

ACT Auditor-General's Office

Performance Audit Report

<h3>Public Housing</h3>

**Department of Disability, Housing and
Community Services**

May 2006



AUDITOR-GENERAL

Australian Capital Territory



PA05/13

The Speaker
ACT Legislative Assembly
Civic Square, London Circuit
CANBERRA ACT 2601

Dear Mr Speaker

I am pleased to forward to you a Performance Audit Report titled 'Public Housing', conducted under the authority contained in the *Auditor-General Act 1996*.

I would appreciate if you could arrange for the tabling of the Report in the Legislative Assembly pursuant to Section 17(4) of the *Auditor-General Act 1996*.

Yours sincerely

Tu Pham
Auditor-General
3 May 2006

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LIST OF ABBREVIATIONS

AHURI	Australian Housing and Urban Research Institute
CSC	Client Support Coordinator
CSHA	Commonwealth-State Housing Agreement
CSV	Client Service Visit
DHCS	Department of Disability, Housing and Community Services
DRC	Debt Review Committee
EAC	Early Allocation Category
MAT	Management Assisted Transfer
MIT	Management Initiated Transfer
MPE	Multiple Property Exchange
MUPP	Multi-Unit Property Plan
OPA	Older Persons Apartment
OOT	Out-of-Turn
PEP	Preventing Eviction Program
PHAMS	Public Housing Asset Management Strategy
RTT	Residential Tenancies Tribunal
SAAP	Supported Accommodation Assistance Program
SAC	Standard Allocation Category
TRC	Tenancy Review Committee

1. REPORT SUMMARY AND AUDIT OPINION

INTRODUCTION

1.1 This report presents the results of a performance audit that reviewed the efficiency and effectiveness of public housing in the Australian Capital Territory (ACT).

AUDIT OBJECTIVES AND SCOPE

1.2 The objective of the audit was to provide an independent opinion to the Legislative Assembly on whether the provision of public housing assistance in the ACT is efficient and effective.

1.3 The audit focused on:

- overall governance and coordination;
- allocation of public housing;
- tenancy management; and
- property management.

1.4 The audit did not review the maintenance of public housing properties, primarily because a new total facilities maintenance contract was implemented in July 2005 and it is too early to audit the impact of the new arrangement.

Acknowledgments

1.5 Audit consulted with representatives from the following groups and would like to thank them for their time and contributions:

- ACT Public Tenant Association;
- ACT Shelter Inc;
- Tenants Union ACT Inc; and
- Welfare Rights and Legal Centre.

AUDIT OPINION

1.6 The audit opinions, formed against the audit objectives, are set out below:

- The provision of public housing assistance is delivered against a generally sound framework of strategic planning, risk management and internal control. Most applicants are properly assessed against various criteria used by Housing ACT to determine eligibility for assistance and waiting list priority, and provided with suitable public housing.
- The increased demand for public housing assistance is placing pressure on Housing ACT to limit assistance to those most in need, but even high priority applicants are waiting long periods of time, often in excess of a year, before being offered public housing. Lower priority applicants may never be offered public housing.
- There is a mismatch between the housing sought by applicants and the stock of properties held and available for allocation that cannot be readily or quickly addressed by Housing ACT.
- Greater efficiency in the provision of public housing assistance can be achieved through improvements in operational costs, priority allocation, turnaround time between vacancies, charging of more accurate market rents, debt recoveries and major redevelopment projects.

KEY FINDINGS

1.7 The audit opinions are supported by the following key findings:

Organisational Governance and Coordination

- The Government's policy of offering indefinite security of tenure to all ACT public housing tenants irrespective of income may be inconsistent with its obligation under the Commonwealth State Housing Agreement to provide housing assistance 'for the duration of their need'.
- Housing ACT's processes for policy consultation are satisfactory.
- The strategic planning process is sound. However, different plans use different terminology, making it harder to track achievements consistently against all relevant policy and planning documents.
- The Housing budget is currently in deficit and is forecast to remain so for the foreseeable future.
- The cost of providing ACT public housing is significantly higher than the Australian average, and the reason for this needs to be explored in detail by Housing ACT. DHCS advised that it has already commenced benchmarking with other jurisdictions and that initial benchmarking data from the larger states is now available.
- Strategic indicators are not well defined.

- The accountability indicators used by Housing ACT are mostly satisfactory, but could be reviewed in order to ensure that they provide a more comprehensive view of Housing ACT's performance.
- Internal management reports on housing provide reasonably comprehensive information, but there are some areas where better presentation and incorporation of targets would improve the reports.
- Fraud control with respect to Housing ACT operations can be improved.
- No 'Public Housing Client Service Charter' was available to advise clients on standards of service.

Allocation of Public Housing

- The priority sequence of the categories was not clear; and the highest category was not sufficiently restrictive so that clients in this category could be quickly housed.
- DHCS did not provide clients with current waiting times nor publish them on the internet.
- Aside from those applicants identified through pre-allocation case conferencing, DHCS does not informally consult with clients prior to the formal offer of housing.
- Not all applicants' circumstances were checked prior to allocation of the property, creating a risk that accommodation was incorrectly allocated.
- Housing ACT needs to improve its measures to address anti-social behaviour. Housing ACT has nearly completed a draft policy for managing disruptive behaviour.
- DHCS does not ascribe a higher priority to tenants wishing to downsize. The current approach limits flexibility and could adversely affect the Department's ability to improve the matching of clients to properties.
- In the ACT, 21% of priority applicants are housed within three months, compared to the national average of 50%.
- The average waiting time increased from 246 days in 2003-04 to 337 days in 2004-05 for applicants in the highest priority group (EAC1).
- There were a large number of applications from people on the waiting list applying to have their priorities upgraded, (6 733 in 2004-05). This suggests that the priority system is not well defined and can be administratively costly.

Tenancy Management

- Client service visits are a key part of maintaining contact with tenants and in particular providing early information on any problems.
- There is scope to schedule biannual inspections and request additional non-inspection visits based on assessment of current tenants.
- Housing ACT could review the ACT Residential Tenancies Act to allow the implementation of practices followed by other jurisdictions to address anti-

social behaviour, in particular threats or actual violence to Housing ACT staff.

- Housing ACT did not consistently utilise the flag system on HomeNet to alert Housing Managers of clients with potential complex needs when conducting client service visits.
- Many staff interacting with tenants in the field were not adequately trained on dealing with difficult clients and with personal safety procedures.
- About 14% of public housing tenants (1 618) are market renters, i.e. tenants who do not receive a rental rebate.
- DHCS assesses market rents using a small sample of valuations conducted by a contracted independent valuer. This approach provides a less accurate rent assessment for market renters.
- It is possible that potential revenue was lost due to under-assessed market rents payable by Housing ACT market renters.
- There were occasions where DHCS increased rent deductions made through automatic direct debit arrangements, to be more than 30% of a Centrelink payment without explicitly pointing out this increased deduction to tenants.
- The current debt notification process for Housing Managers is only activated when a tenant's balance falls below zero, despite the rental agreement requiring tenants to be ahead in rent payments by two weeks.
- Housing ACT and ACT Treasury wrote off over \$1m of rental, sundry and other unrecoverable debts in 2004-05.
- There has been an increase in the level of debt incurred by tenants over recent years, which averages \$529 per account for rental debt and \$321 per account for sundry debt in 2004-05.

Property Management

- Housing ACT's property acquisitions are reactive but generally appropriate and based on sound financial considerations, and the process in place for approving property acquisitions is adequate. Documentation to support the purpose of an acquisition is often incomplete.
- Housing ACT does not have an overall forward acquisition plan that evaluates the capital program and sets targets for acquisitions by region and by housing type.
- Housing ACT has not formally evaluated the cost-effectiveness of each mode of property acquisition (i.e. purchase of established properties and new construction) and developed an appropriate acquisition strategy based on such analysis.
- Vacant times have deteriorated in the ACT over the last three years and Housing ACT currently has the second highest average turnaround time in all States and Territories (50 days), compared to the national average of 32 days. Excluding the ACT, turnaround times for all jurisdictions in Australia have improved over the last two or three financial years.

- Housing ACT has experienced difficulty in encouraging existing tenants to vacate larger properties for purpose-built Older Persons Apartments (OPAs). This has resulted in older persons with less urgent housing needs being housed before clients with urgent needs. Housing ACT generally does not utilise OPAs to house other clients.
- In relation to the Currong Apartments case study:
 - Housing ACT did not undertake cost benefit analysis of all reasonable options for Currong before advising the Government of its recommendations; and
 - the timing of the departure of tenants from Currong was not well aligned with the tender process for redevelopment.

RECOMMENDATIONS AND RESPONSE TO THE REPORT

1.8 The audit made 27 recommendations to address the audit findings detailed in this report.

1.9 In accordance with section 18 of the *Auditor-General Act 1996*, a final draft of this report was provided to the Chief Executive of the Department of Disability, Housing and Community Services for consideration and comments. The Chief Executive's overall response is shown below:

The Department of Disability, Housing and Community Services welcomes the audit process and recognises the professionalism of the Audit Office.

Across all its elements DHCS provides important services to the most vulnerable people in the ACT community especially those with high and complex needs. Providing these services is not always easy in the context of managing a public housing estate of some 11 500 properties and some 30 000 tenants.

The Department has undergone considerable reform since it came together three years ago. This is an ongoing process of which this performance audit is an important element. Apart from the National Social Housing Survey and internal audit reviews, there has been no recent independent look at how public housing services are delivered.

It is therefore significant that the audit opinion and findings acknowledge the work the Department has been undertaking. The Department in accepting in large part the audit recommendations will utilise them in an ongoing process of reform and service delivery to clients.

1.10 In addition, the Chief Executive provided responses to each recommendation, as shown below.

Recommendation 1 (page 19)

DHCS should assess the consistency of the policy on indefinite security of tenure with the obligations under the Commonwealth-State Housing Agreement, and advise Government on options to resolve any inconsistencies.

DHCS Response: Not Agreed.

The Commonwealth-State Housing Agreement (CSHA) is a government-to-government agreement and the Australian Government was well aware of the ACT Government's policy on security of tenure when the CSHA was signed. As noted in the report, the CSHA provides strategic direction and funding certainty for the provision of housing assistance. It recognises that individual jurisdictions are implementing their own wide ranging reforms to the management and delivery of housing services.

Recommendation 2 (page 23)

DHCS should ensure the Business Plan defines activities, responsibilities and timeframes for completion.

DHCS Response: Agreed.

Housing and Community Services' Business Plan has been developed using a comprehensive 'bottom up' approach involving nearly all staff within the organisation. The Plan identifies both activities and responsibilities. Business units will manage the timeframes for completion of Business Plan activities through team work plans with monthly progress reports to the Housing and Community Services' management team.

Recommendation 3 (page 26)

DHCS should propose policy options to Government designed to balance the budget for long term sustainability. These options could include cost savings, more accurate market rent assessment, increased user charges and reductions in properties.

DHCS Response: Agreed in part.

DHCS has a robust process for the assessment of market rents. DHCS also currently works within the Government's policy commitment on the number of properties.

The audit findings acknowledge that work is well underway on the substance of this recommendation. Tenants and other key stakeholders at the recent Ministerial Housing Summit and Consumer Forum canvassed a number of options for future policy directions for the delivery of social housing. As noted in Recommendation 4 below, the Department is also engaged in benchmarking activity. Together this feedback and analysis will be used to finalise options for the Government's consideration.

Recommendation 4 (page 28)

DHCS should explore in detail the reasons for the cost of provision of ACT public housing being significantly higher than the Australian average, and take appropriate efficiency measures.

DHCS Response: Agreed.

The audit findings acknowledge that DHCS is well advanced in benchmarking work with the larger states that will enable DHCS to examine its cost structures in comparison with other jurisdictions. DHCS is also advancing work with the smaller states.

Recommendation 5 (page 31)

DHCS should revise strategic indicators so they facilitate achievement of the strategic objectives of Housing ACT.

DHCS Response: Agreed in part.

DHCS agrees with the audit finding that the strategic indicators require further definition in the context of other strategic documents. DHCS is in the process of assessing its strategic indicators as part of the business planning process and strategic indicators will be revised where the assessment finds it appropriate.

Recommendation 6 (page 32)

DHCS should revise the Housing ACT accountability indicators to provide a more comprehensive assessment of performance, including indicators on waiting times, debt levels, and the average time a property is vacant between tenancies.

DHCS Response: Agreed in part.

As noted in the report the accountability indicators suggested by audit are areas of management focus which are currently monitored internally. DHCS will revise its accountability indicators to focus on those that can be influenced within current policy parameters and which complement other indicators in the budget context. It would certainly be appropriate to have an accountability indicator on debt issues. However such an indicator needs to be carefully developed to ensure that it does not lead to inappropriate responses.

Recommendation 7 (page 33)

DHCS should utilise the performance monitoring and evaluation indicators from the Public Housing Asset Management Strategy (PHAMS), to improve asset management.

DHCS Response: Agreed.

The 2003-2008 PHAMS is the first comprehensive asset management strategy for Housing ACT. DHCS has commenced a mid-term evaluation of the strategy that will refine its focus on performance monitoring and evaluation.

Recommendation 8 (page 36)

DHCS should develop suitable options to improve its fraud control; for example by providing better guidance to Housing Managers and improving deterrence through pursuing more vigorously those cases of fraud that are detected.

DHCS Response: Agreed in part.

The Department does vigorously pursue fraud within the current legal framework. In the example used by audit, DHCS believes there would have been limited, if any, benefit from a more punitive response. However, the Department is committed to managing fraud robustly and accepts the audit recommendation that options around fraud control can be strengthened; in particular, to give Housing Managers better guidance around detecting and managing fraud.

Recommendation 9 (page 38)

DHCS should establish a Customer Service Charter for Housing ACT, and make it accessible to tenants, applicants and the public.

DHCS Response: Agreed.

DHCS will establish a Customer Service Charter in the context of the Whole of Government Service Charter.

Recommendation 10 (page 44)

DHCS should clearly define the housing allocation system including:

- setting the priority for each category, to provide a clearer and consistent basis for housing allocation; and
- finalising options for Government to tighten the basic eligibility criteria (including for current tenants) for housing and effectively use limited funding for the most needy groups.

DHCS Response: Agreed.

As the audit findings acknowledge, DHCS is preparing options for Government to tighten criteria for the highest needs category.

Recommendation 11 (page 45)

DHCS should publish current waiting times by category to inform and assist prospective tenants on their applications.

DHCS Response: Agreed.

Recommendation 12 (page 49)

DHCS should on a regular basis, and prior to issuing the formal offer of housing, obtain updated information of client needs, including areas of housing preference, to improve the matching of housing to those requirements.

DHCS Response: Agreed.

As part of its regular review of client needs and information DHCS will develop a process that ensures areas of housing preference are either confirmed or amended.

Recommendation 13 (page 49)

DHCS should limit the location preferences of Standard Allocation Category 3 (SAC3) waiting list applicants to be the same as for Early Allocation Category 1 (EAC1) to simplify management.

DHCS Response: Agreed.

Recommendation 14 (page 51)

DHCS should investigate, and adopt where appropriate, better practice used in other jurisdictions to address anti-social behaviour of tenants.

DHCS Response: Agreed.

As the audit acknowledges, DHCS is well advanced in developing a policy on managing disruptive behaviour and it is intended that this be implemented this year.

Recommendation 15 (page 52)

DHCS should ascribe higher priority to tenants wishing to change their locality or property type (especially to downsize), particularly where it is in the Department's interests to increase the number of larger properties available for allocation to new clients.

DHCS Response: Agreed in part.

DHCS notes that a higher priority should be limited to instances where tenants are seeking to downsize their properties or where tenants wish to move from areas of high public housing demand to areas of low demand. This should not apply where tenants have a general wish to change locality or property type as may be broadly inferred by the recommendation.

Recommendation 16 (page 59)

DHCS should maximise the opportunities provided by Client Service Visits to:

- schedule inspections to be 6-monthly if indicated by analyses of the needs of tenants; and
- record outcomes and any significant issues of any visits to clients and place documentation on client files.

DHCS Response: Agreed.

Annual client service visits were introduced in 2003-04 and the Department continually reviews its practices and procedures in relation to these visits. Current practices include a more regular informal visit where the Housing Manager believes it would be appropriate. It is standard practice to record the outcomes and any significant issues of such visits, with appropriate documentation being placed on files.

Recommendation 17 (page 64)

DHCS should ensure that tenants who are capable of paying market rent are not being subsidised. This can be done by reviewing the basis of determining market rents for market renters, especially long term market renters, to ensure the rent is not under-assessed and includes an element that takes account of the benefits of public housing.

DHCS Response: Agreed.

As identified in [the response to] Recommendation 3, DHCS has a robust process for assessing market rents. However options on market rent, including possible inclusion of an element that takes account of the benefits of public housing, and its calculation were included in the discussion papers considered at the Minister's Housing Summit. These options are currently being finalised for the Government's consideration.

Recommendation 18 (page 66)

DHCS should, while having regard to the *Privacy Act*, use the flag system on HomeNet to alert Housing Managers of potential difficult clients for the purpose of conducting client service visits.

DHCS Response: Agreed.

The audit acknowledges that DHCS is advanced in work on this recommendation.

Recommendation 19 (page 66)

DHCS should ensure that staff undertaking fieldwork activities such as client service visits, are suitably trained in personal safety and competent to deal with potentially dangerous situations; and receive the safety training on a regular basis.

DHCS Response: Agreed.

This is being implemented through the Housing and Community Services' Good Business Practices Training Program that will provide a structured training framework across the organisation as well as directly align training priorities with the organisation's strategic goals.

Recommendation 20 (page 70)

DHCS should highlight in current rebate letters to tenants the fact that direct debits from Centrelink payments will automatically increase as a result of rebates ceasing when applications are not renewed.

DHCS Response: Agreed.

Recommendation 21 (page 74)

DHCS should establish a process where Housing Managers are alerted on all occasions when rental payments are missed or fall short of the amount required.

DHCS Response: Agreed.

The management of debt is an important but complex issue that involves active work with tenants in helping them manage their lives. Clearly, early identification of debt is an important element in managing debt and sustaining tenancies.

DHCS considers that a more active engagement with tenants and a structured management approach is required to assist tenants, many of whom have a number of difficult and complex issues, to manage their debt. Recent reforms in this area include identification of the level of tenants in repayment agreements and the development of targets for the level of tenants on repayment agreements.

Recommendation 22 (page 82)

DHCS should clearly document the purpose of each property acquisition against the objectives of the Public Housing Asset Management Strategy.

DHCS Response: Agreed.

The audit acknowledges that DHCS property acquisitions are consistent with the PHAMS and that purchasing guidelines are in place to ensure that properties acquired are suitable for their intended purpose. DHCS will revise the purchase checklist to ensure that purchase decisions are consistently recorded against the PHAMS objectives.

Recommendation 23 (page 82)

DHCS should prepare a forward acquisition plan, taking into account the capital acquisition budget, and targets for property acquisitions by location and type based on waiting list demand.

DHCS Response: Agreed.

This will be implemented in conjunction with the mid-term evaluation of the PHAMS highlighted in [the response to] Recommendation 7 above.

Recommendation 24 (page 84)

DHCS should:

- formally evaluate the cost-effectiveness of each mode of property acquisition (i.e. purchase of established properties and new construction) on a regular basis; and
- develop an appropriate property acquisition strategy based on such analysis.

DHCS Response: Agreed.

While DHCS is well aware of the cost effectiveness of each model, the Department will establish a framework for regular formal evaluation as part of the implementation of the PHAMS.

Recommendation 25 (page 90)

DHCS should undertake cost benefit analyses of all reasonable options for multi-unit properties before advising the Government of its recommendations.

DHCS Response: Agreed.

Cost benefit analysis will inform, along with social and other factors, the Department's development of options for the Government's consideration for multi-unit properties.

The decision to move forward with the development of Currong was based on social as well as financial issues and risks. A significant factor was the high concentration of tenants with high and complex needs within the precinct. The height and structure of the building also served as a focal point for self harm.

Recommendation 26 (page 90)

DHCS should:

- improve the timing and coordination of the vacating of tenants and tender processes to ensure that multi-unit properties designated for redevelopment are not left vacant for extended periods; and
- develop appropriate strategies to mitigate the risk that tender processes may be unsuccessful or delayed, such as utilising vacant multi-unit properties to house short-term tenants.

DHCS Response: Agreed.

DHCS notes that this approach has been adopted in its project planning.

Recommendation 27 (page 92)

DHCS should clearly identify the factors contributing to increased turnaround times between vacancies in the ACT and take appropriate measures to address these, for example:

- investigating practices implemented by other jurisdictions to improve turnaround times; and
- showing properties to prospective tenants as soon as the current tenant gives notice.

DHCS Response: Agreed.

This recommendation is being implemented. DHCS has already commenced an evaluation of its vacants policy and process to identify, in a data and timeline sense, where turnaround times may be streamlined. As part of this process DHCS has commenced a study of practices in other jurisdictions.

2. ORGANISATIONAL GOVERNANCE AND COORDINATION

INTRODUCTION

2.1 This chapter discusses governance and organisational issues, including the legislation and policy framework covering the provision of housing, the strategic and business plans, financial issues, performance information, risk management and fraud control and reviews and audits.

KEY FINDINGS

- The Government's policy of offering indefinite security of tenure to all ACT public housing tenants irrespective of income may be inconsistent with its obligation under the Commonwealth State Housing Agreement to provide housing assistance 'for the duration of their need'.
- Housing ACT's processes for policy consultation are satisfactory.
- The strategic planning process is sound. However, different plans use different terminology, making it harder to track achievements consistently against all relevant policy and planning documents.
- The Housing budget is currently in deficit and is forecast to remain so for the foreseeable future.
- The cost of providing ACT public housing is significantly higher than the Australian average, and the reason for this needs to be explored in detail by Housing ACT. DHCS advised that it has already commenced benchmarking with other jurisdictions and that initial benchmarking data from the larger states is now available.
- Strategic indicators are not well defined.
- The accountability indicators used by Housing ACT are mostly satisfactory, but could be reviewed in order to ensure that they provide a more comprehensive view of Housing ACT's performance.
- Internal management reports on housing provide reasonably comprehensive information, but there are some areas where better presentation and incorporation of targets would improve the reports.
- Fraud control with respect to Housing ACT operations can be improved.
- No 'Public Housing Client Service Charter' was available to advise clients on standards of service.

LEGISLATION AND POLICY

Legislation

2.2 Public housing is provided under the *Housing Assistance Act 1987*. The Act provides for the Commissioner for Housing to prepare programs for housing assistance. These programs must be approved by the Minister, and then tabled in the Assembly as disallowable instruments. Of these programs, the audit addressed only the Public Rental Housing Assistance Program.

2.3 The objects of the *Housing Assistance Act* refer, in part, to:

- maximising opportunities for access to affordable, secure and appropriate housing;
- provision of housing assistance to those in most need;
- maximising value for money in provision of housing assistance;
- promoting choice of forms of assistance and providers of assistance; and
- provision of rental housing that has adequate amenity and is coordinated with support services.

Public housing policy

Introduction

2.4 Government housing assistance is provided in a number of ways, including:

- public housing;
- community housing;
- the boarding house program;
- crisis and temporary accommodation through the Supported Accommodation Assistance Program (SAAP);
- private rental bond loans through the Rental Bond Loan scheme;
- private market rent subsidies through the Commonwealth Rent Assistance (CRA) program; and
- First Home Owners Grant (FHOG) to first home buyers.

2.5 Public housing is provided to low-income households and those who are unable to find appropriate accommodation in the private rental market, such as people with a disability.

2.6 The Australian Housing and Urban Research Institute (AHURI) has assessed public housing to be the most efficient method of providing housing assistance in the ACT. AHURI compared budget-funded public housing with other models such as bond-funded social housing, rent assistance, home loans and various combinations of

these options. AHURI considered conditions in each Australian capital city such as inflation, rental growth, interest rates and tenant incomes. In the ACT and the Northern Territory budget-funded public housing were considered by AHURI to be the best option, lending support to the ACT emphasis on public housing.

Security of tenure and the Commonwealth-State Housing Agreement

2.7 The Commonwealth-State Housing Agreement also influences public housing in the ACT. The Agreement between the Commonwealth and all the States and Territories, and the Bilateral Agreement between the Commonwealth and the ACT, both cover five-year periods. The latest set of agreements cover the period from 2003-2008.

2.8 The 2003-08 CSHA Bilateral Agreement was signed by the Commonwealth and ACT governments in June 2004. The Bilateral Agreement describes funding to be provided, Commonwealth and ACT policy intentions, and commits the ACT to provide reports on outcomes, activities and measures. Along with continued focus on targeting to those in need, this latest agreement includes objectives emphasising increased service provision to public housing tenants.

2.9 The 2003 Multilateral Agreement with the Commonwealth under the CSHA states that ‘the aim of this agreement is therefore to provide appropriate, affordable and secure housing assistance for those who most need it, for the **duration of their need**’. (Emphasis added). As the ACT policy provides for indefinite security of tenure, Audit considers that it may be inconsistent with the CSHA. In response, DHCS stated that:

The CSHA is designed to provide the broad strategic direction for the provision of housing assistance ... The Commonwealth, through its signing of the Agreement, recognises that the States and Territories have different housing policies. The Agreement explicitly recognises that jurisdictions are implementing their own wide-ranging reforms to the management and delivery of housing assistance and that these reforms will continue throughout the term of the Agreement.

2.10 Security of tenure provides assurance to current tenants, but has reduced the number of properties Housing ACT can offer to new clients and is one factor contributing to the long waiting lists for public housing. Security of tenure also tends to maintain the number of people paying market rent (and hence assists Housing ACT’s income stream).

2.11 Housing ACT is reconsidering the issue of security of tenure as part of its review of the *Housing Assistance Act*. It also presented several options for consideration by the ACT Ministerial Housing Consumer Forum and the ACT Ministerial Housing Summit on 27-28 February 2006. These included interpreting security of tenure as not applying to any specific dwelling; periodic review of eligibility; fixed-term tenancies; and providing incentives to relinquish security of tenure.

Recommendation 1

DHCS should assess the consistency of the policy on indefinite security of tenure with the obligations under the CSHA, and advise Government on options to resolve any inconsistencies.

Policy consultation

2.12 Housing ACT consults tenants and other stakeholders using a variety of means. One is the series of Minister's Housing Advisory Forums, sometimes held in conjunction with a Ministerial Housing Summit. Recent Forums have covered the following topics:

- Tenant Participation (April 2005);
- Community Housing (September 2005);
- Review and Complaints mechanism (November 2005);
- Joint Ventures and Private Public Partnerships (December 2005); and
- Targeted Housing Assistance, Social Housing Supply and Financial Viability (February 2006).

2.13 Housing ACT also uses newsletters to consult with tenants, facilitates the operation of tenants' organisations, and encourages feedback on policy from these organisations.

2.14 Audit assesses that Housing ACT's processes for policy consultation are satisfactory.

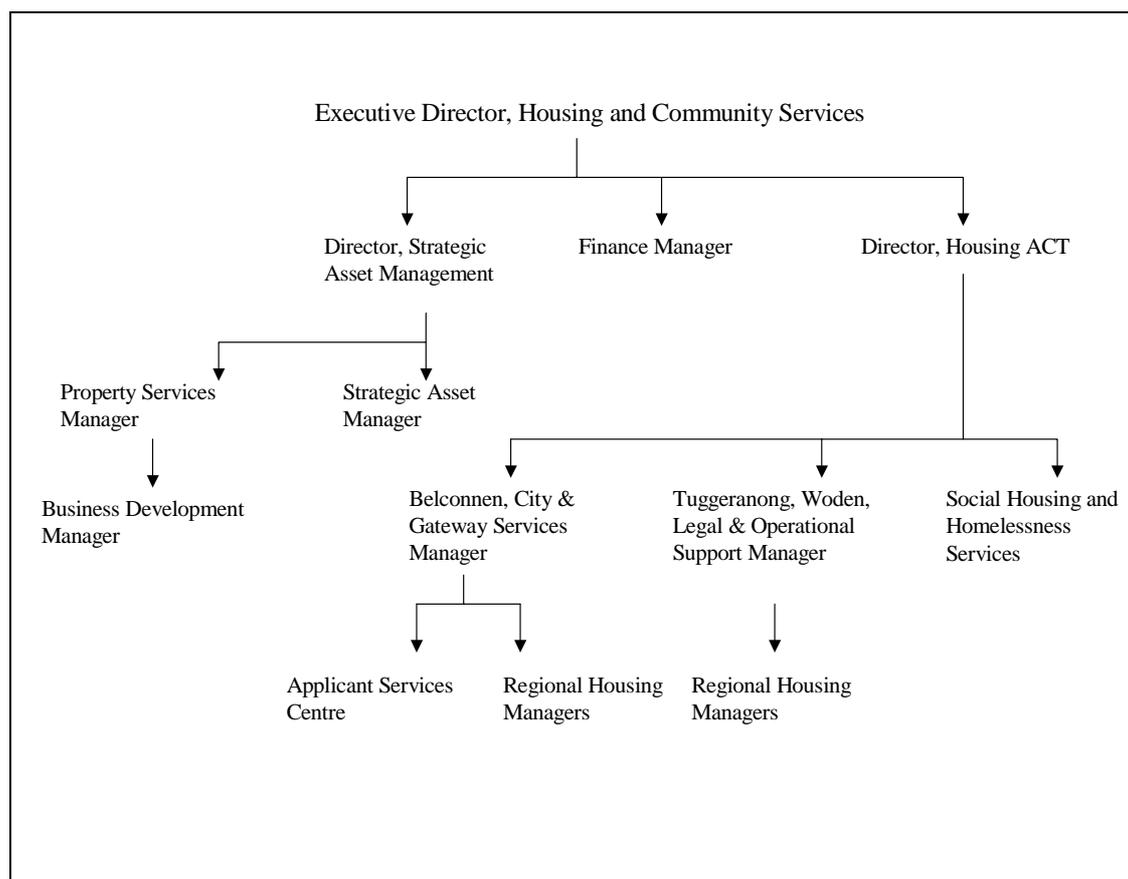
PLANNING AND ORGANISATION

Organisational structure

2.15 The Department of Disability, Housing and Community Services (DHCS) was formed on 1 July 2002, absorbing the Housing function from Urban Services. In June 2003, Community Services was merged with Housing ACT to form Housing and Community Services ACT, thereby merging tenancy support with tenancy management.

2.16 Housing ACT is a branch within Housing and Community Services ACT, which in turn is a division of DHCS. Housing ACT is also the name of the Public Trading Enterprise (PTE) that is responsible for the provision of public housing in the Territory. This PTE incorporates Housing ACT (the branch) and Asset Management branch.

Figure 2.1 Housing ACT organisational structure



Source: Compiled by the ACT Audit Office using Housing ACT information.

2.17 Within Housing ACT, there are functional areas that focus on providing services to current tenants (tenancy management) and in receiving applications and allocating properties to tenants (the applicant services centre, which also manages the shopfront services). Groups outside Housing ACT provide asset management (buying and selling properties) and legal services (primarily related to evictions), which falls under the larger grouping of Housing and Community Services ACT.

Committees and cross-organisational coordination

2.18 Housing ACT has utilised the following committees to review and manage its policies and operations:

- The Debt Review Committee (DRC) was a pilot project established in November 2004 to reduce the financial burden imposed by debt owing to the Commissioner for Housing by current and former public housing tenants. The pilot project ended in October 2005 and made recommendations to be considered as part of the internal review process.
- The Tenancy Review Committee (TRC) was established in November 2003 with Senior Manager representation from Housing and Community Services ACT. The TRC reviews cases referred to it for rental arrears and other issues associated with compliance of the *Residential Tenancies Act*. The TRC is a

final internal review mechanism prior to referral to the Residential Tenancies Tribunal (RTT).

2.19 The operation of these committees, together with Housing ACT's management of cases going to the RTT, is considered in more detail in the chapter on tenancy management.

2.20 DHCS is considering establishing a Housing Assistance and Tenancy Review Panel (HATRP) to absorb the functions of the HRC and TRC and thereby consolidate existing appeals and review arrangements.

STRATEGIC PLANNING

2.21 This section considers various plans currently in place that guide and affect the provision and management of social housing. These range from the Canberra Social Plan through to DHCS Strategic and Business Plans for Housing and Community Services ACT.

The Canberra Social Plan

2.22 Under the Canberra Social Plan, there are several goals designed to address declining housing affordability and to adapt to demographic changes such as an ageing population and declining household size. The goals for Housing ACT include:

- increasing the supply of public and community housing;
- ensuring the type, size and location of housing in the ACT meets the changing needs of the community;
- enhancing provision of specialist housing and support services;
- improving access to quality, affordable and safe housing;
- improving the regulatory regime to enable individual needs to be addressed;
- strengthening the links between crisis accommodation services and long-term housing options; and
- reducing homelessness.¹

2.23 The Social Plan also identified planned actions to meet these goals. These included implementing measures in response to the Report of the Affordable Housing Task Force, reviewing the *Housing Assistance Act*, and implementing the Public Housing Asset Management Strategy. The Canberra Social Plan therefore acts as an overarching policy document that draws together the other key housing policies.

¹ The Canberra Social Plan, 2004, p.55.

Other government plans related to housing

2.24 In September 2004, the Government released a major ministerial statement, *Housing People, Building Communities*. This document provided background information and discussed achievements to that date, and then proposed four key ‘challenges’:

- ensuring an adequate supply of affordable housing in the ACT;
- building a viable and sustainable social housing sector;
- improving client outcomes; and
- reducing homelessness.

2.25 These ‘challenges’ cover issues similar to the goals of the Social Plan. The document discussed actions already taken to address the ‘challenges’, but future intentions were not well defined.

The DHCS Strategic Plan

2.26 DHCS prepared a 2003-05 Strategic Plan. As a Departmental document, it is necessarily broader than the policy documents that only refer to housing. Each of the themes nevertheless has examples drawn from housing that are reported in the 2004-05 Annual Report and summarised below.

Summary of DHCS Strategic Plan from 2004-05 Annual Report

Theme 1: Engaging and involving our clients: Tenant participation project that has led to the development of a Joint Champions Tenant Participation Group.

Theme 2: Improving outcomes for clients: Focus on sustaining tenancies through additional support and assistance to tenants at risk through the Client Service Coordinator role.

Theme 3: Building better community partnerships: The Supported Accommodation Assistance Program.

Theme 4: Serving and contributing to good governance: A review commenced on the *Housing Assistance Act 1987*.

Theme 5: Performing as a best practice organisation.

2.27 Again, these themes are consistent with the Canberra Social Plan’s goals and the *Housing People, Building Communities* challenges, but are expressed slightly differently.

2.28 More recently, work has commenced on the 2006-08 Strategic Plan to include a stronger theme of recognition and management of risks. DHCS stated that it is currently finalising its *Housing and Community Services Strategic Focus 2006-08*. Audit observed that the language is consistent with the DHCS Strategic Plan. The Strategic Focus has been developed utilising a bottom up approach with a clear

relationship between the strategic focus document and individual and business unit work plans.

Conclusion

2.29 The strategic planning process is sound. However, the goals (Social Plan), challenges (Housing People, Building Communities) and themes (DHCS Strategic Plan 2003-05) were all expressed differently. This makes it harder to track the achievements consistently against all relevant policy and planning documents. Audit therefore considers it important that DHCS makes the terminology consistent, as this will facilitate accountability and monitoring of achievements.

Business planning

2.30 Housing ACT's first Business Plan covered the period 2002-2005. This Plan provided a reasonable initial framework for action in that it defined a logical structure of Key Result Areas broken down into over 60 actions. However, there are areas for improvement as some of these actions (e.g. 2.1.2: Build collaborative relationships with the full range of stakeholders in ways that contribute to the community's ability to meet its housing need) were vague in that it would be impossible to clearly judge whether they had been achieved or not. Also, the Plan had no indications of timescales, resources or responsibility. By April 2004, a draft 2004-2005 Business Plan was prepared, but this plan was not completed. Housing and Community Services advised that it is currently preparing a new Business Plan.

2.31 In the meantime, DHCS has developed a series of work plans for separate areas, including those within Housing and Community Services. These appear to be comprehensive statements of activities that need to be carried out, and their effective monitoring should assist greatly in ensuring that DHCS achieves its objectives. Some clarification may assist, for example, the 'Key Performance Indicator' column is really a description of the work activity, and the 'Key Milestones' column often refers to performance indicators. Most, but not all, work plans allocate responsibilities for each task, and all work plans specify timeframes for all or most activities.

Recommendation 2

DHCS should ensure the Business Plan defines activities, responsibilities and timeframes for completion.

BUDGET AND EXPENDITURE

Introduction

2.32 Housing ACT currently manages in excess of 11 000 properties valued at almost \$3 billion. Expenses in 2004-05 were over \$108m. This included over \$64m for supplies and services (the major components of which are housing maintenance,

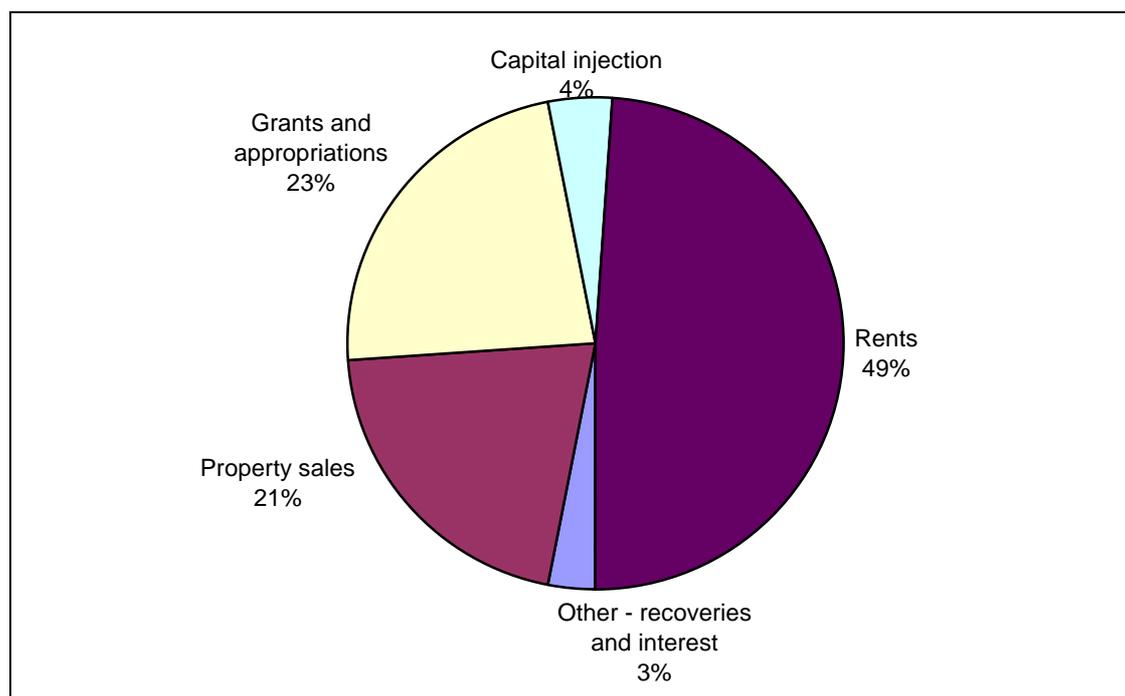
rates and other property expenses) and over \$15m for employee expenses for the 220 full-time equivalent employees of Housing ACT at 30 June 2005.

2.33 Governments in Australia spend around \$3 billion per year to assist tenants in both public and private housing.²

Source of funds

2.34 Figure 2.2 indicates the source of funds for the operations of Housing ACT.

Figure 2.2 Housing ACT funding sources 2004-05



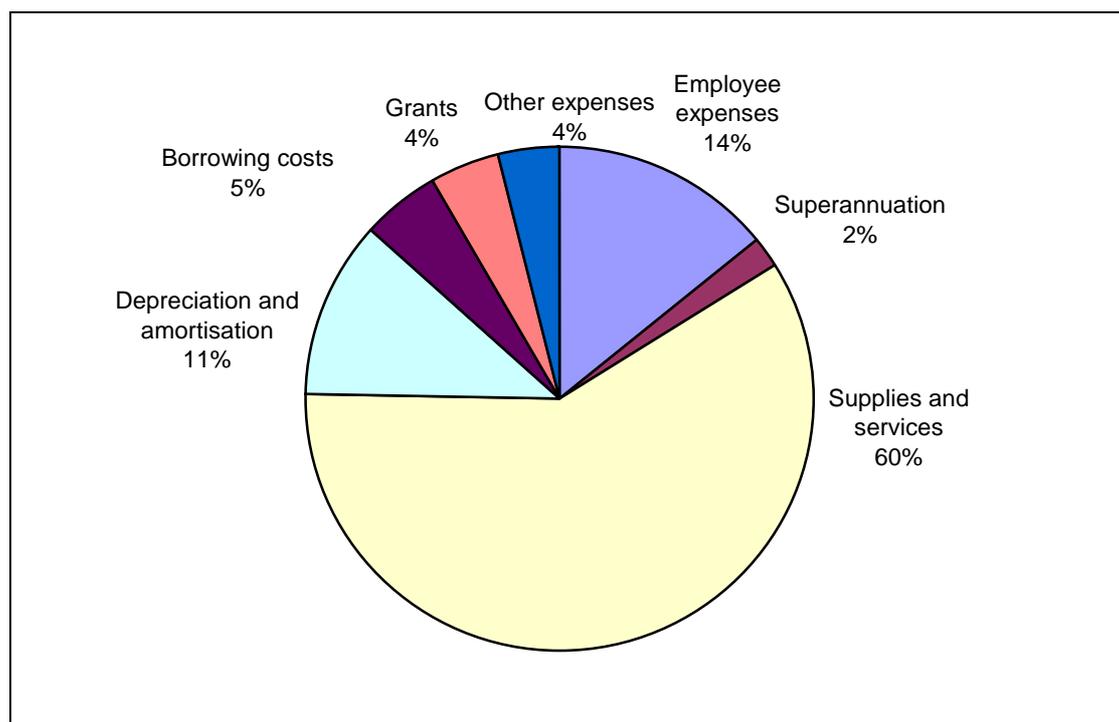
Source: Compiled by the ACT Audit Office using Housing ACT information.

2.35 Rent revenue comprises almost 50% of total funding for Housing ACT. Rent revenue in 2004-05 (after rebates) was \$61.3m, and Housing ACT granted \$71.3m in rebates during 2004-05. There has been a steady decline in real net rents received per dwelling as a result of tighter targeting of public housing assistance towards low income and high need households, and changes in household composition (i.e. more single income households).

2.36 Figure 2.3 indicates how resources are spent. The main expense (\$64 million or 60%) is supplies and services, which includes rates, and repairs and maintenance. Employee expenses (\$15m) represent another 16% (including superannuation).

² AHURI, Research Policy Bulletin, Issue 44, June 2004.

Figure 2.3 Housing ACT expenditure 2004-05



Source: Compiled by the ACT Audit Office using Housing ACT information.

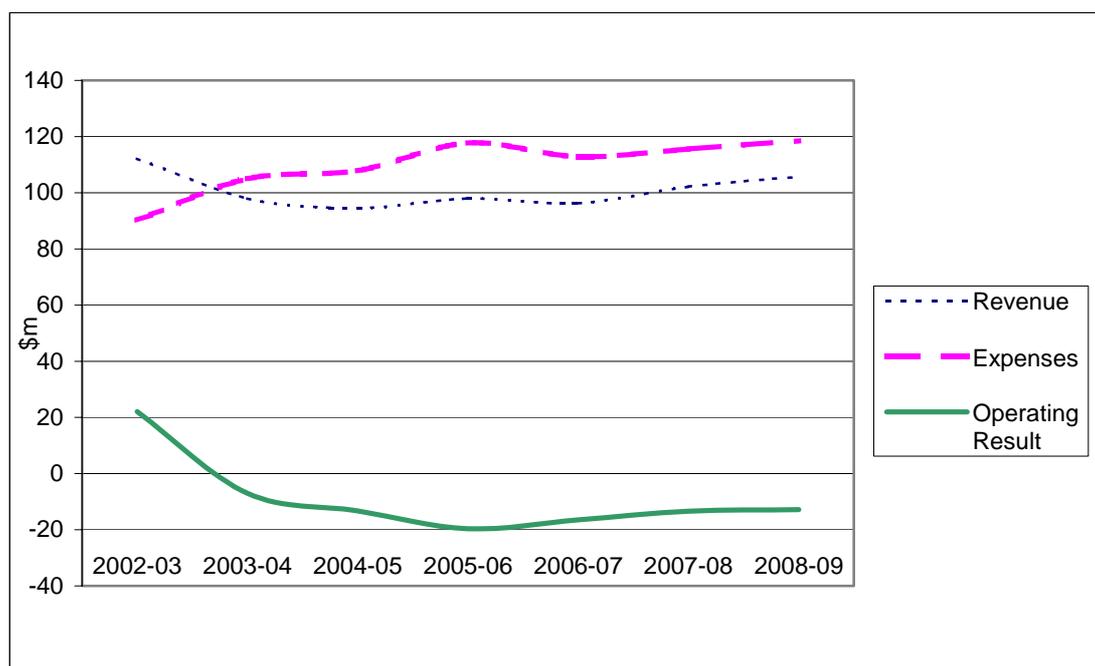
2.37 As indicated in Figure 2.4 below, the operating result became negative in 2003-04 and is forecast to remain so for the foreseeable future. Excluding depreciation and forecast results from joint ventures, the deficits over the period 2004-05 to 2007-08 vary between \$2.7m and \$6.7m. Audit considers it is not good practice in financial management to budget for such substantial deficits.

2.38 As net incomes (after rebates) does not cover operational costs, there are significant financial constraints on public housing in the ACT. AHURI has commented that Housing ACT requires additional funding (i.e. capital injections) to avoid ‘cannibalising’ (i.e. selling a proportion of) its public housing stock to fund its operating shortfalls.³ These pressures will increase if the proportion of tenants receiving rental rebates relative to tenants paying market rent also increases.

2.39 In discussion papers for the 2006 ACT Ministerial Housing Consumer Forum and ACT Ministerial Housing Summit, Housing ACT put forward some suggestions to reduce expenditure and to increase income. These included, for instance, charging for use of water and increasing concessional rental payments to 30% for some clients, and including the advantages of public housing over private housing in the assessment of market rents,. Most of these measures were not costed in the paper, but Audit assesses that all these measures and more may be needed to address the deficits discussed above.

³ AHURI, Operating Deficits and Public Housing, March 2004.

Figure 2.4 Operating result 2002-03 to 2008-09



Note: Actual numbers from 2002-03 to 2004-05, Budgeted data from 2005-06 onwards.

Source: Compiled by the ACT Audit Office using Housing ACT information.

Conclusion

2.40 The Housing budget is currently in deficit and is forecast to remain so for the foreseeable future. The pressures that are leading to this situation include:

- an emphasis on housing the most disadvantaged, leading to a decrease in the amount of rent collected after rebates are granted;
- the policy of maintaining the current number of properties;
- the plan to dispose where practicable of multi-unit properties and the high cost of replacing these properties; and
- the high costs of purchasing properties and carrying out maintenance compared to most other jurisdictions.

Recommendation 3

DHCS should propose policy options to Government designed to balance the budget for long term sustainability. These options could include cost savings, more accurate market rent assessment, increased user charges and reductions in properties.

Expenditure and costs

2.41 Table 2.1 shows the costs of providing public housing across Australia. The figures show that recurrent expenditure per dwelling is 70% higher in the ACT than the Australian average. Recurrent expenditure plus capital costs are 54% higher than

the Australian average. Housing ACT advised that higher costs were associated with maintaining properties that had an average age greater than other jurisdictions. Since maintenance expenses in 2004-2005 were \$27.9m or only about 26% of total expenses, this cannot account for all of the high costs of providing public housing.

Table 2.1 Government housing assistance 2004-05

	ACT	NSW	Vic	Qld	WA	SA	Tas	NT	Aus
Government expenditure on public housing									
Per capita	\$	\$	\$	\$	\$	\$	\$	\$	\$
Recurrent	270	87	48	56	81	144	148	261	81
Recurrent including capital costs	1 028	423	239	239	270	431	432	642	340
Per dwelling									
Recurrent	8 066	4 704	3 686	4 444	5 080	4 836	6 116	9 423	4 757
Recurrent including capital costs	30 703	22 925	18 346	18 883	16 983	14 495	17 873	23 174	19 895

Source: Report on Government Services 2006, Productivity Commission, Table 16.1, p.16.9.

2.42 DHCS conducted research into the cost of public housing in the ACT during 2003-04. The research indicated that a number of factors may contribute to higher costs in the ACT, including:

- relatively high land and building costs in the ACT;
- fixed overhead costs associated with the provision of public housing and the smaller jurisdiction of the ACT not being able to attain the economies of scale achieved by other jurisdictions; and
- a lack of cheaper rural stock in the ACT.

2.43 Audit notes that Tasmania has similar economies of scale issues, but has a much lower recurrent cost per capita and per dwelling.

2.44 Audit conducted a broad review of the staffing levels of housing authorities across Australia; the results are in Table 2.2 below. The figures show that the ratio of Housing ACT properties to staff is mid-range in comparison with other jurisdictions across Australia. This staff-ratio should reflect the advantages in the ACT of proximity of properties managed. In the ACT 99.6% of tenants are located in the capital city, compared to 59.6% nationally.

2.45 There have not been comprehensive analyses of costs by Housing ACT that clearly identify the extent and reasons of higher operating costs. As discussed elsewhere in the Report, there are a number of work practices and policies currently adopted by Housing ACT in areas of priority allocation, vacancy management, debt

recovery, market rent setting, which can be improved to reduce administrative costs and increase potential revenue.

Table 2.2 Ratio of housing staff to properties as at 30 June 2005

Jurisdiction	Housing staff	Number of properties	Ratio of housing staff to properties
ACT	220.4	11 552	1:52
QLD	1143	48 706	1:43
NSW	2265	128 270	1:57
NT	154	5 531	1:36
SA	707.5	47 471	1:67
WA	1017	34 870	1:34
VIC	1140	65 262	1:57
TAS	213	12 500	1:58

Source: Annual Reports of relevant Departments 2004-05, excluding SA Housing Trust 2003-04 Annual Report and *Partnerships for better housing assistance* July 2004 (VIC).

2.46 Housing ACT's lack of detailed knowledge of why ACT's recurrent costs are 70% above the Australian average adversely affects its ability to take steps to reduce its costs.

Recommendation 4

DHCS should explore in detail the reasons for the cost of provision of ACT public housing being significantly higher than the Australian average, and take appropriate efficiency measures.

PERFORMANCE INFORMATION

2.47 This section discusses the quality of information produced by Housing ACT to report its performance.

2.48 Housing ACT produces performance information including that in the Budget Papers, Annual Report, quarterly performance reports tabled in the Legislative Assembly and monthly internal management reports. These are discussed below.

Strategic and accountability indicators

2.49 In their budget papers, ACT agencies specify the performance measures and the projected performance against those targets at the time of the Budget. Actual performance is then reported in the Annual Report.

2.50 There was a change in the reporting structure at the time of the 2005-06 budget. This budget introduced the concept of strategic and accountability indicators

and reduced the overall number of indicators. Tables 2.3 and 2.4 show the indicators that applied for 2004-05 and 2005-06 respectively.

Table 2.3 Performance measures for 2004-05

Measures	2004-05 Targets	2004-05 Result
Quantity		
Number of new public housing applicants housed	900	650
Number of new public housing allocations to Priority Applicants	800	594
Number of public housing tenancies managed	11 200	11 073
Number of public housing properties managed	11 530	11 552
Percentage of public housing tenants receiving rebates	87%	86%
Quality/Effectiveness		
Number of new clients/transfers visited in first 3 months	900	457
Number of all clients visited during the financial year	10 640	10 532
Tenant Satisfaction (as assessed by internal survey)	>60%	>60%
Percentage public housing occupancy rate	97%	95%
Timeliness		
Percentage of housing applications processed within 21 calendar days	100%	98%
Percentage of vacant standard property turnaround under 29 days	85%	67%
Cost		
Cost of assessing and administering tenancy applications (\$m)	\$1.663	\$1.642
Cost of assessing and providing rental rebates (\$m)	\$3.879	\$3.830
Cost of tenancy management (\$m)	\$17.179	\$16.962
Cost of property management (\$m)	\$84.361	\$81.220
Average rent rebate per tenancy	\$6 230	\$6 441
Average cost of public housing (excluding rebates) per 1,000 head of population	\$325 800	\$315 358

Source: Housing ACT Financial Statements 2004-05.

Table 2.4 Performance measures for 2005-06

Strategic Indicators:	2004-05 Est. Outcome	2005-06 Target
Provision of housing to people experiencing homelessness (Percentage of tenants allocated from EAC1 category)	92%	95%
The provision of housing enables tenants the opportunity to be part of a community (Tenant satisfaction (from the local and national social housing survey))	70%	70%
Accountability Indicators:		
Percentage of allocations that go to priority applicants (Categories EAC1, EAC2, or X)	n.a.	90%
Number of public housing properties managed	11 565	11 179
Percentage of public housing tenants receiving rebates	87%	86%
Number of client service visits conducted	10 650	10 640
Overall satisfaction of tenants with the provision of public housing	60%	>60%
Average cost per dwelling of public housing	n.a.	\$9 739

Source: Housing ACT 2005-06 Budget Paper, No. 4, p.320.

Analysis of strategic indicators

2.51 Strategic Indicator 1 is subtitled ‘Provision of housing to people experiencing homelessness’. However, the measure employed, namely the ratio of clients accessing housing who are EAC1, is inadequate. As a ratio comparing selected services to total services, it does not measure the impact of these services. A better measure may be the number of EAC1 applicants housed, although the definition of the EAC1 category includes people other than those experiencing homelessness. Chapter 3 of this report discusses the need to make the highest priority of applicants more restrictive than the current EAC1. If this is done, performance based on the time taken to house those in this new category will be a better measure of dealing with homelessness.

2.52 A more direct measure against this strategic indicator might be the estimated number of people who are homeless. This figure is only reliably counted by the census, and there is a delay before the figures are analysed and reported. However, there should be some proxy measures that could establish approximate trends in between the census results, for example, changes in the numbers of people turned away from SAAP services.

2.53 Strategic Indicator 2 is subtitled ‘The provision of housing enables tenants the opportunity to be part of a community’. The measure reported, ‘tenant satisfaction: results from the local and national social housing survey’, needs to be clarified. DHCS informed Audit that the measure is based on response to a specific question in the survey ‘Feels part of the local community’.

2.54 Audit has some concerns about the relevance of this indicator. The provision of public housing can have a wide variety of non-shelter outcomes. For example, the survey referred to above reported nine measures of non-shelter outcomes. There was less impact of public housing on measures such as improved health, employment and education; and there was a higher impact of public housing on measures such as coping, feeling settled, and ability to manage money. With such a wide range of non-shelter outcomes, the reason for picking just one for reporting is not clear.

2.55 Although it is appropriate that policy formulation has regard to wider social concerns such as those in the Canberra Social Plan, it is also the case that the provision of housing has only indirect influence on these non-shelter outcomes. As Housing ACT is constrained by both the *Housing Assistance Act* and by the budget from spending on other than housing and related services, they cannot take steps to directly affect these measures, compared to other agencies. It is more appropriate for Housing ACT to use strategic indicators that are more directly under its influence.

2.56 Housing stress⁴ is a key performance measure that could be considered for inclusion as a strategic indicator. The 2001 Census stated that 6 006 ACT households, or 6.1% of all households, were in housing stress.⁵ An estimated 8 400 of the households in the ACT were in housing stress in 2002.⁶ This was significantly more than the housing waiting list of around 3 000. Audit is not aware of any subsequent and updated measurement of the ACT housing stress figure.

Recommendation 5

DHCS should revise strategic indicators so they facilitate achievement of the strategic objectives of Housing ACT.

Analysis of accountability indicators

2.57 The 17 former performance measures have been reduced to six accountability indicators. Audit considers that some of this was appropriate simplification, such as the replacement of six cost indicators with a single measure of cost per dwelling. However, Audit also considers that there are several aspects of housing performance that are not captured by the current set of performance measures.

2.58 There is no indicator for waiting times for priority applicants, nor for all applicants. Waiting time was not reported previously, but it should represent key performance measures. Other aspects of performance that are relevant are the levels of debt by Housing ACT clients, and possibly the proportion of appeals that are upheld. One measure that was dropped related to the timeliness of turning around properties

⁴ Housing stress is defined by the Australian Bureau of Statistics as those households paying more than 30% of disposable income on housing and having income in the lower 40% of income distribution.

⁵ Progress on affordable housing in the ACT, 30 June 2005, p.12.

⁶ *Housing People Building Communities*, June 2004.

(routine vacancies) for minor maintenance before the new tenant is housed. This measure is considered a significant contributor to efficiency of use of housing stock.

2.59 Conversely, although the percentage of public housing tenants receiving rebates is a statistic of interest, it is not something that Housing ACT staff can influence, as it depends on clients' circumstances.

Recommendation 6

DHCS should revise the Housing ACT accountability indicators to provide a more comprehensive assessment of performance, including indicators on waiting times, debt levels and the average time a property is vacant between tenancies.

Reporting against strategic and accountability indicators

2.60 Until December 2005, Housing ACT submitted a quarterly report to the Assembly that contained financial statements, and a 'Management Discussion and Analysis' report that comments on the financial results. Separate reports also commented on achievement as described by the quarterly performance measures. DHCS also presented quarterly performance measures, with commentaries on the results achieved. Audit assessed these reports as being reasonable commentaries on performance in the periods in question.

2.61 Amendments to the *Financial Management Act 1996* that took effect from 1 January 2006 mean that the requirement now is to report on a six-monthly basis.

2.62 DHCS also monitors performance against these measures monthly; this represents good practice for internal management.

Other reporting

2.63 There are no well-developed targets or performance measures to measure the progress of Housing ACT against the Canberra Social Plan. In particular, the Social Plan refers to decreasing the proportion of ACT residents on low incomes who experience housing stress. As discussed above, Audit suggested the inclusion of this as a strategic performance measure.

2.64 The Public Housing Asset Management Strategy (PHAMS) proposes a number of performance indicators for stock rejuvenation, building sustainable communities, stock flexibility to meet needs, targeted maintenance and value for money. Some indicators are collected and reported, for example, the number and percentage of properties catering for people with special needs.

2.65 Audit considers that the performance monitoring and evaluation indicators from the Asset Management Strategy provide Housing ACT with means to assess whether the management of the current stock portfolio has been effective, for example by:

- monitoring changes in value of the portfolio year to year compared with the value of ACT properties in general; and
- evaluating success or otherwise of joint ventures with the private sector or other innovative delivery mechanisms.

Recommendation 7

DHCS should utilise the performance monitoring and evaluation indicators from the Public Housing Asset Management Strategy (PHAMS), to improve asset management.

Internal management reports

2.66 The key internal report is the monthly report submitted to the Housing and Community Services Executive Meeting, which presents information in the following areas:

- management of turnaround time between tenancies;
- allocations and application management – applications: average assessment time in days;
- allocations and application management – waiting list: average time on waiting list EAC1;
- bond loans: number of bond loans received in period;
- tenancy termination reason;
- client service visits;
- rental rebates: average time of rebate application assessment;
- rental and sundry arrears: average arrears per arrears account;
- vacated debt: number of accounts with vacated debt; and
- tenancies and dwellings managed: number of properties acquired and disposed of during the period.

2.67 The amount of rental and sundry debt in arrears is reported, but not against any target. Given the increasing amount of rental and sundry arrears from \$1.42m at June 2004 to \$1.73m at June 2005. Housing ACT should be reporting against a target. Audit considers that the reports are reasonably comprehensive and provide useful indication of Housing ACT's progressive performance relative to the targets.

2.68 DHCS records the amount expended on acquisitions and upgrades, but not the number of planned acquisitions, nor the number of upgrades planned for the year. Audit considers that it would be useful to report target and actual expenditures for each type of activity and acquisition. This would highlight progress towards reducing the current mismatch between location of existing public housing properties and the preferences of clients on the waiting list.

2.69 In summary, Audit considered that internal management reports on housing provide reasonably comprehensive information, but there are some areas where better presentation and incorporation of targets would improve the reports further, and facilitate appropriate action to achieve stated outcomes.

RISK MANAGEMENT AND FRAUD CONTROL

Risk management

2.70 DHCS introduced a risk management strategy in 2003. A draft Risk and Fraud Management Plan – January 2004, was presented to the Board of Management in March 2004. At this time, it was assessed as requiring executive input to complement the bottom-up approach, based on staff workshops in September 2003.

2.71 The risk management database was completed around May 2005 and used to present quarterly reports in June and September 2005. These appeared to be comprehensive lists of significant risks together with current and planned action.

2.72 The ‘top-down’ approach to risk management, designed to complement the bottom-up approach discussed so far, progressed through the second half of 2005. Business areas were invited to identify their top five strategic risks, together with contributing risks and mitigating strategies. These were to be embedded in the 2006-2009 Strategic Plan. By December 2005, the strategic risks had been identified and grouped. The next steps were to collate the mitigating strategies and provide a framework for the quarterly Risk Management reports.

Table 2.5 Top-down and bottom-up and risks for Housing ACT

Risk	
Top-Down	Bottom-up
Asset risk in relation to Housing and major capital works projects	Failure to maintain assets to a safe standard
Inability to meet target of integration into community (due to public perception of client base)	Inadequate skills to deliver against objectives/ failure to manage staff performance
Inability to secure funds to meet client need in future	Ineffective corporate governance framework/ strategic business planning practices
	Inappropriate assessment of allocation of government housing
	Failure to proactively manage key relationships/insufficient consultation with key stakeholders

Audit Comment

2.73 Audit observed that DHCS has spent a lot of time and effort in order to prepare and revise risk management strategies. DHCS required staff to nominate risks.

Both top-down and bottom-up approaches can be useful. The integration of risk management with the strategic plan is a sound way of providing added assurance that the risk management measures will be implemented. Table 2.5 compares the bottom-up risks (other than fraud risks, discussed later, and total facilities management risks, which are not part of this audit) with the newer strategic or top-down risks.

2.74 Audit observed that the risks identified by staff were clear and were not fully incorporated into the top-down risks. Audit notes that the Department is now focussing on the top-down risks. DHCS advised that some of the bottom-up risks were better addressed at the management level rather than by the Audit and Review Committee.

Conclusion

The risk management process to date has been comprehensive, if rather slow. It has resulted in a set of top-down and bottom-up risks that are quite distinct, with each set including significant risks. It would be appropriate for the Department to pay attention to both types of risk.

Fraud control

2.75 There are no penalties for fraud, nor for providing false information by applicants to Housing ACT in the current *Housing Assistance Act*. They are included in many other States' Housing Acts. The Public Rental Housing Assistance Program issued under the Act provides in paragraph 9(4) that an applicant is not eligible if the application is false or misleading in any material way.

2.76 A Fraud Control Plan 2001-2003 was prepared, dated July 2001. This document emphasised internal fraud risks, but did include reference to fraud committed externally such as rebate fraud. The only controls mentioned were to make inquiries about household composition during inspections, and to follow up on reports of additional residents. The potential for applicants to fraudulently get on the waiting list or elevate their priority was not mentioned.

2.77 DHCS finalised a Fraud and Corruption Prevention Plan in April 2004.

2.78 In May 2004, the Board of Management identified three areas of high risk fraud related to HomeNet, and requested scoping for an audit on this. Audit found no record that such an audit was completed. The risk register finalised in 2005 included a number of fraud risks that related to housing. Those other than for facilities maintenance (not covered in this audit) were:

- false rebate claim submitted by tenants;
- fraudulent rebate adjustment due to collusion between tenant and Housing Manager;
- fraudulent sub-letting of government housing by legitimate tenant; and
- fraud in relation to work performed on construction projects.

DHCS advised that these issues have been incorporated into activities related to the procurement of a replacement for the HomeNet system.

2.79 One of the key risks is that of false rebate claims, which relates to understatement of household income. The guidelines for Client Service Visits provide for Housing Managers to check that the number of people living in the home match Housing ACT's records. Audit was informed that Housing Managers do try to observe whether there appear to be others living in the property, but understandably such observation is not a totally reliable check. The CSV guidelines also provide for checking whether 'the income information provided by the tenant is correct'. DHCS advised that tenants are asked if their income circumstances have changed, and are required to sign the report of the CSV. In addition, DHCS reviews rebates for most tenants each six months, and the remainder each year.

2.80 Most of Housing ACT clients receiving rebates are also clients of Centrelink. DHCS advised that it relies on Centrelink's fraud control arrangements to prevent and deter false statements about income or household membership.

2.81 Guidelines for Housing Managers define fraud, but do not refer to what action is to be taken when it occurs.

2.82 Audit noted documentation where an attempted fraud using falsified documents to claim a higher housing priority was not pursued by Housing ACT. Instead, the applicant was merely put in their correct housing priority list.

Conclusion

2.83 Fraud control with respect to Housing ACT operations appears to be limited. There is little active monitoring of the risk of fraud, little training in its detection, and insufficient emphasis on handling those cases of fraud that are detected.

Recommendation 8

DHCS should develop suitable options to improve its fraud control; for example by providing better guidance to Housing Managers and improving deterrence through pursuing more vigorously those cases of fraud that are detected.

REVIEWS AND AUDITS

Internal audits

2.84 There has been a number of internal audits of Housing ACT. These include audits of Debt Management, and of Eligibility for Assistance, which were completed in November 2002 and November 2003 respectively.

Evaluations and reviews

2.85 Current reviews of which Audit is aware include a review of the *Housing Assistance Act* and a review of the priority categories for the allocation of public housing. There was also substantial work on policy review options, for example on security of tenure that was prepared for the February 2006 Housing Summit.

2.86 Previous major reviews, or key policy documents that have contained recommendations for future action, have included:

- the review of the Homelessness Strategy (November 2005);
- the 'Housing People, Building Communities' report (September 2004);
- review of Housing ACT Market Renters (August 2004); and
- the Public Housing Asset Management Strategy.

2.87 Audit observed that recent key reviews were considered in a timely manner at the Housing and Community Services Executive Committee. Details of the implementation are discussed where relevant in the report.

COMPLAINTS

Customer Service Charter

2.88 Audit found no evidence of a service charter or a similar document being available to members of the public.

2.89 It is good practice to establish a customer service charter or similar document. A service charter is a short publication that describes the range and standards of services a client can expect from an agency. It allows for an open and transparent approach that all parties understand and can work within. It covers key information about an agency's service delivery approach and the relationship the client will have with the agency, including:

- what the agency does;
- how to contact and communicate with the agency;
- the type and standard of service clients can expect;
- clients' basic rights and responsibilities; and
- how to provide feedback or make a complaint.⁷

2.90 The Charter also includes information about seeking external reviews of an agency's decisions.

⁷ Client Service Charter Principles, June 2000. (Commonwealth) Department of Finance and Administration.

2.91 Establishing standards is best done in consultation with customer representatives.

2.92 The presence of a Charter provides assurance to customers and enables the Department to monitor standards against those set in the Charter, and identify ways of improving if the performance is below standards.

Recommendation 9

DHCS should establish a Customer Service Charter for Housing ACT, and make it accessible to tenants, applicants and the public.

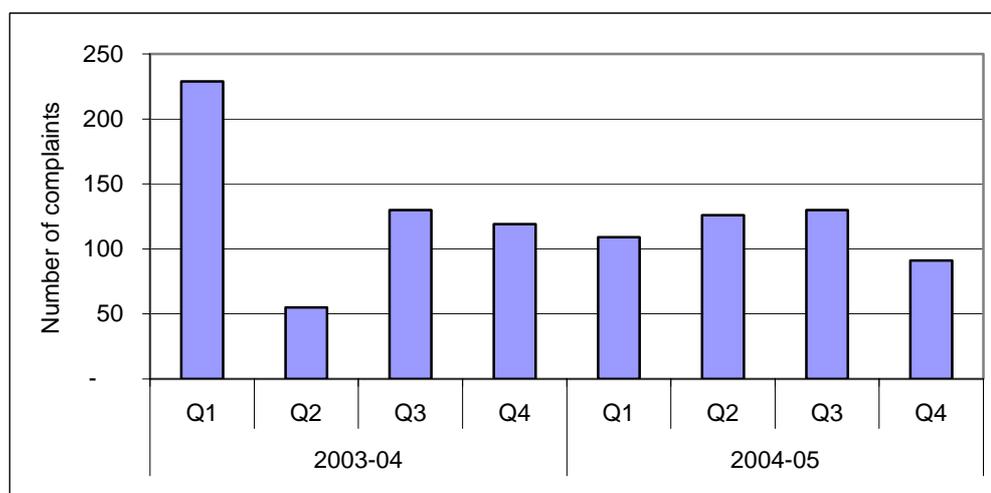
Complaints

2.93 DHCS has established a Complaints Management Unit (CMU) to receive feedback from tenants or applicants and resolve complaints about housing services. It is responsible for the tracking of complaints, which should be dealt with within 21 working days unless they are considered complex. If the complaint is not resolved by the CMU, it can be referred to the Advocacy Review and Quality Branch, or to the Ombudsman.

2.94 In addition to complaints, clients may appeal against decisions made by Housing ACT, for example, not to provide housing assistance.

2.95 In the sample of files reviewed, the majority of complaints by tenants were related to maintenance, such as the replacement of non-functional materials. Other complaints related to the exterior condition of the property, such as the accumulation of rubbish on property fence lines. Although maintenance was outside the scope of this audit, Audit notes that both types of complaints were promptly resolved by DHCS.

Figure 2.5 Complaints 2003-04 and 2004-05 by quarter



Source: Compiled by the ACT Audit Office using Housing ACT information.

3. ALLOCATION OF PUBLIC HOUSING

INTRODUCTION

3.1 This chapter discusses the process of receiving applications for public housing from prospective tenants, assessing applications, placing approved clients on the waiting list and allocating available properties to approved clients.

KEY FINDINGS

- The priority sequence of the categories was not clear; and the highest category was not sufficiently restrictive so that clients in this category could be quickly housed.
- DHCS did not provide clients with current waiting times nor publish them on the internet.
- Aside from those applicants identified through pre-allocation case conferencing, DHCS does not informally consult with clients prior to the formal offer of housing.
- Not all applicants' circumstances were checked prior to allocation of the property, creating a risk that accommodation was incorrectly allocated.
- Housing ACT needs to improve its measures to address anti-social behaviour. Housing ACT has nearly completed a draft policy for managing disruptive behaviour.
- DHCS does not ascribe a higher priority to tenants wishing to downsize. The current approach limits flexibility and could adversely affect the Department's ability to improve the matching of clients to properties.
- In the ACT, 21% of priority applicants are housed within three months, compared to the national average of 50%.
- The average waiting time increased from 246 days in 2003-04 to 337 days in 2004-05 for applicants in the highest priority group (EAC1).
- There were a large number of applications from people on the waiting list applying to have their priorities upgraded, (6 733 in 2004-05). This suggests that the priority system is not well defined and can be administratively costly.

BACKGROUND

3.2 The client service functions of Housing ACT are primarily carried out by the Gateway Services Centre and the Tenancy Management sections, assisted as required by other parts of DHCS, in particular the Legal Unit. The Gateway Services Centre includes an Applicant Services Centre at Belconnen and three other shopfronts at Woden, Tuggeranong and Civic. At these shopfronts, applicants can register for public housing and tenants are able to pay rent, make housing enquiries and apply for rental rebates.

3.3 Housing ACT uses a British system, HomeNet, to record information on clients and properties. This includes information on the initial application and placement on a waiting list, the allocation of the client to a property, and subsequent client service visits. All correspondence and interaction with the client is recorded on HomeNet. This system is approaching the end of its useful life, and is planned for replacement in 2006. The audit did not, therefore, review HomeNet in any detail.

3.4 Housing ACT is unable to meet the increasing demand for public housing, and only those clients with the greatest needs are being accommodated after being placed on a category waiting list. Even these clients may have to wait more than a year before being housed. The inability of Housing ACT to provide housing for clients places pressure on community housing providers to fill the need for immediate and short-term accommodation.

3.5 The demand for public housing has grown in the ACT as house prices and rents have risen, with an increasing number of households in housing stress. During the December quarter of 2005, Canberra had the highest quarterly median rent for three bedroom houses in Australia, \$310.00 a week, compared to \$300.00 in Darwin and \$260.00 in Sydney.⁸ Housing ACT is a provider of public rental housing, accounting for 9.5% of the ACT's total housing stock in June 2004, compared to the private rental housing market of around 19%.⁹

3.6 The ACT has continued to experience low vacancy rates which was 2.8% in the December quarter 2005. Low vacancy rates can place additional pressure on households to meet increasing rents and lead to housing stress.

APPLICATION FOR PUBLIC HOUSING

3.7 Applicants for public housing must complete a 'Registration for Assistance' form available from Housing ACT shopfronts or the Applicant Services Centre. Applications are lodged at the Applicant Services Centre, and applicants are interviewed at Belconnen to determine their housing needs.

Priority lists in the ACT

3.8 Housing ACT has established a set of categories, as set out in Table 3.1, in order to give priority to those in greatest need of housing assistance.

3.9 After reviewing documentation and the applicant's circumstances, assessing officers allocate applicants to a category. Senior Housing ACT officers determine if applicants are placed in early allocation and high priority categories.

⁸ Real Estate Institute of Australia, Market facts, December Quarter 2005.

⁹ *Housing People Building Communities*, June 2004, p.8.

Table 3.1 Priority lists

Category	Description
Category X (Territory Emergency)	Persons requiring Out-of-Turn housing due to a disaster declared by the Chief Minister. This category was created after the 2001 bushfires.
Out-of-Turn (OOT)	Circumstances of applicants are so extreme that they warrant housing before other applicants on the waiting list. Senior Housing ACT management makes recommendations to the Commissioner for Housing on transfers to this category.
Management Initiated Transfer (MIT)	Tenants who Housing ACT need to relocate for reasons such as redevelopment or refurbishment of current accommodation.
Management Assisted Transfer (MAT)	Tenants who would benefit from a transfer to another property. For example, an elderly person living in a three bedroom home with a high maintenance garden may seek a transfer to a smaller unit with suitable fittings; or a family may seek to move to a larger property following an increase in family size.
Early Allocation Category 1 (EAC1)	Applicants in urgent need of housing. For example: <ul style="list-style-type: none"> • Homeless - people moving between various forms of temporary shelter such as refuges, hostels, boarding houses or accommodation provided by friends; • In extreme housing crisis or at imminent risk of becoming homeless; may include applicants at risk of domestic violence, exiting Community Accommodation Programs (CAP)/ Supported Accommodation Assistance Programs (SAAP), or facing imminent eviction; and/ or • Housing ACT tenants who need to be rehoused urgently.
Early Allocation Category 2 (EAC2)	Applicants for whom the private rental market is not suitable or accessible as a long term option. For example: <ul style="list-style-type: none"> • applicants facing private rental barriers such as extreme affordability problems caused by multiple issues, lack of supply or discrimination; this may include refugees, indigenous groups, or applicants with disabilities, severe medical conditions; • people with a serious requirement for accommodation with a level of amenity or in a certain locality not available in the private market; and • Housing ACT tenants whose current housing is seriously overcrowded, or is no longer suitable because of serious medical or other reasons.
Standard Allocation Category 3 (SAC3)	Applicants with an affordability problem. Incomes within ACT public housing eligibility criteria.
Standard Allocation Category 4 (SAC4)	Applicants seeking transfer to other public housing. Housing ACT tenants who initiate a transfer for reasons of personal preference; including tenants whose need for transfer is less urgent than that of tenants who would qualify under EAC2.

Note: SAC3 and SAC4 have equal status for the purpose of allocating assistance.

3.10 The precise priority order of these categories is not clear. This may lead to inconsistency and lack of transparency in the decision making process. For example, Out-of-Turn and Category X are the highest, but it is not clear which is higher. MIT rates higher than MAT, but how these priorities are ordered compared to EAC1 is unclear. From the numbering, it would appear that SAC3 is higher than SAC4, but these categories are of equal priority.

Comparisons with other jurisdictions

3.11 As noted in the Report on Government Services 2006, all State and Territory governments prioritise access to public housing by giving different groups different priorities. Groups are defined differently across jurisdictions, but generally involve urgent need or homelessness and an inability to access appropriate private market accommodation. Most jurisdictions provide security of tenure after an initial probationary period. Most jurisdictions also have periodic reviews of eligibility to ensure that tenants are meeting the other terms of their tenancy agreement.

3.12 Tasmania has a different approach, using a points system that gives credit both for need and for time on the waiting list. In this way, those with highest need have priority, but all on the list will accumulate enough points to be housed if they wait for a sufficient period of time.

3.13 The Australian Housing and Urban Research Institute (AHURI) has noted a trend towards increased use of priority systems that allocate public housing to the most disadvantaged so that, for example, 5% of Australian applicants in the greatest need receive 38% of allocations.¹⁰ The comparison with other States that use segmented waiting lists is in Table 3.2 below, taken from AHURI.

3.14 The highest defined category (EAC1) in the ACT has similar criteria to that in SA, but is less restrictive than NSW or Victoria. As there is now a long waiting period in this category, Housing ACT may need to define EAC1 more restrictively so that those with the highest priority can be housed more quickly.

Conclusions on the category system

3.15 Housing ACT has been reviewing waiting list classifications since mid 2005. As at December 2005, data analysis was underway but not complete.

3.16 The major issue is that the scarcity of housing has meant that almost all allocations have gone to the highest defined category, EAC1. Waiting times for those in this category have extended to be more than a year for some clients. This extended period of waiting has driven the need to give another, *ad hoc* category of 'Out-of-Turn' (OOT) to those requiring more urgent assistance. This process should be formalised by creating a highest category that is more restrictive and is carefully defined rather than *ad hoc*. For example, at present, the possibility of children

¹⁰ AHURI, The Changing Role of Allocations in Social Housing, March 2005, p. iii.

becoming homeless is not part of the formal allocation of priority; this should be considered as part of defining priority rather than as one of the issues considered in the OOT process.

Table 3.2 Priority lists in other States

State	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5
ACT	Urgent housing need. (This equates to OOT, MIT, MAT and EAC1).	Private rental market not accessible as a long-term option	Normal wait turn	Transfers	n.a.
NSW	Emergency temporary accommodation	Priority	Elderly 80+ (55+ for indigenous)	Priority transfers	Other eligible applicants
SA	Urgent need (homeless, or at risk)	High or complex housing need	Affordability related need	Transfers	Low demand areas
Vic	Long-term homeless	Disability, frail aged, severe medical or significant support needs	Unsuitable housing and cannot access the private rental market	Low income	n.a.

3.17 Similarly, there is poor definition of the two transfer categories MIT and MAT, and it is unclear how these relate in priority to EAC1 transfers. Again, it would be preferable for a new priority system to define accurately the criteria for each transfer category, and to specify which category precedes which.

3.18 There appears to be no need for Category X. This was created to give special priority to those affected by the January 2003 bushfires, and applies when a Territory Emergency is declared. Category X applicants must meet the same criteria as those applying for housing assistance. At present, any Housing ACT tenant who has their abode destroyed, for example in a single house fire, is housed rapidly using the ‘MIT’ category. Similarly, persons eligible for public housing who have their current abode destroyed could apply and be granted priority under the current system. The category allocation system had been noted for discussion at the February 2006 Housing Summit.

3.19 Offering less desirable accommodation to applicants without them losing their place in the waiting list for preferred accommodation would tend to house clients earlier and make better use of currently under-utilised accommodation.

Recommendation 10

DHCS should clearly define the housing allocation system including:

- setting the priority for each category, to provide a clearer and consistent basis for housing allocation; and
- finalising options for Government to tighten the basic eligibility criteria (including for current tenants) for housing and effectively use limited funding for the most needy groups.

The process of placing applicants in categories

3.20 After meeting basic eligibility conditions, Housing ACT clients are allocated to a waiting list according to their individual circumstances.

3.21 When a client initially applies for public housing, they are placed on one of the lists EAC1, EAC2 or SAC3. Should they wish to appeal against this decision, they may do so. If a client feels their circumstances are extreme, they may apply for 'Out-of-Turn' (OOT) consideration.

3.22 In 2003-04, 3 745 applicants on the waiting list lodged a total of 6 666 applications to have their priority upgraded (1.7 applications per person on the waiting list). Of these, 1 537 applicants (23%) were successful.¹¹ In 2004-05, a total of 6 733 applications were lodged from 4 135 clients on the waiting list (1.6 applications per person on the waiting list), with 1 052 applications (16%) being successful. The large number of upgrade applications lodged indicates that applicants are aware that only those in the highest priority categories are being housed, and have used this process to improve their chance of obtaining public housing.

3.23 Audit found instances where existing clients were applying to have their application reviewed on average every month for the duration of their time on the waiting list. In each application for a review, the client was required to submit the same documentation as required to when applying for public housing. Audit considers the high number of applications for category review suggest the current priority rating system may not be as effective as it could be. An application review system that accepts applications for upgrading priorities as routine, rather than by exception, creates greater administrative costs to the Department.

3.24 The SAC3 category is maintained even though applicants in this category are currently not being offered public housing, with the exception of Older Persons Apartments (OPA). This means additional work for Housing ACT staff in maintaining and reviewing these lists, as well possibly creating false hope for applicants with little

¹¹Applications included in this measure are all applications for both initial housing and for transfer that were current during the period. This includes any applications closed during the period (Housed, Cancelled etc) and any new applications registered during the period.

likelihood of ever being offered public housing. Current regulations require Housing ACT to keep a register of all eligible applicants.

3.25 There are no formal processes to inform applicants who have been assessed as SAC3 that the likelihood of being offered public housing is very low unless there is a change in their individual circumstances or in Government policy. Similarly, applicants with EAC1 or EAC2 status are not given an estimate of the waiting time. Across Australia, AHURI reported that ‘wasn’t told how long the waiting list would be’ was clients’ major complaint about the applications process, with more than 50% reporting a problem.¹² In Western Australia, estimated waiting times by location and property category are published on the internet.

Recommendation 11

DHCS should publish current waiting times by category to inform and assist prospective tenants on their applications.

Changes to applicants’ priority categories

3.26 Tenants wishing to move to a smaller property (generally an advantage to Housing ACT) do not normally get priority. Without special circumstances, their category would be SAC4, and hence they are unlikely to be offered such a property. However, tenants may be able to use the ‘Mutual Exchange’ facility to organise a swap with another tenant.

3.27 In several cases reviewed during audit fieldwork, Audit notes that that tenants wishing to move due to medical problems were put on the slow-moving EAC2 list. According to the definitions in Table 3.1, this is the correct category. Following appeals, Housing ACT later allocated some of these tenants to the higher MAT or OOT category.

3.28 Applicants can apply at any time to have their category rating upgraded. A review by Audit of those wishing to be upgraded to the OOT category showed that there were no specific guidelines or criteria for the Housing ACT assessor or applicants. Nevertheless, Housing ACT set a high standard for approval and clients had to document that their situation was ‘desperate’. Audit observed no inconsistent decisions between cases (for example, no instances where following presentation of similar facts, an applicant was allocated OOT in one case and denied in another), despite not having OOT criteria. Audit also observed that many of the requests for OOT allocation came from current tenants seeking accommodation commensurate with their needs.

3.29 Housing ACT periodically reviews the waiting list. A review in early 2005 saw the number of people on the waiting list reduced from 3 000 to 2 400 after applicants failed to respond to contact from Housing ACT seeking to determine if

¹² AHURI, *The Changing Role of Allocations in Social Housing*, March 2005, Table 5.2.

they were still interested in public housing. However, the applications cancelled were predominantly in the SAC3 category. Waiting lists in the EAC1 category are reviewed biannually by Housing ACT.

3.30 If the circumstances of an applicant waiting on the EAC1 list change, (such as gaining employment), so that they can move into the private market, Housing ACT's policy is that they should be downgraded to SAC3. People who are in supported accommodation provided by SAAP are usually entitled to EAC1 status. However, if the applicant left SAAP to enter the private housing market, the policy is that they would lose EAC1 priority, even if they remained in housing stress.

3.31 During Audit fieldwork, Housing ACT advised that it might consider recommending to Government that the eligibility criteria for access to public housing be tightened in order to ensure that there is some prospect of housing all eligible applicants in the foreseeable future. These recommendations, such as introducing new income criteria, were presented at the 2006 February Housing Summit.

ALLOCATION OF PUBLIC HOUSING

Allocation process

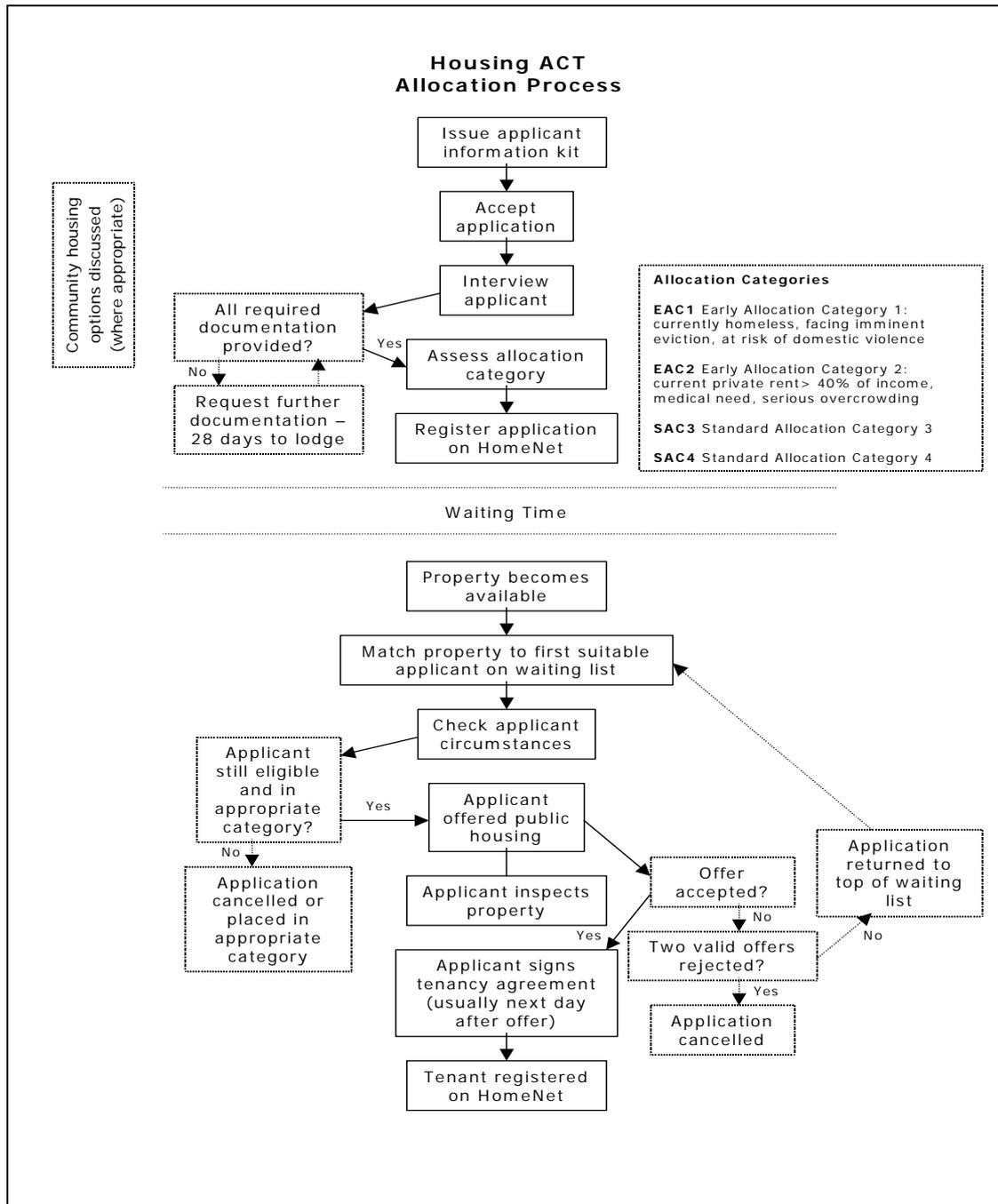
3.32 The allocation process used in the ACT is described in Figure 3.1 on the next page.

3.33 In 2003-04, amongst all jurisdictions, the ACT allocated the highest percentage (86%) of all new allocations, to those in greatest need. Audit, however, noted that the ACT highest priority group (EAC1) is rather broad compared to other jurisdictions, as discussed above.

3.34 It is possible for some applicants to be on many different waiting lists depending on applicant eligibility and preferences. Canberra is split into four regions, each of which is split into many zones that consist of one or more suburbs, depending on the number of public housing properties in those suburbs. In addition, an applicant's circumstances can be such that they are eligible for several different types of property, e.g. two or three bedroom apartments or houses. Each applicant's selection of zone, property type and priority creates a list. As SAC3 applicants can specify a zone, a group of zones, or anywhere in Canberra, applicants will wait longer for housing assistance, or may never be housed. However, EAC1 applicants are limited to specifying one or more of the four regions that Canberra is split into.

3.35 The type of accommodation offered is based on the size and nature of the household. For example, it is considered reasonable in most circumstances that two siblings of the same gender can share a bedroom. In special circumstances, the Gateway Services Manager has the delegation to increase the number of bedrooms that a client is entitled to, such as based on evidence from a psychologist that a child would benefit from a bedroom to himself or herself.

Figure 3.1 Housing ACT allocation process



Source: Compiled by the ACT Audit Office using Housing ACT information.

3.36 All new housing applicants are referred to the Debt Unit, which identifies whether the client has any debt outstanding to Housing ACT. Prospective tenants are informed that allocation of housing is subject to there being no outstanding debts. If a debt is found, the applicant is placed on the waiting list. However, when it is time to

allocate a property, applicants may be ineligible to receive housing assistance because of the debt.¹³

3.37 Each Monday week, the allocations officer runs a list of houses and clients on the priority waiting list. Standard allocations are undertaken through HomeNet, however, the matching of vacant properties to clients' requirements for special housing, such as disability modifications or number of stairs, are manually matched by the client services manager. Manual matching is necessary, as HomeNet does not list the nature of the modification, even though this function exists on the system. Housing ACT advised that updating the records of all Housing ACT properties would require significant staffing resources and records would be progressively updated.

3.38 In 2005, AHURI reported that nationally, 43% of Australian public housing recipients said that offers were discussed with applicants prior to, or at the same time as, the offer by mail.¹⁴ Only 31% of Australian public housing respondents indicated that housing staff accompanied them to look at the dwelling offered. Housing ACT currently contacts the applicant and the applicant collects the keys to the property from the most convenient shopfront. Housing ACT does not consider it practical for staff to accompany applicants to the property offered.

3.39 AHURI also reported that 46% of housing staff felt that allocations were sometimes inappropriate. Consulting with the client before making a formal offer may add a slight delay, but could yield increased client satisfaction and improved tenancy outcomes. Such direct client consultation may also act as a check that the applicant retains the priority that they were given when they first applied. Housing ACT has advised that it does consult with clients seeking OPAs as the waiting time is less when compared to other housing forms.

3.40 Audit found that when allocating housing, client's location preferences may not always be taken into consideration. For example, an applicant might nominate Woden as their first preference, and second preference as anywhere in Canberra. If a house anywhere in Canberra is offered to the client but the client rejects the house on the basis of the property not being in the Woden area, the offer is counted as a valid offer. While this practice is consistent with the rules, better service could be offered by informing the applicant that a formal offer is about to be made and giving the applicant an opportunity to refine their location choice, having regard to the waiting times per location. This is especially relevant as the original location preference may have been made 12 months or more earlier.

3.41 Housing ACT commenced a pre-allocation case conferencing pilot project in November 2005 as part of the Sustainable Tenancies Project. The pilot project aimed to better identify clients with complex needs and allocate them appropriately. Early indications are that the pilot was successful, with the concept informally extended to include OOT as a routine procedure. Housing ACT has advised that it intends to also

¹³ Applicants may still be considered ineligible for housing if there has been no attempt at repayment or following action from the Debt Review Committee.

¹⁴ AHURI, *The Changing Role of Allocation Systems in Social Housing*, March 2005, p.52.

implement pre-allocation case conferencing as standard practice for those applicants identified with complex needs.

Recommendation 12

DHCS should on a regular basis, and prior to issuing the formal offer of housing, obtain updated information of client needs, including areas of housing preference, to improve the matching of housing to those requirements.

Recommendation 13

DHCS should limit the location preferences of Standard Allocation Category 3 waiting list applicants to be the same as for Early Allocation Category 1 to simplify management.

3.42 Offers of housing are considered valid unless an exceptional reason is given for refusal. The client services manager determines (subject to appeal) whether the applicant's reason for refusing the offer is exceptional. Applicants receive two valid offers of housing before being removed from the waiting list. As bed-sitting rooms (bedsits) are considered by Housing ACT to be below entitlement, applicants can decline an offer of a bedsit without penalty. Audit was advised that some applicants prefer bedsits.

3.43 Once a property is accepted, the applicant becomes a client and is signed up by the Applicant Services Centre (a part of Gateway Services). Gateway Services also advises the client on the range of services provided by Housing and Community Services. Before commencing the tenancy, the Housing Manager conducts another check and confirmation of the client's information against HomeNet to ensure the tenancy start date is correct.

3.44 The Public Housing Rental Assistance Program provides for an initial rent-free period for new public housing tenants. This consists of the remainder of the week in which a tenancy is signed plus one fortnight, and enables tenants to start their tenancy with the required two-week payment in advance without making an initial payment.

3.45 Housing ACT guidelines contain a requirement to check that the client is still eligible for public housing assistance. However, the guidelines are unclear whether there is a need to check that the priority previously given to the applicant still applies.

3.46 Figure 3.1 shows that checking client circumstances before offer is part of DHCS procedures. However, Audit noted instances where applicants' circumstances were not checked prior to allocation of the property, creating a risk that accommodation was incorrectly allocated. For example, an EAC1 applicant reached the top of the waiting list after six months and was offered a property, even though the applicant's circumstances appeared to have changed in the interim. Although the process outlined by the Department indicates that priority categories should be checked prior to offer, Audit observed that this process was not followed from the

documentation. Housing ACT has stated that the eligibility of those on the EAC1 waiting list is reviewed every six months.

Social impacts of the allocations process

3.47 The allocation of public housing should take into account social issues. In fieldwork discussions, Audit was informed that there can be social problems when a particular category of clients are concentrated in certain housing precincts. If a precinct gets a poor reputation, those with greater social skills and opportunity may seek to move out to other public housing. Others may choose to remain. As the less desirable precincts tend to be the areas where vacancies are most likely to be, those who are most desperate for public housing, and cannot wait for their preferred option, will tend to be the new occupants. This process tends to be a self-perpetuating cycle that can lead to an area starting with a perhaps undeserved reputation, becoming in fact an area of high social problems. In addition, social problems can accumulate if there are vacant properties as this leads to the risk of squatting and property damage. Other jurisdictions have experimented with local allocation policies that enabled allocation criteria to be tightened or relaxed for particular neighbourhoods. For example, they could aim to improve the mix of households by preferentially letting to households connected to the labour market.¹⁵

3.48 These issues are experienced in other jurisdictions. AHURI commented that allocation policies, communication and mediation strategies are the prime measures normally taken to address anti-social behaviour. In Tasmania, police officers and their families are offered rental properties at subsidised rates; this maintains a visible police presence and reduces the incidence of anti-social behaviour on estates.¹⁶ In a more recent paper, AHURI also noted that post-allocation means to address social problems are difficult to implement; transfers are rarely undertaken, and evictions are very hard to enforce, with eviction policies being largely ineffective.¹⁷ Following amendments to the ACT *Residential Tenancies Act* effective from March 2006, tenants can be evicted for making threats to Housing ACT staff.

3.49 During fieldwork discussions, it became apparent that Housing ACT was aware of the work undertaken by other jurisdictions to attempt to address anti-social behaviour and of trends in the public housing sector, for example the decline in the number of market renters and increase in the number of people seeking public housing assistance. However, Audit did not find any evidence that DHCS had considered or adopted some of the measures that had been implemented in other jurisdictions to address anti-social behaviour.

¹⁵ AHURI, *The Changing Role of Allocation Systems in Social Housing*, March 2005, p.84.

¹⁶ AHURI, *Developing effective housing management policies to address problems of anti-social behaviour*, November 2003, p.23.

¹⁷ AHURI, *Can effective housing management policies address anti-social behaviour?*, Research and Policy Bulletin, March 2004.

Recommendation 14

DHCS should investigate, and adopt where appropriate, better practice used in other jurisdictions to address anti-social behaviour of tenants.

Relative priority for initial housing and transfers

3.50 Under the hierarchical category system, Housing ACT has the option to use categories such as OOT, MIT and MAT to transfer tenants to other properties before new tenants are housed or routine transfers occur using the SAC4 priority. Transfers would free up properties and accommodate tenants' changing needs. In the SAC4 category, applicants who are current tenants must wait until applicants from all higher categories are housed. Audit noted that applicants have been waiting a long time (895 days on average for SAC4 as at 4 July 2005). Tenants could also register to exchange a property, under the mutual exchange scheme, but this also has long delays. Audit considers that the Departmental arrangements for a mutual exchange are complex and represent an administrative impost for both the Department and tenants.

3.51 The long waiting time before exchange can create difficulties for tenants who are less mobile and unable to maintain their garden and property. Less mobile tenants must provide medical documentation to support their claims for a smaller property, and have a home assessment by Therapy ACT. In file sampling by Audit, some tenants needing to upsize due to an increase in family size tend to experience domestic difficulties. This required additional assistance from Housing ACT staff and community workers.

3.52 As there are numerous advantages to Housing ACT from certain transfers, Audit considers that, DHCS should consider giving priority to transfers over initial housing allocation for the following reasons:

- Tenants wishing to downsize will be able to move quicker, thus releasing larger properties for use earlier.
- The ability of tenants to move is conditional on their fulfilling tenancy obligations, in particular being up to date with rent. If tenants have better and quicker prospects of achieving or obtaining improvements to housing, it would be an incentive for these tenants to remain compliant with tenancy conditions and produce administrative savings for Housing ACT associated with debt.
- With transfers, Housing ACT can offer the vacated property to an applicant on the waiting list for housing, with only a short delay to allow the move to occur.
- Tenants may be more willing to accept less desirable housing to begin with, for example some multi-unit properties, bedsits and one bedroom OPAs, if tenants knew they would have high priority to obtain more suitable accommodation when available at a later date. This achieves both earlier accommodation of people in need and more efficient usage of properties.

- With such a policy, there would be no need for complex administrative arrangements (for both the Department and for tenants) involved in facilitating mutual exchange between tenants, and in the proposed multiple exchange process.
- Many of the requests for urgent housing at the OOT or EAC1 priorities relate to transfers. If these were consistently given higher priority, the administrative overhead, and the stress to the clients, in dealing with such applications, would be reduced.
- Tenants may utilize priority transfer provisions to vacate properties that are suitable for sale.

3.53 A recent project initiated by DHCS explored the provision of a brokered Multiple Property Exchange (MPE) service as a method of addressing the needs of the large numbers of tenants that have applied to transfer. The MPE project highlighted the deficiencies of the current mutual exchange policy; in particular tenants who wish to move from their larger properties in the inner suburbs may be ineligible for exchange as they are paying market rent.

3.54 The project recommended that Housing ACT broker two-way exchanges for tenants who wish to move from larger to smaller properties. However, Housing ACT considers the MPE service to be overly complex and has indicated that they are unable to invest the dedicated resources required for such a service to be viable.

Recommendation 15

DHCS should ascribe higher priority to tenants wishing to change their locality or property type (especially to downsize), particularly where it is in the Department's interests to increase the number of larger properties available for allocation to new clients.

Waiting list performance

3.55 Due to the high demand for public housing, only those applicants with the greatest needs are being accommodated.

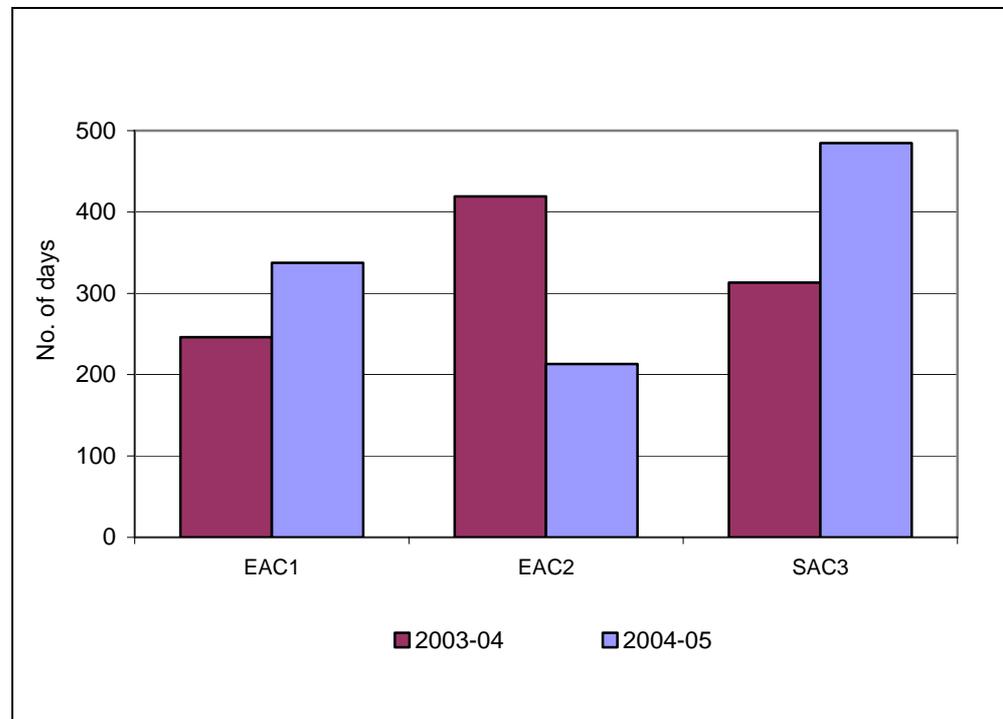
Table 3.3 Number of approved applicants by category

	2000-01	2001-02	2002-03	2003-04	2004-05
EAC1	122	173	364	428	622
EAC2	109	141	242	317	384
SAC3	1 879	1 961	1 731	1 813	1 980
Total	2 110	2 275	2 337	2 558	2 986

Source: Compiled by the ACT Audit Office using Housing ACT information.

3.56 Table 3.3 shows the number of approved applicants currently on the waiting list for each priority allocation category from 2000-01 to 2004-05.

Figure 3.2 Average waiting time to first housing offer by priority category as at 30 June 2004 and 30 June 2005



Source: Compiled by the ACT Audit Office using Housing ACT information.

Note: Data on the OOT category are excluded as they were not collected in 2004. Many applicants granted OOT status wait for a long time since first applying for housing, but usually wait less than a week once granted OOT status.

3.57 Figure 3.2 shows the average number of days it took for an approved applicant to receive their first offer of public housing for each allocation category in 2004 and 2005. The average waiting time to the first offer is calculated from the registration date in the category to that applied at the time of offer; this could be after the date of first registration if there had been a category change. Figure 3.2 also shows in the 12 months to June 2005, a significant increase in the average waiting time for EAC1 and SAC3, and a decrease in EAC2.

3.58 In 2004-05, EAC1 applicants waited on average 337 days to first offer, compared to 246 in 2003-04. The 2004-05 Annual Report notes that due to an 'increased number of clients presenting with complex and special needs and reduced turnover of properties, waiting times are generally increasing'. The decrease in the EAC2 waiting list may be due to most EAC2 clients receiving OPA accommodation, which has a shorter waiting time, or due to category reassessment.

3.59 The waiting times of those on the housing and transfer waiting list at 30 June 2005 are shown in Table 3.4.

Table 3.4 Housing and transfer average waiting times as at 30 June 2005

Category	Housing waiting time (days) (applicants not currently tenants)	Transfer waiting time (days) (current tenants seeking new premises)
Early Allocation Category 1	338	408
Early Allocation Category 2	213	600
Standard Allocation Category 3	485	-
Standard Allocation Category 4	-	448
Management Initiated Transfer	-	411
Management Assisted Transfer	-	721

Source: Compiled by the ACT Audit Office using Housing ACT information.

3.60 In 2002-03, the ACT housed a higher proportion of clients on the waiting list in comparison to the Australian average, as shown in Table 3.5.¹⁸

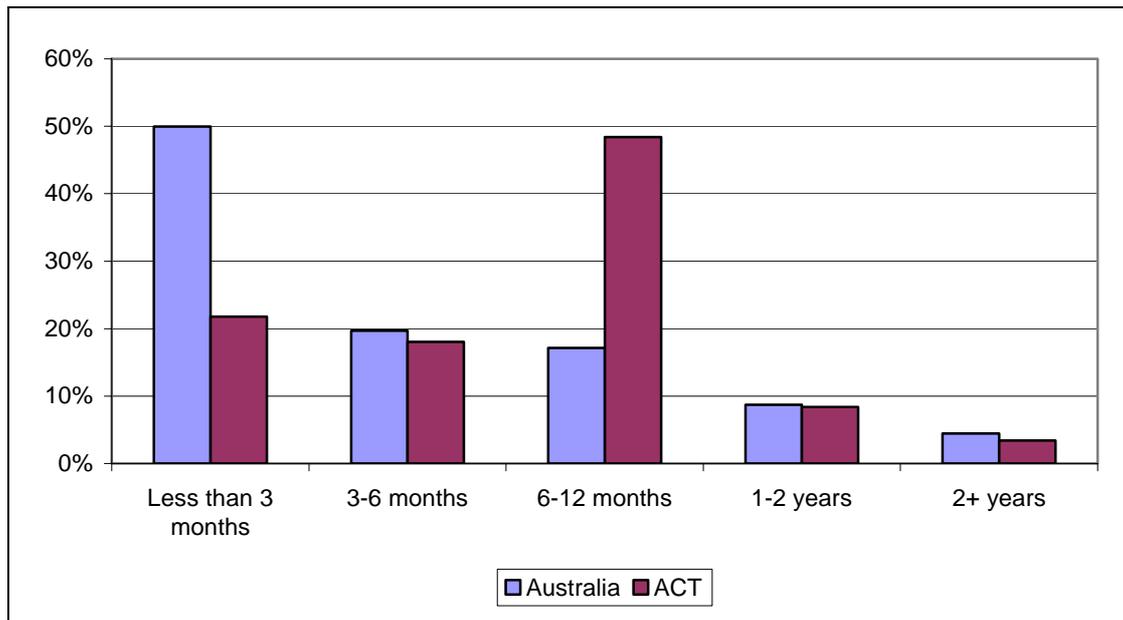
Table 3.5 Rate of housing those on the waiting list

Jurisdiction	Dwellings	Waiting list	New allocations	Applicants as % of dwellings	Allocations as % of waiting list
ACT 2004-05 ^a	11 552	3006	650	26	22
ACT 2002-03 ^b	11 043	3471	946	31	27
Australia 2002-03 ^b	348 012	208 056	33 365	60	16

Sources: a) Housing ACT Monthly Management Report, June 2005.

b) AHURI.

¹⁸ AHURI, Social housing allocation systems - how can they be improved, 2005 p.26.

Figure 3.3 Timeliness in housing those with greatest need

Source: Commonwealth State Housing Agreement National Data Reports 2004-05 – Public Rental Housing, p.31.

3.61 However, in recent years the Housing ACT's allocation performance has dropped relative to the number of vacancies and so has the number of dwellings offered. Figure 3.3 shows that in the ACT 21% of priority applicants are housed within three months of application compared to the national average of 50%.

4. TENANCY MANAGEMENT

INTRODUCTION

4.1 This chapter discusses tenancy management processes, such as receiving rent, assessing rental rebates, managing tenancy issues, debt recovery and, where necessary, taking action to sustain or terminate a tenancy.

KEY FINDINGS

- Client service visits are a key part of maintaining contact with tenants and in particular providing early information on any problems.
- There is scope to schedule biannual inspections and request additional non-inspection visits based on assessment of current tenants.
- Housing ACT could review the ACT *Residential Tenancies Act* to allow the implementation of practices followed by other jurisdictions to address anti-social behaviour, in particular threats or actual violence to Housing ACT staff.
- Housing ACT did not consistently utilise the flag system on HomeNet to alert Housing Managers of clients with potential complex needs when conducting client service visits.
- Many staff interacting with tenants in the field were not adequately trained on dealing with difficult clients and with personal safety procedures.
- About 14% of public housing tenants (1 618) are market renters, i.e. tenants who do not receive a rental rebate.
- DHCS assesses market rents using a small sample of valuations conducted by a contracted independent valuer. This approach provides a less accurate rent assessment for market renters.
- It is possible that potential revenue was lost due to under-assessed market rents payable by Housing ACT market renters.
- There were occasions where DHCS increased rent deductions made through automatic direct debit arrangements, to be more than 30% of a Centrelink payment without explicitly pointing out this increased deduction to tenants.
- The current debt notification process for Housing Managers is only activated when a tenant's balance falls below zero, despite the rental agreement requiring tenants to be ahead in rent payments by two weeks.
- Housing ACT and ACT Treasury wrote off over \$1m of rental, sundry and other unrecoverable debts in 2004-05.
- There has been an increase in the level of debt incurred by tenants over recent years, which averages \$529 per account for rental debt and \$321 per account for sundry debt in 2004-05.

BACKGROUND

4.2 Tenancy Management is structured into two groups, North Canberra and South Canberra, and further into four teams for Belconnen, City, Woden and Tuggeranong (which includes rural areas). Each team has a team leader, a deputy, about ten Housing Managers who do the bulk of client liaison work, a specialist Client Support Coordinator and some support staff.

4.3 In Table 4.1, the ratios of Housing ACT properties to number of Housing Managers show that Housing Managers are on average responsible for in excess of 250 properties each.

Table 4.1 Ratio of Housing Managers to properties by region as at 30 June 2005

Regions	Number of properties ^a	Number of Housing Managers	Ratio of Housing Managers to properties
City	2 742	10	1:274
Belconnen	3 165	11	1:288
Woden	2 895	10	1:289
Tuggeranong	2 291	9	1:254

Source: Housing ACT data.

Notes:

a. This figure includes multi-unit properties.

b. The City region includes inner south and inner north; the Belconnen region includes Gungahlin; the Woden region includes Weston Creek; and Tuggeranong region includes Oaks Estate and rural properties.

CLIENT SERVICES

Client Service Visits

4.4 Client Service Visits (CSVs) are an important task for Housing Managers. The purposes of CSVs are to:

- develop a working relationship with tenants;
- provide an opportunity for the tenant to raise any concerns;
- ensure the accuracy of information regarding the number of people in the household and their income; and
- assess the condition of the property and note any repair or maintenance action required by the tenant or Housing ACT.

4.5 CSVs combine the function of an inspection of the property with the role of assisting with the social welfare of the tenants. When undertaking CSVs, Housing Managers have the discretion to refer clients to support services.

4.6 Housing ACT does not have a specific policy regarding approval of additional occupants of Housing ACT properties. There is no provision in either the *Residential Tenancies Act* or the *Housing Assistance Act* that would allow Housing ACT to prevent households from selecting their own occupants. However in the standard tenancy agreement, the people who will live in the property are specified, and Housing ACT should seek to monitor household composition to prevent overcrowding and to ensure the rebated rent correctly reflects total household income.

4.7 The *Residential Tenancies Act* permits lessors (including Housing ACT) to inspect leased premises twice in each period of 12 months following the commencement of the tenancy. The lessor may also inspect the premises within one month of the commencement of the tenancy and in the last month of the tenancy. Housing ACT's intention is to conduct one visit within the first 90 days of occupancy, and one inspection at 12-month intervals thereafter.

4.8 Housing ACT schedules CSVs and provides written advice to the tenant of the intent to conduct a property inspection. If the tenant is not home when the CSV is scheduled, the Housing Manager does not enter the property. However, the Housing Manager can request access to the property from the Residential Tenancies Tribunal (RTT) following two unsuccessful inspection attempts due to tenant absence. Housing Managers allocate one to 1½ days per week to conduct between five to ten CSVs, with each visit taking up to one hour. In fieldwork discussions, Housing ACT staff informed Audit that in a typical CSV, the function of inspecting the property only took some 25% of the total time, and the remaining time was spent covering social welfare issues affecting the tenant.

4.9 Prior to 2003-04, statistics were not maintained on CSVs completed. Housing ACT has adopted better practice to record the outcomes and number of CSVs, and monitor the progress against CSV targets. Audit notes that the monitoring process showed that the number of CSVs completed in 2004-05 is an improvement over 2003-04.

4.10 In 2004-05, Housing ACT reported 650 new applicants housed, and 457 new clients or transfers visited in the initial 90-day period. Even if all the 457 visits were to new clients, rather than transfers, this means that only 70% of new tenancies were visited within the 90-day period following sign up. A further 23% of tenancies received their initial CSV after the 90-day period. In 2004-05, 10 532 clients, or 95% of the number of tenancies, were visited at least once during the financial year. The RTA permits Housing ACT to conduct up to two inspections each year. From the file documentation reviewed, DHCS conducted CSVs at twelve-month intervals after the initial 90-day visit.

4.11 When Housing Managers are concerned about a tenancy, they can drive past the property to see if there are signs of deterioration or call in on a visit that does not constitute an inspection. Several Housing Managers informed Audit that they called to visit new and existing clients, not just when CSVs were planned, to build up a rapport with the tenant. Those Housing Managers noted that visits are not compulsory for a tenant to accept, although they helped to identify if the tenant was likely to experience problems, and this would later save Housing Managers' time in managing the

problem. Other Housing Managers expressed the desire to undertake additional visits, called 'non-CSVs' by Housing ACT, but were unable due to workload and time constraints.

4.12 Audit observes that every visit should be to provide service to clients. Therefore the better term is that all visits are called CSVs, and recorded as such. In the files reviewed by Audit, the outcomes of regular CSVs were recorded, but the outcomes of other visits were not. However, Housing ACT has advised that informal notation for visits are maintained on client files. Audit considers that the occurrence and outcome of all visits should be recorded to:

- protect staff and clients;
- provide information to evaluate the tenancy and status of the property; and
- promote sustainable tenancies.

Recommendation 16

DHCS should maximise the opportunities provided by Client Service Visits to:

- schedule inspections to be 6-monthly if indicated by analyses of the needs of tenants; and
- record outcomes and any significant issues of any visits to clients and place documentation on client files.

RENTAL REBATES AND MARKET RENTERS

Rental rebates

4.13 Eligible tenants are entitled to receive a rental rebate that reduces rent payable for their accommodation to 25% of their assessable household income, following submission of documentation for incomes of all occupants. Tenants are entitled to lodge an application for revision to the rental rebate following changes to household composition. Under sub-paragraph 20(4)d(i) of the *Public Rental Housing Assistance Program 2005 (No 2)*, tenants are also expected to pay for any component of the rent that is in relation to hot water, space heating, garages or other facilities. Tenants in receipt of rebates are assessed biannually to determine eligibility. Documentation must be provided by the tenant.

4.14 When market rents are increased, rental rebates also increase to maintain rental payments at the income-related figure (normally 25% of income). The average value of the rental subsidy over last years has increased from \$132 in 2003-04 to \$145 per week in 2004-05. The increase in the subsidy is in line with higher market rents and greater targeting of housing assistance.

Market renters

4.15 The ACT has had high levels of market renters (i.e. tenants who do not receive a rental rebate) in comparison with other States and Territories due to the historical provision of housing as a means of attracting workers to Canberra. Increased targeting to those in need of public housing assistance has resulted in a decrease in the proportion of ACT market renters in recent years, from 22% in 2001 to 14.5% in April 2006. Nationally, there was an increase in the percentage of market renters from 10.9% in 2001 to 13.1% in 2005.¹⁹ Table 4.2 shows ACT details by region.

Table 4.2 - Market rent accounts by region

Region	30 June 2001			17 April 2006		
	Number of Accounts	Number of Market Rent Accounts	Percentage on Market Rent	Number of Accounts	Number of Market Rent Accounts	Percentage on Market Rent
Belconnen	3 065	811	26.46	3 213	579	18.02
City	2 866	366	12.77	2 789	193	6.92
Tuggeranong	2 194	666	30.36	2 425	548	22.59
Woden	3 069	600	19.55	2 759	298	10.80
Total	11 194	2 443	21.82	11 186	1 618	14.46

Source: Housing ACT, April 2006

4.16 Through the rental rebate application process, Housing ACT has obtained good information, such as household membership, income and special needs, for the majority of clients who are eligible for rental rebates. However, the Department has little information on market renters. The latest publicly available information on ACT market renters' incomes showed that, though higher than those on rebated rent, these incomes are still less on average than Canberra as a whole: in 2001, only 12% of market renters were in the highest two income quintiles (compared with 40% for Canberra as a whole).²⁰ Market renters occupied properties of an almost identical standard to those on rebated rent.

4.17 In 2004 Housing ACT conducted a review of market renters and made a number of recommendations that were agreed to by the Minister and that were to be implemented by the Department. It was recommended that DHCS:

- conduct further research into the relative impacts of property valuations and changing household incomes on movement between 'market renter' and 'rebated renter' status;
- write to the Privacy Commissioner to seek an exemption to obtain similar information for market renters to that already collected from rebated renters,

¹⁹ Reports on Government Services 2002 and 2006

²⁰ Review of Housing ACT Market Renters, DHCS, August 2004, p.25.

and to then make appropriate amendments to the Public Rental Housing Assistance Program;

- assess the impacts of Housing ACT property amenity levels on tenants to determine whether current minimum standards reflect community expectations, and community ‘norms’;
- conduct a strategic assessment of Housing ACT’s future financial viability, which should include:
 - a benchmarking model of costs and revenues;
 - assessment of appropriate funding strategies including budgetary finance, rental revenues; and partnerships; and
 - rental policy options.

4.18 DHCS informed audit of some progress in addressing these recommendations, but as a totality, implementation is incomplete.

4.19 Currently, market rents are determined by an independent and qualified valuer under contract. The calculation of the market rent for each property in the total portfolio owned by Housing ACT is based on a limited number of valuations (around 5% of the total public housing portfolio or around 550 properties out of over 11 000 properties). This sample-based approach, while not providing the most accurate market rent for each property, has been justified by Housing ACT as the most cost effective method, at around \$4.50 per property compared to a formal valuation of around \$200 to \$300 per property, if full inspection is conducted at each property.

4.20 Audit considers that the current method used to determine market rent for Housing ACT is reasonable for properties where tenants receive rental rebates, as the rents payable by these tenants are normally 25% of assessable household incomes, regardless of the determined market rents. A more comprehensive and accurate basis for setting market rents for this group would assist with a more accurate assessment of the rent foregone through rebates and the calculation of the assistance provided each year, but would be more costly and would not affect the actual revenue collected from these tenants.

4.21 The above situation however does not apply to market renters, who are not eligible for rental rebates and are required to pay market rents to ensure that they are not subsidized by the public housing system. Accordingly, Audit believes that it is desirable to apply a more accurate method of determining market rents for the small number of properties occupied by market renters, especially long-term market renters. Long-term market renters are those who have not been eligible for rental rebates for at least three years, indicating that they have achieved stable employment and income earning capacity.

Table 4.3 Distribution of long term market renters

Gross Weekly Rental Charge	Number of Tenancies	%
<\$150	14	1.66
\$151-\$200	53	6.29
\$201-\$250	531	62.99
\$251-\$280	192	22.77
>\$280	53	6.29
Total	843	100.00

Source: Housing ACT, April 2006.

4.22 Tenants paying market rent are predominantly living in stand-alone houses rather than multi-unit properties. In February 2004, about 86% of market renters resided in houses. As at April 2006, the majority of long-term market renters (63%) pay between \$201 and \$250 per week. This compares with the median rent for three bedroom houses in the private sector of \$310 for the December quarter 2005. This group of long-term market renters has an average length of tenancy around 14 years.

4.23 Housing ACT indicates that the following factors contribute to the market rents charged to Housing ACT tenants being lower on average than private sector rents:

- properties can be of smaller size, and have more limited or older style features;
- fixtures and fittings are of a more basic standard, or not supplied at all; and
- in some cases, properties may be in a greater state of disrepair.

4.24 Audit also notes that public housing is more likely to be located in suburbs with more affordable housing.

4.25 There are also a number of advantages that are not generally available to private tenants and these are not currently incorporated in the determination of market rents. These include:

- public housing tenants have security of tenure;
- commitment by Housing ACT to responsive repairs and maintenance within the stated timeframe;
- access to various avenues of appeal with minimum costs; and
- opportunities to buy the rented properties under certain circumstances, and to have the purchase price discounted to allow for improvements made by the tenant to the property.

4.26 Given that the sample-based method of rental determination may not correctly reflect the market rent for each individual property, and that the setting of

market rents for public housing currently does not take into account the advantages of being public tenants, it is possible that Housing ACT under-assesses rental rates and consequently there is potential revenue loss to the ACT.

4.27 In addition, the Housing ACT process for reviewing market rent involves market assessment during March to June, followed by rent review and increases in October and November. Even considering the statutory period of notice for rent increase of two months, this misses a period for which higher rent could have been charged.

4.28 Further, the Government recently amended its rent rebate policy to allow tenants who commence paid employment to have their current rent rebate extended by six months to ensure that public tenants are not discouraged from seeking paid employment. This means that the additional income from paid employment will not be taken into account until the end of the six month extended period. Audit notes that, due to the often fluctuating nature of tenant incomes, the amended policy reduces some of Housing ACT's workload involved with recalculating rent rebates.

4.29 If the market rent charged to market renters (1 618 renters in April 2006) is under-assessed by \$20 a week, the annual revenue loss to the Territory would be \$1.7m. This potential revenue loss could be lower, or higher, depending on the extent of under-assessment of market rents. To offset this would be the increased cost of more comprehensive rental determination for each of the properties occupied by long-term market renters.

4.30 Audit was advised that better valuation methods to assess market rents could range from full annual inspections at each property, to a rolling program of inspections over, say, three years, ensuring that at least one third of properties occupied by market renters have a full assessment for market rent. Given the number of properties to be assessed (about 1 600) such annual valuation costs can be significantly reduced through long-term contract arrangements.

4.31 Audit notes that Housing ACT considered a number of relevant issues in its review of market renters in August 2004, and concluded that market renters play an important role in the viability and sustainability of Housing ACT, both as an income source and in enabling the public housing tenant mix to be more representative of the community, and helping to sustain tenancies.

4.32 Audit acknowledges the positive social and housing outcomes contributed by market renters. Audit observes, however, that the consideration of the income source from the market renters as contributing to the financial viability of Housing ACT does not always give proper analysis of all the costs incurred by the ACT in providing public housing, especially the user cost of capital, i.e. the cost of funds tied up in the value of these properties, which could have been invested elsewhere or used to repay debt. This tends to mask the real costs of providing public housing to those tenants who are capable of acquiring rental property in the private sector.

4.33 Given the high level of community interest in the provision of public housing to market renters, Audit considers that it is desirable for additional information to be publicly reported to inform public debate on the financial and social implication of relevant Government policy on this issue, as well as improving transparency and accountability in rent setting and collection.

Recommendation 17

DHCS should ensure that tenants who are capable of paying market rent are not being subsidised. This can be done by reviewing the basis of determining market rents for market renters, especially long term market renters, to ensure the rent is not under-assessed and includes an element that takes account of the benefits of public housing.

Difficult tenants with complex needs

4.34 Housing Managers often refer clients with complex needs to a Client Support Coordinator (CSC). The CSC ensures clients have access to the support services they require to achieve sustainable tenancies. There is a CSC for each of the regions. A CSC may be required to help tenants deal with issues such as family problems, domestic violence, debt, disabilities, drug or alcohol addiction, poor living skills and literacy skills.

4.35 Housing Managers informed Audit that difficult tenants represented possibly 5% of tenants but made up about 50% of their workload. Housing Managers felt that when they remained with the same property portfolio over a period of time, workload could be reduced through building productive relationships with tenants, keeping abreast of issues and in turn reducing neighbourhood disputes and debt.

4.36 In fieldwork discussions, Housing Managers expressed some concerns that referral to the CSC may be only used as part of the process, rather than an attempt to solve the problem. It also requires the clients to explain their situation to another person. The Housing Manager can provide options to those tenants considered to be in need of assistance. Assistance can take the form of the CSC or external advice such as Northside Community Services or Anglicare.

4.37 One approach considered by Housing ACT is that recipients of public housing assistance should conform to a set of acceptable behaviour guidelines in return for government-funded housing assistance. This approach has already been adopted in NSW, where the tenancy can be terminated if the tenant fails to enter an acceptable behaviour agreement, or subsequently breaches the agreement.²¹ An alternative approach is to make the granting of a rental rebate subject to such an agreement. Failure to maintain the agreement would lead to withdrawal of the rebate and subsequently eviction for non-payment of the full market rent.

²¹ New South Wales Residential Tenancies (Public Housing) Act 1987, No 66, Part 3, Division 3.

4.38 The Department advised that under present law, Housing ACT could not require tenants to enter into agreements to manage disruptive behaviour. Unlike most other states, the ACT *Residential Tenancies Act* prescribes a form of tenancy agreement in the prescribed terms. Any terms inconsistent with the prescribed terms needs the endorsement of the Residential Tenancies Tribunal. This endorsement can only be sought on a case-by-case basis and only with the agreement of both parties.

Staff safety during Client Service Visits

4.39 Many of the Housing Managers consulted expressed concern for their safety when conducting CSVs. Housing ACT has a 'buddy system' involving the attendance of two Housing Managers when undertaking CSVs for some tenants, or where two Housing Managers plan to be out of the office undertaking individual CSVs in close proximity. Housing Managers informed Audit that it is sometimes difficult to program CSVs with their buddy, particularly if they were distant, for example, on rural properties. Housing Managers also sign out on a notice board indicating the time of return to Housing ACT. Other practical safety procedures are also adopted, such as following the approaches suggested in the March 2006 draft of *Policy and Procedures: Managing Disruptive Behaviour*.

4.40 Housing ACT has a Worker Safety Committee that seeks to identify and address any identified safety issues for direct service delivery staff of Tenancy Management and Gateway Services in Housing ACT. This includes the work of Housing Managers undertaking fieldwork and staff working at Housing ACT shopfronts. The Committee is staff led with representation from Injury Prevention and Management.

4.41 At the time of audit, limited use had been made of the flag system on HomeNet or on tenant files alerting Housing Managers that a difficult client should be treated with caution, for example by always having two officers present. This is particularly significant in cases where the regular Housing Manager, who would normally know the client's behaviour, is not available and is replaced by another officer who is not as familiar with the case. In addition, the system for noting any concerns at the time of applicant sign-up was not sound.

4.42 Audit was told that due to the Privacy Act, there were limitations on what advisory warnings could be recorded on files and HomeNet. Housing has advised that following advice from Government Solicitor's Office on the Privacy Act, there was in-principle support for the establishment of a flag alert system. HomeNet will require some minor systems modifications and further staff training before the system becomes functional.

4.43 Housing Managers commented on the lack of personal safety training relevant to undertaking CSVs. Staff consider courses such as conflict management and situational awareness are needed but have not been offered recently. Safety training such as that provided by the Australian Federal Police has been provided at irregular intervals.

Recommendation 18

DHCS should, while having regard to the Privacy Act, use the flag system on HomeNet to alert Housing Managers of potential difficult clients for the purpose of conducting client service visits.

Recommendation 19

DHCS should ensure that staff undertaking fieldwork activities such as client service visits, are suitably trained in personal safety and competent to deal with potentially dangerous situations; and receive the safety training on a regular basis.

Liaison with clients and client satisfaction

4.44 The Community Linkages Program was a pilot program established in response to a recommendation of the ACT Poverty Task Force. DHCS provided \$2m over four years to link tenants of public and community housing to a range of community and support services through:

- community development activities;
- the Preventing Eviction Program (PEP); and
- tenant initiated activities.

4.45 The Community Linkages Program included small grants of up to \$5 000 for tenant initiated projects, under various management arrangements.

4.46 The PEP was an early intervention service aimed at sustaining tenancies of Housing ACT clients at risk of eviction. It was provided through regional community service providers and included advocacy and referral to appropriate agencies to support clients. A report evaluating the success of the program noted that although the 'PEP has assisted a significant number of people to sustain their tenancies there is a concern that a focus on sustaining tenancies in Housing ACT may not be supplemented by a focus on reducing debt and that this would cause problems in the future'. As predicted, there has been an increase in the level of debt since the introduction of the sustainable tenancies policy.

4.47 Tenants can provide input into the decisions of Housing ACT through groups such as tenant lobby groups. Housing ACT also has options available to tenants so that they can participate fully in the community. Tenants are encouraged to be active in the community by using support services identified by Housing ACT, such as awards and recognition programs for tenants with attractive gardens and recognition of long-term residencies.

2005 National Social Housing Survey

4.48 The National Social Housing Survey is part of the national performance framework for the 2003 Commonwealth State Housing Agreement and provides data

on tenant satisfaction in relation to key aspects of product and service delivery. The survey tracks levels of satisfaction over time and compares satisfaction levels between States and Territories to identify areas of best practice. In response to the survey question 'How satisfied or dissatisfied are you overall with the service provided to you by the Housing Authority since April last year?', 65% of ACT survey respondents reported satisfaction, improving from 59% satisfaction in 2003.²² In the ACT, 56% of respondents were satisfied with Housing ACT staff's knowledge about policy and procedures, compared to the national average of 60%. Audit notes that survey results over the past few years indicate that Housing ACT is improving the service provided to tenants.

4.49 Satisfaction with non-maintenance services was slightly lower in the ACT than the national average, with 55% satisfied and 30% dissatisfied (national figures: 58% and 26%). The survey indicated that ACT did not perform well compared to the national figure on timeliness of getting through on the phone. Indeed, tenants have commented to the Audit team that it is difficult to get through on the telephone for information or to make a complaint.

4.50 Housing ACT advised that this process has recently been improved with non-maintenance call now being answered through Canberra Connect.

Appeals and reviews

4.51 If a tenant is not satisfied with a Housing ACT decision, the matter is first sent to the relevant Manager for reassessment. If the Manager does not reverse the earlier decision, the tenant may appeal to the Housing Review Committee (HRC) through the Customer Liaison Unit, which is the coordinator of the appeals system.

4.52 The HRC was established in 1989 as an independent body to review Housing ACT decisions on applications for housing assistance. Membership of the HRC is constituted by nine representatives of the ACT community appointed by the Minister for Housing following Cabinet endorsement. Meeting weekly, the HRC reviews documents, invites the tenant to make a written or verbal presentation, and makes recommendations to the Commissioner for Housing. If the appeal is denied, the tenant can refer the case to the Residential Tenants Tribunal.²³

4.53 In 2002-03, Housing ACT received 440 appeals, decreasing to 409 appeals in 2003-04 and 382 appeals in 2004-05. Some of these did not progress to the HRC as the internal review was upheld or the appellant withdrew the appeal.

4.54 In 2004-05, the HRC reviewed 231 appeals relating to category allocations and rebates. Of the appeals, 86 were granted and 143 were denied.²⁴ The high rate of

²² Australian Institute of Health and Welfare: 2005 Public Housing National Social Housing Survey, September 2005, p.22.

²³ The AAT is not available in eviction matters.

²⁴ Two applications were withdrawn.

successful appeals may be partially attributable to applicants supplying insufficient information (refer case study 4.1) and lack of clarity in the priority allocation categories.

Case study 4.1: EAC1 appeal upheld

Actions undertaken by Housing ACT

Mr B. applied for housing assistance early in 2005. At the time, Mr B. was homeless and spent nights at friends' houses. His application was denied in February 2005 as insufficient documentation was provided to prove homelessness and he was allocated to SAC3. In February 2005, an Application for Review of Decision was lodged and after reviewing additional documentation, the Committee recommended that Mr B. be granted EAC1 status.

Audit comment

The allocation of Mr B. to SAC3 was consistent with Housing ACT's internal processes, due to the failure of the applicant to provide sufficient documentation. On all applicant files reviewed by Audit where there was insufficient documentation provided, applicants were requested in writing to provide the missing documentation in order to process the application and allocate a category rating. Audit notes that the applicant's failure to provide documentation resulted in administrative expenses associated with the preparation of case material for the Department's own internal review.

DEBT MANAGEMENT

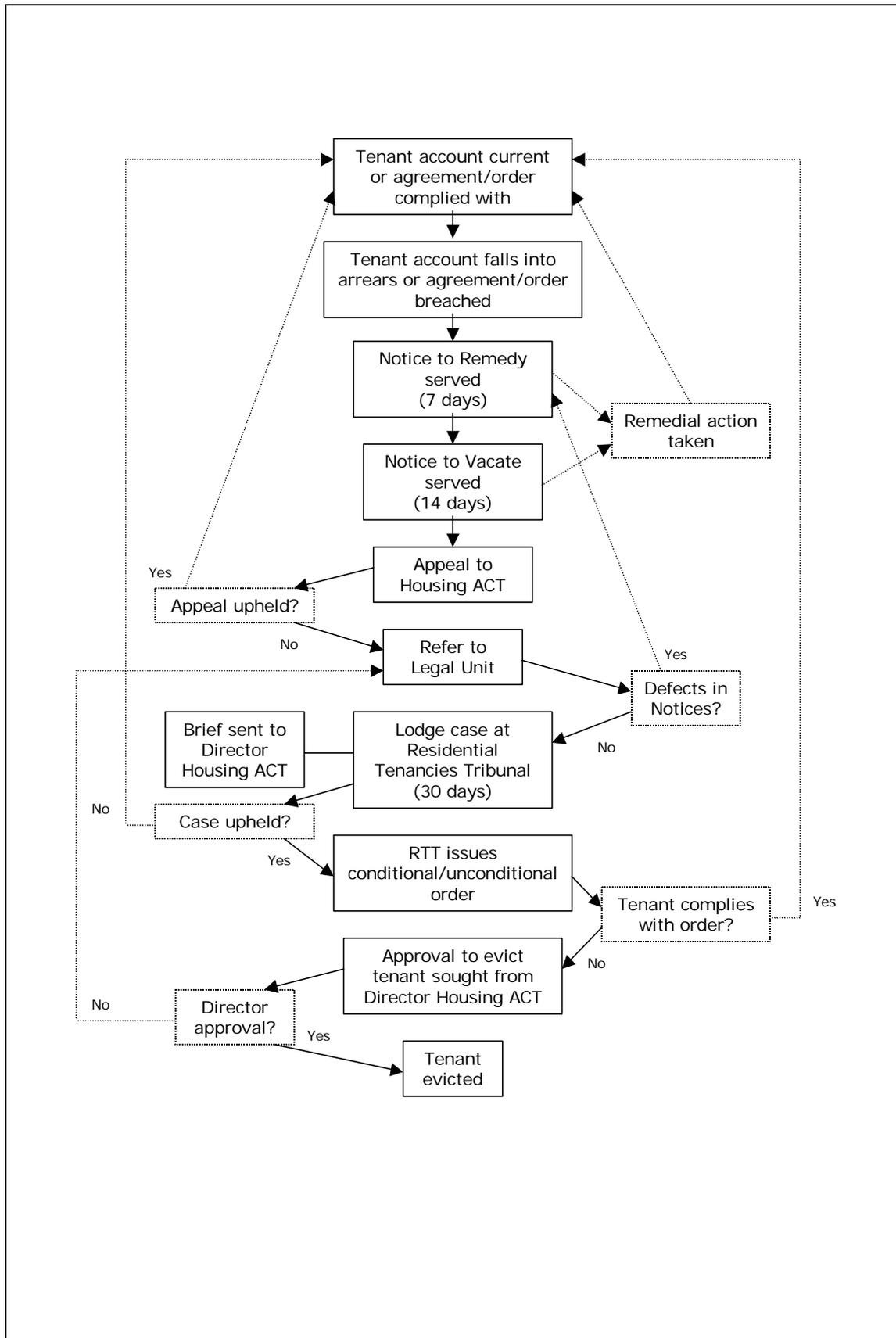
Policy and processes

4.55 Over the last two years, there has been a shift in focus away from using evictions to manage tenancies. Evictions are recognised as a tool of last resort, only to be considered after a range of options to sustain tenancies. Tenants groups have welcomed the change. Managers must follow a long and complex process before a debt case is referred to the Legal Unit. The Legal Unit must then take a number of steps, seeking approval from the Residential Tenancies Tribunal and the Housing ACT Executives, before a tenant is evicted for non-payment of debt. In fieldwork sampling Audit found that the final decisions on whether to pursue eviction were made at the executive level after reviewing material prepared by staff.

4.56 There is a long delay from when rent is first in arrears to the time that the tenant is evicted. The overall process is summarised in Figure 4.1 below.

4.57 As a debt preventative measure, tenants are invited to fill in the Centrelink 'Rent Deduction Scheme' form to enable direct payments to Housing ACT. This form specifies a sum to be deducted. Housing ACT's form accompanying the Centrelink direct debit form also requires the tenant to agree to: 'Whenever the housing payment due for my rental property changes in the future, I authorise you to change the amount of the deduction from my Centrelink (Social Security) payments'. There is no option to decline this clause, as it goes with the request to deduct the rent from the Centrelink payment.

Figure 4.1 Housing ACT debt management process



Source: Compiled by the ACT Audit Office using Housing ACT information.

4.58 Tenants receive a notification letter followed by a reminder, if necessary, requesting tenants to reapply for the rental rebate for the next six month period. The letters do not specify that the full rent value will be deducted from Centrelink payments if the application for rebate is not received. Audit was informed that when rent increases, particularly following the expiration of a rental rebate, that there can be unexpected and large increases in the Centrelink deduction, causing financial hardship. Audit considers that the wording contained in the letter advising tenants of the expiry of the rental rebate could be improved.

Recommendation 20

DHCS should highlight in current rebate letters to tenants the fact that direct debits from Centrelink payments will automatically increase as a result of rebates ceasing when applications are not renewed.

4.59 Housing Managers send numerous written notifications to the tenant advising them of their outstanding rent. The initial notification can be delayed as tenants are required to maintain rent two weeks in advance. As Housing Managers are only notified when rent is in arrears, at that time rent is already two weeks behind where it should be. Early intervention after one missed or insufficient payment can prevent debt from increasing.

4.60 Housing ACT provides tenants with ample opportunity to rectify debt, offer alternative methods to resolve debt and any outstanding issues before an eviction notice is issued. In many cases, there is an ongoing process, whereby a tenant falls into and recovers from debt several times over an extended period. In some cases, such tenancies are stabilised, in others they lead to eviction.

4.61 There are significant social costs to evictions, as persons may be forced into homelessness. In some instances Government carries the cost of meeting their short and medium term housing needs. The cost of providing emergency, crisis, and temporary accommodation is significantly greater than that of providing public housing.

4.62 In addition, the resources invested in debt recovery by Housing Managers and the Legal Unit are often greater than the amount of the debt itself. However, failing to evict tenants has broader implications for the system, namely lack of incentive for others to pay rental arrears. This gives rise to a substantial dilemma in the management of public housing: whether to evict or not.²⁵

4.63 Maintenance debt is attributed to the tenant when Housing ACT incurs costs to repair damage caused by the tenant. This is often ascribed on the tenant's departure, and there is little scope for recovering the debt. Some tenants state that the charges can be inappropriate, e.g. charging a maintenance debt for fair wear and tear, and

²⁵ AHURI, Evictions and Housing Management: Toward More Effective Strategies, June 2004.

overcharging, such as charging for painting an entire property when tenant damage was to a small portion of the internal walls.

4.64 Methods to rectify debt are presented to the tenant such as automatic deductions from Centrelink payments and gradual adjustments to increase deductions and to gradually return to be ahead of scheduled rental payments. Tenants in receipt of a rental rebate may be required to contribute up to 30% of household income, with a minimum debt repayment of \$10 per week. At that rate, it takes more than a year for the average debt to be repaid, assuming that the repayment agreement is not breached during that period.

4.65 Tenant debt cases are reviewed by the Tenancy Review Committee, which consists of four Housing ACT senior officers. This Committee can make a recommendation that the case proceeds to the Residential Tenancy Tribunal. In this case, Housing ACT Senior Executives are also briefed.

4.66 Debt cases are recorded on a 'debt tracker'; however, this does not integrate with HomeNet.

Debt statistics

4.67 As at 30 June 2005, 2 234 or 20% of all tenant accounts were in debt. The amount owing was \$1.074m, or an average of about \$529 per account. Of the accounts in debt, 1 906 or 85% were less than \$1 000. Housing ACT has advised that it monitors the accounts and tries to intervene before accounts exceed \$1 000.

Table 4.4 Housing ACT rental arrears as at 30 June 2004 and 30 June 2005

Arrears amount	\$0 – \$499	\$500 – \$999	\$1 000 – \$1 999	\$2 000 – \$4 999	\$5 000 plus	Total in arrears
No. of accounts 2004	1 235	274	153	67	12	1 741
No. of accounts 2005	1 542	364	191	120	17	2 234
Amount in arrears 2004	\$190 462	\$190 271	\$207 805	\$193 560	\$81 204	\$863 302
Amount in arrears 2005	\$219 241	\$224 138	\$244 793	\$281 481	\$104 438	\$1 074 091

Source: Housing ACT Monthly Management Report 30 June 2004, p.21 and Housing ACT data 2005.

4.68 Housing Managers are notified of the number of rent accounts in debt each week. This number is increasing while the number of more serious notification letters such as Notices to Remedy, Notices to Vacate, and evictions are not. This is indicated in Table 4.5. As weekly written debt notifications are automatically generated, it is possible for a single case to generate many notifications. The Housing Manager then initiates informal contact with the tenant either through a phone call or calling card to directly resolve the debt. No statistics are collected on the number of informal contacts. If a tenant fails to resolve the debt, a Notice to Remedy is issued.

Table 4.5 Steps in the process towards eviction

	2003-04	2004-05
Number of written debt notifications	12 969	13 522
Notice to remedy	938	905
Notice to vacate	325	200
Evictions	49	23

Source: Compiled by the ACT Audit Office using Housing ACT information.

4.69 Most evictions are due to non-payment of rent; and evictions have always been a small percentage of overall terminations of tenancies, as depicted in Table 4.6.

Table 4.6 Number and reason for eviction and tenancy termination 2001-02 to 2004-05

Year	Evictions due to arrears	Evictions due to other breaches	Total evictions	Total terminations of tenancy	Evictions as a percentage of terminations
2001-02	113	2	115	1 562	7.4
2002-03	88	6	94	1 369	6.9
2003-04	48	1	49	1 358	3.6
2004-05	20	3	23	1 206	1.9

Source: DHCS Evaluation of Community Linkages, RPR Consulting, October 2004, p.19, and Housing ACT data 30/1/06.

4.70 Table 4.6 shows a decline in evictions over the four-year period that reflects the move towards sustainable tenancies.

4.71 Housing ACT staff noted that there tends to be debt increases around the Christmas period. Between October and December 2003, total arrears owed by current tenants increased by \$188 855 or 17.38%, representing 1.3% of total rental income in the October to December period. The Minister said in March 2004 that the Department is examining the reasons for this and moving to reduce the level of debt. The increase in debt over the October to December period reduced to \$144 413 for 2004 and to \$48 911 for 2005, reflecting an improvement in overall debt management processes for this period.

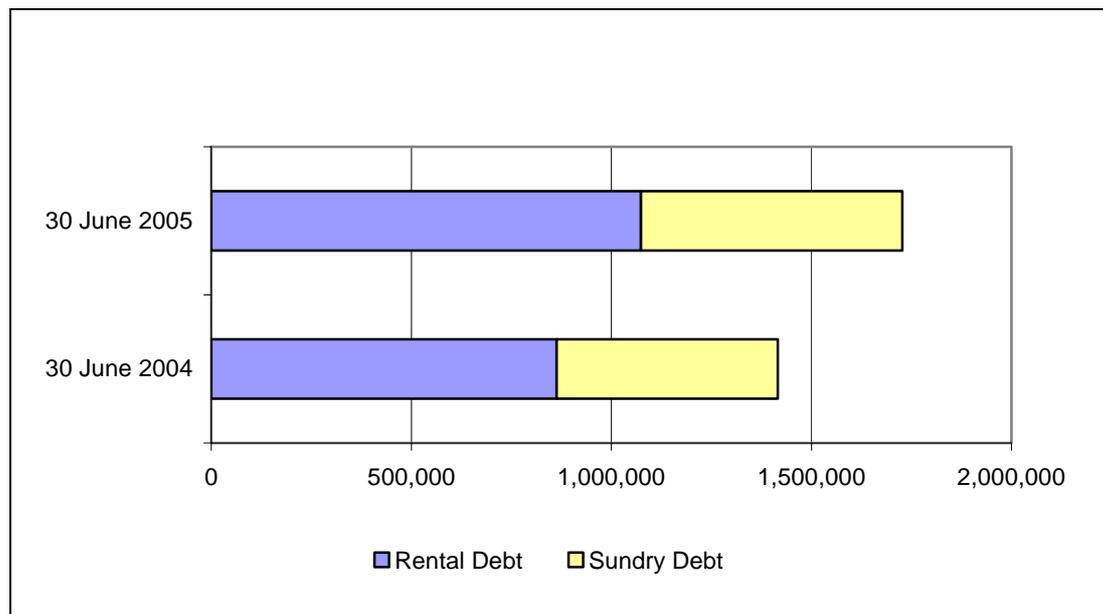
4.72 Housing ACT writes off rental, sundry and other unrecoverable debt each financial year. In 2004-05, Housing ACT wrote off \$917 000 (being for \$368 000 rental, \$442 000 sundry and \$107 000 other debts). The Treasury delegate waived \$137 000 of debt (includes rental, sundry and other debt) in 2004-05. Therefore, overall rental losses in 2004-05 was around \$500 000, or less than 1% of total rental income. Total loss however was \$1.054m, which was 1.7% of total rental income.

Debt Review Committee

4.73 The Debt Review Committee (DRC) was a pilot project that operated between November 2004 and October 2005. Tenants were invited to lodge applications for a review of their debt through Housing ACT, the Welfare Rights and Legal Centre, or Care Financial Counselling Services; 101 applicants did so. The DRC was comprised of representatives from the community who reviewed cases of current and vacated rental and sundry debts. The DRC made recommendations for the waiver or denial of debt to the Director for Housing. The recommendations of the DRC and those of the Director for Housing were then referred to a Treasury delegate, who has the power to waive or postpone debt.

4.74 Debt is divided into rental debt and sundry debt. Rental debt has increased from \$863 302 in 2003-04 to \$1 074 091 in 2004-05 and sundry debt has also increased from \$552 928 in 2003-04 to \$653 221 in 2004-05. The average rental and sundry debt increased from \$496 and \$286 per account in 2003-04 to \$529 and \$321 respectively in 2004-05, reflecting an increase in the total rental and sundry debt as shown in Figure 4.2 below. Housing ACT attributes the increase in debt to the change in direction of housing with an increased focus on targeted housing assistance, poor living skills and reduction in number of market renters.

Figure 4.2 Rental and sundry debt for 2003-04 and 2004-05



Source: DHCS Monthly Management Reports June 2004 and June 2005.

4.75 The primary cause of sundry debt is charging for maintenance required because of tenants’ actions. Debt is also further divided into tenant debt owed by current tenants, and vacated debt, debt owed by those who have left Housing ACT properties. Applications by tenants to the DRC to waive vacated debt had the largest dollar value. In the period to March 2005, the DRC fully waived 50% of cases, partially waived 29.6%, and denied 20%. Some applicants were allowed to repay by instalments. In instances where Housing ACT cannot recover the debt, the amount is referred to Collection House (a commercial firm).

4.76 Following the conclusion of the Debt Review Committee, the processing of debt waiver applications continues, using departmental processes.

Case Study 4.2: Debt Review Committee

Actions undertaken by Housing ACT

Ms T. applied to the DRC to waive sundry debts of \$2 451 and rental debts of \$6 823 from a series of tenancies. Ms T. had requested a housing transfer on the grounds of family circumstances. Over the period 2001 to 2005, two category transfer requests and an appeal were denied, as there were outstanding debts to repay and breaches of agreements. Following transfer denial and a series of unfortunate events to household members, Ms T. stated that she received support from friends who would stay the occasional night but were not living with her. A community worker supported Ms T.'s claim. Housing ACT cancelled the rental rebate as Ms T. failed to declare the friends on the rental rebate form. Rental debt began to escalate as market rent was charged, and Ms T. continued to pay the rebated rental amount. Ms T. was later evicted from the property.

The DRC reviewed what constituted tenant responsible maintenance, statute barred debt (over 10 years old) and rental debt arising from a joint tenancy. Some sundry debt was attributed to fair wear and tear. Ms T. was required to repay a proportion of the sundry debt and rental debt was waived from one tenancy.

The DRC also recommended that Ms T. pay rent using the direct debit method, repay the balance of the sundry debt and have all relevant supportive arrangements in place once rehoused.

The DRC considered that Housing ACT did not establish beyond reasonable doubt that Ms T. had additional residents residing with her. The DRC considered that Ms T.'s subsequent problems would not have arisen if she had been transferred. Ms T. was placed on the EAC1 waiting list.

Audit comment

The decisions of the DRC reflected Housing ACT's current policies on eviction for rental arrears. Housing ACT management followed relevant procedures that led to the eviction of Ms T. for debt. A change in the focus of Housing ACT towards sustainable tenancies, assessment of debt responsibility in the case of joint tenants and determination of tenant responsible maintenance, has impacted on the decision in Ms T.'s case. Audit agrees with the DRC's comment that the problems experienced by Ms T. could have been averted if a transfer had been approved.

Recommendation 21

DHCS should establish a process where Housing Managers are alerted on all occasions when rental payments are missed or fall short of the amount required.

5. PROPERTY MANAGEMENT

INTRODUCTION

5.1 This chapter discusses the management of the public housing portfolio.

KEY FINDINGS

- Housing ACT's property acquisitions are reactive but generally appropriate and based on sound financial considerations, and the process in place for approving property acquisitions is adequate. Documentation to support the purpose of an acquisition is often incomplete.
- Housing ACT does not have an overall forward acquisition plan that evaluates the capital program and sets targets for acquisitions by region and by housing type.
- Housing ACT has not formally evaluated the cost-effectiveness of each mode of property acquisition (i.e. purchase of established properties and new construction) and developed an appropriate acquisition strategy based on such analysis.
- Vacant times have deteriorated in the ACT over the last three years and Housing ACT currently has the second highest average turnaround time in all States and Territories (50 days), compared to the national average of 32 days. Excluding the ACT, turnaround times for all jurisdictions in Australia have improved over the last two or three financial years.
- Housing ACT needs to investigate practices implemented by other jurisdictions to improve turnaround times.
- Housing ACT has experienced difficulty in encouraging existing tenants to vacate larger properties for purpose-built Older Persons Apartments (OPAs). This has resulted in older persons with less urgent housing needs being housed before clients with urgent needs. Housing ACT generally does not utilise OPAs to house other clients.
- In relation to the Currong Apartments case study:
 - Housing ACT did not undertake cost benefit analysis of all reasonable options for Currong before advising the Government of its recommendations; and
 - the timing of the departure of tenants from Currong was not well aligned with the tender process for redevelopment.

BACKGROUND

5.2 DHCS has the responsibility to ‘strategically manage the public housing portfolio for the ACT Government, including acquisitions, disposals and refurbishment of properties to align the portfolio with changing social structures and tenant and prospective tenant needs’.²⁶ The manner in which the Department discharges its public housing asset management responsibilities directly influences the level of its effectiveness in meeting the community’s need for housing assistance.

5.3 Housing ACT manages a portfolio of more than 11 500 public housing properties valued at a total of \$2.96 billion at 30 June 2005. It also coordinates support services and community participation programs for its tenants.

5.4 The ACT has a higher proportion of public housing than other jurisdictions. This is mainly due to the construction of Government housing from the late 1950s to the late 1980s to accommodate large numbers of public servants moving from interstate. However, there has been a reduction of around 1 000 properties in the public housing portfolio since 30 June 1996. A significant proportion of the decline in stock numbers was in bedsits, which have been recognised as inappropriate accommodation, but are difficult to replace on a one-for-one basis through redevelopment due to the additional costs involved. In addition, 209 properties were transferred to Community Housing Canberra Ltd (CHC) in 1999-2000.

5.5 The dependence of Canberra on public housing during its early development means that it now has the oldest public housing stock in Australia, with an average age of 27 years as at 2003. In comparison, the public housing stock in NSW had an average age of 25 years²⁷ and WA around 20 years.²⁸ This raises maintenance issues for Housing ACT and highlights the ongoing need for stock rejuvenation.

5.6 Property sales comprise more than 20% of total funding for Housing ACT. Properties are sold either through auction or to tenants. In 2004-05, 77 properties were sold for \$26.7m and 102 properties were purchased or built at a cost of \$34.6m.²⁹ The 2003-04 capital program for the acquisition and construction of dwellings was the largest to date, with outlays of \$86.6m. This was largely due to additional funding provided to expand the supply of public and community housing and to replace the rural properties lost in the January 2003 bushfire.

²⁶ Public Housing Asset Management Strategy 2003-08, p.4.

²⁷ Shelter NSW Housing Directions Statement 2003, p.8.

²⁸ Housing Strategy WA – Public Housing Sustainability April 2002, p.11.

²⁹ AHURI, Operating Deficits and Public Housing, March 2004.

THE DEMAND FOR PUBLIC HOUSING

Waiting lists

5.7 There are approximately 11 500 public housing properties (9.5% of all ACT residential dwellings), housing approximately 30 000 residents.

5.8 In addition there were 2 974 applicants on the public housing waiting list as at June 2005. The waiting list is segmented by region and by housing type required. The segmentation of the waiting list by region and by housing type is shown in Figures 5.1 and 5.2 below.

5.9 Public housing waiting lists were discussed in chapter 4. The matching of supply to demand is discussed later in this chapter.

Demographics

5.10 Reports by Demographics ACT and the Australian Bureau of Statistics indicate that the ACT population is projected to grow to a peak of almost 400 000 people around 2050, after which it will begin to decline. The areas that are projected to experience the most significant growth in the next 10 years are Gungahlin, North Canberra, Dunlop and Kingston.³⁰

5.11 The population projections also indicate that over the period 2002 to 2032, Canberra will have nearly three times more people aged in their 70s and over four times more people aged 85 years and over. In addition, the number of households is projected to increase by 37% in 30 years, predominantly due to the trend towards smaller households. These demographic changes will place additional stress on public housing and housing in general in the ACT.

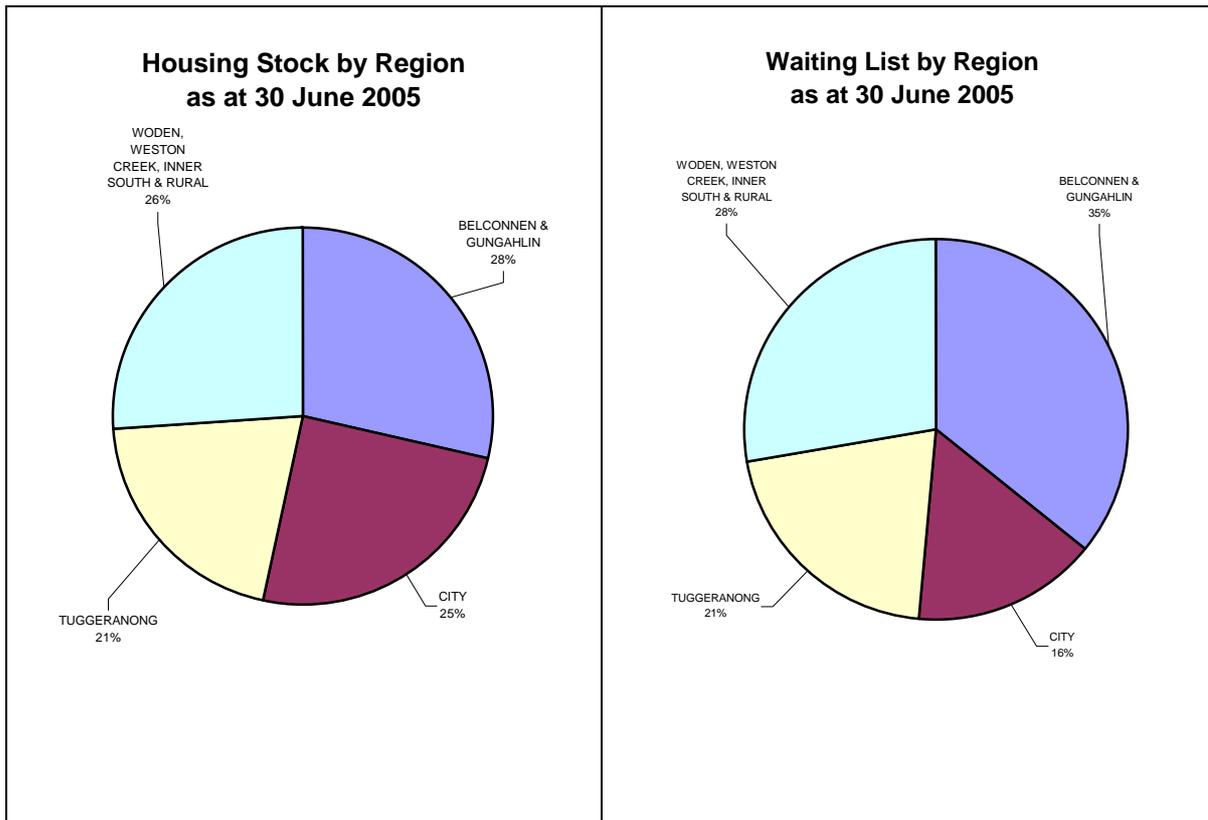
5.12 Housing ACT has stated that demographic information is not formally used for planning, instead the immediate demand as expressed in the waiting list influences purchasing decisions. Housing ACT considers that changes in the waiting list are consistent with demographic changes, and therefore demographic information is secondary to waiting list information.

Mismatch between stock and needs

5.13 There is some mismatch between location of existing public housing properties and the preferences of clients on the waiting list, as shown in Figure 5.1 below. The numbers do not include those clients seeking a transfer to a different locality. The figure highlights the need to increase stock holdings preferentially in Belconnen and Gungahlin.

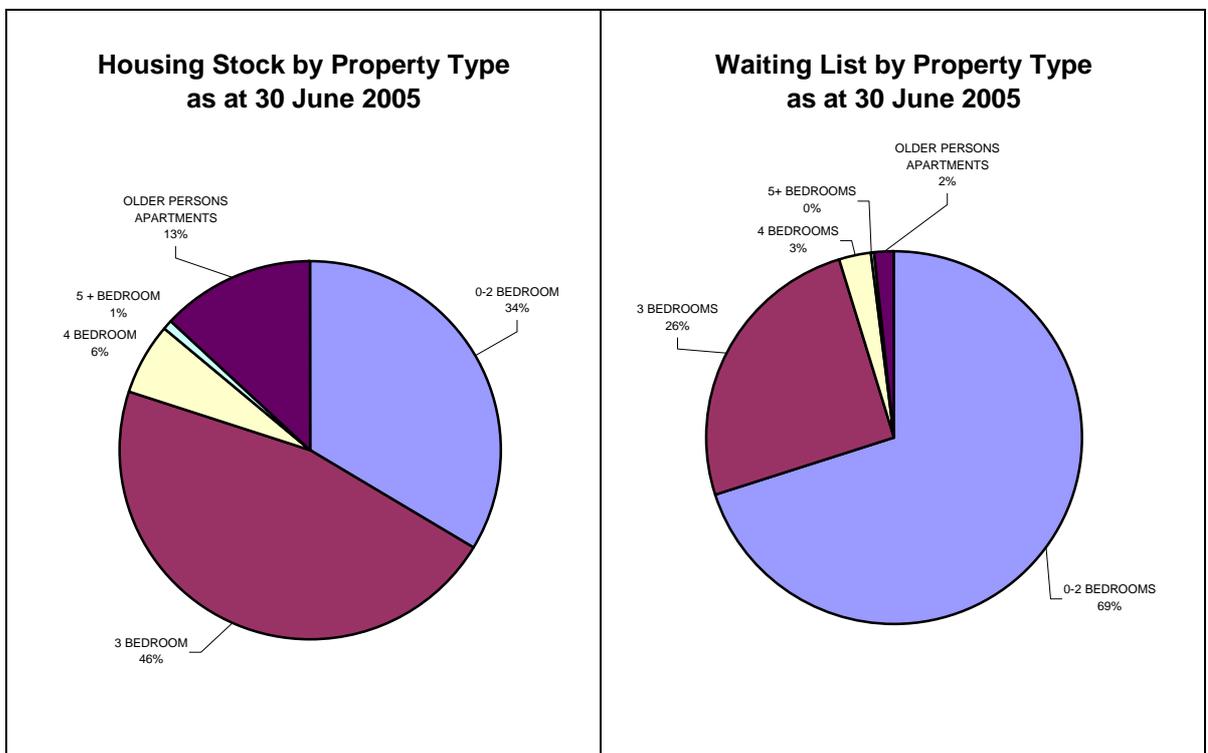
³⁰ ACT Populations Projections 2002-2032 and Beyond, Demographics ACT.

Figure 5.1 Housing stock and waiting list by region



Note: Rural properties are managed by Tuggeranong Regional Managers, however data collected by Housing ACT is grouped within the Woden, Weston Creek and Inner South Region.

Figure 5.2 Housing stock and waiting list by property type



Source for figures 5.1 and 5.2: Compiled by the ACT Audit Office using Housing ACT information.

5.14 There is a greater degree of mismatch between the size of existing housing properties and the needs of clients on the waiting list, as shown in Figure 5.2 above. For example, although three bedroom properties represent 46% of the total stock, only 26% of those on the waiting list require this type of accommodation. Similarly, 69% of those on the waiting list require one or two bedroom properties when this type of accommodation represents only 34% of the total stock. The figure highlights the need to increase holdings of one to two bedroom properties in preference to three bedroom properties.

5.15 Audit recognises that such realignment of the public housing portfolio cannot be achieved quickly as the turnover of tenants through three bedroom properties is relatively low. Current policy dictates that a property generally cannot be disposed of until voluntarily vacated by the tenant or by evoking clauses in the *Residential Tenancies Act*. In addition, the number of three bedroom properties is far greater than the number of one or two bedroom properties available for purchase by public housing tenants.

Older Persons Apartments (OPAs)

5.16 There is a mismatch between current demand and supply for OPAs. Figure 5.2 above shows that while only around 2% of those on the waiting list have applied for aged accommodation, approximately 13% of the public housing stock is currently designated for older persons. This leads to a shorter waiting time for OPAs when compared to other forms of housing.

5.17 A significant number of new OPAs have been constructed, most recently in the City area. In addition to being designed to meet the needs of older persons better than large free-standing houses, they provide an incentive for existing tenants to vacate larger properties and thereby free them for sale or reallocation. However, Housing ACT has experienced some difficulty in finding applicants prepared to accept smaller (typically one bedroom) OPAs.

ASSET MANAGEMENT STRATEGIES AND POLICIES

Public Housing Asset Management Strategy

5.18 The Public Housing Asset Management Strategy 2003-2008 (PHAMS) was prepared by DHCS in 2003 to address the issues involved in efficiently and effectively utilising its asset portfolio to meet housing needs in the ACT. The Strategy recognises the aforementioned mismatch between existing public housing stock and client needs. It also recognises the issues associated with having the oldest public housing portfolio in Australia, with many multi-unit properties not compliant with current Building Code of Australia standards, and the need for rejuvenation and realignment of the public housing stock.

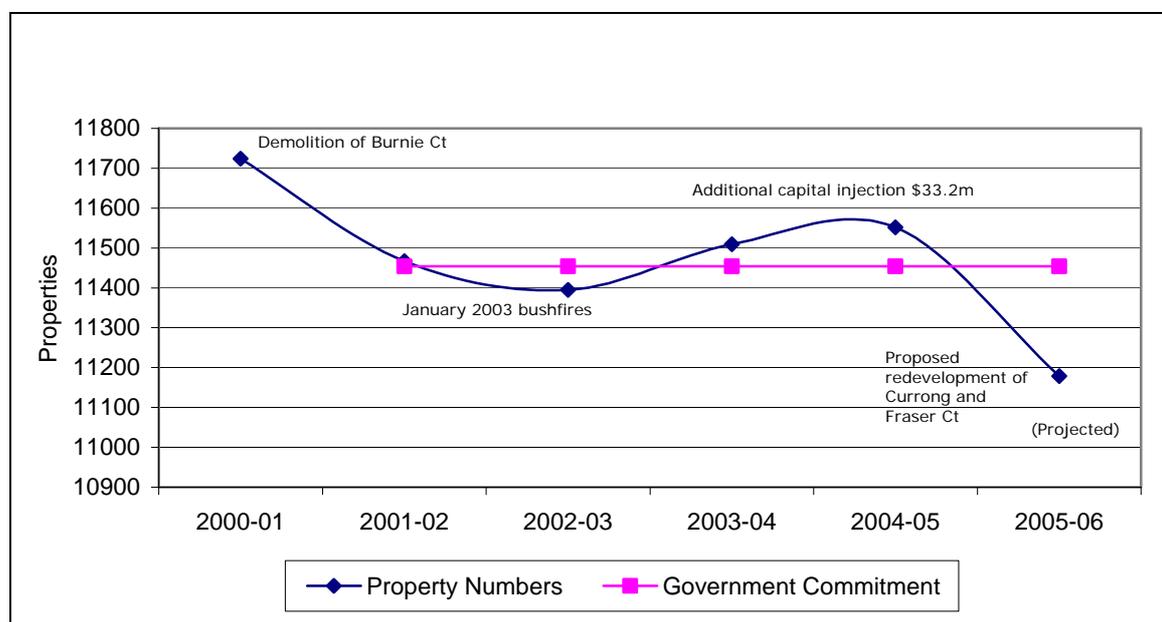
5.19 The Strategy sets out a number of acquisition and disposal practices to ensure an appropriate level of rejuvenation of the stock, including to:

- dispose of all stock older than 40 years as it becomes vacant;
- dispose of high maintenance properties such as monocrete and weatherboard as they become vacant;
- increase stock levels in growth areas;
- seek a minimum of two bedrooms in most new stock acquisition decisions to increase flexibility; and
- maintain an appropriate presence in all suburbs and contribute to sustainable tenancies and a diverse community by ‘salt and peppering’ public housing properties within each suburb.

5.20 Increased targeting of public housing assistance towards people with complex needs (disabilities, mental illness, drug and alcohol abuse etc) has resulted in a greater need for ‘adaptable’ housing – properties that have the ability to be modified or extended at minimum cost to suit the changing needs of the occupants. The Asset Strategy recognises the need for sufficient flexibility of stock to cater for the clients with special needs.

Maintaining public housing stock numbers

Figure 5.3 Public housing stock numbers



Source: Housing ACT Output Reports, 2000-01 to 2005-06.

5.21 The Government undertook to maintain public housing stock numbers at the level at which it came into office (11 454). As at 30 June 2005 the number of properties managed by Housing ACT was 11 552. In the 2005-06 Budget, the target is 11 179 properties, with forward estimates indicating the number of properties will stay at about that level until at least 2008-09. The anticipated decline in the number of properties is largely due to the redevelopment of Currong Apartments and Fraser

Court, representing 316 properties to be removed from Housing ACT's stock. Maintaining stock numbers at the stated level represents a significant challenge for Housing ACT, due to the need for refurbishment or redevelopment of ageing stock and financial constraints.

PROPERTY ACQUISITIONS AND DISPOSALS

Property acquisitions

5.22 Housing ACT acquired 264 properties in 2003-04 and a further 104 properties in 2004-05. Housing ACT received an additional capital injection of \$33.2m in 2003-04 to expand the supply of public and community housing and to replace the 81 properties lost in the January 2003 bushfire, as shown in Figure 5.3 above.

5.23 Housing ACT acquires its properties either through purchase of established properties or new constructions. Real estate agents occasionally offer properties to Housing ACT, but in most cases staff identify suitable properties on the market. The purpose of an acquisition may be to meet a specific need; such as the needs of an individual client; or a more general need, such as shortages in particular housing categories. The need to renew stock also drives property acquisitions.

5.24 Housing ACT tries to avoid the purchase of multi-unit properties. Until 2000, percentage targets were set for the purchase of certain types of properties. The current approach is to look at each property on a case-by-case basis using guides such as maintenance required and mobility aids before proceeding to purchase.

5.25 Audit sampling indicated that property acquisitions are generally consistent with the Asset Strategy and that appropriate purchasing guidelines are in place to ensure that the properties acquired are suitable for their intended purpose.

5.26 Of the property acquisitions tested (22), all were for properties less than 40 years old and of relatively low maintenance construction (generally of brick or brick veneer). Most (95%) of the properties attained an energy efficiency rating (EER) of three stars or more, with minimal modifications required to bring the remainder of acquired properties up to the required standard. Audit testing also indicated that the majority (95%) of the acquisitions are for properties with two or more bedrooms, with the exception of the acquisition of one bedroom OPAs. Property acquisitions were generally in a location with relatively high level of amenity (reasonable access to public transport, employment, education and services), and not in an area with a high concentration of public housing. A significant proportion (23%) of properties were acquired in locations identified as growth areas.

5.27 Housing ACT documentation to support purchase decisions was generally present but often only partially complete. In some instances, the acquisition of the property seemed reasonable to Audit but the documentation did not state the purpose of the acquisition. In particular, files did not include references to the purchase being

in the location of greatest need. Audit found that approval to purchase a property was endorsed by the appropriate delegate.

5.28 In the case of new constructions, there was little or no documentation to support the decision to construct purpose-built properties for public housing. Audit noted that there were relatively few new constructions in 2003-04 (23) and 2004-05 (30). In other jurisdictions, such as Queensland, policy dictates that new construction is preferred as it is considered more cost-effective and enables requirements such as adaptability for special-needs clients to be built in at the start.

5.29 Housing ACT obtains an independent valuation of each potential acquisition from a registered valuer. Offers were generally made at or below the figure provided by the independent valuer. In a few instances offers were made marginally above the valuation figure.

5.30 Housing ACT also calculates the gross yield (the ratio of gross market rent to capital cost) of each potential acquisition. While rental rebates mean that Housing ACT does not receive market rent, the gross yield is compared against a target yield to ensure overall financial performance of the portfolio is maintained.

5.31 Housing ACT does not have a detailed overall forward acquisition plan that evaluates the budget for the capital program and sets targets for acquisitions by region and by housing type. In the absence of such an acquisition plan, Housing ACT's acquisition processes do not necessarily ensure that the overall supply and demand of properties by location and by property type are taken into account for informed decision making. However, Housing ACT management, through the Capital Committee, monitors property acquisitions on an ongoing basis to ensure that they are in accordance with waiting list demand.

Recommendation 22

DHCS should clearly document the purpose of each property acquisition against the objectives of the Public Housing Asset Management Strategy.

Recommendation 23

DHCS should prepare a forward acquisition plan, taking into account the capital acquisition budget, and targets for property acquisitions by location and type based on waiting list demand.

Case study 5.1: Acquisition

Actions undertaken by Housing ACT

Housing ACT identified a property in Gungahlin as a potential acquisition 'off the plan' late in May 2003. The three-bedroom brick veneer townhouse had an energy efficiency rating of 4.5 and was independently valued between \$310 000 and \$330 000, with market rent valued at \$340 per week. The approval to purchase was endorsed by the appropriate delegates (Manager, Sales and Purchasing and Manager, Business Management Group). Housing ACT negotiated a price of \$330 000 and proceeded with the acquisition. The property was handed over to Housing ACT in late July 2004 and the vacant property was allocated to the first eligible applicant on the waiting list. The new tenant and her family moved into the property early in August 2004. Shortly thereafter the tenant submitted a request for disability modifications to be made to the property as she had difficulty negotiating the steps and uneven surfaces at the property. The request was supported by an assessment by an occupational therapist and was promptly referred to the maintenance contractor.

Audit comment

The acquisition appears to be an appropriate acquisition in a growth area. The negotiated price did not exceed the independent valuation and the purchase was approved according to the appropriate process. Disability modifications were required after the tenant had moved into the property.

This case study demonstrates the significant lead-time associated with purchasing properties 'off the plan'. Despite this, modifications were still required as Housing ACT was unable to ensure that the property met the specific needs of the client (disability access) at the design stage.

5.32 Housing ACT needs to consider the advantages and disadvantages of each mode of property acquisition (i.e. purchasing 'off the plan', purchase of established properties, and new constructions) and develop an acquisition strategy that will deliver the best result for its clients. For example, the need for disability features is increasing with tighter targeting of assistance towards clients with complex needs. This need may be better met through purchases that include disability features from the outset rather than through purchase followed by modifications, as in the above case study. DHCS management considered developing such an acquisition strategy in August 2004, but did not progress the matter.

5.33 In the December quarter of 2003-04, the median house price in the ACT (including land) was \$359 700.³¹ In comparison, 2 896 new houses and units commenced construction in the ACT in 2003-04 at an approximate total value of \$519m,³² or an average cost of \$179 200 (excluding land). The construction of purpose-built or adaptable properties (where possible) may prove to be a more efficient mode of acquisition for Housing ACT, especially as such properties would be suitable for most clients with mobility problems without the need for subsequent

³¹ ACT In Focus, ABS, p.113.

³² Housing Stats: by state and territory, HIA, February 2006.

modification. Housing ACT could also liaise with agencies such as the Land Development Agency (LDA) to explore the possibility of acquiring land (e.g. at development cost) to construct purpose-built or adaptable public housing properties that can be tailored to client needs at minimal additional cost.

Recommendation 24

Housing ACT should:

- formally evaluate the cost-effectiveness of each mode of property acquisition (i.e. purchase of established properties and new construction) on a regular basis; and
- develop an appropriate property acquisition strategy based on such analysis.

Property disposals

5.34 Housing ACT disposed of 137 properties in 2003-04 and 79 properties in 2004-05. Housing ACT disposes of its properties either through sale by auction, sale to tenant, or through decommissioning (when the property is no longer available for accommodation because it is about to be redeveloped). Housing ACT obtains an independent valuation of each property before it is sold.

5.35 Housing ACT tenants are eligible to purchase their property after 5 years. However, a property is not eligible for sale to a tenant if it:

- has been purchased or upgraded by Housing ACT in the past five years;
- has been identified for redevelopment;
- is in an area of low public housing; or
- does not have separate title.

5.36 Housing ACT offers the property for sale to the tenant at the valued amount less the value of any tenant improvements. Housing ACT sold 16 properties to tenants in 2004-05.

5.37 Properties can also be disposed of through redevelopment. Redevelopment occurs mainly at Housing ACT's multi-unit properties. High turnover and refusal rates at multi-unit properties reflect the fact that many applicants with complex needs find it difficult to sustain tenancies at large multi-unit properties. Housing ACT recognises the difficulties in maintaining sustainable tenancies and a cohesive community at large multi-unit complexes. Housing ACT's long-term objective is to gradually move away from the concept of high concentrations of public housing in large multi-unit sites and continue with the 'salt and pepper' strategy.³³ However, this is not practical in the short term as multi-unit properties represent almost 20% of the public housing stock and are difficult to replace on a one-for-one basis.

³³ Public Housing Asset Management Strategy 2003-08, p.19.

Case study 5.2: Disposal

Actions undertaken by Housing ACT

A three-bedroom house in Ainslie owned by Housing ACT was vacated early in October 2004 after a Management Initiated Transfer (MIT), due to the rapidly deteriorating condition of the property. The house was built in 1939 and was valued at \$445 000. Works to bring the property back up to Housing ACT standard were expected to cost almost \$40 000. The vacant property was handed over to the maintenance contractor and minor works (less than \$5 000) were completed in mid November 2004. The auction failed to find a potential buyer and the property was re-valued at \$425 000. The property was sold at auction mid May 2005 for \$421 000.

Audit comment

This appears to be an appropriate disposal of a high maintenance property that was almost 70 years old. Although the final sale price was below the second valuation, Housing ACT secured a price less than 1% below valuation, and the sale was approved through the appropriate process. Housing ACT hands over all vacant properties to the maintenance contractor and minor works are completed even if a property has already been marked for disposal. Housing ACT should consider whether disposing of such properties in their existing condition provides a better financial outcome, especially some properties in inner suburbs attract buyers who intent to demolish existing houses.

Overall acquisition and disposal strategy

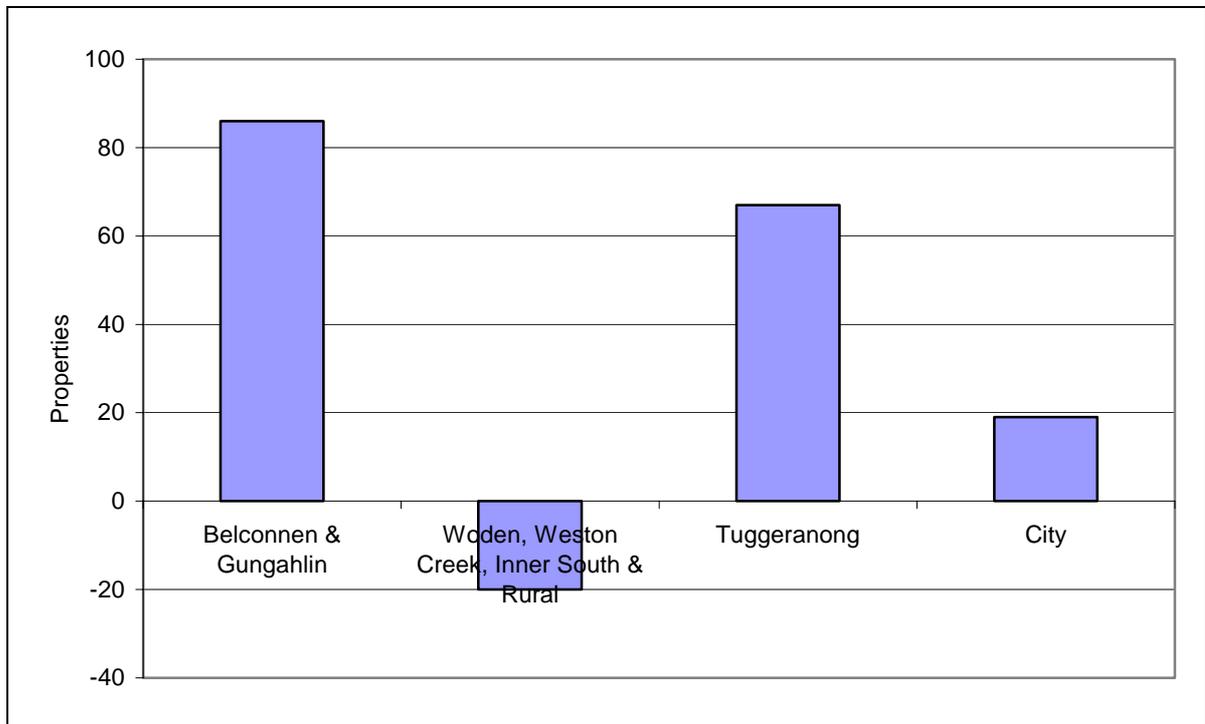
5.38 Figure 5.4 below shows that Housing ACT's acquisition and disposal strategy is generally consistent with the policy to address the mismatch between the location of existing public housing properties and the preferences of clients on the waiting list. In 2003-04 and 2004-05, stock holdings in Belconnen and Gungahlin have increased significantly. However, there has also been an increase in stock holdings in Tuggeranong notwithstanding that existing stock matches current demand on a proportional basis. The slight increase in stock holdings in the City is mainly due to the construction of 58 OPAs in 2004-05.

5.39 Figure 5.5 below shows that Housing ACT's overall acquisition and disposal strategy is also mostly consistent with the policy to address the mismatch between the size or type of existing public housing properties and the needs of clients on the waiting list. In 2003-04 and 2004-05, stock holdings of one to two bedroom properties have increased significantly and there has been a reduction in stock holdings of three bedroom properties. However there has been an increase in stock holdings in four bedroom properties even though existing stock exceeds current demand on a proportional basis. The significant level of construction of OPAs in the City during 2003-04 and 2004-05 is again evident.

5.40 Audit considers that the increase in four-bedroom properties can be justified, as such properties are relatively rare in public housing. Audit was advised that tenants do not tend to move out of larger houses and therefore this limits the availability of these houses for new tenants. Similarly, having a good supply of OPA may encourage older people to vacate larger, older three-bedroom houses enabling their re-use or

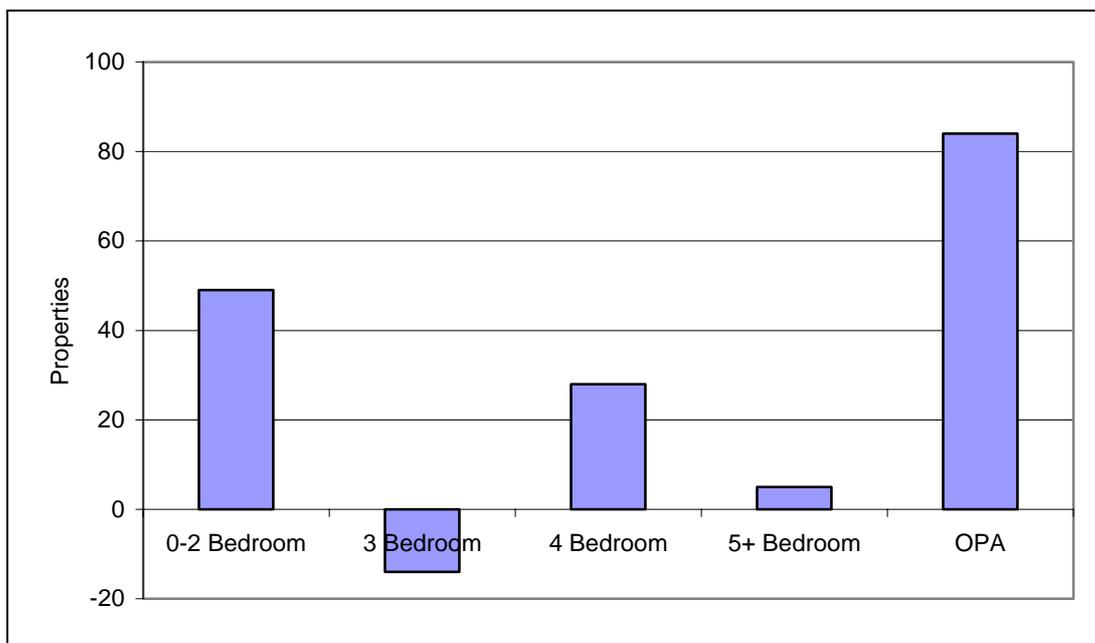
disposal. As discussed earlier in this chapter, Housing ACT may however, need to consider other measures to ensure the maximum use of OPAs in the stock.

Figure 5.4 Net acquisitions by location 2003-04 and 2004-05



Source: Compiled by the ACT Audit Office using Housing ACT information.

Figure 5.5 Net acquisitions by property type 2003-04 and 2004-05



Source: Compiled by the ACT Audit Office using Housing ACT information.

CASE STUDY: CURRONG APARTMENTS

Background

5.41 Currong Apartments was constructed in 1959 to provide accommodation for public servants moving to Canberra. Currong consists of 184 one-bedroom and 28 two-bedroom apartments (212 in all) in three linked eight-storey blocks. Although Currong has undergone minor upgrades during its life, it is in need of major refurbishment to bring it up to standards.³⁴ Currong does not comply with current Australian building standards in areas such as fire safety and lift capacity and units are below currently accepted size requirements. A significant proportion (55%) of accommodation offers to Housing ACT clients were refused. In 2003, the cost of refurbishment at Currong was estimated to be between \$15m and \$18m, or over \$70 000 per unit, with land valued at \$2.5m.

5.42 Similar to other large multi-unit complexes, Currong exhibited high tenant turnover rates (annual turnover over 50%), in conjunction with high refusal rates (55%), and was first identified as a possible site for redevelopment as early as 1999 (see timeline below).

Table 5.1 Currong apartments timeline

1998	An options study prepared by Collins Caddaye Humphries considered a number of options for the refurbishment and upgrade of Currong.
September 1999	The Multi-Unit Property Plan (MUPP) prepared by Ecumenical Housing Inc recommends a major upgrade, rather than redevelopment, as the most viable option for Currong. However, the report also indicates that permanent relocation of tenants or a joint venture to redevelop the site should be considered as viable options if Housing ACT is prepared to accept an increase in the waiting time for new applicants or a loss in stock numbers.
2001	A refurbishment and feasibility report and a subsequent 5-year option report by Cox Humphries Moss details the condition of Currong, options for the property, and the expenditure required to extend the use of Currong for 5 years. A report by Asset Services provides options for upgrading and refurbishing the lifts. A brief to the Minister for Urban Services summarises the options for Currong explored over the past three years. Based on these studies, Housing ACT advises the Minister for Urban Services that further expenditure on the property cannot be justified and it should be vacated and sold as a matter of priority.
April-May 2003	Survey of Currong tenants conducted by Purdon Associates indicates that most tenants are keen to leave the complex or are willing to relocate.
July 2003	Public Housing Asset Management Strategy prepared. This document notes that Currong Apartments is one of the priority sites for assessment and decision regarding upgrading or replacement.
July 2003	A joint venture is identified as offering the potential for an improved financial outcome and provides a mechanism to ensure that a level of affordable housing remains on the site.

³⁴ Housing ACT Multi-Unit Property Plan, p.66.

September 2003	Options presented to Cabinet for sale or joint venture, with ‘a decision to be made after solid financial and market advice’.
October 2003	Decision to redevelop Currong, and announcement to decommission.
September 2004	A call for Expressions of Interest for joint venture partners in the redevelopment of Currong is made.
November 2004	Last Housing ACT tenants leave Currong.
from 2004	Around 100 units in Currong are used for short-term tertiary student accommodation. Havelock House gains the contract to run this arrangement as community housing.
September 2005	Failure to identify a suitable joint venture partner for Currong. Independent financial advice recommends retention of the site in the medium term. Decision to retain Currong as student accommodation for a further 12 months and wait for the housing market to improve.
2006	Ongoing consultation with industry planned.

5.43 The Multi-Unit Property Plan developed in 1999 did not address costs of complying with the Building Code of Australia, especially fire safety, and landscaping and security costs, which add significantly to the cost of retaining these properties. Therefore many of the recommendations of the MUPP were reconsidered in the light of the revised higher costs.

5.44 Housing ACT explored a number of options for the future of Currong, including:

- sale of the property;
- retention of the property for 5 years with or without fire safety and other refurbishment works;
- sale of some units for affordable housing;
- upgrade of all units; and
- joint venture redevelopment.

5.45 All of the options considered involved a loss of stock. Housing ACT advised Government that the preferred option was one that minimised the reduction in stock numbers and maximised financial return.

5.46 Housing ACT also recommended redevelopment as a joint venture with either the Land Development Agency (LDA) or a private developer in 2003. Housing ACT considered that a joint venture redevelopment could provide a mechanism to ensure that a level of affordable housing remains on the site, enable risk sharing, and has the potential to result in improved financial outcomes.

5.47 Audit noted the rationales behind many of the business decisions made by Housing ACT relating to Currong were not well documented. In particular, Audit was unable to obtain records of internal discussions, analyses, or proposals regarding

Currong prior to 2003. As noted in Table 5.1 above, Currong was subject to assessment and decision regarding upgrading or replacement at July 2003. The decision to redevelop was made in October 2003. Other than the Cabinet submission itself recommending redevelopment, Audit found no evidence at all of consideration between July and October 2003 of the issue within the Department. In addition, there was no documentation to support the timing of vacating Currong by rehousing all its tenants during 2004. As at March 2006, consultation with industry is continuing but there is no sale or redevelopment agreement expected in the near future.

5.48 Housing ACT staff observed that the social problems in the Currong area have improved since the previous Currong tenants departed and the site has been used for short-term student accommodation. Staff also indicated that rents are generating a slight net positive return to Housing ACT. It is not clear whether the net positive return takes into account the full cost of the provision of accommodation to students.

5.49 While it can take more than 12 months to rehouse tenants of a multi-unit property, it may take a comparable amount of time after a successful tender process for works to commence. Therefore it may not be necessary to vacate a property too long in advance of anticipated redevelopment activity. The *Residential Tenancies Act 1997* states that:

The lessor may serve a notice to vacate during the term of a tenancy requiring the tenant to vacate the premises at the end of the notice provided that –

- (a) the notice is for 26 weeks; and
- (b) the notice does not require the tenant to vacate the premises during a fixed term.

5.50 Housing ACT has indicated that it considered ‘vacant possession’ to be an advantage for a successful tender process, as potential developers could be detracted from expressing interest due to the uncertainty associated with having tenants in place. Housing ACT did experience difficulty in vacating some tenants from Currong, in some instances requiring orders from the RTT.

Conclusions and lessons learnt

5.51 The disposal of large multi-unit complexes such as Currong represents a significant challenge for Housing ACT. Given Housing ACT’s long-term objective to withdraw from large multi-unit complexes, strategies should be developed to address the range of issues associated with the disposal of these properties.

5.52 Audit noted a lack of comprehensive consideration of options, including a lack of benefit-cost analysis of all reasonable options, to be considered with non-financial factors. There was also a lack of consideration of alternative social models. The social model of leasing part of Currong through a non-government organisation to a different type of tenant, namely students, was considered by Housing ACT when the sale of the site did not eventuate, and turned out to be a practical solution.

5.53 Although joint venture redevelopment may appear the suitable option in most cases, Housing ACT needs to consider the risk that a suitable joint venture partner

may not be readily found, causing significant delays in the redevelopment process. Such delays not only result in a loss of potential rent revenue for the Territory, but the reduction in the number of available public housing properties also results in longer average waiting times for clients on the waiting list. Housing ACT should ensure that disposal strategies are in place for each large multi-unit complex well before they reach the end of their economic life. Such strategies should take into account the anticipated state of the housing market when each property is to be disposed. Alternative options such as partial or full refurbishment, and partial or full utilisation as community housing should also be considered.

Recommendation 25

DHCS should undertake cost benefit analyses of all reasonable options for multi-unit properties before advising the Government of its recommendations.

Recommendation 26

DHCS should:

- improve the timing and coordination of the vacating of tenants and tender processes to ensure that multi-unit properties designated for redevelopment are not left vacant for extended periods; and
- develop appropriate strategies to mitigate the risk that tender processes may be unsuccessful or delayed, such as utilising vacant multi-unit properties to house short-term tenants.

MANAGEMENT OF VACANT PROPERTIES

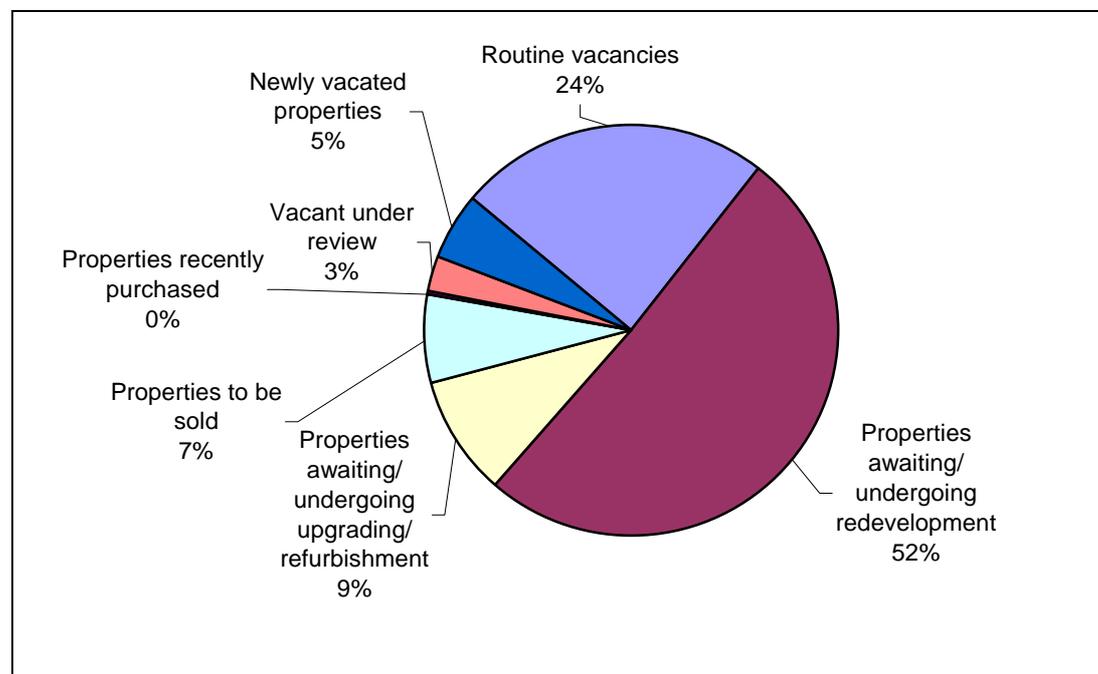
5.54 There is a period of vacancy whenever a new applicant is housed or an existing tenant is transferred, as the property needs to be first vacated and prepared for the new tenant. In most instances, only minimal maintenance is required to bring the property up to standard for the new tenant. Housing ACT refers to such periods of vacancy as routine vacancies. In 2003-04, the average routine vacant time was 39 days (approximately 6 weeks), improving to 33 days (approximately 5 weeks) in 2004-05. The total vacancy rate as at 21 November 2005 was 3.24% (373 out of 11 528 properties). This included properties awaiting redevelopment, such as Currong. With these properties excluded, the vacancy rate would be 1.73%.

5.55 Further details on vacancy rates are in Figures 5.6 and 5.7.

5.56 Housing ACT also has periods of vacancy before the expected sale of a property, after the construction of a new property, and during major upgrading or refurbishment. Some properties are also held vacant pending the outcome of joint venture tendering processes (such as Currong Apartments). Housing ACT refers to such periods of vacancy as non-routine vacancies. During 2003-04, the average non-routine vacant time was 55 days (approximately 2 months), increasing to 129 days (approximately 4 months) during 2004-05. At 30 June 2005, the average non-routine vacant time for properties on hand was 344 days (approximately 11 months), with

non-routine vacancies comprising approximately 78% of all vacant properties on hand.

Figure 5.6 Vacant properties as at 5 December 2005

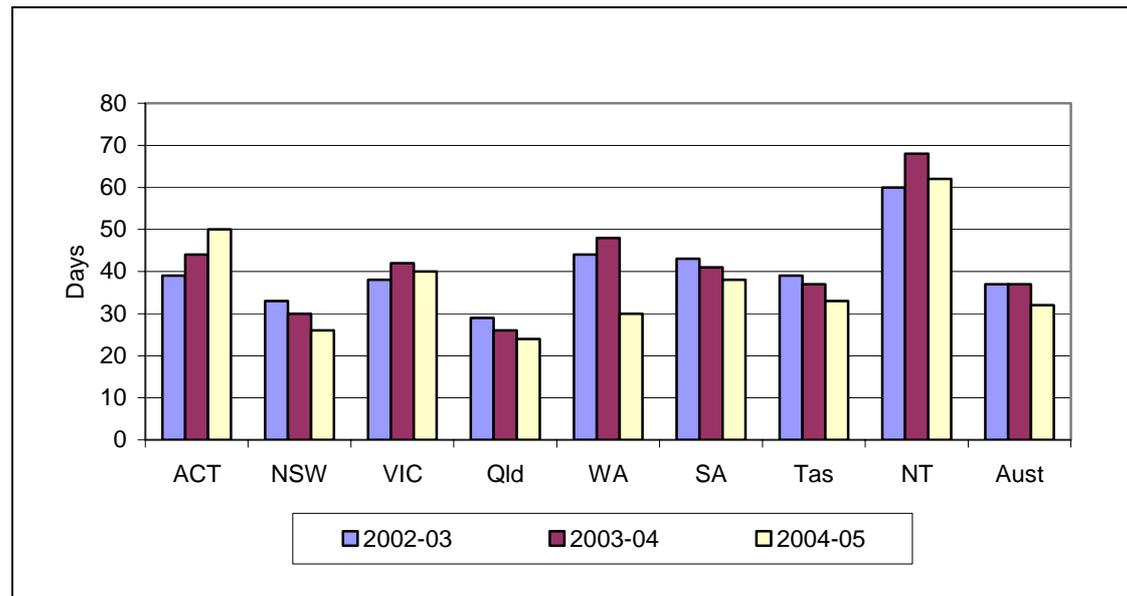


Source: Housing ACT data

5.57 Figure 5.6 above shows the turnaround time in the ACT is mainly due to non-routine vacancies, in particular multi-unit properties awaiting redevelopment such as Currong. To enhance accountability and improve comparability across jurisdictions, Audit considers that Housing ACT should not include properties that have been decommissioned from public housing when reporting the number of public housing properties managed, vacancy rates or turnaround times. Audit notes that the AIHW has amended the definition of turnaround time in the CSHA Public Rental Housing Data Manual so that only routine vacancies are reported.

5.58 HomeNet has the capability of tracking vacancies behind schedule. It is not clear whether DHCS monitors vacancies using this facility.

5.59 Audit considers that there is further scope for improvement in both routine and non-routine vacant times. Figure 5.7 below shows that during 2003-04, the average turnaround time (time taken for vacant dwellings to be occupied including routine and non-routine vacancies) was 44 days, increasing to 50 days during 2004-05, well above the national average of 32 days. Other jurisdictions have improved average turnaround times from 2002-03 to 2004-05, whereas average turnaround times in the ACT have deteriorated in the same period. During 2004-05, Queensland had the fastest average turnaround time in all jurisdictions, taking less than 25 days to allocate tenants to a vacant property. By not achieving the national average turnaround time in 2004-05 (32 days), it is estimated that approximately \$650 000 in rent revenue (including rental rebates) was effectively foregone by Housing ACT.

Figure 5.7 Average turnaround times for public housing

Source: CSHA National Data Reports, various years.

5.60 In the private sector, lessors show prospective tenants a property as soon as the current tenant gives notice. The standard lease in the ACT provides for reasonable access, with notice, in the last three weeks of the tenancy. However, Housing ACT waits for the property to be vacated and maintenance completed before clients can inspect the property. Housing ACT advised that if prospective tenants were to be shown properties whilst occupied, the condition of some properties would lead to a higher rate of refusal. Audit considers that Housing ACT staff should exercise some discretion on whether the property should be shown to new tenants and use the condition of the property at the last CSV as a guide to whether the early inspection by the prospective tenant should take place.

Recommendation 27

DHCS should clearly identify the factors contributing to increased turnaround times between vacancies in the ACT and take appropriate measures to address these, for example:

- investigating practices implemented by other jurisdictions to improve turnaround times; and
- showing properties to prospective tenants as soon as the current tenant gives notice.

APPENDIX 1 – AUDIT CRITERIA

The audit was conducted against the following criteria:

1. Organisational governance and coordination

- The strategies and related procedures formulated by Housing ACT should be consistent with ACT Government policies and the Commonwealth-State Housing Agreement for waiting lists and the housing allocation process, and management of tenants and housing stock.
- Committees and other means of cross-organisational coordination should take place where appropriate and is functional.
- Housing ACT's performance management framework should enable effective monitoring and measurement of actual performance against its strategic objectives.
- Internal audits should be undertaken where appropriate and recommendations flowing from audit are followed up using suitable mechanisms.
- Evaluations and reviews are identified and conducted where necessary with actionable outcomes.
- Complaints mechanisms should be in place, readily available and easily accessible by the public. Complaints should be actioned and are used to improve the Department's performance.
- A customer service charter should be in place, specifying standards, the required performance and measures of the standards, action taken to improve performance when performance is lower than the standard.

2. Client services

- The process of allocating public housing should be fair and consistent with the Allocations Policy.
- Systems, guidelines and processes to manage public housing waiting lists should be in accordance with accepted better practice.
- Risk management strategies should be in place and used in the decision making process when allocating tenants to housing.
- Client nominated housing zone preferences are taken into consideration when allocating available housing.
- The process for recovering debt should be efficient and effective.
- A process should be available and used to guide Housing ACT executives when exercising their delegation to approve evictions, tenant transfers and movements in waiting lists.

3. Property management

- Housing ACT's property management practices should be consistent with strategic policies such as the Public Housing Asset Management Strategy.
- Risk management strategies should be in place and used in the decision making process when undertaking sales and purchases of housing stock.
- Delegation and controls are used according to guidelines for authorising property sales and purchases.
- Controls should be regularly reviewed to ensure currency and adherence.
- Budgets are set, managed and controlled within their limits.

PREVIOUS AUDIT REPORTS

Reports Published in 2005-2006

Report No. 3 / 2005	Reporting on Ecologically Sustainable Development
Report No. 4 / 2005	Courts Administration
Report No. 5 / 2005	Annual Management Report for the Year Ended 30 June 2005
Report No. 6 / 2005	Government Procurement
Report No. 7 / 2005	2004-05 Financial Audits
Report No. 1 / 2006	Regulation of Charitable Collections and Incorporated Associations

Reports Published in 2004-2005

Report No. 4 / 2004:	Data Reliability for Reporting on the ACT 'No Waste by 2010' Strategy
Report No. 5 / 2004:	Leave Management
Report No. 6 / 2004:	Workers' Compensation Supplementation Fund
Report No. 7 / 2004:	Annual Report 2003-2004
Report No. 8 / 2004:	Waiting Lists for Elective Surgery and Medical Treatment
Report No. 9 / 2004:	Administration and Monitoring of Youth Service Contracts
Report No. 10 / 2004:	2003-04 Financial Audits
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Report No. 2 / 2005:	Development Application and Approval Process
Review Report:	Matters Relevant to the Office of the Special Advisor, Council of Australian Governments and Inter-Governmental Relations

Reports Published in 2003-2004

Report No. 9 / 2003:	Annual Management Report for the Year Ended 30 June 2003
Report No. 10 / 2003:	Financial Audits with Years Ending to 30 June 2003
Report No. 1 / 2004:	Administration of Policing Services
Report No. 2 / 2004:	Travel Arrangements and Expenses
Report No. 3 / 2004:	Revenue Estimates in Budget Papers 2002-03

Reports Published in 2002-2003

Report No. 5 / 2002:	V8 Car Races in Canberra – Costs and Benefits
Report No. 6 / 2002:	Annual Management Report for the Year Ended 30 June 2002
Report No. 7 / 2002:	Financial Audits with Years Ending to 30 June 2002
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Report No. 2 / 2003:	Belconnen Indoor Aquatic Leisure Centre
Report No. 3 / 2003:	Emergency Services
Report No. 4 / 2003:	Management of Fraud and Corruption Prevention in the ACT Public Sector
Report No. 5 / 2003:	Lease of FAI House
Report No. 6 / 2003:	Allegations of Financial Mismanagement University of Canberra Union
Report No. 7 / 2003:	Compliance Performance Audit – Recruitment Processes
Report No. 8 / 2003:	Financial Incentive Package for Fujitsu Australia Ltd (FAL)

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