

# Teacher Housing Authority



## 2020 – 2021 Statement of Business Intent

Greg Phipson, Teacher Housing Authority,  
Housing and Property Group

T: 02 82768662

E: [greg.phipson@property.nsw.gov.au](mailto:greg.phipson@property.nsw.gov.au)

W: [www.property.nsw.gov.au](http://www.property.nsw.gov.au)

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## Signing Page

**This Statement of Business Intent (SBI) for the Teacher Housing Authority for the 2020/21 financial year has been agreed between:**

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Chair, Teacher Housing Authority

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A/Group Deputy Secretary, Housing and Property

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Secretary, Department of Planning,  
Industry and Environment

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Minister for Water, Property and Housing

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Treasurer



## Executive summary

### Teacher Housing Authority



The Housing and Property Group (HAP) is the property and asset management group within the Department of Planning, Industry and Environment (DPIE), focused on managing a diverse range of property assets and services for the NSW Government.

Teacher Housing Authority (THA) is one of the statutory entities within HAP having a distinct function of managing frontline employee housing for teachers in rural and remote New South Wales. The teachers deliver an essential service to the people of NSW, in delivering the education and in developing our children.

HAP comprises the following functions:



Property portfolio management



Property strategy, development and transactions



Property valuation



Housing asset management and development including Land and Housing Corporation (LAHC) and Aboriginal Housing Office, Teacher Housing Authority and NSW Police Force Housing



Management of crown lands and strategic lands



Cemeteries & Crematoria NSW

THA's focus is to facilitate housing solutions for the benefit of teachers in rural and remote communities. THA seeks to establish more housing in high demand areas, improve asset standards, ensure a sustainable and efficient organisation, and deliver effective customer and stakeholder outcomes.

THA looks to support the communities where it has representation through using local services and trades where possible and looking at ways to engage through education and learning programs.

The THA Business Plan presents the financial summaries and other relevant information.



## Objectives

THA is a statutory corporation constituted under the Teacher Housing Authority Act 1975 (the Act).

THA is a related entity of DPIE (the Agency). The Authority consists of seven members and the THA's Chair is Secretary of the Agency (or nominee).

The principal objective of THA is to provide and maintain suitable and adequate accommodation for teachers.

The provision of residential accommodation is one of several incentives which assist the Department of Education (DoE) in attracting and retaining teachers in parts of the State which can be 'difficult to staff'.

Suitable accommodation is an essential factor a teacher considers prior to accepting a position in a rural and remote community. THA also provides a responsive and reliable tenancy management service including administration of residential leases.



## Strategic Summary

THA supports the delivery of education services to rural and remote NSW communities by providing quality housing and housing services for teachers.

The THA strategic goals are underpinned by priorities and initiatives to be delivered over the next 3-5 years, and include:

### 1. More housing in high demand communities:

- Deliver more residences in high demand locations;
- Leverage ties with DoE to get better data on future demand to help reshape the portfolio; and
- Replace or reposition underutilised residences because of condition, location or type.

### 2. Improve overall asset standards:

- Maintain the THA portfolio in accordance with the Residential Tenancies Act 2010; and
- Establish programs that support an improvement in asset condition, security, and livability, measured through asset condition ratings (ACR).

### 3. Improve organisational sustainability and efficiency:

- Deliver resilience through management that respects teacher requirements for housing, DoE special programs, improves asset condition, and is delivered by committed and dedicated staff;
- Explore opportunities to enhance financial capacity including stimulus and grant funding, sponsorship and investment;
- Drive operating efficiency and develop team diversity and capability, with clear responsibilities and accountabilities aligned to service delivery.

### 4. Effective customer & stakeholder engagement:

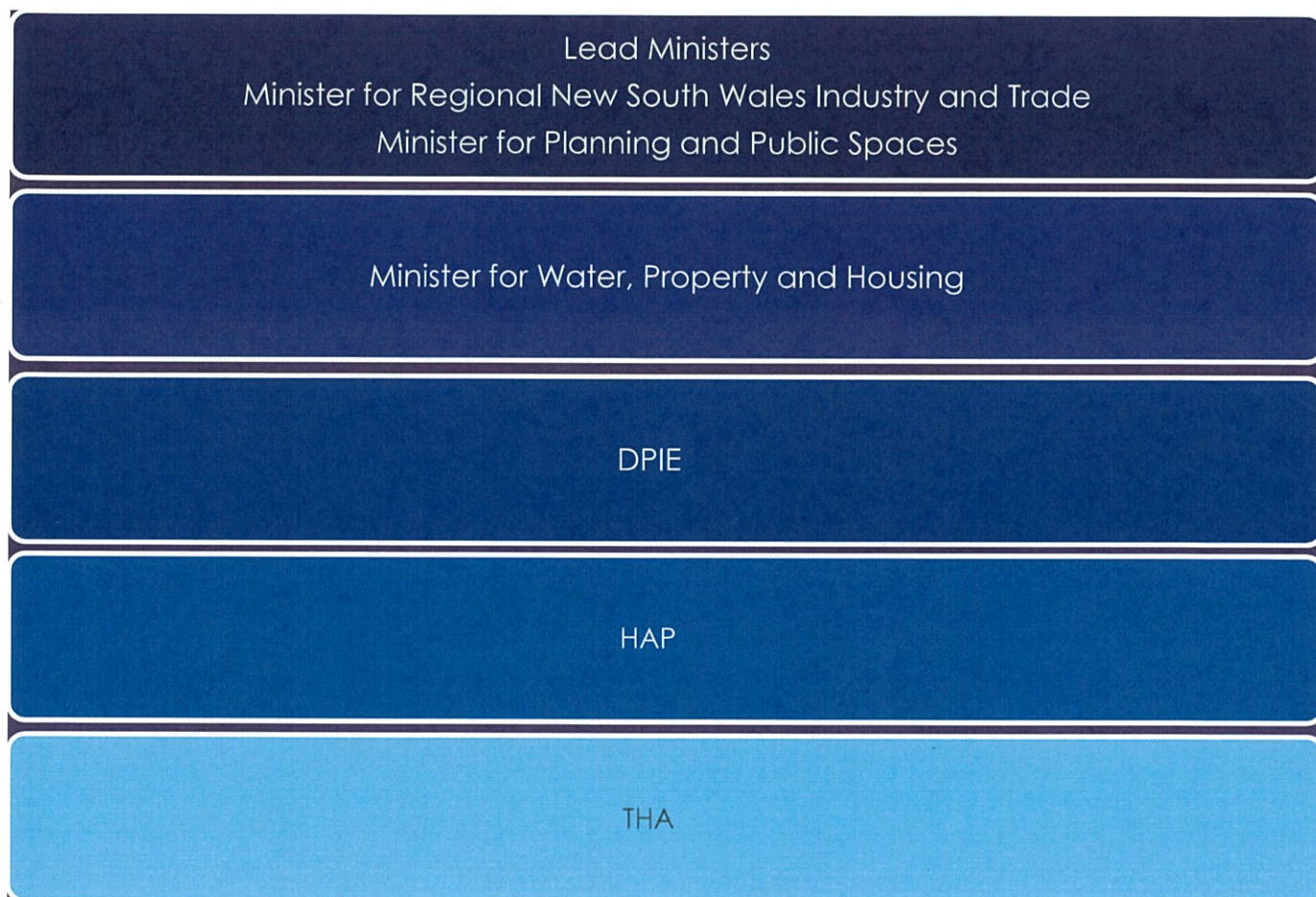
- Grow broader relationships with DoE;
- Advance relationships with Land and Housing Corporation (LAHC) and leverage services and programs where appropriate;
- Ensure THA visits each of the communities where it is represented and engage with customers in their local environment; and
- Support local communities through use of local services, contractors and products where possible.





## Business Overview

THA operates as its own entity as part of HAP within DPIE. It sits with LAHC and is distinguished by its mandate to provide and maintain housing for teachers in rural and remote NSW. The management reporting lines are through LAHC.



### Aims

THA aims to provide a suitable and adequate portfolio of houses and furnished units in areas of the State which typically do not have adequate housing of acceptable standards, nor a viable private rental market. THA manages 1,289 residences represented in 199 communities across NSW. The portfolio of houses and units are maintained to an appropriate standard for teachers to occupy. THA manages 104 school residences owned by the DoE. These residences typically sit within school grounds.

THA ensures that the number of residences, their location and condition, is appropriate for teacher occupation. THA also provide a consistent and reliable tenancy service to 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 Water, Property and Housing, Secretary of the Treasury, Secretary of DPIE, the Minister for Education, DoE, local members of Parliament, NSW Treasury, Department of Premier and Cabinet, THA Members, employees, 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.

THA uses local managing agents to provide a responsive management service to tenants on its behalf. This outsource model allows THA to utilise, where possible, local trades and services thus sponsoring investment back into the community. Managing agents receive an annual property management fee for each THA property. Their role includes facilities management and some property and lease management.

The THA team works with a network of local school principals to understand housing demand and issues pertinent to the housing of the teaching staff. THA also connects with local housing representatives who provide their time on a voluntarily basis and have close communication with the Teachers Federation. Local housing representatives play an important role, communicating with THA, recommending tenancy allocations, and providing support to teachers who may be new to a rural community.

Maintenance programs, new supply and asset acquisitions and disposals ensure the housing portfolio meets the needs of teachers. Capital and refurbishment projects are outsourced to qualified project and construction managers through Public Works Advisory (PWA) and provide THA with design, documentation and supervision services.



## Financial Summary

OPERATING STATEMENT	actuals	budget	fwd. Est	fwd. Est	fwd. Est
	\$m	\$m	\$m	\$m	\$m
	2019-20	2020-21	2021-22	2022-23	2023-24
Revenues	12.4	11.0	11.3	11.5	11.7
Expenses	18.3	17.6	17.6	17.9	18.3
Other gains/(losses)	(0.2)	0.1	0.1	0.1	0.1
<b>Net Result before Depreciation</b>	<b>(6.1)</b>	<b>(6.5)</b>	<b>(6.3)</b>	<b>(6.4)</b>	<b>(6.5)</b>
Depreciation	6.3	6.5	6.6	6.8	6.6
<b>Net Result before Operating Grants</b>	<b>(12.4)</b>	<b>(13.0)</b>	<b>(12.9)</b>	<b>(13.2)</b>	<b>(13.1)</b>
Operating Grants	6.6	6.6	6.6	6.6	6.6
<b>Net Results</b>	<b>(5.8)</b>	<b>(6.4)</b>	<b>(6.2)</b>	<b>(6.5)</b>	<b>(6.5)</b>

### Income

The primary areas of income and the amounts budgeted for FY 2020-21 are:

#### Revenue

- Treasury Grant (passed through DoE) of \$6.0m
- DoE contribution for THA's management of school residences - \$600k
- Rent from teachers, private tenants and rental subsidy from DoE \$11.0m

THA receives market rent based upon outcomes from the annual valuation program for occupied properties. Market rents are assessed by independent valuers. The impact of the April 2020 rental assessment (applied 30 June 2020)

represents an average increase of 2% on the prior year. THA has placed the rent increase on hold for 2020-21 due to the COVID-19 pandemic.

To meet its social obligations, THA receives a State Government contribution of \$6.0m via the DoE. The DoE also provides an annual grant of \$600k for the management and refurbishments of the 104 DoE owned school residences.

### **Expenses**

The primary areas of expenditure and the amounts budgeted for FY 2020-21 are:

- Property refurbishment of \$3.0m;
- Property maintenance \$6.0m including \$0.75m for heating and cooling expenditure;
- Other property expenses (rates, management fees, valuations etc.) \$3.2m;
- Depreciation \$6.5m – applies to the building value of properties in the portfolio;
- Corporate shared services \$2.3m; and
- Personnel services expenses \$1.9m – direct costs associated with staff and management.

### **Capital Expenditure**

In 2020-21, THA is looking to improve its cash balance to help fund future programs and portfolio improvement. Accordingly, the capital plan for FY 2020-21 will be limited to \$1m and the disposal plan will be expanded beyond the current program.

THA will only commit the \$1m capital expenditure once disposals for the financial year reach this amount. Active disposals currently programmed total \$1.9m. An additional 19 properties have been earmarked for sale adding \$2.3m to the current program.








THA will look to buy suitable properties in place of new construction to achieve best value for Government. This can occur where the depth of market and quality of assets permits. The 10-year plan below assumes new construction in all cases. However, THA expects to purchase properties to replace new construction.

FY	Towns	Total No. of Properties	Estimate
2020/21	Coleambally	2	\$1,000,000
2021/22	Cobar, Narrabri	8	\$3,500,000
2022/23	Coonamble, Gunnedah	6	\$3,000,000
2023/24	Tumut, Condobolin, Cobar	6	\$3,000,000
2024/25	Bourke, Moree	6	\$3,000,000
2025/26	Deniliquin, Nyngan	6	\$3,000,000
2026/27	Lightning Ridge, Baradine	6	\$3,000,000
2027/28	Lightning Ridge, Bourke	6	\$3,000,000
2028/29	Walgett, Tumut	6	\$3,000,000
2029/30	Wilcannia, Brewarrina	6	\$3,000,000
	<b>Total</b>	<b>58</b>	<b>\$28,500,000</b>



## Performance Target Summary

### THA Strategic Key Performance Indicators 2020-21

Strategic Goal	Key performance Indicator		Results	Target	Weighting
Asset Utilisation	Metric	Financial Impact	FY 19 Result to Date	FY20 Target	%
	Housing Utilisation %	Higher utilisation results in improved revenue outcomes	82%	82%	20
Property Recycled	Metric	Financial Impact	FY 19 Result to Date	FY20 Target	%
	Gross dollar value of property recycled	Delivering asset recycling targets for reinvestment into portfolio realignment	\$1.1875m	\$3.085m	10
More Housing	Metric	Financial Impact	FY 19 Result to Date	FY20 Target	%
	Net additions to housing stock in key areas	Balance of supply and demand Increased revenue	-2	-1	10
Improve Asset Standards	Metric	Financial Impact	FY 19 Result to Date	FY20 Target	%
	Higher average asset condition rating across portfolio	Increased revenue from higher demand and occupancy	74.5	76.0	20
Customer Satisfaction	Metric	Financial Impact	FY 19 Result to Date	FY20 Target	%
	Higher customer satisfaction score from annual survey	Increased revenue Reduced property costs	+61	+70	20
Invest in our People	Metric	Financial Impact	FY 19 Result to Date	FY20 Target	%
	Upward movement in People Matter Employee Survey score	Effective and efficient workplace Staff retention	61	65	10
Customer Satisfaction	Metric	Financial Impact	FY 19 Result to Date	FY20 Target	%
	Reduction in backlog maintenance	Reduction in open commitments thus reducing balance sheet liabilities	\$600k	\$750k	10

### THA Business Specific KPIs 2020-21

Metric	Definition	2018-19	2019-20	2020-21	Weighting%
Revenue	Total revenue excluding grants	\$10.5m	\$12.4m	\$11.0m	20
Property Expenses	Property expenses excluding depreciation	\$12.1m	\$12.3m	\$12.4m	20
Corporate Expenses	Staff cost, on costs and other	\$4.7m	\$6.0m	\$5.3m	10
Return	EBITDA	\$0.4m	\$0.5m	(\$0.1m)	20
Capital Expenditure	Investment into new accommodation	\$3.4m	\$1.5m	\$1.0m	10
Asset Cost	Average property cost per property	\$9.4k	\$9.5k	\$9.6k	20



## Social programs & non-commercial activities

THA provides housing services where the private rental market fails.

The communities where THA provides accommodation generally experience low rental returns, expensive maintenance costs, intermittent demand from private tenants and negligible capital growth.

Capital expenditure for new supply can be 2:1 of the market value of the completed asset hence the focus on acquisition rather than construction where possible.

THA may be required to hold residences for teachers who are newly transferred to rural and remote locations, impacting the ability for continuous occupancy of premises. Accordingly, THA experiences vacancy rates significantly higher than industry benchmarks, and are reflected in asset utilisation and rental income KPIs.

THA undertakes programs which are considered social programs as they can be non-commercial. These include:

- Engagement of local trades to deliver services provides financial support for the local community;
- Support of training and education opportunities for local aboriginal students through the capital works and refurbishment programs e.g. Bourke heating and cooling program;
- Enabling use of vacant THA accommodation by the local community for short term community activity e.g. Boggabilla residences made available at no cost to Toomelah Mission for isolation of Covid-19 patients;
- Management of 104 DoE owned school residences making them available to teachers to occupy and/or the schools for special purposes.