Access to Social Housing

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Access to Social Housing

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The Hon. Robert Smith MLC
President
Legislative Council
Parliament House
Melbourne

The Hon. Jenny Lindell MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my performance report on *Access to Social Housing.*

Yours faithfully

D D R PEARSON
Auditor-General

23 June 2010

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Audit summary

Background

Victoria has an undersupply of affordable housing for those on low incomes. The Director of Housing (the Director) within the Department of Human Services (DHS) provides subsidised public and community housing for low-income Victorians. However, many low-income Victorians find it difficult to access public housing as it is increasingly targeted to those on the waiting list classified as having special needs. Waiting times for other tenants are up to seven years.

Three key entities are involved in the provision of affordable housing for low-income Victorians—the Director, the Registrar of Housing Agencies (the Registrar); and registered housing agencies, which are not-for-profit, non-government organisations that manage social housing.

To increase the supply of affordable housing, the government launched its key housing policy, the *Strategy for Growth in Housing for Low Income Victorians*, in December 2003. Amendments to the *Housing Act 1983* set the basis for the Registrar to register and regulate housing associations, with the aim of delivering significant growth in social housing and achieving clear social objectives.

Two methods used by DHS to increase the supply of social housing owned by housing associations are examined in this audit:

- $300 million over four years committed in the 2007–08 State Budget to build 1 550 new dwellings. To receive funding, housing associations had to contribute at least 25 per cent in total project costs, effectively increasing the investment by a further $100 million.
- 575 properties valued at more than $155 million were transferred from the Director to eight registered housing associations on 30 June 2008. The Director's expectation was that the associations would expand their portfolios by a minimum of 15 per cent of the value of the properties transferred.

There is a tension in the housing association model between financial viability and growth objectives and social goals of fairly allocating social housing to those on low incomes.

Overall conclusions

The supply of social housing is on track to exceed the target of 1 550 properties set by the 2007–08 Budget initiative. However, the time line has been extended from four to six years. This is largely the result of housing associations temporarily suspending the state’s growth strategy to take up activities under the Commonwealth Government’s Nation Building initiative.

Housing associations are providing housing services which meet tenant needs. However equity of access to this housing is not assured. While housing associations have a target for how many applicants they are required to accommodate from the public housing waiting list, they are not required to take those from the top of the list. In addition, there are no targets to assure that those applicants with special needs, including support needs, are housed. The financial goals housing associations are required to meet provide an incentive to house higher-income tenants yet current rules about access do not protect against inequitable tenant selection.

Transferring ownership of properties from the Director to housing associations was a fundamental DHS strategy to increase the supply of social housing by enabling associations to leverage off their increased property portfolios, including the transferred assets. However, five associations have not used the assets to secure additional borrowings, so it is not evident that this rationale for asset transfer has been realised.

The Registrar is not sufficiently autonomous and this impinges on its regulatory role. Scrutiny and data collection by the Registrar needs to be strengthened to obtain a clear picture of how housing associations are performing and to acquit regulatory responsibility.

Main findings

Achieving asset and financial goals

Under the 2007–08 Budget initiative, housing associations are expected to deliver 1 733 properties. While this is more than the original target of 1 550, the program will cost $35.4 million more than originally budgeted. It is also projected that the entire program will take six years to complete, rather than four years. However, the initial target of 1 550 new properties is on track to be achieved by the fifth year. The average cost to the state for properties constructed by the housing associations is expected to be around $190 000 per property.

Overall, housing associations have been able to contribute the 25 per cent of total project costs required to receive state funding under the 2007–08 Budget initiative. However, the associations are generally sourcing about 20 per cent of their contributions from commercial lenders.

Housing associations were also required to expand their property portfolios by leveraging off the properties transferred to them by the Director in June 2008. Progress to date indicates the growth target will largely be met, but not within the original time frame of June 2010. However, the leveraging rationale for transferring the assets has not been realised, as only three of the eight housing associations have used, or intend to use, the transferred properties as security for borrowings.

Housing associations were already managing the properties transferred from the Director, so were already receiving the rental income. Transferring the stock also transferred ongoing liability for maintenance and other ownership costs to the housing associations. Properties transferred to five of the eight housing associations required extensive maintenance.

Achieving social goals

Housing associations have clear social goals to provide sound tenancy services and affordable housing. They must also accept a proportion of applicants from the public housing waiting list.

Originally there was a requirement for 50 per cent of new vacancies in housing association properties to be filled from the public housing waiting list. This has been modified to ‘up to’ 50 per cent. Housing associations filled a total of 46 per cent of new vacancies with applicants from the public housing waiting list in 2008–09. Of these, 17 per cent were referred by DHS from the top of the ‘wait turn’ segment of the waiting list. None were from the segment of the waiting list that indicates high needs or special disadvantage. A further 29 per cent housed in new vacancies were from the waiting list, but self referred. These applicants had not necessarily been waiting for housing as long as those on top of the ‘wait turn’ list.

There are no clear guidelines to deliver equity of access for applicants from the public housing waiting list. Guidelines would help protect against the potential for housing associations to select tenants on the basis of whether or not they had support needs, or on income profile and the associated favourable rent revenue impacts for housing associations. In addition, filling vacancies with referrals by DHS from the waiting list, rather than through self referral, would provide more equitable treatment of those who had been waiting longest.

The rent affordability framework for housing associations issued by the Director prescribes the maximum rent to be charged at commencement of the tenancy for tenants with incomes in the lower half of the income eligibility range, but is silent on rent limits during their tenancy. In addition, no limit is specified for tenants in the upper half of the income range. The framework therefore lacks sufficient protection to make sure that housing remains affordable.

Differences in data definitions and collection methodologies used within DHS make comparison between public housing and housing association tenant profiles difficult.

Achieving regulatory goals

The organisational structure for oversighting the performance of housing associations does not support independence of the Registrar from the Director. The Registrar is not separated from social housing policy and funding functions within DHS.

The Registrar needs to increase scrutiny of associations in order to meet obligations as regulator. The Registrar annually reviews performance but relies on self reporting by the housing associations and undertakes only limited verification of this information.

In addition, there are significant gaps in the data submitted by housing associations and some issues identified in regulatory reviews are not followed up. These shortcomings indicate that improvements are required by the Registrar to provide assurance about the performance of housing associations against the standards set for them.

Appropriate scrutiny is particularly important given the tension between the financial and social objectives in the housing association model.

Recommendations

Number	Recommendation	Page
	The Director of Housing should:	
1.	• revisit the leveraging rationale for transferring ownership of properties to housing associations • base future financial co-contribution targets on rigorous analysis, including analysing the impact on future tenant profiles.	17
2.	• reassess the appropriateness of the target that requires ‘up to’ 50 per cent of new housing association tenants to be public housing applicants • amend the protocol for referring public housing applicants to housing associations so that all public housing applicants are treated equitably • extend the rent affordability guidelines to provide protection for tenants in the upper half of the income eligibility range, and for all tenants for the duration of their tenancies.	26
3.	The Department of Human Services should revise the governance structure as a priority to strengthen the autonomy of the Registrar of Housing Agencies.	33
4.	The Registrar of Housing Agencies should: • strengthen oversight through focused monitoring and inspections, particularly of associations that have failed to provide information or take corrective action when requested • standardise the information required to be submitted by housing associations as part of their annual self assessments • undertake a records audit to identify the information that has not been submitted by housing associations and obtain this missing data.	33

Audit Act 1994 section 16—submissions and comments

Introduction

In accordance with section 16(3) of the *Audit Act 1994* a copy of this report, or relevant extracts from the report, was provided to the Department of Human Services with a request for comments or submissions.

The comments and submissions provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Submissions and comments received

RESPONSE provided by the Secretary of the Department of Human Services

The following is an extract of the response provided by the Secretary of the Department of Human Services. The full response is provided in Appendix E of this report.

The development of the social housing sector has expanded the supply and range of affordable housing for Victorians. The primary goal of the sector at inception was as a growth vehicle for affordable housing and as a provider of housing assistance to a broader group of Victorians than traditional public housing. As the sector has developed and demand for housing has grown, expectations have also increased on sector agencies to provide housing assistance to low income Victorians in housing need complementing the role of public housing.

Much has been achieved by the sector over the past few years as is referenced in the report. Tenant satisfaction is high, tenancies are being sustained and a significant number of additional dwellings have been developed over and above direct government investment.

The Victorian Government is committed to a vibrant and strong sector overseen by a robust regulatory framework to strengthen performance, service quality and accountability.

Recent State and Commonwealth investment in the sector, together with proposed reforms such as the combined public and social housing register and national regulatory framework will further enhance the capacity of the sector to grow and deliver improved choice in affordable housing for Victorians.

The Department of Human Services accepts the recommendations of the report and will work in partnership with the sector to consider the recommendations made.

1 Background

1.1 Introduction

There is an undersupply of affordable housing for those on low incomes. Factors including population growth and increases in the number of smaller households, including single-person households, have led to declining vacancy rates and increased rental costs in the private rental market.

There is a waiting list of 40 000 for public housing. Low tenant turnover means that for many on the waiting list, access to state-owned affordable housing can take more than seven years. Because 70 per cent of public housing allocations are directed to the most disadvantaged households, many others on low incomes find it difficult to access affordable housing.

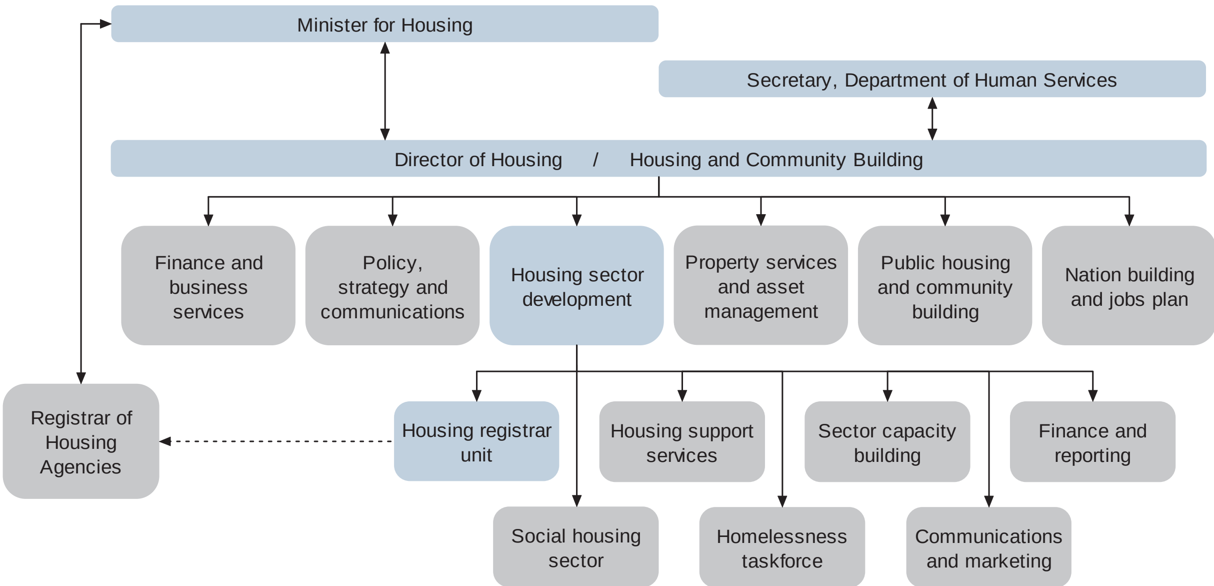
In response to the undersupply of affordable housing, the *Strategy for Growth in Housing for Low Income Victorians* (the Growth Strategy) was launched in December 2003. The Growth Strategy aimed for better housing services and a larger supply of affordable housing.

1.2 Roles and responsibilities

1.2.1 Government bodies

The *Housing Act 1983* (the Act) establishes the roles and responsibilities of the Director of Housing (the Director), and the Registrar of Housing Agencies (the Registrar). While administratively both sit within the Department of Human Services (DHS), the Registrar and the Director each report to the Minister for Housing. The organisational structure is shown in Figure 1A.

Figure 1A
Department of Human Services, Housing and Community Building division organisation structure



Source: Victorian Auditor-General's Office, based on information from the Department of Human Services.

The Director

The Director works in partnership with other stakeholders to increase housing options for those on low incomes. The Director's major roles are:

- **policy development**—provide strategic advice to government and work with the sector to increase opportunities for housing and homeless assistance
- **funding and leasing**—provide funds and lease houses to registered agencies, fund housing support and homelessness services
- **service delivery**—'own' and manage a portfolio of more than 65 000 houses.

The Director is supported by the Housing and Community Building division (HCB) of DHS. While over 65 000 public housing properties are managed directly by HCB within DHS, a further 8 000 properties are managed by community-based organisations.

The Registrar

The Registrar, supported by the housing registrar unit of DHS, registers the community based organisations that provide affordable housing.

The Act has two categories of housing agencies:

- **housing associations**—which manage rental housing portfolios, develop and increase the supply of housing for those on low incomes
- **housing providers**—organisations that primarily manage rental housing portfolios on behalf of the Director.

Amendments to the Act on 1 January 2005 enabled the Registrar to register and regulate housing associations.

The Registrar's role includes monitoring compliance by housing agencies with performance standards; which are a set of operating rules designed to assure they are well governed, well managed, and financially viable. There are seven standards covering agency governance, agency management, probity, financial viability, tenancy management, housing management and maintenance, and risk management. These are set out in Appendix A.

The Registrar also monitors the sector's performance overall and, through regulation, aims to contribute to its capacity to increase the supply of affordable social housing.

Monitoring and compliance checks of housing associations allow the Registrar to gauge performance against the four key objectives of regulation:

- ensuring that all housing agencies are viable, well governed and properly managed
- protecting and ensuring accountable use of government assets managed by the affordable housing sector
- building the confidence of the public and private sector to invest in and grow affordable housing
- ensuring quality and continuous improvement in service delivery and outcomes for tenants.

The director of the housing registrar unit at DHS manages the day-to-day operational aspects of the Registrar's functions.

1.2.2 Non-government organisations

There are 31 housing providers and nine housing associations registered.

Housing providers

In addition to managing the Director's properties, housing providers may also manage and own other properties. Housing providers can be limited liability companies, incorporated associations or cooperatives.

Housing associations

As a condition of registration, housing associations are required to be not-for-profit, limited liability companies, and to provide affordable rental housing for low-income tenants. They offer an alternative to traditional public housing owned and managed by the state housing authority, and other community housing providers. They are able to construct, purchase or otherwise acquire and own the rental housing they manage.

The nine associations and their dates of registration are set out in Figure 1B. All were operating as community housing organisations prior to registration. The audit focuses on the eight associations registered at the time of the June 2008 asset transfer.

Figure 1B
Dates of registration

Housing association	Date of registration
Loddon Mallee Housing Services Ltd	20 May 2005
Supported Housing Ltd	29 June 2005
Community Housing (Vic) Limited	5 September 2005
Melbourne Affordable Housing	6 September 2005
Port Phillip Housing Association	8 September 2005
Yarra Community Housing [(a)]	15 September 2005
Rural Housing Network Ltd	19 July 2007
Common Equity Housing Ltd	23 November 2007
Wintringham Housing Inc	1 September 2009

(a) Yarra Community Housing's registration category was changed from housing provider to housing association on 12 April 2007.
Note: Melbourne Affordable Housing and Supported Housing Ltd have since merged their operations with, and trade as, Housing Choices Australia.
Source: Victorian Auditor-General's Office, based on information from the Registrar of Housing Agencies' public register.

1.3 Implementing the growth strategy

Housing associations are the state's preferred model for increasing the stock of social housing. The intent is that once they reach a critical size they will be able to remain financially viable while sustaining growth of new housing. Their ability to increase at a sufficient pace depends both on their ability to leverage their asset base, and their ability to fund their operations.

As they offer housing to tenants in a broader income range than applies to public housing, they can serve a wider section of the low-income group than public housing and through this increase their rent revenue. Commonwealth rent assistance is available to tenants in housing association properties, but not public housing tenants. Housing associations also receive tax benefits as not-for-profit entities, but only when they charge less than 75 per cent of market rent.

DHS uses two mechanisms to facilitate the increase in supply of social housing owned by housing associations:

- funding up to 75 per cent of the total cost of new construction projects
- transferring property titles from the Director to the associations to increase the asset base available to them to use as security for borrowings.

The 2007–08 Budget committed $500 million over four years to expand the supply of both social and public housing properties. The funding allocation was:

- $300 million for 1 550 social housing properties to be built, owned and managed by housing associations
- $200 million for 800 public housing properties.

Taking into account planned property sales over the four years, an overall net increase of 400 properties for low-income tenants was expected.

1.3.1 Financial goals for housing associations

The $300 million Budget commitment required housing associations, as a funding condition, to co-contribute at least 25 per cent, the equivalent of $100 million, of total construction costs.

On 30 June 2008, ownership of 575 properties, valued at $155 million, was transferred from the Director to the then eight registered housing associations, with the intent that they use this capital to increase their borrowing capacity and build more affordable housing stock.

A target of 15 per cent of the value of transferred properties was set, equivalent to around $23 million, to be achieved by 30 June 2010. Using the average construction cost of $250 000 implicit in the target of 1 550 properties at a total cost of $400 million, this level of borrowing translates into an extra 93 properties.

1.3.2 Social goals

As well as meeting co-contribution, debt and asset growth goals, through their agreements with the Director, housing associations must achieve clear social objectives:

- 50 per cent of new vacancies are required to be filled by applicants from the public housing waiting list
- they are required to house low-income tenants and apply income eligibility limits for potential tenants
- rents are required to be affordable. While housing association rent policies vary, rents should be between 25 and 30 per cent of household income and to achieve tax benefits, should not exceed 75 per cent of market rent.

In addition, the Registrar requires that housing associations provide effective tenancy management, including appropriate participation for all tenants, and services that demonstrate a strong commitment to serving and valuing tenants.

1.4 Audit objectives and scope

The audit examined whether the supply and accessibility of affordable community housing for those on low incomes has improved through the use of housing associations.

It considered:

- outcomes in diversifying and expanding the supply of affordable rental housing
- mechanisms for protecting the rights of tenants and providing services which effectively meet tenants' needs
- appropriateness of arrangements to monitor and regulate housing associations.

The audit scope included:

- HCB, the Director's administrative division within DHS
- the Registrar and the housing registrar unit within DHS
- the eight housing associations registered at the time of the June 2008 asset transfer.

1.4.1 Audit approach

The audit was conducted in accordance with the Australian Auditing and Assurance Standards.

The cost of the audit was $450 000.

2 Achieving asset and financial goals

At a glance

Background

The Department of Human Services aimed to increase the supply of social housing stock that housing associations own by:

- providing them with 75 per cent of total costs for new construction projects, under the 2007–08 Budget allocation of $300 million
- transferring ownership of properties to them, with a requirement that they increase their portfolios equal to 15 per cent of the $155 million value of these assets.

Conclusions

The strategies for increasing the supply of affordable housing owned by housing associations have been successful to date, but the original four-year time frame is now projected to take six years. This is due largely to activity being diverted to projects using Commonwealth Nation Building funds, requiring new projects to be set up.

It is not evident that the leveraging rationale for transferring ownership of assets to housing associations was realised, given that housing associations determine their level of borrowings based on their income, not on the value of their assets.

Findings

Housing associations are on track to deliver more than 1 700 properties by 30 June 2013 under the state's 2007–08 Budget initiative, at an average cost to the state of around $190 000 per unit.

Housing associations will not deliver the required 15 per cent leverage on assets transferred within the required time frame of June 2010. Seven of the eight housing associations are arranging borrowings, but only three are using the transferred assets as security.

Recommendations

The Director of Housing should:

- revisit the leveraging rationale for transferring ownership of properties to housing associations
- base future financial co-contribution targets on rigorous analysis, including analysing the impact on future tenant profiles.

2.1 Introduction

The increase in supply and diversity of social housing owned by housing associations is intended to be achieved through:

- growth funding by the state with co-contributions by housing associations
- debt secured against property portfolios, including transferred assets.

Through these two strategies, the state provides housing associations with funding and assets valued at $455 million. In return, housing associations are expected to provide contributions valued at around $123 million and increase the stock of social housing by around 1 600 properties.

Figure 2A shows, if the strategies are fully implemented, that housing associations will end up as owners of new properties valued at $578 million, in addition to their existing stock of assets.

Figure 2A
Overview of impact of the two strategies to increase the supply of social housing

	2007–08 budget initiative	Asset transfer	Total
State contribution	$300m	$155m	$455m
HA contribution	$100m	$23.3m	$123.3m
Number of new properties	1 550	around 90	1 640

Source: Victorian Auditor-General's Office, based on information from the Department of Human Services.

While housing associations will receive rental income from all new assets, they will also pay for their operating costs, including rates, insurance and maintenance, and repay any mortgages used to finance the properties.

In this chapter we examine the extent to which the two strategies have increased the supply and diversity of social housing, and determine whether there has been any impact on the financial viability of the housing associations.

2.2 Conclusions

Progress to date indicates that the strategies implemented by the Department of Human Services (DHS) are successful in increasing the supply and diversity of social housing stock, with more than 700 new properties built under the two strategies since 1 July 2007. The growth targets are likely to be achieved. While the original time frames set for this growth will not be met, this is because activity has been diverted to take advantage of the funding available under the Commonwealth's Nation Building initiative.

The 25 per cent co-contribution financial targets for housing associations will be met, primarily through debt. Housing associations are using a variety of methods to provide the 15 per cent growth required as a condition of asset transfer from the state, but five have made no use of the assets transferred to them by the state to secure their debts.

2.3 Progress against growth targets

Housing associations are on track to deliver the expected number and value of new properties across both strategies. However, the properties will not be delivered within the original time frames proposed.

Data maintained by DHS is poor, due to different data definitions and reasons for collection. These deficiencies limit DHS's ability to report promptly and consistently on:

- overall increases in housing association stock
- growth attributed to the different funding sources.

2.3.1 Growth from the 2007–08 Budget initiative

Increasing supply

Overall, the program is now expected to add 1 733 properties at an average cost to the state of around $190 000 per property. But by 31 December 2009, only 697 properties had been added against the original target for 2007–08 to 2009–10 of 1 110. Progress against targets and forecast activity is detailed in Figure 2B.

Figure 2B
Progress against 2007–08 Budget initiative targets, 2007–08 to 2012–13

	Original target		Amended target [a]		Actual at 31 Dec 2009	
Year	Properties (no)	Cost to the state ($mil)	Properties (no)	Cost to the state ($mil)	Properties (no)	State expenditure ($mil)
2007–08	230	65	n/a	n/a	165	75.1
2008–09	380	70	n/a	n/a	396	56.8
2009–10	500	85	347	108.5	136	27.1
2010–11	440	80	450	79	n/a	n/a
2011–12	n/a	n/a	315	12	n/a	n/a
2012–13	n/a	n/a	60	4	n/a	n/a
Total	**1 550**	**300**	**1 733** [b]	**335.4** [c]	**697**	**159.0**

(a) Two projects costing $4.1 million will be completed by non-housing associations to deliver 18 properties under the 2007–08 Budget initiative.

(b) Total includes actual properties for 2007–08 to 2008–09, and amended targets for 2009–10 to 2012–13.

(c) Total includes actual expenditure for 2007–08 to 2008–09, and amended targets for 2009–10 to 2012–13.

Source: Victorian Auditor-General's Office.

The original growth targets were revised upwards because additional funding of $35.4 million was subsequently obtained:

- $10 million from the Department of Treasury and Finance in 2008–09 for an additional 50 properties
- $12.3 million from the Commonwealth for a specific supported housing project
- $4.5 million from the Commonwealth Disability Initiative
- $8.6 million from internal funds reprioritised by the Director of Housing (the Director).

However, the Commonwealth Government *Nation Building—Social Housing Initiative* (Nation Building), announced in February 2009, had a marked effect on timeliness of implementation of the 2007–08 Budget initiative.

The first stage of Commonwealth funding was for social housing projects already in the development pipeline that could be brought forward to commence in 2009 and be completed before 30 June 2010. Subsequently, several projects initially proposed under the 2007–08 Victorian Budget initiative were built using Commonwealth funds.

Housing associations were required to contribute 25 per cent towards total project costs to receive Nation Building funding. This is the same funding model used for funding allocation under the 2007–08 state Budget initiative, so projects were readily transferable from the state to the Commonwealth scheme.

While housing associations and the Housing and Community Building division (HCB) of DHS diverted activity to take advantage of the Nation Building funding, they have since reverted to undertaking projects under the 2007–08 State Budget initiative with all of this funding now allocated.

The state 2007–08 and Nation Building initiatives have promoted rapid growth in social housing stock. In addition to the 697 properties completed under the 2007–08 Budget initiative at 31 December 2009, HCB advised that housing associations completed 89 properties under the Nation Building initiative in the same period.

Increasing diversity

Almost 47 per cent of applicants on the public housing waiting list are singles. However, only 27 per cent of the Director-owned public housing stock are one bedroom dwellings.

The 2007–08 Budget initiative contained only one target related specifically to bedroom number—the delivery of 120 units for singles across specified locations.

Figure 2C shows the number of bedrooms for each property completed under the 2007–08 Budget funding, and the mix expected by HCB at completion of the program, based on projects that have been approved for funding.

Figure 2C
Types of properties built from 2007–08 Budget initiative

	at 31 December 2009		Forecast	
Bedrooms	**(no)**	**(%)**	**(no)**	**(%)**
1	454	65	988	57
2	169	24	624	36
3	65	10	104	6
4 or more	9	1	17	1
Total	**697**	**100**	**1 733**	**100**

Source: Victorian Auditor-General's Office, based on information from the Department of Human Services.

The data shows that appropriate diversity has been and will be achieved. There has been a focus on single bedroom properties to date, redressing the imbalance implied from the public housing waiting list and given the focus expressed in the Budget target.

Data limitations

While HCB has confirmed the accuracy of the data relating to outcomes under the 2007–08 Budget initiative at 31 December 2009, data on housing association stock is not readily available from DHS.

Data collected by the Registrar of Housing Agencies for the housing association sector does not allow appropriate monitoring of growth within this sector as data is collected only annually. In addition, considerable variations exist in data definitions and collection methods used within DHS to gather information from housing associations. This limits DHS' ability to report promptly, accurately and consistently on:

- overall increases in housing association stock
- growth attributed to the different funding sources.

2.3.2 Growth from the asset transfer

Based on the Director's valuation of the 575 properties transferred to housing associations in June 2008, and the requirement for 15 per cent leverage on these properties by 30 June 2010, the extra investment in social housing to be delivered by housing associations is around $23.3 million.

Progress to date indicates this growth target will be met by most housing associations, but not within the required time frame:

- two housing associations have partially delivered the target
- the Director has agreed with five housing associations on how they will achieve the target and these projects are in various stages of planning and delivery.
- one association has yet to negotiate a suitable proposal with the Director.

Figure 2D details the projects nominated by housing associations to satisfy the 15 per cent leveraging requirement.

Figure 2D
Nominated projects to achieve 15 per cent leverage at February 2010

Housing association	Description of project	Project finalised by 30 June 2010	Strategy in place to finalise project post-June 2010
Common Equity Housing Ltd	Proposal to be provided to board in May 2010	✗	✓
Community Housing (Vic) Ltd	Project partially completed—16 new properties, including four to be built post-June 2010	✗	✓
Loddon Mallee Housing Services Ltd	Proposed—4 new properties in Geelong, with specific location to be finalised	✗	✓
Melbourne Affordable Housing and Supported Housing Ltd *(a)*	Three projects (Shepparton, Dandenong, Pascoe Vale) consisting of 43 (net) new properties	✗	✓
Port Phillip Housing Association Ltd	The association is contributing 49 per cent of the total value of a major capital project, which will deliver over 400 new properties. This exceeds the usual 25 per cent contribution and the Director has accepted it as covering the 15 per cent leverage requirement	✗	✓
Rural Housing Network Ltd	Project partially completed—6 new properties built, with remaining 1x2 bedroom or 2x1 bedroom still to be completed	✗	✓
Yarra Community Housing Ltd	Requirement to provide 15 per cent leverage not resolved	✗	✗

(a) Melbourne Affordable Housing and Supported Housing Ltd have since merged their operations with, and trade as, Housing Choices Australia.

Source: Victorian Auditor-General's Office.

In addition, as part of the stock transfer on 30 June 2008, each housing association agreed to develop an asset plan by December 2008. This time frame was later extended until May 2009. Three housing associations are yet to finalise their asset plans.

2.4 Financial goals

Housing associations have to date been able to meet their obligations to partly fund the growth in social housing. This has been achieved primarily though borrowing. However, the expectation that they would use the properties transferred to them by the Director to strengthen their ability to leverage their portfolios, and therefore expand their borrowing capacity, has not been met. This situation means the leveraging rationale for the transfer of ownership was not realised.

2.4.1 Contributing 25 per cent of project costs

The 25 per cent target reflects historical contributions made by community housing agencies to such projects, which ranged from 20 to 33 per cent. However, no modelling or other analysis was undertaken by the Director to establish whether this level of required contribution was appropriate in terms of the ability of housing associations to source these funds, the impact on their financial viability, or the implication for tenant profiles, including identified support needs, income levels and household types.

The Director did not prescribe the source of funding for the housing associations' co-contribution to projects under the 2007–08 Budget initiative. Figure 2E summarises the contributions for capital projects completed under this initiative by 31 December 2009. It shows that across associations, borrowings are used to fund about 20 per cent of the 25 per cent contribution. The remainder is provided from cash reserves, land holdings and grants or bequests. Further details, including contribution sources, are provided in Appendix B.

Figure 2E
Source of housing association contributions for projects to 31 December 2009

Housing association [a]	Projects completed by 31 Dec 2009 (no)	Source of funds: Director (%)	Housing association (%): Debt	Cash	Other
Common Equity Housing Ltd	3	75	–	25	–
Community Housing (Vic) Ltd	2	74.5	21	4	0.5
Loddon Mallee Housing Services Ltd	3	80	8	12	–
Melbourne Affordable Housing [b]	2	49	18	2.5	8.5
Rural Housing Network Ltd	1	75	21	4	–
Supported Housing Ltd	3	74	20.5	1.5	4
Yarra Community Housing Ltd [b]	2	63	20	6	1

(a) Information is not provided for Port Phillip Housing Association Ltd as HCB advised that no projects completely funded under the 2007–08 Budget initiative had been finalised by this association by 31 December 2009.

(b) The remaining contributions (22 per cent for Melbourne Affordable Housing and 10 per cent for Yarra Community Housing Ltd) were from the Victorian Property Fund.

Source: Victorian Auditor-General's Office.

Figure 2E shows that six of the housing associations contributed 25 per cent or more of total costs for projects completed under the 2007–08 Budget initiative by 31 December 2009. However, Loddon Mallee Housing Services has contributed an average of 20 per cent of project costs across its three projects. The Director agreed to this level of contribution when the proposals were accepted.

HCB reviews how housing associations propose to contribute funding for 25 per cent of project costs under the 2007–08 Budget initiative, but does not confirm the actual funding sources. In addition, HCB has not confirmed that its contribution is actually 75 per cent of the final project cost for projects completed by housing associations

In data provided to VAGO, a number of housing associations indicated that some of their projects have come in under budget. Of the 16 projects detailed in Figure 2E, the actual cost of five of the projects was less than anticipated in the original project proposal. At the time of the audit, HCB had not verified project costs nor acted to recoup unspent funds in accordance with the funding deed.

2.4.2 Leveraging 15 per cent of the value of transferred stock

Housing associations were not required to pay for the Director-owned properties transferred to them in June 2008.

The underlying principle behind the transfer was to enable housing associations to build capacity by allowing more active use of their balance sheets. Specifically, housing associations would have the capacity to borrow against the transferred assets and therefore increase their borrowing capacity. It was expected that they would expand their portfolios by 15 per cent of the value of the transferred assets.

In setting this debt expectation the Director recognised, in written advice to the housing associations in May 2008, that they were already managing these properties and that they:

- previously had used surplus rental income to fund growth
- determine their level of borrowings on the basis of their cash flows, not the value of their assets.

In addition, correspondence to one of the housing associations noted that it would need to improve the physical amenity of some transferred properties where these did not meet minimum living standards for long-term housing.

However, as was the case for setting the 25 per cent co-contribution target, there was no evidence of modelling or analysis by the Director to establish the reasonableness of this debt target or the ability of the housing associations to meet it.

To date only two associations have used the transferred properties as security for borrowings, and one is proposing to use some of the properties. The remainder will use their newly constructed assets as security, or had existing loan facilities secured against other properties. Figure 2F details the actual or proposed borrowings by each housing association attributed to the 15 per cent target.

As the housing associations already received the rent on these properties, the transfer of assets did not increase their rental income and hence does not provide any greater capacity to service interest and capital repayments for borrowings. However, the transfer of ownership meant that housing associations became solely responsible for costs like rates, insurance and the maintenance of this stock. Previously, the housing associations paid the Director an annual fee for asset management and maintenance. After the transfer occurred, housing associations retained this fee, but DHS was not able to provide evidence that this was sufficient to cover ongoing costs of ownership.

Figure 2F
Source of housing association funds at May 2010

Housing association	Leverage required based on 15 per cent of value ($mil)	Intended or actual source	Transferred assets used as security
Common Equity Housing Ltd	4.34	Borrowings of $4 million using an existing loan facility secured by 762 properties, not including any of the transferred assets	✗
Community Housing (Vic) Ltd	2.66	Borrowings of $3.5 million using a loan facility secured by existing properties and the transferred assets	✓
Loddon Mallee Housing Services Ltd	0.96	Borrowings of $1 million under a new loan facility currently being negotiated. It is expected that some of the transferred properties will be included as security	Part
Melbourne Affordable Housing and	0.93	Borrowings of $9 million using transferred assets as security, with sale of stock valued at $1.8 million	✗
Supported Housing Ltd [(a)]	6.26		✓
Port Phillip Housing Association Ltd [(b)]	0.05	Borrowings of $70 million, currently being negotiated. No plan to use the transferred assets as security as properties completed under the project will be used as security	✗
Rural Housing Network Ltd	1.00	Cash reserves and borrowings of $900 000, using the six properties completed under the project as security	✗
Yarra Community Housing Ltd	7.05	Not yet determined	
Total	**$23.25**		

(a) SHL has used 172 of the 177 properties transferred from the Director to secure their loan facility.

(b) While the assets transferred were valued at $12.6 million, a number of these properties were 'joint ventures' and therefore not owned by the Director. PPHA's actual leveraging requirement was only $46 000.

Source: Victorian Auditor-General's Office, based on information from housing associations.

While housing associations were managing the majority of the properties prior to them being transferred, and were therefore aware of their condition, many of the properties transferred were in a poor state of repair. This was also recognised in the advice from the Director, but no modelling had been done to determine the cost of necessary refurbishment. This had significant cost implications where stock transferred was in poor condition, as set out in the case studies in Figure 2G.

Figure 2G
Case studies outlining property refurbishments funded by the Commonwealth Government's Nation Building Initiative

Yarra Community Housing
YCH received 55 properties, valued at $47 million, including a number of rooming houses providing accommodation for nearly 500 people. YCH advised that at the time of transfer the rooming houses provided a low level of amenity and were generally in a state of poor repair.
In February 2009, YCH received $17.5 million from the Commonwealth Government's Nation Building initiative to refurbish properties within the rooming house program, including around $16 million for properties that they were transferred from the Director. At a cost of $10.5 million, YCH converted seven of the poorest quality rooming houses to small, self-contained apartments. The remaining funds were used to completely refurbish another 16 rooming houses and 24 one-bedroom units.
The refurbishments made using the Nation Building funding equate to 12 per cent of the value of the properties transferred from the Director.
Rural Housing Network Limited
As a result of the transfer, RHNL received 56 properties within the Hume region, valued at $6.7 million.
RHNL advised that many of the properties were not in good condition at the time of transfer and required upgrades to bring them to community standard. RHNL received $284 000 from the Commonwealth Government's Nation Building initiative to carry out maintenance on the transferred properties. This equates to 4 per cent of their value at the time of transfer.

Source: Victorian Auditor-General's Office.

To upgrade the amenity of a number of properties, including many of the transferred properties, housing associations received a total of $20 million from Nation Building.

This funding meant that housing associations did not have to invest as much from their own cash reserves into the transferred assets to bring them to community standards. This outcome would have been different without the Nation Building funding, which was not foreseen at the time of the asset transfer.

Any future transfers of ownership of properties should explicitly address the impact of transfer of these ownership costs, and the source of funds that will be used to meet them.

Recommendation

1. The Director of Housing should:
   - revisit the leveraging rationale for transferring ownership of properties to housing associations
   - base future financial co-contribution targets on rigorous analysis, including analysing the impact on future tenant profiles.

3 Achieving social goals

At a glance

Background

As well as increasing the supply of affordable housing, housing associations have important social objectives. Tenant needs should be met and a proportion of new properties should be offered to those on the public housing waiting list.

Conclusion

Housing associations are achieving social outcomes relating to tenancy security, client service and participation. While targets for access to social housing from the public housing waiting list are being achieved, it is not clear that these allocations are being made equitably. The Director of Housing's framework regarding rent that housing associations can charge does not provide for ongoing affordability for tenants.

Findings

Overall, tenants report high satisfaction levels with housing services provided by housing associations.

Income eligibility limits for housing association applicants are broader than for public housing, meaning that those on higher incomes can be accepted as tenants.

Applicants from the public housing waiting list filled 46 per cent of new vacancies in housing association properties—17 per cent referred by the Department of Human Services (DHS) and 29 per cent self-referred. This combined result meets the target of 'up to' 50 per cent detailed in the DHS referral protocol. However, there are no mechanisms to provide for equitable access for those on the public housing waiting list.

Tenants with incomes in the lower half of the income eligibility range pay no more than 30 per cent of gross income when they first move in, but there is no maximum that can be charged after commencement.

Recommendations

The Director of Housing should:

- reassess the appropriateness of the target that requires 'up to' 50 per cent of new housing association tenants to be public housing applicants
- amend the protocol for referring public housing applicants to housing associations so that all public housing applicants are treated equitably
- extend the rent affordability guidelines to provide protection for tenants in the upper half of the income eligibility range, and for all tenants for the duration of their tenancies.

3.1 Introduction

In addition to growing social housing stock, a number of expectations relating to social outcomes, including the need to fill half of new vacancies from the public housing waiting list, were established.

The eligibility, targeting and rent affordability framework first issued by the Director of Housing (the Director) in October 2006, and most recently updated in March 2009, specifies the Director's expectations regarding income and asset eligibility limits, targeting and rent affordability outcomes for housing association properties funded by the Director.

This chapter uses the Registrar of Housing Agencies' (the Registrar) tenancy management performance standard structure to report on the achievement of expected social outcomes:

- allocations and accessibility
- rent affordability
- tenancy security
- client service
- client participation.

3.2 Conclusions

Social outcomes relating to tenancy security, client service and participation are being achieved. Overall housing association tenants report high levels of satisfaction with their housing services and the level of complaints is low. The proportion of tenancies maintained for the full 12 month reporting period is high and increasing.

While targets for access to social housing from the public housing waiting list are being achieved, it is not clear that this is being done equitably. The 50 per cent target for filling housing association vacancies with applicants from the public housing waiting list has been modified to 'up to' 50 per cent, and only 17 per cent of new vacancies were filled by referred applicants. While a further 29 per cent of vacancies were filled by public housing applicants who referred themselves to the associations, this defeats the equity principle inherent in making allocations from the waiting list.

The rent affordability framework gives limited protection in rent affordability for tenants with incomes in the lower half of the income eligibility range and no protection for tenants in the upper half.

3.3 Allocations and accessibility

Income eligibility

Income eligibility limits for housing association applicants are broader than for public housing, allowing housing associations to accommodate a wider social mix of tenants and generate higher revenues to support further growth in affordable housing.

The difference in income limits for public housing and housing associations for selected household types is illustrated in Figure 3A, with further examples in Appendix C.

Figure 3A
Examples of income eligibility limits (gross income per week)

Household type	Public housing *(a)*	Housing association *(b)*
Single person	$450	$789
Couple, no dependants	$749	$1 317

(a) Income limits for public housing applicants are at 30 March 2009 to allow direct comparison with housing association income limits.

(b) Net rent (rent charged minus Commonwealth Rent Assistance—CRA) should not exceed 30 per cent of total gross household income (net of CRA) for households in the lower half of the income eligibility range.

Source: Victorian Auditor-General's Office.

The asset growth strategy and associated financial targets for housing associations provide the incentive to take tenants with higher incomes, to increase rental income. As Appendix C shows, many of these would be ineligible to register on the public housing waiting list.

A direct comparison of the household income levels for housing association tenants and public housing tenants was not possible, as the Department of Human Services (DHS) does not use consistent categories in the two data collections. In addition, housing associations are not required to report income data to the Registrar for each property. Therefore, data reflecting the income profile of tenants in properties built under the 2007–08 Budget initiative were not available.

Three of the eight housing associations traditionally housed target groups such as singles or people with disabilities. Since registration, they have expanded their client group, which has improved their rental income. While this may be advantageous for social mix, these housing associations have noted the tension between improving their financial performance and servicing their traditional, core constituency.

Referral from the public housing waiting list

The housing association model was predicated on a target of 50 per cent of new vacancies being filled by households from the public housing waiting list. Current waiting times on this list are up to seven years.

The 50 per cent target was set in the eligibility, targeting and rent affordability framework issued by the Director in December 2007. Housing and Community Building division (HCB) of DHS was not able to provide a rationale or financial modelling to support how the 50 per cent target was originally set.

By August 2008 all eight housing associations had signed a protocol with the Director for referring public housing applicants. However, the protocol describes the commitment to fill new vacancies with applicants from the public housing waiting list as ‘up to’ 50 per cent. This relaxes the target of 50 per cent set out in the framework.

In 2008–09, housing associations reported a total of 288 vacancies. To achieve the 50 per cent target, housing associations would have had to fill 144 vacancies from the public housing waiting list. HCB referred 243 applicants from the public housing waiting list, but only 48 of these referred applicants, 17 per cent of vacancies, were housed under the protocol.

In addition to the 48 public housing applicants housed on referral, housing associations accommodated a further 85 applicants, or 29 per cent of vacancies, who had self-referred from the public housing waiting list. These applicants may not have been waiting as long as those referred under the protocol. However, HCB does not have data relating to the self-referred applicants, so their waiting times could not be established. Taking self-referrals into account, 46 per cent of vacancies were filled from the public housing waiting list.

Further, 94 applicants not on the public housing waiting list but who were eligible for public housing, or 33 per cent of vacancies, were accommodated in housing associations’ new vacancies. This means that overall, 79 per cent of new vacancies were filled with public housing eligible households.

While the combined result can be viewed as a measure of success, a number of access and equity concerns remain that this result masks:

- in June 2009 HCB analysed the reasons for the low take up rate of referred applicants and identified that some housing associations were setting income requirements that were too high for clients on the public housing waiting list
- all of the applicants referred to housing associations in 2008–09 by HCB were from the top of the ‘wait turn’ segment of the waiting list—that is, those without the pronounced disadvantage or special needs profile that characterises segments of the waiting list classified as those with greatest need. As the protocol does not set proportions for each segment of the public housing waiting list that housing associations must accommodate, there is no assurance that certain applicants are not disadvantaged.
- by accommodating self-referred applicants from the public housing waiting list, housing associations create an incentive for applicants to enter the public housing waiting list as a means of securing housing association tenancy.

3.4 Rent affordability

Housing associations have greater flexibility in determining rent than public housing. The Director's eligibility, targeting and rent affordability framework requires housing associations to set affordable rents that also maintain the association's financial viability.

The framework requires that tenants with incomes in the lower half of the income eligibility range pay no more than 30 per cent of gross household income when they first move in. However, the framework is not prescriptive on rent charged to these tenants after commencement of tenancy. Nor does the framework provide an upper proportion of income that can be charged as rent for tenants in the upper half of the income range. A level of protection is provided to these tenants, as the Registrar is required to monitor the extent to which rent charged is below 75 per cent of market rent and exceeds 25 per cent and 30 per cent of tenant income. However this reporting does not provide the protection that additional rent guidelines would deliver.

Current reporting to the Registrar indicates that no households covered under the framework were spending more than 30 per cent of their income on rent. However, three associations reported charging some of their tenants more than 75 per cent of market rent, affecting 7 per cent of tenancies.

While these rent levels may have applied to tenants in the upper half of the income range, the Registrar had no data on individual tenants' income and rent levels. However, as housing associations are required to charge less than 75 per cent of market rent in order to receive tax benefits, it is important that all rents are contained within this limit.

3.5 Tenancy security

HCB promoted one of the benefits of housing delivered by housing associations as the opportunity for associations to establish links to support services which assist tenants. Often tenants have special needs and may require case management from a specialist agency.

The tenant profile of the housing association determines the number and type of agreements they have with support agencies.

The main aim of such agreements is to assist tenants to sustain their tenancies and help tenants meet their obligations under the tenancy agreement. Agreements clearly articulate the responsibilities of the housing association and the support agency to meet this aim.

From 2007–08 to 2008–09 across all housing associations:

- tenancies maintained in long-term housing, excluding rooming houses, rose from 71 to 78 per cent
- the average rate of evictions rose, but not significantly, from 5.6 to 6.0 per cent.

This data and the agreements with support agencies indicate that housing associations function effectively to sustain tenancies.

3.6 Client service

Housing associations are required to have policies and procedures to describe how they manage tenants, and evidence to demonstrate that their processes and systems are meeting the established goals.

The tenancy management policies of the housing associations should, if applied, adequately protect tenant rights and meet tenant needs.

Complaints management

An effective complaints system is one of the main ways the Registrar is assured that tenants are satisfied with housing associations and their rights are protected.

Under the *Housing Act 1983*, housing associations must:

- establish a complaints procedure
- maintain a register of complaints
- take all reasonable steps to resolve a complaint within 30 days
- cooperate with an investigation into a complaint
- comply with a Registrar direction to remedy a complaint or reduce likelihood of future complaints.

In 2007–08, there were only 188 complaints from over 6 000 tenantable properties raised directly with the housing associations, with large variations across the eight associations ranging from two to seventy complaints.

Tenant satisfaction surveys

The Registrar requires housing associations to survey tenant satisfaction every two years to report on tenant satisfaction with:

- housing services
- maintenance
- their views being considered (measure introduced in 2008–09).

Data reported by the Registrar states that tenant satisfaction with both housing services and maintenance was stable from 2007–08 to 2008–09 at around 86 per cent across all housing associations.

Figure 3B summarises recent housing association tenant satisfaction surveys for a sample of housing associations. It shows the different approaches taken by housing associations.

Figure 3B
Summary of a sample of tenant satisfaction surveys

Housing association	Frequency of survey	Questions to address satisfaction measures
Common Equity Housing Ltd	Biennial	Yes—all three
Loddon Mallee Housing Services	Annual	No
Rural Housing Network Ltd	Approximately annual	Yes—two aspects (views considered and maintenance)
Supported Housing Ltd	Approximately biennial	Yes—two aspects (housing services and maintenance)
Yarra Community Housing	Biennial	No—last 'survey' consisted of focus groups

Source: Victorian Auditor-General's Office, based on information from the Department of Human Services and housing associations.

The tenant satisfaction results reported by the Registrar are consistent with the results of the 2007 National Social Housing Survey. This survey found that 82 per cent of community housing tenants, which includes tenants from housing associations, reported they were satisfied or very satisfied with the services provided by their community housing organisation; compared with 71 per cent of public housing tenants.

Figure 3C illustrates some of the reasons offered by tenants for their high satisfaction levels. These examples were obtained from three housing associations, and were not received directly from tenants.

Figure 3C
Illustrative examples of positive tenant outcomes

Response from tenant, customer feedback survey 2009

The feeling of stability is wonderful! I feel like this is my home, which I've never had before. I love doing my own garden (and) the fact that I have safe and friendly neighbours!! This place has been a new beginning for me.

Feedback to association, Annual Report 2008–09

I find it difficult to put into words the joy on receiving a call from the association informing me that I had obtained long term housing. In fact, I had few words only lots of tears of excitement and relief that now we have a comfortable place to call home. I wish to thank all concerned for our lovely unit. As I am a carer, this home gives us piece of mind and stability.

An open letter to association, Annual Report 2009

This letter is to let you know how much we appreciate what [you] have done for the tenants involved in the refurbishment of some rooming houses. We thank you for finding us somewhere nice to move to during the building works. We thank you for the Met tickets to help us get around. We thank you for coming over every Wednesday and buying us lunch. We thank you for the money to do our laundry and lastly we thank you for addressing our concerns during the moving process. This letter is written by one man, but the sentiment is shared by all your tenants. So, thank you very much, for everything.

Source: Victorian Auditor-General's Office, based on information from housing associations.

3.7 Client participation

In addition to tenants undertaking biennial tenant satisfaction surveys, housing associations are required to have appropriate participation processes for all tenants.

Figure 3D provides a description of tenant participation processes for a sample of housing associations. It shows the different approaches taken by housing associations to consult with tenants and identify tenant needs.

Figure 3D
Summary of a sample of tenant participation mechanisms

Housing association	Tenant participation on the board	Tenant meetings
Common Equity Housing Ltd	Five tenants on 11-member board and five tenants in policy advisory committee (board subcommittee)	Regular meetings
Loddon Mallee Housing Services	Nine tenants in tenant reference group (board subcommittee)	No
Rural Housing Network Ltd	No	No
Supported Housing Ltd	Proposal for two tenants to join board or board subcommittee	Strategy approved by board, meetings to be implemented
Yarra Community Housing	Two tenants on 12-member board	Regular meetings and biannual tenant forums

Source: Victorian Auditor-General's Office, based on information from the Department of Human Services and housing associations.

Only one housing association reviewed, Rural Housing Network Ltd, did not use either of these participation mechanisms. Although housing associations use differing mechanisms, generally there are opportunities for tenants to have their views heard.

Recommendation

2. The Director of Housing should:
   - reassess the appropriateness of the target that requires 'up to' 50 per cent of new housing association tenants to be public housing applicants
   - amend the protocol for referring public housing applicants to housing associations so that all public housing applicants are treated equitably
   - extend the rent affordability guidelines to provide protection for tenants in the upper half of the income eligibility range, and for all tenants for the duration of their tenancies.

4 Achieving regulatory goals

At a glance

Background

Amendments to the *Housing Act 1983* in 2005 enabled the registration and regulation of housing associations with oversight by the Registrar of Housing Agencies (the Registrar). The Registrar's role is to provide assurance that housing associations are providing services to the required standards. The Registrar's administrative unit is located within Housing and Community Building division of the Department of Human Services (DHS).

Conclusions

The organisational structure compromises the autonomy of the Registrar as the regulator of social housing.

The Registrar should undertake additional monitoring and verification to assure that housing associations are delivering the outcomes required and to meet the responsibilities as regulator.

Findings

The current Registrar fills dual roles, serving in a housing policy role as well as regulator. The Registrar's administrative arm is not organisationally independent from the Director of Housing, the funding body.

The regulation model relies on self reporting by housing associations. The Registrar should strengthen its oversight by undertaking focused monitoring and verification.

Recommendations

The Department of Human Services should revise the governance structure as a priority to strengthen the autonomy of the Registrar of Housing Agencies.

The Registrar of Housing Agencies should:

- strengthen oversight through focused monitoring and inspections, particularly of associations that have failed to provide information or take corrective action when requested
- standardise the information required to be submitted by housing associations as part of their annual self assessments
- undertake a records audit to identify the information that has not been submitted by housing associations and obtain this missing data.

4.1 Introduction

The Registrar of Housing Agencies (the Registrar) was established in 2005 to regulate housing agencies, with the housing registrar unit within the Department of Human Services (DHS) created as the administrative arm.

The four key objectives behind regulation are:

- ensure that all housing agencies are viable, well governed and properly managed
- protect and ensure accountable use of government assets managed by the affordable housing sector
- build confidence in the public and private sector to invest in and grow affordable housing
- ensure quality and continuous improvement in service delivery and outcomes for tenants.

To achieve these objectives, the Registrar registers and monitors compliance of housing associations against Performance Standards and other legislative requirements.

In this part, we examine the effectiveness of the Registrar's activities in meeting the regulatory objectives.

4.2 Conclusions

The Registrar, the regulator of social housing, is not autonomous of social housing funding and policy functions.

Improvements are required to the Registrar's monitoring and compliance activities. The Registrar should gain greater assurance through inspection to verify self-reported data and more effectively apply the risk-based oversight principles to provide the necessary assurance that regulatory objectives are being achieved.

4.3 Regulatory autonomy

The notion of regulatory independence encompasses the separation of regulatory functions from policy and funding decisions. In practical terms this also includes the regulator having the ability to control their resources.

The need to consider autonomy was raised before the Registrar was first appointed under the *Housing Act 1983*. In January 2005, DHS noted advice by the Departments of Treasury and Finance and Premier and Cabinet. Both expressed a strong preference for the regulator to be separate from the Director of Housing (the Director) to avoid any perceived or actual conflicts of interest.

The Registrar reports directly to the Minister and this provides a degree of autonomy. However the Registrar also holds an executive position within Housing and Community Building division (HCB) of DHS reporting to the Director, and in this role has responsibility for housing policy.

Further the Registrar's administrative support unit, the housing registrar unit, is also part of HCB division, which reports to the Director. The rationale advanced for this arrangement was efficiency, effectiveness and ease of reporting. However, this arrangement means that the Registrar does not have direct control over their resources. In addition, the Registrar has delegated responsibility for all day-to-day operational aspects of the Registrar's functions to the head of the administrative support unit.

Housing associations question the extent of separation between the funding, policy and regulatory functions because:

- of senior staff movements between the Registrar's unit and HCB
- meetings with departmental representatives routinely involve staff both from the Registrar's unit and staff from HCB.

The Registrar has committed to a code of practice that includes:

- maintaining the confidentiality of any commercial-in-confidence information
- being impartial and objective in evaluating registered housing agencies
- being honest and fair in reporting findings.

The current organisational arrangements make it difficult for the Registrar to demonstrate to registered agencies that adherence to this code will not be adversely influenced by the apparent lack of independence.

DHS advised that its intention has always been to support separation of the Registrar when the sector was more mature. In addition, it supports a national regulatory system and any changes to the organisational structure will be reviewed in this light.

4.4 Regulatory oversight

4.4.1 System design

Seven performance standards are established under regulation covering: governance, management, probity, financial viability, tenancy management, housing management and maintenance, and risk management. For each standard, indicators and guidance statements have been issued by the regulator.

The regulator has appropriately adopted principles of risk-based regulation, whereby differing levels of regulation are applied depending on the assessed risk of an agency and potential risk impacts.

Each housing association is assessed against the performance standards prior to registration and at annual regulatory reviews. The annual reviews are based on self assessment by the associations and 'desk-top' auditing by the regulator. Appendix D provides a list of material self reported by housing associations.

The self assessments are supplemented with feedback sought from tenants, service providers and relevant business units in HCB and DHS, asking for observations about agency compliance and performance against the performance standards. In addition, housing associations are required to provide audited financial statements and accounts each year.

The Registrar prepares an annual regulatory review report for each association based on this analysis during the period September to March. The report details:

- compliance with performance standards
- compliance with other legislative requirements
- performance and continuous improvement.

From this the Registrar then compiles a regulatory plan for each association detailing any compliance or performance issues arising from the annual review. The plan forms the basis for the next year's review.

4.4.2 The system in practice

The Registrar's stated model of engagement is that it is informed by risk and is proportionate in its approach.

The Registrar has gone beyond self reporting and self assessment for aspects of housing associations performance identified as material, and obtained greater assurance through direct checking. However, in general the Registrar undertakes only limited direct monitoring or other independent verification of the data reported by housing associations.

The Registrar has raised the same issue with several associations for the past two years in their annual regulatory reports and regulatory plans:

- four housing associations were to provide updated policies and procedures
- three housing associations were to update asset and business details within 14 days as required under legislation.

The Registrar advised it assessed these matters as low risk, however their repetition and the lack of follow through to determine that housing associations take the necessary corrective action, raises concerns about the efficacy of the review and reporting process.

Demonstrating compliance with performance standards

The Registrar considers a range of information submitted annually by housing associations to determine their compliance with performance standards. In addition to the reporting required under legislation detailed in Appendix D, the Registrar has specified that housing associations must submit:

- data on results against key performance measures
- self assessment of achievements against objectives and targets in past financial year's annual business plan
- current annual business plan
- summary of complaints managed for past financial year.

Each performance standard has 'indicators' to demonstrate its application. Some of the indicators are prescriptive, while others provide a more generic description of the performance expected.

Whereas there are 70 indicators across the seven performance standards, in their annual self assessment of performance against performance standards report to the Registrar, associations are required to report two or more items to demonstrate their compliance with each performance standard. The Registrar does not recommend the type of evidence required to substantiate their reporting, or specify the indicators that it must relate to.

The Registrar has established an electronic record for housing associations to submit documentation supporting their self assessments. Notwithstanding the range of documentation that the Registrar reviewed during registration, the majority of required documents are absent. This limits the Registrar's ability to comprehensively assess an association's ongoing compliance with performance standards, or to confirm their self assessments.

Figure 4A details other issues with monitoring and compliance that were identified when examining housing association progress against the growth targets and matters relating to tenant outcomes.

Figure 4A
Monitoring and compliance issues

Section reference	Description
3.3	Housing associations are required to comply with income and asset eligibility limits for tenants. However, the Registrar could not demonstrate that it verifies housing associations' compliance with this requirement.
3.4	The performance standards state that 'the Registrar will monitor the extent to which rent charged is below 75 per cent of market rent and exceeds 25 per cent and 30 per cent of tenant income'. The Registrar receives annual aggregate data from each housing association on rent affordability and market rents. However, in 2008–09: • only seven of the eight housing associations submitted market rent data • only five of the eight housing associations submitted rent affordability data.
3.6	Housing associations are required to have a range of policies and procedures in place to demonstrate they are protecting tenant rights and meeting tenancy needs. The Registrar does not undertake periodic reviews of these policies, but relies on key performance measures and complaints data to provide evidence that the policies are effective.
3.6	A robust complaints system is important as there is no peak body that exclusively represents tenants of housing associations. However, currently the Registrar: • has not described the minimum standard required for the format of housing association complaints registers and does not review their content periodically • does not review the effectiveness of association complaints policies and procedures • has not systematically analysed complaints.
3.6	Housing associations undertake tenant satisfaction surveys at least every two years, as required by the Registrar. However, the surveys are not standardised. Comparisons over time and between housing associations are therefore not reliable. The validity of individual surveys is unknown as the method may not be reliable.
4.4.2	The Registrar introduced a requirement for associations to report against key performance measures in 2006–07. However, currently: • the key performance measures do not cover all seven of the performance standards, and provide only limited coverage of the indicators within the performance standards • housing associations report data against the measures annually but the Registrar does not require it to be independently validated • the Registrar has not set benchmarks for the measures. The reporting regime lacks transparency as housing associations are not aware what their performance is being assessed against.

Source: Victorian Auditor-General's Office.

The gaps in data submitted and the lack of follow up by the Registrar to address reported deficiencies indicates that the Registrar needs to improve its risk-based approach.

Recommendations

3. The Department of Human Services should revise the governance structure as a priority to strengthen the autonomy of the Registrar of Housing Agencies.

4. The Registrar of Housing Agencies should:
   - strengthen oversight through focused monitoring and inspections, particularly of associations that have failed to provide information or take corrective action when requested
   - standardise the information required to be submitted by housing associations as part of their annual self assessments
   - undertake a records audit to identify the information that has not been submitted by housing associations and obtain this missing data.

Appendix A.

Performance standards and measures

The following seven standards are taken from the Housing Registrar's *Performance Standards for Registered Housing Agencies.*

Performance standard 1: Governance of the agency

The agency must be governed effectively at all times.

Indicators:

1. The agency's core purpose, mission and values are aligned with the provision of affordable housing and the agency acts at all times in accordance with its core purpose.
2. The agency has policies to secure a sufficient number of appropriately qualified or experienced persons, with reference to the nature, size and complexity of the agency's operations, to participate as members of the governing body and ensure that vacancies are filled in a timely manner.
3. The roles and responsibilities of members of the governing body are communicated to each member in writing on their appointment and on any re-appointment.
4. The agency employs strategies to identify, manage and mitigate potential conflicts of personal interest and conflicts of agency interest and ensures that decisions are taken in the best interests of the agency.
5. The governing body meets regularly and provides effective oversight of the operations of the agency and the actions of management.
6. Where appropriate, the governing body obtains specialist advice to assist it in decision-making, and an appropriate allocation is included in its business plan for this purpose.
7. The agency conducts its business in a manner that does not compromise the reputation of the community housing sector within the wider community.
8. The agency has consideration of the National Community Housing Standards Signposts of Good Practice in regard to governance and governing bodies:
    - Standard 5.1: Establishing and Maintaining Governing Bodies
    - Standard 5.2: Good Governance.

Key performance measures

- **Regular board meetings**—Meetings convened by the board in quorum in the past 12 months as a percentage of scheduled board meetings for the year.
- **Active board members**—Board members in attendance at board meetings held in the past 12 months as a percentage of total board positions.
- **Date of board approval of budget and date of board approval of business plan**—Date(s) on which the budget and annual business plan (for the following year) were signed off by the board.

Performance standard 2: Management of the agency

The agency must be managed effectively to achieve the outcomes of its business plan in a timely manner and within a continuous improvement framework.

Indicators:

Organisational structure

1. The agency has an appropriate organisational structure.
2. Staff of the agency are selected on the basis of skills and experience required to effectively carry out the functions of the agency, and in compliance with principles of merit and equity.
3. The agency has policies with respect to staff development and training and regularly reviews the staffing of the agency to ensure that the operational needs of the agency can be met.
4. Remuneration of staff is commensurate with skills and experience and the scale and complexity of the agency's operations and the relationship between agency performance, individual performance and remuneration is clearly and appropriately defined.
5. The agency has consideration of the National Community Housing Standards Signposts of Good Practice in regard to organisational management:
   - Standard 5.3: Effective Management
   - Standard 7.1: Recruiting, Selecting and Appointing Staff
   - Standard 7.2: Supervision, Training and Development of Staff.

Business systems and processes

1. The agency has effective financial systems in place that meet Australian accounting standards and that enable a true and fair view of the agency's financial condition and operational results to be ascertained at any time.
2. The agency has effective administrative systems in place to support the functions of management.
3. The agency has privacy policies that comply with the Information Privacy Principles contained in the *Information Privacy Act 2000* and has strategies to ensure that tenants' privacy is maintained with respect to disclosure within the agency and to third parties.

4. Where any aspect of the management of the agency's business or functions is outsourced, the agency ensures that the entity to which the business or functions are outsourced complies with these Performance Standards and with the agency's policies to the extent they apply to the business or functions outsourced.
5. The agency complies with all laws regulating any aspect of its business or operations.
6. The agency has consideration of the National Community Housing Standards Signposts of Good Practice in regard to business systems and compliance with workplace requirements:
   - Standard 6.4: Office Environment
   - Standard 7.3: Employment Systems
   - Standard 7.4: Occupational Health and Safety.

Business planning

1. The agency has a business plan that identifies key aspects of its business operations and business development, including but not limited to:
   - the strategic objectives of the agency and its strategies to achieve those objectives
   - its strategies to ensure it delivers quality services
   - its strategies to optimise rent collection and recovery
   - its processes to ensure its activities are financially sustainable
   - its risk management plan, including a framework for identifying key business risks and mechanisms for managing and mitigating those risks
   - its plan for continuous improvement of its functions and services
   - its strategies to sustain, expand and develop its housing portfolio including leverage on its portfolio through such avenues as private investment, philanthropic agencies, and local government participation; and
   - its strategies to secure additional funds and the sources of those funds.
2. The agency demonstrates how it will achieve outcomes described in its business plan.
3. The business plan is reviewed as required by the Registrar.
4. The agency has consideration of the National Community Housing Standards Signposts of Good Practice in regard to performance planning and management for agencies:
   - Standard 5.4: Planning and Development
   - Standard 5.5: Organisational Review.

Reporting

1. The agency meets mandatory verifiable measures of performance as agreed with the Registrar.
2. Reports required to be produced to the Registrar or to the relevant regulatory body are provided when due and represent an accurate and balanced account of the matters reported.

Key performance measures

- **Staff turnover**—Staff who left for reasons other than contract term ending during the financial year as a percentage of total staff employed during the year.
- **Senior staff turnover**—Senior staff who left for reasons other than contract term ending during the financial year as a percentage of total senior staff employed during the year.

Performance standard 3: Probity

Decisions relating to the business and functions of the agency must be made ethically, and conform to the agency's code of conduct.

Indicators:

1. The agency has established or adopted a code of conduct which includes such matters as:
   - managing conflicts of personal interest or conflicts of agency interest in decision-making
   - preventing exploitation of knowledge or information about the affairs of the agency for personal financial gain
   - maintaining transparency and accountability in all decision-making by the agency
   - observing the confidentiality of the agency's business transactions and the privacy of individuals dealing with the agency
   - dealing fairly with stakeholders
   - protecting the agency's assets.

Performance standard 4: Financial viability

The agency must remain financially viable and solvent to the satisfaction of the Registrar at all times.

Indicators:

1. On registration, the agency demonstrates its financial viability and documents within its business plan strategies for maintaining ongoing viability.
2. Within its business plan, the agency identifies matters that impact on the viability of the agency.
3. The agency has policies and strategies to minimise prolonged vacancies in housing stock and loss of rental income.

4. The agency identifies the Australian accounting standards with which it will comply.
5. Financial records certified by the CEO or finance officer as representing a true and fair view of the agency's financial condition and operational results are reviewed by the governing body not less than quarterly and are independently audited not less than annually.
6. The agency submits financial and other reports relevant to its ongoing viability and business operations in the form and reporting timeframe determined by the Registrar.
7. The agency has consideration of the National Community Housing Standards Signposts of Good Practice in regard to management systems to support an agency in delivering its service provision:
   - Standard 6.1: Financial Systems
   - Standard 6.2: Administrative Systems
   - Standard 6.3: Management Information Systems.

Performance standard 5: Tenancy management

The agency must provide effective tenancy management.

Indicators:

Allocations and accessibility

The agency must allocate rental housing stock using processes that are fair and transparent.

1. The agency has developed policies about fair and equitable access and allocation of housing and strategies responsive to local needs to implement its policies.
2. Allocation of stock occurs in conformity with the agency's policies and the eligibility criteria.
3. The process of housing allocation is open to scrutiny and review.
4. The agency has consideration of the National Community Housing Standards Signposts of Good Practice in regard to allocation of housing:
   - Standard 1.1: Allocation of Housing.
5. The agency's access and allocations policy is sensitive to clients with complex needs and low incomes and, to the extent permitted by other performance standards, ensures allocation of tenancies to this client group.
6. The agency has developed, documented and readily available information on its eligibility criteria.

Affordability of rents

The agency must offer properties for occupation at affordable rents.

1. The agency has policies and strategies to deliver housing services at affordable rents to low-income tenants. The Registrar will monitor the extent to which rent charged is below 75 per cent of market rent and exceeds 25 per cent and 30 per cent of tenant income.
2. Policies developed by the agency under the preceding paragraph detail the method of assessing affordability, the treatment of Commonwealth Rent Assistance in the assessment and the treatment of additional service charges if applicable.
3. The agency regularly reviews its rent modelling and the impact of its rent policies on its tenant population and on its financial viability. Where appropriate, adjustments to rent policies are made.
4. The agency has policies and strategies to deal with tenants in financial difficulties and with arrears of rent.
5. The agency has polices and strategies to ensure that service and other charges do not exceed fair market or actual charges.

Security

The agency aims to sustain tenancies.

1. The agency has policies and procedures which strive to sustain tenancies.
2. Enforced transfers are minimised and eviction is treated as a mechanism of last resort.

Client service

The agency demonstrates a strong commitment to serving and valuing its clients.

1. The agency provides safe, secure and affordable housing, managed in accordance with requirements of the *Residential Tenancies Act 2001* (RTA).
2. The agency has identified the tenant profile to which housing services will be provided.
3. The agency has policies and strategies to deliver housing services in a fair and equitable manner to its tenants.
4. The agency has identified the standards of performance it will achieve in tenancy management.
5. The agency has, and regularly maintains, written information on all its policies in a way that is readily accessible to tenants and potential tenants.
6. The dispute resolution procedure the agency has established under Section 97 of the Act is easily accessible by tenants and prospective tenants and provides for prompt and effective resolution of complaints.
7. The agency accepts and deals appropriately with client advocates.

8. The agency has consideration of the National Community Housing Standards Signposts of Good Practice in regard to tenancy management:
   - Standard 1.2: Establishing and Maintaining Tenancies
   - Standard 1.3: Changing Needs of Tenants
   - Standard 1.4: Ending Tenancies
   - Standard 3.1: Tenant Rights
   - Standard 3.4: Access to Services of the Organisation
   - Standard 3.6: Complaints and Appeals.

Client participation

The agency has appropriate participation processes for all tenants.

1. The agency has operational policies and practices that are responsive to the needs of the local community and are based on an inclusive approach to tenant participation.
2. The agency assists and allows clients to make informed choices about their housing.
3. The agency actively consults with tenants on issues that affect their housing, including development and monitoring of its policies on tenancy management, access, allocation of housing and asset management.
4. The agency has consideration of the National Community Housing Standards Signposts of Good Practice in regard to tenancy management:
   - Standard 3.2: Tenant Participation
   - Standard 3.5: Confidentiality and Privacy
   - Standard 4.1: Tenant Access to Support
   - Standard 4.3: Providing Housing Information and Referral.

Key performance measures

- **Turnaround time (vacant tenantable)**—Total number of days tenancy units vacant during the year ended 30 June averaged across the total number of vacancies.
- **Targeting**—Tenants allocated from the public housing waiting list to true vacancies, in properties included in the Waiting List Protocol, as a percentage of all true vacancies in these properties.
- **Void loss (vacant tenantable)**—Rent foregone due to tenancy units being vacant as a percentage of total rent charged (plus void loss) for the year ended 30 June.
- **Current tenant rent arrears**—Rent outstanding from current tenants as a percentage of total rent charged in the year ended 30 June.
- **Arrears written off as bad debt**—Vacated arrears written off as bad debt as a percentage of total rent charged in the year ended 30 June.
- **Evictions**—Evictions over the 12 month period as a percentage of total tenancy exits.
- **Tenancies maintained (long term housing)**—Tenancies maintained for the full 12 month period (July to June) as a percentage of total tenancies during the year.

- **Current tenants owing more than 8 weeks rent at year end**—Tenants whose arrears total more than 8 weeks as a percentage of all tenancies as at 30 June.
- **Prospective tenant/tenant complaints**—Tenant/prospective tenant complaints resolved within 30 days by the agency as a percentage of all tenant/prospective tenant complaints for the year ended 30 June.
- **Tenant satisfaction: housing services**—Tenants expressing overall satisfaction with housing services in a tenancy survey (point in time) as a percentage of all tenants responding.
- **Tenant satisfaction: consideration of views**—Tenants expressing overall satisfaction that their views were being taken into account in a tenancy survey (point in time) as a percentage of all tenants responding.

Performance standard 6: Housing management and maintenance

The agency must maintain its housing stock to a high standard.

Indicators:

1. The agency ensures that properties under its management or ownership are maintained to a community standard, and never below a habitable standard.
2. The agency has a program of inspection and maintenance and upgrade of properties (‘standard maintenance’) that supports the preceding paragraph and minimises vacancy rates.
3. Maintenance is undertaken by qualified (and where applicable, licensed) tradespeople.
4. The agency has policies with respect to standard maintenance, urgent repairs, non-scheduled maintenance and upgrades, complies with those policies and has adequate provision in its business plan, and the resources, for these matters.
5. Housing stock acquired following the publication of these standards meets building standards before being offered for occupation by tenants.
6. The agency maintains an accurate and current list of the properties it owns and manages.
7. The agency seeks consensual agreement with tenants in relation to access to properties that do not compromise tenants rights under the RTA.
8. The agency has consideration of the National Community Housing Standards Signposts of Good Practice in regard to asset management:
   - Standard 2.1: Responsive Maintenance and Repairs
   - Standard 2.2: Planned Cyclical Maintenance and Upgrade
   - Standard 2.3: Acquiring and Developing Stock.

Key performance measures

- **Urgent requested repairs**—Urgent repairs completed within 24 hours as a percentage of all urgent repairs for the year ended 30 June.
- **Non-urgent requested repairs**—Other requested repairs completed within a 14 day time frame as a percentage of all other requested repairs for the year ended 30 June.
- **Tenant satisfaction: maintenance**—Tenants expressing overall satisfaction with the quality of maintenance conducted in a tenancy survey (point in time) as a percentage of all tenants responding.

Performance standard 7: Risk management

The agency must manage the risks associated with its business effectively.

Indicators:

1. The agency has identified the likely risks to its business and has financially sustainable strategies to manage and contain those risks.
2. The agency critically reviews its performance against its business plan.
3. The agency responds swiftly and appropriately to manage potential risk situations.
4. The agency has policies and strategies to manage collection of rents and rent arrears effectively.

Appendix B.

Housing association contributions

Figure B1
Source of housing association contributions
(25 per cent of total project costs) for projects to 31 December 2009

Director of Housing (%)		Housing association (%)	Comments
Common Equity Housing Ltd			
	cash	25	Nil
75		**25**	
Community Housing (Vic) Ltd			
	borrowings cash third party contributions	21 4 0.5	Nil
74.5		**25.5**	
Loddon Mallee Housing Services Ltd			
	borrowings cash	8 12	30 properties are still to be completed. Total project costs include actual spend to date, plus forecast balance still to spend. The funding deeds for two of the three projects were based on housing association contributions of less than 25 per cent. Agency cash utilised to date is from retained earnings and capital funding received in advance, which will be replaced with borrowings. A further loan facility is in place to replace the agency cash. The forecast cost for two projects is reduced from the original project proposal and one project is forecast to exceed the original budget. In all instances, the Housing and Community Building division (HCB) of the Department of Human Services (DHS) has not amended the Director's contribution from the value approved in the project proposal.
80		**20**	

Figure B1
Source of housing association contributions (25 per cent of total project costs) for projects to 31 December 2009 – *continued*

Director of Housing (%)		Housing association (%)	Comments
Melbourne Affordable Housing			
	borrowings land cash	18 8.5 2.5	The remaining contribution (22 per cent) was from the Victorian Property Fund. The cost of one project was reduced from the original project proposal and one project exceeded the original budget. In both instances, HCB has not amended the Director's contribution from the value approved in the project proposal.
49		**29**	
Rural Housing Network Ltd			
	borrowings cash	21 4	Nil
75		**25**	
Supported Housing Ltd			
	borrowings cash third party contributions	20.5 1.5 4	The costs of two projects were reduced from the original project proposals. In both instances, HCB has not amended the Director's contribution from the value approved in the project proposal.
74		**26**	
Yarra Community Housing Ltd			
	borrowings cash third party contributions	20 6 1	The remaining contribution (10 per cent) was from the Victorian Property Fund. Both projects exceeded the original budget detailed in the project proposal. In one instance, the Director contribution was slightly reduced from the original value in the project proposal.
63		**27**	

Note: Information is not provided for one housing association (Port Phillip Housing Association Ltd) as the Department of Human Services advised that no projects completely funded under the 2007–08 Budget initiative had been finalised by 31 December 2009.

Source: Victorian Auditor-General's Office, based on information from the Department of Human Services and housing associations.

Appendix C.

Income eligibility limits

Figure C1
Income and asset eligibility limits for public housing and housing association applicants (gross income per week) for selected household types

Household type	Public housing—supported housing and general housing [(a)(b)] ($)	Public housing—recurring homelessness and special housing needs [(b)] ($)	Housing association [(c)(d)] ($)
Income limits			
Single person	450	450	789
Couple, no dependants	749	749	1 317
Single parent with one child aged 10 years	904	783	1 317
Single parent with three children aged 3–10 years	1 258	885	1 742
Couple with one child aged 10 years	904	783	1 742
Couple with three children aged 3–10 years	1 258	885	1 742
Asset limits			
	$30 000 per household, or up to $60 000 for households that require major or full disability modifications.	$1 300 for a one or two bedroom property or $2 100 for a property with three or more bedrooms.	$30 000 per household, or $60 000 for households that require significant disability modifications.

(a) For direct comparison, Centrelink family payments have been added to income limits for the supported housing and general housing streams.

(b) Public housing income limits are at 30 March 2009.

(c) The income eligibility limits (effective from March 2009) for housing association properties funded by Director of Housing include children of any age in household size.

(d) Net rent (rent charged minus Commonwealth Rent Assistance—CRA) should not exceed 30 per cent of total gross household income (net of CRA) for households in the lower half of the income eligibility range.

Source: Victorian Auditor-General's Office, based on information from the Department of Human Services.

Appendix D. Reporting requirements

Housing associations legislative and Registrar of Housing Agencies specified reporting requirements are detailed below.

Figure D1
Housing association reporting requirements

Reporting time frame	Legislative requirements	Registrar-specified requirements
August (annually)		• Data on results against key performance measures • Self assessment of achievements against objectives and targets in past financial year's annual business plan • Current annual business plan • Summary of complaints managed by agency for past financial year
28 days after annual general meeting (annually)	• Self assessment of performance against performance standards • Audited financial statements and accounts • Annual declarations	• Financial performance report showing historical and projected trends
Within 14 days	• Updates to the Register of Housing Agencies of changes in assets etc	
28 days in advance	• Notifications of changes to constitution or rules	
As necessary	• Any other reports or information that the Registrar may require on an agency's operations	• New or updated versions of policies, procedures and other critical agency business documents • Reports or other evidence of implementation of relevant processes and systems within agency

Source: Housing Registrar *Our regulatory framework* Tables 1 and 2.

Appendix E.

Audit Act 1994 section 16—submissions and comments

Introduction

In accordance with section 16(3) of the *Audit Act 1994* a copy of this report was provided to the Department of Human Services with a request for comments or submissions.

The comments and submissions provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Submissions and comments received

RESPONSE provided by the Secretary of the Department of Human Services

Department of Human Services

Secretary

50 Lonsdale Street
GPO Box 4057
Melbourne Victoria 3001
DX210081
www.dhs.vic.gov.au
Telephone: 1300 650 172
Facsimile: (03) 9096 9220

D D R Pearson
Auditor-General
Victorian Auditor-General's Office
Level 24
35 Collins Street
MELBOURNE VIC 3000

Dear Mr Pearson

Thank you for the opportunity to comment on the performance audit report, Access to Social Housing of 1 June 2010 under section 16(3) of the Audit Act 1994 to be table in Parliament later this month. The Department of Human Services has reviewed the report and a response is enclosed. Thank you for considering the Department's previous response to the draft preliminary report in preparation of this audit report.

This response has been prepared in collaboration with the Office of the Registrar of Housing Agencies and the Acting Registrar. I note that the Department's response will be reproduced in full as an appendix to the audit report, and the substance of the response will be addressed in the audit summary and body of the report as deemed appropriate by VAGO.

Should you wish to discuss the content of the letter, please don't hesitate to contact Margaret Crawford, Executive Director Housing and Community Building on 9096 8825.

Yours sincerely

Gill Callister
Secretary

Enc

Victoria
The Place To Be

RESPONSE provided by the Secretary of the Department of Human Services – continued

Department of Human Services response to the Proposed Audit Report *Access to Social Housing*

The development of the social housing sector has expanded the supply and range of affordable housing for Victorians. The primary goal of the sector at inception was as a growth vehicle for affordable housing and as a provider of housing assistance to a broader group of Victorians than traditional public housing. As the sector has developed and demand for housing has grown, expectations have also increased on sector agencies to provide housing assistance to low income Victorians in housing need complementing the role of public housing.

Much has been achieved by the sector over the past few years as is referenced in the report. Tenant satisfaction is high, tenancies are being sustained and a significant number of additional dwellings have been developed over and above direct government investment.

The Victorian Government is committed to a vibrant and strong sector overseen by a robust regulatory framework to strengthen performance, service quality and accountability.

Recent State and Commonwealth investment in the sector, together with proposed reforms such as the combined public and social housing register and national regulatory framework will further enhance the capacity of the sector to grow and deliver improved choice in affordable housing for Victorians.

The Department of Human Services accepts the recommendations of the report and will work in partnership with the sector to consider the recommendations made.

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RESPONSE provided by the Secretary of the Department of Human Services – continued

Department of Human Services response to the Proposed Audit Report *Access to Social Housing*

Response to recommendations

Achieving asset and financial goals - Recommendations

1.1 The Director of Housing should revisit the leveraging rationale for transferring ownership of properties to housing associations

Accepted. DHS is undertaking a review of leverage requirements in response to the recommendations of the Rooming House Taskforce which will include a review of previous arrangements.

1.2 The Director of Housing should base future financial co-contribution targets on rigorous analysis, including analysing the impact on future tenant profiles

Accepted. Public and social housing is a valuable asset that needs to be well maintained and managed over the long term to ensure good outcomes for tenants. Again this issue will be considered in a review of leverage requirements in response to the recommendations of the Rooming House Standards Taskforce. This review will focus on the impact of leverage requirements on tenant profiles and specifically the ability of agencies to house single person households.

Achieving social goals - Recommendations:

2.1 The Director of Housing should reassess the appropriateness of the target that requires 'up to' 50 per cent of new housing association tenants to be public housing applicants

Accepted. The 50 per cent target aims to achieve a social mix and financial viability but will be reviewed with the sector in conjunction with the leverage and common housing register projects. The common housing register will allow all applications for social housing to be managed through one system, which will improve client choice and streamline the process for clients and agencies.

2.2 The Director of Housing should amend the protocol for referring public housing applicants to housing associations so that all public housing applicants are treated equitably

Accepted.. DHS will continue to work in collaboration with housing associations to improve the operation and effectiveness of the protocol. This issue will be addressed through the development of a common housing register.

2.3 The Director of Housing should extend the rent affordability guidelines to provide protection for tenants in the upper half of the income eligibility range and for all tenants for the duration of their tenancies

DHS agrees with the intent of this recommendation. Housing associations are established for the purpose of providing affordable rental housing. Housing affordability for the households in the upper half of the income range is currently assured as housing associations must set rents below 75% of market value to

2 of 3

RESPONSE provided by the Secretary of the Department of Human Services – continued

maintain their tax exempt status, a level which ensures affordability for the vast majority of households.

As noted in the report, current reporting to the Registrar indicates no households pay more than 30% of income on rent. DHS will continue to monitor affordability of rent setting.

Achieving regulatory goals - Recommendations

3.1 DHS should revise the governance structure as a priority to strengthen the autonomy of the Registrar

Accepted. DHS will review the governance structure in the context of the current COAG reform to develop a national regulatory system for not for profit housing, as well as the State Services Authority review of regulation.

3.2 The Registrar should strengthen oversight through focused monitoring and inspections, particularly of associations that have failed to provide information or take corrective actions when requested

Accepted. The Housing Registrar unit will continue to strengthen the risk based approach to regulation of housing associations. In 2009-10, the Housing Registrar commenced six monthly financial reporting for housing associations, conducted a pilot onsite review with one housing association, and set up quarterly review meetings with housing associations for 2010. All requests for corrective action were followed up.

3.3 The Registrar should standardise the information required to be submitted by housing association as part of their annual self assessment

Accepted. The Housing Registrar has an existing suite of templates and guidance for the information and data required to be submitted by housing associations but will continue to develop guidance and good practice notes on significant issues such as client satisfaction and complaints.

3.4 The Registrar should undertake a records audit to identify the information that has not been submitted by housing associations and obtain this missing data

Accepted. The Housing Registrar is currently undertaking an audit of the information not held electronically and will ensure that the information of all registered housing agencies is maintained.

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Auditor-General's reports

Reports tabled during 2009–10

Report title	Date tabled
Local Government: Results of the 2008–09 Audits (2009–10:1)	November 2009
Public Hospitals: Results of the 2008–09 Audits (2009–10:2)	November 2009
Towards a 'smart grid'—*the roll-out of Advanced Metering Infrastructure* (2009–10:3)	November 2009
Responding to Mental Health Crises in the Community (2009–10:4)	November 2009
Management of the Community Support Fund (2009–10:5)	November 2009
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2008–2009 (2009–10:6)	November 2009
Water Entities: Results of the 2008–09 Audits (2009–10:7)	November 2009
Maintaining the Integrity and Confidentiality of Personal Information (2009–10:8)	November 2009
Vehicle Fleet Management (2009–10:9)	November 2009
Managing Offenders on Community Corrections Orders (2009–10:10)	November 2009
Portfolio Departments and Associated Entities: Results of the 2008–09 Audits (2009–10:11)	December 2009
Making Public Transport More Accessible for People Who Face Mobility Challenges (2009–10:12)	December 2009
Use of Development Contributions by Local Government (2009–10:13)	December 2009
The Effectiveness of Student Wellbeing Programs and Services (2009–10:14)	February 2010
Tendering and Contracting in Local Government (2009–10:15)	February 2010
Management of Concessions by the Department of Human Services (2009–10:16)	February 2010
Irrigation Water Stores: Lake Mokoan and Tarago Reservoir (2009–10:17)	March 2010
Management of Safety Risks at Level Crossings (2009–10:18)	March 2010
Fees and Charges—cost recovery by local government (2009–10:19)	April 2010
Performance Reporting by Departments (2009–10:20)	May 2010
Tertiary Education and Other Entities: Results of the 2009 Audits (2009–10:21)	May 2010

Auditor-General's reports

Reports tabled during 2009–10

Report title	Date tabled
Managing Teacher Performance in Government Schools (2009–10:22)	May 2010
Control of Invasive Plants and Animals in Victoria's Parks (2009–10:23)	May 2010
Partnering with the Community Sector in Human Services and Health (2009–10:24)	May 2010
The Community Building Initiative (2009–10:25)	May 2010
Administration of the Victorian Certificate of Education (2009–10:26)	June 2010
Hazardous Waste Management (2009–10:27)	June 2010
Personal Safety and Security on the Metropolitan Train System (2009–10:28)	June 2010
Irrigation Efficiency Programs (2009–10:29)	June 2010

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