

Annual Review & Report to Tenants

2015-2016



Ecclesia Housing Limited
Suite 1A, 470 Church Street, Parramatta NSW 2150
Telephone: +61 2 9890 6500 Fax: +61 2 9890 3522
Email: admin@ecclesiahousing.org.au
www.ecclesiahousing.org.au

safe secure affordable

Welcome to our 2015-16 Report

2015-16 was the final year of our intensive maintenance program. Our aim was to ensure that our property maintenance and maintenance systems were strengthened to support our strategy for growth.

Ecclesia Housing Limited was founded by the NSW Ecumenical Council in 2002. Ecclesia Housing began to take over tenancy and property management services when Churches Housing focussed on peak housing responsibilities.

We house and employ people of all faiths and of none.

Today, Ecclesia Housing has over 400 tenancies and our properties are across Sydney, the NSW Central Coast, and Newcastle.



Ecclesia Housing's Mission is:

"To respond to God's call to serve the poor and disadvantaged by providing an increasing number of safe, secure and affordable accommodation"

Our Vision

We act on Christ's call to help people who are disadvantaged. We deliver innovative and sustainable housing services that are recognized by the community as a model of excellence and compassion.

Our Core Values

Our belief is in a loving God who came to earth in Jesus Christ to share our humanity and give an example of the potential for a full human life. Ecclesia Housing constantly seeks new ways of engagement in realizing this belief through practical expressions of concern for others. Ecclesia Housing is committed to:

- Improving living standards of those on the margin of society.
- Calling its members and wider society to advocacy for justice.
- Working in partnership with governments and the community to meet agreed social objectives and improve the fabric of society.

During the last year, we have:

- + Finalised the construction of 19 dwellings at Wadalba & rented all properties with a mix of social and affordable tenants. Commenced Stepping Stone, a project to assist tenants to live in private market housing over the medium term
- + Completed our maintenance backlog work & implemented new procedures to ensure that future maintenance expenditure and plans are adequately controlled
- + Commenced the introduction of an integrated system of property, tenancy, and risk management.
- + Completed a standard, externally-conducted tenant satisfaction survey that will enable future benchmarking. Identified program differences in range of areas of tenant satisfaction results.

Highlights of the Year



We managed a significant turnover in tenancies over the year due to our transitional program weighting:

- ❖ We housed 149 new tenants – 37% of our tenancies.
- ❖ 102 tenants successfully exited our dwellings – equal to 25% of tenancies
- ❖ During the year, we are proud to have tenanted a total of 459 tenants.

We completed our major new development of 19 affordable and social housing properties at Wadalba, on the NSW Central Coast.

We re-negotiated our finance loans and achieved significant savings.

We implemented new integrated software that will facilitate our decision making and assist us to grow our housing stock.

Our Stepping Stone project, in conjunction with MyVoice P/L, was commenced at Wadalba to assist tenants to take up private market housing over the medium term. Ecclesia funds this project to increase tenant outcomes and ensure that current properties can be used by new waiting list tenants.

Major property maintenance – including planned and cyclical work – totalled over \$1m; more that 50% of our expenditure in the year. Ecclesia will reap the benefit of this investment in the years to come.

Chairperson's Report



In the past year, we have become a stronger organisation, one that is increasingly responsive to our tenants, and where we are increasingly working with other organisations that share our values and commitment.

The Board was strengthened by adding skills through new appointments, and continuing reflective training regularly through the year. Our Company strategy is now more directly focussed on growth of our tenancy management services and unencumbered assets. The Board has sought feedback from tenants and met directly with tenants of our Wadalba project. Their feedback helps us provide better service and we will continue to seek feedback going forward.

Our strategy has been refined. Our purpose is to act on God's call to serve the poor and disadvantaged. Consequently, our strategy targets three main areas.

1. Offsetting the higher costs of working with transitional tenants – tenants who are among the most disadvantaged in our community - through increasing management of profitable tenancies and properties.
2. Exploring ways of providing suitable long-term housing for people with a disability.
3. Working jointly with other organisations who can provide additional assistance to tenants so they can achieve improved outcomes in their lives.

Our new directors bring a broad range of experience including finance, risk management, and strategic planning. This experience enhances our ability to take on the challenges that we will face in the coming months with the proposed property management transfers and the significantly increasing demand for community housing. The Directors regularly evaluate performance and undertake training to ensure that they remain up to date on the major factors that influence strategy and achievement of outcomes.

The Board approved significant expenditure over the year to increase our infrastructure and staff resources so that Ecclesia is able to better achieve our purpose and to prepare ourselves for future growth. These changes are beginning to bear fruit.

I would like to thank Phill and his team, as well as the Board, for their commitment and service over the last year.

Chief Executive Officer's Report



Operations

Ecclesia Housing has finished a year of high maintenance. We have been through several years where it has been necessary to undertake catch-up maintenance work. This has occurred because maintenance reviews in years gone by were not as complete as necessary to identify all the areas of significant maintenance. In addition, the implementation of Going Home Staying Home had unintended consequences that resulted in many instances of significant tenant damage.

I am happy that we now have in place thorough systems to ensure that maintenance is completed in a timely manner and that major problems that might have required expensive repairs will now be identified early and so prevent excessive damage.

We are now working with a few contractors – our key all-trades contractor, Allmarque, have been on this journey with us over the past 2 years and we are pleased to be working with them in a way that is significantly, and rapidly, increasing the speed and quality of maintenance. We are also working with several specialist companies to ensure fire safety & other regulatory inspections are completed on time.

All this has now enabled us to put into place KPIs that demonstrate the level of maintenance performance as well as enabling Ecclesia to raise the standard of our response times. We have, for example, implemented FACS benchmarks of 4 hours, 1 day, 2 days, and 20 days for responsive maintenance. In addition, we will this year be able to notify tenants about planned maintenance projects for the coming Quarters as well as likely projects over a rolling 3-year period.

Integrated Services

We are progressively integrating our information to improve risk management and the speed and quality of decision-making. A key component of this is our integrated software system that we commenced in October 2015. The implementation of this backbone has been unsatisfactory and it has significantly delayed basic information such as financial reports, compliance reports, and tenant assessments. Just as importantly we have not been able to yet integrate the information system with other sources such as tenant satisfaction data, contract prices, and inspection reports – all key information that must be integrated to improve our services.

While we are slowly working with the vendors towards fixing the numerous problems with the software, we are also considering alternatives in case the fixes are neither sufficient nor timely for our requirements.

In addition, we implemented a portfolio model of tenancy and property management. This model requires individual client service officers to be responsible for all aspects of a property and its associated tenancies. We believe that this model will bring significant improvements to our services but it nevertheless requires a higher level of information integration as well as high levels of staff skills and organisation support services. The

Chief Executive Officer's Report Continued...

depressed level of performance of our backbone software system has impeded the success of our portfolio model. However, we are confident that as the software improves we will see exponential improvements in our services.

Wadalba

We are very proud of our first development – 19 townhouses at Wadalba on the NSW Central Coast. This \$6m project was finalised in November 2015. Along the way, we had to deal with the delays caused by weather, lack of suitable trades persons in the area, Council decisions that, while known at commencement, proved to be problems in implementation. The two sites were progressively completed in the weeks before Christmas 2015. We tenanted half of the properties in the two weeks before Christmas, and the remaining units were all tenanted by early March 2016. Nine of the dwellings are allocated to applicants from NSW FACS Pathways/HOMES. The other 10 dwellings were advertised and applicants went through a rigorous screening process before selection. All the tenants have been invited to participate in a special project, Stepping Stone, that will assist tenants to take up safe and resilient private market housing over the medium term – 5 years.



Wadalba is a significant project for us. It is an opportunity to implement our Christian values through a development in a region of significant need and in a location that normalises the dwellings with nearby schools, community facilities, transport, and a local neighbourhood. In addition, we can work with our tenants in a way that reflects our values and assists them to have a better life for themselves and their children.

Our Wadalba project could not have been achieved without our dedicated Board, the directors closely involved in the construction, and our financiers – Uniting Financial Services, NSW FACS, and Commonwealth Department of Social Security.

Tenants

This year we completed an external survey of tenant satisfaction. We worked with NSW Federation of Housing Associations to survey our tenants. In previous years, we conducted our own survey using our own questions. However, we recognise the need to benchmark our services so using the Federation survey provided an opportunity to use a survey that has been used by other community housing providers and to compare ourselves.

Our survey highlighted significantly different results for the tenants in our different programs. The results for our affordable housing and general housing programs showed results similar to other CHPs. We have room for improvement with these tenants in the areas of satisfaction with maintenance and engagement.

However, results from our transitional programs, where we have little involvement with our tenants because they work with their service providers, show significantly lower results across all areas. We are still assessing the implications of these findings but we clearly need improved communication with these tenants.

Chief Executive Officer's Report Continued...

Strategy

Our strategy is to achieve sufficient growth in property numbers that will enable us to cover the costs of managing transitional accommodation as well as develop new dwellings to meet the growing need in our community.

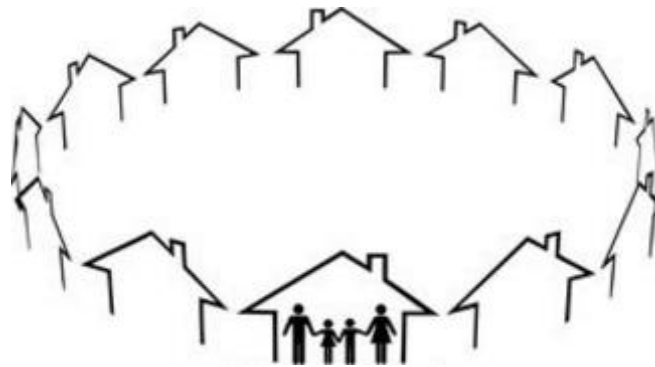


Our transitional program operates at a financial loss due to the low rents that we receive, the higher maintenance costs incurred by the program, and the higher vacancies which caused loss of income. However, we are committed to working with our communities' most disadvantaged so we are seeking additional general housing properties where the surplus that they generate can be used to offset the losses. Our recent modelling indicated that we need between 150-200 additional general housing properties to cover the operational loss of our currently managed transitional dwellings.

Our other strategy is to expand our portfolio of owned properties. These would be again used for our communities' most disadvantaged clients. We are currently assessing the opportunities provided by the National Disability Insurance Scheme that could enable us to purchase properties that are designed to be accessible for adults with major handicapping conditions.

In each of these areas we will be assessing the best opportunities and how we can achieve them. We will certainly be working cooperatively with other organisations and joint ventures are likely.

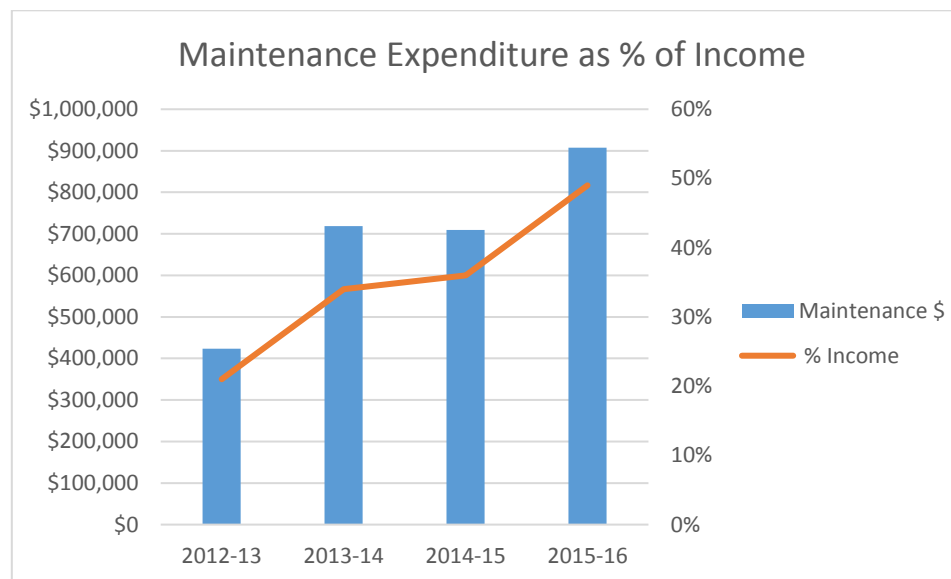
On behalf of the staff, I would like to sincerely thank the Board for its support and direction over the year.



Finance & Audit Committee Chair Report



The financial results for the year resulted in a loss of \$439K which was a disappointing outcome for the organisation. While Ecclesia was able to increase its revenue during the year through the addition of new rental streams arising from the Wadalba development, unfortunately this was offset by significant unforeseen maintenance, including some one off large items, resulting from historical arrangements. As a result cashflow was adversely impacted during the year, and the Board and Finance and Audit Committee, together with management monitored this closely.



During the year significant changes were made to the financial systems to implement a single system to integrate operations and finance to increase the robustness and efficiency of our financial information and operational metrics. Unfortunately, the implementation process was not as smooth as we would have liked, and while we have made good progress towards fully integrating finance and operations we continue to work hard with the software provider to resolve some outstanding concerns. We have also made changes to our senior management structure during the year, with the addition of an Operations Manager, who is tasked with carefully focusing and directing Ecclesia’s maintenance spend to avoid unforeseen expenses as occurred in this financial year, as well as the appointment of a more senior finance resource - a Financial Controller for the first time. We are confident that these senior appointments will assist Ecclesia in delivering on its organisational strategy moving forward.

I would like to thank the Directors on the Committee for their contribution over the year, as well as senior Management and the Finance Team who have worked hard on implementing the new software system.

Our Wadalba Development & Stepping Stone

Our new housing development at Wadalba on the NSW Central Coast was completed in late 2015. The development was completed with assistance from the NSW Department of Family & Community Services, the Commonwealth Department of Social Security, and Uniting Financial Services, part of the Uniting Church (NSW) Trust Association Ltd, which provided loan funds.

Our development is adjacent to the local community school, shops, public transport, and employment.

Our Stepping Stone Project

Commencing December 2015, Ecclesia Housing offered tenancies to applicants who met social or affordable rental housing criteria. We engaged MyVoice Pty Ltd to work with our tenants over the year. Our aim is to assist tenants to achieve financial security to enable them to move into private market housing over the medium term of about 5 years. MyVoice works with the tenants to assist them to develop business plans and or improved education outcomes. In working towards this, many tenants have first needed to work on personal and skill-based activities



1. Tenants' participation

So far, 12 of the 19 tenants and their families have participated.

- 10 are single female parents.
- 7 families have children below the age of 5.
- 5 families have children with significant learning or complex health conditions and two families experience significant health issues for both the child and the parent.
- 7 families have mothers between the ages of 18 – 25.
- At least 5 mothers are survivors of domestic violence.
- All of the male parents are employed on a full-time basis.

2. Goals and aspirations

For all tenants, except for one, the main goal is home ownership to enable stability of life for the family. Other goals relate to employment.

- 5 single parents (women) are participating in study or commencing study next year. Study is viewed as a step towards financial independence.

Our Wadalba Development & Stepping Stone

- 4 single parents (females) have well developed small business plans that are the result of at least 2 years of work.

3. Barriers to achieving goals and aspirations

Because of the profile of the tenants some of the key barriers to community, social and work participation are:

- Lack of flexible access to childcare while studying or undertaking part time work for all of the single mothers.
- The need to access a wide range of health professionals (cost and access issues).
- Lack of access to flexible part time work.
- Lack of access to reliably working computers, internet and phone.
- Involvement in court cases, police investigations. General fear and concern for health and wellbeing of children.
- Lack of investment capital for marketing material.

4. Small Business Concepts

There are four single parents (women) who have well developed small business plans. Three are Aboriginal. Business concepts include:

- An online clothing shop for toddlers. One tenant currently makes the clothes to order and has clients in several states. Her business requires a small investment to further develop her website.
- Indigenous dance studio. Another tenant has a clear staged strategy to open her own dance studio in rural NSW. Her business requires a small investment in a website and marketing material as well as business mentoring to negotiate a lease and start-up funding on her return to her home town.
- Indigenous funeral services. This tenant already has the relevant qualifications and work experience. She has a very well developed business plan in an area of extraordinary need. She requires start-up capital and targeted business mentoring. She is also working on the establishment of a group for indigenous people who are grieving and wish to be supported by traditional ceremonies and approaches.
- Community food bank and community garden. This tenant has a strong commitment to community development and is working to establish a Community food bank and a community garden. She requires support and mentoring.

Ecclesia Housing is working to find sources of capital to assist these and other tenants in the commencement phases of their business. We are working on strategies to extend this successful program to a wider number of general housing tenants.

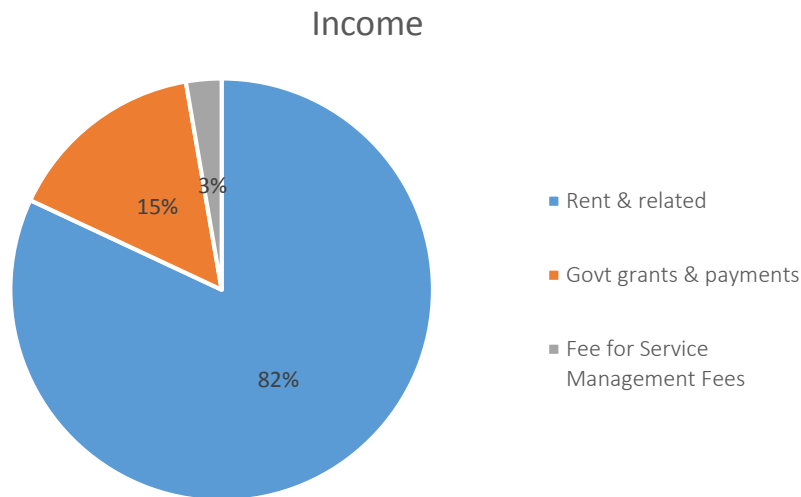


Our Finances

Ecclesia Housing is a not for profit charity and all our resources are invested in housing or used to provide services to our tenants.

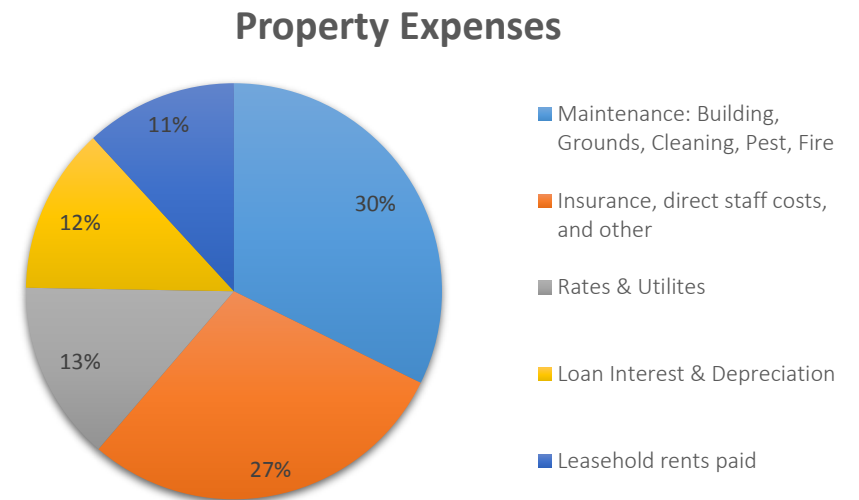
We seek to strengthen our asset base and our business plan is to respond to the many challenges facing us and the Community Housing sector.

Where did our funds come from?



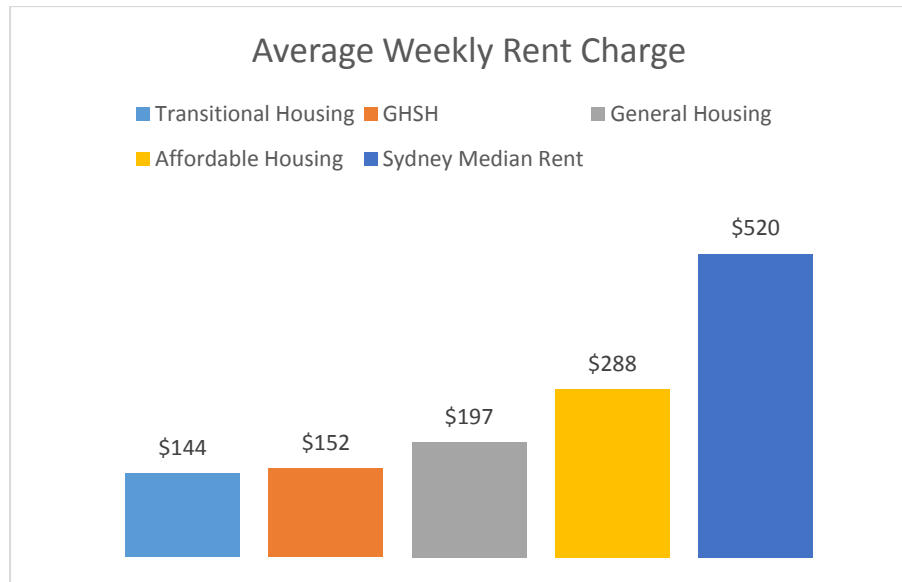
Where did we spend our funds?

We spent 95% of our income on Property Expenses



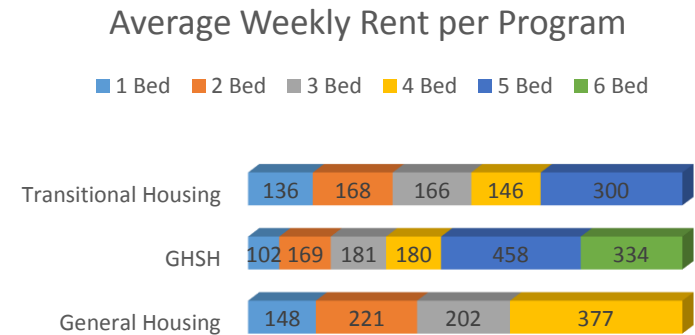
Operations & Value for Money

Our average rent charge is \$167 per week – The median market rent in greater Sydney, all dwellings, is \$520 per week. For each of the programs that we operate:

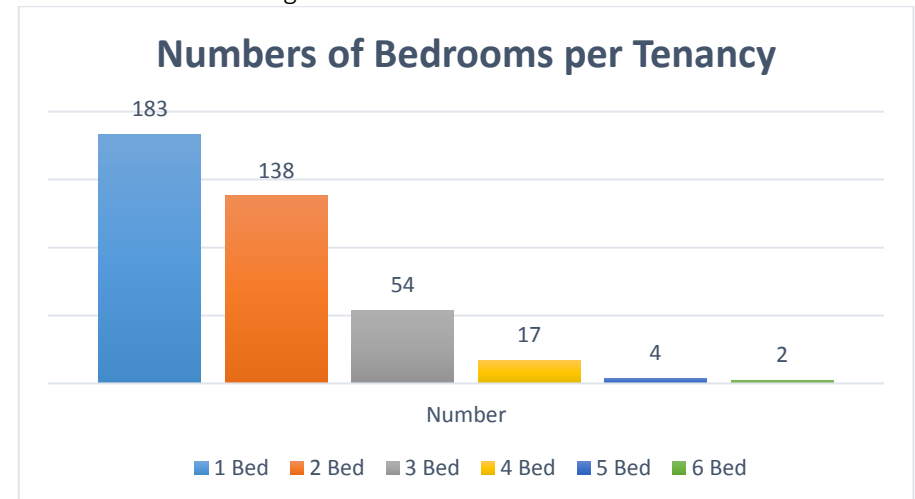


Ecclesia Housing is seeking to offset these low rent charges by undertaking additional fee-for-service property management.

Our properties are a mix of sizes. The rents for these properties also vary significantly regardless of the size of the property:



Most of Ecclesia Housing's tenancies are 1 and 2 bedrooms:

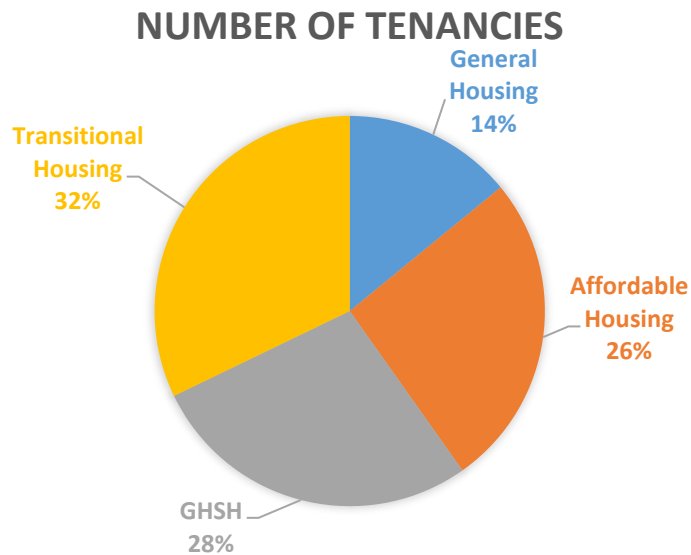


46% of our tenancies are for 1 bedroom accommodation and this is associated with weekly rental charges in our lowest categories. 35% of our

Operations & Value for Money continued.....

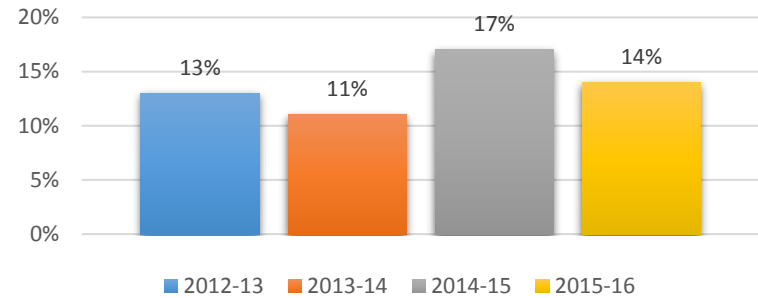
tenancies are in 2 bedroom properties. Together, over 80% of our tenancies are in our lowest rent categories.

Our program profile is substantially transitional housing: 28% of properties are part of the Going Home Staying Home program and 32% are allocated to service providers who nominate tenants for 12 month programs with possible extensions to 18 months. Only 40% of our properties are allocated for long term general and affordable housing.



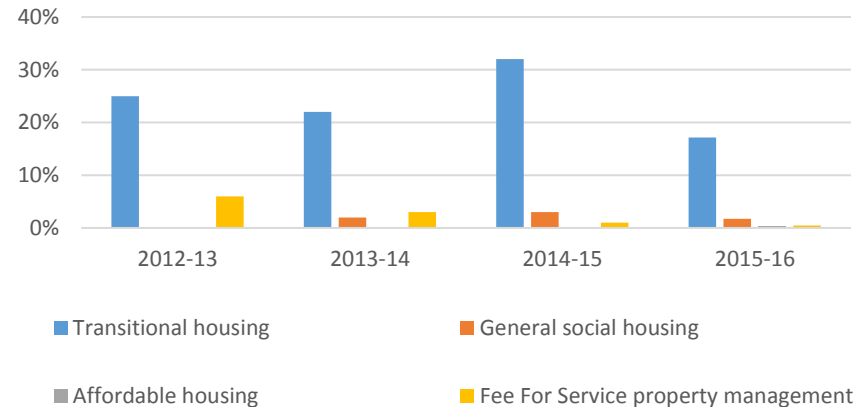
Transitional accommodation is associated with higher than benchmark vacancies. In the years prior to 2014-15, Ecclesia's overall vacancies averaged approximately 11%. However, with the implementation of Going Home Staying Home, vacancies soared to 17% overall. In 2015-16, overall vacancies have reduced but still have not returned to, or improved upon, the long-term average.

Vacant Days in Year as % of Total Rentable Days



However, a breakdown of the vacancy rates by program shows that over the years, properties where Ecclesia Housing selects tenants from Pathways/HOMES has resulted in lower than benchmark vacancy rates. The bulk of vacancies are in the transitional program.

Vacancy Rates per Program 2012-2016



Ecclesia Housing is seeking additional general housing properties to offset the high vacancies and low rents that are part of the transitional program.

Who We Are

Ecclesia Housing is governed by a Board of Directors. All Directors are voluntary, non-executive and have been selected for their expertise and commitment to our Christian values-in-action.

Michael Anderson *BEc, FIAA, Grad Dip (Christian Studies), MAICD Chair.* Michael had a 27-year career at AMP Capital Investors where he held a range of senior investment and general management roles. He was the leader of Australia's largest Sustainable Investment Fund from inception and a spokesperson on Corporate Governance. He is an ongoing member of various AMP Capital investment committees and is a director of Uniting Financial Services and Morling College Foundation.

Peter Bentley - *MPS (First Class Hons), Dip (Superannuation), GAICD, AFin* Peter's professional experience includes strategy and policy development in government and the private sector. Peter has worked as a Federal Government policy director specialising in housing, infrastructure and government services delivery. He founded the McKell Institute, an independent public policy institute, and served as its Executive Director. Peter is also director of Club Plus Super and the McKell Institute.

Tony Carpani *B Eng. (Sydney Uni) FAICD.* Tony has an extensive background in senior management positions both here in Australia and in the United States as Vice President of a US based multinational company, Wabtec Corp. Since retiring from full time employment he has formed his own consultancy firm focusing on business management, company mergers and acquisitions. During his 13 years with Wabtec Corp, Tony managed a global rail manufacturing division of engineered components for rolling stock located in 6 countries. He was a member of several international boards.

Stuart Green *BE(Hons), Grad Dip Business Admin, CPEng, FIEAust* Stuart has had a career in urban development since 1984 delivering some key development sites for some of Australia's largest corporate developers. He has also worked as a senior manager in local government in development roles and is currently a consultant delivering large urban precincts for UrbanGrowth NSW and other corporate developers.

Myree Harris *OAM rsj BA (Macq), MPS (Loyola), GradDip (Religious Studies) (ACU)* Myree is a sister of the congregation of the Sisters of St Joseph of the Sacred Heart (the Josephites) and has been a member of the EHL board since 1998. She is community leader and public officer of Gethsemane Community Inc, Chair of the Australian Catholic Disability Council, and Co-founder and convenor of CASA: Coalition for Appropriate Supported Accommodation for people with disabilities in NSW.

John K. Martin *B.Eng. GAICD* John has held a variety of technical IT and senior management roles for over 25 years in a large Australian corporation. Over the last 10 years, John has been assisting congregations with mission, property & business planning. John also has served on several not-for-profit boards of Christian organisations. He is currently working as a part-time Property Development Manager for Uniting, as well as providing consulting assignments across the Uniting Church and in the not for profit sector. John is an active member of a number of Uniting Church in Australia Synod and Presbytery property, finance and business committees.

David Schwarz David is an experienced non-executive director and governance expert. He began his career at the Department of Housing in the early 90's and then moved into executive search in London where he placed executives and board member candidates into some of the largest not for profit housing and regeneration organisations in the UK. He was the Deputy Chair of United Residents Housing Association in London and was the Chair of the Performance Sub-Committee. On returning from the UK he worked at the Australian Institute of Company Directors and currently runs his own governance and board recruitment company: Board Direction. David has a Masters in Housing and a Bachelor of Social Science.

Zara Tai *B.Urb Reg Plan (UNE), Cert IV Project Management (UNE)* Zara has worked as a town planner in development assessment, compliance and strategic planning for over 20 years in Sydney and regional NSW. She is now a strategic planner at Blacktown City Council. Her work focuses on precinct planning in the release areas in Blacktown. Zara was on property related advisory boards in the Diocese of Parramatta for around 10 years. She was also on the National Council of Australian Catholic Women.

Natasha Thompson *B.Com, CA, MAICD* Natasha is an executive in the private sector and has worked in senior finance, governance and risk management roles for some of Australia's leading listed companies. Natasha is currently Head of Group Risk, Compliance and Insurance at AGL Energy Limited. Natasha is a Chartered Accountant, holds a Graduate Diploma in Applied Finance and Investment, is a Member of AICD and is currently completing a Bachelor of Theology. Natasha is passionate about seeing not for profit entities both in Australia and abroad operate sustainably to meet the needs of vulnerable people and to provide solutions to assist them to meet their full potential.

Andrew Watson *B.Bus, FCPA, FFin* In the last ten years Andrew has had a career as a senior executive within the community based Not For Profit Sector. Initially as CFO of Wesley Mission and more recently as Executive Director Enterprise and Corporate at CatholicCare. In these roles he has guided these organisations into a sustainable financial position with a strong focus on robust infrastructure and technology to support the needs of the clients these organisations serve. He has overseen the effective delivery of client services within the areas of employment, disability support, vocational training and mental health. He was recently appointed as CFO of a Disability Service Organisation. Prior to these roles he held senior executive positions in commercial enterprises across the technology, media, financial services and member services sectors. He is currently a member of the Dunlea Board in support of young people and their education

Financials

Our financial report 2015-16 is being amended due to changes introduced by the adoption of AASB140 Investment Properties. Please see our 2016-17 report for the amended accounts.