


Part 2

Regulator Performance Report

Annual Report 2020-2021



Published by the National Regulatory System for
Community Housing (NRSCH) National Office

Publication date: September 2021

This work is copyright. It may be produced in whole or in part for study or training purposes subject to inclusion of an acknowledgement of the source. It may not be reproduced for commercial sale.

Contents

- About this document 4
- Our year at a glance 5
- Overview 7
- Focus Area 1 9
- Focus Area 2 12
- Focus Area 3 13
- Priorities for the year ahead 14



ABOUT THIS DOCUMENT

This Report provides an overview of the collective performance of Registrars administering the National Regulatory System for Community Housing (NRSCH) and their work during the reporting period.

This is the second part of a series of reports to be issued for the NRSCH reporting period 2020-2021. The Annual Overview will be released in four discrete parts progressively between August and November 2021. Below is the proposed schedule for the release of these documents:

Part 1 NRSCH Overview	August 2021
Part 2 Regulator Performance Report	September 2021
Part 3 Sector Performance – Non-financials	October 2021
Part 4 Sector Performance – Financial	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.

This report is compiled by the NRSCH National Office in collaboration with all NRSCH participating jurisdictions. Previous published NRSCH reports can be found at <http://www.nrsch.gov.au/publications/nrsch-reports>

Scope of this report

This report provides data and analysis for participating NRSCH jurisdictions only.

In this report, **Part 2 – Regulators Performance Report** you will find an update on the work of regulators including delivery of reform projects and regulatory activities.

Information about sector performance is planned for the following publications:

Part 3 – Sector Performance – Non-Financials provides a picture of the community housing sector against non-financial performance measures.

Part 4 - Sector Performance – Financials shows the viability of Community Housing Providers (CHPs) assessed against a suite of indicators used to assess financial performance.

OUR YEAR AT A GLANCE

The vision of the NRSCH is a well governed, well managed and viable community housing sector that meets the needs of tenants and provides assurance to government and investors. .

Regulator Highlights

- Finalised standard **compliance assessments** for **153** registered providers
- Registered **19 new providers**
- Completed planned engagement with **12** providers through **targeted assessments**
- Implemented the ***NRSCH and National Housing Finance and Investment Corporation (NHFIC) Operating Convention*** to guide the sharing of information and consultation in relation to specific community housing providers and the community housing sector generally.
- Responded to **nine** requests for **regulatory opinions** from NHFIC to support community housing providers access finance
- Improved system accessibility for providers introducing functionality to allow the **update of property data at any time** outside the compliance round.

Sector Highlights

- **304 providers** manage over **100,000 tenancies**
- Over **24,000 new tenancies**¹ reported during the year
- Over **28,300**² properties wholly or partially **owned by a registered community housing provider**

The year ahead - Priorities for 2021-2022

1. Developing industry insights to better understand the sector's needs and risks
2. Continuous improvement of systems, processes and reporting
3. Identifying or enhancing initiatives for working collaboratively with stakeholders
4. Advancing the NRSCH reform agenda

¹ Tenancies that were allocated during the year either to existing or new/ upgraded tenancy units. This excludes tenancies that transferred from one dwelling to another dwelling, regardless of whether they have a new tenancy agreement in place.

² Interim result pending collection of full data set



OVERVIEW

Responding to the COVID-19 pandemic

During the past 18 months community housing providers and the NRSCH have been faced with unprecedented challenges as a consequence of the COVID-19 pandemic. In response to the pandemic Registrars adjusted their regulatory approach and focus to allow community housing providers to concentrate on priorities arising from the pandemic. The regulatory approach included:

- Amended operations with some jurisdictions suspending routine compliance assessments
- Sector financial modelling and stress testing
- Proactive engagement with registered community housing providers to understand sector impacts and to prioritise the safety of staff and tenants
- Working collaboratively with the sector and other government departments to support organisations and communities

Some jurisdictions worked intensively with stakeholders in response to local priorities during the pandemic. This report outlines the work of regulators at a national level over the 12-18 months and its impacts.

NRSCH Data Review

In late 2019 the NRSCH reached a significant milestone delivering the Data Review Final Report. This was the last stage of a three stage process to review, analyse and implement a framework for improved data collection and analysis. The review looked specifically at changes that Registrars could implement within the scope of their role under the National Law. The objective was to create a framework for improved data collection, consistency, analysis and transparency which:

- Supports the growth and development of the community housing sector through improved confidence in regulatory assurance

- Strengthens registrars' ability to serve the objects of the National Law through greater industry insight
- Build capability and capacity within the regulatory system through improved transparency of the performance of individual providers and the sector

Following consultation, Registrars agreed to the following initiatives for implementation in 2020-2021:

- Collection of property based asset information
- Revision of the Financial Performance Report to reflect new accounting standards
- Development of initiatives to improve data integrity
- Publication of Environmental Scan documents
- Segmentation framework which considers business characteristics to a profile of a provider

These initiatives have been key focus areas for Registrars and the NRSCH over the reporting period.

Building blocks for a more tailored regulatory approach

The key focus areas for Registrars form the building blocks necessary for the NRSCH to implement a more tailored regulatory approach that can provide benefits for providers, the Registrars and the broader sector.

The Data Review did not review broader issues involving the framework of the NRSCH, as these matters were within the purview of the broader NRSCH Review. It was, however, anticipated the NRSCH review outcomes may have implications for the future data needs of the NRSCH.

NRSCH Review

The broader NRSCH Review commenced in December 2018. The intent of the NRSCH Review was to:

- Provide an assessment of whether the purpose and objectives of the Intergovernmental Agreement and the National Law have been met and are still relevant;
- Assess whether the NRSCH has been implemented effectively to achieve those objectives;
- Identify potential options to update the NRSCH to ensure that it remains able to support the growth of the community housing sector; and
- Assess what changes to the NRSCH, or other options for a future national regulatory system might be required.

In April 2021 the NRSCH Review ended. The NRSCH review report set out the issues raised by stakeholders and reform options. A copy of the final report can be accessed at <https://www.facs.nsw.gov.au/about/reforms/NRSCH>.

NRSCH Registrars have reviewed the potential reforms identified in the final report and met with sector representatives in April 2021 and the Regulatory Advisory Group³ in May 2021. Registrars have formed a collective position on the reforms and will continue to work with jurisdictional policy representatives and the sector to deliver regulatory reform to encourage the growth and development of the sector

³ The Regulatory Advisory Group facilitates the provision of advice about systemic issues that impact on the implementation and ongoing effectiveness of the NRSCH and related housing regulatory systems. Membership includes Regulators, policy representatives from participating and non-participating jurisdictions and a peak representative from each jurisdiction.

FOCUS AREA 1:

Support the growth and development of the community housing sector through improved confidence in regulatory assurance

Achievements:

- Improved guidance for providers to advance data integrity
- Improved process documentation to support consistency and harmonisation across jurisdictions
- Improved capabilities of regulatory staff through training and the documentation of consistent processes
- Supported community housing providers access finance through the sharing of regulatory information with NHFIC
- Established and maintained collaborative relationships

Responding to emerging risks in the sector

The COVID-19 pandemic created unprecedented challenges for the NRSCH and registered community housing providers as we responded swiftly to ensure people and communities were safe. Registrars developed active collaborative relationships at a local level to address emerging issues and develop co-design solutions.

Many Registrars undertook a state based sensitivity analysis to consider the likely short term financial impact on community housing providers' operating performance, liquidity and capital structure measures based on a potential loss of rent revenue due to COVID-19. The analysis showed that community housing providers would remain solvent. Overall, the community housing sector demonstrated significant resilience in the COVID crisis adapting quickly to change, responding to challenges and seizing opportunities.

Research was undertaken by the Community Housing Industry Association (CHIA) into the impacts of COVID on the community housing sector. CHIA and NHFIC have published a number of reports that demonstrate the agility of the sector. CHIA are also working towards the development of a single collated guide for preventing and responding to infections in community housing facilities.

Links to reports developed by CHIA and NHFIC are available below.

- [Responding to the COVID-19 Crisis- CHIA](#)
- [COVID-19 Industry Impacts - Results of Survey One - CHIA](#)
- [COVID Industry Impacts - Results of Survey Two - CHIA](#)
- [Australia's social and affordable housing sector: A resilient response to COVID-19 - NHFIC](#)

Improved guidance for providers to advance data integrity

Data forms the basis for the assessment of providers' compliance and subsequently the level of regulatory engagement imposed. It is also used to report individual provider and sector performance. For performance and public access getting the data right at key points in time is critical to building confidence in the sector and implementing priorities.

Registrars issued guidance on repair requests completed and turnaround metrics in March 2021. The repair requests completed guidance clarified when a repair was deemed complete. There was a risk a minority of community housing providers were classifying urgent and non-urgent repairs as completed when a work order was raised with a contractor, rather than when the underlying repair had been undertaken.

Registrars supported a definition of 'completed' that captured when the community housing provider addresses the underlying repair, particularly as it could relate to health or safety risks, rather than the administrative process of raising work orders to undertake a repair.

Turnaround metric guidance was issued in response to inconsistencies in the reporting of vacant calendar days which affected the average tenantable and untenable turnaround times. Some providers were including properties that had not yet been relet into their vacant calendar day figures which produced higher turnaround timeframes.

Registrars also observed some providers only included vacant calendar days in the financial year, rather than the whole vacant or relet period across financial years. Registrars provided a clearer definition on vacant calendar days to avoid confusion and ensure metrics aligned with the AIHW approach to vacant turnaround report.

Continuous improvement of regulatory tools and resources

Registrars are committed to the continuous improvement of the NRSCH and the development of tools and resources for regulatory staff to support a harmonised and consistent regulatory approach. During the reporting year a range of process documents were reviewed and developed to support regulatory staff.

Cancellation of registration process

In August 2020 process documentation was developed to provide guidance to regulatory staff on cancelling a registration on the application of the provider or providers who have wound up or otherwise ceased to exist. The process specifically related to cancellation of registration under Section (1)(a) and Section (1)(b) of the National Law.

The documentation provides operational guidance in the end to end cancellation of registration process to ensure the consistent application across jurisdictions, the protection of tenants and the security of assets.

NRSCH Assessment Methodology

In February 2021 the NRSCH Assessment Methodology was revised. This guide was developed to provide consistent guidance to regulatory staff in the assessment of providers' capacity to comply and on-going compliance with the Community Housing Provider's National Law. The NRSCH Assessment Methodology is one element for achieving harmonisation and consistency in regulatory judgements and assessments nationally.

Special Purpose Vehicles

In response to a growing appetite in the sector for the creation of Special Purpose Vehicles (SPVs) Registrars initiated action to develop a standardised approach to the assessment and registration of SPVs. In some circumstances the structures proposed have been complicated and involved multiple parties as well as the possibility of commercial shareholders and the sale of community housing provider assets. A draft paper was tabled in April 2021 and feedback has been sought from NHFIC. Further consultation and the development of a NRSCH operational policy will be considered in 2021-2022.

Property data quick reference guides and training

The NRSCH National Office conducted three refresher training sessions following the implementation of property data collection and issued three additional quick reference guides to support and coach regulatory staff assisting community housing providers. Training and resources aimed to improve capability and assist staff in providing clear and consistent support to community housing providers.

Revised CHRIS user guides

Community Housing Regulatory Information System (CHRIS) user guides were reviewed and updated to reflect current practice and procedures. This included additional resources for regulatory staff in using CHRIS dashboards and report features. The objective is to improve reporting and analytic capabilities and the transparency of information available about community housing providers. Ensuring consistent resources and tools are available to support regulatory staff is one element to achieving these objectives.

Responding to requests for regulatory opinion

The NRSCH responded to nine requests for regulatory opinions for registered community housing providers seeking finance from the NHFIC. Regulatory opinion reports provide an independent assessment of the CHP's compliance with the National Regulatory Code and any other information relevant to the application being assessed by NHFIC.

The ongoing financial viability of providers and ensuring funding or cost savings are being used in support of the growth and development of the community housing sector are of common interest to the NRSCH and NHFIC. Actions taken by Registrars conform to the objectives of the NRSCH, notably to provide a consistent regulatory environment to support the growth and development of the community housing sector; to pave the way for future housing project development; and to reduce regulatory burden on housing providers working across jurisdictions.

Establish and maintain collaborative relationships

Registrars continued to engage with sector and policy representatives through biannual meetings with the Regulatory Advisory Group. The purpose of the Regulatory Advisory Group is to facilitate the provision of advice about systemic issues that impact on the implementation and ongoing effectiveness of the NRSCH and related housing regulatory systems.

Registrars also meet with representatives from NHFIC on a quarterly basis to discuss trends in financing and emerging issues.



FOCUS AREA 2:

Strengthen registrars' ability to serve the objects of the National Law through greater industry insights

Achievements:

- Improved data quality and consistency by capturing source data and applying the same standards for calculating asset summaries
- Enhanced regulatory analysis by providing insights and informed understanding of performance and risks that could not be fully understood by aggregate level reporting of housing assets
- Improved system accessibility for community housing providers by issuing additional portal licenses for maintenance of property data

Collection of property based asset information

The collection of property level asset information was a key priority in 2020-2021. The objective of the asset data collection was to enhance regulatory analysis by improving insights and informed understanding of performance and risks that cannot be fully understood by aggregate level reporting of housing assets.

In March 2020 providers were invited to submit property data to the NRSCH National Office for preparation and upload to the Community Housing Regulatory Information System (CHRIS). This collection was later suspended to allow providers to focus on priorities arising from the COVID pandemic. In May 2020 system enhancements to facilitate the collection of property data were finalised and by the end of June 2020 the NRSCH National Office had entered over 47,000 properties into the system. As at 30 June 2021, over 100,000 property records had been created.

Benefit realisation

At the time of writing, not all benefits of property data collection had been realised partially because the data set is incomplete. A detailed evaluation of the property data collection project is currently underway to identify and remedy system and process issues.

System enhancements will be completed in late 2021 to improve functionality and data integrity. This will enable more accurate reporting of property data.

Improved system accessibility for registered providers

In July 2020, to improve system accessibility and to facilitate the update of property data Registrars invited all Tier 1 and Tier 2 providers to access an additional portal license. This offer was later extended to some Tier 3 providers who expressed a need. As at 30 June 2021, the NRSCH had issued 33 additional portal licenses to providers to support the management of property data.

Improved data collection and integrity

As at 30 June 2021 over 75% of registered providers had recorded their property data and over 100,000 property records had been created. In August 2020, the first compliance returns using the automated community housing and performance report based on property data were submitted. This removed the need for providers to manually calculate property information resulting in a more accurate representation of owned and managed properties based on the source data.

FOCUS AREA 3

Build capability and capacity within the regulatory system through improved transparency of the performance of individual providers and the sector

Achievements:

- Improved data sharing, communication and notification protocols between the NRSCH and NHFIC
- Improved financial assessment and modelling

Improved data sharing, communication and notification protocols

In February 2021 NRSCH Registrars and the NHFIC signed an Operating Convention. The purpose of the Convention is to express the intent of the NRSCH Registrars and NHFIC's working relationship. The Convention guides the sharing of information and consultation in relation to specific community housing providers and the community housing sector generally.

The Convention is not intended to be a legally binding obligation but supports data sharing, communication and notification protocols in relation to registered community housing providers in appropriate situations.

Registrars and representatives from NHFIC also meet quarterly to share information and discuss emerging issues.

Revision of the Financial Performance Report to reflect new accounting standards

The focus of this project was to implement changes to data collection and analysis to accommodate new accounting standards and to incorporate recommendations from a number of internal reviews of the Financial Performance Report. This was the first change since 2015.

The changes to the Financial Performance report will enable more accurate financial assessment and modelling.

PRIORITIES FOR THE YEAR AHEAD

In 2021-2022 NRSCH Registrars will continue to strive for greater transparency in data for the public, financiers and policy makers to make informed decision and an effective and efficient regulatory framework that imposes the least necessary burden to maintain standards set by the NRSCH.

The priorities for next year are:

Developing industry insights to better understand sector needs and risks

- Publish environmental scan topics in response to emerging risks within the sector informing providers of environmental trends that could impact on business planning
- On-going monitoring of the impacts of COVID-19 at a jurisdictional and national level

Continuous improvement of systems, processes and reporting

- Develop options for the design of new NRSCH service evaluation surveys to collect feedback from providers
- Develop guidance notes for providers to improve the integrity of data collection
- Conduct a post implementation review of property data collection to identify whether the project met objectives and any opportunities for improvement.
- Deliver improvements to the Community Housing Regulatory Information System (CHRIS) to improve property collection functionality and reporting
- Undertake a viability assessment of the CHRIS database to ensure that it can meet the current and future needs of the NRSCH

Identifying or enhancing initiatives for working collaboratively with other stakeholders

- Work with NHFIC providing regulatory opinions to support financing requests
- Increase engagement with the Regulatory Advisory Group
- Investigate opportunities with the ACNC for the sharing of information and the reduction of regulatory burden

Advancing the NRSCH reform agenda

- Seek opportunities to work collaboratively with stakeholders to advance the NRSCH reform agenda

For more information

For more information on the National Regulatory System for Community Housing, please visit:

www.nrsch.gov.au