ACT HOUSING

Objectives

The principal objective of *ACT Housing* is to provide appropriate, affordable and secure housing to those most in need. Assistance is directed to households whose needs cannot be met by the private market.

ACT Housing provides and manages public housing properties and manages public housing tenancies. As part of the provision of these services, ACT Housing allocates public rental properties to eligible applicants, assesses and provides rental assistance to eligible public housing tenants and manages the public housing property portfolio, which is worth approximately $1.6 billion. Its asset management responsibilities include the acquisition, disposal, redevelopment, repair, maintenance and improvement of those assets. ACT Housing also head-leases properties to community organisations, including community housing providers.

2002-03 Highlights

Strategic and operational issues to be pursued in 2002-03 include:

- improving service delivery by building more sustainable tenancies and communities. In particular, this will be achieved through the re-alignment of resources to focus on tenant needs and ensuring that tenants are able to access community and other support services;
- developing and implementing an asset strategy which focuses on the continued rejuvenation or replacement of public housing stock to better meet tenant needs through:
  - revitalising the larger multi-unit properties, including refurbishing Allawah, Bega, Northbourne and Stuart flats. Investigating the best options for Currong Flats, Gowrie Court and the flats precinct at the northern end of Northbourne Avenue in Lyneham and Dickson and progressing the Master Plan for Red Hill, as part of the Neighbourhood Planning initiatives;
  - undertaking urgent work at the multi-unit properties to bring them up to standard to comply with fire safety and Building Code of Australia requirements;
  - replacing older, poor quality dwellings with newer properties, while ensuring that public housing continues to be equitably distributed throughout the city;
  - acquiring properties in the newer, developing areas of the city;
  - providing purpose-built properties and modifying existing dwellings for people with disabilities; and
- implementing the outcomes of the affordable housing taskforce which is due to finalise its report during the middle of the financial year.

Budgeted Financial Targets

Section 31 of the *Financial Management Act 1996* advises that Chief Executives are responsible for achievement of financial results. For the purpose of Section 31 of the FMA, key budgeted results are specified in the Budget Papers to improve accountability. An outcome of the increased accountability will be the requirement for Chief Executives to explain **material variances** from specified budgeted results.

In accordance with section 31 of the *Financial Management Act 1996*, the following are the key budget results for ACT Housing:

- ***operating result ($1.029m loss)*** **–** this target focuses on the financial performance for the year and measures the performance of resource utilisation, and in particular the success in managing revenues from User Charges – Non-ACT Government (rents) and material expenditures.
- ***current ratio (0.84:1)*** **–** the current ratio indicates short-term solvency through the ability to fund short term liabilities from the conversion to cash of short-term assets. It is important in the assessment of the ability to fund ongoing operations and payment of creditors, future employee entitlements and repay interest-bearing liabilities as they fall due.
- ***receivables ($2.846m, 5.2% of Rental revenue)*** **–** indicates the level of outstanding debtors compared to the revenue base. The increase in receivables by $0.4m in the 2002-03 budget from the 2001-02 estimated outcome is due to increasing rental revenues and the improved recognition and management of recoveries from tenants and others.
- ***total assets ($1,656.5m)*** **–** indicates the scale of the total asset base underlying public housing. Trend analysis of this measure indicates the increase in value of the asset base, and particularly the portfolio of public housing properties as this is principally the means of providing housing assistance.
- ***total liabilities ($135.4m)*** **–** indicates the size of the obligations that ACT Housing has to meet in future, and is largely interest bearing liabilities from the Commonwealth which is $123.1m. Trend analysis indicates the decrease in gearing and the corresponding decrease in the related interest payments.

ACT Housing
Statement of Financial Performance

2001-02 Budget $'000		2001-02 Est.Outcome $'000	2002-03 Budget $'000	Var %	2003-04 Estimate $'000	2004-05 Estimate $'000	2005-06 Estimate $'000
	Revenue						
48 228	User Charges - Non ACT Government	51 948	54 430	5	55 519	56 629	57 762
30 541	User Charges - ACT Government	31 026	27 358	-12	24 858	24 858	24 858
700	Interest	1 170	900	-23	800	800	800
6 489	Other Revenue	11 907	7 197	-40	3 941	3 941	3 941
85 958	**Total Ordinary Revenue**	**96 051**	**89 885**	**-6**	**85 118**	**86 228**	**87 361**
	Expenses						
12 926	Employee Expenses	11 523	14 988	30	15 138	15 290	15 442
1 660	Superannuation Expenses	1 524	1 853	22	1 872	1 890	1 909
48 634	Administrative Expenses	49 855	49 903	..	51 634	52 384	53 134
10 318	Depreciation and Amortisation	11 280	12 464	10	12 719	12 869	12 969
6 101	Borrowing Costs	6 102	5 923	-3	5 735	5 540	5 335
8 949	Other Expenses	7 145	5 783	-19	4 080	4 080	4 080
88 588	**Total Ordinary Expenses**	**87 429**	**90 914**	**4**	**91 178**	**92 053**	**92 869**
-2 630	**Operating Result**	**8 622**	**-1 029**	**-112**	**-6 060**	**-5 825**	**-5 508**
-10 500	Increase/(Decrease) in asset revaluation reserve	97 500	-10 500	-111	-10 000	-10 000	-10 000
10 500	Transfer to/from Reserves	22 500	10 500	-53	10 000	10 000	10 000
0	**Change In Equity Other Than Those Resulting From Transactions With Owners As Owners**	**120 000**	**0**	**-100**	**0**	**0**	**0**
1 241 950	**Total Equity From Start of Period**	**1 383 477**	**1 522 099**	**10**	**1 521 070**	**1 515 010**	**1 509 185**
0	Capital Injections	10 000	0	-100	0	0	0
1 239 320	**Total Equity At The End of Period**	**1 522 099**	**1 521 070**	**..**	**1 515 010**	**1 509 185**	**1 503 677**

ACT Housing
Statement of Financial Position

Budget as at 30/6/02 $'000		Est.Outcome as at 30/6/02 $'000	Planned as at 30/6/03 $'000	Var %	Planned as at 30/6/04 $'000	Planned as at 30/6/05 $'000	Planned as at 30/6/06 $'000
	Current Assets						
200	Cash	1 800	1 800	-	1 800	1 800	1 800
2 913	Receivables	2 446	2 846	16	3 195	3 244	3 294
5 436	Investments	29 691	4 225	-86	3 300	2 759	2 639
130	Other	135	135	-	135	135	135
8 679	**Total Current Assets**	**34 072**	**9 006**	**-74**	**8 430**	**7 938**	**7 868**
	Non Current Assets						
1 364 853	Property, Plant and Equipment	1 623 960	1 644 108	1	1 634 497	1 624 541	1 614 280
4 882	Capital Works in Progress	3 506	3 406	-3	3 406	3 406	3 406
1 369 735	**Total Non Current Assets**	**1 627 466**	**1 647 514**	**1**	**1 637 903**	**1 627 947**	**1 617 686**
1 378 414	**TOTAL ASSETS**	**1 661 538**	**1 656 520**	**..**	**1 646 333**	**1 635 885**	**1 625 554**
	Current Liabilities						
1 920	Payables	2 277	2 528	11	2 828	2 828	2 828
4 157	Interest Bearing Liabilities	4 162	4 349	4	4 545	4 754	4 954
0	Finance Leases	78	78	-	78	78	78
2 670	Employee Entitlements	2 063	2 063	-	2 063	2 063	2 063
1 616	Other	1 689	1 689	-	1 689	1 689	1 689
10 363	**Total Current Liabilities**	**10 269**	**10 707**	**4**	**11 203**	**11 412**	**11 612**
	Non Current Liabilities						
127 454	Interest Bearing Liabilities	127 461	123 112	-3	118 567	113 813	108 868
0	Finance Leases	556	478	-14	400	322	244
1 277	Employee Entitlements	1 153	1 153	-	1 153	1 153	1 153
128 731	**Total Non Current Liabilities**	**129 170**	**124 743**	**-3**	**120 120**	**115 288**	**110 265**
139 094	**TOTAL LIABILITIES**	**139 439**	**135 450**	**-3**	**131 323**	**126 700**	**121 877**
1 239 320	**NET ASSETS**	**1 522 099**	**1 521 070**	**..**	**1 515 010**	**1 509 185**	**1 503 677**
	REPRESENTED BY FUNDS EMPLOYED						
658 556	Accumulated Funds	691 779	701 250	1	705 190	709 365	713 857
580 764	Reserves	830 320	819 820	-1	809 820	799 820	789 820
1 239 320	**TOTAL FUNDS EMPLOYED**	**1 522 099**	**1 521 070**	**..**	**1 515 010**	**1 509 185**	**1 503 677**

ACT Housing
Cashflow Statement

2001-02 Budget $'000		2001-02 Est.Outcome $'000	2002-03 Budget $'000	Var %	2003-04 Estimate $'000	2004-05 Estimate $'000	2005-06 Estimate $'000
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
77 972	User Charges	82 737	81 288	-2	79 977	81 087	82 220
900	Interest Received	1 245	800	-36	800	800	800
598	Other Revenue	1 967	723	-63	933	933	933
79 470	**Operating Receipts**	**85 949**	**82 811**	**-4**	**81 710**	**82 820**	**83 953**
	Payments						
14 586	Related to Employees	13 438	16 841	25	17 010	17 180	17 352
49 122	Related to Administration	50 768	50 030	-1	51 761	52 511	53 261
6 101	Borrowing Costs	6 102	5 923	-3	5 735	5 540	5 335
2 130	Other	5 459	2 337	-57	2 630	2 630	2 630
71 939	**Operating Payments**	**75 767**	**75 131**	**-1**	**77 136**	**77 861**	**78 578**
7 531	**NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**	**10 182**	**7 680**	**-25**	**4 574**	**4 959**	**5 375**
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Receipts						
32 000	Proceeds from Sale of Property, Plant & Equipment	41 174	46 040	12	44 700	34 710	48 920
55 997	Proceeds from Sale/Maturities of Investments	0	0	-	0	0	0
87 997	**Investing Receipts**	**41 174**	**46 040**	**12**	**44 700**	**34 710**	**48 920**
	Payments						
36 017	Purchase of Property, Plant and Equipment	43 083	75 024	74	45 850	35 665	49 670
55 528	Purchase of Investments	0	0	-	0	0	0
91 545	**Investing Payments**	**43 083**	**75 024**	**74**	**45 850**	**35 665**	**49 670**
-3 548	**NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES**	**-1 909**	**-28 984**	**#**	**-1 150**	**-955**	**-750**
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
0	Capital Injection from Government	10 000	0	-100	0	0	0
0	**Financing Receipts**	**10 000**	**0**	**-100**	**0**	**0**	**0**
	Payments						

ACT Housing
Cashflow Statement

2001-02 Budget $'000		2001-02 Est.Outcome $'000	2002-03 Budget $'000	Var %	2003-04 Estimate $'000	2004-05 Estimate $'000	2005-06 Estimate $'000
3 983	Repayment of Borrowings	3 983	4 162	4	4 349	4 545	4 745
3 983	**Financing Payments**	**3 983**	**4 162**	**4**	**4 349**	**4 545**	**4 745**
-3 983	**NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES**	**6 017**	**-4 162**	**-169**	**-4 349**	**-4 545**	**-4 745**
0	**NET INCREASE/(DECREASE) IN CASH HELD**	**14 290**	**-25 466**	**-278**	**-925**	**-541**	**-120**
200	**CASH AT BEGINNING OF REPORTING PERIOD**	**17 201**	**31 491**	**83**	**6 025**	**5 100**	**4 559**
200	**CASH AT THE END OF THE REPORTING PERIOD**	**31 491**	**6 025**	**-81**	**5 100**	**4 559**	**4 439**

Notes to the Budget Statements

Significant variations are as follows:

Statement of Financial Performance

- user charges –non-ACT Government: the increase of $3.720m in 2001-02 from the original budget is largely a result of the reassessment of market rents in September 2001. The increase of $2.482m in the 2002-03 Budget from the 2001-02 estimated outcome is due to the estimated impact of the review of market rents in September 2002;
- user charges – ACT Government: the increase of $0.485m in 2001-02 from the original budget is due to increased funding from the community linkages program of $0.1m, as well as payment for additional services of $0.385m. The payment for services in 2002-03 decreases by $3.668m in the 2002-03 Budget from the 2001-02 estimated outcome due to the redirection of services towards supporting the community-housing sector. The decrease in the outyears arises from the cessation of GST supplementation upon the expiry of the current Commonwealth-State Housing Agreement;
- other revenue: the increase of $5.418m in 2001-02 from the original budget is due to the higher profit on sales and increased receipts of around $1m from recoveries (bad debts and insurance) and miscellaneous receipts. The decrease of $4.710m in the 2002-03 Budget from 2001-02 estimated outcome is due to the return to normal level of recoveries from bad debts and insurance, and a conservative assumption relating to profit on sale of properties; and
- interest revenue: the increase of $0.470m in 2001-02 from the original budget is due to slower than anticipated outlays for the capital acquisition and improvement programs.

The decrease of $0.270m in the 2002-03 Budget from the 2001-02 estimated outcome is due to reduced cash and investment balances following those acquisitions;

- employee expenses: the decrease of $1.403m in 2001-02 from the original budget is mainly due to delays in recruitment pending the re-alignment of the operations to focus on achieving improved tenancy outcomes. The increase of $3.465m in the 2002-03 Budget from the 2001-02 estimated outcome is based upon the new structure and staffing levels and a general increase in salaries;
- administrative expenses: the increase of $1.221m in 2001-02 from the original budget is due to the higher than expected repairs and maintenance costs of $2.5m, offset by savings in water rates and consumption of $0.840m and information system costs of $0.5m;
- depreciation and amortisation expense: the increase of $0.962m in 2001-02 from the original budget is due to the expected increase in the value of the properties as well as the amortisation of the information systems and the fit-out of Nature Conservation House. The increases of $1.184m in the 2002-03 Budget from the 2001-02 estimated outcome is due to increased depreciation costs attributed to anticipated significant increase in the property portfolio in the 2002-03 budget and the acquisition of major IT systems over the next few years; and
- other expenses: the decrease of $1.804m in 2001-02 from the original budget is due to the delay in the demolition and write-off of Gowrie Court of $3.4m. This is offset by the cost of demolishing Burnie Court of $1.3m and higher provisioning for doubtful debts. The decrease of $1.362m in the 2002-03 Budget from the 2001-02 estimated outcome reflects the removal of the one-off significant demolition and write-off costs, and this is again offset by higher provisioning for bad and doubtful debts.

Statement of Financial Position

- investments: the decrease of $24.255m in 2002-03 budget from the 2001-02 estimated outcome is due to higher than expected rental revenues following the increase in market rents during the year, slower than anticipated capital program outlays and the $10m additional funding provided by the Government to undertake urgent works on the multi-unit properties;
- property, plant and equipment: the increase of $259.107m in 2002-03 budget from the 2001-02 estimated outcome is due to the property revaluations for 2000-01 and 2001-02; and
- finance lease: ACT Housing entered into an operating lease for 10 years commencing 15 August 2000 for office accommodation at Nature Conservation House, Belconnen ACT. ACT housing has recognised the lease incentive as a liability. This lease liability is to be reduced by allocating the lease rental payments between rental expense and a reduction of the liability.

Statement of Cashflows

- proceeds from the sale of property, plant and equipment: the increase of $9.174m in 2001-02 from the original budget is due to the auction sale prices exceeding expectations and a greater number of sales to tenants than originally anticipated. The increase of $4.866m in the 2002-03 Budget from the 2001-02 estimated outcome reflects the planned sales program during that year, including the proposed sale of land at the Burnie Court site in Lyons;

- purchase of property, plant and equipment:
  - the increase of $7.066m in 2001-02 from the original budget is due to increased acquisition properties to meet “Wait List" applicants as well as the acquisition of properties in anticipation of the need to relocate tenants from those multi-unit sites set aside for disposal or redevelopment;
  - the increase of $31.941m in the 2002-03 Budget from the 2001-02 estimated outcome reflects the priority for capital investment during the year on accommodation suitable for older persons and those with reduced mobility, the continued provision of replacement dwellings for multi-unit sites undergoing redevelopment or disposal, and the ongoing restructure of the property portfolio to better match the needs of tenants and applicants. In addition, at least $10m of urgent work is programmed to upgrade the multi-unit properties. Another $1.4m has been identified for the replacement or upgrade of computer systems including the upgrade of Homenet and the Oracle Government financial system; and
- purchase of investments and proceeds from sale/maturities of investments: this account is now zero due to the changed treatment of the transfers to the Central Financing Unit of investment funds. The decrease of $55.528m in 2001-02 from the original budget is due to the changed treatment of the transfers to the Central Financial Unit investment funds.

OUTPUT CLASS 1: PUBLIC HOUSING

PRINCIPAL MEASURES

OUTPUT 1.1: PUBLIC HOUSING

Description:- The provision and management of public housing properties and tenancies. This output was previously Output 3.5 - Housing Assistance in the Department of Health, Housing and Community Care

Measures	2001-02 Targets	2001-02 Est. Outcome	2002-03 Targets
Quantity			
Number of applicants housed	1 450	1 450	1 450
Percentage of tenants receiving rebates	85%	80%	85%
Number of tenancies managed	10 925	11 000	11 250
Number of properties/dwellings	11 380	11 380	11 540
Quality/Effectiveness			
Housing assistance information to applicants, tenants and the community is appropriate and understood by them [1]	85%	85%	-
Percentage of properties inspected during the year [2]	-	-	97%
Tenant satisfaction (as assessed by survey)	Better than 60%	Better than 60%	Better than 60%
Repairs and maintenance expenditure as a proportion of the average building value [3]	3.5%	3.5%	3.5%
Timeliness			
Time taken to process applications averages 15 days or less [4]	100	100%	100%
Percentage of tenants over 8 weeks in arrears	5%	5%	3%
Average time in house (turnaround times) [1]	4 weeks or less	4 weeks or less	-
Average standard property turnaround time [2]			25 days or less
Cost			
Cost of providing information [5]	$1 226 000	$1 166 000	$800 000
Cost of assessing and administering tenancy applications	$1 752 000	$2 000 000	$2 140 000
Cost of assessing and providing rental rebates	$4 097 000	$3 840 000	$4 255 000
Cost of tenancy management [6]	$9 617 000	$12 925 000	$14 335 000
Cost of property management	$71 896 000	$67 498 000	$69 384 000
TOTAL COST ($'000)	**$88 588**	**$87 429**	**$90 914**

Notes

(1) Measure discontinued.
(2) New Measure.
(3) The 2002-03 target reflects an increase in the property values.
(4) The 2002-03 target reflects improved performance in this area.
(5) The cost of providing information has been reduced as funds have been directed towards more tenancy services, more information is being automatically produced from information systems and cost allocations have been adjusted this year to include all external appeals as tenancy management costs.
(6) Tenancy management costs have increased to reflect the increased resources applied to improving customer services including intensive tenancy management programs.