of recommendations or instructions from the Registrar; and
- timely notifications of changes to constitution, rules, or functions of the agency.

## Demonstration of continuous improvement

One of the principal mechanisms for measuring performance and improvement of the registered agency is assessing the registered agency's annual business plan against objectives and targets identified in the agency's previous years' annual review reports and improvement plans. The business plan is not static, and the registered agency is required to demonstrate continuous improvement towards its objectives and targets to the satisfaction of the Housing Registrar.

There are two possible outcomes for demonstration of continuous improvement:

- demonstrated; and
- not demonstrated.

A 'demonstrated' finding indicates that on the balance of available evidence, the Housing Registrar considers that continuous improvement has been demonstrated.



## Regulatory action items

Where any room for improvement is noted during the annual regulatory review, a regulatory plan action item is included in the annual review report provided to a registered agency. The item includes a due date for the action to be completed, which is agreed with the registered agency. The registered agency must provide evidence that the action item has been completed to the Housing Registrar.

## Regulatory engagement

The Registrar takes a risk based and proportionate approach to the registration, monitoring and other regulation of registered agencies. This approach to regulation takes into account the risk profile, scale, performance and track record of each registered agency.

The Housing Registrar employs a Regulatory Engagement Tool (RET) tool to enable it to make an objective, informed judgement of the risk related to each registered agency. Using the RET, the Housing Registrar re-assesses the risk rating of a registered agency during the annual regulatory review process.

The RET produces a score for a registered agency which places it within one of four categories of perceived risk – very high, high, moderate or low. Each category of risk guides the number of engagement meetings with a registered agency during a year. The assessed category of risk for a registered agency is shown in its annual review report and related engagement frequency is based on this rating.



## Investigations

The Registrar of the Housing Agencies (the Registrar) has powers under the Act to conduct an investigation following receipt of a complaint from a tenant or a prospective tenant of a registered agency. Registered agencies must cooperate with any investigation that is conducted. The Registrar's role in complaints management is focused primarily on addressing any systemic issues in a registered agency's complaints processes. In addition, the Registrar has the discretion to direct a registered agency to remedy a matter identified in a complaint in certain circumstances.

The Registrar can also appoint an inspector to conduct an investigation at any time following:

1. the outcomes of an annual performance review;
2. information received from the public including complaints; and
3. as part of any targeted compliance assessment.

## Escalation and intervention

Where the performance and/or compliance of a registered agency does not meet Performance Standards or other requirements set out in Part VIII of the Act, the Registrar can escalate regulatory involvement to address these issues. In serious cases, regulatory escalation can lead to intervention action being taken in accordance with the Intervention Guidelines using intervention powers contained in the Act.

When a registered agency is non-compliant, the Housing Registrar notifies the agency about the non-compliance and allows the registered agency an opportunity to explain and rectify the non-compliance. If the registered agency does not rectify the non-compliance in the required timeframe, the severity of the non-compliance is assessed based on the risk non-compliance creates, and the urgency of the situation if not rectified, to determine the next point of escalation within the registered agency.

The formal powers of intervention are powers of last resort, to be used where the registered agency's ability or willingness to deliver on Performance Standards or other matters of compliance with the Act is compromised significantly. However, if the registered agency does not rectify the issues causing non-compliance, the Registrar may commence a regulatory intervention process by instructing the registered agency to take a specific action under section 132 of the Act, recommend appointment of governing body members under section 131 of the Act or revoke the registration of a registered housing agency under section 141 of the Act.

However, the Housing Registrar's regular engagement with registered agencies and risk-based approach (including the practice of identifying regulatory action items to improve performance) ensures that most regulatory risks are cooperatively addressed without the need for formal intervention by the Registrar.



## Annual regulatory review outcomes 2017-18

Table 1 below provides an overview of the outcomes of the Housing Registrar's annual regulatory reviews over the past three years.

**Table 1: Outcomes of regulatory reviews over the past three years**

	2015-16	2016-17	2017-18
Number of annual reviews conducted*	40	39	39
Number of registered agencies assessed as meeting all Performance Standards	39	35	36
Number of registered agencies assessed as meeting other legislative requirements	30	27	19
Number of registered agencies assessed as demonstrating continuous improvements	40	39	39
Number of Performance Standards with assessment outcome of 'Capacity to meet'	4	6	4
Number of Performance Standards with assessment outcome of 'Does not meet'	0	0	2

\* The reduction in annual review numbers over the past three years reflects mergers within the sector.

## Registration process

The registration process in Victoria is a voluntary one, with the main benefits of registration for rental housing agencies including access to government funding, increased private financier confidence to invest and capacity building. Rental housing agencies providing housing to low-income Victorians can apply to be registered under the Act. Usually, agencies that apply for registration either manage properties on behalf of the DoH or another agency, or manage their own properties.

The Act allows for two categories of registration, being a housing association or a housing provider. In practice, housing associations are larger, more complex businesses with the skills, expertise and resources to manage, maintain and grow a viable social housing portfolio. An agency seeking registration as a housing association must demonstrate the capacity to grow their housing assets at scale and over time, by leveraging government funding and their existing property portfolio to borrow and build more housing.

Housing providers range in size and primarily manage rental housing portfolios for other parties, such as the DoH. Housing providers often specialise in providing services to particular client groups which may include disabled tenants, aged tenants, indigenous tenants, victims of family violence and disadvantaged youth.

Regardless of size or category, agencies seeking registration must meet registration criteria including the capacity to meet gazetted Performance Standards.

When an enquiry for registration is received, the Housing Registrar provides the organisation with access to the Community Housing Information Management System (CHiMES), where the agency submits a registration enquiry form.

In 2017-18, the Housing Registrar received two enquiries for registration.



# The registered sector as at 30 June 2018

## Housing associations

Aboriginal Housing Victoria Limited	HousingFirst Ltd
Common Equity Housing Ltd	Rural Housing Network Ltd (trading as Beyond Housing)
Community Housing (Vic) Ltd	Wintringham Housing Ltd
Housing Choices Australia Ltd	Women's Housing Ltd <sup>1</sup>
Loddon Mallee Housing Services Ltd (trading as Haven; Home, Safe)	Unison Housing Ltd

## Housing providers

Active Community Housing Ltd	South Port Community Housing Group Inc
Baptcare Affordable Housing Ltd	SouthEast Housing Co-operative Ltd
BAYSA Ltd (trading as Barwon Youth)	St Kilda Community Housing Ltd
Centacare Housing Services Ltd	Sunshine/St Albans Rental Housing Co-operative Ltd
EACH Housing Ltd	The Haven Foundation Ltd
Eastcoast Housing	United Housing Co-operative Ltd
Eastern Suburbs Rental Housing Co-operative Ltd	Uniting Housing Australia Ltd (trading as Uniting Housing)
Inner East Social Housing Group Ltd	Urban Communities Ltd <sup>2</sup>
Launch Housing Ltd	Victorian Women's Housing Association Ltd (trading as Women's Property Initiatives)
Mallee Accommodation and Support Program Ltd	VincentCare Community Housing
Mission Australia Housing (Victoria)	WAYSS Ltd
Northcote Rental Housing Co-operative Ltd	West Turk Housing and Elderly Services Co-operative Ltd
Northern Geelong Rental Housing Co-operative Ltd	Williamstown Rental Housing Co-operative Ltd
Prahran/Malvern Community Housing Inc	YWCA Housing
Salvation Army Housing (Victoria)	
Servants Community Housing Ltd	

1. Women's Housing Ltd upgraded the registration status from housing provider to housing association on 1 July 2018.

2. Urban Communities Ltd (UCL) merged with Yarra Community Housing in February 2017 to form Unison Housing Ltd – UCL intends to deregister during 2018-19.

## Snapshot of the sector

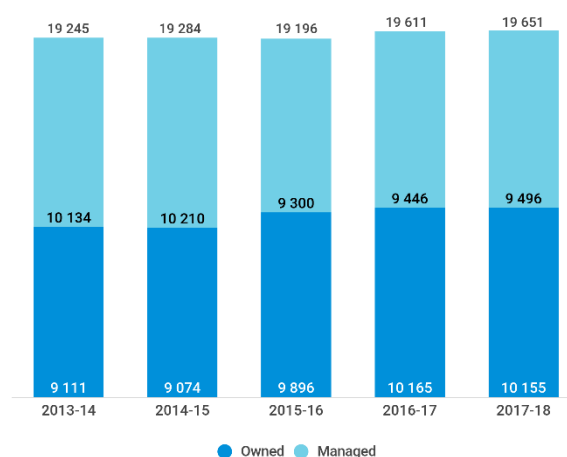
### Housing stock

At 30 June 2018, the registered sector had 19 651 tenancy (rental) units under management, of which housing associations managed 73 per cent and housing providers 27 per cent. The overall growth was minimal, predominately driven by tenancy units under management. On 30 June 2018, the registered sector owned 10 155 properties in total with a book value of \$3.3 billion (further details of total housing assets owned by the sector is available below). The number of tenancy units owned by the registered sector was slightly lower compared to 2016-17. The reduction in the number of properties owned by the sector is mainly due to disposal of old housing assets that become uneconomical to maintain in accordance with the agencies' asset recycling policies.

Housing associations owned the majority of their stock at 68 per cent. In contrast, housing providers managed 91 per cent of their stock on behalf of the DoH or other third parties.

Considering government funding initiatives such as the Social Housing Growth Fund under the *Homes for Victorians*<sup>1</sup> initiative and introduction of National Housing Finance and Investment Cooperation,<sup>2</sup> together with management transfers from public housing to the community housing sector, it is expected that the number of properties owned and managed by the sector will increase in 2018-19 and beyond.

**Diagram 1: Owned and managed tenancies**

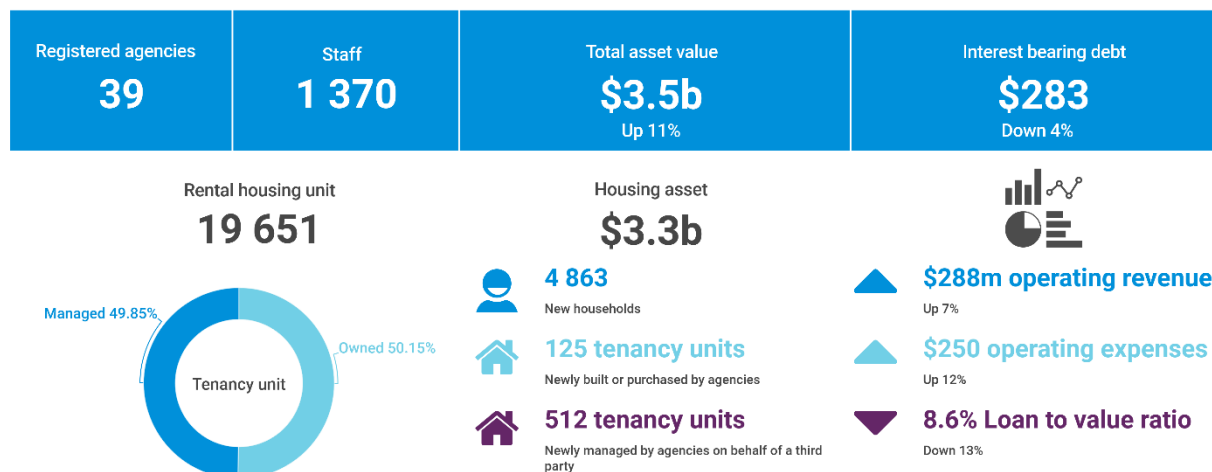


<sup>1</sup> [housing.vic.gov.au/homes-victorians](http://housing.vic.gov.au/homes-victorians)

<sup>2</sup> [nhfic.gov.au/](http://nhfic.gov.au/)

## Diagram 2: Sector snapshot

2017-18



## Profile of tenancies

As at 30 June 2018, the sector provided long term and transitional housing to 18 188 tenants, largely unchanged from 18 122 on 30 June 2017. 82 per cent of housing stock at year end pertained to long-term properties, which accounted for the larger proportion of housing stock of both housing associations (89 per cent) and housing providers (61 per cent). Housing associations housed the majority of long-term housing tenants (81 per cent) and housing providers housed more transitional housing tenants (54 per cent). Overall, the profile of tenancies remained relatively stable with consistent levels of tenancies, vacancies and exits.

Table 2: Profile of tenancies

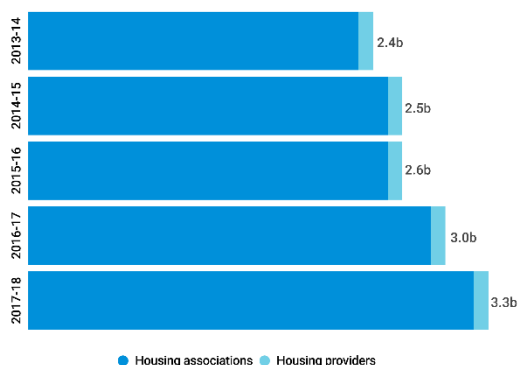
	Housing associations	Housing providers	Total sector
<b>Long term housing (including rooming houses)</b>			
Tenancies at 1 July 2017	11 972	2 731	14 703
Exits	1 492	675	2 167
Vacancies	1 867	832	2 699
New tenancies (excluding transfers)	1 452	845	2 297
Tenancies as at 30 June 2018	11 972	2 866	14 838
<b>Transitional housing</b>			
Tenancies at 1 July 2017	1 558	1 781	3 339
Exits	1 180	1 375	2 555
Vacancies	1 430	1 874	3 304
Tenancies as at 30 June 2018	1 540	1 810	3 350

# Financial performance

## Total housing assets

As at 30 June 2018, the registered sector owned 10 155 properties in total. During 2017-18, the total value of the housing assets of the registered sector increased by 10 per cent to \$3.3 billion. This result was driven by asset increment from development activities and asset revaluations. Total value of housing assets of housing associations grew by 11 per cent to \$3.1 billion from 2016-17, contributing more than 90 per cent of the aggregate growth.

**Diagram 3: Housing assets**

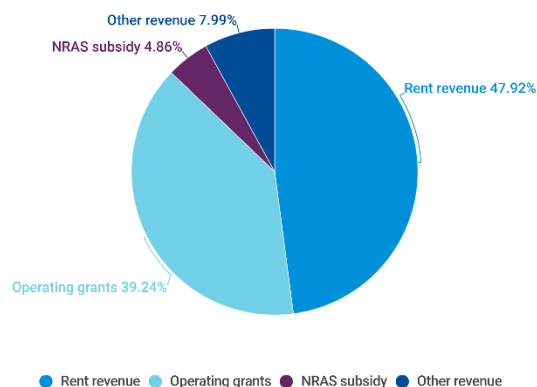


## Operating revenue and expenses

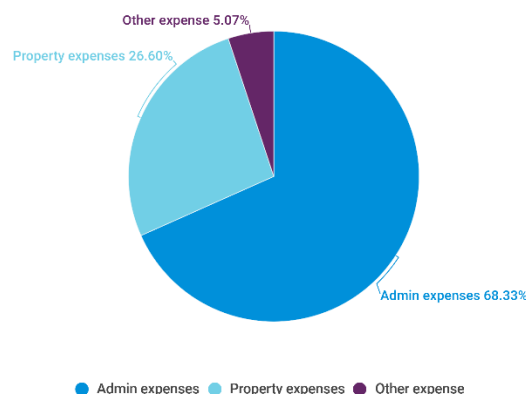
Operating revenue of the sector increased by 7 per cent to \$288 million during 2017-18, predominately due to increases in operating grants by \$11 million.

Operating expenses (excluding interest expenses and depreciation) increased by 12 per cent to \$250 million in 2017-18, with administration expenses being the largest component (68 per cent). Administration expenses consist of direct administrative expenses, operating expenses, and corporate overheads to support business operation.

**Diagram 4: Operating revenue composition**



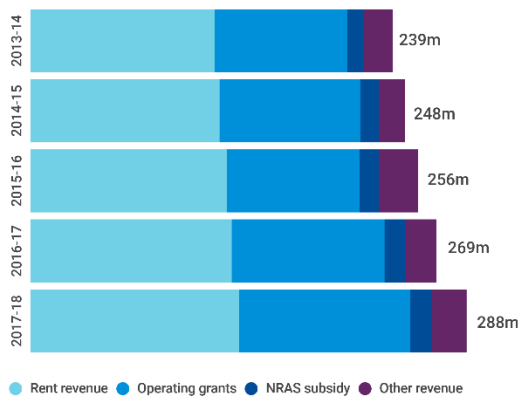
**Diagram 5: Operating expenses composition**



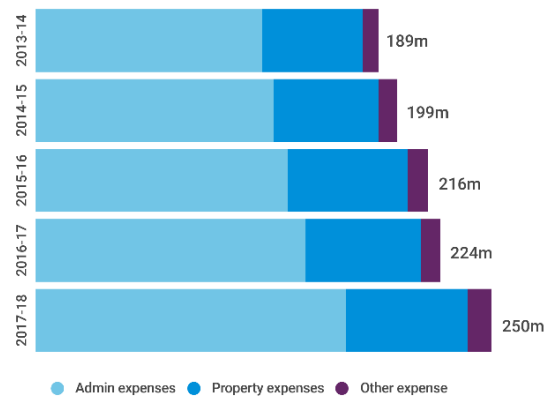
As a result of higher operating and administration expenses that are partially offset by higher operating grants received, operating earnings before interest, tax, depreciation and amortisation (EBITDA) of the sector decreased to \$37 million during

2017-18, from \$45 million in 2016-17. Similarly, EBITDA margin saw a decline from 16.7 per cent in 2016-17 to 13.0 per cent in 2017-18, especially among housing associations.

**Diagram 6: Total operating revenues**



**Diagram 7: Total operating expenses**



**Table 3: EBITDA margin**

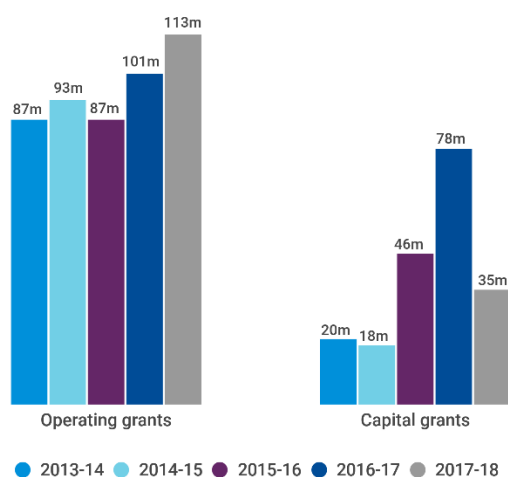
Prudential measures	Housing associations			Housing providers			Sector		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
EBITDA margin (%)	20.4	22.1	17.3	7.9	8.3	7.0	15.7	16.7	13.0



## Grant funding

During 2017-18, the sector received \$35 million in capital grants for development of housing assets. This result is significantly lower than 2016-17 (\$78 million) as funding programs such as Rapid Housing Assistance Fund concluded. In contrast, operating grants received moderately increased to \$113 million from \$101 million at the end of 2017-18.

**Diagram 8: operating and capital grants**

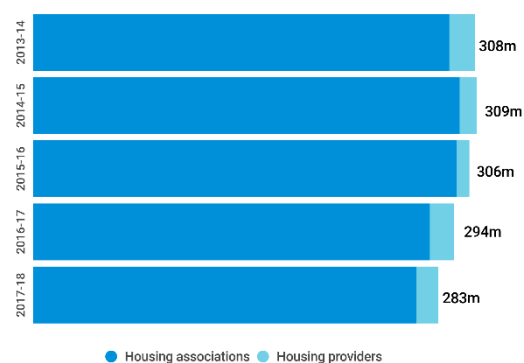


## Interest bearing debt

Interest bearing debt for the sector decreased from \$294 million in 2016-17 to \$283 million, primarily due to registered agencies repaying their debt from free cash flow in order to reduce future interest liabilities. The reduction in interest bearing debt in 2017-18 also lowered the average debt to housing assets ratio to 8.6 per cent, compared to 9.9 per cent in 2016-17.

Despite the lower level of interest bearing debt, the interest cover ratio decreased from 3.2 times to 2.8 times due to lower operating EBITDA. The strong interest cover ratio of the sector demonstrates the sector's ability to meet its interest repayment obligations.

**Diagram 9: Interest bearing debt**



**Table 4: Debt based financial indicators**

Prudential measures	Housing associations			Housing providers			Sector		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
Interest cover (based on Op. EBITDA)	2.4	2.7	2.3	10.9	17.6	16.8	2.9	3.2	2.8
Debt to housing assets (%)	11.8	9.8	8.5	9.8	12.2	10.6	11.8	9.9	8.6

## Liquidity

Liquidity is measured by working capital ratio.<sup>3</sup> The ratio reflects the relative proportion of the sector's current assets to its current liabilities and is intended to show the ability to pay its current liabilities with its current assets.

As at 30 June 2018, the ratio (1.9 times) marginally improved compared with 2016-17, highlighting the sector had more than enough current assets to meet its short-term financial obligations.

**Table 5: Working capital ratio**

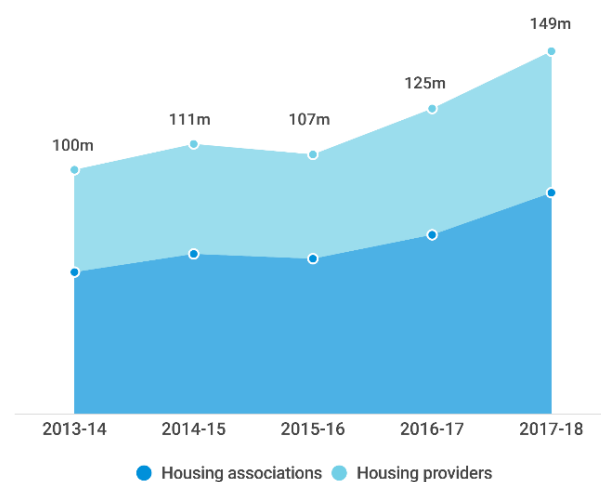
Prudential measures	Housing associations			Housing providers			Sector		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
Working capital ratio*	2.2	1.3	1.6	2.4	2.3	2.4	2.3	1.6	1.9

\* Excludes capital grants received in advance.

## Cash and short-term investments

Overall, the sector continued to accumulate cash and short-term investments in the past five years. As at 30 June 2018, total cash and short-term investments of the sector increased by 19 per cent to \$149 million. This is attributable to the \$43 million operating cash flows generated by the sector to achieve business goals during the year, which will support future capital investments in community housing.

**Diagram 10: Total cash and short term investments**



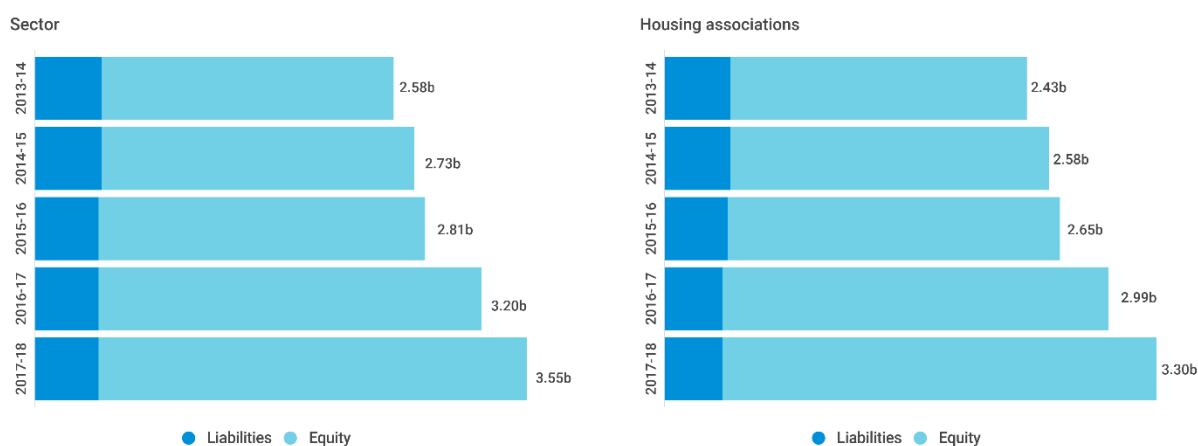
<sup>3</sup> Working capital ratio is calculated as current assets divided by current liabilities (excluding capital grants received in advance)

## Capital structure

In 2017-18, equity continued to represent a major portion of total assets as earnings accumulated over a number of years, while liabilities recorded a marginal decrease. The capital structure illustrated below for the past five years highlights the equity position.

Increased equity and lower borrowings combined saw the average gearing ratio<sup>4</sup> reduced from 10.7 per cent in June 2017 to 9.2 per cent in June 2018. Cash cost of capital<sup>5</sup> reflected lower cost of financing, declined from 0.5 per cent in 2016-17 to 0.4 per cent in 2017-18.

**Diagram 11: Capital structure**



**Table 6: Capital structure financial indicators**

Prudential measures	Housing associations			Housing providers			Sector		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
Gearing ratio (%)	13.3	10.7	9.2	7.4	10.6	9.1	13.0	10.7	9.2
Cash cost of capital (%)	0.5	0.5	0.4	0.4	0.3	0.2	0.5	0.5	0.4

<sup>4</sup> Gearing ratio measures the proportion of a registered agency's debt to its equity.

<sup>5</sup> Cash cost of capital represents the cost of funding and is calculated as interest expense over average assets.

## Summary financial statements

Table 7: Income statement summary

Income statement (in \$millions)	Housing associations				Housing providers				Sector						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Rent revenue	98.6	102.5	107.3	108.9	111.1	23.1	22.6	23.1	24.4	26.8	121.7	125.1	130.4	133.3	137.9
Operating grants	22.0	26.1	23.8	30.8	35.7	65.3	67.0	63.4	70.6	77.4	87.3	93.1	87.2	101.4	113.1
National Rental Affordability Scheme subsidy	10.3	12.0	12.9	12.9	13.5	0.7	0.1	0.1	0.1	0.1	11.0	12.1	13.0	13.0	13.6
Other revenue	7.8	7.0	16.3	10.2	7.5	10.9	10.3	9.4	10.7	15.7	18.7	17.3	25.7	20.9	23.2
<b>Total operating revenue</b>	<b>138.7</b>	<b>147.6</b>	<b>160.3</b>	<b>162.8</b>	<b>167.8</b>	<b>100.0</b>	<b>100.0</b>	<b>96.0</b>	<b>105.8</b>	<b>120.0</b>	<b>238.7</b>	<b>247.6</b>	<b>256.3</b>	<b>268.6</b>	<b>287.8</b>
Admin expenses	55.1	58.6	70.1	73.0	82.0	70.3	72.8	68.8	76.3	89.1	125.4	131.4	138.9	149.3	171.1
Property expenses	38.3	41.5	49.7	46.0	47.9	16.4	16.3	16.2	17.3	18.7	54.7	57.8	65.9	63.3	66.6
Depreciation	13.9	13.7	7.8	15.2	20.0	3.2	3.4	2.9	3.1	3.8	17.1	17.1	10.7	18.3	23.8
Finance costs	17.8	17.0	13.4	13.4	12.8	1.2	0.8	0.7	0.5	0.5	19.0	17.8	14.1	13.9	13.3
Other expense	5.8	7.7	7.8	7.8	8.9	2.7	2.4	3.4	3.4	3.8	8.5	10.1	11.2	11.2	12.7
<b>Total operating expense</b>	<b>130.9</b>	<b>138.5</b>	<b>148.8</b>	<b>155.4</b>	<b>171.6</b>	<b>93.8</b>	<b>95.7</b>	<b>92.0</b>	<b>100.6</b>	<b>115.9</b>	<b>224.7</b>	<b>234.2</b>	<b>240.8</b>	<b>256.0</b>	<b>287.5</b>
<b>Net operating surplus</b>	<b>7.8</b>	<b>9.1</b>	<b>11.5</b>	<b>7.4</b>	<b>-3.8</b>	<b>6.2</b>	<b>4.3</b>	<b>4.0</b>	<b>5.2</b>	<b>4.1</b>	<b>14.0</b>	<b>13.4</b>	<b>15.5</b>	<b>12.6</b>	<b>0.3</b>
Capital grants	15.9	16.5	39.9	55.3	27.7	3.8	1.9	5.6	22.5	7.2	19.7	18.4	45.5	77.8	34.9
Other one time items	27.1	65.4	28.1	298.7	298.2	-1.7	1.0	1.7	1.4	1.3	25.4	66.4	29.8	300.1	299.5
<b>Net surplus</b>	<b>50.8</b>	<b>91.0</b>	<b>79.5</b>	<b>361.4</b>	<b>322.1</b>	<b>8.3</b>	<b>7.2</b>	<b>11.3</b>	<b>29.1</b>	<b>12.6</b>	<b>59.1</b>	<b>98.2</b>	<b>90.8</b>	<b>390.5</b>	<b>334.7</b>

**Table 8: Balance sheet summary**

Balance sheet (in \$ millions)	Housing associations				Housing providers				Sector						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Cash and short term investments	58.2	65.7	63.6	73.5	91.0	42.2	45.1	42.9	51.9	58.1	100.4	110.8	106.5	125.4	149.1
Other current assets	20.6	26.7	42.9	28.3	26.6	4.7	4.2	4.3	7.5	10.5	25.3	30.9	47.2	35.8	37.1
<b>Current assets</b>	<b>78.8</b>	<b>92.4</b>	<b>106.5</b>	<b>101.8</b>	<b>117.6</b>	<b>46.9</b>	<b>49.3</b>	<b>47.2</b>	<b>59.4</b>	<b>68.6</b>	<b>125.7</b>	<b>141.7</b>	<b>153.7</b>	<b>161.2</b>	<b>186.2</b>
Housing assets	2 327.5	2 453.8	2 501.6	2 842.9	3 144.9	90.7	86.0	96.2	136.1	145.0	2 418.2	2 539.8	2 597.8	2 979.0	3 289.9
Other non-current assets	24.4	31.6	43.4	40.4	42.5	13.1	16.2	19.8	23.7	27.7	37.5	47.8	63.2	64.1	70.2
<b>Non current assets</b>	<b>2 351.9</b>	<b>2 485.4</b>	<b>2 545.0</b>	<b>2 883.3</b>	<b>3 187.4</b>	<b>103.8</b>	<b>102.2</b>	<b>116.0</b>	<b>159.8</b>	<b>172.7</b>	<b>2 455.7</b>	<b>2 587.6</b>	<b>2 661.0</b>	<b>3 043.1</b>	<b>3 360.1</b>
<b>Total assets</b>	<b>2 430.7</b>	<b>2 577.8</b>	<b>2 651.5</b>	<b>2 985.1</b>	<b>3 305.0</b>	<b>150.7</b>	<b>151.5</b>	<b>163.2</b>	<b>219.2</b>	<b>241.3</b>	<b>2 581.4</b>	<b>2 729.3</b>	<b>2 814.7</b>	<b>3 204.3</b>	<b>3 546.3</b>
Interest bearing loan liabilities	1.6	2.7	5.8	35.1	28.2	0.4	0.4	0.4	1.1	0.6	2.0	3.1	6.2	36.2	28.8
Other current liabilities	88.3	91.8	63.9	62.6	74.4	23.6	21.1	20.1	31.0	38.6	111.9	112.9	84.0	93.6	113.0
<b>Current liabilities</b>	<b>89.9</b>	<b>94.5</b>	<b>69.7</b>	<b>97.7</b>	<b>102.6</b>	<b>24.0</b>	<b>21.5</b>	<b>20.5</b>	<b>32.1</b>	<b>39.2</b>	<b>113.9</b>	<b>116.0</b>	<b>90.2</b>	<b>129.8</b>	<b>141.8</b>
Interest bearing loan liabilities	289.2	294.8	290.5	242.2	239.9	17.2	11.4	9.0	15.5	14.7	306.4	306.2	299.5	257.7	254.6
Other non-current liabilities	57.3	53.0	63.0	54.6	49.4	3.8	4.8	7.3	15.7	18.9	61.1	57.8	70.3	70.3	68.3
<b>Non-current liabilities</b>	<b>346.5</b>	<b>347.8</b>	<b>353.5</b>	<b>296.8</b>	<b>289.3</b>	<b>21.0</b>	<b>16.2</b>	<b>16.3</b>	<b>31.2</b>	<b>33.6</b>	<b>367.5</b>	<b>364.0</b>	<b>369.8</b>	<b>328.0</b>	<b>322.9</b>
<b>Total liabilities</b>	<b>436.4</b>	<b>442.3</b>	<b>423.2</b>	<b>394.5</b>	<b>391.9</b>	<b>45.0</b>	<b>37.7</b>	<b>36.8</b>	<b>63.3</b>	<b>72.8</b>	<b>481.4</b>	<b>480.0</b>	<b>460.0</b>	<b>457.8</b>	<b>464.7</b>
<b>Net assets</b>	<b>1 994.3</b>	<b>2 135.5</b>	<b>2 228.3</b>	<b>2 590.6</b>	<b>2 913.1</b>	<b>105.7</b>	<b>113.8</b>	<b>126.4</b>	<b>155.9</b>	<b>168.5</b>	<b>2 100.0</b>	<b>2 249.3</b>	<b>2 354.7</b>	<b>2 746.5</b>	<b>3 081.6</b>
Reserves	74.1	122.2	687.5	706.8	750.4	22.0	22.2	31.1	42.3	46.9	96.1	144.4	718.6	749.1	797.3
Earnings	1 919.9	2 013.5	1 540.7	1 884.0	2 162.5	83.7	91.3	95.4	113.7	121.6	2 003.4	2 104.8	1 636.1	1 997.7	2 284.1
<b>Total equity</b>	<b>1 994.0</b>	<b>2 135.7</b>	<b>2 228.2</b>	<b>2 590.8</b>	<b>2 912.9</b>	<b>105.7</b>	<b>113.5</b>	<b>126.5</b>	<b>156.0</b>	<b>168.5</b>	<b>2 099.7</b>	<b>2 249.2</b>	<b>2 354.7</b>	<b>2 746.8</b>	<b>3 081.4</b>



# Service delivery

## Staffing

There was consistent growth in staff numbers over the past five years. The increase reflects the overall expansion in the housing portfolio in the long term. Staff turnover across the sector averaged 26 per cent, which increased from 23 per cent in 2016-17, mainly due to organisational restructures. Registered agencies who returned high staff turnover generally have a small number of employees where a small change in staff numbers can have a more profound impact on the staff turnover percentages.

Diagram 12: Staffing

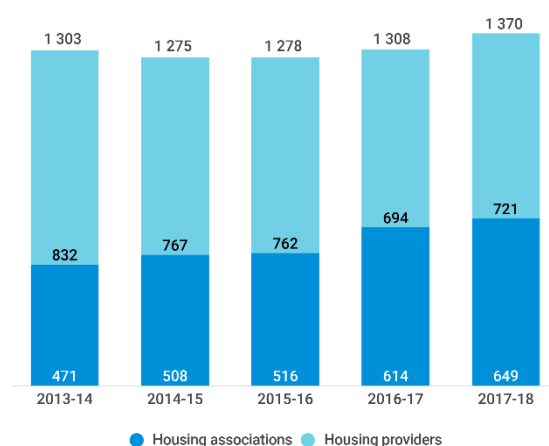


Table 9: Staff turnover

Key performance measures (%)	Housing associations					Sector				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Staff turnover	15.61	17.68	18.16	23.83	26.76	20.52	18.82	21.18	23.02	25.60

## Turnaround time

Average vacant tenatable (VT)<sup>6</sup> turnaround time of housing stock was 17.1 days, slightly higher than the result of 15 days in 2016-17. Average vacant untenatable (VUT)<sup>7</sup> turnaround time was 32.5 days, largely similar to the result in 2016-17. Housing associations recorded an average VT turnaround time of 19.8 days and VUT turnaround time of 35.9 days.

Both results were marginally increased from 19.1 days and 34.2 days respectively in 2016-17. Based on analysis of the KPMs and the information collected through sector engagements, it is likely that these small increases in the sector VT and VUT rates were due to maintenance works, capital works and settlement of newly acquired properties.

**Table 10: Turnaround time**

Key performance measures (days)	Housing associations					Sector				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Turnaround time (tenantable)	24.05	17.44	16.91	19.07	19.82	17.08	15.30	14.23	15.03	17.13
Turnaround time (untenantable)	27.79	27.07	26.81	34.24	35.86	25.78	26.87	25.91	32.93	32.52

<sup>6</sup> A vacant tenatable unit is one where the unit is ready to be occupied.

<sup>7</sup> A unit is considered vacant untenatable where maintenance required to have it available for occupancy has been deferred or has not been completed, or a decision has been taken for other legitimate reasons not to fill that unit.

## Rent outstanding from current tenants

Average rent outstanding from current tenants as a percentage of total rent was 1.6 per cent which is slightly lower than the

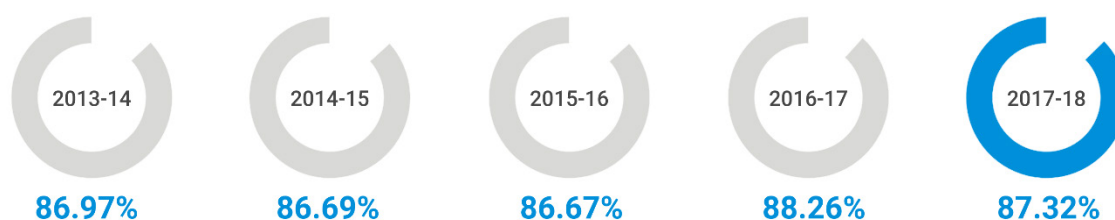
1.7 per cent in 2016-17. This result is within the satisfactory range for this KPM.

**Table 11: Rent outstanding from current tenant**

Key performance measures (%)	Housing associations					Sector				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Rent outstanding from current tenants	1.34	1.36	1.27	1.76	1.70	1.59	1.52	1.44	1.71	1.61

## Tenancies maintained

**Diagram 13: Tenancies maintained**



The average for tenancies maintained in long-term housing across the sector was 87.3 per cent, compared to 88.3 per cent reported in 2016-17. Overall a large proportion of tenancies were maintained in long-term housing, demonstrated by the

consistent trend over the past five years. Housing associations reported a rate of 88.7 per cent for tenancies maintained, which was marginally lower than 2016-17's result of 89.5 per cent.

## Average occupancy rate

Average occupancy represents total days vacant as a percentage of average number of tenancies for the year. In 2017-18, the sector continued to perform

well in relation to occupancy rate and delivered an average result of 97.4 per cent.

**Table 12: Average occupancy rate**

Key performance measures (%)	Housing associations					Sector				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Average occupancy rate	97.47	97.90	97.66	97.52	97.55	97.50	97.74	97.58	97.30	97.40

## Evictions

The proportion of evictions as a percentage of exits remained stable in the past five years. The average eviction rate for 2017-18 was low at 7.62 per cent. The evictions are treated by registered agencies as the last resort, however

certain tenant behaviours such as ongoing rent arrears, intentional damage to property and anti-social behaviour may require evictions to reinforce tenant obligations and protect other tenants.

**Table 13: Evictions**

Key performance measures (%)	Housing associations					Sector				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Evictions	8.32	8.76	8.76	8.53	7.82	7.13	6.92	7.41	7.41	7.62

## Complaints

Registered housing agencies are required to have accessible complaint processes in accordance with the Act. Registered agencies should take all reasonable steps to resolve complaints, particularly those from tenants and prospective tenants within 30 days.

During 2017-18, 88.7 per cent of complaints lodged by tenants and prospective tenants were resolved in 30 days. The result was marginally lower compared to 2016-17, however it still fell within the satisfactory range.

**Table 14: Number of complaints**

Key performance measures (%)	Housing associations					Sector				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Prospective tenant/tenant complaints	89.60	90.32	89.32	89.72	87.76	87.26	83.61	87.39	91.24	88.71

**Table 15: Complaints resolved in 30 days**

Key performance measures	Sector				
	2013-14	2014-15	2015-16	2016-17	2017-18
Total number of complaints	811	817	886	881	1 076
Total number from tenants/perspective tenants	361	305	333	388	425



## Tenant satisfaction – housing services

Tenancy surveys were conducted by registered agencies to understand the tenants' satisfaction and experiences with their tenancy. Of the tenants that responded, 85.7 per cent indicated they were satisfied with the housing services provided.

Notably, over the past three years, the results for this KPM have remained consistently between 85 per cent and 88 per cent.

**Table 16: Tenant satisfaction – housing services**

Key performance measures (%)	Housing associations					Sector				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Tenant satisfaction – housing services	81.20	87.57	84.54	84.43	84.17	84.59	88.00	86.89	87.75	85.66

## Tenant satisfaction – consideration of views

This KPM measures tenant satisfaction for consideration of views by the registered agency, which highlighted an average satisfaction rate of 76.2 per cent. The housing associations' average for satisfaction with views was recorded at a lower rate of 73.3 per cent. The sector recorded a drop in tenant satisfaction around consideration of views, noting an average 6.2 per cent lower than 2016-17.

However, an examination of the survey results indicate that the long-term averages of tenant satisfaction around consideration of views survey result has been approximately 75 per cent for the sector and 2017-18 survey results are consistent with the long-term trend for this KPM.

**Table 17: Tenant satisfaction – consideration of views**

Key performance measures (%)	Housing associations					Sector				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Tenant satisfaction – CoV	67.58	75.59	70.59	79.78	73.27	74.82	77.19	75.06	82.34	76.16

## Tenant satisfaction – maintenance

All registered agencies on average recorded a satisfaction rating for maintenance of 79.9 per cent which has slightly declined from 2016-17's result of 81.6 per cent.

Tenants of housing associations recorded a similar result of 78.4 per cent satisfaction rate.

**Table 18: Tenant satisfaction – maintenance**

Key performance measures (%)	Housing associations					Sector				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Tenant satisfaction – maintenance	72.65	79.44	76.60	81.13	78.41	77.20	80.86	78.61	81.55	79.93

## Housing management and maintenance

Of the urgent repairs requested from the registered agencies during the year, 90.6 per cent were fully completed in 24 hours. Notably, over the past four years, the results for this KPM have remained above 90 per cent. Of non-urgent repairs requested, 88.0 per cent were completed in 14 days. This result is marginally lower than that recorded in 2016-17. The declining trend in both KPMs is consistent with the lower level of tenant satisfaction recorded for maintenance.

Overall, the Housing Registrar's analysis of the KPMs report and sector engagements found that reasons for urgent and non-urgent repairs not being completed in the timeframes included tenants being unavailable for contractors to access properties, waiting periods for parts (particularly in rural locations) and major repairs required.

**Table 19: Urgent and non-urgent requested repairs on time**

Key performance measures (%)	Housing associations					Sector				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Urgent requested repairs on time	90.14	92.98	94.23	90.70	90.32	86.47	90.32	91.19	90.77	90.62
Non-urgent requested repairs on time	90.88	90.17	90.68	88.80	87.43	91.25	89.34	89.11	89.26	88.03

# Appendix

**Table 20: Financial ratios**

Prudential measures	Housing associations			Housing providers			Sector		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
EBITDA margin (%)	20.4	22.1	17.3	7.9	8.3	7.0	15.7	16.7	13.0
Working capital ratio*	2.2	1.3	1.6	2.4	2.3	2.4	2.3	1.6	1.9
Gearing ratio (%)	13.3	10.7	9.2	7.4	10.6	9.1	13.0	10.7	9.2
Return on assets (%) (based on Op. EBITDA)	1.3	1.3	0.9	4.8	4.6	3.6	1.5	1.5	1.1
Interest cover (based on Op. EBITDA)	2.4	2.7	2.3	10.9	17.6	16.8	2.9	3.2	2.8
Debt to housing assets (%)	11.8	9.8	8.5	9.8	12.2	10.6	11.8	9.9	8.6
Cash cost of capital (%)	0.5	0.5	0.4	0.4	0.3	0.2	0.5	0.5	0.4

\* excludes capital grants received in advance

**Table 21: Key performance measures**

Key performance measures (%)	Housing associations					Sector				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Staff turnover (%)	15.61	17.68	18.16	23.83	26.76	20.52	18.82	21.18	23.02	25.60
Turnaround time (days)										
• Vacant tenantable	24.05	17.44	16.91	19.07	19.82	17.08	15.30	14.23	15.03	17.13
• Vacant untenantable (long term housing)	27.79	27.07	26.81	34.24	35.86	25.78	26.87	25.91	32.93	32.52
Rent outstanding from current tenants (%)	1.34	1.36	1.27	1.76	1.70	1.59	1.52	1.44	1.71	1.61
Tenancies maintained (long term housing) (%)	87.58	87.14	88.71	89.50	88.65	86.97	86.69	86.67	88.26	87.32
Prospective tenant/ tenant complaints resolved within 30 days (%)	89.60	90.32	89.32	89.72	87.76	87.26	83.61	87.39	91.24	88.71
Average occupancy rate (%)	97.47	97.90	97.66	97.52	97.55	97.50	97.74	97.58	97.30	97.40
Evictions (%)	8.32	8.76	8.76	8.53	7.82	7.13	6.92	7.41	7.41	7.62
Urgent requested repairs on time (%)	90.14	92.98	94.23	90.70	90.32	86.47	90.32	91.19	90.77	90.62
Non-urgent requested repairs on time (%)	90.88	90.17	90.68	88.80	87.43	91.25	89.34	89.11	89.26	88.03
Tenant satisfaction – housing services (%)	81.20	87.57	84.54	84.43	84.17	84.59	88.00	86.89	87.75	85.66
Tenant satisfaction – Consideration of views (%)	67.58	75.59	70.59	79.78	73.27	74.82	77.19	75.06	82.34	76.16
Tenant satisfaction – maintenance (%)	72.65	79.44	76.60	81.13	78.41	77.20	80.86	78.61	81.55	79.93



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