VICTORIA

Victorian
Auditor-General

Audit summary of Access to Social Housing

Tabled in Parliament
23 June 2010

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