



Long Term Asset Planning (LTAP) / Portfolio Strategy

Overview

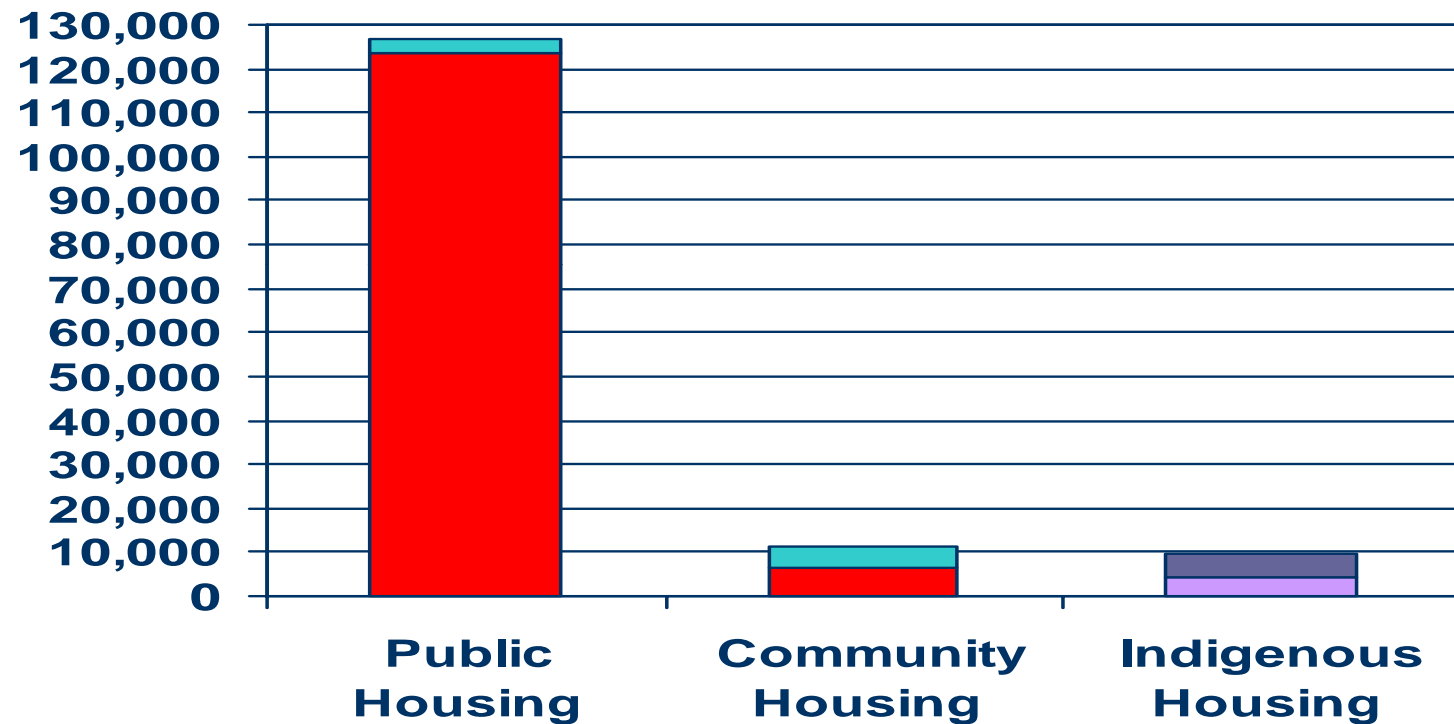
April 2009

Background

- ‘Portfolio Strategy’ adopted by the Executive on 14 June 2005 as basis for Department’s long term asset planning
- Objective is to:
 - Realign stock to match projected demand, while providing flexibility to deal with changing circumstances;
 - Improve residential amenity;
 - Promote the regeneration of estates;
 - Maximise the value of the portfolio, including unlocking value; and
 - Provide a context for cost-effective maintenance activities.
- Stock realignment objective to be pursued in conjunction with other objectives and subject to budget constraints & need to maintain current stock levels (130,000)

Initial focus on public housing, owned dwellings

Dwellings

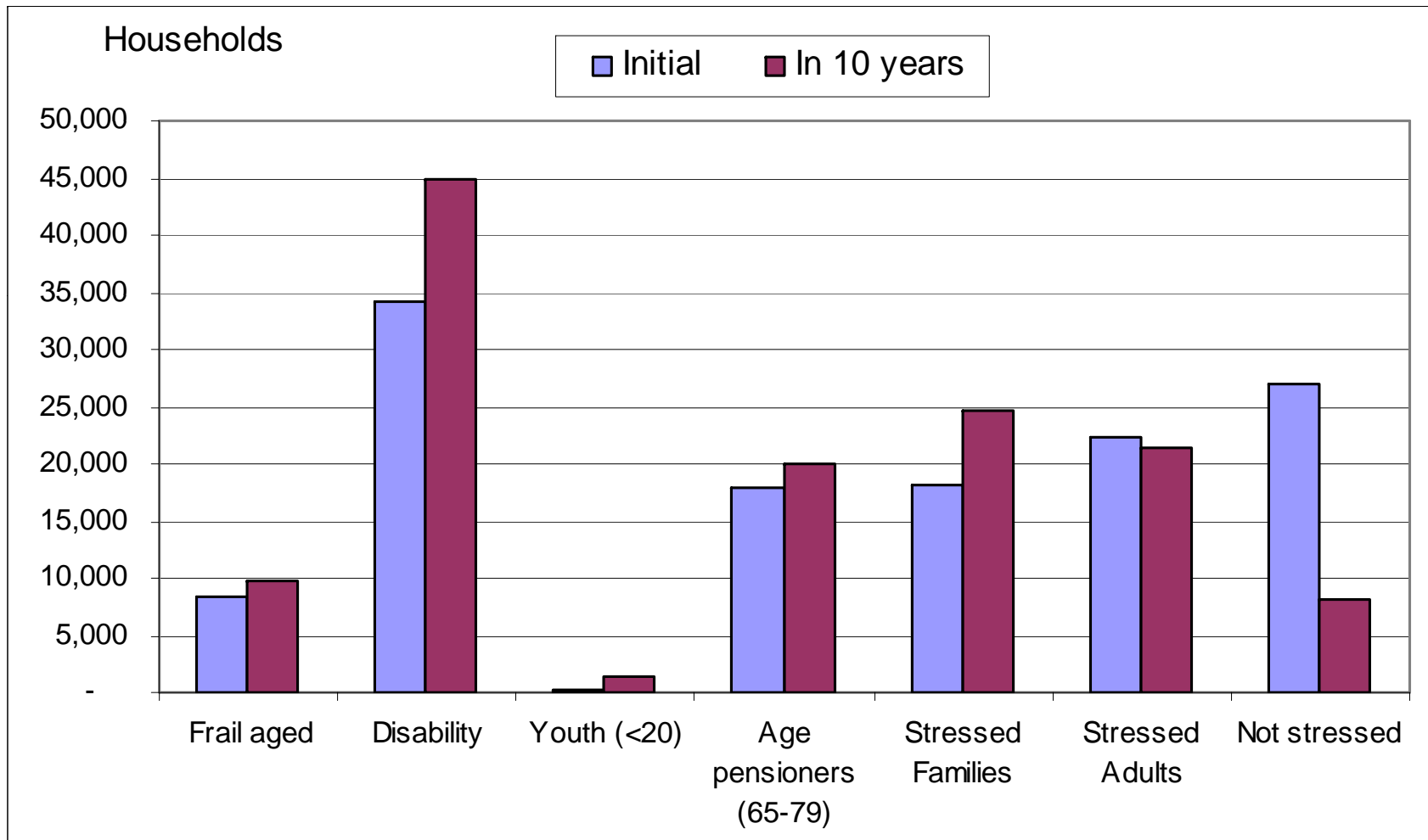


■ owned (public housing) ■ Leased ■ IHO ■ AHO

Defining the problem

- Housing NSW had:
 - insufficient 1 and 2 bedroom public housing stock to meet current and future demand (e.g. Reshaping Public Housing client groups)
 - houses in the wrong locations i.e. where demand was declining
 - some underutilisation of houses acceptable but many larger properties also not suitable for clients e.g. the elderly and people with a disability, and numbers of these clients increasing
 - need for significant renewal

Reshaping Public Housing Client Groups

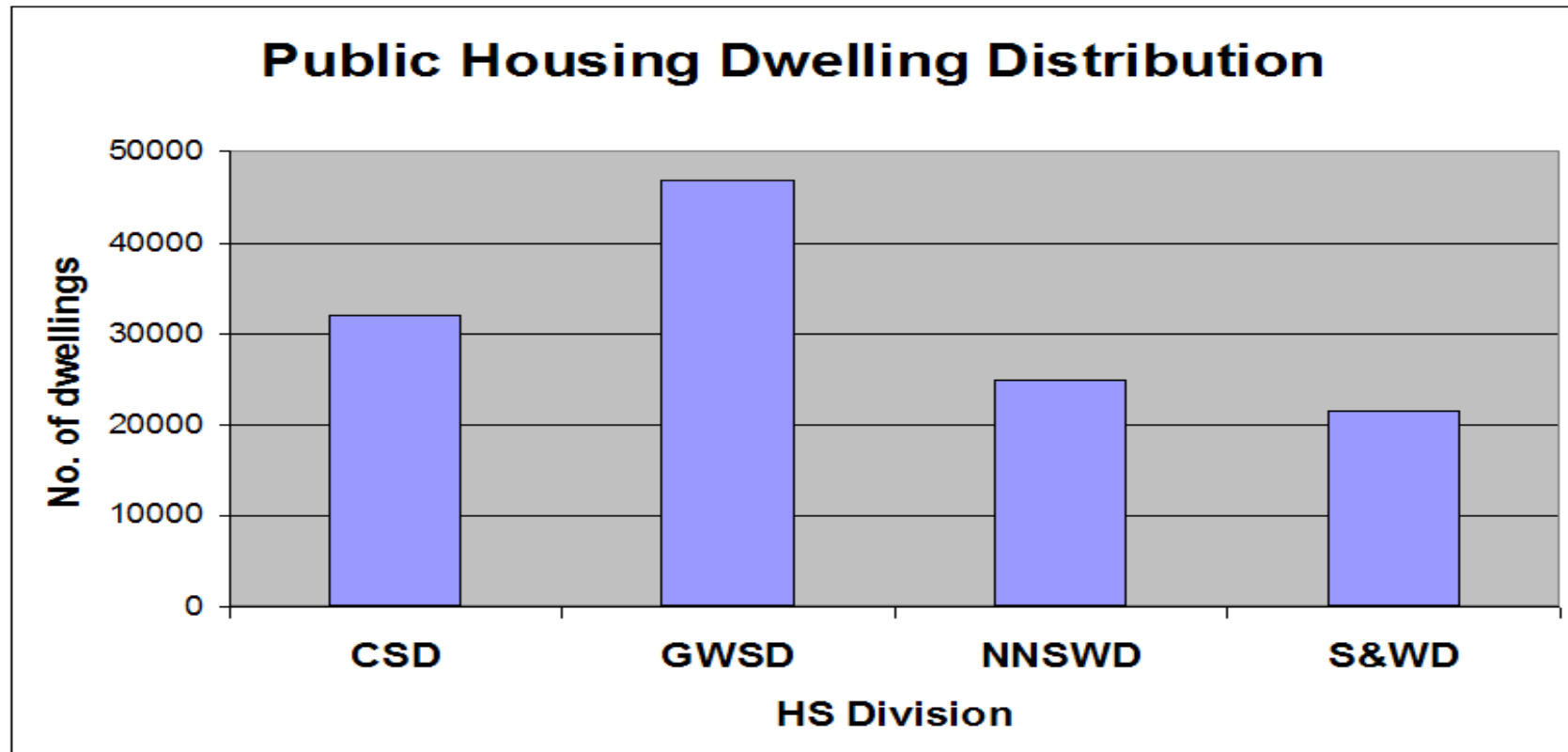


Approach to Developing the Strategy

Modelled:

- **Theoretical Demand Profile**
 - Long term projections - demand met “equally” across State
- **Adjusted Target Profile – adjustments for**
 - Housing markets analysis
 - Existing stock location
 - Overall budget constraint, value for money
 - Flexibility in meeting demand
- **Model Output** - model used to estimate
 - No. of asset activities
 - Required \$\$\$

Geographic location of stock - Initial



Adjusted Target Profile - Decision Rules

- Maintain general stock level in high demand, severely constrained housing markets - CSD
- Target portfolio growth in housing market areas where more affordable for Housing NSW
- Less realignment where existing stock can meet demand with under occupancy
- Manage demand across LGA and divisional boundaries with similar market characteristics where appropriate

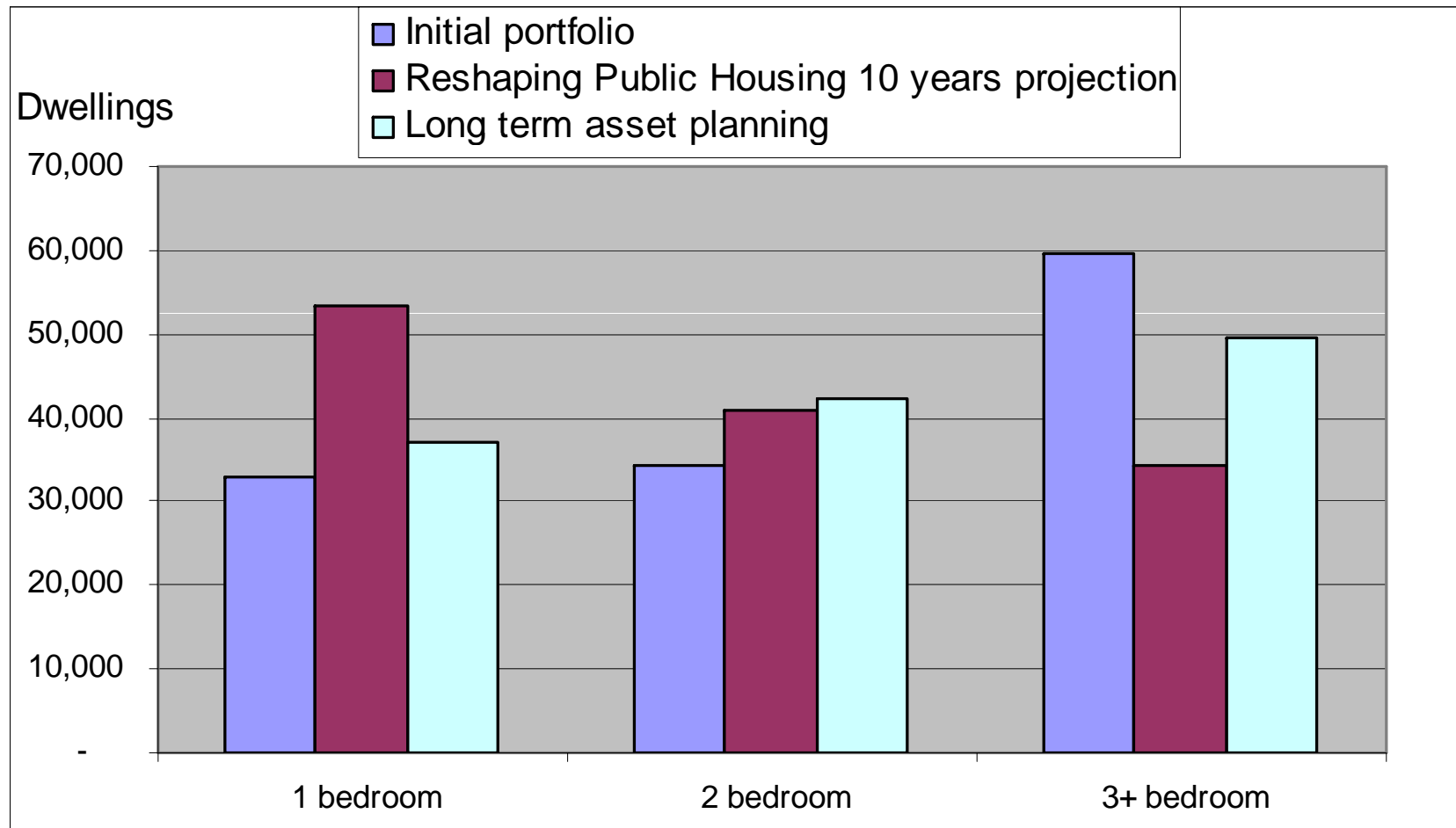
Adjusted Target Profile - Decision Rules

- Focus disposals in LGAs with high estate presence
- Realign through redevelopment of older stock in localities with better access to services, facilities, public transport
- Avoid increase in smaller non-metropolitan localities with limited access to services & facilities.
- Unlock portfolio value through sale of high value sites and replace stock elsewhere

Outcome of Modelling

- Reduce the number of dwellings in the Illawarra, Far South Coast and West of the Divide
- Increase overall stock on the Central Coast, in the Hunter and the Mid and Far North Coast
- Maintain stock numbers in Greater Western Sydney
- Increase dwellings slightly in Central Sydney
- Increase assets held close to neighbourhood and town centres and transport nodes
- Increase the number of one and two bedroom dwellings and correspondingly reduce 3 bedroom properties
- Increase 4+ bedrooms in select areas for larger households (e.g. Aboriginal and Culturally and Linguistically Diverse tenants)

Stock reconfiguration targets



Launch of Strategy

- Announced as part of Reshaping Public Housing (RPH) reforms – focus on reconfiguration of assets to meet needs of current & proposed client groups
- RPH talked about:
 - Building or acquiring 12,000 new homes using the proceeds from the sale or demolition of old outdated houses
 - Increasing the proportion of 1 and 2 BR homes to 61 percent of the portfolio (from the current 53 percent) to reflect the needs of people seeking public housing
 - Refurbishing or converting 8,000 older dwellings to reflect contemporary living requirements
 - Modifying 10,000 homes to suit the needs of people with disabilities

Process of Implementation

- First year of implementation: 2006/07
- 10 year realignment targets provided – not prescriptive but providing general direction
- Responses resulted in changes to New Supply funding and Sales targets across Divisions
- Significant work undertaken by Housing Services Divisions to translate the vision and overall strategic direction into local asset management plans (LAMPs)
- Endorsed Business plans translated RPH targets into a year by year estimate of new supply , divestment and asset change projects over 12 years (to 2017/18) based on each Division's assessment of achievable and practicable projects

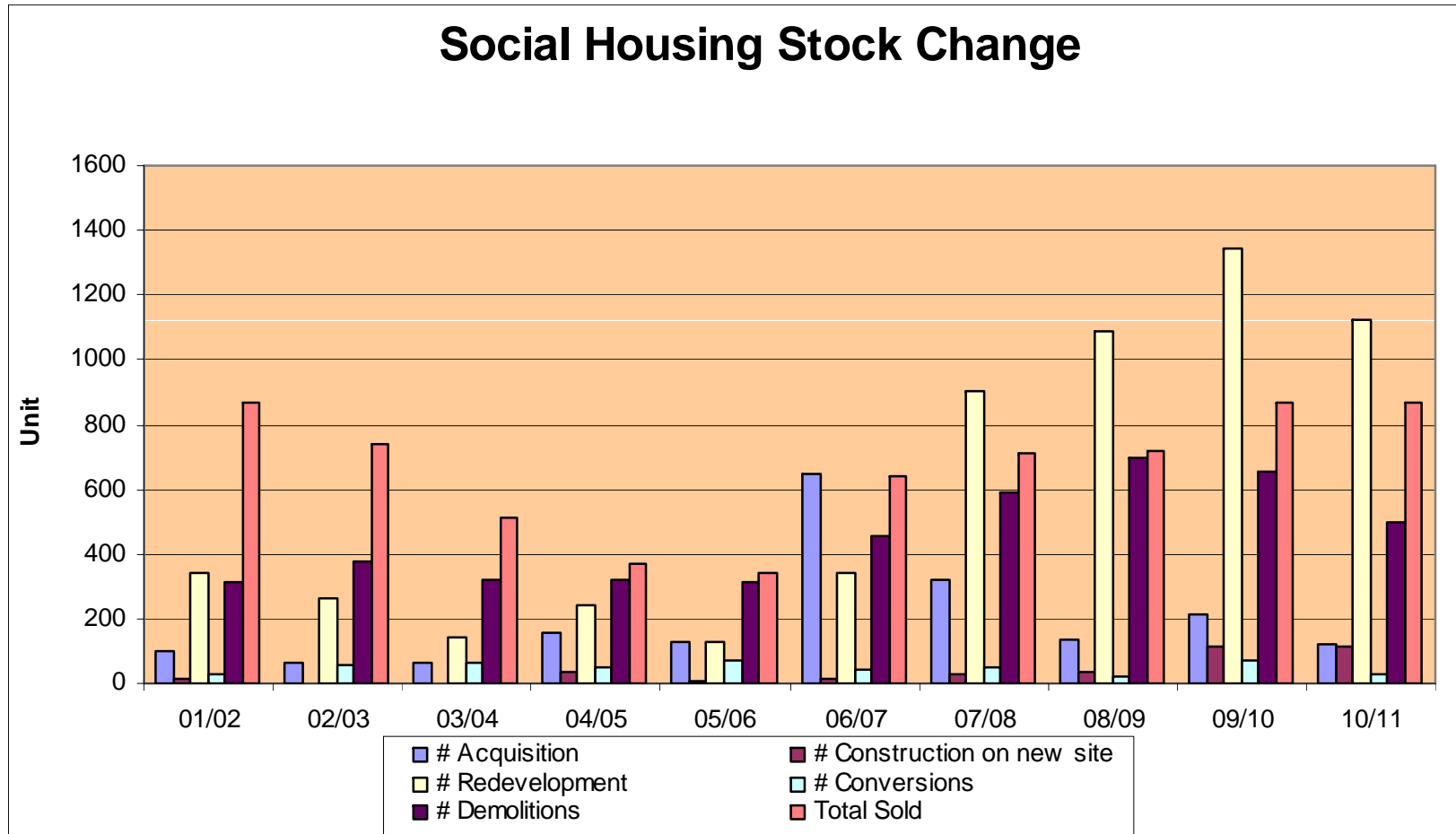
Funding for Strategy

- Initial Portfolio Strategy over period 2005-06 to 2013-14, was estimated to cost \$3.3B expenditure, to be funded from sales (\$1.9B) plus Treasury & Reshaping Public Housing reforms (\$1.4B)
- Annual Business Planning provides the mechanism for review of progress, targets and funding arrangements.
- The opportunity to amend program activities in response to external impacts (such as changing market conditions, planning reform, etc.) is an integral part of the business planning and realignment process.

Funding for Strategy *continued*

- Revised proposals from 2007-08 Business Planning round – saw activities & expenditure extended over 12 yrs to 2017-18 on the basis of \$3.8B expenditure, funded from sales (\$2.2B) plus Treasury & Reshaping Public Housing reforms (\$1.6B).
- For example, the 2008/09 program is targeting 138 acquisitions, the commencement of 1086 redevelopments, 698 demolitions and 715 sales.

Significant change in activity levels



Further iterations

- Implementation of Portfolio Strategy approach reviewed.
- Rebadged as 'Portfolio Strategy' in 2008
- Modelling revisited in 2007 to include community housing stock
- Targets set for percentage of LTAP projects to be redirected to Community Housing sector as part of Community Housing growth strategy ie '13,000 to 30,000'
- Unit costs escalated for Building Price Index – 2008/09
- To be updated for latest census data during 2008/09
- Continue to maximise the opportunities from planning reforms (LEPs, SEPPs etc.)

Key Risks

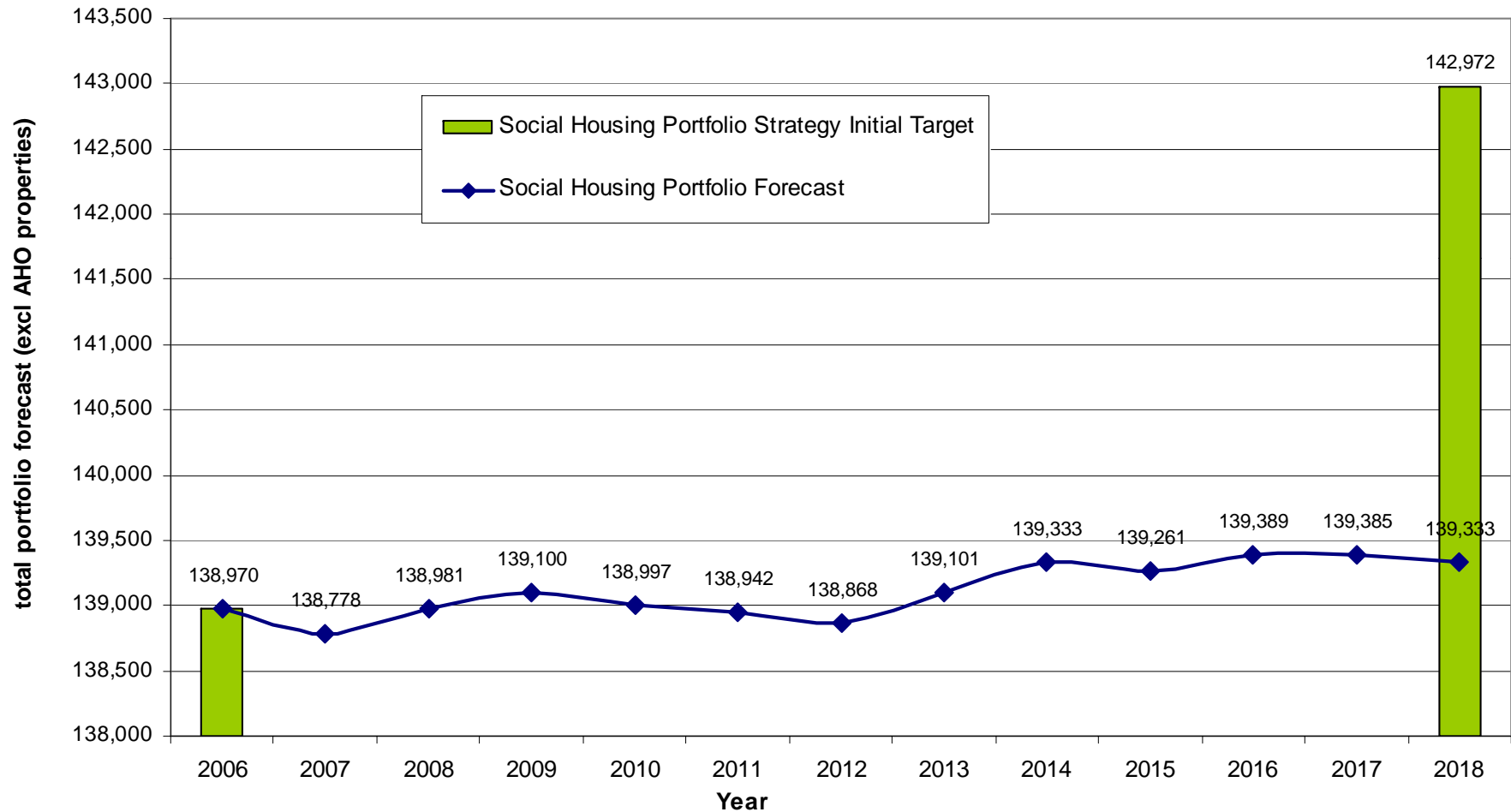
- Net funding depends on achieving Reshaping Public Housing reforms & Maintenance Reform Program (MRP) savings, sales revenue and targets and continuation of Commonwealth-State funding...
- Cost escalation and impact on unit numbers achieved
- Ability to realise value of assets in estates (30% of stock in 96% of estates).
- Funding capacity: linkages and competing priorities for reform initiatives e.g. Older Persons Strategy, Building Stronger Communities, Major Projects, Community Housing Growth and other strategic projects.
- Overall deliverability of significantly scaled up program (on average a 3-fold increase in the average number of properties to be built or acquired).

Governance arrangements

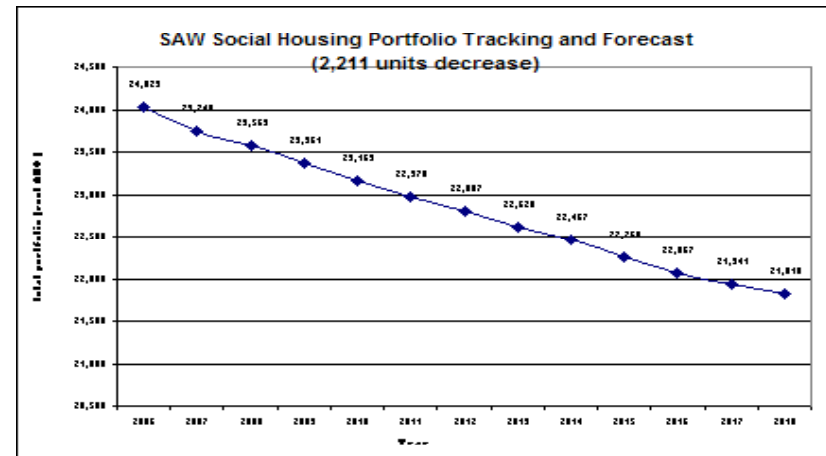
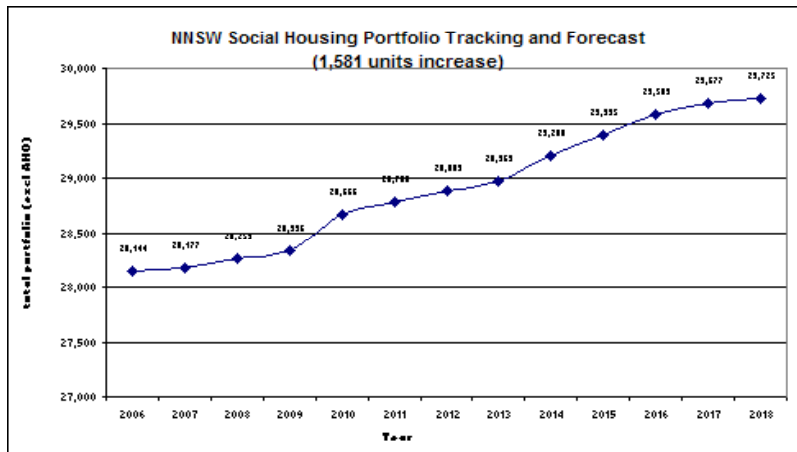
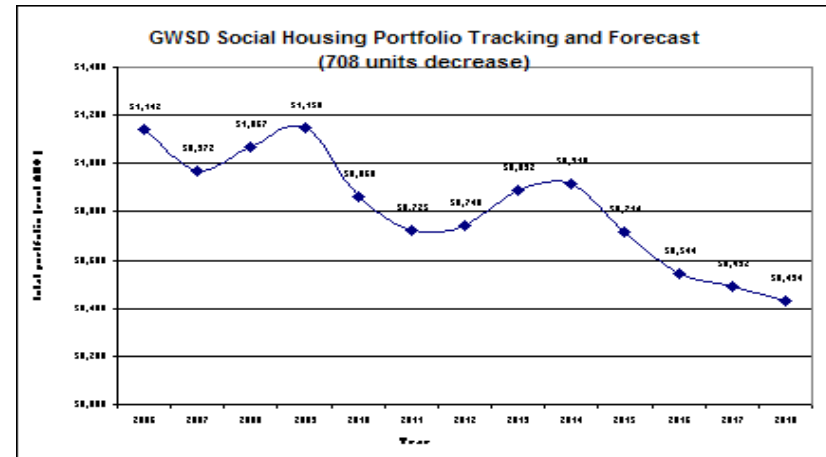
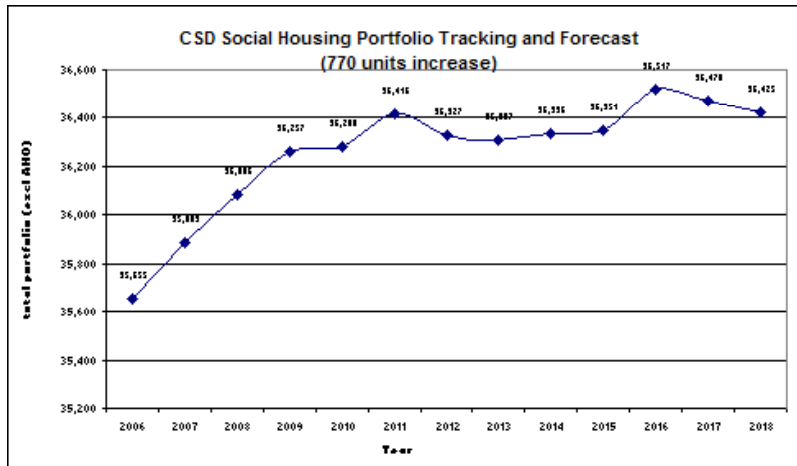
- Establishment of Asset Committee (internal) which has high level oversight of delivery against LTAP
 - Asset Strategy & Policy
 - Review of options/business cases for significant projects
- Quarterly monitoring through detailed business review process to ensure deliverability
- Annual review of Business Plans and program to revalidate assumptions and measure achievement of outputs/outcomes against overall targets

Progress of Portfolio Strategy

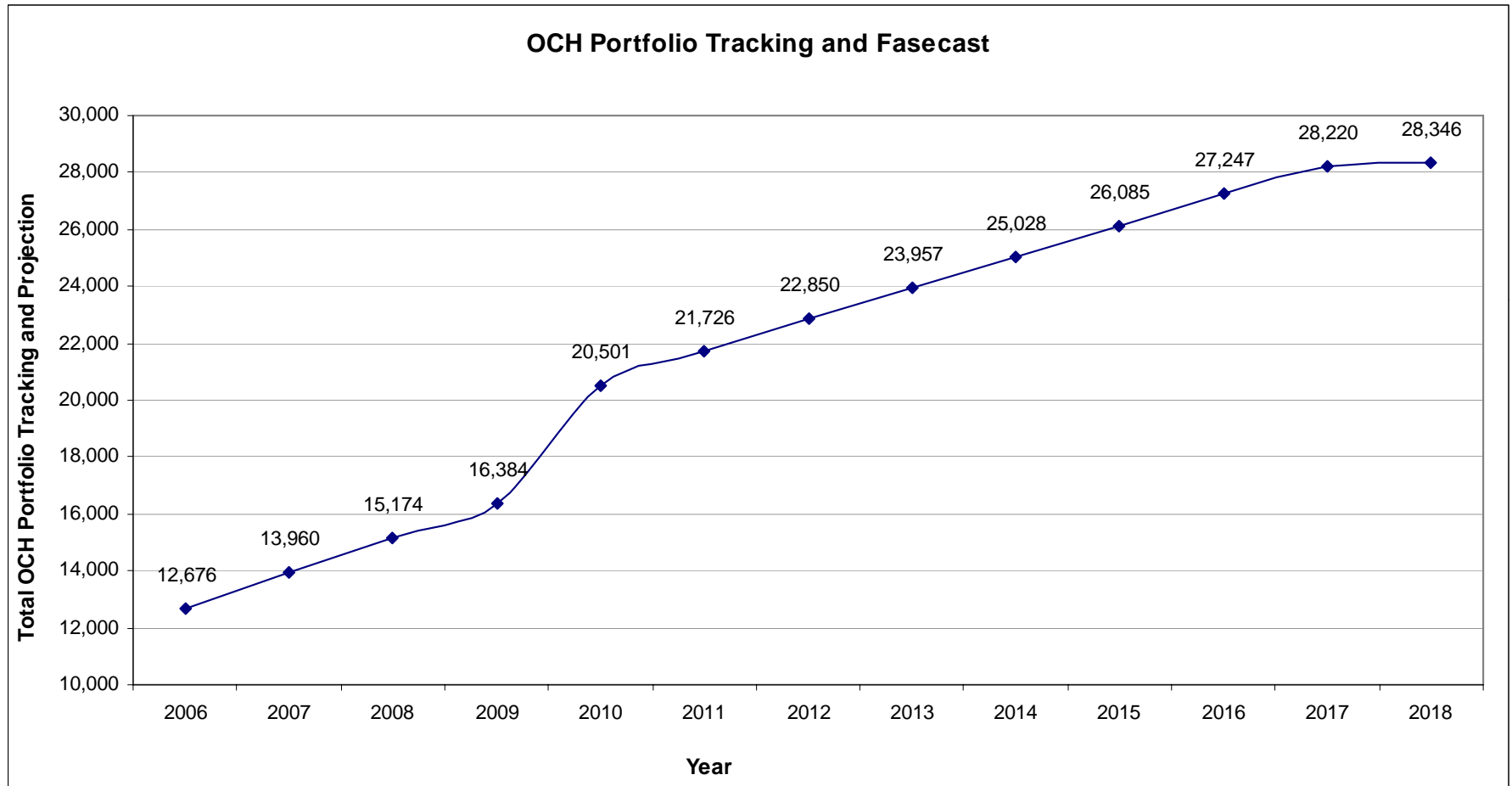
HNSW Social Housing Portfolio Tracking and Forecast



Progress of Portfolio Strategy



Progress of Portfolio Strategy



Progress of Portfolio Strategy

Social Housing Asset Renewal

Activities	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18
Redevelopment		488	639	891	1,255	1,329	1,182	1,086	851	642	848	623	591
Acquisition		724	380	356	152	118	144	166	303	407	405	268	299
Construction		23	8	56	69	28	7						
Conversion		41	136	99	41	120	39	125	78	36	99	75	32
Total renewal		1,276	1,163	1,402	1,517	1,595	1,372	1,377	1,232	1,085	1,352	966	922
HNSW Total excl AHO	138,970	138,778	138,981	139,100	138,997	138,942	138,868	139,101	139,333	139,261	139,389	139,385	139,333
Annual asset renewal rate		0.92%	0.84%	1.01%	1.09%	1.15%	0.99%	0.99%	0.88%	0.78%	0.97%	0.69%	0.66%
Accumulated asset renewal rate			1.75%	2.76%	3.85%	5.00%	5.99%	6.97%	7.85%	8.63%	9.59%	10.29%	10.95%

Input to the Stimulus Package

- The funding from NBESP will provide additional 6000 new dwellings
- Apply Portfolio Strategy principles in conjunction with the result of new housing needs projection to identify priority locations and preferred bedroom mix
- Portfolio Strategy to be reviewed once the programs for NBESP are established