HOUSING REGISTRAR

SECTOR PERFORMANCE REPORT 2019–20

Housing Registrar

VICTORIA State Government | Treasury and Finance

OFFICIAL

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Our strategic framework

Our vision

A well-regulated, growing and sustainable community housing regulated sector that provides access to safe, secure and affordable housing solutions for Victorians

Our purpose

To enable the development, growth, and continual improvement of the Victorian community housing regulated sector through proactive, transparent, and risk-based regulation that promotes tenant outcomes

Our principles

We are:

Outcomes focused – risk-based and adaptable – proportionate – intelligence-led and evidence based – collaborative – transparent

Our priorities

Organisational excellence

To ensure the capabilities of the Registrar to meet current and future challenges by enabling a high-performance culture that values and supports our people

Better regulation

We will promote better regulation by:

/ proactively engaging with registered agencies to achieve compliance against Performance Standards

/ reducing the regulatory burden across the regulatory system

/ facilitating investment in the regulated sector by promoting confidence in performance of the community housing regulated sector

/ making the regulatory system and the performance of the community housing regulated sector more transparent

/ identifying opportunities for continuous improvement

Strong partnerships and engagement

We are committed to:

/ building high-value and purposeful relationships

/ being visible, open and engaged

/ raising awareness of the regulatory system and the Housing Registrar's role

/ providing compliance advice and better practice guidance to the community housing regulated sector to support registered housing agencies

Our outcomes

We deliver effective regulation that:

/ promotes the growth and continual improvement of the community housing regulated sector

/ protects government's investment for the benefit of tenants, the community and future generations

/ delivers safe, secure and affordable housing solutions to Victorians

Message from the Registrar

I am pleased to present the 2019–20 Housing Registrar Sector Performance Report. This is the 13th year the Housing Registrar has reported on the performance of the registered community housing sector in Victoria (the sector).

The Sector Performance Report provides detailed analysis of the sector's performance, including financial and non-financial data for the financial year ended 30 June 2020. The information and analysis contained in this report is informed by regulatory reporting submitted by registered agencies to the Housing Registrar in late 2020 and early 2021 as part of annual compliance and performance assessments under Part VIII of the *Housing Act 1983 (Vic)*.

In addition to publication of the Sector Performance Report, the Housing Registrar has introduced public reporting of performance information (the Performance Report) for each registered agency delivering community housing services in Victoria as part of a suite of transparency reforms under the *Housing Registrar's 2020–22 Corporate Plan*.

The Performance Report contains Key Performance Measure (KPM) results and comparative performance analysis for Housing Associations and Housing Providers. The Performance Report was developed in collaboration with the KPM Working Group comprised of the Housing Registrar, Community Housing Industry Association Victoria (CHIA Vic) and sector representatives. The Performance Report is available on the Register of Housing Agencies (Public Register) and will be published for compliance and performance assessments relating to the 2019-20 Financial Year onwards.

From March 2020, the community housing sector responded to the unprecedented challenges of the coronavirus (COVID-19) pandemic. This included putting in place a range of precautionary measures to protect the safety and well-being of tenants and comply with rapidly changing restrictions, including temporary revisions to tenancy laws. Some of these precautionary measures are likely to have impacted the KPMs in this report due to the unprecedented operating conditions. These impacts were unique to each registered agency based on factors including registered agency size, service offerings, housing density and location of housing stock.

To respond to emerging risks during the coronavirus (COVID-19) pandemic, the Housing Registrar adjusted its regulatory engagement approach, including extending regulatory reporting deadlines for annual compliance assessments, and providing additional flexibility for other reporting and regulatory engagement requirements.

The annual compliance and performance assessment for 2019–20 indicate that the sector performed well overall. Regulatory action plans have been identified for some registered agencies for continuous improvement opportunities supported by close regulatory engagement with the Housing Registrar.

The Government's $5.3 billion Big Housing Build investment will generate significant growth in the sector over the coming years. The Rapid Grants Round of funding through the Social Housing Growth Fund will increase the size of the sector by at least 4 200 new dwellings, resulting in a 43 per cent increase in the number of assets owned by the sector. We look forward to continuing to work closely with the sector and our stakeholders during this growth phase to produce positive outcomes for community housing in Victoria.

Yours sincerely
Bernard Gastin

The registered sector as at June 2020

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
Loddon Mallee Housing Services Ltd (trading as Haven; Home, Safe	Unison Housing Ltd

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

Snapshot of the registered sector

Overview of Victorian Regulatory Framework

The Victorian regulatory system for community housing was introduced in January 2005, with the enactment of Part VIII of the *Housing Act 1983* (Vic) (the Housing Act). The Assistant Treasurer and Minister for Regulatory Reform has portfolio responsibility for Part VIII of the Housing Act, which establishes the Registrar to register and regulate rental housing agencies in Victoria. The Housing Registrar is the administrative office that supports the Registrar in delivering its functions and exercising powers under the Housing Act.

The purpose of the Housing Registrar is to contribute to the development, growth, and continual improvement of the community housing registered sector (the registered sector) through proactive, risk-based and outcomes-focused regulation. This approach promotes better outcomes for tenants and prospective tenants of registered agencies.

The regulatory approach is aligned to six principles of good regulation:

- outcomes focused
- risk-based and adaptable
- proportionate
- intelligence-led and evidence based
- collaborative
- transparent.

The regulation of the registered sector aims to ensure that registered agencies:

- are well-managed, well-governed and financially viable
- have the capacity to responsibly manage government funding and assets
- provide investors with the confidence to invest in the registered sector to promote growth
- ensure quality and continuous improvement in service delivery and outcomes for tenants.

The regulatory framework consists primarily of the Housing Act, gazetted Performance Standards and Intervention Guidelines.

** As of May 2020, all states and territories, except Victoria and Western Australia, have adopted the National Regulatory System for Community Housing (NRSCH) through the passage of National Law legislation in their respective parliaments. Victoria continues to closely align processes where possible to the NRSCH to reduce the compliance burden on community housing providers operating in multiple jurisdictions.

Annual compliance assessment

This Sector Performance Report is primarily based on the data collected through regulatory reporting to the Registrar as part of annual compliance and performance assessments (ACA) for 2019–20. This reporting includes the:

1. First tranche of reporting due at the end of August each year. This tranche consists of three reports, including the registered agency's:
   (i) performance results against KPMs for the previous financial year
   (ii) self-assessment of achievements against the business plan for the previous financial year
   (iii) the business plan for the current financial year.

   In 2019–20, August reporting was extended until October to support registered agencies respond to the coronavirus pandemic.

2. Second tranche of reporting due 28 days after the Annual General Meeting (AGM). This tranche consists of four reports, including the registered agency's:
   (i) self-assessment of performance against Performance Standards for the previous financial year
   (ii) annual audited accounts
   (iii) financial performance report
   (iv) declarations.

The Housing Registrar assesses compliance and performance for each registered agency delivering community housing services in Victoria on an annual basis.

During the ACA, registered agencies must demonstrate the following:

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

The compliance outcomes are determined by the Registrar's assessment of evidence collected during year, including annual reporting tranches, reportable events, complaints/investigations and regulatory engagement.

The possible compliance outcomes are outlined below:

Performance Standards	Housing Registrar reporting requirements	Continuous improvement
Met	Compliant	Demonstrated
Capacity to meet	Not compliant	Not demonstrated
Not met		

Annual compliance assessment outcomes 2019–20

Table 1 below provides an overview of the sector's compliance status against Performance Standards over the past three years.

In the 2019–20 financial year, the registered sector continued to perform well, and was assessed overall as having a high level of compliance with the Housing Act and Performance Standards.

- Overall, 97 per cent of registered agencies were compliant, or had capacity to meet compliance with all Performance Standards.
- 33 registered agencies were assessed as compliant with all Performance Standards.
- Of the five registered agencies that did not achieve full compliance, three registered agencies met six out of seven Performance Standards, and each recorded only one capacity to meet compliance (with assigned regulatory action items expected to address any compliance and continuous improvement opportunities identified in the following year).
- One registered agency met five out of seven Performance Standards and recorded two capacity to meet compliance.
- Only one registered agency did not meet Performance Standards in the 2019–20 financial year.

Where 'capacity to meet' or non-compliance was identified, regulatory action items have been incorporated in the registered agency's regulatory action plan which will continue to be monitored and assessed. Similarly, continuous improvement opportunities identified are also reflected in the regulatory action plan.

Table 1: Outcomes of compliance assessments over the past three years

	2017–18	2018–19	2019–20
Number of registered agencies assessed as compliant, or had capacity to meet compliance with all Performance Standards	97%	100%	97%
Number of annual compliance assessments conducted	39	39	38
Number of registered agencies assessed as meeting all Performance Standards	36	38	33
Number of registered agencies assessed as demonstrating continuous improvements	39	39	37
Number of Performance Standards with assessment outcome of 'capacity to meet'	4	3	8
Number of Performance Standards with assessment outcome of 'not met'	2	0	4*

* One agency has the assessment outcome of 'not met' for four Performance Standards in the 2019-20 reporting period.

Regulatory action items

The Housing Registrar assigns registered agencies with regulatory action items where compliance, performance or continuous improvement opportunities are identified during regulatory engagement activities. The regulatory action items form a registered agencies regulatory action plan.

The regulatory action plan is developed during the ACA and monitored and updated when required through regulatory engagement activities. For example, a reportable event, a complaints review, or an investigation may result in identifying new information which may lead to the addition of new regulatory action items. The Housing Registrar will identify the evidence required to demonstrate completion of each regulatory action. This process aims to improve the registered agency's compliance, capability and to promote continuous improvement above base line compliance.

The Housing Registrar's regular engagement with registered agencies takes a proportionate, collaborative and risk-based approach. This means compliance and performance issues can be identified early, to minimise potential harms, and are addressed cooperatively with the registered agency without the use of intervention powers in most cases.

The table below summaries the key areas identified for improvement from the 2019–20 ACAs. The majority of these regulatory action items below relate to continuous improvement actions, which did not result in an assessment of non-compliance against Performance Standards. For example, updated skills matrix of board members.

Key areas for improvement	Number of regulatory action items
Register of Housing Agencies	3
Annual reporting requirement	4
Community engagement	10
Financial viability	14
Governance	41*
Housing assets	7
Key Performance Measures	4
Management	16
Probity	6
Tenant and housing services	19

* Governance was a key area of compliance focus for the Housing Registrar in 2019-20 reporting period. However, the regulatory action items identified for Governance were generally related to continuous improvement opportunities and were of a minor nature.

The registered sector

Key performance measures

Housing stock

At 30 June 2020, the registered sector had 19 816 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 owned by registered agencies.

On 30 June 2020, the registered sector owned 10 273 properties in total with a carrying value of $3.7 billion (further details of total housing assets owned is available on page 25). The number of tenancy units owned by the registered sector as at 30 June 2020 was marginally higher compared to 10 166 as at 30 June 2019. The marginal growth in the number of properties owned is mainly due to newly built or purchases which were partially offset by disposal of old housing assets that become uneconomical to maintain (which were disposed as part of asset recycling strategies).

Housing associations owned most of their housing stock at 67 per cent. In contrast, housing providers managed 90 per cent of their stock on behalf of the Victorian Government or other third parties.

The funding, policy and regulatory environment in which registered agencies deliver community housing services in Victoria is complex. Registered agencies interact with Commonwealth, State and local government and need to be aware of changes and new initiatives at each level.

The Victorian Housing Register and transfer list as at March 2021, shows over 50 000 households are waiting to be allocated and transferred to a social housing property. The registered sector is working in partnership with Government and the private sector to meet housing needs into the future, and to deliver better housing outcomes for Victorians in need.

Through the Big Housing Build, the Victorian Government is investing $5.3 billion in more homes for more Victorians – Victoria's largest ever investment in social and affordable housing. It is expected that the number of properties owned and managed by the registered sector will continue to increase in 2020–21 and beyond.

Profile of tenancies

As at 30 June 2020, the registered sector provided long term and transitional housing to 18 544 tenancies, marginally higher than the 18 334 tenants as at 30 June 2019.

81 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 (59 per cent).

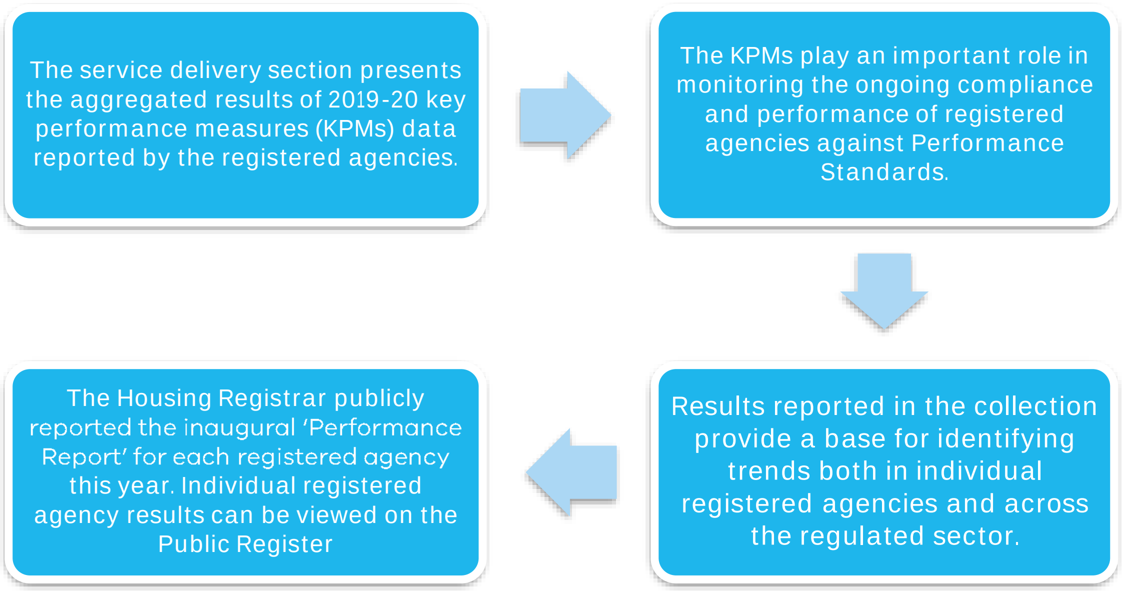
Housing associations housed the majority of long-term[1] housing tenants (82 per cent) and housing providers housed more transitional housing tenants (56 per cent). This is in the expected range for housing associations and housing providers.

Overall, the profile of tenancies remained similar to 2018–19, and relatively stable with consistent levels of tenancies, vacancies and exits.

Tenancy units by housing program

In 2019–20 the profile of housing stock by program remained similar to 2018–19. Stock is predominantly long-term housing, representing a total of 79 per cent of housing assets.

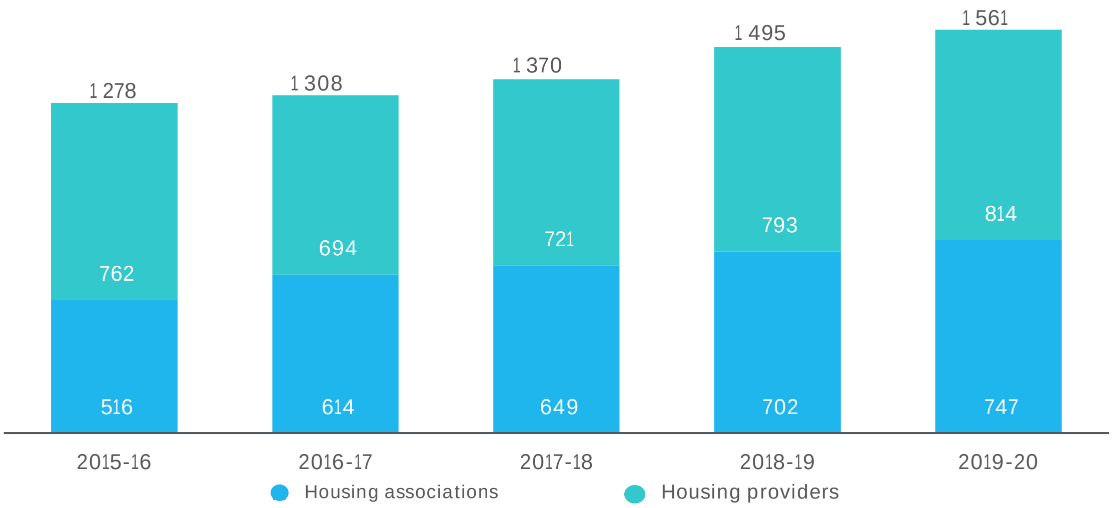
Service delivery



[1] Long-term housing: rental housing that is offered to eligible low-income applicants, is at a rent that is within affordability benchmarks, and offers the tenant security of tenure, as long as tenancy conditions are met.

Staffing

Total staff



The above diagram shows the growth in staff numbers over the past five years.

The total number of staff employed by the registered sector has increased by approximately four per cent in 2019–20.

The increase reflects the overall expansion in the housing portfolio in the long term as well as increased emphasis on support services provided by the registered sector.

Staff turnover

Key performance measures (%)	Registered sector				
	2015–16	2016–17	2017–18	2018–19	2019–20
Staff turnover	21.18	23.02	25.60	18.97	17.52

Registered agencies that returned a high staff turnover in 2019–20 had a relatively small number of employees, sometimes as little as 2 staff, therefore, a small change in staff numbers resulted in significant change in percentage.[2]

Staff turnover across the registered sector averaged 18 per cent, a decline from 19 per cent in 2018–19, and overall positive trend for the past five years.

Benchmark analysis

The average staff turnover percentage across the registered sector was 17.52 per cent, this falls within the satisfactory range of 15–30 per cent.

Turnaround time

Key performance measures (%)	Registered sector				
	2015–16	2016–17	2017–18	2018–19	2019–20
Turnaround time (tenantable) *	14.23	15.03	17.13	18.97	18.36
Turnaround time (untenantable) **	25.91	32.93	32.52	33.33	35.50

* The vacant tenantable (VT) turnaround time measures total number of days all tenancy units were vacant tenantable during the year, averaged across the total number of vacancies during the year.

** The vacant untenantable (VUT) 11 turnaround time measures total number of days all long-term housing tenancy units were vacant untenantable during the year, averaged across the total number of long-term housing vacancies during the year.

Results reported for turnaround time by registered agencies varied across the registered sector.

Average VT turnaround time of housing stock was 18.4 days, marginally lower than the result of 19 days in 2018–19.

Average VUT turnaround time was 35.5 days, which marginally increased compared to the result in 2018–19.

Based on analysis of the KPMs and the information collected through regulatory engagement, these small increases in the registered sector VT and VUT rates were due to maintenance works and redevelopments.

[2] Total staff numbers are used not averages. Staff turnover is calculated as the Total number of staff who left during the year/(the average of total staff during the year). The average of total staff is calculated by (Total staff at 1 July + Total staff at 30 June/2)

Benchmark analysis

At 18.36 average days, the tenantable turnaround time falls within the satisfactory benchmark range of 7–21 days.

At 35.5 average days, the untenantable turnaround time falls within the satisfactory benchmark range of 21–48 days.

Rent outstanding from current tenants

The Housing Registrar monitors rent outstanding across the registered sector as a key KPM.

As a percentage of total rent revenue, the average rent outstanding from current tenants was 1.55 per cent in 2019–20. This is marginally decreased compared to the result in 2018–19.

The percentages of rent outstanding remained low, with most registered agencies recording rent outstanding from current tenants at less than 5 per cent. This result is within the satisfactory range for this KPM.

Key performance measures (%)	Registered sector				
	2015–16	2016–17	2017–18	2018–19	2019–20
Rent outstanding from current tenants	1.44	1.71	1.61	1.62	1.55

Benchmark analysis

The registered sector average of rent outstanding at 1.55 days falls just outside of the preferred benchmark range of under 1, into the satisfactory benchmark range of 1–5 days.

Tenancies maintained

The average rate of tenancies maintained[3] has been relatively stable, slightly increasing by 2.67 per cent over the past five years.

The average for tenancies maintained in long term housing across the registered sector was 89.36 per cent, marginally lower compared to 89.39 per cent reported in 2018–19.

Tenancies maintained data includes exits of tenants that have left voluntarily during the reporting period. Benchmark analysis

The preferred range benchmark is >90 per cent, and the satisfactory benchmark range is 75–90 per cent.

Average occupancy rate

Key performance measures (%)	Regulated sector				
	2015–16	2016–17	2017–18	2018–19	2019–20
Average occupancy rate	97.58	97.30	97.40	97.53	97.19

In 2019–20, the registered sector continued to perform well in relation to occupancy rate and delivered an average result of 97.2 per cent. This KPM result remained stable over the past five years.

Evictions

Key performance measures (%)	Registered sector				
	2015–16	2016–17	2017–18	2018–19	2019–20
Evictions*	7.41	7.41	7.62	7.24	5.47

* Evictions under the *Housing Act 1983* (Vic) are defined as 'a warrant of possession is issued (purchase of warrant) and the tenancy is subsequently terminated'.

Evictions are treated by registered agencies as a measure of last resort, as required by Performance Standard 1 (Tenant and Housing Services).

However, certain tenant behaviours such as ongoing rent arrears, intentional damage to property, using the property for an unlawful purpose and ongoing anti-social behaviour may require evictions to reinforce tenant obligations and to minimise potential harms to other tenants, property and the community.

[3] All registered agencies must strive to sustain tenancies.

In 2019–20, temporary tenancy requirements included in the *Residential Tenancies Act 1997* (Vic) following the commencement of the *COVID-19 Omnibus (Emergency Measures) Act 2020* (Vic) amended the circumstances in which registered agencies could seek eviction from 29 March 2020 until 28 March 2021.

The average eviction rate as a proportion of exits from community housing for 2019-20 was 5.47 per cent. This figure is calculated by dividing the number of community housing evictions by the total number of community housing tenancies that ended within the financial year. The figure for 2018-19 is significantly lower than the 2018-19 result of 7.24 per cent, and the lowest rate for this measure in the past five years.

Benchmark analysis

The average eviction rate of 5.47 per cent falls just outside of the preferred benchmark range of under > 5 per cent, into the satisfactory benchmark range of 5–10 per cent.

Complaints

Complaints resolved in 30 days

Key performance measures (%)	Registered sector				
	2015–16	2016–17	2017–18	2018–19	2019–20
Prospective tenant/tenant complaints	87.39	91.24	88.71	94.21	92.76

Benchmark analysis

The registered sector average complaint resolution percentage of 92.74 within 30 days falls within the preferred benchmark range of above 90 per cent

Number of complaints – five-year snapshot

Key performance measures (%)	Registered sector				
	2015–16	2016–17	2017–18	2018–19	2019–20
Total number of complaints	886	881	1 076	1 113	1143
Total number from tenants/perspective tenants	333	388	425	380	428

Registered agencies are required to have robust complaints resolution mechanisms that comply with the Housing Act and Performance Standards. Registered agencies are also required to demonstrate positive cultures towards complaint management and must take all reasonable steps to resolve complaints from tenants and prospective tenants within 30 days.

Performance Standard 1 (Tenant and Housing Services) identifies the following indicators of good complaints and appeals handling practice:

- information is readily available and promoted to tenants on complaints and appeals
- the registered agency manages complaints and appeals promptly and fairly
- the registered agency regularly monitors the effectiveness of the complaints and appeals system.

During 2019–20, 92.8 per cent of complaints lodged by tenants and prospective tenants were resolved in 30 days, and whilst a slight decline from 94.2 per cent in the 2018–19 performance year, the indicators generally represent strong complaints management and positive complaints cultures across the registered sector.

The total of 428 complaints received from tenants and prospective tenants continue to represent a very low proportion (2.2 per cent) of the total tenancy units under management by the registered sector.

Tenant satisfaction – housing services

Registered agencies are required to survey tenants at least every two years as part of their registration criteria as outlined in the Evidence Guidelines.

The survey results and analysis provide a registered agency with insight into the needs of its tenants and suggestions to improve services.

For the 2019–20 reporting period, 19 of the 38 registered agencies conducted tenancy surveys.

Of the tenants that responded, 83.6 per cent indicated they were satisfied with the housing services provided.

The trend over time for the past five years has seen the KPM results consistently above 85 per cent, however a slight drop has been reported for 2019–20 of 2.28 per cent primarily due to COVID-19 related matters.

Tenant satisfaction – housing services

Key performance measures (%)	Registered sector				
	2015-16	2016-17	2017-18	2018-19	2019-20
Tenant satisfaction – housing services	86.89	87.75	85.66	85.88	83.60

Benchmark analysis

The registered sector average for tenant satisfaction – housing services at 83.60 per cent falls within the satisfactory benchmark range of 75–90 per cent.

Tenant satisfaction – consideration of views

This KPM measures how satisfied the tenants of registered agencies are in relation to consideration of their views by the registered agency.

The average satisfaction rate was 69 per cent, compared to 72 per cent recorded in the previous year. 11 of the 19 registered agencies that conducted a survey achieved a tenant satisfaction rate above 75 per cent and tenant satisfaction was generally high. Regulatory action items have been developed for registered agencies in the action required range to promote continuous improvement.

Key performance measures (%)	Registered sector				
	2015-16	2016-17	2017-18	2018-19	2019-20
Tenant satisfaction – CoV	75.06	82.34	76.16	72.03	69.05

Benchmark analysis

Tenant satisfaction -Consideration of views at 69.05 per cent falls into the action required range of < 75 per cent

Tenant satisfaction – maintenance

In the tenant surveys conducted by the registered sector in 2019–20 period, an average of 71 per cent satisfaction rate was recorded for maintenance. 15 of the 19 registered agencies that conducted a survey, reported a satisfaction rate above 75 per cent. Regulatory action items have been developed for registered agencies in the action required range to promote continuous improvement. The impact of COVID-19 and restrictions on pro-active maintenance may have impacted tenant satisfaction with maintenance for this period of time.

Key performance measures (%)	Registered sector				
	2015-16	2016-17	2017-18	2018-19	2019-20
Tenant satisfaction – maintenance	80.86	78.61	81.55	79.93	71.47

Benchmark analysis

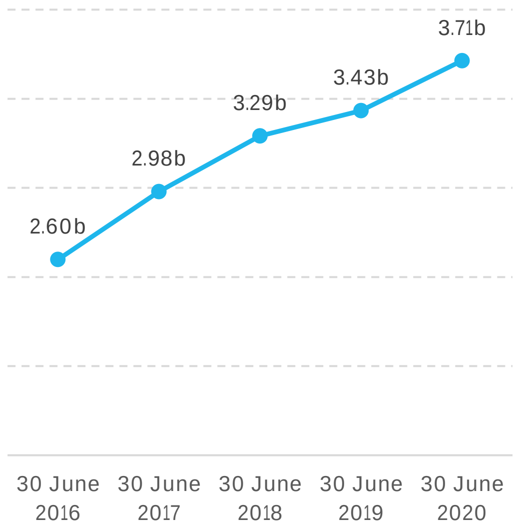
Tenant satisfaction –Maintenance at 71.47 per cent falls into the action required range of < 75 per cent.

Financial performance

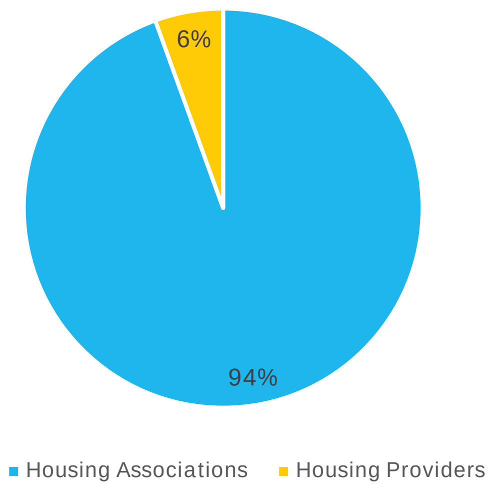
Under the Financial Viability Performance Standard, registered agencies must maintain financial viability by effectively managing their financial risk exposure, maintaining satisfactory financial performance and a viable capital structure. In summary, the Registrar requires registered agencies to maintain satisfactory:

- liquidity by meeting short-term commitments as they fall due
- capital structure by monitoring and managing its financial position to achieve its business goals with optimal levels of external borrowings
- policies and procedures to manage its financial risk exposure to protect its financial interests and the interests of investors.

Value of housing assets



Value of housing assets composition at 30 June 2020

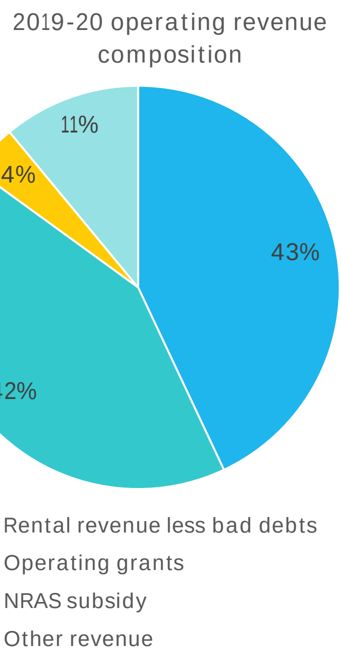


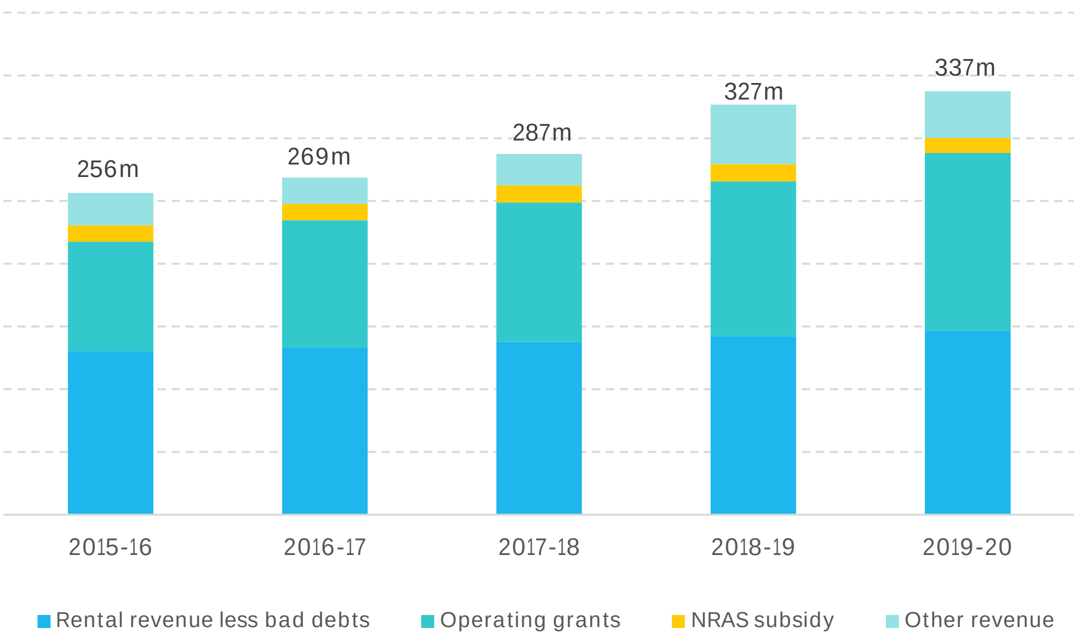
Housing assets

The total registered sector value of housing assets grew from $3.43 billion at 30 June 2019 to $3.71 billion at 30 June 2020, driven by housing asset valuation increases (in line with the housing market growth) and an increase in the number of properties for newly built or purchased housing assets. Housing Associations owned 94 per cent of housing assets at 30 June 2020, with Housing Providers owning 6 per cent at 30 June 2020, reflecting the larger operating scale of Housing Associations.

Operating revenue

Operating revenue has been growing steadily between 2015–16 and 2019–20, driven primarily by increased operating grant income received. Operating grants composed 42 per cent of registered sector operating revenue in 2019–20, reflecting the registered sector's reliance on grant funding. Refer to page 31 for further analysis on grant funding.

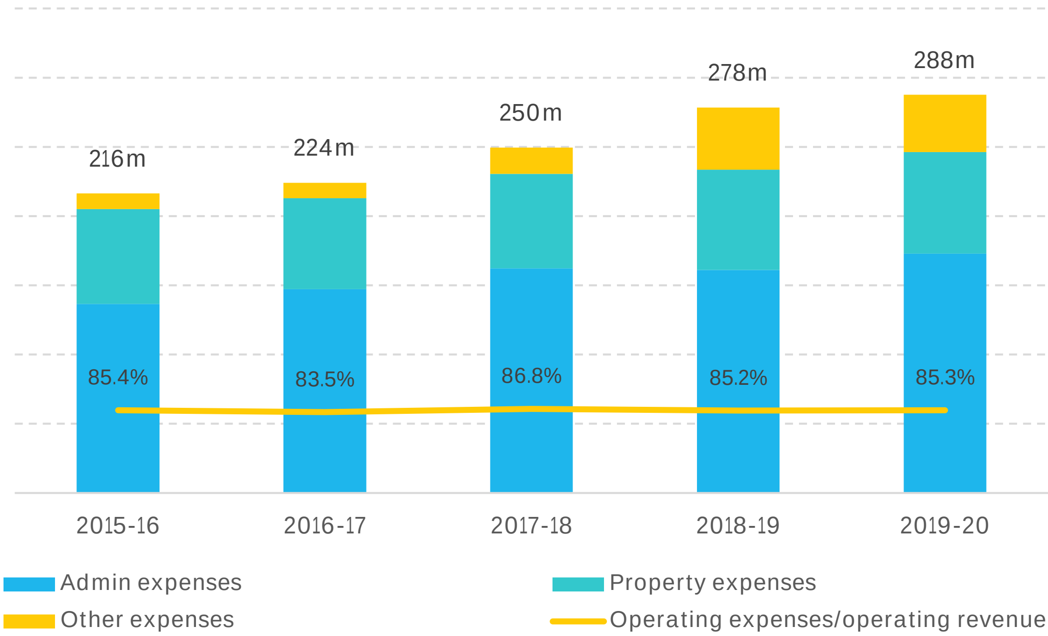




Note: NRAS (National Rental Affordability Scheme)

Operating expenses

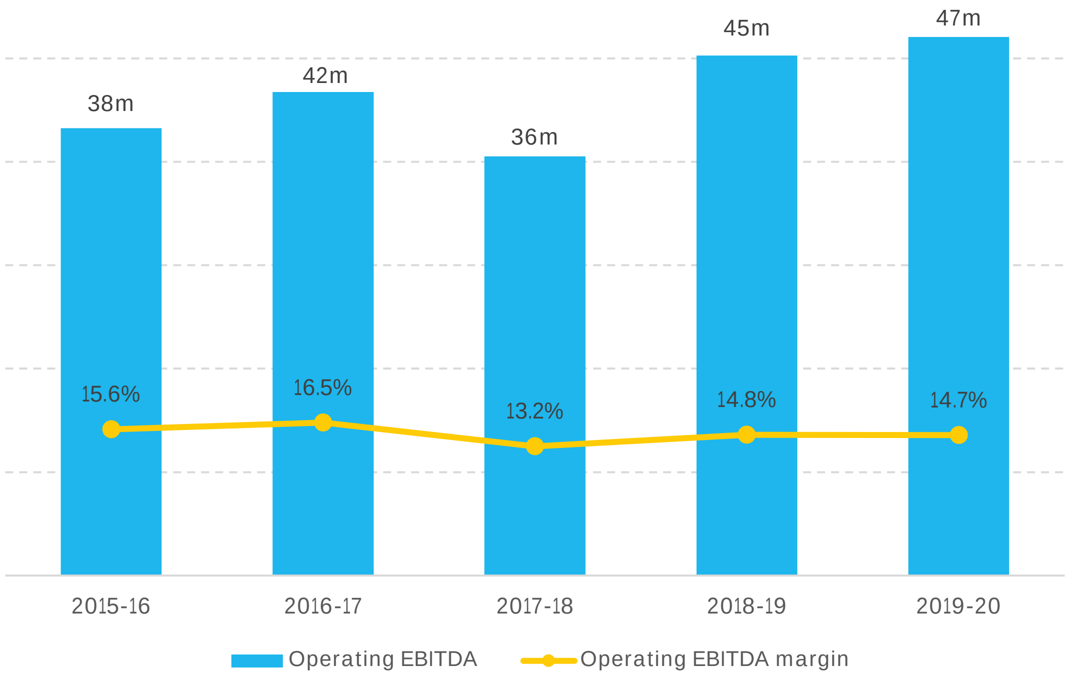
Operating expenses have been growing steadily between 2015–16 and 2019–20 and the operating expenses to operating revenue ratio has remained stable, indicating consistency with steady operating revenue growth.



EBITDA

Operating EBITDA (earnings before interest, tax, depreciation and amortisation) margin of 14.7 per cent in 2019–20 remained stable (2018–19: 14.8 per cent), reflective of operating revenue and operating expenses both growing steadily.

Operating EBITDA and operating EBITDA margin

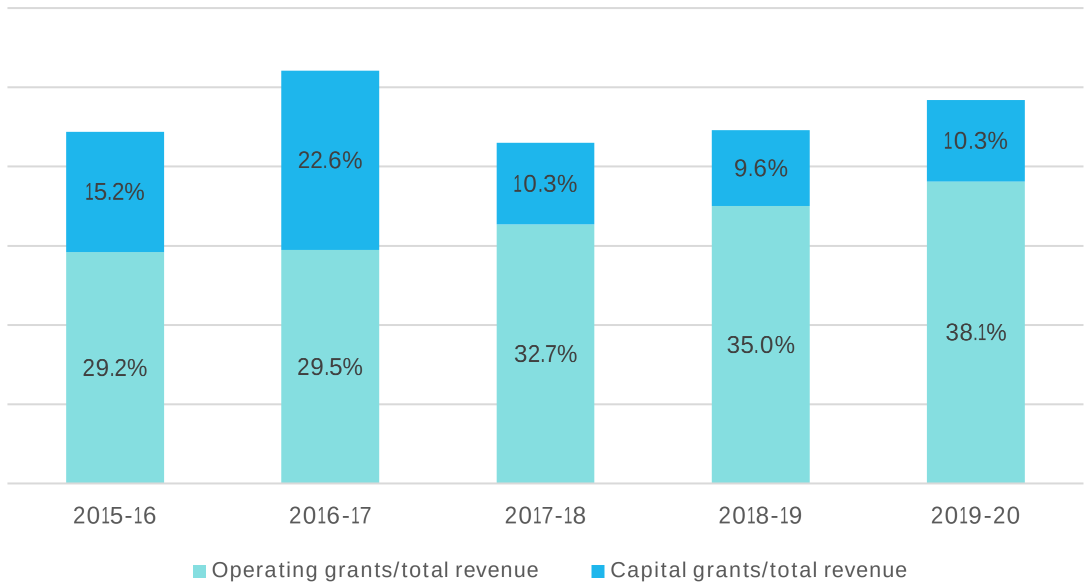


Grant funding

Operating grant income increased from $124 million in 2018–19 to $142 million in 2019–20, largely driven by a registered agency that received additional government funding to support the coronavirus emergency response. Grant income composed 48.4 per cent of total registered sector revenue in 2019–20, reflecting the registered sector's reliance on grant funding.

Capital and operating grants

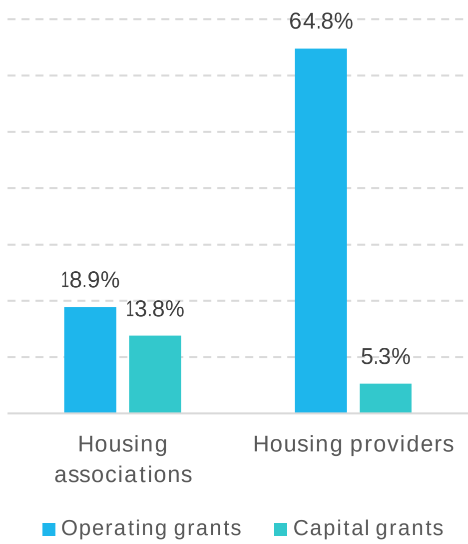
Registered sector grant contribution to total revenue



In 2019–20, Housing Providers had a greater proportion of their total income as operating grants compared to Housing Associations, with Launch Housing Limited receiving $54.6 million in operating grants and WAYSS Limited receiving $21.2 million, accounting for 53.4 per cent of all operating grants in 2019-20 for the registered sector.

Housing Associations have a greater proportion of their total income as capital grants compared to Housing Providers, with Housing First Limited receiving $8.0 million and Community Housing (Vic) Limited receiving $6.6 million, accounting for 38.4 per cent of all capital grants received in 2019–20 for the registered sector.

Grant proportion of total revenue 2019–20



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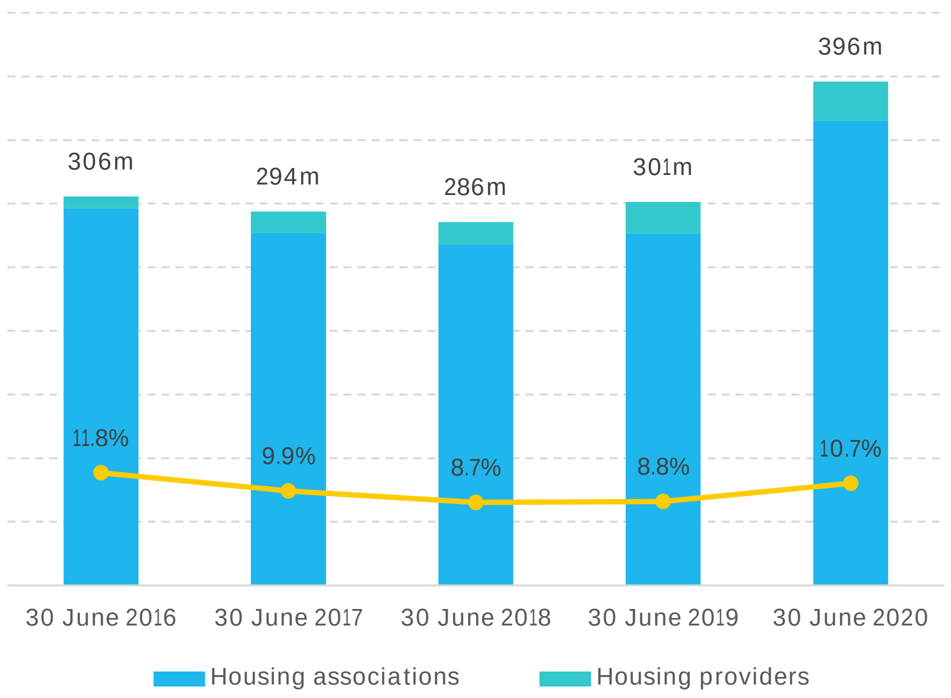
Registered sector debt

The increase in registered sector debt to $396 million at 30 June 2020 (30 June 2019: $301 million) is largely driven by three housing associations increasing their borrowings ($66 million collectively). At 30 June 2020, housing associations accounted for 92.3 per cent of all registered sector loan liabilities. The debt to housing assets ratio remained low in 2019-20 at 10.7 percent, indicating a large amount of equity within the registered sector.

Registered sector debt



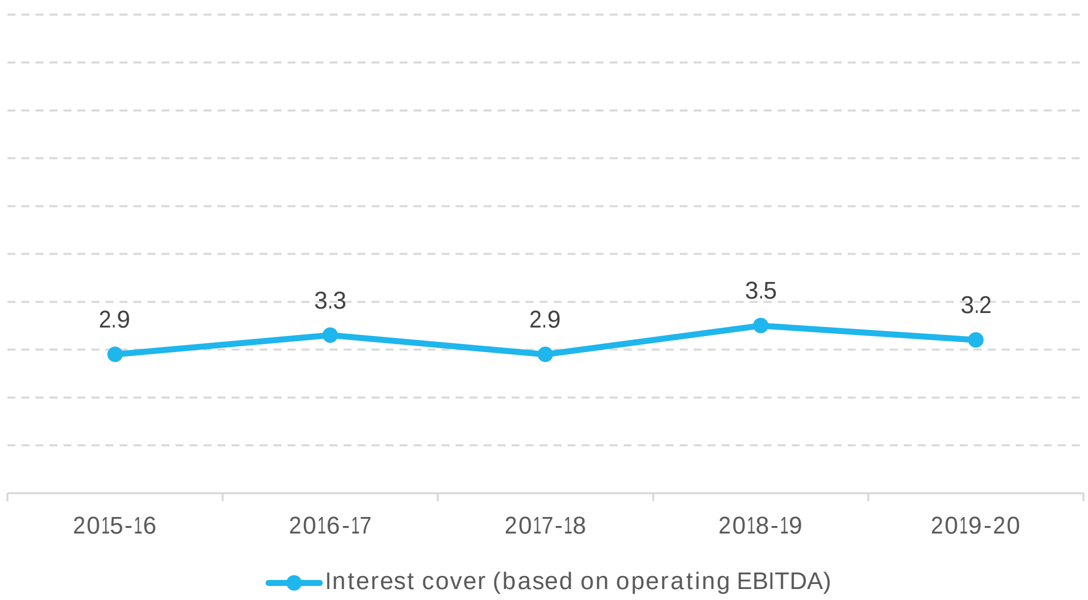
Note: 30 June 2019 registered sector debt was restated from $286 million to $301 million due to a retrospective liability reclassification identified during 2019-20.

Registered sector Interest cover

The interest cover ratio indicates the extent the operating earnings are able to cover interest expenses.

Despite debt levels increasing in 2019–20, the interest cover ratio of 3.2 remains strong, demonstrating the registered sector's ability to meet its interest repayment obligations.

Registered sector Interest cover ratio

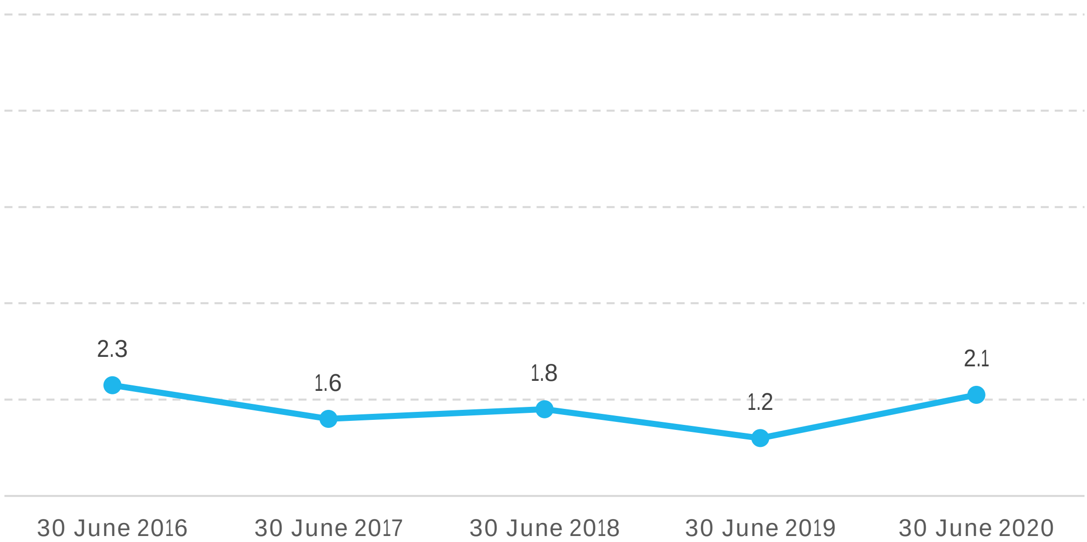


Liquidity

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

The liquidity ratio has remained largely stable and positive from 30 June 2016 to 30 June 2020. The working capital ratio of 2.1 times at 30 June 2020 demonstrates that the registered sector had enough current assets to meet its short term financial obligations.

Registered sector working capital ratio*

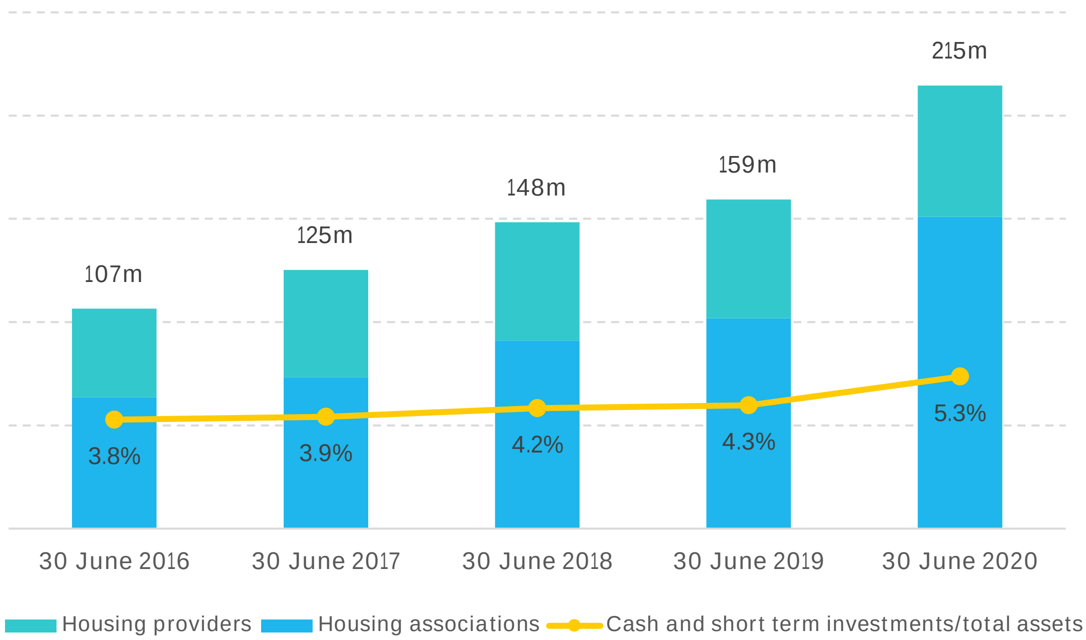


* Excludes capital grants received in advance.

Cash and short-term investments

Total cash and short-term investments of the registered sector increased from 159 million at 30 June 2019 to $215 million at 30 June 2020 and by 23 per cent in proportion to total assets. This is attributable to the positive operating cash flow generated by the registered sector and indicates an increase in the level of cash and short-term investments available to achieve operational goals and reserves to support future capital investments in community housing.

Cash and short-term investments



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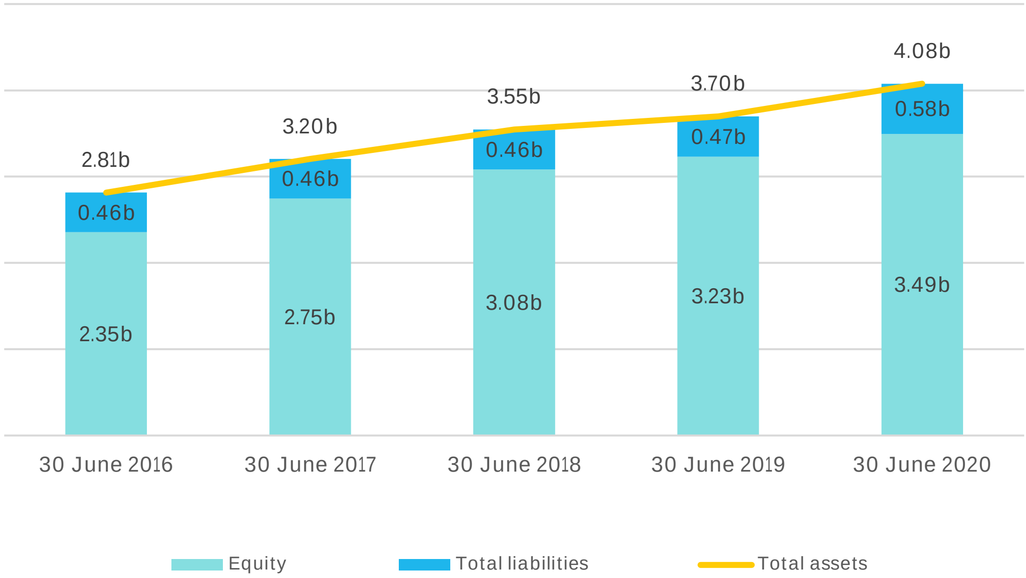
Capital structure

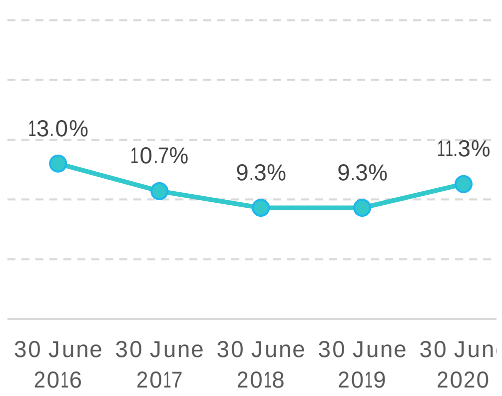
Equity continued to represent a major portion of the registered sector's capital structure, driven by positive earnings accumulated over many years. At 30 June 2020 total liabilities (predominately debt, payables and provisions) of $580 million remained small compared to $3.49 billion in equity, reflecting the sector's relatively lower risk capital structure.



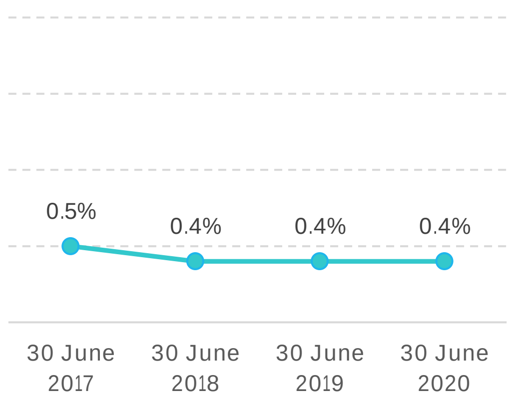
Capital structure financial indicators

The registered sector's debt to equity ratio increased to 11.3 per cent at June 2020 (from 9.3 per cent at 30 June 2019), driven by an increase in development activity and property purchases during 2019–20. Cash cost of capital represents the cost of funding and is calculated as interest expense over average assets. The cash cost of capital of 0.4 per cent in 2019–20 remained stable and low (2018-19: 0.4 per cent). Refer to page 33 for further analysis on registered sector debt.

Debt to equity (gearing) ratio



Cash cost of capital



Registered sector summary financial statements

Income statement ($millions)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Rent revenue	130.4	133.2	137.8	142.0	146.5
Operating grants	87.2	101.4	111.0	123.6	141.6
NRAS subsidy	13.0	13.0	13.6	13.7	12.1
Other revenue	25.7	20.9	25.2	47.5	37.2
Total operating revenue	256.3	268.5	287.5	326.8	337.4
Admin expenses	136.7	147.2	162.3	161.2	173.0
Property expenses	68.4	65.7	68.1	72.3	73.3
Depreciation	10.7	18.3	23.8	28.8	34.8
Finance costs	13.8	13.6	12.9	13.7	15.6
Other expense	11.3	11.2	19.1	45.0	41.3
Total operating expense	240.9	256.0	286.2	321.0	338.0
Net operating surplus	15.4	12.5	1.1	5.8	-0.8
Capital grants	45.5	77.8	34.9	34	38.1
Other one-time items	29.8	300.2	299.4	102.2	76.7
Net surplus	90.7	390.5	335.4	142.0	114.0

Net operating surplus includes non-cash adjustments and as such will fluctuate year on year. Please refer to page 28 for analysis of the registered sector performance based on operating EBITDA (earnings before interest, tax, depreciation and amortisation).

Balance sheet ($millions)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Cash and short-term investments	106.5	125.3	148.3	159.3	214.5
Other current assets	47.3	35.9	37.0	43.0	47.3
Current assets	153.8	161.2	185.3	202.4	261.8
Housing assets	2 597.9	2 979.0	3 291.3	3 433.3	3 713.6
Other non-current assets	63.3	64.1	69.2	64.1	101.5
Total non-current assets	2 661.1	3 043.1	3 360.5	3 497.4	3 815.2
Total assets	2 814.9	3 204.3	3 545.9	3 699.8	4 077.0
Loan liabilities	6.2	36.2	28.8	81.7	38.9
Other current liabilities	64.0	73.6	94.9	104.8	112.9
Total current liabilities	70.2	109.8	123.7	186.5	151.8
Non-current loan liabilities	299.5	257.6	256.7	219.8	357.0
Other non-current liabilities	90.3	90.2	84.2	63.6	73.2
Total non-current liabilities	389.8	347.8	341.0	283.4	430.2
Total liabilities	460.0	457.6	464.7	469.9	582.0
Net assets	2 354.9	2 746.7	3 081.2	3 229.9	3 494.9
Reserves	714.3	744.8	826.7	843.7	995.8
Earnings	1 640.6	2 001.9	2 254.5	2 386.2	2 499.1
Total equity	2 354.9	2 746.7	3 081.2	3 229.9	3 494.9

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