PARLIAMENT OF TASMANIA

AUDITOR-GENERAL
SPECIAL REPORT No. 57

Public Housing: Meeting the Need?

August 2005

Presented to both Houses of Parliament in accordance with the provisions of Section 57 of the Financial Management and Audit Act 1990

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President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Mr President
Dear Mr Speaker

PERFORMANCE AUDIT NO. 57
PUBLIC HOUSING: MEETING THE NEED?

This report has been prepared consequent to examinations conducted under section 44 of the Financial Management and Audit Act 1990, for submission to Parliament under the provisions of section 57 of the Act.

Performance audits seek to provide Parliament with assessments of the effectiveness and efficiency of public sector programs and activities, thereby identifying opportunities for improved performance.

Yours sincerely

H M Blake
AUDITOR-GENERAL
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FOREWORD

There are an estimated 20,000 households in housing stress in Tasmania, paying more than 30% of their income in rent.

For people seeking public housing, the most important issues are:

- The time they have to wait for a house; and
- The number of houses available to meet their specific needs.

In this audit, we looked at how Housing Tasmania manages its stock of dwellings to provide affordable, adequate and appropriate housing outcomes for low-income earners. We focused particularly on waiting list demand and supply of dwellings as essential parts of the system.

We also considered the way Housing Tasmania measures and report its performance in achieving its aims and its strategic planning process.

This report should help the community understand the reality of waiting list pressures and the limitations faced by Housing Tasmania in supplying accommodation suitable to changing client needs and expectations.

My report contains 14 recommendations aimed at increasing the effectiveness of Housing Tasmania’s operations.

HM Blake
Auditor-General
August 2005
LIST OF ACRONYMS AND ABBREVIATIONS

AHS  Affordable Housing Strategy
CRA  Commonwealth Rent Assistance
CSHA Commonwealth-State Housing Agreement\(^1\)
HAS  Housing Assessment System
HOAP Home Ownership Assistance Program
PRSS Private Rental Support Scheme
SAMP Strategic Asset Management Plan

DEFINITIONS

Housing stress When households pay more than 30% of their income in rental costs.

Public Housing eligibility People eligible for public rental housing are:
\(\begin{align*}
\text{o} & \quad \text{Low income earners;} \\
\text{o} & \quad \text{Residents of Australia living in Tasmania;} \\
\text{o} & \quad 16 \text{ years of age or older; and} \\
\text{o} & \quad \text{Have financial assets less than $34\,472.60.}
\end{align*}\)

Over crowding Overcrowding is defined to occur when two or more additional bedrooms are required to meet the household’s needs.

Under utilisation Under utilisation is defined to occur where there are two or more bedrooms additional to the number required to satisfy the household's needs.

\(^1\) There is a multi-lateral CSHA and a Bi-lateral CSHA. Unless otherwise stated, this report refers to the Bi-lateral agreement as this contains specific information related to Tasmania.
Executive summary
EXECUTIVE SUMMARY

INTRODUCTION

Housing Tasmania aims to provide access to adequate, affordable, appropriate, and secure housing to low income earning Tasmanians, mainly through the Commonwealth State Housing Agreement (CSHA).

In December 2003, the State Government announced a major new housing response, the Affordable Housing Strategy (AHS), with additional funding used to:

- Build and renovate homes;
- Fund private rental assistance;
- Build new homes in partnership with the private sector; and
- Develop other forms of housing assistance.

The Government announced a review of stage 1 of the AHS in May 2005, which is separate from this performance audit.

OBJECTIVE

The Audit objectives were to:

- Examine the effectiveness and efficiency of the management and operations of Housing Tasmania; and
- Assess whether management has set appropriate objectives, standards, strategies, and performance indicators.

SCOPE

The audit examined the following areas within Housing Tasmania:

- Supply of suitable accommodation to its target population;
- Assessment of, and responsiveness to, demand for housing; and
- Current disposal/marketing procedures and guidelines for surplus housing stock.
AUDIT OPINION

Are there clear objectives, strategies, and performance indicators?

There is clear evidence of a significant strategic planning process. However, we were concerned that there may be too many separate planning documents and that the role of each is not sufficiently well defined. In part, that is due to the active involvement of the Commonwealth and State Governments, however, our perception was that there was scope for strategic planning to be simplified.

We also consider that there is a need to more clearly define Housing Tasmania’s objectives at a component level in such a way that it is readily possible to assess the Division’s performance.

Without such goals/objectives there is a risk that no matter how well motivated the Division is, some of its strategies and efforts may not best serve the Government’s intentions.

Performance reporting in the Department’s annual report is unsatisfactory, although some additional performance information is publicly available in other Government reports.

There is currently a lack of structure in both public and internal performance information and we have suggested a possible solution in this Report. We also noted that performance indicators have not yet been developed for the AHS.

Our review of existing performance criteria indicated a possible lack of emphasis on the goal of providing housing assistance to as many households as possible in favour of a focus on the quality of housing. We formed a similar view from the audit of phase one of the AHS (see subsection 4.5), which seems likely to have more impact on the quality of housing than quantity.

Are waiting times/lists accurate?

We found the waiting lists and derived summary information to be accurate.

Are waiting times/lists reasonable?

In our opinion waiting times for the more needy categories are reasonable, although they have deteriorated in recent years. Waiting times for other categories of need have deteriorated markedly since 2000, due mainly to affordability and availability issues.

Available data did not facilitate comparison of waiting times with other jurisdictions, however, we did note that Tasmania’s level of public rental housing stock is at least comparable with most other states.
We found that provision of housing was equitable between regions.

**Is supply of dwellings optimised?**

We found that stock levels have consistently declined since 2000, in accordance with an intentional strategy to reduce the level of public housing to that needed to assist those most in need. As part of that process, $45.3 million has been set-aside to support the new Affordable Housing Strategy (in addition to the $45 million allocated from infrastructure funds). We also found that there may be scope for more effective use of existing stock.

With respect to the type and mix of public rental houses, we found:

- There is a reasonable balance between quality and quantity of current public housing stock; and
- There is a substantial mismatch between size of house and household requirements, however, that mismatch is similar to that existing in other States, and Housing Tasmania has long-term strategies to correct the problem.

We concluded that stage 1 of the Affordable Housing Strategy will not have a substantial long-term effect on the level of unmet need in the community since most of the expenditure will lead to improved quality of stock or temporary assistance to private renters.

Improving the quality of stock is also a useful objective and leads to improved housing outcomes, and lower maintenance costs, however it does not assist the estimated 20,000 households currently in housing stress. We estimate that it would cost more than $3,000 million to alleviate all housing stress.

The intent of the AHS appears sound in recognising that a system-wide approach is necessary to tackle the problem of housing stress in the community but more is needed for any substantial reduction in housing stress to occur.

**Sale of dwellings**

We found that sales of housing stock were consistently made at or above valuation determined by the Valuer-General in accordance with Housing Tasmania’s policy.

We also found that purchasers of housing stock had not made excessive profits where they had subsequently on-sold the property.
MANAGEMENT RESPONSE

The management of Housing Tasmania has welcomed the Auditor General’s performance audit “Public Housing: Meeting the Need?” The findings of the audit are predominantly positive; particularly the fact that only 14 recommendations were made, many of which are already being addressed by Housing Tasmania.

The complexity of the planning environment in which State housing authorities operate is widely recognised and accepted across all jurisdictions. In addition to CSHA and other requirements, this complexity is currently heightened within Tasmania by the Government’s Affordable Housing Strategy (AHS). There is a large workload requirement for Housing Tasmania in the initial stages of the AHS, which will hopefully assist it to achieve positive change across the whole affordable housing sector in Tasmania. Progress to date is pleasing; indeed of the 7,700 people estimated in the strategy, as most in need of housing assistance, Housing Tasmania has been able to assist some 1,900 to date, with a current expectation that a minimum of 6,645 will be assisted over the 4 years of the AHS.

In recognition of these complexities and the broad ranging nature of the changes sought under the AHS, Housing Tasmania has been working hard to put strategic planning and other processes in place that will support the business as we move forward.

A positive point in his audit opinion, is that the Auditor General has noted the accuracy of key data sets such as the Housing wait list and the adherence to strategic policy and procedures, particularly in areas such as sales.

Of the 14 recommendations made, it is pleasing to note that the vast majority involve areas that Housing Tasmania has already commenced review or implementation of changes to strategic or operational policy. A clear example is strategic planning, where Housing Tasmania is presently finalising a comprehensive review of its planning and reporting processes. The Auditor General has noted this in his report, citing “…clear evidence of a significant strategic planning process”. This process will result in a better defined and more co-ordinated planning process, which is closely linked to both the budget development and National reporting processes. During the course of the audit, Housing Tasmania finalised a set of 11 key Corporate Indicators, which are reflective of Housing Tasmania’s core business and will be included in the Department’s Annual Report.

Adoption of 3 of the recommendations would involve a change to existing Government policy in the areas of eligibility, rent setting and tenure. One of the stated objectives of the AHS is to review and refine housing policies to ensure that Public Housing is targeted to those in greatest need and that other housing options are available to assist
broader affordability issues. Due to the range of policy areas, this process of review is being prioritised in accordance with requirements advised by the Australian Government under the CSHA. Current year priorities are outlined in the CSHA Bilateral agreement and relate to areas where the Australian Government have introduced penalty clauses under the CSHA.

Overall, Housing Tasmania accepts the Audit report as a positive statement that supports a number of the key concepts and proposals outlined under the Government’s AHS. The management of Housing Tasmania is committed to pursuing and implementing positive system development and change that will enhance the delivery of Public Housing as the key safety net provision within the Tasmanian affordable housing system.
## SUMMARY OF RECOMMENDATIONS

The following table reproduces the recommendations contained in the body of this report.

<table>
<thead>
<tr>
<th>Rec No</th>
<th>Report section</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.1</td>
<td>That future Strategic Plans should be accessible and Division performance should be regularly reported against objectives outlined in the plan.</td>
</tr>
<tr>
<td>2</td>
<td>1.1</td>
<td>The Strategic plan should specify achievable and measurable targets related to service delivery in respect of all substantial programs.</td>
</tr>
<tr>
<td>3</td>
<td>1.2</td>
<td>Housing Tasmania should develop a comprehensive set of relevant and appropriate key performance indicators, for inclusion in the Department’s Annual Report, to inform readers of the performance of programs in meeting specific objectives.</td>
</tr>
<tr>
<td>4</td>
<td>1.2</td>
<td>Housing Tasmania should review current performance measures to determine if they are providing sufficient information, and are the best available measures.</td>
</tr>
<tr>
<td>5</td>
<td>1.2</td>
<td>For future initiatives, Housing Tasmania should ensure that a set of appropriate performance indicators is established prior to implementation; and Housing Tasmania should institute relevant performance indicators for the Affordable Housing Strategy as soon as possible.</td>
</tr>
<tr>
<td>6</td>
<td>3.2</td>
<td>Housing Tasmania should consider only including category 1 and 2 applicants on the waiting list.</td>
</tr>
<tr>
<td>7</td>
<td>3.4</td>
<td>Housing Tasmania should liaise with other jurisdictions to attempt to achieve greater comparability.</td>
</tr>
<tr>
<td>8</td>
<td>3.5</td>
<td>Housing Tasmania should consider regular monitoring and analysis of need on a regional basis.</td>
</tr>
<tr>
<td>9</td>
<td>4.3</td>
<td>Housing Tasmania should regularly reassess market rents.</td>
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<tr>
<td>10</td>
<td>4.3</td>
<td>Housing Tasmania should explore possible incentive/disincentive programs to encourage tenants to move out of public housing when their circumstances improve. One option may be that new tenants agree to pay rent based on their income regardless of market rent. Thus, tenants have a financial incentive to use private housing when their income increases to the point they would be paying more than market rent for public housing.</td>
</tr>
<tr>
<td>11</td>
<td>4.4</td>
<td>Housing Tasmania should redo the realignment analysis to ensure decisions reflect the full customer base, including existing tenants and households on the waiting list.</td>
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<tr>
<td>Page</td>
<td>Section</td>
<td>Recommendation</td>
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<tr>
<td>12</td>
<td>4.4</td>
<td>Housing Tasmania should consider replacing the security of tenure principle with terms that allow greater operational flexibility.</td>
</tr>
<tr>
<td>13</td>
<td>4.5</td>
<td>The eligibility requirements for the Homestart program should be reviewed to ensure that it benefits households that would otherwise have been in housing stress.</td>
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<tr>
<td>14</td>
<td>5.2</td>
<td>Clear documentation detailing reasons and authority for decisions to sell at older valuations should be clearly noted on property files.</td>
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Introduction
INTRODUCTION

BACKGROUND

Housing Tasmania aims to provide access to adequate, affordable, appropriate, and secure housing to low income earning Tasmanians, mainly through the Commonwealth State Housing Agreement (CSHA).

In addition, low-income Tasmanians may be provided with financial assistance to access or maintain housing in the private rental market or be assisted to purchase their own home through the Home Ownership Assistance Program (HOAP).

Housing Tasmania is responsible for the management of approximately 12,500 properties, including Community and Aboriginal Housing.

In December 2003, the State Government announced a major new housing response, the Affordable Housing Strategy (AHS), with additional funding used to:

- Build and renovate homes;
- Fund private rental assistance;
- Build new homes in partnership with the private sector; and
- Develop other forms of housing assistance.

The Government announced a review of stage 1 of the AHS in May 2005, which is separate from this performance audit.

HANSARD

There were a number of parliamentary queries in 2003 relating to housing affordability, acquisitions of houses and alternative strategies. This included debate relating to waiting lists and whether Housing Tasmania has been disposing of too many properties whilst not acquiring enough replacements.

MANDATE

Under the provisions of section 44(b) of the Financial Management and Audit Act 1990 the Auditor-General may:

‘Carry out examinations of the economy, efficiency and effectiveness of Government departments, public bodies or parts of Government departments or public bodies’.

The conduct of such audits is often referred to as performance auditing.
STANDARDS APPLIED

This audit was performed in accordance with Australian Auditing Standard AUS 806 ('Performance Auditing'), which states that:

‘The objective of a performance audit is to enable the auditor to express an opinion whether, in all material respects, all or part of an entity's activities have been carried out economically, and/or efficiently and/or effectively.’

The audit included such tests and other procedures considered necessary in the circumstances.

OBJECTIVE

The Audit objectives were to:

- Examine the effectiveness and efficiency of the management and operations of Housing Tasmania; and
- Assess whether management has set appropriate objectives, standards, strategies, and performance indicators.

SCOPE

The audit examined the following areas within Housing Tasmania:

- Supply of suitable accommodation to its target population;
- Assessment of, and responsiveness to, demand for housing; and
- Current disposal/marketing procedures and guidelines for surplus housing stock.

CRITERIA

The audit criteria applied were as follows:

- Are there clear objectives, strategies, and performance indicators?
- Are waiting times/lists accurate and reasonable?
- Is supply of dwellings optimised?
- Are proceeds from dwelling sales maximised?
AUDIT METHODOLOGY

The audit opinion was formed as a result of:

- Discussions with managers and line staff;
- Examination of relevant policies, plans, reports, and working papers, and
- Analysis of data (to September 2004).

STAKEHOLDER INPUT

In line with the Audit Office’s established practice for the conduct of performance audits, an advisory committee was convened to reflect stakeholder views. The committee provided input to the audit’s methodology and reviewed the draft report upon its completion.

Nevertheless, the views expressed in this report are those of the Auditor-General, and are not necessarily shared by other members of the committee.

The Auditor-General chaired the committee and its members were drawn from the following areas:

- Housing Tasmania,
- Office of the Valuer General; and
- Tasmanian Audit Office.

REVIEWS AND AUDITS IN OTHER JURISDICTIONS

In recent years, audit offices in other jurisdictions have published a number of related reports, including:

- 2001 ACT and NSW reports on housing maintenance; and
1 Are there clear objectives, strategies, and performance indicators?
FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This section of the report deals with our findings, conclusions, and recommendations made in relation to the previously stated audit criteria.

1 ARE THERE CLEAR OBJECTIVES, STRATEGIES, AND PERFORMANCE INDICATORS?

We considered whether guidelines for operations existed and specified:

- Strategic plan, goals and objectives; and
- Performance indicators.

1.1 STRATEGIC PLAN, GOALS AND OBJECTIVES

1.1.1 High-level goals

Housing Tasmania indicated that the Strategic Plan 1999-2003 was their primary planning document. They did not provide a final version of the plan, but a working draft, which was received late in the audit. We expected that a final approved version would have been easily accessible but this was not the case, which raises concern about the effectiveness of the document.

The yearly Business plans did not indicate that the Strategic Plan was an element of the planning process. Rather, the plans indicate that the CSHA bilateral agreement provides the broad strategic policy framework. It does not appear that the 1999-2003 Strategic Plan was effectively used as a planning document by Housing Tasmania.

We note that Housing Tasmania is in the process of developing a new Strategic Plan for 2005-2008 to provide an over-arching framework for the Division. In order for the Strategic Plan to be effective, it should be used as an active document and progress towards its aims should be regularly reviewed.

Recommendation 1

That future Strategic Plans should be accessible and Division performance should be regularly reported against objectives outlined in the plan.

The overall objective documented in the Strategic plan 1999-2003 was for Housing Tasmania to be recognised as the quality provider of housing services for Tasmanians with low incomes or special needs, to improve housing outcomes.
The plan identified three strategic priorities to achieve this:

- Providing more responsive and effective housing assistance;
- Developing stronger and healthier communities; and
- A sustainable business.

We focused on the first priority, which is more relevant to the scope of this audit.

The objective and priorities are not well defined and fail to:

- Define low income;
- Quantify or explain the nature of housing assistance to be provided;
- Define a time period within which the assistance should be provided; and
- Specify whether all Tasmanians with low incomes, and/or high needs will receive assistance or how they would be selected.

The last point is particularly relevant as Housing Tasmania estimates that despite existing State and Commonwealth programs, there are approximately 20,000 households continuing to be in housing stress. In our opinion it is not possible in the foreseeable future to provide sufficient housing assistance to people with low incomes and/or high needs to alleviate all housing stress (Refer to section 4).

It follows that there is a need to set achievable targets related to current and planned programs.

### 1.1.2 Achievable Targets

We reviewed the yearly Business plans from 2000-01 to 2003-04 and noted that the strategic priorities were comparable to the priorities of the Strategic plan. However, there was no consistency between the methods by which the priorities would be achieved from year to year or to the Strategic plan. It is questionable how well the outcomes in the strategic plan were implemented, as they were not reflected in the business plans.

There has been an improvement in defining activities in more specific terms since 2000 and setting measurable targets. The 2003-04 plan included targets and some performance measures that did not appear in 2000-01 or 2001-02. Some of these performance measures were quantifiable.
Other targets were not readily measurable, such as:

- Occupancy rates remain favourable; and
- Evaluate opportunities to develop service protocols.

Supporting the Business plan at a lower level are four branches and related plans, where we expected to find a more detailed level of targets and measures. We focussed on the Strategic Asset Management Plan 2004-2008 (SAMP) as relevant to the scope of the audit.

The SAMP states that the role of Housing Tasmania is to:

- Provide housing assistance to Tasmanians with low incomes, and/or high needs; and
- Improve the capacity of individuals and communities to secure good housing outcomes for themselves.

The SAMP outlines:

- Strategic asset directions;
- Priorities; and
- Asset aims.

Unfortunately, none of the above set quantifiable or well defined targets related to service delivery.

For example one direction is that ‘asset decisions be informed and planned’. This is undoubtedly a good strategy for internal decision-making, but it is not readily measurable, nor does it relate to service delivery.

1.1.3 Objectives for separate programs

The main policy directions within the Strategic plan are underpinned by:

- The Commonwealth State Housing Agreement; and
- The State Government’s Affordable Housing Strategy.

The CSHA focuses on delivery of public rental housing and is aimed at households with complex and/or special needs. The AHS takes a wider view, which includes strategies related to public rental housing, but also attempts to address the needs of low-income Tasmanians for whom public rental housing is unlikely to be a solution.

In our analysis of objectives we have focused primarily on the CSHA when looking at public rental housing, and on the AHS when looking at other programs.
1.1.3.1 Objectives for AHS

The AHS includes objectives, which are not sufficiently specific to allow performance evaluation. Examples include:

- A sustainable social housing system; and
- The capacity to expand the supply of social and affordable housing as needed.

The AHS also specifies underlying ‘priorities’, ‘asset aims’ and ‘focus areas’. For example, ‘enhanced capacity of the community sector’ is a focus area of a sustainable housing system. In most cases, it was difficult to evaluate these areas, and unclear how these related to the objectives. In our opinion, this is partly because the objectives are not clearly defined.

1.1.3.2 Objectives for CSHA

The objectives stated in the bi-lateral CSHA are also not measurable or related to service delivery. These include ‘stronger and healthier communities’ and ‘a sustainable business’. There are performance indicators from which it is possible to infer objectives. For example, based on performance indicators, States would tend to:

- Prioritise access to households in greatest need;
- Maximise customer satisfaction; and
- Maximise occupancy rates.

But the lack of clearly stated goals is a defect that should ideally be addressed in the Strategic plan.

1.1.4 A possible approach

In this sub-section, we have developed goals for two specific programs, to illustrate a possible approach to developing specific goals.

The stated objective of providing housing assistance to Tasmanians with low incomes, and/or high needs includes the following implicit elements:

- Effectiveness: to provide housing assistance to the target group;
- Efficiency: to maximise assistance provided per unit of resource (house);
- Economy: to minimise the cost of obtaining and maintaining resources (houses); and
- Standards: houses to be of a reasonable standard (location, amenities, condition).
In addition to these implicit elements, Housing Tasmania might also want to define an ‘equity’ element, for example, ‘similar waiting times for public rental housing will be experienced in all regions’.

Housing Tasmania attempt to meet these goals through a range of programs including:

- CSHA: Public rental housing; and
- AHS: Home ownership assistance.

Based on the abovementioned elements, the existing overall goal could be broken down into the following set of objectives for the two specified programs:

**Table 1: Possible Objectives for Programs**

<table>
<thead>
<tr>
<th></th>
<th>CSHA: Public rental housing</th>
<th>AHS: Home ownership assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Effectiveness</strong></td>
<td>1. Applicants with high and special needs be provided with affordable rental housing</td>
<td>6. Assist households with low incomes to purchase their own house</td>
</tr>
<tr>
<td><strong>Efficiency</strong></td>
<td>2. Maximise number of people helped per house</td>
<td>Not applicable</td>
</tr>
<tr>
<td><strong>Economy</strong></td>
<td>3. Minimise the cost of houses taking into account depreciation, maintenance, administration costs and opportunity cost of holding land&lt;br&gt;4. Ensure rent revenue is maximised (subject to maximum-rent policies)</td>
<td>7. Only genuine ‘low income’ applicants to receive assistance&lt;br&gt;8. Assistance provided be no more than is required to achieve ‘effectiveness’ goals</td>
</tr>
<tr>
<td><strong>Standards</strong></td>
<td>5. Ensure that houses meet reasonable standards (overcrowding, location, amenities and condition)</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

**Recommendation 2**

The Strategic plan should specify achievable and measurable targets related to service delivery in respect of all substantial programs.
1.2 PERFORMANCE INDICATORS

1.2.1 Introduction - performance indicators

There is no shortage of performance information for public rental housing, there being both publicly available and internal information. Whilst the internal information is important for decision-making purposes, our focus is on externally reported information that would enable the public and its elected representatives to readily assess the effectiveness and efficiency with which the goals of Housing Tasmania are being accomplished.

1.2.2 Publicly reported information

Publicly reported information is provided in:

- The DHHS Annual Reports;
- The Report on Government Services; and
- CSHA Data Reports.

Information provided in the 2003–2004 DHHS Annual Report is very limited and includes only housing affordability data and information about the proportion of public rental housing allocated to people with special needs. Given that the Annual Report is the primary source of information about the Department, we consider this to be unsatisfactory.

Recommendation 3

Housing Tasmania should develop a comprehensive set of relevant and appropriate key performance indicators, for inclusion in the Department’s Annual Report, to inform readers of the performance of programs in meeting specific objectives.

The Report on Government Services and CSHA Data Reports are primarily about public rental housing and include additional nationally standardised performance information, relating to:

- Size of waiting lists;
- Percentage of special needs applicants housed within target period;
- Prioritisation towards households with high or special needs;
- Overcrowding;
- Renter satisfaction;

---

Objectives, Strategies, and Performance Indicators?

- Affordability;
- Cost per dwelling; and
- Occupancy rates/turnaround times.

The performance indicators cover most of the Public Rental Housing objectives included in our suggested approach (section 1.1.4), however we did have some concerns about the adequacy of some of the indicators. Adequacy of performance information is discussed in detail in the following sub-sections.

1.2.2.1 Effectiveness of provision of public rental housing

We consider that the effectiveness of provision of public rental housing to people with high and special needs is best measured by two indicators:

- Average waiting times by priority category; and
- Occasional assessment of unmet need in the community, possibly using data from the Australian Bureau of Statistics.

Instead Housing Tasmania report:

- Waiting list numbers
  - Waiting list numbers do not facilitate comparison with other jurisdictions, or readily allow benchmarking
- Percentage of newly housed special needs applicants that were housed within target period
  - This indicator ignores applicants that were not housed and may have been on the waiting list for considerable time

1.2.2.2 Efficiency of provision of rental housing

We were satisfied that any sources of waste or inefficiency in the provision of public rental housing is adequately measured using two existing indicators to calculate:

- Percentage of vacant properties; and
- Under utilisation of housing, where a dwelling has more bedrooms than are necessary for the occupying household.
1.2.2.3 Economy: minimising acquisition and maintenance costs

Housing Tasmania report average full cost per dwelling including maintenance, depreciation and a capital charge on property. This is valid performance information, and does allow for comparison with prior years but suffers from two disadvantages:

- The information is not readily comparable with other jurisdictions because property values vary substantially between states; and
- The indicator provides more information about historic purchase decisions than recent ones.

There may be a need to develop performance measures that better reflect recent transactions.

1.2.2.4 Ensuring that houses meet reasonable standards

Housing Tasmania reports objective overcrowding information. However, location, amenities and condition are assessed based on surveys of customer satisfaction. In our opinion this is not ideal because such evidence is possibly tainted by renter satisfaction with having any affordable place to live. Subjective surveys can provide some beneficial information about tenant satisfaction but a more objective method of measuring suitability of location, amenities and condition would be preferable.

Recommendation 4

Housing Tasmania should review current performance measures to determine if they are providing sufficient information, and are the best available measures.

1.2.3 Affordable Housing Strategy

The AHS is in the process of implementation and performance indicators have not yet been developed. We would expect that performance indicators would have been developed prior to implementation to address affordability objectives, which might include:

- Effectiveness objective: To assist people with low incomes to purchase their own house;
- Economy objective: To ensure that only genuine people in housing stress receive assistance; and
- Economy objective: To ensure that assistance provided be no more than is required to achieve ‘effectiveness’ goals.
**Recommendation 5**

For future initiatives, Housing Tasmania should ensure that a set of appropriate performance indicators is established prior to implementation; and

Housing Tasmania should institute relevant performance indicators for the Affordable Housing Strategy as soon as possible.

### 1.3 CONCLUSION

There is clear evidence of a significant strategic planning process. However, we were concerned that there may be too many separate planning documents and that the role of each is not sufficiently well defined. In part, that is due to the active involvement of the Commonwealth and State Governments, however, our perception was that there was scope for strategic planning to be simplified.

We also consider that there is a need to more clearly define Housing Tasmania’s objectives at a component level in such a way that it is readily possible to assess the Division’s performance.

Without such goals/objectives there is a risk that no matter how well motivated the Division is, some of its strategies and efforts may not best serve the Government’s intentions.

Performance reporting in the Department’s annual report is unsatisfactory, although some additional performance information is publicly available in other Government reports.

There is currently a lack of structure in both public and internal performance information and we have suggested a possible solution in this Report. We also noted that performance indicators have not yet been developed for the AHS.

Our review of existing performance criteria indicated a possible lack of emphasis on the goal of providing housing assistance to as many households as possible in favour of a focus on the quality of housing. We formed a similar view from review of phase one of the AHS (see subsection 4.5), which seems likely to have more impact on the quality of housing than quantity.
2 Are waiting times/lists accurate?
2 ARE WAITING TIMES/LISTS ACCURATE?

To establish the accuracy and reliability of the waiting list data, we:

- Examined assessment and review processes; and
- Recalculated waiting lists/times.

2.1 ASSESSMENT AND REVIEW PROCESSES

We reviewed the application process through to entry into Housing Tasmania’s record system. A service centre assessment officer initially interviews applicants, and allocates points for their current circumstances based on:

- Adequacy, including living conditions and security of tenure;
- Affordability;
- Appropriateness, including family violence, special requirements and health issues; and
- Rejection of previous offers.

Applicants’ claims must be supported by documentation.

Based on the points received an applicant’s level of need is categorised as Category 1, 2, 3 or 4. Housing Tasmania prioritises housing based on need. Category 1 applicants have a higher level of need than category 4. Applicants can request reclassification as their circumstances change. By adopting an approach of housing by level of need, an applicant's situation often has to get worse before it can get better. All applicants are reviewed every 12 months by service centre staff.

No attempt was made to verify the integrity of the database, however, in our view, there are sufficient checks and balances in the system to ensure that information held in the system is accurate. For example:

- Complaints by applicants waiting for a house;
- There is a 12-month review (3 month for higher need categories) of the status, classification and requirements of all applicants on waiting lists; and
- The application and quality control processes also ensure that information entered in the database is based on documentary evidence and is subject to quality review processes.
2.2 **RECALCULATED WAITING LISTS/TIMES**

We reviewed reported and internal summary data including:

- Waiting lists by category in internal reports and CSHA data; and
- Percentage of high needs households housed within 8 weeks.

We found the information to be consistent with recalculated totals based on unprocessed data from Housing Tasmania’s database.

2.3 **CONCLUSION - ACCURACY AND RELIABILITY OF WAITING LISTS**

We found the waiting lists and derived summary information to be accurate.
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3 Are waiting times/lists reasonable?
3 ARE WAITING TIMES/LISTS REASONABLE?

To establish whether waiting times are reasonable, we examined:

- Current waiting lists/times;
- Housing Tasmania’s performance indicators and targets;
- Comparisons with previous years;
- Comparisons with other jurisdictions; and
- Equity between regions.

3.1 CURRENT WAITING LISTS/TIMES

As at September 2004, waiting lists and expected waiting times were as shown in Figure 1. Housing Tasmania does not actually calculate waiting times. We have done so on the basis of current waiting lists and the average number of people housed in the last three months.

**Figure 1: Waiting Lists and Times by Category**

September 2004

The above graph shows waiting lists and times by priority category, as overall analysis is not very meaningful. In the following table we have tried to provide some understanding of these categories by giving examples of categorisations.
Are waiting times/lists reasonable

Table 2: Examples of Categorisation

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>EXAMPLES</th>
<th>WAITING TIMES AS AT 30 SEP 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>• Low income&lt;br&gt;• Living in a caravan&lt;br&gt;• No laundry facility</td>
<td>0.5 Years</td>
</tr>
<tr>
<td>2</td>
<td>• Low income&lt;br&gt;• Living with sibling&lt;br&gt;• Sleeping on couch&lt;br&gt;• House overcrowded</td>
<td>2.4 Years</td>
</tr>
<tr>
<td>3/4</td>
<td>• Low income&lt;br&gt;• Living with parents, temporarily&lt;br&gt;• Has own room</td>
<td>11.6 Years</td>
</tr>
<tr>
<td></td>
<td>• High rent – 60% of income&lt;br&gt;• Forced to vacate (extra points only when evicted)</td>
<td></td>
</tr>
</tbody>
</table>

In the following sections we assess the reasonableness of the waiting lists and times.

3.2 **HOUSING TASMANIA’S PERFORMANCE INDICATORS AND TARGETS**

The Affordable Housing Strategy makes it clear that public rental housing cannot satisfy all need, but has an important role in assisting those with specific and complex needs.

Public rental housing applicants with complex or special needs would be assessed as exceptional, category 1, or possibly category 2. Category 3 and 4 are accordingly not the primary target for public housing, and waiting times should be evaluated in that context.

The focus on high needs groups is shown in Table 2 by the shorter waiting periods for these categories. Given that there is
little realistic chance of category 3 and category 4 applicants being housed we question whether it is misleading for those applicants to be included on the lists and possibly given false hope that a house might eventually be provided. We also question whether the administrative burden of maintaining the list and performing a regular review process is justified.

**Recommendation 6**

**Housing Tasmania should consider only including category 1 and 2 applicants on the waiting list.**

We attempted to determine whether Housing Tasmania was meeting its own targets. No relevant performance indicators were included in DHHS annual reports. Internal performance information used in internal reports included:

- Waiting list information is routinely included in monthly internal reports, but we found no evidence of benchmarks, targets, or action taken in response to changes; and
- Households with exceptional or category 1 need that were housed within 8 weeks, as a percentage of all such households who were housed in the period.

We are critical of the latter measure, since it is based only on households that were successfully housed and ignores households not yet housed, which may have been on waiting lists for a long time. It was also noted in an internal report that the target of 8 weeks related to the previous maximum period of emergency housing that was available under a separate scheme, but that the equivalent period today is 12 weeks.

In any event, we reviewed performance against the 8-week target and found that over the 2003–2004 period, only 42.4% of those high-need households that had been housed had complied with the 8-week benchmark. This rate has remained fairly consistent in recent years.

The June 2004 Divisional Performance Report also reports that if a 12-week benchmark is used, the rate of people housed within that period is 66.6%. This still leaves one third of high-need households that were not housed within 12 weeks, however it was also noted that the national average for households housed outside the 12 weeks was 65%. 

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*Public Housing: Meeting the need?*
3.3 COMPARISONS WITH PREVIOUS YEARS

3.3.1 Results

An overall increase in the number of applications on the waiting list occurred between July 2000 and September 2004. Figure 2 shows a consistent increase in the waiting list across all categories.

![Figure 2: Waiting Lists – Yearly Averages](image)

This increase is further evident from a review of the average annual waiting times (figure 3) with exceptional need and category 1 waiting times increasing by 115% over four years, and waiting times for other categories increasing by 300% over 4 years.

![Figure 3: Waiting Times (months) – Yearly Averages](image)

Staff advised that it could take up to 12 months for a category 1 or 2 applicant to be housed. Waiting times for category 3 and 4 applicants are much longer and applicants are advised that realistically, their chances were slim.

Overall, the situation has deteriorated markedly from reasonable waiting times in 2000 to significantly worse waiting times in 2004. In fact, waiting times for other categories have...
become unrealistic.

3.3.2 Analysis

One or more of the following could have caused the observed deterioration:

- Lack of vacancies;
- Increase in applications; or
- Declining stock levels.

Lack of vacancies

Review of housing statistics showed that the number of applicants housed per year has declined from 2,132 to 1,241 (a 42% decrease) indicating a sharp fall in the number of rental houses becoming vacant. This is probably due to a significant rise in house prices over that period (see figure 4), making it harder for existing tenants to afford other forms of accommodation.

Figure 4: Median Market House Prices

![Figure 4: Median Market House Prices](image)

Increase in applications

We had expected the increase in market prices to also cause a large increase in the number of new applications for public rental housing, but noted a decrease (see Figure 5), particularly with lower need categories.
A reasonable inference is that participation rates have fallen in response to long waiting times. In support of that inference, we were advised that lower-need applicants are often directed to consider other forms of assistance by Housing Tasmania staff.

It follows that waiting times would be significantly longer but for the falling participation rates, and reinforces the importance of regularly estimating the level of unmet need in the community.

**Declining stock levels**

The final explanatory factor is declining stock levels. Over the four year period, we noted that, in accordance with Government policy, the number of public rental housing properties had decreased by 1,500 (11%), because of sales of properties necessitated by reduced government funding. This will be discussed further in section 5.

In summary, the worsening situation is due in approximately equal part to reduced housing vacancies and a reduction in stock numbers. In our opinion, the deterioration would be more severe except for lower participation rates due to longer waiting times.

### 3.4 COMPARISONS WITH OTHER JURISDICTIONS;

The *Report on Government Services* provides comparative data of waiting lists for all applicants and for those assessed as having ‘greatest needs’.

We considered that the ‘all applicants’ data was unreliable because many potential applicants will not register for public housing where waiting times are unreasonably long. For instance, the number of people considered to be in housing stress in Tasmania has been estimated to be approximately
Are waiting times/lists reasonable

20 000⁴, but the number of people on the waiting list is approximately 3 000.

Unfortunately, jurisdictions do not have the same ability to report ‘greatest need’ status against all criteria, with only Tasmania reporting on all five criteria. In our view the data is not comparable and will not be presented in this report.

**Recommendation 7**

**Housing Tasmania should liaise with other jurisdictions to attempt to achieve greater comparability.**

As an alternative we looked at:

- The total number of public rental houses per head of population; and
- Changes in the past four years.

Results are shown in Figure 6:

**Figure 6: Dwelling % of Population Movement**

The graph shows that Tasmania has historically provided more public housing than the majority of other jurisdictions and in common with all other jurisdictions has marginally reduced supply over the past four years.

While it was not possible to directly answer whether waiting lists and times are comparable between states, this supply data provides a reasonable proxy and suggests that Tasmania’s waiting list numbers and times are at least comparable with most other states.

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3.5 **EQUITY BETWEEN REGIONS**

Housing stock supply has historically been fairly equally distributed across the South, North and North West regions. Figure 7 shows that current stock levels are between 22 and 27 units of stock per 1,000 people.

**Figure 7: Stock per 1,000 People**

![Bar chart showing stock per 1,000 people by region.]

Similar stock levels over time indicate that historically, there has been an equitable approach to service delivery, between regions. We also noted that planned capital works under the AHS are proportionate to regional populations.

On the other hand, the current waiting times for applicants\(^5\) (figure 8) in the greatest need do not appear to support this inference, with Southern applicants waiting twice as long as applicants from the North and North West.

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\(^5\) For this test, we included only applicants currently classified as being in exceptional need or classified as category 1 or 2. The reason for excluding categories 3 and 4 is that only a small proportion of people in housing stress have applied to be on Housing Tasmania’s database. In our view this low participation rate is likely to make data for the lower need categories less reliable.
Housing Tasmania indicated that historically there had been greater need in the North and North West regions, but that more recently there had been an increase in applications from the South.

**Recommendation 8**

Housing Tasmania should consider regular monitoring and analysis of need on a regional basis.

### 3.6 CASE STUDY

In November 2004, the media raised the issue of a young mother and her family living in a tent at a sports ground, as they were unable to gain access to public housing.

The applicant’s circumstances qualified her for placement although she did have an outstanding debt.

Housing Tasmania had categorised the applicant as:

- Category 1;
- Requiring a 4-bedroom property; and
- Requiring a specific area.

As noted above the average waiting time for a category 1 applicant is 6 months, however, that figure varies significantly for particular areas and size of house. After declining some earlier offers, the applicant eventually received assistance through the Home Ownership Assistance Program and purchased a property in May 2005.
3.7 **CONCLUSION**

In our opinion waiting times for the more needy categories are reasonable, although they have deteriorated in recent years. Waiting times for other categories of need have deteriorated markedly since 2000, due mainly to affordability and availability issues.

Available data did not facilitate comparison of waiting times with other jurisdictions, however, we did note that Tasmania’s level of public rental housing stock is at least comparable with most other states.

We found that provision of housing was equitable between regions.
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4 Is supply of dwellings optimised?
4 IS SUPPLY OF DWELLINGS OPTIMISED?

In considering if the supply of dwellings has been optimised, we reviewed:

- The decision-making process;
- The number of public rental houses;
- The type and mix of public rental houses; and
- The affordable housing strategy.

4.1 BACKGROUND

The Affordable Housing Strategy adopts the national policy position that ‘housing stress’ occurs when households pay more than 30% of their income in rental costs and has estimated that 20 000 households are currently in housing stress. It is worth noting, that the cost of providing an additional 20 000 public rental houses would be in excess of $3 000 million, and that finding that many suitable locations would be near impossible.

Figure 9 looks at the level of housing stress that would be in place without any government assistance and examines the impact of the various programs on reducing the level of housing stress.

One of those programs is the Commonwealth rent assistance program, which is outside the scope of this audit. We did note that approximately 24 400 Tasmanians receive rental assistance. A Commonwealth report has indicated that:

- 31% would not have been in housing stress, even without CRA;
- 36% did not receive sufficient assistance to fully alleviate housing stress; and
- 33% received sufficient assistance to take them out of housing stress.

The net affect for Tasmania is that CRA has reduced the number of people in housing stress by approximately 8 000. Housing Tasmania actively promotes CRA to community and client groups to ensure that individuals are aware of their eligibility for CRA.

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6 Data from March 2004, Department of Family and Community Services Annual report 2003-04, Part 1: Performance reporting, Output group 2.1 Housing support.
Figure 9: Housing Stress and Assistance Flowchart

Originally in housing stress 40 000

Commonwealth Rental Assistance
24 000 assisted

8 000

32 000

Public Rental Housing
12 000 assisted

12 000

20 000

Affordable Housing Strategy:
- New dwellings
- Private rental support
- Other

? In housing stress after AHS

? Of the 24 000 households receiving Commonwealth rental assistance, 7 500 had not previously been in housing stress, 8 500 continued to be in housing stress, and only 8 000 were freed from housing stress.

8 Approximately 12 000 households are assisted by public rental housing, community housing, and aboriginal housing combined.
4.2 \textbf{THE DECISION-MAKING PROCESS}

In the last 10 years, Housing Tasmania’s focus has been on spot purchasing and infill developments, rather than broad acre developments. In developments, old 3-bedroom houses on large blocks have been demolished and new units with improved amenities have been built.

The Strategic Asset Management Plan (SAMP) sets out asset management ‘directions’ of Housing Tasmania, including:

- Making asset decisions in line with the AHS, including additions, sales and upgrades;
- CSHA asset decisions; and
- Re-profiling stock.

In line with those directions, Housing Tasmania is:

- Ensuring that one-quarter of new constructions be adaptable homes that have modifications for elderly or disabled clients based on an aging demographic. This involves an additional cost of $25,000 per unit; and
- Developing precinct plans that provide for planning based on precinct-level services, demographic, and demand information. This initiative should better enable Housing Tasmania to prioritise projects and plan maintenance.

Housing Tasmania establishes an annual capital investment program and prioritises funding to areas based on the waiting list. Within that framework individual proposals for capital projects are initiated at a local level, then subjected to approval processes, including review of business case and consideration of other strategic requirements.

Housing Tasmania purchase or construct their dwellings. Leasing occurs in isolated cases where there is a specific need of a short-term nature and it does not warrant renovation or purchase of a new property. Construction has the advantage of being brand new and 100\% suitable to Housing’s needs.
4.3 THE NUMBER OF PUBLIC RENTAL HOUSES

4.3.1 Trend analysis

As seen in fig 10, public rental stock has declined by 11% since the 2000–2001 financial year. Similarly, the total value of stock has declined by 9% (excluding revaluations).

Figure 10: Stock Numbers

The SAMP shows that the number of public rental dwellings required to house people in highest need is 10,000. This is consistent with Government policy which has established a safety net of 10,000 public rental houses, and determined that stock will continue to be sold, up to 150 units per year.

We reviewed the level of capital expenditure since 2001 and found that it exceeded depreciation by 55%. However, the total value of stock had declined because $45.3 million in proceeds from sale of properties had not been immediately reapplied to public rental housing, but had been set-aside for the AHS, in addition to the $45 million allocated from infrastructure funds.

4.3.2 The Revenue cash flows

We also examined the question of whether or not declining revenue was hindering Housing Tasmania’s capacity to continue to provide current levels of public rental housing.

Housing Tasmania receives revenue from a number of sources:

- Rental income;
- Commonwealth funds under CSHA; and
- Matching State revenue.

The movement in these revenue sources can be seen in Figure 11:
Overall, there has been a 4% decrease over the 5 years. In the same period, the average cost of purchased housing has increased by 80%.

It follows that declining revenue relative to housing affordability has necessarily affected the capacity of Tasmania to maintain the stock levels of previous years.

Tasmania is not unique in this respect with a similar situation existing in other Australian jurisdictions.

4.3.3 Maximising rental income – market rent

Tenants pay a percentage of their income as a tenant contribution up to a maximum of market rental value.

We noted that only two properties out of over 11,000 had market rental values in excess of $200 per week. Housing Tasmania advised that a priority project was currently on the agenda to review the market rents. With 1,872 (16%) households in public rental housing currently paying market rent there may be a possibility of significantly increasing total revenue from this project.

Increasing market rental may have the additional benefit of encouraging current tenants who do not have special needs to consider relocation to private housing. It is worth noting that if those tenants capable of paying market rent were not in public rental housing, approximately two thirds of the current waiting list could be housed.

**Recommendation 9**

*Housing Tasmania should regularly reassess market rents.*

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9 Any reduction in the waiting list would probably be temporary because of the high number of households in housing stress that are not on the waiting list.
Recommendation 10
Housing Tasmania should explore possible incentive/disincentive programs to encourage tenants to move out of public housing when their circumstances improve.

One option may be that new tenants agree to pay rent based on their income regardless of market rent. Thus, tenants have a financial incentive to use private housing when their income increases to the point they would be paying more than market rent for public housing.

4.4 THE TYPE AND MIX OF PUBLIC RENTAL HOUSES

4.4.1 Reasonable balance between quality and quantity of dwellings

Housing Tasmania has design guidelines that are used when purchasing existing properties or constructing new ones. The guidelines standardise the desirable features a dwelling should possess for various client groups.

Housing Tasmania’s quality criteria are:

- Fitness for intended purpose; and
- Minimisation of costs over the life cycle of the dwelling.

The University of Tasmania School of Architecture recently reviewed the design strategies for affordable housing and assessed Housing Tasmania’s standard designs as being cost-effective and appropriate. 10

4.4.2 Is the mix of house sizes appropriate?

To determine whether the mix was appropriate we considered whether available statistics provided any evidence of a mismatch. A mismatch between available dwellings and housing needs occurs when there is over crowding or under utilisation. Housing Tasmania collect statistics on over crowding and under-utilisation where:

- Overcrowding is defined to occur when two or more additional bedrooms are required to meet the household’s needs; and
- Under utilisation is defined to occur where there are two or more bedrooms additional to the number required to satisfy the household's needs.

For our purposes, we added together the two measures to determine the number of mismatches between size of household and size of

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Is supply of dwellings optimised?

dwelling. Figure 12 shows the movement in this measure over time, and figure 13 compares it with the Australian average.

**Figure 12: Movement in Household Mismatch**

![Bar graph showing movement in household mismatch from 2000 to 2004.]

**Figure 13: Percentage of Households with Stock Mismatch**

![Bar graph comparing TAS and AUST mismatch in 2004.]

Figures 12 and 13 indicate that the level of mismatch is substantial, but has remained relatively unchanged over time, and is approximately equal to the national average.

This problem has been identified by Housing Tasmania. The SAMP indicates that Housing Tasmania is realigning its stock because demand for three-bedroom properties has reduced and demand for two-bedroom properties has increased. The realignment is based on a graph (Figure 14) in the CSHA, which compares the current break-up of housing stock to the waiting list, by bedroom requirements.
However, the methodology employed appears to be faulty since it assumes that the break-up of stock should reflect waiting list requirements, but ignores the requirements of existing tenants. It appears that realignment decisions made on this basis could eventually lead to an incorrect stock profile.

**Recommendation 11**

**Housing Tasmania should redo the realignment analysis to ensure decisions reflect the full customer base, including existing tenants and households on the waiting list.**

In any event, strategies identified in the SAMP to attempt to obtain a better match of dwellings and customers are unlikely to have significant impact in the short-term because of the low level of new acquisitions and disposals.

One of the reasons for the intractability of this mismatch is the policy of security of tenure, which guarantees existing tenants a public rental house for life. In our view, this is not an efficient use of resources nor does it achieve Housing's aims of providing public rental housing for those in the greatest need. We note that the Auditor-General of Victoria has commented on a similar problem in his jurisdiction.

We also note that Housing Tasmania has already adopted a policy that allows for the transfer of tenants in respect of Disability Persons Units and other modified properties. Extending this policy across all tenure types would improve the utilisation of properties.

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11 Source: CSHA Bilateral Agreement. HAS: Housing Assessment System
Recommendation 12

Housing Tasmania should consider replacing the security of tenure principle with terms that allow greater operational flexibility.

4.5 AFFORDABLE HOUSING STRATEGY

The focus of the CSHA and public rental housing is shifting away from low-income applicants to those with high and special needs.

The AHS is designed to help those who are low-income earners, but are unlikely to have access to public rental housing. We sought to determine how effective strategies in the AHS are at meeting unmet need in the community, currently estimated to be approximately 20,000 households.

Housing Tasmania is in stage 1 of the AHS, which lists 44 strategies. We analysed the strategies to attempt to determine to what extent they would be effective in:

- Providing financial assistance to those in housing stress;
- Removing households from housing stress.

Our review indicated that the strategies could be broadly classified as follows:

- Policy-related strategies: 17
- Options to be explored: 8
- New housing: 4
- Upgrade of stock: 13
- Private rental support: 2

4.5.1 Policy-related strategies

Policy initiatives include supporting advocacy bodies and ensuring that policy and planning for housing developments contribute to whole-of-Government priorities. No households are directly removed from housing stress by these measures.

4.5.2 Options to be explored

This category includes:

- Investigating alternative financing and delivery models to encourage private investment in the affordable housing market; and
- Currently there are approximately 500 properties in the Community housing portfolio. As part of the Affordable
Housing Strategy, Housing Tasmania hopes to expand this area of their business through partnerships with the non-government sector.

No households are directly removed from housing stress by these measures, in stage 1, but additional housing is expected to be generated in later stages.

4.5.3 New housing

New housing places indicated in the Affordable Housing Strategy are as follows:

- The acquisition of 420 new public housing dwellings. This will provide a short to medium-term increase in public housing. In the long-term it appears the government is committed to reducing stock levels to 10,000, however under the current disposal policy, it will be many years before this occurs. On the other hand, the level of stock has declined by 1,500 properties over the past 4 years.

- The upgrade of 14 disability group homes across the state. An additional 24 people will be removed from housing stress at a cost of $7 million.

- Establishment of 4 new supported residential facilities. 80 people will be removed from housing stress, at a cost of approximately $5 million.

- The Homestart program by which a private builder builds houses on subsidised land to provide affordable house packages for eligible applicants. 30 households will be assisted in obtaining affordable housing, at a subsidy cost of approximately $200,000.

It is likely that many eligible applicants are not actually in housing stress since eligibility requirements allow for household income up to $45,000 per annum. We estimate that this program would remove approximately 15 households from housing stress. In our view, if this program is to be an efficient use of funding, there is a need to tighten the eligibility requirements.

Recommendation 13

The eligibility requirements for the Homestart program should be reviewed to ensure that it benefits households that would otherwise have been in housing stress.
In conclusion, these new housing programs under stage 1 of the AHS will assist in removing 539 households from housing stress. However, in the long-term the impact of the new acquisitions is expected to be lost as stock levels reduce to the Government ‘safety net’ level. These programs will have minimal impact in meeting the estimated 20,000 unmet need of households in housing stress in the community.

4.5.4 Upgrade of stock

This strategy includes the upgrade of 270 properties, which will improve the quality of Housing Tasmania’s stock leading to improved housing outcomes, but not remove additional households from the waiting list.

4.5.5 Private rental support scheme (PRSS)

Temporary relief through enhancement of the PRSS is targeted to assist 2,560 applicants by December 2005. Normally this assistance is a one off payment towards a bond, rent or the cost of moving house.

The AHS has expanded eligibility for the PRSS and employed tenancy support workers to provide advice to tenants to help them maintain their accommodation.

The PRSS assists people in entering and maintaining accommodation in the private rental market. It does not assist in on-going rental costs. The PRSS is assistance for households in housing stress, but is one-time assistance and is therefore unlikely to relieve them of housing stress except in the very short term.

4.6 CONCLUSION

We found that stock levels have consistently declined since 2000, in accordance with an intentional strategy to reduce the level of public housing to that needed to assist those most in need. As part of that process, $45.3 million of CSHA funds were set-aside to support the new Affordable Housing Strategy (in addition to the $45 million allocated from infrastructure funds).

We also found that there may be scope for more effective use of existing stock.

With respect to the type and mix of public rental houses, we found:

- There is a reasonable balance between quality and quantity of current public housing stock; and
- There is a substantial mismatch between size of house and household requirements, however, that mismatch is similar to that existing in other States, and Housing Tasmania has long-term strategies to correct the problem.
We concluded that stage 1 of the Affordable Housing Strategy will not have a substantial long-term effect on the level of unmet need in the community since most of the expenditure will lead to improved quality of stock or temporary assistance to private renters.

Improving the quality of stock is also a useful objective and leads to improved housing outcomes, and lower maintenance costs, however it does not assist the estimated 20,000 households currently in housing stress. We estimate that it would cost more than $3,000 million to alleviate all housing stress.

The intent of the AHS appears sound in recognising that a system-wide approach is necessary to tackle the problem of housing stress in the community but more is needed for any substantial reduction in housing stress to occur.
5 Sale of dwellings
5 SALE OF DWELLINGS

To determine whether proceeds from dwelling sales are maximised, we examined whether:

- All sales were at or above government valuation; and
- Any properties were subsequently on-sold at a large profit.

5.1 DISPOSALS - INTRODUCTION

The strategic disposal program is developed from analysis of budget requirements and housing needs. Housing Tasmania is currently selling up to a maximum of 150 houses per year, in accordance with Government policy. Reasons include:

- Disposal of stock that no longer meets their requirements because of maintenance costs, problems with location or condition;
- Realignment of their portfolio to better meet the needs of their customers; and
- Meeting social outcomes by providing affordable housing.

The sale of a property to a tenant has a twofold affect. Firstly, Housing Tasmania receives revenue that it can use to improve its housing stock. Secondly, the tenant is removed from the books, no longer occupying housing stock.

In our testing, there was no evidence found of prior tenants coming back onto tenant listing after on selling their property.

Targets for disposal are set across service centres. Eligible properties are determined using a suburb-based sales policy. The houses are offered to current tenants or Streets Ahead eligible purchasers in order to ensure those houses continue to be occupied by households who would otherwise have been in housing stress.

This approach is reasonably effective, although the eligibility requirements for Streets Ahead do not exclude middle-income earners. Our estimate is that approximately 30 houses per year may be sold to households that would not have been in housing stress and are lost to the affordable housing sector.

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13 The Streets Ahead Incentive Scheme provides incentives such as deposit assistance and payment of Council rates. It is available to applicants who receive $900 per week or less gross income and meet other asset and debt criteria.
5.2 **ARE ALL SALES AT OR ABOVE GOVERNMENT VALUATION?**

5.2.1 **Financial statement losses on sale**

One of the reasons that we looked at this issue was a financial audit finding in 2002–2003 that many disposals were for prices significantly below carrying values in the Housing Tasmania asset register.

Housing Tasmania’s policy is to sell at or above valuation provided by the Valuer-General (V-G valuation). Carrying values in the Housing Tasmania asset register are also based on V-G valuations, but can be significantly different because of timing issues. As a result the sale can generate a book loss, but still be at a price that is greater than or equal to V-G valuation.

We reviewed a sample of dwelling sales from the last two years. Results are shown in Figure 15.

**Figure 15: Sale of Properties**

![Bar chart showing sale of properties at above valuation, at valuation, and below valuation]

Although we found two cases where properties were sold at less than V-G valuation, we were satisfied that sales of housing stock were consistently made in accordance with Housing Tasmania’s policy. The file documentation in both cases was inadequate and the authorisation and reasons for the reduced sale price were not clearly shown. Recent policy changes now require approval from the Director of Housing before a property can be sold at an older valuation.

**Recommendation 14**

Clear documentation detailing reasons and authority for decisions to sell at older valuations should be clearly noted on property files.

Much media attention was focussed on the sale of land at 21 Hawthorn Drive, Kingston in August 2003 for what was
widely considered to be a low price. The property had been on the market since 2000. Housing Tasmania obtained a V-G valuation that took into account possible re-zoning of the property. The property was sold at valuation ($270 000). Market value increases during the period between the valuation and settlement meant that Housing Tasmania received a return lower than the market value at settlement. We were satisfied that a proper process was followed.

5.3 ARE PROPERTIES SUBSEQUENTLY ON-SOLD AT A LARGE PROFIT?

We extracted a sample of houses that have been sold by Housing Tasmania, and subsequently on-sold to determine whether abnormal profits have been made.

In dollar terms, all except one of the properties on-sold made a profit on sale, with the return varying between a loss of $3 000 and a profit of $94 500.

Of the on-sales, 65% have occurred in the 2003-2004 financial year, which probably reflects rapid rises in market value in recent years (From 2002 to 2004, the total Tasmanian market has increased by 86%). To take account of this we compared profits made by on-sellers to market movements in the same areas over the same period (see Figure 16).

Figure 16: Return on Sale Relative to Market Movements

On average, we found a 10% differential between on-sale pricing movements and the market movements in the same area. We also noted that 57% of properties sold for prices greater than the movement in the market. In our view these results do not provide evidence of on-sellers making abnormal returns.

Reasons for above-market profits include:
- Housing Tasmania does not use an open tender process. Instead it sells in a highly restricted market in order to ensure that households with housing needs continue to occupy those houses;
- Exclusion of household improvements when setting the original price for the tenant;
- Subsequent renovations; and
- Time delays between obtaining V-G valuation and the original settlement.

5.4 **CONCLUSION**

We found that sales of housing stock were consistently made at or above valuation determined by the Valuer-General in accordance with Housing Tasmania’s policy.

We also found that purchasers of housing stock had not made excessive profits where they had subsequently on-sold the property.
6 Recent reports
# RECENT REPORTS

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*Public Housing: Meeting the need?*
7 Future projects
7 FUTURE PROJECTS

Details of performance and compliance audits that the Auditor-General is considering are:

PERFORMANCE AUDIT

- ASSET MAINTENANCE – BRIDGES
- TRAINING AND DEVELOPMENT
- BUSINESS CASE FOR RISDON PRISON

COMPLIANCE AUDITS

- FRINGE BENEFITS TAX
- PAYMENTS OF ACCOUNTS IN GOVERNMENT AGENCIES
- DELEGATIONS
- BUILDING SECURITY