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department of
disability, housing &
community services

Public Housing Asset Management Strategy

2003-2008

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1. INTRODUCTION

Access to housing is central to health and well-being. It provides the basic foundation on which individuals and families build stable, healthy and productive lives linked to education and employment.

Public housing contributes significantly to the provision of housing for those people who have difficulty accessing the private market for reasons of low and unpredictable income, disadvantage and disability. Following the rapid escalation of house prices and rents, public housing is the only option for an increasing number of people.

The Department of Disability, Housing and Community Services provides the people of Canberra with safe, affordable and appropriate public housing that supports the needs of its clients in a sustainable social environment. The provision of secure housing helps to provide dignity and the opportunity to develop a sense of community and of place. Secure housing provides tenants with the opportunity to build environments that are inclusive and participative.

Government housing was an important part of Canberra's development from the construction of the Inner North and Inner South commencing in the 1920s, to the major construction program conducted in the period of Canberra's expansion from 1958 to the late 1980s. Much of the stock constructed in the period from 1958 was aimed at accommodating large numbers of young single public servants transferred from Melbourne as the central offices of Departments were being established in Canberra. Means testing of new applicants for government housing was introduced in 1973 in response to the excessive waiting times.

The legacy of a large proportion of Government housing means that around 9.5% (11,400) of all ACT residential dwellings are public housing properties. This stock, which has a value of \$2.4 billion, houses an increasingly diverse range of people in need within the ACT community – approximately 30,000 residents in total.

The same legacy means that the housing stock has an average age of 27 years and is the oldest public housing stock in Australia. The age and structure of the portfolio presents considerable challenges for rejuvenation of the stock. In addition, there is the associated problem that many multi-unit sites do not comply with current Building Code of Australia (BCA) standards, particularly in relation to fire safety. These deficiencies are currently being addressed as a matter of some urgency.

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. Its major responsibilities in relation to asset management are 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, and responding to environmental standards particularly in the areas of energy and water efficiency;
- protect the Territory's investment in its public housing assets, including management of the preventative and regular maintenance and upgrade programs;
- provide sustainable tenancies and build stronger communities; and
- pursue opportunities for better leverage of the asset base through private sector partnerships and using the value of the asset to assist in restructuring the portfolio.

This Public Housing Asset Management Strategy outlines the challenges facing the Department of Disability, Housing and Community Services in efficiently and effectively utilising its asset portfolio to meet the housing needs of some of Canberra's most disadvantaged citizens. It also outlines the proposed response to those challenges.

The strategy is prepared against a context that acknowledges:

- the recognition that stable housing is a key foundation in achievement of the Government's social objectives;
- the Government's commitment to equitably meet the housing needs of the ACT community and in particular to provide safe, secure, appropriate and affordable housing to those most in need;
- the role of public housing in building stronger communities and in the broader processes for achieving sustainable development in the ACT, particularly the Government's commitment to reducing greenhouse gas emissions and to sustainable water management;
- the Government's objective to maintain the level of housing stock;
- the Government's obligations under the Commonwealth State Housing Agreement;
- the imperative that the asset portfolio remains responsive, flexible and appropriate to the needs of tenants and applicants;
- the need to balance tenants' desire for security of tenure against the need to rejuvenate the asset base.

- the need to ensure that all social housing providers are financially viable; and
- the need to ensure that asset management decisions protect and enhance the value of the property portfolio, at the same time recognising that the portfolio exists primarily to achieve the Government's social goals.

The Government considers that the consolidation and growth of a viable and flexible social housing system is essential for the provision of affordable housing in Canberra, and is a necessary element in any broad based approach to meeting the diverse range of peoples' needs in the ACT. The Government is therefore committed to public housing as an important strategy in alleviating poverty and social disadvantage in our community.

The Government is equally committed to the expansion of the community housing sector in the ACT and has allocated capital funding in the 2003/04 Budget to support the growth of that sector. Community housing presents a housing option which is complementary to public housing, in that it offers a higher level of tenant participation in management while also providing another avenue through which the diverse needs of individuals can be met.

Development of an asset management strategy for public housing assets cannot therefore be considered in isolation, and must be seen in the context of the development of a broader strategy for the expansion of social housing in the ACT in a way which improves the range of housing choices available to ACT residents.

It is envisaged that the principles and strategies included in this document apply for the period of the next Commonwealth State Housing Agreement, ie five years to 30 June 2008. However their currency and relevance will need to be reviewed regularly. Asset management is an ongoing process which reviews current performance and takes account of trends in service demand, allowing the prediction of future asset requirements.

2. IDENTIFYING THE CHALLENGES

The Department of Disability, Housing and Community Services manages around 11,400 properties including 80 leased from private landlords. In addition, over 200 properties are head-leased to community organisations for crisis, transitional and special needs housing. To effectively manage this significant property portfolio, a range of challenges must be confronted in the years ahead.

2.1 Funding the business

Operating revenue is derived primarily from two sources – rents received (estimated at approximately \$58m in 2003/04) and CSHA funding (\$27m). An operating loss of \$4m is projected in 2003/04, and losses are expected to continue in subsequent years.

Approximately 83% of tenants receive a rental rebate which represents, in effect, an unfunded community service obligation of \$53m. Therefore, without rebates the revenue would be \$111m.

Continued targeting of housing assistance to those most in need will see further increases in rebates and further erosion of the revenue base, making it difficult to fund its running costs and to adequately maintain its properties. Anticipated reductions in CSHA funding will also exacerbate the agency's financial viability and its ability to sustain itself.

In a National Public Works Committee (NPWC) study in 1993, it was found that maintenance costs in the ACT should be in the range 1.6% to 2.4% of capital replacement value. The amount currently being allocated for maintenance expenditure would appear to be within the recommended range, but would not allow for action to address any backlog. There is no scope therefore to reduce maintenance expenditure, by far the major expense item, even if efficiencies are achieved.

Capital expenditure is funded primarily from the proceeds of property sales, and is insufficient under current arrangements to satisfactorily rejuvenate the stock and at the same time maintain total stock numbers.

2.2 Maintaining stock numbers

There has been a reduction of around 1000 properties in the public housing portfolio since 30 June 1996, including 209 properties transferred to community housing management. Since 2001 however, stock numbers have stabilised.

A major element of the decline in numbers of stock between 1998 and 2001 was in bedsitters (710 to 177), which are recognised as inappropriate housing but are difficult to replace on a one-for-one basis through redevelopment due

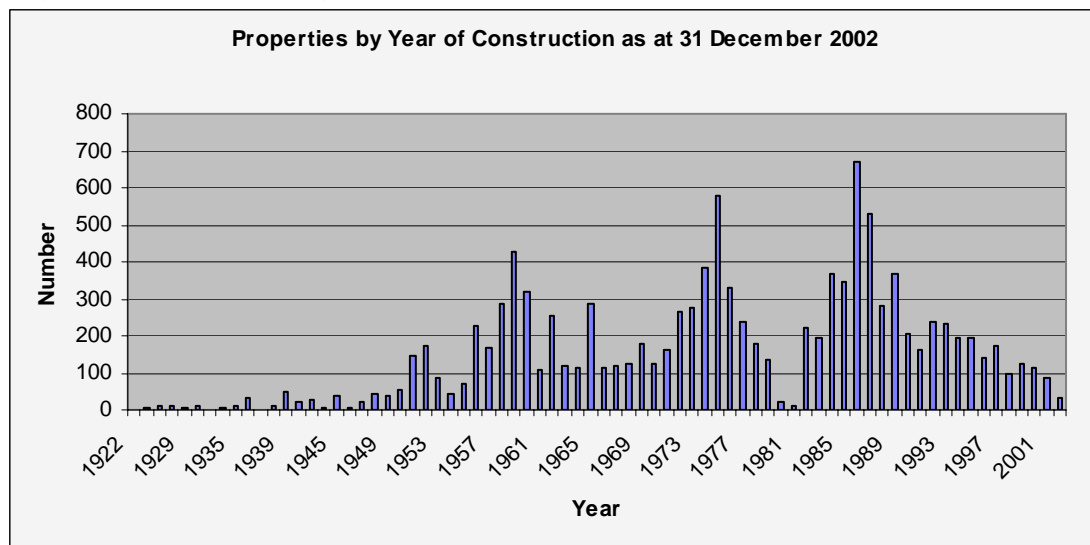
to the additional costs and space requirements of a larger dwelling. A further reason for the decline in numbers has been the need to direct some of the proceeds from sales to the funding of asset improvements over recent years rather than to the purchase of replacement properties.

The Government is aiming to maintain stock numbers at the current level of approximately 11,400 dwellings, and at the same time implement sustainable long term asset management strategies. Some reduction in property numbers will occur in the short term however, from the refurbishment and/or redevelopment of many of the multi-unit sites which are nearing the end of their economic life.

2.3 Age of stock

The average age of public housing stock in the ACT is 27 years, with 23% of the stock (2700 dwellings) being older than 40 years. This represents the oldest public housing portfolio in Australia, and as a consequence has a major impact on repairs and maintenance requirements. A key objective is to sell the older stock whenever possible. Figure 1 shows the distribution of properties by year of construction.

Figure 1: ACT Housing Properties by Year of Construction



Old and inappropriate properties that no longer suit the needs of tenants have been sold over recent years, particularly in the Inner North, however sales are largely dependent on tenant vacancies or sales to tenants. There are also heritage constraints in some areas which limit redevelopment options.

But despite the disposal and acquisition programs in recent years, the portfolio continues to age. Because of a low turnover of tenancies (approximately 1,500 per annum), the shedding of a relatively small proportion of older properties, and the purchase of newer stock each year, has had little impact on the overall ageing rate of the portfolio. Without a significant

increase in the rate of stock replacement the average age is forecast to increase almost 12 months for each elapsed year and thus reach 30 years by 2007, which will compound the difficulties in acquiring new stock as proceeds from sales may need to be diverted to maintenance and capital upgrades of the ageing stock.

2.4 Mismatch between stock and needs

There is an apparent mismatch between the location of existing properties and new applicant preferences, as shown in figures 2 and 3 below.

Figure 2 - Housing stock by area

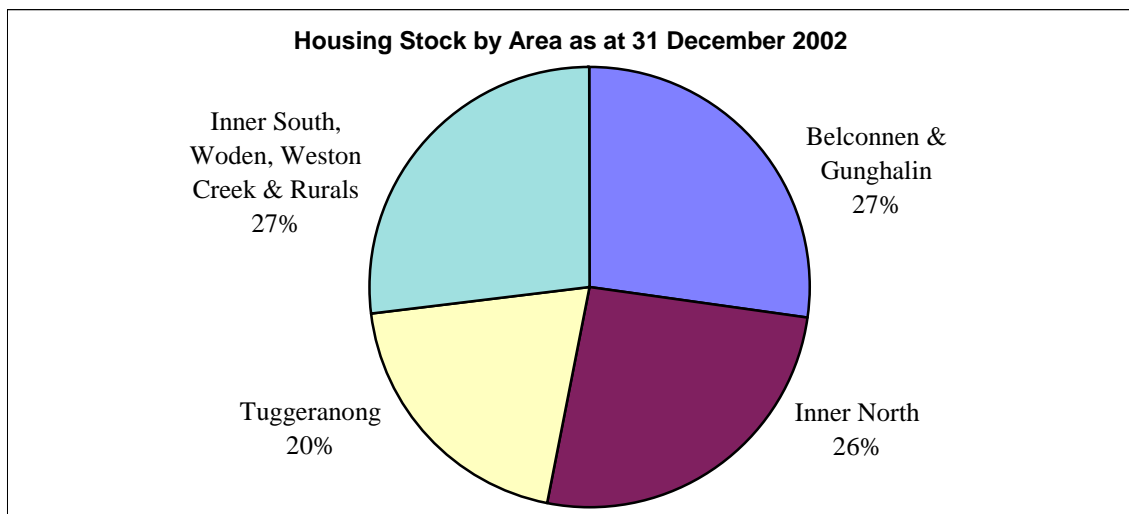
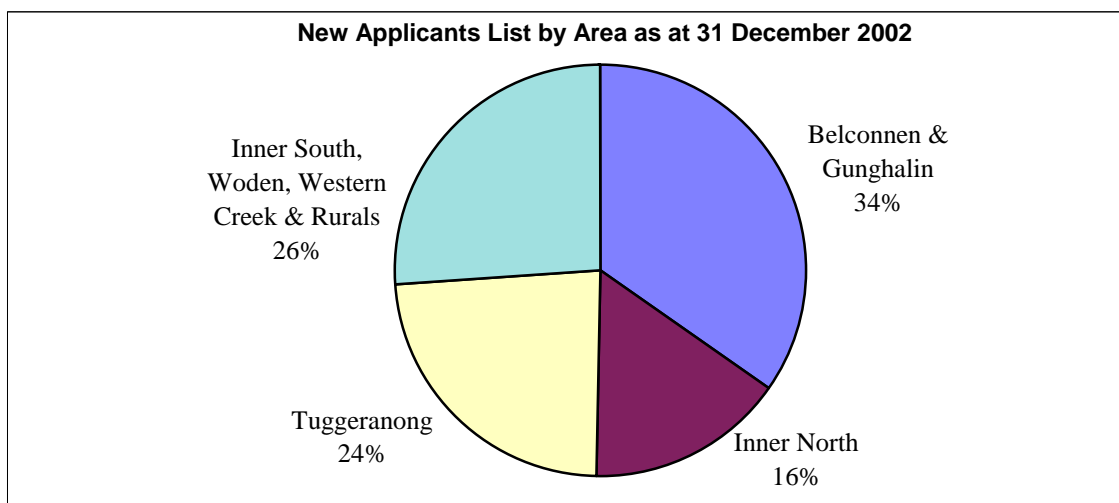


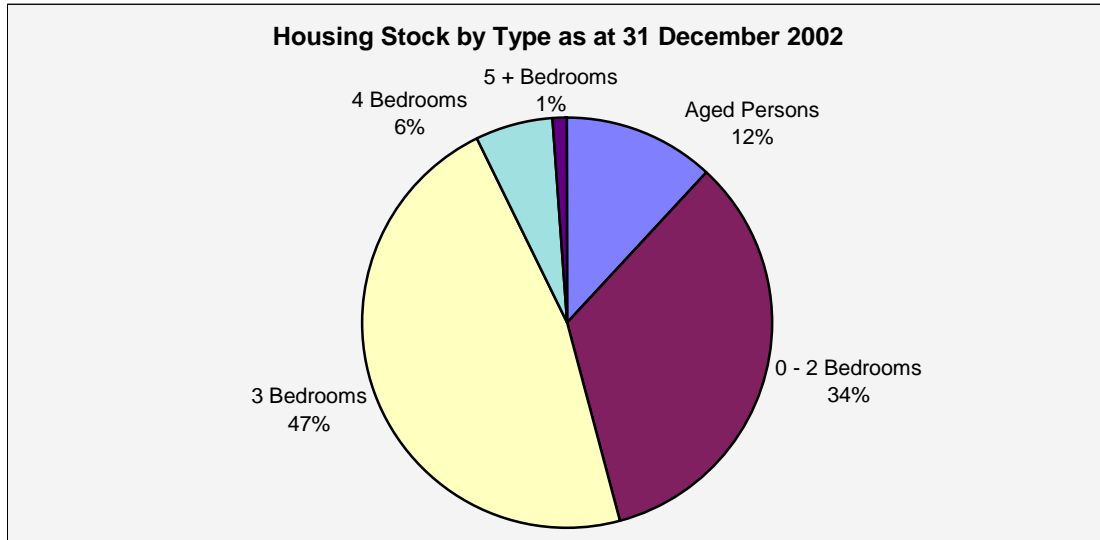
Figure 3- Applicant list by area



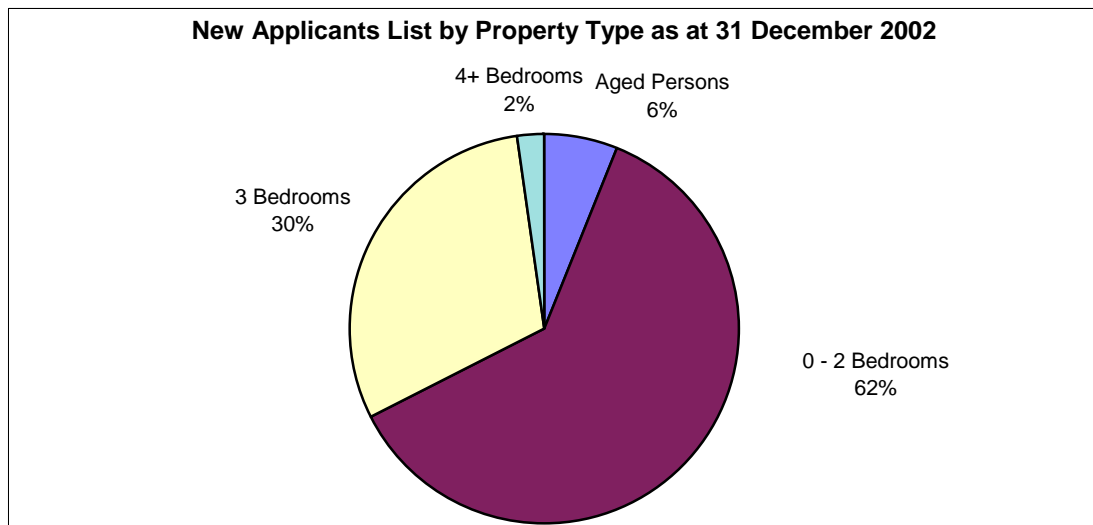
Allocation times and churn rates need to be considered in interpreting the above charts, however they do indicate a need to continue to reduce stock holdings in Inner North whenever possible and to increase stock holdings in Belconnen and Gungahlin.

There is also an apparent mismatch between the type of housing stock held and applicant entitlements, as shown in figures 4 and 5.

Insert Figure 4 – Housing stock by type



Insert Figure 5 – New Applicant List by property type



Three bedroom properties represent 47% of the total stock, yet only 30% of new applicants require this type of accommodation. This is due, perhaps, to a reduction in the size of the average household over the past 20 years or so, a trend expected to continue as the population ages and the number of single parent families grows. This cannot be corrected quickly as the turnover or “churn” of tenants through three bedroom dwellings is significantly less than, say, the multi-unit properties which have a high turnover.

While the number of applicants seeking three bedroom houses is lower than those seeking smaller properties, retaining a high proportion of three bedroom properties may still be desirable because of their flexibility. However, this needs to be balanced against the age of three bedroom properties (the average

age of three bedroom properties is 29 years), and the estimated maintenance expenditure if these properties are retained indefinitely.

Changes in stock numbers by dwelling type over the past four years are outlined in [Appendix 1](#). They demonstrate a concerted effort to reduce the proportion of bedsitters and three bedroom properties, and increase the proportion of one and two bedroom properties. However, this has not kept pace with demand.

More work needs to be undertaken analysing allocation times and churn rates to determine whether the current stock mix is correct.

2.5 Dwelling Location

Public housing tenant satisfaction surveys have consistently shown that there is a high satisfaction with the location of properties. However, the portfolio will need to respond to the changing needs, household structures and growth patterns of the Canberra community. Accordingly, there is a requirement to continue to address existing areas of high concentrations of stock to meet the need for social housing in the newer townships.

As [Table 1](#) indicates below, there have been considerable changes in the location of stock over the past few years; however, there is scope to further reduce unsuitable holdings in some areas and replace them with stock in newer suburbs. Reflecting the settlement of suburban Canberra, there is also a significant difference in the average age of stock by region (37 years in Central Canberra compared to 24 years in Belconnen, 18 years in Tuggeranong and 8 years in Gungahlin).

On the other hand, the spread of stock right across the Territory is one of the positive features of the portfolio. The areas with the highest stock age (Inner North and Inner South) are also the areas where housing for elderly residents and young people, who are reliant on public transport and other services, remain priorities.

TABLE 1: Stock Numbers by Region

Region	Number as at 31 December 1998	Number as at 31 December 2002	Change
Tuggeranong	2181	2276	+95
Woden	1144	894	-250
Belconnen	2958	2857	-101
Gungahlin	154	267	+113
Weston Creek	650	678	+28
Inner North	3253	2938	-315
Inner South	1688	1430	-258
Rural / Other	99	92	-7
TOTAL	12,127	11,432	-695

2.6 Unmet need

The waiting list at present includes about 3400 applicants of whom about one third are current tenants whose existing accommodation is considered to be not fully appropriate for reasons of size or location.

While most people are housed within two years of application, the average waiting time for those people who are assessed as eligible for early assistance is now approximately eight months from the time of registration. Because of the high number of applicants in the early assistance 1 and 2 categories, waiting times for other applicants are increasing, with the average time for people who are eligible but do not qualify for early intervention at 14 months.

Over 60% of applicants currently on the waiting list are seeking one or two bedroom accommodation. While availability of stock is one factor, tenancy turnover and the appropriateness of the stock are also indicators that tenant needs are not being met. The rate of tenancy turnover in the large multi-unit complexes is higher than the rest of the portfolio. While the large flat complexes represent 20% of the portfolio, they represent 37.5% of tenant movements, and the average length of tenancy in those complexes is 35 months compared with 67 months for all other property types.

In addition, the change in policy focus to meet the needs of high-needs clients has resulted in an increased demand for special purpose dwellings, which are often more difficult and costly to acquire. An analysis of the current applicant list indicates that 78 applicants including 27 in the early assistance or priority category have special disability needs, requiring either purpose built housing or an accessible or older persons' accommodation (OPA) unit. Funding is provided in the capital program for the high cost of disability modifications and acquisitions. The asset program will continue to acquire appropriate adaptable and accessible dwellings to meet the needs of these clients.

The changing needs of clients will need to be closely monitored and future stock acquisition decisions must build-in sufficient flexibility to respond in a strategic way to changing demographics.

2.7 Yield

The public housing portfolio is valued at \$2.2 billion, making it one of the Territory's largest assets. The capital program is generally in the range of \$40 to \$50 million per annum. Servicing this asset base requires more funding than is currently available through CSHA grant funding and rental revenues, as a significant amount of rental income is forgone through the provision of rental rebates of approximately \$53m per year.

Yield is a measure of portfolio performance or efficiency when compared with other similar assets. It is calculated by dividing the market rent by the market value of a property (or across a portfolio of properties) and is expressed as a percentage. It allows comparisons of acquisition or investment options to

ensure sound choices are being made in accordance with best practice business management.

The average gross yield as at 31 December 2001 was 6.4%.

The average gross yield as at 31 December 2002 was 5.14%.

The most relevant reasons for the recent fall in the yield are that:

- land values throughout Canberra have recently increased significantly faster than market rents; and
- the progressive disposal of ageing bedsitter complexes has reduced the rate of return, as the bedsitters had comparably low asset values, and hence generated a higher yield.

The gross yield is of little relevance in the light of rental rebates granted, however, to ensure decisions on acquisitions or disposals do not diminish the overall financial standing of the portfolio, a target yield based on floating industry benchmarks is used for investment decision-making purposes.

2.8 Threats to long term viability

The increasingly adverse impact on rent revenues as a result of targeting housing provision (and increased rental rebates) to those most in need, together with a decline in CSHA funding, will have detrimental impacts on the ongoing viability of the public housing system. Attempts to rejuvenate the stock will also be seriously constrained.

The erosion of the funding base has been accompanied by increased numbers of very low income and people with complex needs (disabilities, mental illness, drug and alcohol problems etc) entering public housing. With increased targeting to those most in need, the majority of applicants entering public housing are in extreme housing need and nearly all are on welfare benefits. This greater welfare focus has both increased costs (particularly in cases where specific disability modifications or acquisitions are needed) and reduced revenues. As a result, an increasing proportion of sales revenue has been applied to meet asset improvements, rather than to acquire new, more appropriate properties.

The shifting of resources from public housing to community housing, which was once a potential threat to the viability of the public housing system, will not continue. The Government is not supportive of an approach which grows community housing at the expense of the public housing system in the ACT, and has consequently ceased the large scale stock transfer from public housing to community housing. The Government is committed to ensuring that the social housing system of both public housing and community housing provides sustainable and flexible options for those in housing need. Therefore, in developing an asset management strategy for public housing in the ACT, the Government's objective to expand community housing must also be considered.

2.9 Multi-unit sites

The large multi-unit sites (greater than 40 units), which comprise close to a fifth of the total portfolio, represent the most difficult asset management challenge.

While several of these complexes are in high value locations and are well located near shopping centres and public transport, there are major problems with many of them. Many are over 40 years old with some in poor condition. They are limited in the types of households they can house, do not comply with community standards or current building codes, are unable to cater for people with special needs, have significant tenancy issues, and generally have under-utilised the land on which they have been built.

In terms of tenant needs, some of the large flat complexes do not provide appropriate accommodation or contribute to sustainable communities as evidenced by several having high turnover rates. A number of applicants, including those assessed as requiring priority assistance, are refusing to accept allocation to some of the larger complexes.

A Multi-Unit Property Plan (MUPP) was prepared in 1999 as a strategic management plan for the large multi-unit sites. The MUPP proposed a 10 year program involving the sale and redevelopment of some complexes, with a managed program of major refurbishments at other complexes.

While the MUPP assessed many of the buildings as physically sound and therefore likely to justify the expense incurred in necessary upgrading, it also noted that:

- a large proportion of dwellings were in urgent need of internal and services upgrading (most had not had major upgrades since construction more than 40 years ago);
- a number of the complexes did not conform with current building standards;
- the design of many sites did not meet basic design principles for effective public housing; and
- several sites had high turnover and refusal rates.

The assessment of the sites indicated that 80% required urgent attention, mostly due to the need for physical upgrading, but also due to tenancy related issues and problems with site design. In early 2000, an accelerated program of improvements (known as the MUPP program) was identified.

The MUPP report was considered a major piece of work that provided a sound strategy for the strategic management of the large multi-unit sites. However, while the original brief required a condition assessment of each of the 25 sites, a detailed BCA (Building Code of Australia) compliance assessment was not requested as part of the study.

Recent BCA compliance assessment reports have revealed significant fire safety and other issues that could double the original estimates for upgrading the units. The effect of these increased costs would be to significantly change the findings of the MUPP report. The recommendations to retain and upgrade many of the large multi-unit sites are therefore being re-evaluated given that some of the properties are now at the end of their economic lives. Specific government funding has been provided to address the fire safety issues.

Refurbishing the large multi-unit complexes and addressing the fire safety and BCA issues is not likely to increase their economic life for more than 10-15 years and any expenditure made is unlikely to be recovered in any later sale. While the MUPP report recommended retaining the majority of the complexes, revised strategies are progressively being developed on a site-by-site basis in the light of the recent BCA compliance reports. Factors being considered include:

- the actual costs to be incurred if the complex is to be refurbished;
- the continued suitability of the complex for social housing;
- the likely price achievable if the complex is sold;
- the median and mean lengths of tenancies (to assess the extent of any disruption to tenants);
- the rate of refusals from applicants; and
- possible options for achieving sustainable communities.

There are also a further 2,024 units in small/medium multi-unit sites (i.e. complexes with 4 to 39 units). Of these, 44% (899) are complexes of older persons' accommodation, 26% are townhouses and 29% are flats. The average age of these complexes is 13 years.

Whilst some of the older sites have similar issues in terms of BCA compliance to the larger sites, their smaller scale generally makes it both more affordable and more attractive to retain and refurbish them where required.

The condition assessment audits to be conducted by the facility managers during 2003-04 will identify actions necessary to ensure that these smaller multi-unit sites continue to provide a satisfactory level of service.

2.10 Condition Assessment

Since early 2001, a comprehensive program of annual customer service visits has been instituted. The visitation program has identified a large number of urgent health and safety deficiencies which have progressively been addressed.

In addition, the total facility management contracts entered into in 2001 require a full condition assessment of all properties to be undertaken in the first three years of the contract. Condition standards have been developed to provide a consistent basis for audit of the properties.

A full assessment of the condition of all properties against these standards is likely to indicate a significant backlog in cyclical maintenance needs. The key challenge will be to address requirements for capital improvements, which at present can only be fully delivered at the cost of selling other stock, however the use of proceeds from sales to fund upgrades is obviously not sustainable.

2.11 Heritage

Heritage precincts in which the Department owns a number of properties may preclude some types of development, eg sub-dividing blocks for dual occupancy development, or conjoining adjacent sites for aged persons accommodation.

A significant problem may arise through heritage listing of large flat complexes – such sites may have limited commercial value, forcing the retention of potentially unsuitable stock in perpetuity.

Housing ACT will continue to work with the ACT Heritage Unit and the Heritage Council to consider future sustainable options and constraints in relation to properties of heritage significance.

3. RESPONSE TO THE CHALLENGES

In responding to the substantial challenges confronting the public housing system, a number of initiatives have been pursued in recent years. For example, a total facility management concept has been introduced to improve the maintenance and upgrading of the stock. Also, some reconfiguration of the stock has occurred, particularly through a significant reduction in the number of bedsitter flats and three bedroom properties, and an increase in the number of one and two bedroom properties (see Appendix 1).

A set of asset management principles has been developed to steer the response to the challenges outlined in the previous Chapter. The principles are based on the assumption that maintaining a viable public housing portfolio is integral to meeting ongoing needs for affordable and appropriate housing for those people in the community unable to access alternative suitable housing options.

The principles recognise that asset management of the portfolio is primarily undertaken to assist in delivering housing outcomes to eligible tenants and applicants, and that asset management must be informed by and consistent with the Government's overall policy objectives for public housing. There will, of course, be times when the principles conflict, requiring resolution on a case-by-case basis.

3.1 Principles

Asset management strategies will be developed around the following principles:

1. The public housing portfolio will be aligned to ensure the stock is well located across the city, and in areas with good access to public transport, employment, education and services.
2. Public housing will contribute to the creation of sustainable communities by better integration within the surrounding neighbourhoods, promotion of mixed ownership, and incorporation of high quality design features to minimise environmental impacts.
3. There will be sufficient flexibility of stock to respond to ongoing and emerging social housing needs, including provision for clients with special needs.
4. The portfolio will be maintained to agreed condition standards to ensure appropriate amenity and safety for tenants and to preserve the value of the assets.
5. The public housing system will be managed efficiently and cost effectively, providing best value to the Government.

3.2 Strategies

Principle 1. The public housing portfolio will be aligned to ensure the stock is well located across the city and in areas with good access to public transport, employment, education and services.

The challenge to provide the right mix of properties in the right areas is to continually restructure the stock to meet the changing demographics and increasingly complex needs of its clients. The following acquisition and disposal practices will ensure appropriate rejuvenation of the stock over the next few years:

- Dispose of all stock older than 40 years (approximately 2,700 pre 1963) as they become vacant. Much of this stock is located in the Inner North and Inner South regions where turnover of vacancies is relatively low. Some encouragement/incentive to vacate could be offered to tenants, eg undertaking to rehouse the tenant in a redeveloped (probably smaller) residence on the same block (heritage constraints permitting) or in a similar area. Tenants might also be encouraged to buy the property at market value, discounted for any tenant improvements. It should be noted that the turnover of tenancies is such that this strategy will have little impact on reducing the average age of the stock. At best, only a few hundred of those 2,700 properties older than 40 years could possibly be disposed of each year, so the opportunity to reduce the average age of the stock is minimal. In addition, there is a need to maintain an appropriate presence in all suburbs.
- Dispose of high maintenance properties such as monocrete, weatherboard etc as they become vacant.
- Dispose of properties at the end of their economic life.
- Increase stock levels in growth areas - either spot purchasing or building as appropriate depending on the market, which will vary from time to time.
- Undertake negotiations with the new Land Development Agency to allow the acquisition of a certain percentage of lower priced blocks in each new land release. Arrangements would then be made with a project home builder to construct appropriate housing.
- Consistent with the objectives of Draft Variation to the Territory Plan No 200, pursue opportunities for medium density residential development within and around commercial centres and local shops, and along public transport corridors – although there are restrictions proposed on unit titling on blocks less than 800 sq m in area, and on blocks more than 200 meters from the shops in suburban areas.
- Seek a minimum of two bedrooms in most new stock acquisition decisions in order to expand the flexibility to meet a greater variety of

needs. (This needs to be applied sensibly so as not to constrain investment decisions merely because an otherwise suitable complex contains one or more one bedroom units.)

- Individually assess each of the multi-unit sites for ongoing cost benefit and broader social appropriateness for public housing. Each site will be assessed against the asset management principles, with particular emphasis on value for money and the achievement of sustainable communities. The views of tenants will sought during this process. The priority sites for assessment and decision regarding upgrading or replacement are:
 - Currong Apartments
 - Lyneham/Owen/De Burgh Flats
 - Gowrie Court

It is noted that DVP 200 provides existing use rights in the multi-unit complexes, removing some of the constraints in the current planning regime.

- The portfolio will be based in urban areas only (other than the settlements at Stromlo, Uriarra and Pierces Creek on which decisions are yet to be made) and will provide accommodation of a modest community standard, ie properties which are similar to the stock available at the lower end of the private market in the particular area. This means that there will be different provision standards in different areas eg houses in Gungahlin are on smaller blocks and have a family room, whereas properties in older suburbs will have larger backyards but generally won't have family rooms.
- New housing stock will incorporate the best environment standards that are achievable for the standard of housing provided.
- All proceeds from the sale of properties will be returned to the housing budget for use in the capital program, consistent with the requirements of the Commonwealth State Housing Agreement.

Principle 2. Public housing will contribute to the creation of sustainable communities by better integration with the surrounding neighbourhoods, promotion of mixed ownership, and incorporation of high quality design features to minimise environmental impacts.

Public housing already has a presence in most suburbs of Canberra and, with the exception of the large multi-unit sites, is generally “pepper and salted” within each suburb, thereby contributing both to sustainable tenancies and to a healthy and diverse community.

The further development of sustainable communities is achieved by supporting people to keep tenancies, by improving the housing and surroundings in which they live, and by giving tenants a say in their community.

- Security of tenure for public housing tenants has been restored by the Government to promote stable tenancies and encourage tenants to become part of their local community. Application of the “security of tenure” principle will need to be balanced against the need to rejuvenate the asset base, and will therefore allow for some encouragement to be given to “market renters” to move to the private sector, and for those tenants living in properties larger than they require to move to more appropriate properties in a similar area when they become available. Such encouragement could include assistance to relocate, lower rents for tenants who relocate, higher rents for tenants choosing to remain in accommodation above their entitlement. At the same time it should be noted that the increased targeting of assistance to those most in need, and the consequent reduction in numbers paying full rent, will have a negative impact on the recurrent income of the business – accordingly, some analysis is required of the potential impact such policies may have on future revenues.
- Acquisition decisions will promote mixed ownership and allow for owner-occupiers, private renters, community housing and public housing in particular areas, rather than concentrations of single public ownership.
- The egalitarian distribution of public housing across the city will be maintained.
- Large multi-unit complexes with high concentrations of public tenants have a much higher churn rate and refusal rate leading to difficulties in maintaining sustainable tenancies and a sense of community. The long term objective is to gradually move away from the concept of high concentrations of public housing in large multi-unit sites, but this is not entirely practical in the short term. The outcomes of each of the proposed assessments of individual multi-unit sites will ensure improved overall amenity in the short term and lead to a higher quality and more appropriate standard of accommodation in the future.

Principle 3. There will be sufficient flexibility of stock to respond to ongoing and emerging social housing needs, including provision for clients with special needs.

Secure and stable housing can assist in meeting many of the Government’s broader social objectives. To do so, the stock must be able to respond to the diverse needs of eligible applicants.

In accordance with the principles governing the Commonwealth State Housing Agreement, assistance will be provided to those people who are unable to access alternative suitable housing options. This includes people on low incomes, people with special needs, and potentially homeless people needing immediate assistance. Housing assistance will be directed to those experiencing the highest levels of need.

- Property numbers will be maintained at approximately 11,400. This implies, of course, that current allocation times will also be maintained (they are currently less than the national average). There may however be some temporary reductions in available stock as each of the large multi-unit sites is addressed – and even then a one-for-one replacement will not always be possible, but the high churn rate in these complexes suggests that fewer more functional dwellings could meet the same demand.
- Rental bond assistance will be provided to people who are in urgent need of assistance and are unable to be immediately housed in public housing. (These people would also likely be eligible for Commonwealth Rent Assistance.)
- Affordable housing choices will be expanded through the provision of funding to community housing providers to increase affordable housing supply. In addition, consideration will be given to the provision of affordable housing sites in the context of both the Land Release Program and the program of the new Land Development Agency.
- Boarding house accommodation will be provided as an expansion of housing options for people with particular needs – they will subsequently be managed by the community housing sector.
- Innovative building design alternatives, such as removable internal walls, will be considered to add flexibility for housing particular tenants.
- The private sector will be encouraged to provide more accessible and adaptable housing that suits the needs of people with disabilities. Funds have been provided to the Master Builders Association to build an accessible house in a display village to promote the concept.
- Housing options for indigenous people will be expanded through the consideration of options to transfer properties to the indigenous housing sector.
- Funds have been provided in the Budget and forward estimates to address the issue of homelessness, including the provision of short term accommodation places for use in emergency situations.

Principle 4. The portfolio will be maintained to agreed condition standards to ensure appropriate amenity and safety for tenants and to preserve the value of the assets.

Maintenance expenditure needs to be channelled to those properties that are in greatest need of maintenance, and in areas that are sustainable in the longer term. Well directed maintenance expenditure will help to deliver the overall housing strategy, as well as protection of the asset and community safety.

- An immediate maintenance priority is the completion in 2003/04 of the fire safety upgrade program in the large multi-unit complexes, which commenced in 2002/03.
- A similar high priority is the completion by 30 June 2004 of the stock condition audits which will provide the necessary information on the condition of the housing assets, and so ensure more informed decisions about future capital refurbishment verses other options for accelerating the substitution of new or refurbished buildings for old. In analysing the condition data, assets could be categorised as follows:
 - Keep
 - Improve and keep
 - Maintain short to medium term
 - Redevelop
 - Dispose
- A planned maintenance program will be developed using the stock condition information to prioritise expenditure, and target available funding to dwellings that do not meet the defined standards.
- Decisions on major upgrading works will only be taken where there is value added to the property, and will not proceed if the cost would be more than 25% of the value of the building. An exception may be for modifications for people with disabilities, but efforts will be made to identify other properties in the same locality which could be modified more cheaply.
- A review will be conducted of the total facility management arrangement to examine its effectiveness in providing efficiencies in the services provided and the management of the property portfolio.

Principle 5. The public housing system will be managed efficiently and cost effectively, providing best value to the Government.

The public housing function within the department of Disability, Housing and Community Services seeks to operate on a financially viable basis within the context of the Government's broad social policy objectives. However, this has become more difficult due to the significant amount of income forgone through rebates, which puts strains on running costs such that recognised maintenance requirements are being deferred. In addition, CSHA funding is reducing due to the efficiency dividend arrangements built into the formula and the withdrawal of funding previously provided for GST compensation – the GST cost increases, however, remain.

The ACT has proportionally more public housing stock than other States and is therefore comparatively disadvantaged by CSHA funding which is allocated on a per capita basis. To offset this comparative disadvantage, the Department would need to significantly reduce its housing stock or increase the proportion of tenants paying full market rent – both of which are

impractical in the light of Government commitments to maintain stock numbers and to target assistance to those most in need.

There are also pressures on the capital program as the proceeds from sales are insufficient to fund an acquisition program which is aimed at rejuvenating the stock and maintaining total stock numbers. The Department must acquire, adapt, maintain and trade assets so that they increase in value and receive the best possible return to contribute to financial sustainability - this may require innovative approaches to raise the necessary capital.

- Asset decisions will be based on sound financial analysis. A floating industry benchmark yield will be used as a hurdle rate and measure of the efficient use of capital – decisions on stock acquisition, upgrading and disposal will be underpinned by evaluating proposals against this criterion to ensure the value of the portfolio is maximised. Some flexibility will, of course, need to be applied in such decisions to ensure appropriate geographic distribution of the stock, and to cater for the special needs of some housing tenants.
- Funding shortfalls could be met by granting access to the ACT Home Loan Portfolio which is administered by the Commissioner for Social Housing (but managed by ACT Treasury under delegation from the Commissioner). The actual amount required each year would be specifically targeted (eg maintenance backlog, or a particular multi-unit site) and would be market driven (eg buy v sell market conditions).
- The private sector will be encouraged to invest in social housing infrastructure. Alternative sources of capital injection will be pursued through private sector financing and ownership control for a concessional period. The Government could contribute through land, capital, risk sharing, revenue diversion or the purchase of agreed services.
- Consideration will be given to the possible sale of particular stock to institutional investors under terms and conditions that retain elements of existing tenure for potentially affected households.
- Joint ventures and alliances with the private sector and with the new Land Development Agency will also be pursued, where viable, to leverage additional resources into the social housing system. Joint ventures may be particularly appropriate in redeveloping some of the large multi-unit sites.
- Other options such as borrowing against the assets or to sell and lease back part of the portfolio also need to be considered. However the requirement to meet the interest repayments or lease payments would place some additional strains on running costs.

- Business systems and processes will be reviewed to ensure they support cost-effective decision making and make operations more transparent.
- The services of a specialist Portfolio Manager will be acquired to advise on capital adequacy and to ensure the Department has access to appropriate expert market advice whenever necessary to supplement the in-house expertise. In the longer term, such specialist advice will be developed and retained in-house.

4. PERFORMANCE MONITORING AND EVALUATION

As a key component of the Asset Management Strategy, the Department will be required to report against performance indicators derived from the principles and strategies. Performance assessment will enable the organisation to determine if it is meeting its service delivery goals in the most efficient and effective manner.

Regular monthly reporting will ensure review and analysis of performance and, in turn, provide a basis for evaluating the ongoing relevance of the strategy.

Comprehensive, accurate and up-to-date information is vital to effective asset planning and management, and is the basis for improved decision making relating to acquisition, maintenance and disposal of assets.

Performance indicators that could be used to monitor the condition and performance of public housing assets include the following:

1. Rejuvenation of stock

- The average age of the stock, and percentage older than 40 years
- Number of properties sold to tenants
- Percentage of stock within 200 meters of a local, group or town centre, or educational facility
- Number of tenants relocated from properties beyond their entitlement to properties within their entitlement; and trend in number of properties which are beyond tenants' entitlement year by year
- Percentage of tenants on rebate, and value of rebates as percentage of market rent
- Number and type of properties sold by area
- Number and type of properties bought or constructed by area
- Trend in the refusal rate for houses, units and older persons accommodation
- Churn rates across the portfolio
- The match between type of dwelling and preferred area, with requirements of applicants
- Client satisfaction with dwelling amenity

2. Building sustainable communities

- Number of suburbs with and without a public housing presence
- Number of dwellings in complexes of 40 or more public housing units
- Number of public housing dwellings in buildings which include non public housing residents

- Percentage of cases of relocation referred to appeals process or to the Minister

3. Flexibility of stock to meet needs

- Total stock numbers
- Number and percentage of properties catering for people with special needs
- Number of dwellings which have two or more bedrooms
- Proportion of allocations to priority approved applicants

4. Targeted maintenance

- Number and percentage of properties assessed as meeting condition standards and the trend from year to year
- Number of health, safety and security maintenance requirements outstanding
- Number of complexes where fire safety meets BCA requirements
- Percentage of maintenance funds spent on responsive repairs compared with preventative maintenance
- Maintenance expenditure as a percentage of current asset value
- Vacancy turnover times
- Average cost of capital upgrades per property
- Client satisfaction with the condition of homes

5. Value for money

- Average cost per tenancy/dwelling
- The notional yield
- Number and success of joint ventures with the private sector, or other innovative delivery mechanisms
- The change in the value of the portfolio year to year compared with the value of ACT properties in general

While the above indicators have been attributed to one or other of the principles, many of them are relevant to more than one principle.

5. CONCLUSION

The issues confronting the public housing portfolio are significant. The stock is rapidly ageing and no longer meets the housing needs of many tenants and applicants. There are significant challenges in meeting the key aims for a viable housing system, such as maintaining the size of the portfolio, addressing fire safety issues, providing public housing in locations across Canberra and maximising the flexibility to meet ongoing and emerging needs. These objectives require a balancing of competing priorities and objectives to optimise outcomes for tenants and to protect the value of the assets.

Recognising that addressing these issues requires a long term commitment, this Asset Management Strategy provides a framework for developing a sustainable long term agenda while also addressing immediate concerns.

The rights of tenants to safe, appropriate and affordable housing underpin this document. The strategies incorporated emphasise increased quality of housing for tenants, resulting in more appropriate accommodation and reduced maintenance costs over the long term.

The number of public housing dwellings will be maintained at current levels and the stock gradually rejuvenated to better meet needs. With affordability problems increasing for many households in the ACT, a sustainable public housing system is critical to ensuring all Canberrans have access to appropriate housing.

In the long term, asset management is designed to deliver the following outcomes (to the extent that funding levels allow):

- portfolio distribution and composition is aligned with targeted demand;
- the full potential of the portfolio, in financial and service provision terms, is harnessed;
- the portfolio is sufficiently adaptable to respond to changes in demand patterns over time;
- funding of maintenance and improvement programs is maintained at levels that ensure compliance with agreed standards;
- large multi-unit complexes are a thing of the past; and
- tenant satisfaction ratings with housing condition and maintenance levels are high.

The social aims of public housing can only be achieved by reshaping the portfolio to meet changing demand patterns, and reinvesting in the portfolio to ensure it is sustainable and that dwellings are maintained to agreed standards. Appropriate funding is crucial to the achievement of these aims.

The acquisition and disposal strategies included in this document, will lead to some efficiencies in the overall asset management task. However with so much income forgone through the provision of rebates, together with rising costs, further funding will be required over a period of years to maintain and rejuvenate the stock to the extent necessary, and at the same time maintain total stock numbers.

Depending on the success of the proposal to attract private sector investment in public housing infrastructure, it may be necessary for Government to provide the necessary funds in future years to ensure the sustainability of the public housing system, and the achievement of the social objectives being pursued.

Appendix 1

Stock numbers by dwelling type, 1998 -2002

Dwelling type	Number as at 31 December 1998	Number as at 31 December 2002
1 Bedroom House	8	116
2 Bedroom House	1096	1236
3 Bedroom House	5822	5305
4 Bedroom House	676	690
5 Bedroom House	93	98
5+ Bedroom House	36	39
Transportable	1	1
Boarding	2	3
Bedsit	710	177
1 Bedroom Flat	958	992
1.5 Bedroom Flat	60	62
2 Bedroom Flat	1231	1291
3 Bedroom Flat	48	49
0 Bedroom OPA	34	34
1 Bedroom OPA	567	636
1.5 Bedroom OPA	160	247
2 Bedroom OPA	381	456
1 Bedroom Garden Flat	58	*
1.5 Bedroom Garden Flat	54	*
2 Bedroom Garden Flat	128	*
3 Bedroom Garden Flat	4	*
TOTAL	12,127	11,432

* - Garden flats were apportioned among houses and flats in the 99/00 financial year and therefore cease to exist as a dwelling type. They were apportioned as approximately 85% houses and 15% older person's accommodation.