


Part 3

Sector Performance (Non- financial)

Annual Report 2020-2021



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About this document

This Report provides an overview of the performance (non-financial) of the community housing sector.

This is the third part of a series of reports to be issued for the NRSCH reporting period 2020-2021. The Annual Overview has been delivered in four discrete parts progressively with the final part due to be released in November.

Part 1 NRSCH Overview

Published August 2021

Part 2 Regulator Performance Report

Published September 2021

Part 3 Sector Performance – Non-financials

Published October 2021

Part 4 Sector Performance – Financial

Scheduled for November 2021

Please note the schedule for the release of documents may be subject to change as a result of disruptions to business operations during COVID restrictions.

Scope of this report

This report provides data and analysis for participating NRSCH jurisdictions only. The data contained in the report is provided by registered community housing providers as part of their scheduled assessment to demonstrate their compliance with the National Regulatory Code.

All non-financial data reported is data held as at 30 June 2020 unless otherwise specified or unless comparisons with previous years have been made. It should be noted that whilst all data in this report is the most recent information held by the NRSCH its currency may date back to June 2019.

In this report, **Part 3 – Sector Performance – Non-Financials** non-financial performance measures are presented. The report firstly provides performance data for Tier 1 and Tier 2 providers and then Tier 3 providers.

To learn more about the status of the NRSCH in a particular state or territory, as well as local policies and news please visit https://www.nrsch.gov.au/states_and_territories/jurisdiction-policy

For further information about the Regulatory Framework and how Registrars deliver their functions under the NRSCH please visit <https://www.nrsch.gov.au/publications/nrsch-framework>.

Sector Performance Overview

The National Regulatory Code (NRC) requires registered providers to be well-governed, financially viable and to perform in compliance with standards to deliver quality housing services.

Once registered, providers must undergo a compliance assessment on a regular basis. This assessment seeks to ensure compliance with the NRC and constitutes the minimum level of oversight that will be applied. The frequency of assessment will depend on the provider's tier.

Performance Requirements

The NRC sets out the performance requirements that registered providers must comply with in providing community housing under the National Law. It does not prescribe how providers should run their business but rather focuses on the achievement of outcomes in the following areas:

1. Tenant and housing services
2. Housing assets
3. Community engagement
4. Governance
5. Probity
6. Management
7. Financial viability

During the reporting period 153 standard compliance assessments were completed. This figure excludes the compliance assessment of 20 providers currently participating in the NSW Tier 3 Market Segmentation pilot. These providers were excluded to achieve uniformity in reporting and due to the variance in methodology associated with the assessment.

Table 1: Compliance assessments completed by Tier 2020-2021

Tier of registration	No. of assessments
Tier 1	29
Tier 2	24
Tier 3	90
Total	153

In providing metric data, only the latest standard assessment in the financial year 2020-2021 has been included.

The data that follows, where possible, compares performance between Tier 1 and Tier 2 CHPs, and plots each assessed provider so that the reader can identify highest, lowest and median performance.

This year, Tier 3 providers have been reported separately from Tier 1 and Tier 2 providers. This is because some of the key metrics used to measure performance do not provide a meaningful picture when applied to Tier 3 CHPs because of their diversity and size.

Where satisfaction measures are indicated, the sector wide threshold is shown. The threshold is not a benchmark. It does not reflect good or bad performance. The threshold rather is a measure adopted by Registrars to elicit a response from providers.

Continuous improvement of data

The data contained in this report is provided by registered providers through the Community Housing Regulatory Information System (CHRIS). The NRSCH regulatory approach relies on registered providers to self-report accurate and up to date data, therefore reporting is limited to only information which a provider has entered into CHRIS.

Registrars are committed to advancing improvements in data integrity. One approach to improving self-reported data is providing better guidance to providers.

This year, Registrars issued guidance to clarify when a repair was deemed complete in response to anecdotal evidence that suggested a small number of providers may be deeming a repair complete when a work order was raised with a contractor, rather when the underlying repair was undertaken. Clear definitions support the consistent recording of data and improve data integrity. Registrars will continue to work with providers to identify and remedy data issues.



PERFORMANCE – TIER 1 & TIER 2 PROVIDERS

This section provides an overview of the performance of 29 Tier 1 and 34 Tier 2 providers who underwent an assessment during 2020-2021.

At the end of June 2021 NRSCH Registrars were responsible for the regulation 36 Tier 1 providers and 42 Tier 2 providers. Registrars adjusted their regulatory response during 2020-2021 to allow community housing providers to concentrate on priorities arising from the COVID-19 pandemic. Some routine compliance assessments were delayed or suspended resulting in some Tier 1 and Tier 2 providers having assessments rescheduled outside of the reporting period.

Tier 1 providers face the highest level of performance requirements and regulatory engagement – reflecting the fact that Tier 1 providers are involved in activities that mean they manage a higher risk based on:

- Operating at large scale, meaning any serious non-compliance has the potential to impact on a large number of tenants and assets
- Ongoing development activities at scale, meaning serious non-compliance has the potential to affect the viability of the provider.

Tier 2 providers face an intermediate level of performance requirements and regulatory engagement – reflecting the fact that Tier 2 providers are involved in activities that mean they manage a level of risk that is lower than Tier 1 providers but higher than Tier 3 providers based on:

- Operating at moderate scale, meaning any serious non-compliance has the potential to impact on a moderate number of tenants and assets
- Small scale development activities, meaning any serious non-compliance has the potential to affect the viability of the provider.

All community housing providers must complete a compliance return on a regular basis. Tier 1 and Tier 2 provider must complete a Compliance Return every year.

All non-financial data in this report is held at 30 June 2021 unless otherwise specified or unless comparisons with the previous years have been made. It should be noted that whilst all data in this report is the most recent information held by the NRSCH its currency may date to 30 June 2020.

The methodology for trend graphs has changed this year. Previous annual reports have represented all tiers in the trend graphs. As Tier 1 and Tier 2 reporting has been separated this year the trend data for Tier 3 providers has been excluded. This will account for variations in previous annual report trend data compared to this year.

Community housing properties are well managed

Performance Outcome 1 (Tenant and Housing Service) and Performance Outcome 6 (Management) largely measure tenant satisfaction with activities undertaken by providers. These are captured in the following metrics:

- Overall quality of housing services
- Maintenance of properties
- Responsiveness to request for urgent repairs
- Responsiveness to requests for non-urgent repairs

Registrars also use other key indicators to assess the management of the community housing sector including

- Complaints management
- Eviction rate
- Rent outstanding
- Occupancy rates; and tenancy turnaround times.

CHPs report high levels of tenant satisfaction

Tier 1 and Tier 2 providers are required to survey their tenants and/ or residents at least every two years. Some providers undertake annual surveys. Many providers outsource their tenant surveys to the Community Housing Industry Association (CHIA) NSW who provide a tenant satisfaction and benchmarking service. This is an independent tenant satisfaction survey that meets NRSCH requirements.

The satisfaction with overall quality of housing services represents the number of tenants satisfied with overall quality of housing services as a percentage of surveys returned.

Figure 1 shows tenant satisfaction with overall quality of housing services is consistently well above the nationally agreed threshold of 75%.

Figure 1: Sector trends for satisfaction with overall quality of housing services based on Tier 1 and Tier 2 providers assessed each year

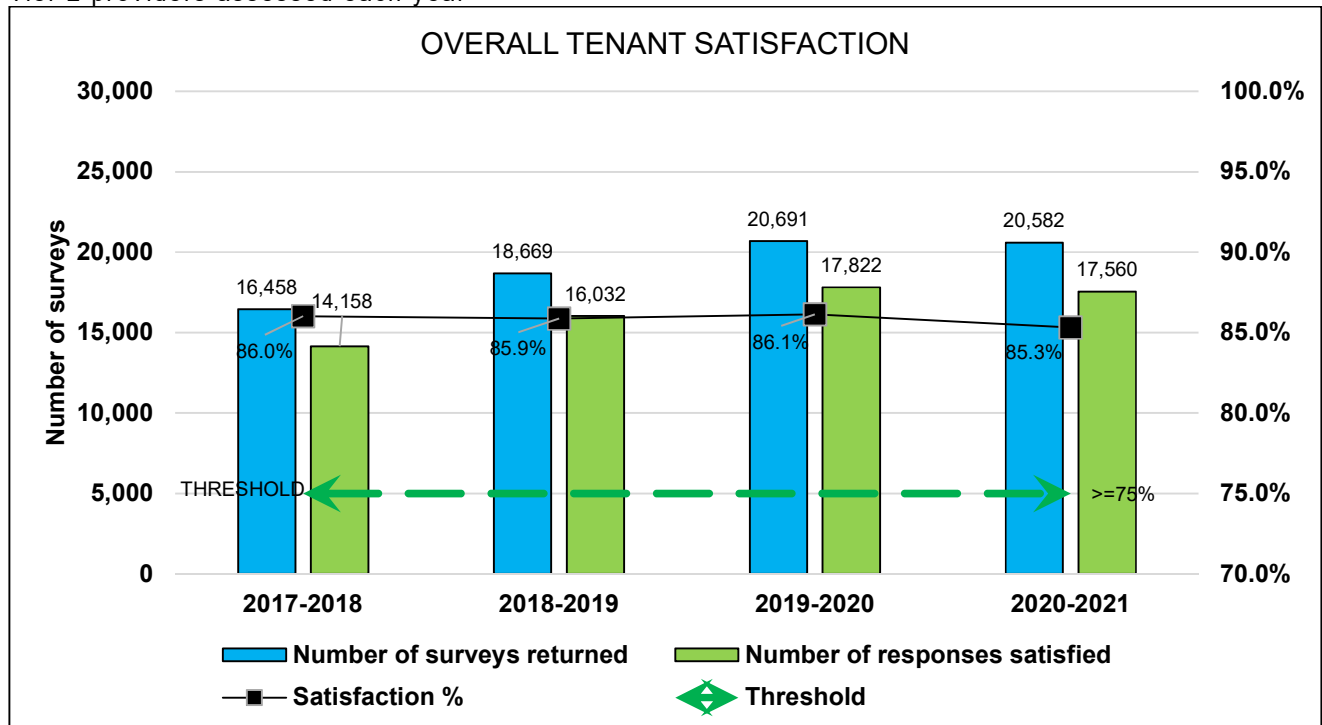
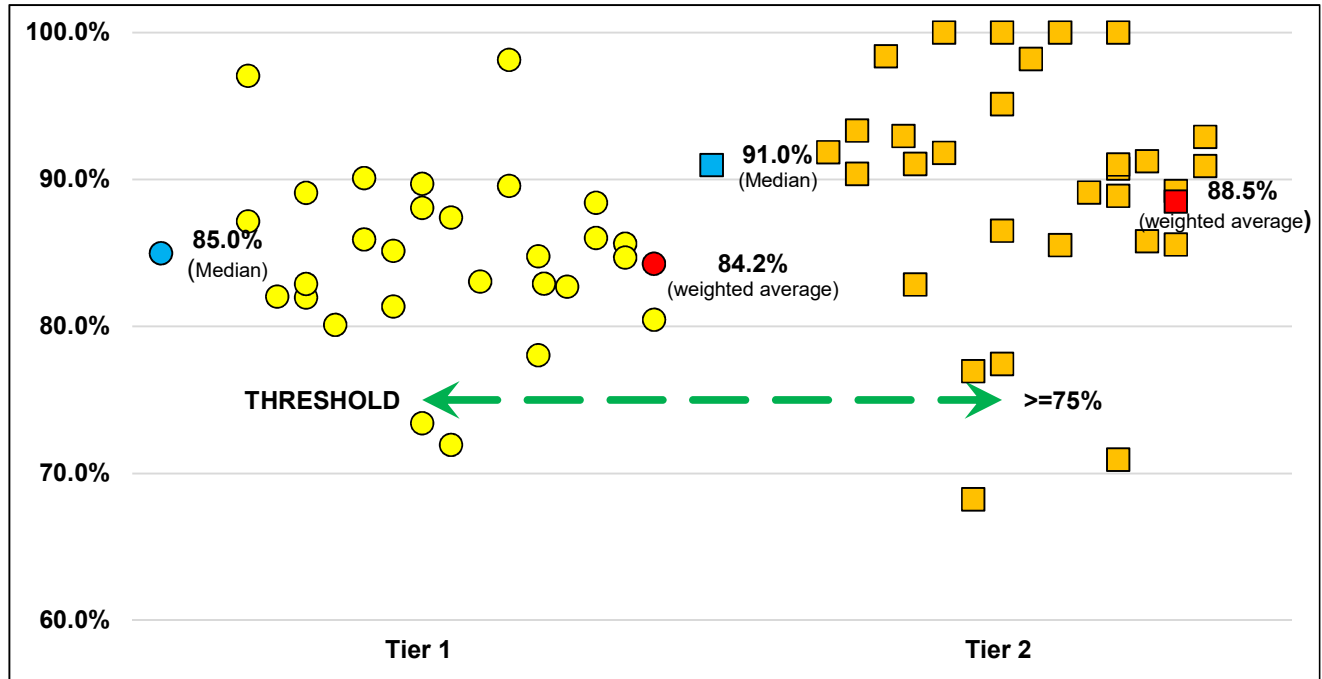


Figure 2: Provider results of satisfaction with overall quality of housing services



Two Tier 1 providers and two Tier 2 providers, representing less than 7% of providers assessed, had below threshold satisfaction results. Analysis shows that the Tier 1 providers were involved in the NSW Social Housing Management Transfer (SMHT) program. This program resulted in the management of a large number of public housing properties in NSW being transferred to CHPs. Anecdotal evidence has demonstrated that there is a transition period required for tenants to become accustomed to a new landlord, new systems and processes, as well as for staff to understand their new tenants and portfolio. It is anticipated that tenant satisfaction results for these CHPs will improve over time.

An improvement opportunity was noted for one Tier 2 provider as their satisfaction results were based on an internal survey where not all tenants had the opportunity to participate. The Registrar recommended that the provider conduct a formal survey with all tenants.

Responsiveness to urgent repairs

Urgent repairs completion represents urgent repairs completed as a percentage of urgent repairs requested. This count also includes requests outstanding from the previous year.

Figure 3 shows sector trends are up slightly on the previous year with an increase in urgent repair requests and completion rates. Results below threshold completion rates shown in Figure 4 were partially attributed to the NSW SHMT program. This is because maintenance was managed by the NSW Land and Housing Corporation Asset Maintenance Services until July 2021 and CHPs had limited control over the repair requests.

Figure 3: Sector trends for the completion of urgent repairs based on providers assessed each year

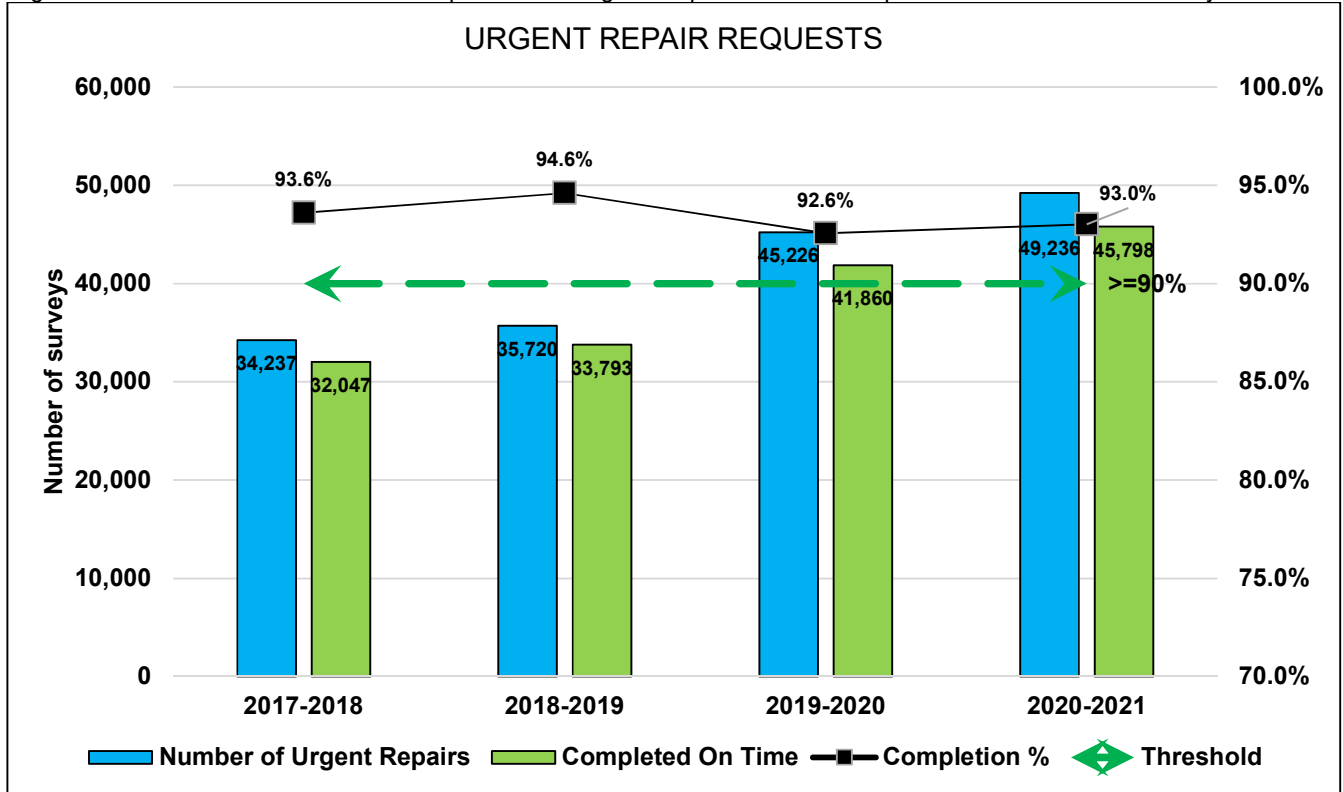


Figure 4: Provider results for urgent repair requests completed in timeframe by tier 2020-2021

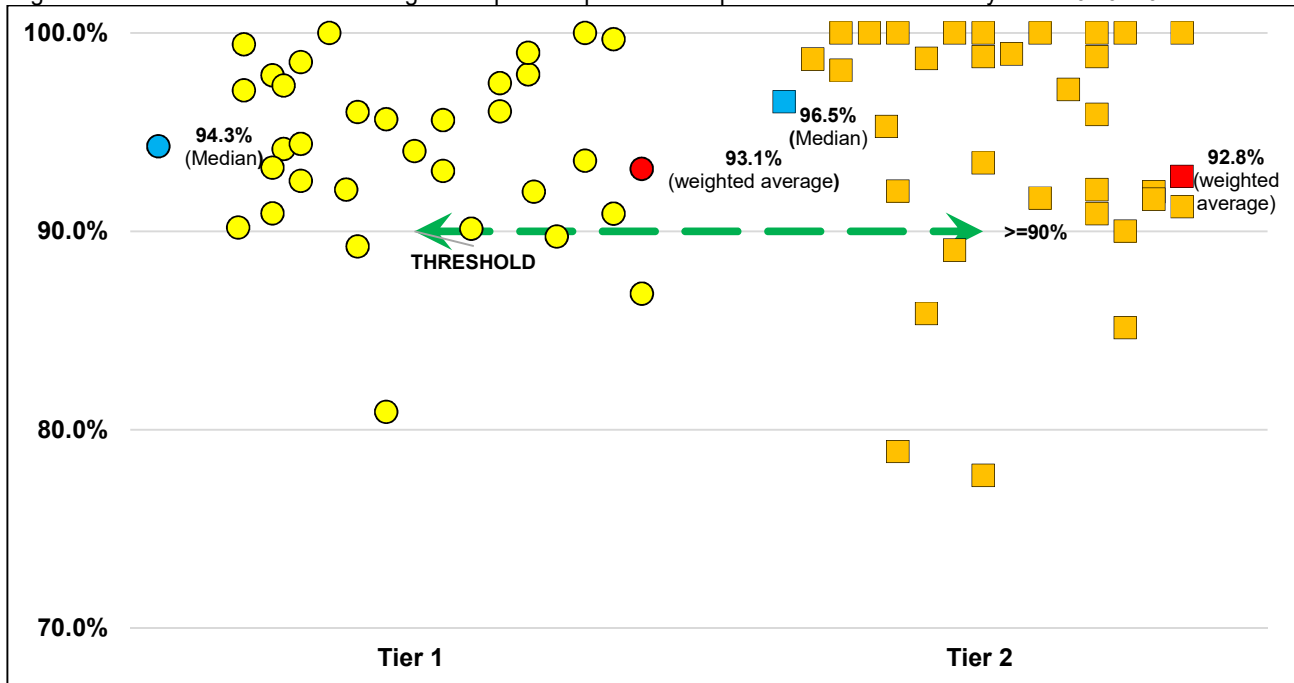
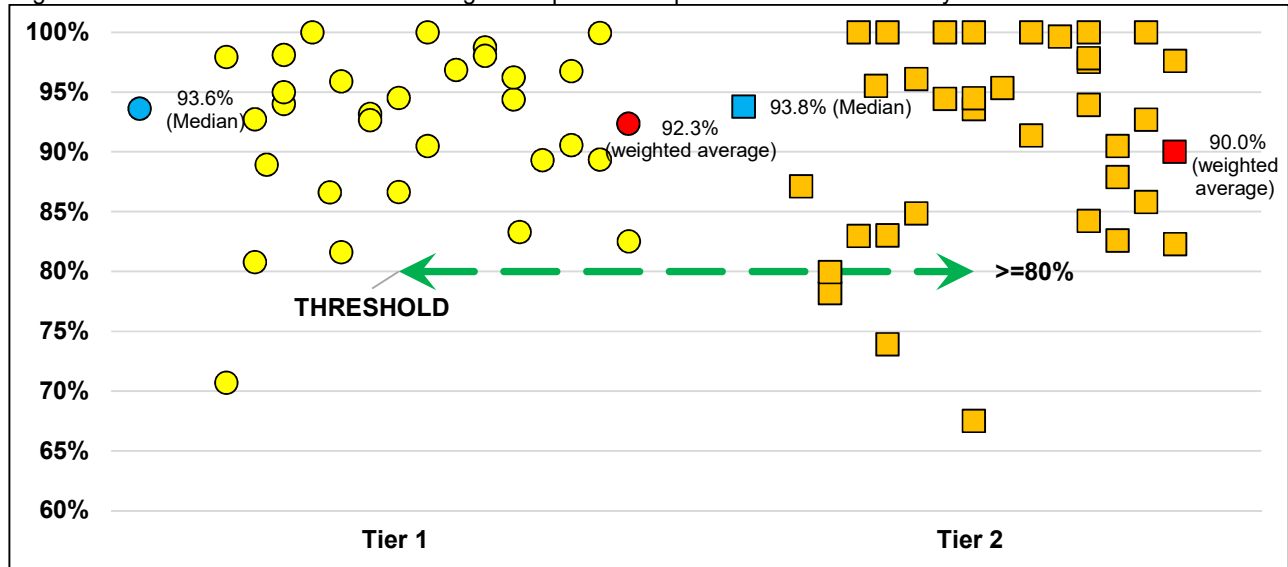


Figure 4 shows that there were a small number of Tier 1 and Tier 2 providers operating below threshold. Factors that influenced completion rates for CHPs included management of a significant number of urgent repairs, maintenance delays due to COVID-19 restrictions and changes to contractor arrangements. This led to Registrars issuing improvement opportunities to some CHPs to improve repair request completion rates. Improvements will be achieved through management and the board actively monitoring their urgent repair requests.

Responsiveness to non-urgent repairs

The non-urgent repair threshold represents repairs completed as a percentage of non-urgent repairs requested including requests outstanding from the previous year.

Figure 5: Provider results for non-urgent repairs completed in timeframe by tier 2020-2021



Non-urgent repair request completion rates were high across the community housing sector. These results when considered with satisfaction and urgent repairs indicate good performance.

There was one Tier 1 provider and three Tier 2 providers that had completion rates that were below the NRSCH threshold. Providers explained that COVID-19 restrictions had an adverse impact on the ability to undertake non-urgent repairs. For example, maintenance teams were sometimes restricted in their ability to complete works of a non-urgent nature during lockdown periods, in order to comply with safe work guidelines and health orders. For some CHPs this led to a backlog of non-urgent repairs as they had to be deferred, resulting in completion rates deteriorating.

The sector has effective maintenance systems

Despite disruptions to services as a result of COVID-19 restrictions figure 6 shows levels of tenant satisfaction with maintenance remained static. Satisfaction with maintenance services represents tenants who have expressed satisfaction with maintenance services as a percentage of those answering the question in the survey issued by the provider. When maintenance satisfaction and maintenance performance metrics are analysed in combination it demonstrates the sector has effective maintenance systems.

Figure 6: Sector trends for satisfaction with maintenance based on providers assessed each year

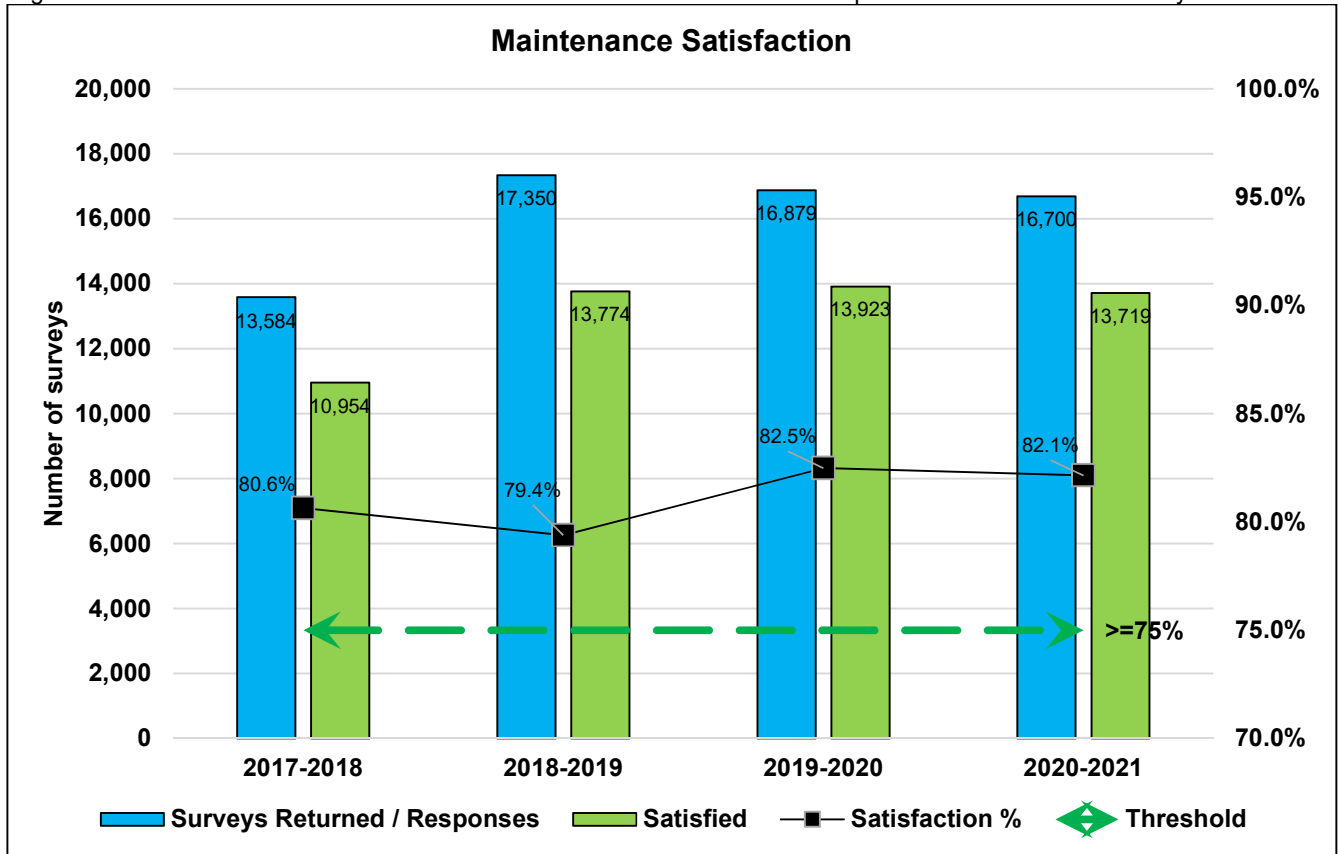


Figure 7: Provider results for non-urgent repairs completed in timeframe 2020-2021

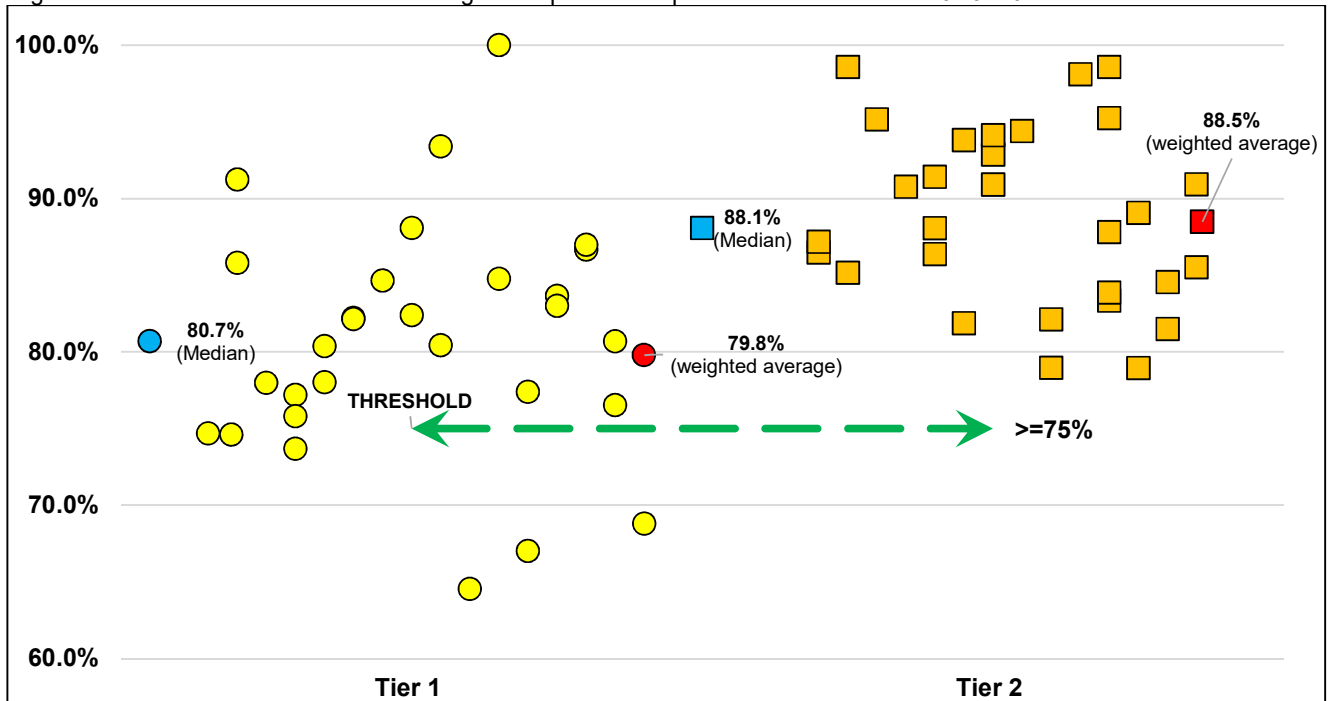


Figure 7 shows all Tier 2 providers recorded results above the NRSCH threshold of 75%. There were, however, three Tier 1 providers that had results below threshold. The NSW SHMT program had an influence over the maintenance satisfaction results for these CHPs. This is because CHPs had little control over maintenance works provided in the SHMT portfolio as maintenance continued to be managed under the Land and Housing Corporation's Asset Maintenance Services (AMS) contract up to July 2021.

In another case not relating specifically to SHMT agreements, there was a maintenance agreement handover that impacted on maintenance completion times.

Eviction rates continue to be low as a proportion of exits

The eviction rate is derived from those tenants evicted as a percentage of the total number of exits for the year. An eviction is defined as a warrant or order for vacant possession and the subsequent termination of a tenancy. Evictions relate to a breach of a tenancy agreement and are essentially driven by tenant behavior such as a failure to pay rent or anti-social behavior. Exits are defined as the ending of a tenancy and includes evictions.

There is an expectation that providers will link tenants to support services to help the tenant meet their obligations under the tenancy agreement and sustain the tenancy as long as practicable.

The eviction to exit ratio for Tier 1 and Tier 2 providers were low with most CHPs being comfortably under the NRSCH threshold. Many Tier 2 CHPs had no evictions.

Figure 8: Sector trends for evictions as a percentage of exits based on providers assessed each year

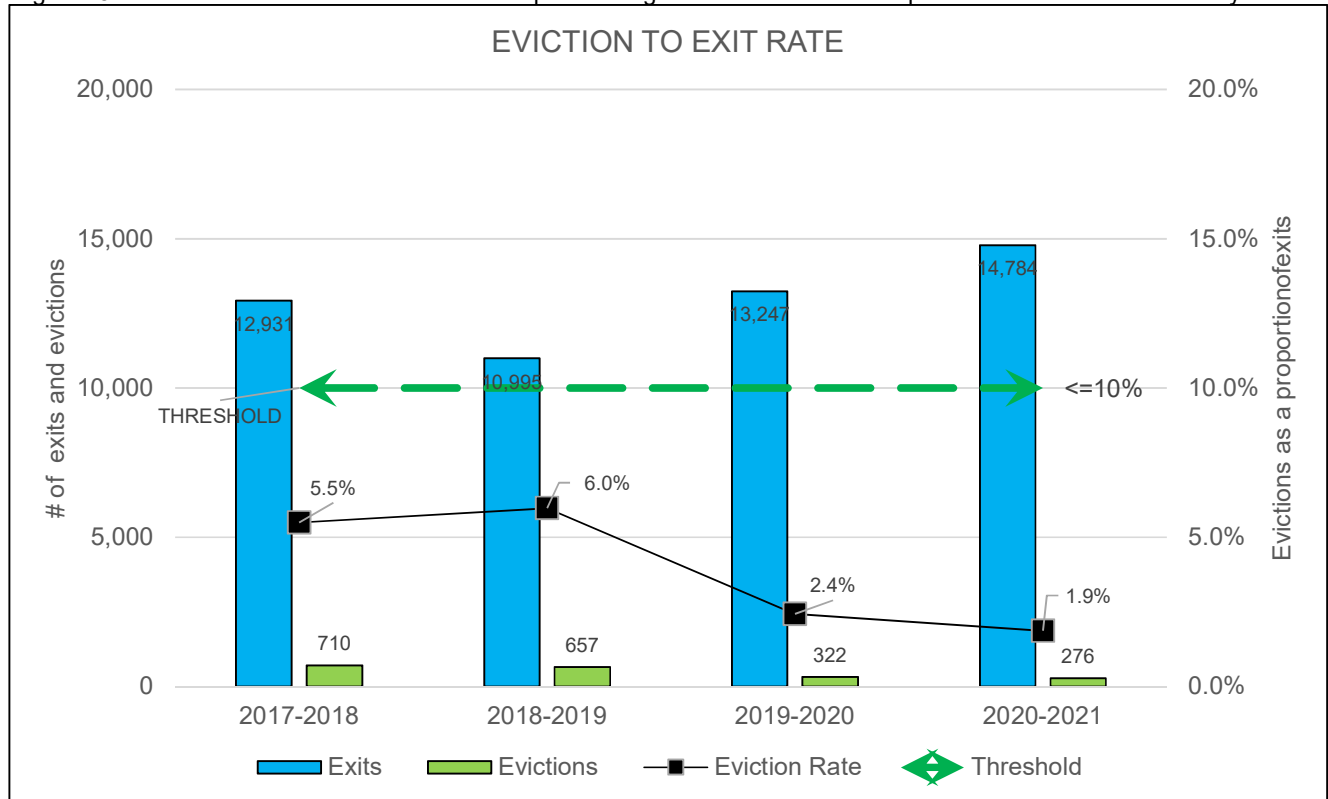
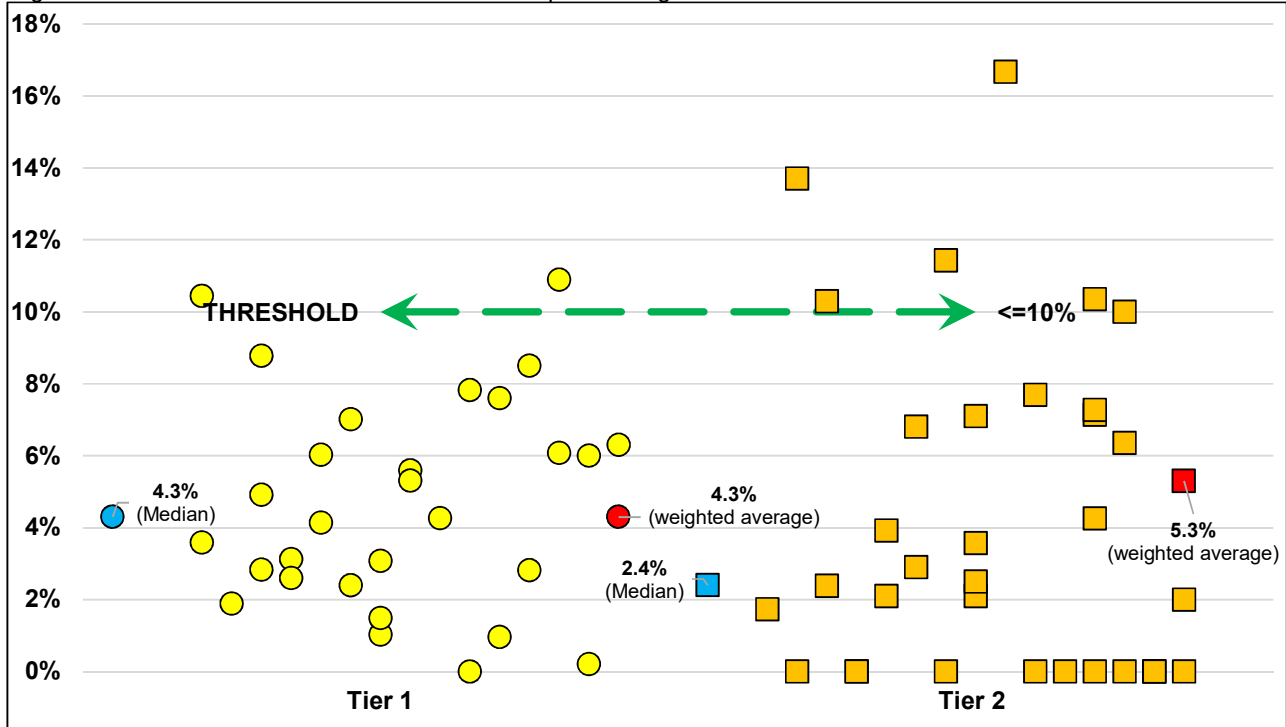


Figure 9: Provider results for eviction as a percentage of total exits 2020-2021



The eviction moratoriums in some states, particularly for tenants residing in affordable housing properties, may have contributed to lower levels evictions. Landlords were prevented from serving a notice of termination for rent arrears or making an application for termination for rent arrears for tenant who were impacted by the COVID-19 pandemic.

Figure 9 shows there were Tier 1 and Tier 2 providers that had eviction rates above the threshold. These patterns are consistent with previous years. One CHP noted the loss of a tenancy support worker that assisted tenants in maintaining their tenancy agreements and meeting their obligations was a contributing factor to the higher levels of evictions.

The community housing sector manages its resources in a cost-effective manner

When rent arrears, occupancy and turnover metrics are considered in combination it demonstrates that the community housing sector manages its resources in a cost-effective manner evidenced by the implementation of appropriate management structures, systems, policies and procedures.

Rent Outstanding

This threshold represents the rent outstanding for current and former tenants as a percentage of total potential income.

Figure 10 shows that Tier 1 and Tier 2 providers perform consistently in the management of rent arrears. Rent outstanding is a key performance measure of a CHPs rent collection and arrears management policy and practices.

Figure 11 shows that there was a low proportion of rental arrears overall for Tier 1 and Tier 2 providers with most CHPs recording arrears below the national threshold.

There were, however, a small number of CHPs that had rental arrears that exceeded the 2.5% threshold. Figure 11 excludes one Tier 2 CHP that had rental arrears of 21.4% and is not represented in the dot plot.

In many cases the higher levels of rent outstanding were a consequence of the CHP focusing on sustaining tenancies and working with tenants to address arrears.

For instance, one CHP stated they had higher amounts of rent outstanding and for longer periods because they hold tenants to account by implementing a repayment instalment, instead of writing off the rent owed by the tenant as rent forgone. CHPs have policies and procedures in place to ensure action is taken to recoup rent outstanding, holding the tenant accountable to their lease agreement without placing the tenant in financial hardship.

Registrars made recommendations and identified improvement opportunities to address some CHPs with high rental arrears. This action mainly centred around implementing appropriate management structures, systems, policies, and procedures to ensure that rental arrears are addressed.

Figure 10: Sector trends for rent outstanding based on providers assessed each year

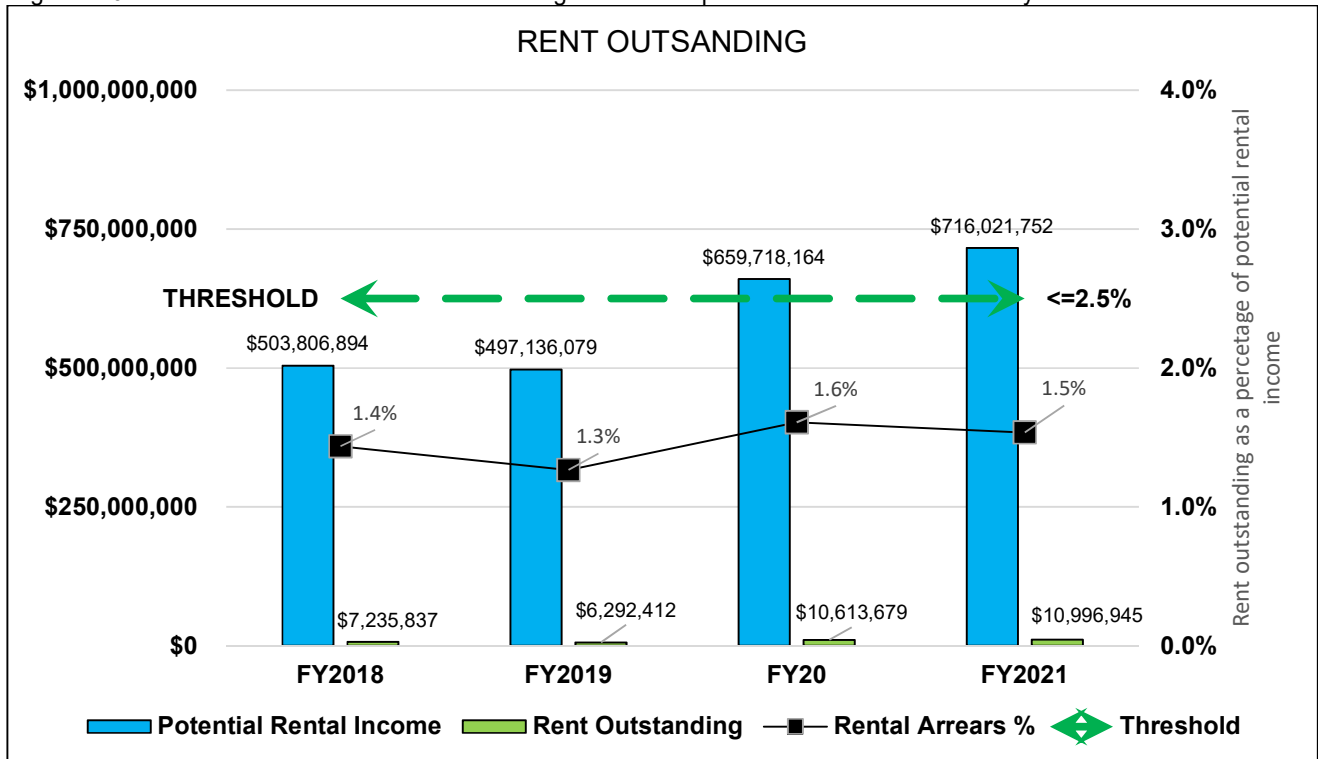
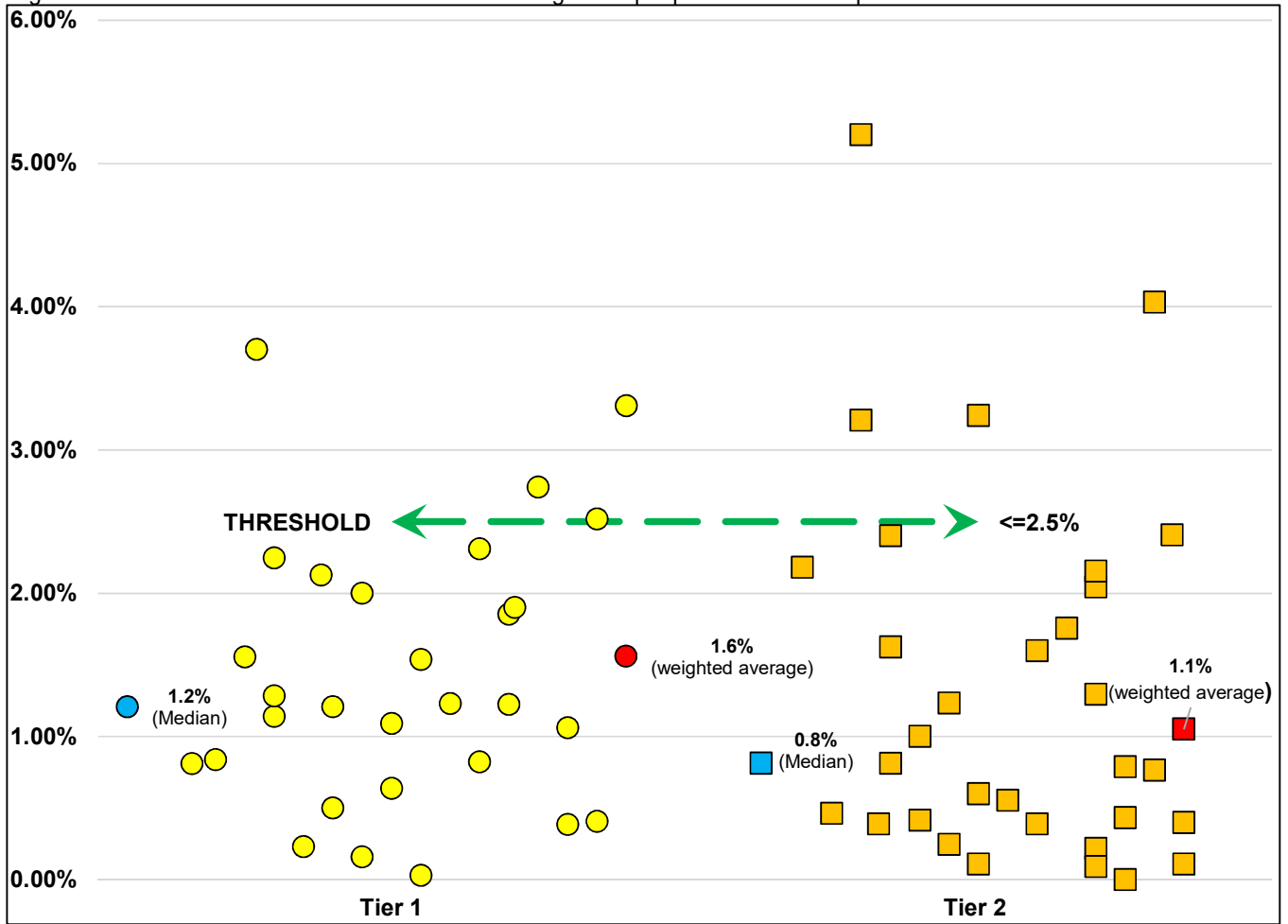


Figure 11: Provider results for rent outstanding as a proportion of total potential rental income



Occupancy

Occupancy rate is calculated by measuring the number of vacant tenanted tenancy units as of 30 June as a percentage of the total tenancy units.

Figure 12: Sector trends for occupancy based on providers assessed during each year

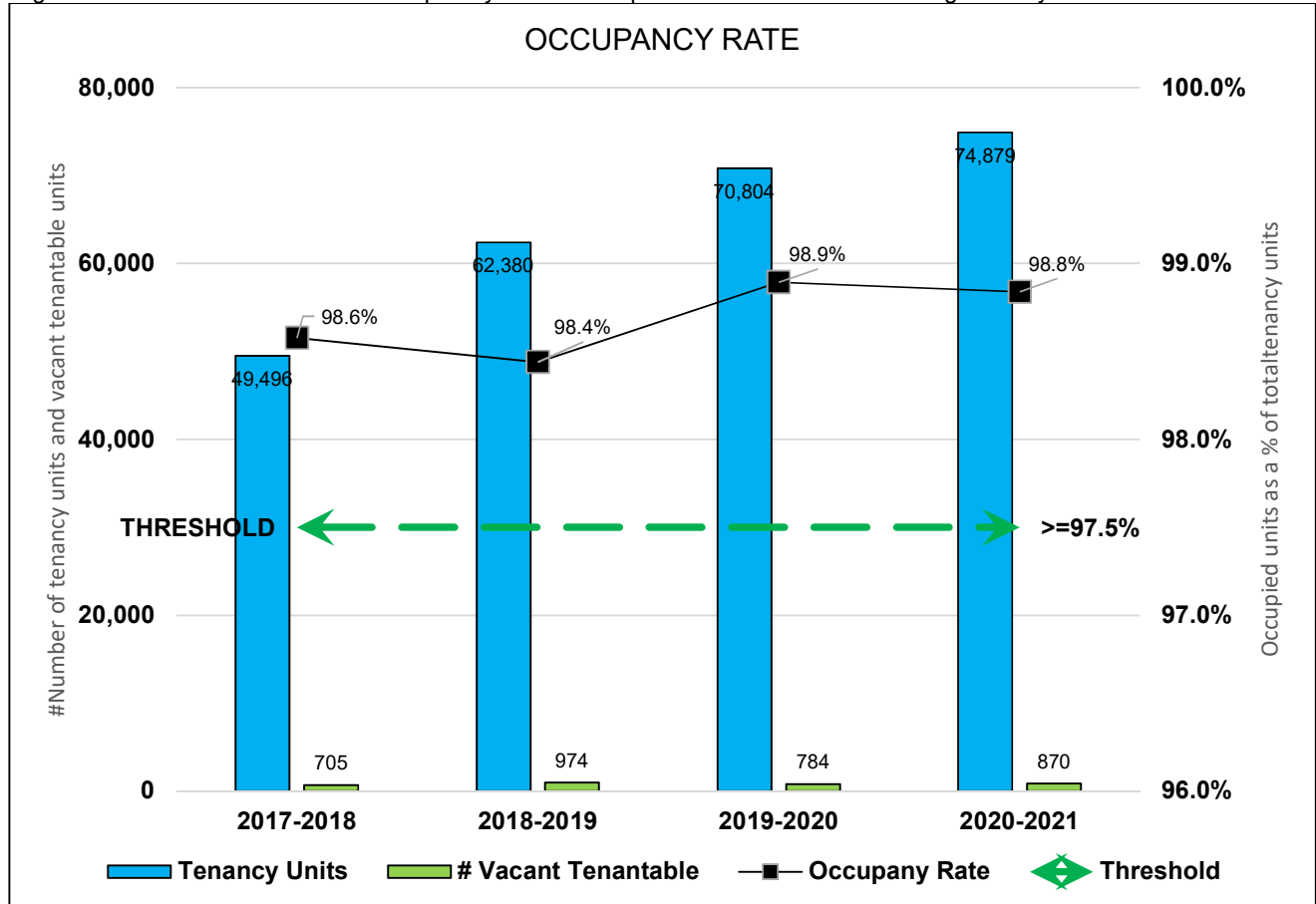
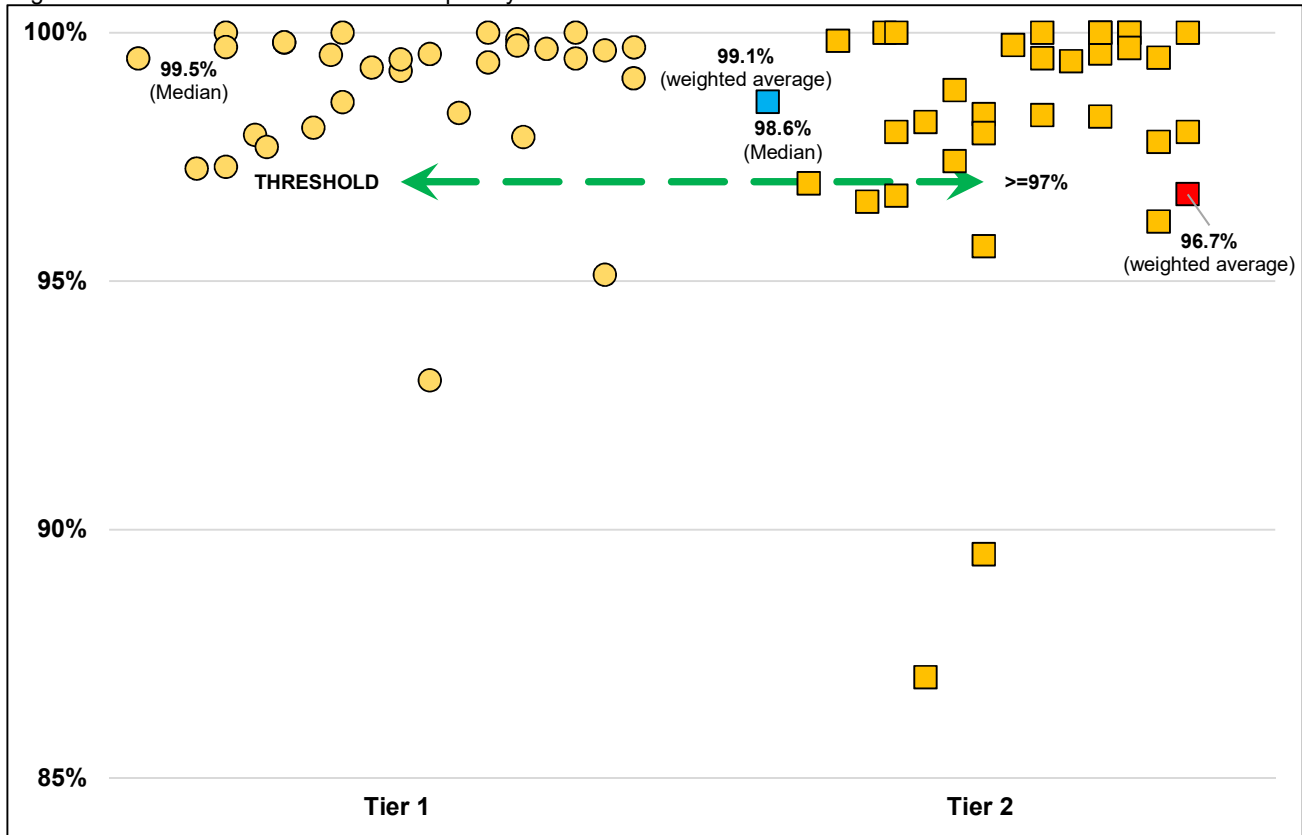


Figure 12 shows that the occupancy rates for Tier 1 and Tier 2 CHPs were high, which demonstrates that CHPs are utilising properties effectively.

One Tier 2 CHP had a 67.0% occupancy rate and is not represented in Figure 13. The occupancy rate for two providers with results below the threshold were an aberration as both CHPs had released a number of new dwellings that were unoccupied as of 30 June 2020. Since July there has been a steady filling of these dwellings from both CHPs.

There were some CHPs that genuinely had below threshold occupancy rates. CHPs reported that the COVID-19 pandemic response and mixed program types resulting in frequent vacancies elevated occupancy rates.

Figure 13: Provider results for occupancy rate 2020-2021



Tenancy Turnaround Tenantable

This is a measure of how long it takes to fill a vacant property. A property is defined as tenantable when it is in a fit and habitable condition for occupation by a new tenant.

The NRSCH threshold for tenantable turnaround times is 14 days. Figure 14 shows that this was a challenging benchmark for many Tier 1 and Tier 2 providers this reporting period.

Many CHPs have portfolios that include crisis, transitional and long-term housing programs. Crisis programs typically turnover at a higher frequency, have differing allocation processes, higher support needs and vacant maintenance requirements that have adverse impacts on turnaround times.

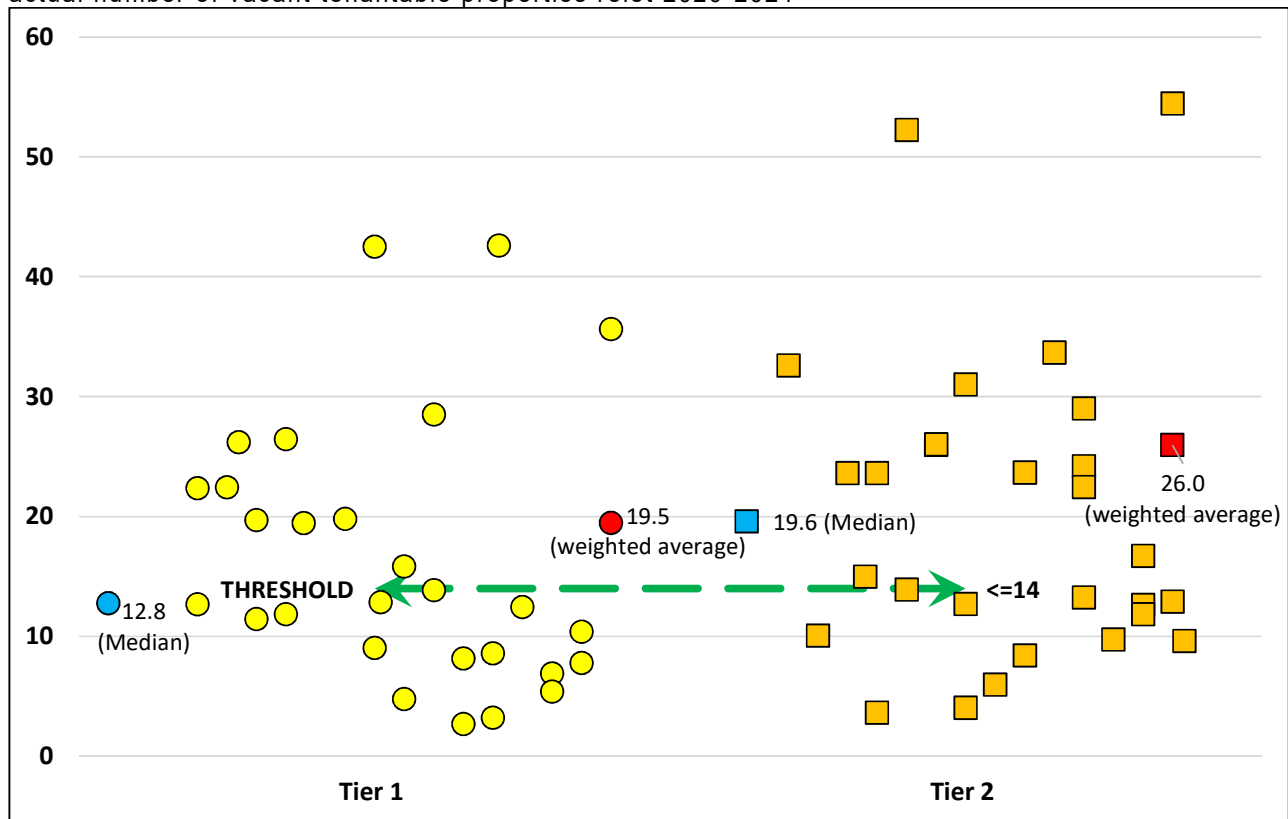
There were three Tier 2 providers that were not represented in Figure 14. They had tenantable turnaround times of 738.8, 411 and 234.7 days and these results are being considered within the individual case context.

Another common theme for high turnaround times occurred for CHPs that operated in regional and remote areas, as there often was a mismatch between supply and demand.

In other circumstances there had been neighbourhood fatigue due to anti-social behaviour. As a result, vacancies took longer to fill as the CHP spent longer vetting suitable tenants for particular properties to ensure sustainable tenancies.

COVID-19 also contributed to increased turnaround times as some CHPs needed to transfer multiple tenancies into other accommodation to facilitate social distancing.

Figure 14: Provider results for the number of days lost due to a property being vacant based on the actual number of vacant tenantable properties relet 2020-2021



Tenancy Turnaround Untenantable

A property is defined as untenantable when a refurbishment is required before a new tenant can take up residence.

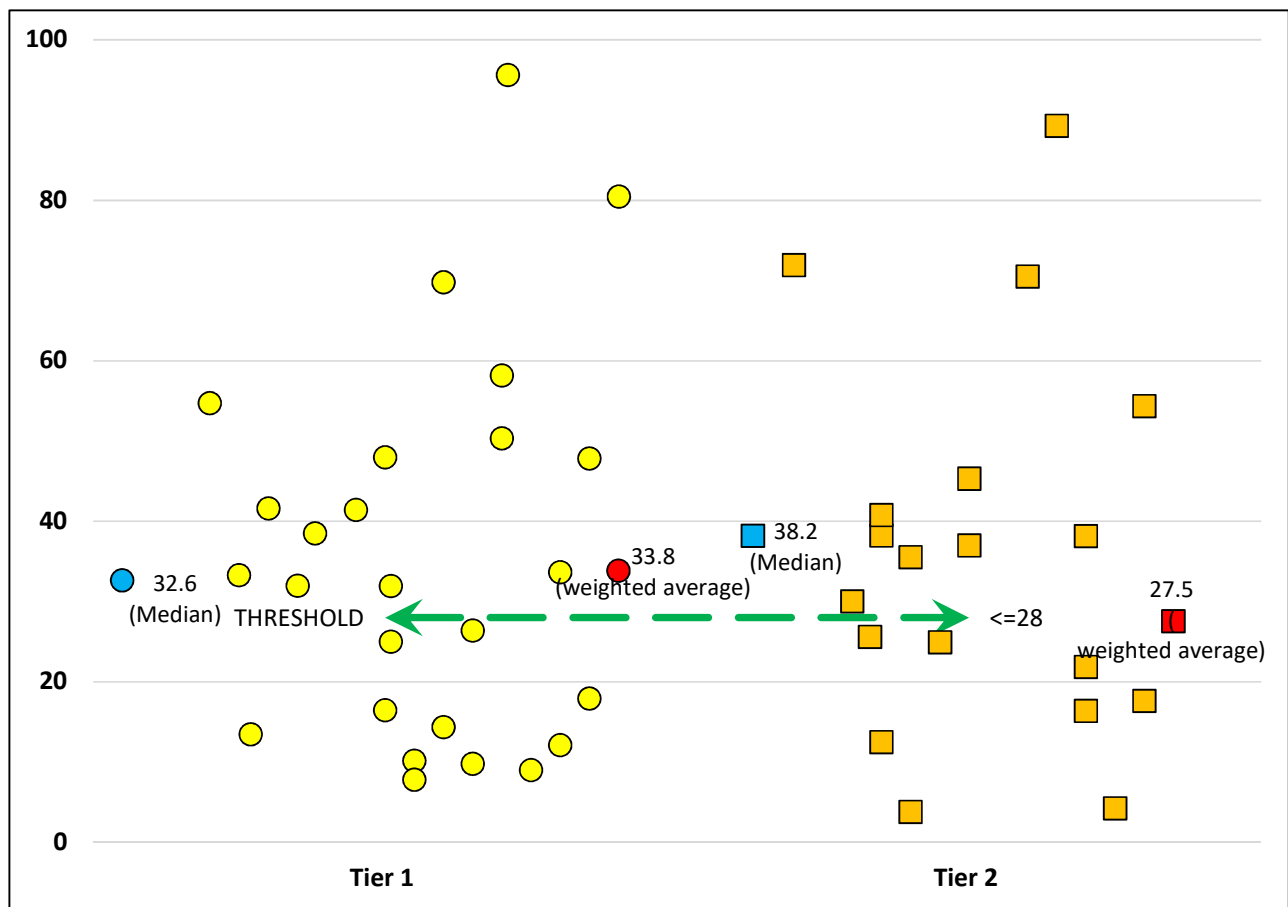
The results for untenantable turnaround times were mixed. There were many Tier 1 providers that had quick turnaround times. This was also the case with several Tier 2 providers.

However, there were a number of providers with poor turnaround times who reported various reasons for the results. In some cases, CHPs took vacancies as opportunities to undertake refurbishments and large-scale maintenance, which prolonged the process. Other factors included timely access to tradespeople in regional and remote areas and the age of the dwelling and the extent of repair required to bring it to a tenantable standard.

Given the nature of events which can lead to vacant untenantable properties such as weather and other adverse events, excessive property damage and legacy issues from building materials such as asbestos in older properties it is not unexpected to see fluctuating figures.

There were four Tier 2 CHPs that are not represented in Figure 15 with untenantable turnaround times of 258, 168, 143.3 and 106.3 days.

Figure 15: Provider results for number of days lost due to a property being untenantable based on the actual number of untenant properties relet 2020-2021



TIER 3 providers – diversity in the sector

At the end of June 2021 Registrars were responsible for the regulation of 226 Tier 3 providers. This section looks at the results reported by 90 providers who undertook a compliance assessment during 2020-2021

The sector is made up of a diverse range of providers. The tier of registration is determined by an entity's level of risk arising from the scale and scope of its community housing activities, which in turn determines the intensity of regulatory engagement and oversight.

Tier 3 providers face a lower level of performance requirements and engagement – reflecting the fact that Tier 3 providers are involved in activities that means they manage a lower level of risk based on:

- Operating at a smaller scale, meaning any serious non-compliance has the potential to impact on a smaller number of tenants and assets
- No ongoing development activities or one-off and/ or very small-scale development activities.

Tier 3 providers account for 74% of registered providers operating nationally

Tier 3 providers are small and diverse ranging across specialist disability accommodation, aged care, rehabilitation, homelessness and youth services to larger organisations with community housing a small component of their activities. Their diversity means that traditional metric reporting that is applied to Tier 1 and Tier 2 providers may be distorted when looking at aggregate data for smaller more specialised Tier 3 providers. Some of the issues include:

- Providers with a small number of properties may distort results, for example a single vacancy can have an adverse impact on occupancy rates.
- Nomination rights and specialist services may mean that properties are vacant for a longer period to ensure the right tenant is matched to the property.
- Presenting comparative data with Tier 1 and Tier 2 CHPs without detailed explanation may provide a false representation of performance.

Tier 3 providers manage tenant and assets well

Performance against national thresholds show Tier 3 providers manage tenants, assets and community outcomes well. The key measures for assessing the management of the community housing sector are derived from evidence provided for Tenant and Housing Services and Management Performance Outcomes. These largely measure the level of satisfaction tenants have with activities undertaken by providers including:

- Overall quality of housing services provided
- Responsiveness to requests for urgent repairs
- Responsiveness to requests for non-urgent repairs

Other key indicators include:

- Rent arrears
- Occupancy rate

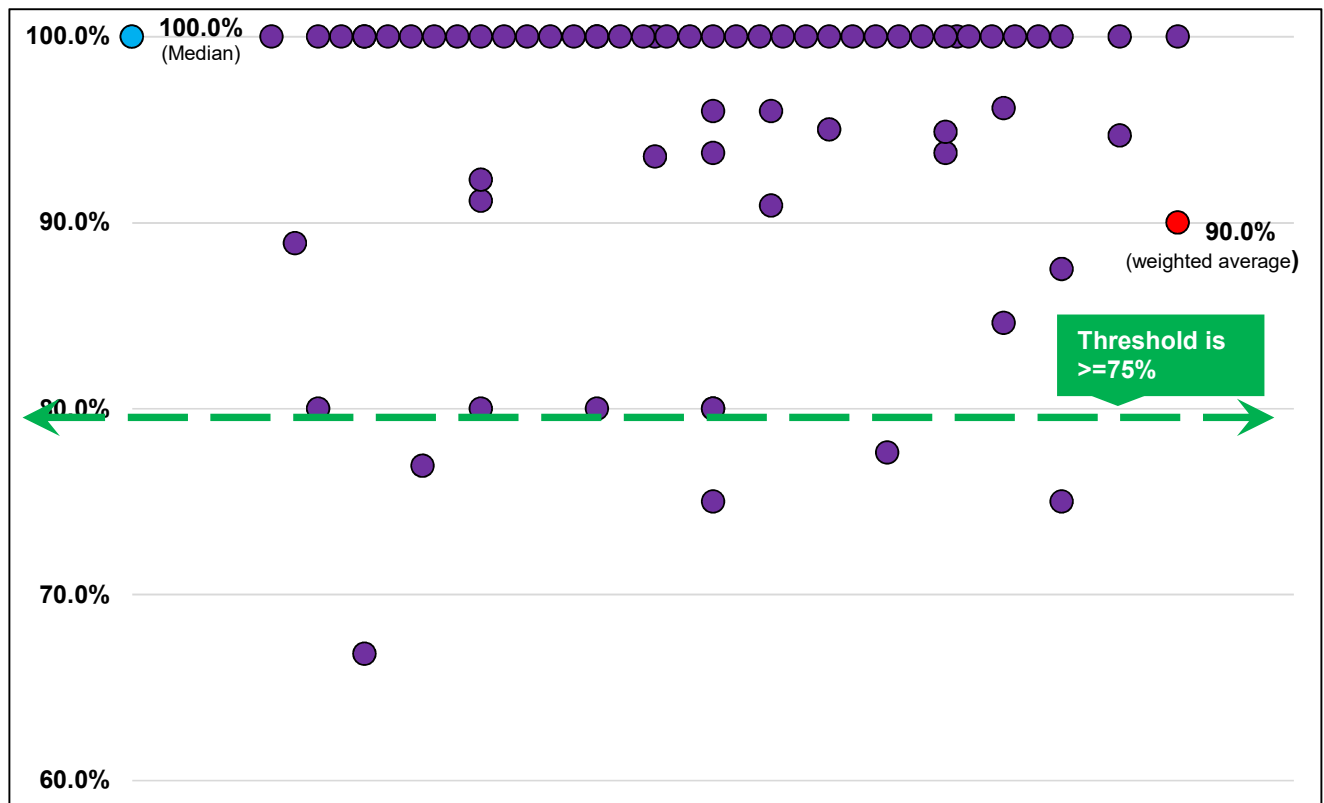
The focus of this Tier 3 report is limited to these key metrics.

Tenants are satisfied

The satisfaction with overall quality of housing services represents the number of tenants satisfied with overall quality of housing services as a percentage of surveys returned. Whilst Tier 3 providers are not required to survey their tenants almost 74% of Tier 3 providers assessed in the last 12 months had issued tenant satisfaction survey.

Surveys are used to gain feedback from tenants so that the CHP can measure satisfaction and use the feedback to improve the services they provide. Figure 16 shows of the Tier 3 CHPs that conducted surveys the results were very positive. Several CHP's recorded overall satisfaction rates of 100% and almost all Tier 3 CHPs conducting surveys had above threshold results.

Figure 16: Tier 3 provider results of satisfaction with overall quality of housing services 2020-2021



Tier 3 providers are responsive to repair requests

Responsiveness to urgent and non-urgent repair requests are an indication of a provider's performance. They reflect how an organisation manages tenancies and assets and when considered with the results of tenant satisfaction surveys demonstrate how tenants believe providers are responding.

Urgent repair completion

Tier 3 CHPs reported consistently strong results for the completion of urgent repairs with most CHPs having completion rates above the agreed threshold of 90%.

Figure 17 shows there were seven providers, representing less than 8% of Tier 3 providers undertaking a compliance assessment in 2020-2021, that had below threshold results.

Anecdotal evidence suggests where CHPs had below threshold completion rates it was due to the availability of appropriate tradespersons or failures in administrative processes in recording the completion of maintenance. For example, providers report instances where work requests were not completed in the system, despite the work having been undertaken. Others identified the incorrect recording of times and dates on the system. In response, providers have committed to the reform of internal processes to ensure monitoring of repair completion times and improved record keeping.

Figure 17: Tier 3 provider results for urgent repair requests completed within timeframe 2020-2021

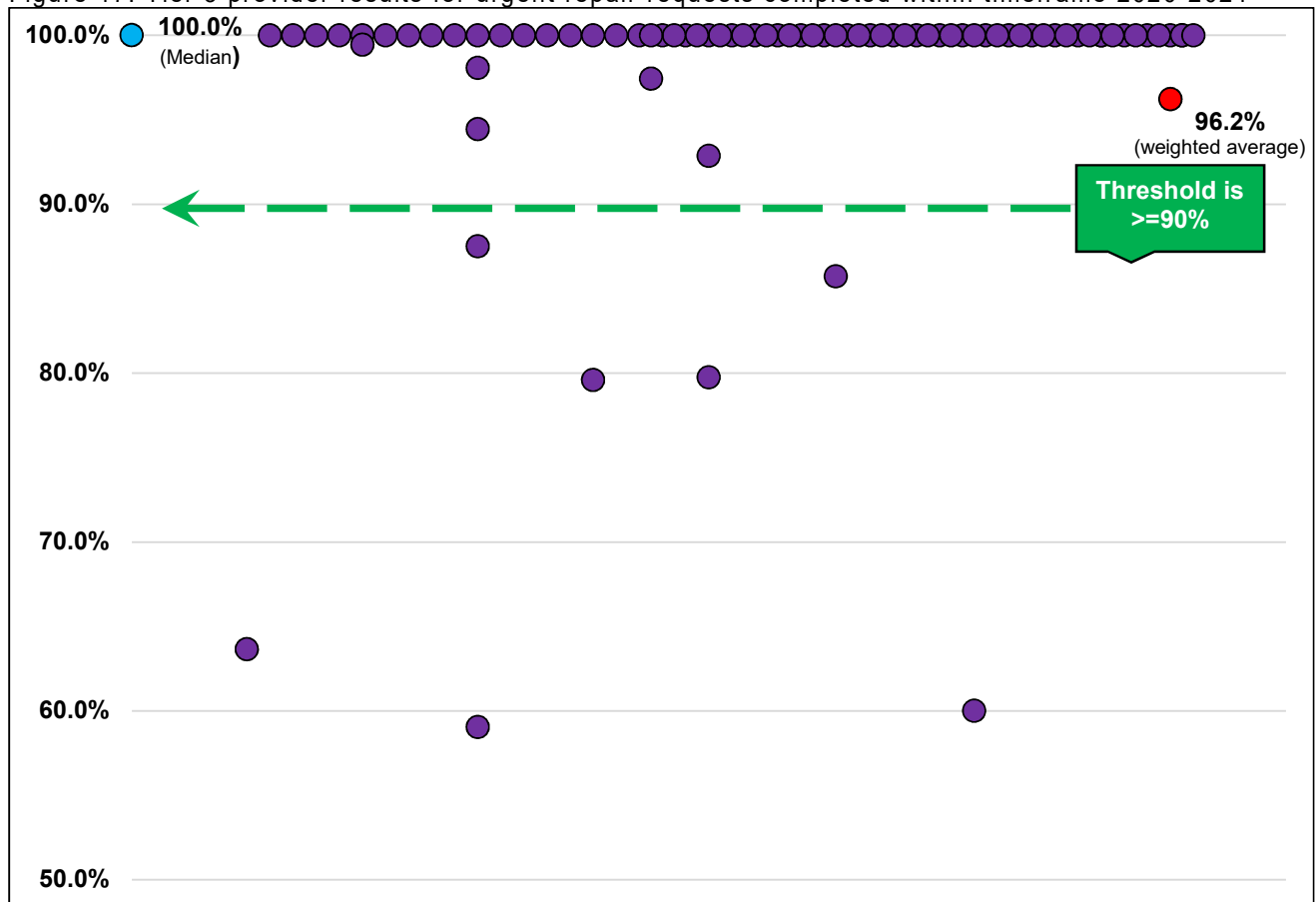
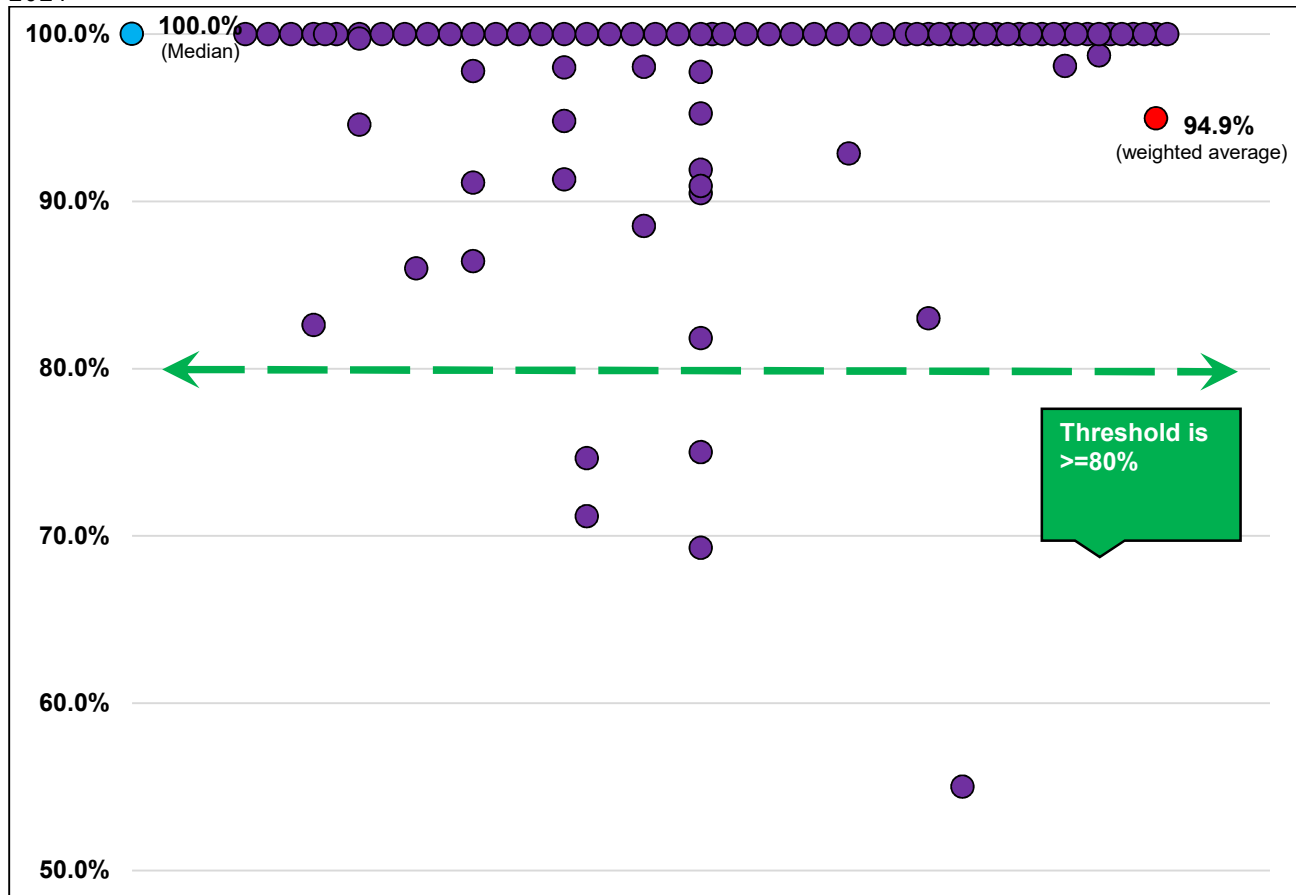


Figure 18: Tier 3 provider results for non-urgent repair requests completed within timeframe 2020-2021



Non urgent repair completion

Figure 18 shows that Tier 3 CHPs recorded consistently high completion rates for non-urgent repair requests. The majority of CHPs comfortably exceeded the threshold of 90%.

A small number (five) of CHPs recorded below threshold results for non-urgent repair requests. Anecdotal evidence suggests some non-urgent repair completions were adversely impacted by COVID-19 restrictions with tenants concerned about contractors entering their properties and maintaining social distance. Contractors also minimised their callouts for the same reasons.

CHPs are adapting to new operating environments and developing appropriate plans to respond to new challenges as a result of the COVID-19 pandemic.

Occupancy Rate

The occupancy rate threshold represents occupied units as a percentage of the total number of tenancy units. Tier 3 providers assessed during 2020-2021 had an overall occupancy rate of over 94% and a median rate of 100%.

Whilst the current threshold for occupancy is 97% of properties are inhabited providers who returned low occupancy rates generally had a small number of properties where a single vacancy adversely impacted on occupancy rate results. For example, a provider with only two properties with one property vacant would record a 50% occupancy rate. This is not a true reflection of the providers performance when considering the occupancy rate.

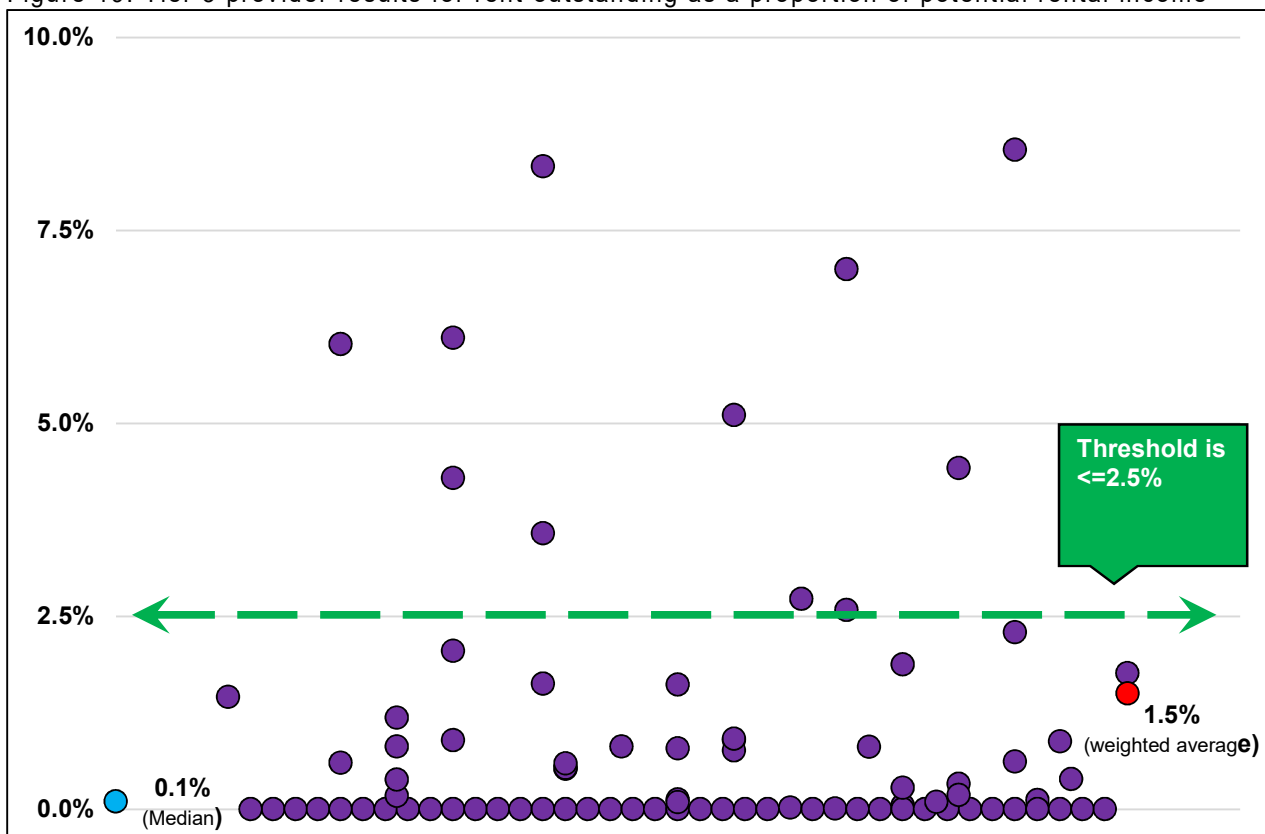
Rent outstanding

Figure 19 shows that most Tier 3 providers reported a low proportion of rent outstanding with the median rate being only 0.1%.

There were, however, a number of Tier 3 providers that had rent outstanding that exceeded the 2.5% threshold.

Anecdotal evidence suggests that a lack of adherence to rental arrears policies may have contributed to rent outstanding above threshold. Registrars have responded by issuing recommendations to providers to monitor rent payments and promptly deal with arrears in order to safeguard their financial position and viability. There is insufficient evidence at this time to link rent outstanding to the impacts of COVID although some tenants who have experienced a reduction in work hours may have been adversely impacted financially as a result of restrictions.

Figure 19: Tier 3 provider results for rent outstanding as a proportion of potential rental income



For information on the National Regulatory System
for Community Housing please visit
www.nrsch.gov.au