

Teacher Housing Authority



2023/24 Statement of Business Inten

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Signing Page

This Statement of Business Intent (SBI) for the Teacher Housing Authority for the 2023/24 financial year has been agreed between:



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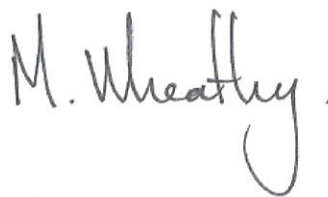


Kiersten Fishburn

Secretary
Department of Planning and Environment

Daniel Mookhey

Treasurer
NSW Government



Michael Wheatley

A/ Chief Executive
NSW Land and Housing Corporation



The Hon. Rose Jackson

Minister for Homelessness,
Housing, Mental Health, North
Coast, Water, Youth

Executive Summary

The Teacher Housing Authority

THA is a unique government organisation established to support teachers to move home and take up teaching positions in NSW. This objective continues today, focused on rural and remote locations.

Vision

To have modern and resilient housing that attracts teachers to live and work in rural and remote communities and to provide housing that is aligned to their specific needs

Teacher Housing Authority of NSW

Operates under the *Teacher Housing Authority Act 1975*.

THA supports education outcomes by providing residential accommodation in locations where the housing needs of teachers cannot be met by the private housing market.

THA supports local communities by using local trades to undertake its maintenance programs.

The THA reporting line is with the NSW Land and Housing Corporation (LAHC). THA sits within the Department of Planning and Environment's (DPE) Homes, Property, and Development Group.

The Government's commitment in 2022 to THA of \$94.4 million over 4 years to address immediate housing shortages is transformative. The year 1 target of 70 new homes for teachers has been achieved and Tranche 2 is on the way to deliver 66 homes by December 2024 (including 43 by 30 June 2024).

THA's recurrent funding model includes some strategic asset recycling to effectively manage the portfolio, in addition to the rent collection. The cost of repairs and maintenance on an ageing portfolio is under pressure because of recent high inflation and shortages of local tradespeople.

Partnering with the Department of Regional NSW (DRNSW), THA is contributing to a review of the operating model(s) for whole of government key worker housing.

The challenges faced by THA include:

1. **Limited housing supply** – the scarcity of suitable and affordable housing stock in regional NSW is impacting the Department of Education's (DoE) ability to recruit teachers to rural and remote locations.
2. **Funding** – THA's operating circumstances are challenging and it will need to seek further capital injection over the medium term to address the ongoing deterioration of asset condition. Historic reliance on asset recycling to fund capital works is not appropriate as replacement costs generally exceed sale proceeds in regional locations.
3. **Declining asset condition** – there is a need to establish enhanced in-house cyclical maintenance and asset renewal/divestment programs to abate the ongoing decline in condition across the portfolio. Current programs are focussed on either responsive maintenance or backlog/asset failure. Note the current level of funding supports a refurbishment cycle of approximately once every 65 years for each home. THA aspires to deliver a more frequent cycle of preventative maintenance.

Objectives

The THA is a statutory corporation constituted under the *Teacher Housing Authority Act 1975* (the Act). It is a related entity of DPE.

The THA Board consists of 7 members and the THA's Chair is Secretary of the Agency (or the Secretary's Nominee). The team delivering housing solutions for THA is employed by DPE and reports through LAHC.

The principal objective of THA is to provide and maintain suitable and adequate housing for teachers in NSW.

The provision of residential accommodation is one of several incentives provided to teachers by DoE to attract and retain teachers in parts of the state in which it is difficult to find staff and difficult to find housing.

DoE's focus on incentives for teachers has sharpened in the past 12-18 months as housing availability and affordability pressures escalated in metropolitan and regional locations.

While THA's present focus is on regional locations, in accordance with the Act, THA's mandate can extend to all parts of NSW including metropolitan areas. THA's members can ask the Authority to become active in these areas should it choose.

Suitable accommodation is an essential factor a teacher considers prior to accepting a role in rural and remote communities. For THA, this means the housing it provides must be in a safe and secure location and of suitable quality and condition so a teacher will choose to teach and live there, making it their home.

To complement this, THA provides a responsive and reliable tenancy management service that seeks to support local communities through its activities.



Narrabri – 6 units under construction

Strategy and Priorities

THA has priorities set by LAHC and the THA Board.

The LAHC A/Chief Executive's two key priorities for THA are:

- 1. Deliver the Key Worker Housing - New Supply Program with \$94.4 million funded through the State Budget in 2022/23 by 30 June 2026:**
 - Over four years deliver 221 new and refurbished homes for teachers.
 - Work with DRNSW in undertaking a review and business case for a whole of government key worker housing model.
- 2. Participate in design and creation of Homes NSW:**
 - Work with Transition Group to design and implement Homes NSW, being one of the NSW Government's election commitments to bring together functionalities of several housing agencies including THA.

The THA Members' key priorities in addition to the LAHC priorities are:

- 1. Deliver a new Property Management System prior to the implementation of the PaTH program in July 2024 (SAP harmonisation across agencies):**
 - Upgrade current Salesforce Portal to take on property management processes aligned with the timeline to PaTH.
 - Work with PaTH to onboard THA to MyWorkZone, go live in July 2024.
- 2. Improve THA's sustainability and efficiency:**
 - Leverage the opportunities from the DRNSW review of key worker housing operating models.
 - Leverage ties with the DoE for additional funding.
 - Replace or renew underutilised residences because of condition, location, or type.
 - Explore opportunities to enhance financial capacity including grant funding, sponsorship, partnering, and investment.
 - Drive operating efficiency and develop team diversity and capability, with clear responsibilities and accountabilities aligned to customer service-focused delivery.
- 3. Deliver effective customer and stakeholder engagement and outcomes:**
 - Grow broader relationships with DoE including workforce planning operations.
 - Leverage relationships with DPE and LAHC, and leverage services and programs if beneficial.
 - Ensure THA engages with our customers in their local environment.
 - Support local communities using local services, contractors, and products where possible.
 - Deliver great customer outcomes.

SBI and Government Expectations

THA Deliverables

Deliver New Supply program through acquisitions, construction and refurbishments

Harmonise asset build standards and design to optimise development and lifecycle costs

Ensure assets are fit for purpose, optimise capital maintenance

Invest in highest priority communities

Grow stakeholder relationships, maximise community engagement through programs

**Secure funding to prevent portfolio failure
Deliver new supply program**

Key Sustainability Strategies

A number of initiatives are underway through THA's new supply and maintenance programs to improve the sustainability of the portfolio.

[Solar upgrades to all residences](#)

THA installed solar panels to over 150 residences in FY 2022/23. In FY 2023/24, THA will deliver heating, cooling, and solar upgrades to over 300 properties, with \$7.7 million of additional funding from DoE.

[Implementation of the Nationwide House Energy Rating Scheme \(NatHERS\) for new construction](#)

THA currently aims to achieve a minimum of 7-star energy rating for homes built through its capital programs. THA is currently reviewing the NatHERS targets for new supply and may seek to pilot higher NatHERS targets in a number of future new projects, potentially alongside work to pilot modern methods of construction (see below).

[Removal of gas heating appliances](#)

As part of the business as usual program of property renewal and heating, cooling and solar upgrades, THA is decommissioning all gas heating systems within its properties.

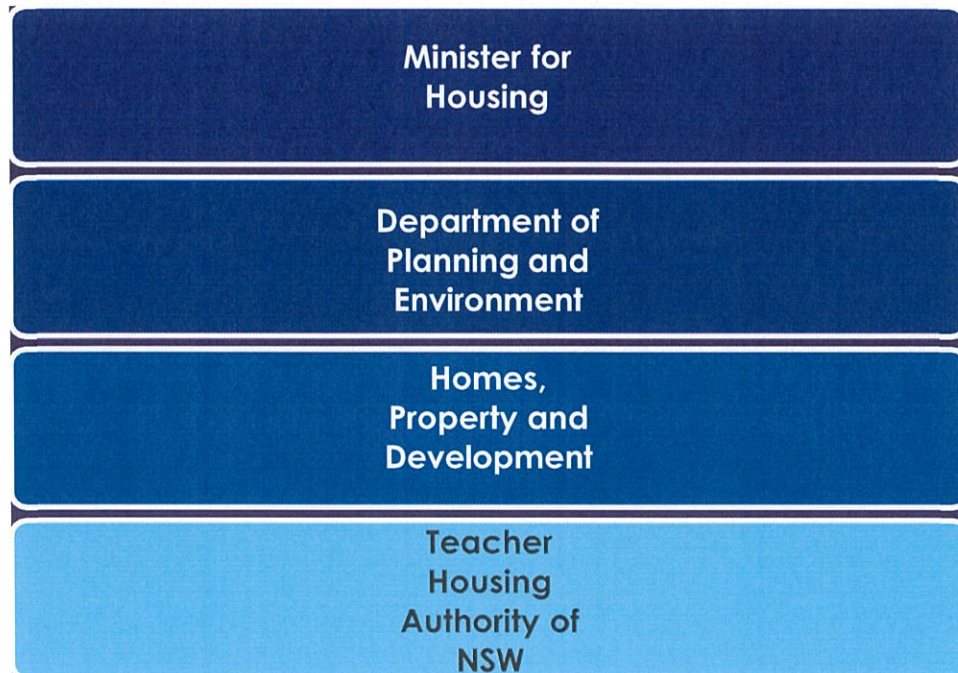
[Modern methods of construction](#)

THA is piloting the use of alternative construction methodologies through the Key Worker Housing New Supply program. In FY 2022/23, two modular homes were completed in Ivanhoe having been built off-site by Corrective Services Industries. Further modular and factory-built housing is planned.

Business Overview

THA operates as its own entity as part of the Homes, Property and Development Group within DPE. It is distinguished by its mandate to provide and maintain housing for teachers and focus on rural and remote NSW communities where housing suitable for teachers is scarce.

The THA reporting lines are through LAHC.



Aims

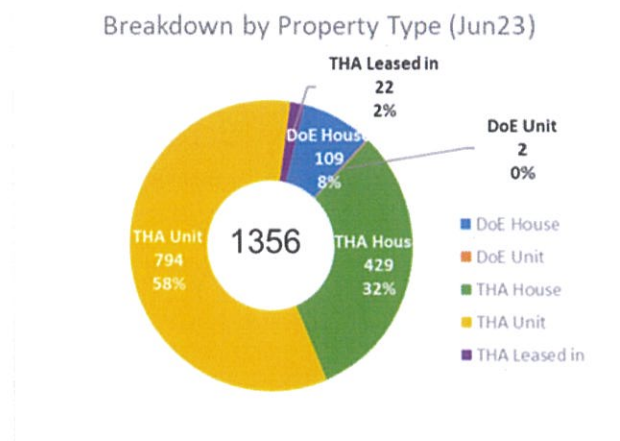
THA aims to have modern and resilient housing that attracts teachers to live and work in rural and remote communities. The focus is on areas of the state which typically do not have adequate housing of acceptable standard nor a viable private rental market for teachers to find their own home (market failure).

THA manages 1,356 residences and 35 parcels of land. The portfolio includes 111 school residences owned by the DoE and managed by THA. These properties mostly sit within school grounds.

The portfolio is distributed across 204 individual NSW communities.

THA ensures that the number of residences, their location and condition, is appropriate for teacher occupation.

The portfolio of houses and units is maintained to an appropriate standard for teachers to occupy. THA also provides a consistent and reliable tenancy service supporting the teachers.



Customers and stakeholders

THA's customers are members of the Teaching Service (and their families) who live in or have applied to live in THA accommodation.

Stakeholders include the Minister for Housing, the Minister for Education, the Treasurer, the Secretary of the Treasury, Secretary of DPE, THA Members, the DoE, local members of Parliament, NSW Treasury, The Cabinet Office, DPE, employees, the Teachers Federation, and the wider community associated with schools in locations where THA provides housing.

Service delivery

THA is comprised of two core teams: Tenancy Services and Building Services.

- Tenancy Services is accountable for customer service delivery.
- Building Services oversees the delivery of repairs and maintenance and THA capital and building programs.

THA uses local managing agents to provide a responsive management service to tenants on its behalf. This outsourcing model allows THA to use local trades and services thus sponsoring investment back into the local community. Managing agents receive an annual property management fee for each THA property. Their role includes facilities management (repairs and maintenance) and some property and lease management activities.

THA works with DoE and its network of local school principals to understand housing demand and issues pertinent to the housing of the teaching staff, including security and safety.

THA connects with Local Housing Representatives who provide their time on a voluntary basis and have close communication with the NSW Teachers Federation. Local Housing Representatives play an important role in communicating with THA recommending tenancy allocations and providing support to teachers who may be new to a rural community.

Maintenance programs, new supply, asset acquisitions and disposals, align the housing portfolio to meet the needs of teachers.

Capital and refurbishment projects are outsourced to qualified project and construction managers through Public Works Advisory and provide design, documentation and supervision services. An additional team has been established in THA (funded by DRNSW) to support delivery of Key Worker Housing New Supply Program.



Refurbished Stuart Town School Residence

Financial Summary

The Budget and forward estimates table below reflects the current position identified in the THA Business Plan.

2023-27 THA Budget and Forward Estimates Summary

OPERATING STATEMENT	Actual	Budget	Fwd Est	Fwd Est	Fwd Est
	\$m	\$m	\$m	\$m	\$m
	2022/23	2023/24	2024/25	2025/26	2026/27
Revenues	14.8	15.8	14.9	14.9	15.1
Expenses	19.4	40.7	20.9	21.5	22.1
Other gains/(losses)	0.0	(0.1)	(0.1)	(0.1)	(0.1)
Net Result before Depreciation	(4.5)	(24.9)	(6.1)	(6.7)	(7.1)
Depreciation	8.6	8.2	9.0	9.0	9.0
Net Result before Operating Grants	(13.2)	(33.1)	(15.2)	(15.8)	(16.1)
Operating Grants	130.8	6.8	6.8	6.8	6.8
Net Results	117.6	(26.4)	(8.4)	(9.0)	(9.4)

Revenue

Budget revenue for FY 2023/24 includes:

- Treasury Grant (pass through DoE) \$6.0 million
- DoE contribution for THA's management of school residences \$0.6 million
- Rental income \$13.4 million
- Interest income \$2.4 million

THA receives market rent based on outcomes from the annual valuation program for occupied properties. Market rents are assessed by independent valuers coordinated through the Valuer General. The 2022 valuation program saw rents increase on average by 8.5% and values increase on average by 16% - in part due to COVID-19 stimulus-funded upgrades to homes which improved amenity.

Interest income is based on 3.5%. THA received an injection of funds of \$94.4 million for Key Worker Housing New Supply in February 2023.

To meet its portfolio recurrent obligations, THA receives a State Government contribution from Treasury of \$6.0 million paid to it by the DoE as a pass through. The DoE also provides an annual grant of \$0.6 million for the management and refurbishments of the 109 DoE owned school residences.

Expenses

The primary areas of expenditure and the amounts budgeted for FY 2023/24 are:

- Property maintenance \$8.8 million
- Property refurbishment \$2.0 million
- Heating, Cooling & Solar \$7.7 million funded by DoE
- School residence refurbishment \$10.0 million funded by DoE
- Other property expenses (rates, management fees, valuations etc.) \$5.1 million
- Other property expenses (insurance and property system) \$2.6 million
- Corporate shared services \$1.5 million
- Personnel services expenses \$3.0 million – direct costs associated with the staff and management
- Depreciation \$8.2 million – applies to the building value of properties in the portfolio.

Capital Investment and major projects

THA's capital programs include new construction, acquisition, divestment, and greater alignment of the residential assets to support DoE priority locations where they find it difficult to recruit staff.

The primary focus for FY 2023/24 is the delivery of the New Supply Program funded through the 2022 State Budget. Tranche 1 (70 homes) was delivered in FY 2022/23 through 56 acquisitions, 12 refurbishments and 2 new off-site modular constructions in high demand locations.

Tranche 2 will be carried throughout FY 2023/24 with a planned delivery 24 acquisitions, 2 refurbishments and 39 new constructions at \$31.8 million (note that some of these units will complete in FY 2024/25).

Planning will start in FY2023/24 for the following years' activities (Tranches 3 and 4) to deliver a further 85 new homes by 30 June 2026.

Capital investment over the 4-year forward estimates period is \$71.0 million. This includes \$69.0 million being the balance from the 2022/23 State Budget funding of \$94.4 million for new supply and THA's forward planning based on standard BAU activity recycling disposal proceeds into new supply.

THA Capital Program Forecast (FY 2023/24 to FY 2026/27)

Financial Year	Total No. of Properties	Estimate (\$m)
2023/24	66	32.0
2024/25	55	24.0
2025/26	30	13.0
2026/27	4	2.0
Total	155	71.0

Refurbishment and Upgrade Programs

THA's is delivering a range of upgrade and refurbishment programs funded primarily through additional funding contributions received from DoE. In FY 2023/23, THA will deliver over 300 upgrades to heating, cooling and solar systems replacing old and failing evaporative cooling systems and 45 refurbishments (37 funded directly by DoE for \$10 million).








To deliver this volume of work, THA is leveraging its partnership with Public Works Advisory who undertake project and construction management, design and planning, WHS management, and procurement in line with government procurement guidelines.

THA's Refurbishment/Upgrade programs include:

Work Category	No. of Properties	Budget
Total Heating & Cooling	307	\$7,675,000
Total Property Upgrade	8	\$2,000,000
Total Refurbishment (DoE)	37	\$10,000,000
Grand Total	352	\$19,675,000

Performance Target Summary

THA Strategic KPIs 2023/24

Strategic Goal	Key performance Indicator		Results	Target	Weighting	Comments
Asset Utilisation 	Metric	Non-Financial	FY23 Result to Date	FY24 Target	%	
	Housing Utilisation %	Higher utilisation results in improved revenue outcomes	83%	83%	20	Results are YTD Jan 2023
Property Recycled 	Metric	Financial	FY23 Result to Date	FY24 Target	%	
	Gross dollar value of property recycled	Delivering asset recycling targets for reinvestment into portfolio realignment	\$1.1m	\$1.2m	8	Dependent on obtaining Minister's exemption on sale pause
More Housing 	Metric	Non-Financial	FY23 Result to Date	FY24 Target	%	
	Net additions to housing stock in key areas	Balance of supply and demand Increased revenue	+70	+66	10	66 new homes targeted by 31 December 2024
Improve Asset Standards 	Metric	Non-Financial	FY23 Result to Date	FY24 Target	%	
	Higher average asset condition rating across portfolio	Increased revenue from higher demand and occupancy	76.0	80.0	20	Result of additional DoE funding
Customer Satisfaction 	Metric	Non-Financial	FY23 Result to Date	FY24 Target	%	
	Higher customer satisfaction score from tenant surveys	Increased revenue Reduced property costs	+68	+76	20	Customer score previously dropped from 76 to 68
Invest in our People 	Metric	Non-Financial	FY23 Result to Date	FY24 Target	%	
	Upward movement in PMES score	Effective and efficient workplace Staff retention	53	72	10	Employee engagement overall score
Backlog Maintenance 	Metric	Financial	FY23 Result to Date	FY24 Target	%	
	Reduction in backlog maintenance	Reduction in open commitments thus reducing balance sheet liabilities and ACR backlog assessment	New Metric	\$10m	10	Assumes special funding from DoE and KWH

THA KPIs are designed to maximise returns for the portfolio and the community.

- **Asset Utilisation:** Ensuring higher revenue outcomes for THA and greater benefit for the local community.
- **Property Recycled:** Providing 'fit for purpose' assets for the highest priority communities and increasing utilisation, as properties proposed for sale have typically not been needed by teachers or DoE for a number of years.
- **More Housing:** Balancing supply with demand to maximise returns from the portfolio.
- **Improve Asset Standards:** To ensure higher occupancy, higher return, and positive community engagement.
- **Customer Satisfaction:** Ensuring stronger stakeholder relationships and community engagement.
- **Invest in our People:** To ensure efficient staff retention.
- **Backlog Maintenance:** Ensuring a high-quality portfolio and positive tenant experience.

Business Specific KPIs 2023/24

Metric	Definition	2021/22 (\$m)	2022/23 (\$m)	2023/24 (\$m)	Weighting %
Revenue	Total Revenue excluding grants and stimulus	11.2	12.0	13.0*	20
Property Expenses	Property expenses excl depreciation	15.1	16.5	16.4*	20
Corporate Expenses	Staff cost, on costs and other	3.5	4.2	4.3	10
Return	EBITDA	7.0	94.5	1.6*	20
Capital Expenditure	Investment into new accommodation	2.0	25.0	32.0	10
Asset cost	Average property cost per property (\$)	11,700	12,000	12,000	20

*Excluding non BAU expenditure funded by Dept of Education

Challenges and Recommendations

Key Challenges

THA's recent internal review identified the following key and relevant challenges:

1. Maximise the delivery outcomes and benefits from the State Budget funding in 2023/24 delivering new homes for teachers;
2. Timely deployment of additional funding received from DoE for property upgrades and the heating, cooling and solar program in FY2023-24 and early FY2024-25;
3. Look to address backlog maintenance challenges with the limited recurrent budget and new funding. In 2022, backlog maintenance was estimated at \$75.0m. Unfortunately, backlog maintenance currently remains unfunded;
4. Decline in asset condition and standards will impact the quality and size of the portfolio (the refurbishment cycle is currently every 65 years); and
5. The financial position for delivery of teacher housing is unsustainable – reliance on insufficient service

payment will only see a decline in the portfolio and service.

Recommendations

A. Funding and Financial viability:

Significant additional funding has been received including \$94.4 million for the Key Worker Housing - New Supply program and DoE funding of \$30.6 million. THA will continue to target additional funding opportunities to address housing and backlog maintenance needs from within DoE and the State.

B. Asset Condition and Asset Management

THA will deploy the additional funding received from DoE to deliver key refurbishment programs and address backlog maintenance issues. Work is underway to review building standards and to review Asset Condition Ratings to enhance asset management.