



**Family &
Community Services**
Land & Housing Corporation

Statement of Business Intent

2015-16



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2 Objectives

LAHC is a Public Trading Enterprise within the NSW Department of Family and Community Services (FACS) cluster. LAHC owns and manages the NSW Government's public housing portfolio.

LAHC operates in the context of the broader FACS objectives that are outlined in the FACS Strategic Statement which aims to use public housing assistance to break the cycle of disadvantage by:

- improving the economic and social outcomes of people in public housing;
- reducing the rate of people experiencing homelessness; and
- improving the financial position of the social housing portfolio.

LAHC's focus will support the priorities of the Government's social housing policy and drive value for NSW through:

- increasing and accelerating the supply of social housing;
- providing a better experience for public housing tenants;
- improving the fit-for-purpose of public housing;
- effective and transparent financial management within government's policy parameters; and
- engaging with the wider housing sector, industry, and government for better social housing outcomes.

3 Business Overview and Strategic Summary

Challenges

The social housing portfolio as at 30 June 2014 is made up of approximately 130,000 assets valued at \$35 billion.

While LAHC receives some grant funding, there is no explicit funding of the gap between the low rents charged and the cost of delivering social housing.



Parts of the portfolio are not 'fit for purpose' due to an ageing portfolio, with many properties older than 40 years, and a mismatch between the assets available and contemporary client requirements for bedroom numbers, accessibility and modifications for the aged and physically disabled.

Strategic Direction

The social housing portfolio is now growing for the first time in nearly a decade, supported by LAHC's Portfolio Asset strategy.

The asset framework utilises value in the portfolio to accelerate the supply of dwellings and improve their fit for purpose. The asset framework seeks to:

- provide new dwellings in locations with good access to services and that are appropriately designed and configured for clients;
- reduce high concentrations of housing in particular locations through innovative approaches to urban renewal, working closely with the private sector and non-government service providers; and
- upgrade and maintain dwellings to appropriate standards, addressing outstanding programs of work.

Through engagement with the private sector and non-government sectors, innovative approaches to the renewal of public housing and public housing estates will be a priority, creating high quality communities with a mix of housing and good access to services and infrastructure.

The development and implementation of the strategic asset maintenance contract will also drive greater value for money in the procurement of maintenance services.

The sale of high value properties at Millers Point is supporting the renewal of the social housing portfolio through the reinvestment of the sale proceeds.

The location of new social housing will take account of factors such as the:

- demand for social housing in the location;
- location of the redevelopment in relation to public transport and services;
- relative cost of acquiring dwellings through redevelopment compared to off-site acquisition;
- concentration of social housing that would result from locating new dwellings on the redevelopment site; and



- composition of demand for social housing, for example the demand for single person households and families will be a major consideration in the composition of dwellings to be delivered.

LAHC has been implementing Government commitments to vest (transfer ownership) properties to the Community Housing Providers (CHPs) from which these CHPs can leverage to invest in further social housing dwellings. In 2013-14, a total of 2,721 dwellings were transferred to CHPs with a further vesting of 456 dwellings and one lot of land anticipated in 2014-15. This includes the balance of 200 dwellings under the Nation Building Economic Stimulus Program (NBESP) and 256 dwellings with one lot of land under National Rental Assistance Scheme (NRAS). An additional 153 dwellings are proposed to be vested under NRAS in 2017-18.



4 Financial Performance Targets

NSW Land and Housing Corporation Statement of Business Intent	2015-16 Forecast	2016-17 Forecast	2017-18 Forecast	2018-19 Forecast
Financial Performance targets	\$ million	\$ million	\$ million	\$ million
Revenue	\$1,040	\$1,031	\$1,033	\$1,063
EBITDA ¹	\$170	\$139	\$62	\$142
EBIT ²	-\$232	-\$272	-\$360	-\$288
NPAT ³	-\$294	-\$333	-\$417	-\$346
NPAT (adjusted for vesting)	-\$294	-\$333	-\$350	-\$346
Dividend/Distribution payout ratio	\$0	\$0	\$0	\$0
¹ EBITDA - Earnings before interest, tax, depreciation and amortisation				
² EBIT - Earnings before interest and tax				
³ NPAT - Net profit after tax				

- Revenue over the forward estimate period reflects expected increases in tenant charges.
- FACS grants to support capital programs have been agreed over the forward estimates.
- EBITDA, EBIT and NPAT in 2017-18 impacted by vesting relating to the National Rental Affordability Scheme – NRAS \$67.4 million.
- The NPAT (Deficit) in 2018-19 is lower than the preceding year due to non-recurrence of vesting.
- These numbers are subject to change to reflect the new priorities in the Social Housing Strategy that is currently under development.



5 Non-Financial Performance Targets 2015-16

LAHC continues to build on the 2014-15 key non financial performance indicators as reflected below.

LAND AND HOUSING CORPORATION	Measure	2013-14 Actual	2014-15 Measure	2014-15 Forecast
Key Performance Indicators (KPIs)				
Number of commencements	Number of residential tenancy dwelling commencements	371	759	773 (a)
Average maintenance (capital & recurrent) spend per residential dwelling	Total maintenance cost / no. of tenancy dwelling units	\$3,030	\$3,895	\$3,973 (a)
% of responsive maintenance jobs completed on time	Maintenance jobs completed on time / total maintenance jobs	84.1%	85.0%	86.6% (b)
Rental arrears as % of revenue	Forecast impairment of public housing tenant debt over annual net rent (excluding fraud)	0.4%	0.5%	0.5% (a)
Outstanding net tenant receivables (rent and non rent) as % of rent	Tenant accounts receivable (net of impairment) / rent revenue	0.6%	0.6%	0.8% (a)
Number of properties where maintenance is undertaken	Number of properties that received recurrent maintenance	109,799	109,852	109,863 (a)
Rent received relative to market rent	Rent received / market rent	44.5%	44.6%	44.5% (a)
Average age of property	Average of property age	35.6 years	35.0 years	36.7 years (c)
Note:				

(a) Full-year 2014-15 forecast

(b) Data as at 31 May 2015

(c) Data as at 30 April 2015



6 Social programs and non-commercial activities

LAHC currently has 160 properties leased as neighbourhood facilities such as halls and childcare centres and over 1,100 residential properties on community leases to non-government organisations.



7 Reporting Obligations

7.1 Accounting Policies

LAHC reports monthly to Treasury and FACS and is required to produce an annual report.

The accounting policies adopted by LAHC are in accordance with applicable accounting standards, including Australian Equivalents to International Financial Reporting Standards (AEIFRS), the requirements of the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2005. Where there are inconsistencies between the accounting standards and the legislative requirements, the legislative provisions prevail.

7.2 Financial Asset and Liability Management

The total value of LAHC's assets as at 30 June 2014 is \$35.6 billion with a debt level of \$0.6 billion.

7.3 Risk Management and Control Overview

LAHC continually reviews risk as part of its annual planning and aligns its risk framework to the FACS reporting requirements.