



Communities
& Justice

Review of the National Regulatory System for Community Housing (NRSCH) – Potential Future Reform Options Report

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1 Executive Summary

1.1 Background

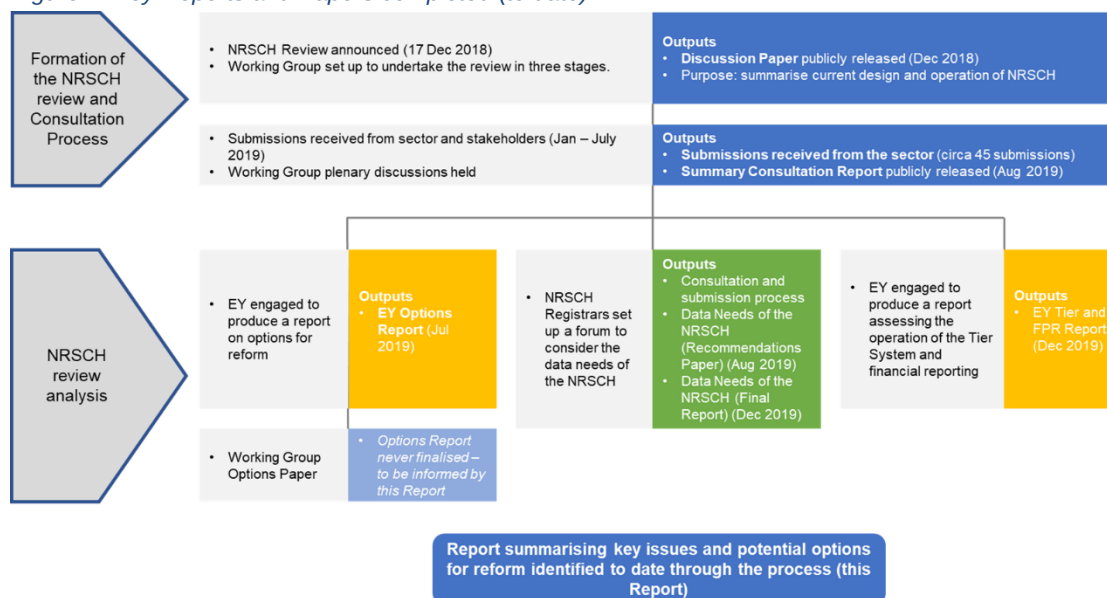
A review of the National Regulatory System for Community Housing (NRSCH) (the Review) was announced in December 2018 as a requirement under the Inter-Governmental Agreement which established the NRSCH.¹ The need to undertake a review has been consistently identified as a priority by interested stakeholders, including community housing providers (CHPs), within the community housing sector.

To facilitate the Review, a NRSCH Working Group was established following the 2017-18 Mid-Year Economic and Fiscal Outlook. The Working Group has been commissioned to undertake a full review of the NRSCH, with representatives from the Commonwealth and each State and Territory.

To date, the Review has comprised a number of workstreams and consultation exercises² to gather the key issues and potential reforms for consideration under a future state of the NRSCH.

The key workstreams and consultation exercises commissioned as part of the Review to date are set out in the diagram below. A full list of resources is also set out in Appendix A of this Report:

Figure 1: Key Reports and Papers completed (to date)



This Report is intended to summarise, synthesise and consider the implementation of potential reforms set out within the work products and consultations completed to date.

¹ Review to be undertaken after five years. See Clause 8.1 of the IGA.

² Inclusive of a Discussion Paper and formal consultation process; Options Analysis; consideration of the data needs of the NRSCH; and detailed analysis regarding the operation of the Tier system and financial reporting requirements under the NRSCH.

1.2 Scope and purpose of this Report

As noted above, the purpose of this Report is to collate the key issues, findings and proposed reforms from the workstreams, work products and consultations to date to chart potential reform actions under the future state of the NRSCH.

This Report adopts the following approach to bringing these various workstreams and interim work products together into a summarised and synthesised final product:

- Set out and group by topic and theme the key concerns with the operation of the current system identified through the consultation and various workstreams;
- Identify from the work undertaken to date the potential reforms which respond to these key concerns; and
- Consider these potential reforms against a quadrant matrix so as to inform the reader of the relative complexity of implementation against the relative impact the reform is anticipated to have.

The Report is intended to represent a summary of the work undertaken to date and no additional consultation or independent analysis has been undertaken in compiling this Report. Consideration of potential reforms against a quadrant matrix has been completed on a qualitative basis based on the analysis undertaken in the underpinning workstreams, where available. Detailed implementation considerations and the implementation pathway associated with each proposed reform have not been considered as part of the work undertaken to date and consequently are not covered in this Report.

In addition, references to the Review workstreams, reports and consultations have been made at a high level throughout this Report to illustrate the insights, linkages and interdependencies relevant to the analysis undertaken. For additional analysis – including key insights on particular elements of the NRSCH³ – it is recommended that these work products are referenced for further information (see Appendix A for details).

1.3 Key issues

To identify key issues regarding the operation of the current system, each workstream and associated consultation exercise (where applicable) was qualitatively reviewed to set out and group (by topic) a set of key issues.

Key insights from the review process to date can be broadly grouped into three topics or sub-categories:

- Scope and span of regulation
- Efficiency and effectiveness of regulation
- Transparency of regulation

A summary of the issues and potential reform(s) pertinent to each topic are set out in the table following, with discussion and analysis for each issue set out in further detail in section 3. Potential sources – relevant to the issue and/or reform solution –

³ Such as the Tier system and FPR requirements within Tier Structure and Financial Reporting Requirements (Final Report).

have also been identified in the table following. Potential sources include respondents to the Discussion Paper (noting that the sample size was approximately 45, including approximately 10 CHPs); review analysis as set out in Figure 1; and additional targeted consultations as part of the Data Needs Work and the Tier and FPR report. Therefore, while the sources are representative of a sample size that covers a cross-section of the sector, the views noted should not be considered reflective of the views of all organisations within the community housing sector.

Table 1: Key issues and potential reform(s) by topic

Issue	Potential reform(s)	Source(s) ⁴ of issue / reform
Topic: Scope and span of regulation		
▶ The NRSCH is an opt-in regulatory system. Not all providers of Community Housing are currently opting in.	▶ 1.0: Make regulation mandatory for all providers delivering community housing activities	▶ The current opt-in regulatory approach was noted as a potential issue by some CHPs, peak bodies and tenant representative organisations in response to the Discussion Paper. ▶ Further, a small cross section of CHPs responding to the Discussion Paper (including Tier 1 and Tier 2 CHPs) felt that all community and affordable housing providers should be regulated.
▶ Affordable housing is currently not regulated under the NRSCH. An increasing number of affordable housing providers are for-profit. The NRSCH is not currently set up to regulate for-profit providers on a consistent basis.	▶ 2.0: Expand the NRSCH to cover providers of an agreed and harmonised definition of regulated affordable housing (including for-profit providers)	▶ In response to the Discussion Paper, stakeholders (including Tier 1 and Tier 2 CHPs, Peak Bodies and Registrars) mostly agreed that all social and affordable housing should be regulated under the same system. ▶ Additionally, in response to this issue, a similar response cohort noted that the NRSCH needs a nationally consistent approach to social and affordable housing regulation.
▶ The NRSCH is not adequately set up to accommodate Indigenous housing providers, with the result that many Indigenous organisations are not opting-in to registration.⁵	3.0: Expansion of the NRSCH to better cover and address the requirements of Indigenous housing and ICHOs, including:⁶ ▶ Provisional form of registration – with flexibility associated with eligibility requirements – to assist with registration uptake as ICHOs transition to the NRSCH	▶ Noted as an issue for reform within submissions to the Discussion Paper including Indigenous organisations, peak bodies and a broad cross-section of CHPs. ▶ Confirmed through discussions with Indigenous housing providers and stakeholders – consulted with as part of the Aboriginal Housing

⁴ Potential sources include respondents to the Discussion Paper (noting that the sample size was approximately 45, including approximately 10 CHPs); review analysis as set out in Figure 1; and additional targeted consultations as part of the Data Needs Work and the Tier and FPR report. Therefore, the sources noted should not be considered reflective of the views of all organisations within the community housing sector.

⁵ Issues and reform options relevant to Indigenous housing providers were analysed and discussed as part of the Review. This included consultation submissions to the Discussion Paper and a dedicated roundtable session – facilitated in a safe environment – with Aboriginal housing providers.

⁶ See (for example), section 2.2 of the Discussion Paper Consultation Summary Report

Issue	Potential reform(s)	Source(s) ⁴ of issue / reform
	▶ Inclusion of cultural competency for: - o non-Indigenous providers within the performance outcomes and evidence requirements - o Registrars to undertake assessments of; and ▶ Modified wind-up clauses to recognise other wind-up provisions designed to preserve assets in the Indigenous Housing sector.	Roundtable sessions, where issues and potential reform solutions were raised.
▶ The NRSCH does not currently extend to measuring organisations across tenant-centred measures and outcomes.	▶ 4.0: Expansion of the NRSCH to cover an increased set of tenant-centred measures and outcomes	▶ Noted as an issue for reform within submissions to the Discussion Paper including a cross section of CHPs (Tier 1, 2 and 3), peak bodies, Registrars and Government Departments. ▶ Additionally, in response to this issue, there was a consensus view across respondents that NRSCH registered providers should have to consult tenants and report on tenant outcomes .
▶ Community housing tenants lack a dedicated and effective forum under the ambit of the NRSCH for raising tenant protection issues.	▶ 5(a): Establishing an ombudsman⁷ under the ambit of the NRSCH to provide tenants with an improved voice in their experience with community housing. ▶ 5(b): Expanding the scope of the Registrar's powers to investigate individual complaints and make binding recommendations.	▶ Raised as an issue by a small number of submissions (including a multi-jurisdictional Tier 3 CHP, state-based peak body and tenant representative body) to the Discussion Paper. ▶ The prospect of expanding the scope of Registrar powers (as an alternative to an ombudsman) was noted as a potential reform by Registrars during consultation.
▶ The dynamic nature of the global and macroeconomic environment CHPs operate in is changing and requires increased understanding and oversight from Regulators.	▶ 6.0: Expansion of the NRSCH regulatory toolkit to better cater for the diverse risks of the community housing sector.	▶ This particular reform was noted by Registrars during consultation (noting that this potential reform has come into greater focus as part of the current COVID-19 pandemic)

⁷ Noting that consideration as to whether this takes place within the remit of the NRSCH or outside of the NRSCH is ongoing.

Issue	Potential reform(s)	Source(s) ⁴ of issue / reform
		► This supports the issues raised within Discussion Paper responses where a strong cross-section of responses called for revisions to the NRSCH that better reflect organisational risk profiles.
Topic: Efficiency and effectiveness of regulation		
► The timing, format and scope of reporting requirements and key performance indicators varies across jurisdictions; and in particular across NRSCH jurisdictions, Victoria and Western Australia. This causes significant administrative burden for organisations operating across State borders and may be constraining the number of organisations willing to expand operations into another State.	► 1(a): Establishment of a single independent national regulator across all jurisdictions under a single uniform national law ► 1(b): Undertake a program of work leading to the accession of Victoria and WA to the NRSCH, or similar national regulatory system, under a reformed and harmonised regulatory regime. ► 1(c): Establish an Advisory Council (or Harmonisation Body) to help drive a continuous programme of harmonisation activities between NRSCH and non-NRSCH jurisdictions	► Consistency and harmonisation across the regulatory framework and how regulation is applied within each jurisdiction was consistently emphasised in Discussion Paper responses. ► A number of submissions (including from a cross-section of CHPs and peak bodies) to the Discussion Paper supported a single or more harmonised national approach – including the potential for a single regulator; a program of work to harmonise NRSCH and non-NRSCH jurisdictions; and a harmonisation body/council as potential reform solutions. ► These issues were further discussed with the Registrars during consultation; including as part of the Tier and FPR report.
► There is variance in the regulatory requirements applicable to CHPs at an intra-NRSCH level. This can lead to an administrative burden for organisations operating across jurisdictions and the need for regulators to account for jurisdictional differences.	► 2.0: Expand role of NRSCH National Office to continue to pursue activities to maintain ongoing harmonisation of regulatory policy across NRSCH regulators.⁸	► Variance in the regulatory requirements applicable to CHPs at an intra-NRSCH level was noted within responses to the Discussion Paper (including from Registrars, peak bodies and a small number of CHPs) as a potential issue to ongoing harmonisation across the sector.
► There is perceived tension between the location of the regulatory functions across jurisdictions, including the extent to which this function is separate from	► 3.0: Restructure regulators so that they are separate and independent from commissioning/funding	► A perceived lack of independence between the regulatory function and Government commissioning / funding functions was noted as an issue by peak bodies and some CHPs

⁸ These potential reforms are to a degree mutually exclusive. Further discussion of the details and interdependencies between them is provided in Section 4 of this Report.

Issue	Potential reform(s)	Source(s) ⁴ of issue / reform
commissioning and/or funding functions of Government.	functions of Government and report directly to a minister.	(including Tier 1 and 3 CHPs) in response to the Discussion Paper.
▶ CHPs are required to report data across a range of funder and regulatory systems including the ACNC, ASIC, NHFIC and other funding arrangements. The timing and format of these reporting requirements are not aligned.	▶ 4(a): Undertake a program of work between the NRSCH, other regulators, funders and data collectors to better align reporting requirements ▶ 4(b): Undertake a program of work to implement data sharing mechanisms between the NRSCH and appropriate parties	▶ The current data reporting processes was raised as an issue by the sector in response to the Discussion Paper. This includes issues relating to the duplication of information to multiple regulatory bodies, the timing of reporting requirements and the associated regulatory burden imposed on providers. ▶ For example, a strong cross-section of respondents (inclusive of CHPs across all tier, peak bodies and Registrars) highlighted the potential overlap in reporting requirements between NRSCH and other regulatory bodies. ▶ Issues relating to reporting requirements were discussed and tested through analysis and consultations with providers as part of the Data Needs Report and the Tier and FPR report.
The operation of the Tier system is problematic and has perverse consequences, In particular: ▶ Tier is a measure of risk, but perversely often operates as an eligibility requirement for funding and financing; ▶ Tier determination criteria operate sub-optimally meaning there is both insufficient differentiation of organisations between, and poor uniformity within Tiers; ▶ The differential regulation which is activated between Tier 1 and 2 is not	▶ 5.0: Increase Regulator resourcing to improve capacity to engage with organisations differentially on a risk-based approach ▶ 6(a) Refine the Tier system by:⁹ - o Review and re-align Tiering criteria to create better uniformity within, and differentiation between Tiers - o Review and re-align FPR against Tiers to better respond to differential risk profiles within Tiers ▶ 6(b): Replace the Tier system with a Modular / Segmentation approach whereby reporting is aligned	▶ A cross-section of submissions to the Discussion Paper indicated that resourcing for Registrars needs to be increased (including peak bodies, some Tier 1 CHPs and Registrars). ▶ Issues pertaining to the operation of the Tier system were consistently raised in submissions to the Discussion Paper including from a cross section of CHPs (Tier 1, 2 and 3), peak bodies, Registrars and Government Departments. This includes a consensus view amongst respondents that the Tier system should be revised to be more holistic to reflect capacity, purpose and risk.

⁹ For further information: NRSCH Review – Tier Structure and Financial Reporting Requirements Report, pg. 7-9.

Issue	Potential reform(s)	Source(s) ⁴ of issue / reform
aligned to the differences in risk profile of organisations within those Tiers. (see Section 3.2.2 for further details)	to modules or segments based on provider typology and operations ▶ 6(c): Replace the Tier system with a system relying on individualised regulatory engagement plans.¹⁰	▶ A modular or segmentation approach was noted as a potential reform solution by Registrars and Government Departments in response to the Discussion Paper and the Data Needs Report. ▶ Further, an individualised regulatory approach was also flagged as a potential reform solution by Registrars, Peak Bodies and Government Departments in response to the Discussion Paper (with references made to the Scottish system as a case study). ▶ Issued were confirmed and discussed during consultations with providers as part of the Tier and FPR report and the Data Needs Report.
The current application of the Financial Performance Reporting (FPR) requirements is sub-optimal because: ▶ The data collected is insufficiently targeted to provide a granular view of the different risk profiles of providers; ▶ Duplicative reporting requirements across regulators and funders increase the regulatory reporting burden unnecessarily; ▶ Lack of alignment of reporting periods across regulators and funders increase the regulatory reporting burden unnecessarily (see Section 3.2.2 for further details)	▶ 7.0: Revise the FPR requirements to align with the new accounting standards (already in implementation) ▶ Establish a modular / segmentation approach to the FPRs (considered in the context of the Tier reforms in section 4) ▶ Review the content of the FPR reporting requirements between the NRSCH, other regulators and State funding agencies (<i>considered in the context of the reporting reforms (i.e. 4(a)) in section 4</i>) ▶ Review the timing of the FPR reporting requirements between the NRSCH, other regulators and State funding agencies (<i>considered in the context of the reporting reforms (i.e. 4(a)) in section 4</i>)	▶ The need to revise the FPR requirements to align with new accounting standards was noted within the Data Needs Report. ▶ A modular / segmentation approach to the FPRs was broadly supported within the Data Needs work. ▶ As noted above, duplication and overlap in reporting (including financial reporting) was raised consistently as an issue in responses to the Discussion Paper (across a cross section of Tier 1, 2 and 3 CHPs and peak bodies). Specifically, respondents noted the potential for corporate and financial reporting – currently completed for other regulatory purposes – to be used for NRSCH compliance.

¹⁰ These potential reforms are to a degree mutually exclusive. Further discussion of the details and interdependencies between them is provided in Section 4 of this Report.

Issue	Potential reform(s)	Source(s) ⁴ of issue / reform
▶ The structure of regulatory data reporting systems present challenges for data entry and usability for providers.	▶ 8.0: Implement system improvements to the CHRIS (Community Housing Regulatory Information System) platform to assist with data collection and monitoring.	▶ Noted as a potential issue for reform by CHPs (inclusive of some Tier 1, 2 and 3 CHPs) in response to the Discussion Paper and the Data Needs Report.
▶ The current reporting requirements for Tier 3 providers present challenges for the sector and regulators in assessing risks and issues. This is due to the long periods between regulatory engagements and the historical relevance of data collected.	▶ 9.0: Increase the frequency of Tier 3 CHP reporting requirements to annual.	▶ Submissions to the Discussion Paper indicated that the current reporting requirements for Tier 3 CHPs requires review. This includes the need to calibrate requirements to mitigate against a burdensome level of reporting for smaller CHPs¹¹. ▶ The timing and level of oversight currently applicable to Tier 3 CHP reporting was noted as a potential issue for reform by Registrars during consultation.
▶ The current system provides limited assurance on the integrity of data around which regulators base their regulatory assessments.	▶ 10.0: Expand the powers of the regulator and provide appropriate resourcing to enable them to undertake spot checks and audits of provider's data collection, storage and reporting systems.	▶ Noted as a potential issue for reform by Registrars as part of the Data Needs work. ▶ Confirmed through discussions with providers as part of the Data Needs Report in the context of data integrity – and how important this is for the NRSCH.
Topic: Transparency of regulation		
▶ The current data collected and reported by the Registrar is limited in its ability to provide a complete picture of the CHP sector.	▶ 1.0: Publish a sector trends report (or Environmental Scan) that covers key sector information (already in implementation)	▶ A range of submissions (from a cross-section of respondents) to the Discussion Paper noted that there are potential for amendments to the regulatory framework and reporting processes that would enable key stakeholders to better understand the diversity of operations of organisations within the sector. ▶ Within the Data Needs work, there was broad support across peak bodies and CHPs for an

¹¹ Noted by respondents ranging from peak bodies, Registrars and some CHPs (cross section of Tier 1, 2 and 3 CHPs).

Issue	Potential reform(s)	Source(s) ⁴ of issue / reform
		Environmental Scan to be published – with the first edition released earlier this year.
▶ The current data reporting processes do not provide a sufficiently detailed picture of the performance of the sector.	▶ 2.0: Compile and publish benchmarking report(s) that covers key benchmarking and performance	▶ Noted as a potential issue for reform by a cross section of CHPs (Tier 1, 2 and 3), Registrars and peak bodies in response to the Discussion Paper and Data Needs work – particularly where benchmark reporting aligns with a segmentation approach. ▶ Further, the majority of respondents to the Discussion Paper indicated that the NRSCH should be required publicly on performance benchmarks. ▶ This issue was confirmed through consultations with providers and peak bodies as part of the Data Needs report.
▶ Broader operational data is required to better understand the challenges, risks and opportunities faced by CHPs in operating and maintaining assets.	▶ 3.0: Implement broader data acquisition measures including asset data (already in implementation)	▶ Noted as a potential issue for reform by Registrars as part of the Data Needs work – specifically where the collection of enhanced property / asset-specific data can support a segmentation approach. ▶ Potential reform tested during consultations with providers as part of the Data Needs Report.
▶ Stakeholders misunderstand the purpose of the Tier systems and use it as a proxy for performance.	▶ 4.0: Improved stakeholder communications to better communicate the intended operation of the Tier system	▶ The understanding and interpretation of the Tier system was noted as an issue by a cross section of CHPs (Tier 1, 2 and 3 CHPs), Registrars, Peak Bodies and Government Departments in response to the Discussion Paper. ▶ Confirmed as an issue for potential reform during consultations with providers as part of the Tier and FPR report.

1.4 Assessment of potential reforms

In Section 4 of this Report, the potential reforms identified in Table 1 have been assessed against a range of measures with a view to identifying a sensible and actionable reform implementation pathway.

The assessment at Section 4 considers the potential reforms identified and plots them against an *impact vs complexity matrix* measured by:

- **Anticipated impact** – comprising the potential impact of reform activities on the issue identified by affected stakeholders
- **Anticipated complexity** – comprising the potential level of complexity, time and disruption that is expected to be entailed in implementing reform activities

Separately, this Report recognises that there is wide variance in the degree to which the potential reforms considered have been the subject of consultation feedback and/or analysis across the various workstreams of the review. In order to show this, Section 4 of this Report adopts a traffic light rating to flag the degree to which support for the reform and/or competing considerations in connection with the reform, have been evidenced either through the consultation responses or otherwise through the workstreams undertaken to date as part of the review. A description of this scale can be found at Table 10 of this Report.

Section 5 of this Report uses the assessment of potential reforms undertaken at Section 4 to map out a potential reform pathway along the following categories - immediately actionable; further development and consultation recommended; and further work required in order to determine whether to proceed.

Table 2: Reform implementation pathway – approach

Category	Reforms included in this category	Recommendation
Immediately actionable	Reforms which have had strong support and few or no competing considerations evidenced in the consultation and work undertaken to date, and which have been scored low to moderate in complexity of implementation.	Proceed to detailed development and implementation of the reform.
Further development and consultation recommended	Reforms which have had support and relatively few competing considerations evidenced in the consultation and work undertaken to date, and the impact of which is anticipated to be commensurate to the complexity involved.	Proceed to further development of the reform with a view to engaging in further targeted stakeholder consultation on implementation.
Further work required in order to determine whether to proceed	Reforms where significant competing considerations have been identified in the consultation and work undertaken to date, and which have relatively low expected impact or relatively high associated complexity.	Further detailed and targeted analysis required in order to determine on whether to proceed with these reforms.

The table overleaf summarises the outcome of both the assessment at Section 4 and the reform pathway conclusion at Section 5 into a single table. Further information on the approach, analysis and rationale relevant to draft potential reform approaches is set out in Sections 3, 4 and 5 of this Report.

Table 3: Potential reform(s) – assessment of reforms and proposed reform pathway

Potential reform(s)	Assessment of Potential Reform	Reform Pathway
Topic: Scope and span of regulation		
▶ 6.0: Expansion of the NRSCH regulatory toolkit to better cater for the diverse risks of the community housing sector.	▶ Reform assessed as low-medium complexity and medium-high impact. ▶ This proposed reform is particularly important and actionable in response to the uncertain and evolving risks and issues brought about by pandemics, cyber-crime, terrorism and natural disasters (for example) – and the impact these events are likely to have on the community housing sector.	▶ Immediately actionable
▶ 3.0: Expansion of the NRSCH to better cover and address the requirements of Indigenous housing and ICHOs.	▶ Reform assessed as medium-high complexity and medium-high impact. ▶ There is some support evidenced in the submissions for reforms to the NRSCH to better address the requirements of Indigenous housing and ICHOs. Additionally, issues were discussed further at a dedicated roundtable session with Aboriginal housing providers and stakeholders (facilitated by the Australian Housing and Urban Research Institute (AHURI)). Feedback within these forums¹² emphasised the importance of communication; an increased focus on the cultural competency of Registrars and non-Indigenous providers; clear transitional arrangements; and the need for a modular / segmentation approach that considers the unique characteristics specific to Indigenous housing (such as the differences in asset types – both in form and quality (including housing in remote locations)). ▶ However, this reform has not been considered in a detailed form as part of the Review to date. Accordingly, further analysis and consultation is advisable to build on the roundtable discussions and consider the potential modifications to the NRSCH to more appropriately consider ICHOs and other key Aboriginal stakeholders relevant to the community housing sector.	▶ Further development and consultation recommended
▶ 4.0: Expansion of the NRSCH to cover an increased set of tenant-centred measures and outcomes	▶ Reform assessed as medium complexity and medium-high impact. ▶ While the measurement of tenant outcomes is strongly supported across submissions and works to date, there is benefit in consulting with the sector to agree on the tenant measures¹³ to be included going forward (including baseline measures and the frequency for evaluating each measure).	▶ Further development and consultation recommended.

¹² Aboriginal Housing Providers Roundtable session – 26th March 2019.

¹³ For example, tenant satisfaction measures, tenancy turnover rates, positive exits, maintenance surveys and consideration of tenant diversity.

Potential reform(s)	Assessment of Potential Reform	Reform Pathway
▶ 5(b): Expanding the scope of the Registrar's powers to investigate individual complaints and make binding recommendations.	▶ Reform assessed as low-medium complexity and medium impact. ▶ This proposed reform was flagged within some submissions with this reform distinct from 5(a) in that the scope of activities for safeguarding tenant protections is expanded within the Registrars' remit.	▶ Further development and consultation recommended.
▶ 1.0: Make regulation mandatory for all providers delivering community housing activities	▶ Reform assessed as medium-low complexity and low impact. ▶ While the submissions indicate a degree of support for modifying the current opt-in approach to the NRSCH, analysis undertaken indicates material competing considerations (such as the potential for supply to be constrained if some unregulated providers choose not to register under the NRSCH), indicating further analysis and consultation is advisable.	▶ Further work required in order to determine whether to proceed.
▶ 2.0: Expand the NRSCH to cover providers of an agreed and harmonised definition of regulated affordable housing (including for-profit providers)	▶ Reform assessed as medium-high complexity and medium impact. ▶ While there is some support for this evidenced in the submissions, analysis undertaken indicates material competing considerations (such as the consistency in the application and definition across jurisdictions and the potential cost in regulating affordable housing – including the potential for unregulated providers to be restricted from offering concessional rent products), indicating further analysis and consultation is advisable.	▶ Further work required in order to determine whether to proceed.
▶ 5(a): Establishing an ombudsman¹⁴ under the ambit of the NRSCH to provide tenants with an improved voice in their experience with community housing.	▶ Reform assessed as medium complexity and medium-high impact. ▶ This proposed reform was flagged within some submissions with the role of an ombudsman in safeguarding tenant protections proposed as an alternative to the current approach. However, detailed analysis is yet to be undertaken including where this position is housed; jurisdictional requirements and views; and the extent to which revisions are required to regulations and legislations.	▶ Further work required in order to determine whether to proceed.
Topic: Efficiency and effectiveness of regulation		
▶ 1(c): Establish an Advisory Council (or Harmonisation Body) to help drive a continuous programme of harmonisation	▶ Reform assessed as low-medium complexity and medium impact. ▶ There is strong support for continued harmonisation activities across NRSCH and non-NRSCH jurisdictions where possible. Further, the establishment of a harmonisation body is a relatively straightforward reform to implement and can be considered with minimal disruption to other potential reforms.	▶ Immediately actionable.

¹⁴ Noting that consideration as to whether this takes place within the remit of the NRSCH or outside of the NRSCH is ongoing.

Potential reform(s)	Assessment of Potential Reform	Reform Pathway
activities between NRSCH and non-NRSCH jurisdictions.		
2.0: Expand role of NRSCH National Office to continue to pursue activities to maintain ongoing harmonisation of regulatory policy across NRSCH regulators.	- Reform assessed as low complexity and low-medium impact. - Given this reform considers an extension / expansion of the remit of the current NRSCH National Office, this reform can be pursued with minimal disruption to other reforms.	Immediately actionable.
4(a): Undertake a program of work between the NRSCH, other regulators, funders and data collectors to better align reporting requirements	- Reform assessed as medium complexity and medium impact. - There is considerable support for this evidenced in the works to date (such as the Data Needs Report) and submissions (in the context of reducing regulatory burden) with this proposed reform a key pathway to alleviating the regulatory burden applicable to CHPs across a number of regulatory bodies.	Immediately actionable.
5.0 Increase Regulator resourcing to improve capacity to engage with organisations differentially on a risk-based approach	- Reform assessed as low complexity and low-medium impact. - There was consistent support – including within submissions – for developing improved capability and capacity for Regulators to be able to better differentially regulate providers through a risk-based approach. - Accordingly, identifying the required resourcing by jurisdiction is relatively straightforward to consider (in the context of budgetary requirements) meaning that this reform can be considered in the short-term.	Immediately actionable
7.0: Revise the FPR requirements to align with the new accounting standards (already in implementation)	It is noted that this reform is already well progressed from an implementation perspective; with the Data Needs Report outlining that changes had been implemented in the current financial year to account for the new accounting standards.	Immediately actionable (already in implementation)¹⁵
3.0: Restructure regulators so that they are separate and independent from commissioning/funding functions	- Reform assessed as low-medium complexity and low-medium impact. - While there is support for this evidenced in the submissions, analysis undertaken indicates material competing considerations (including pros and cons for where Regulators are positioned within Government – discussed further in section 4) and	Further development and consultation recommended.

¹⁵ Already implemented as confirmed by the Data Needs Final Report.

Potential reform(s)	Assessment of Potential Reform	Reform Pathway
of Government and report directly to a minister.	the need to consider administrative and legal factors prior to implementation. Accordingly, further development and consultation is recommended.	
▶ 4(b): Undertake a program of work to implement data sharing mechanisms between the NRSCH and appropriate parties	▶ Reform assessed as medium complexity and medium impact. ▶ As noted above for 4(a), review analysis and sector feedback to date support the ability for more fluidity in data sharing mechanisms across regulators. However, for this reform, analysis suggests additional work is beneficial in the context of what can be appropriately shared compared with material that should remain commercial in confidence or protected. ▶ Accordingly, further development and consultation is recommended.	▶ Further development and consultation recommended.
6(a) Refine the Tier system by: ▶ Review and re-align Tiering criteria to create better uniformity within, and differentiation between Tiers; and ▶ Review and re-align FPR against Tiers to better respond to differential risk profiles within Tiers.	▶ Reform assessed as medium complexity and low-medium impact. ▶ As noted above for reform 5.0, there was support for an increased regulatory focus on risk-based approaches. In addition, there was strong support for revisions to the Tier system to better reflect the operating environment of providers. ▶ For this reform, there is some complexity to the scope of reform, and some complexity to the resulting stakeholder management issues particularly where the reform results in organisations moving between the reformed Tiers. Therefore, further development and consultation is recommended.	▶ Further development and consultation recommended.
▶ 6(b): Replace the Tier system with a Modular / Segmentation approach whereby reporting is aligned to modules or segments based on provider typology and operations.	▶ Reform assessed as high complexity and medium-high impact. ▶ A modular or segmentation approach was proposed in several work products¹⁶ and supported within the submissions to the extent that it promotes a tailored approach to regulation. ▶ Given the significant change to the current approach, further development and consultation is recommended; including analysis on the potential modules / segments to consider (building on the Data Needs work).	▶ Further development and consultation recommended.
▶ 8.0: Implement system improvements to the CHRIS platform to assist with data collection and monitoring.	▶ Reform assessed as medium complexity and medium impact. ▶ Further development and consultation are recommended to understand the extent of system improvements to CHRIS that are possible, including the ability to open the portal year-round.	▶ Further development and consultation recommended.

¹⁶ Including the Data Needs Report and the EY Report regarding the Tier system and the FPR requirements.

Potential reform(s)	Assessment of Potential Reform	Reform Pathway
9.0: Increase the frequency of Tier 3 CHP reporting requirements to annual	- Reform assessed as medium complexity and medium-high impact. - There is support for improved reporting requirements that are tailored and proportionate whilst providing regulators with increased visibility of risks and issues (such as through more streamlined and tailored annual reporting for Tier 3 CHPs). - Therefore, further development and consultation are recommended to ensure that the proposed increase in frequency is paired with other proposed reforms (such as segmentation, reforms to the CHRIS) in such a way that the overall administrative burden for Tier 3 CHPs is not materially increased.	Further development and consultation recommended.
10.0: Expand the powers of the regulator and provide appropriate resourcing to enable them to undertake spot checks and audits of provider's data collection, storage and reporting systems	- Reform assessed as medium complexity and medium-high impact. - Data integrity is essential to confidence and accountability in the information and performance of the sector. The Data Needs Report considered this in detail and flagged that further analysis would be beneficial; particularly regarding the scope and frequency of data audits and spot checks and targeted consultation with the sector to communicate intended approach.	Further development and consultation recommended.
1(a): Establishment of a single independent national regulator across all jurisdictions under a single uniform national law	- Reform assessed as high complexity and high impact. - While there is strong support for this evidenced in the work completed to date (including submissions), analysis undertaken indicates material competing considerations and a number of regulatory, administrative and legal factors to consider prior to implementation. - Therefore, further work is required with all jurisdictions in order to determine whether to proceed and whether a single uniform approach is viable.	Further work required in order to determine whether to proceed.
1(b): Undertake a program of work leading to the accession of Victoria and WA to the NRSCH, or similar national regulatory system, under a reformed and harmonised regulatory regime.	- Reform assessed as high complexity (noting slightly less complex than reform 1a above) and high impact. - As noted above for 1(a), analysis undertaken indicates material competing considerations and a number of regulatory, administrative and legislation to consider prior to implementation. - Therefore, further work is required with all jurisdictions in order to determine whether to proceed.	Further work required in order to determine whether to proceed.
6(c): Replace the Tier system with a system relying on individualised regulatory engagement plans.	Reform assessed as high complexity and high impact.	Further work required in order to determine whether to proceed.

Potential reform(s)	Assessment of Potential Reform	Reform Pathway
	▶ This approach involves additional complexity compared to the modular / segmentation approach by shifting the regulatory focus to an individualised approach for each provider. ▶ Accordingly, further work is required in order to determine whether to proceed.	
Topic: Transparency of regulation		
▶ 1.0: Publish a sector trends report (or Environmental Scan) that covers key sector information.	▶ It is noted that this reform is already well progressed from an implementation perspective. This is evidenced by the first edition of the NRSCH Environmental Scan (published in December 2019).	▶ Immediately actionable ¹⁷ (already in implementation)
▶ 3.0: Implement broader data acquisition measures including asset data.	▶ There is support for this evidenced in the Data Needs Report (as an implementation priority) and within submissions including anecdotal feedback that enhanced data acquisition in the asset data context may be minimal¹⁸. ▶ Further, feedback in the context of the Data Needs Report¹⁹ indicates that this reform is already well progressed from an implementation perspective.	▶ Immediately actionable (already in implementation).
▶ 4.0: Improved stakeholder communications to better communicate the intended operation of the Tier system	▶ Reform assessed as low complexity and low-medium impact. ▶ The importance of transparently communicating the intended operation of the Tier system was consistently raised in submissions and analysis to date. ▶ Therefore, this proposed reform can be considered further with minimal disruption for other reforms.	▶ Immediately actionable.
▶ 2.0: Compile and publish benchmarking report(s) that covers key benchmarking and performance	▶ Reform assessed as medium complexity and medium-high impact. ▶ While there is support for this evidenced in the work products and submissions, analysis indicates that there are interdependencies between this reform and other reforms (such as segmentation) as well as the need to clarify what performance data can be appropriately benchmarked and compared (e.g. the potential for piloting a report that is focused on one performance outcome (such as financial and/or service delivery benchmarks)).²⁰ ▶ Therefore, further development and consultation is recommended.	▶ Further development and consultation recommended.

¹⁷ Ibid. An Environmental Scan was released in December 2019 with this publication to be annual going forward.

¹⁸ Noting that some providers are often tracking this information internally.

¹⁹ From discussions with the Chair of the NRSCH Registrars Forum.

²⁰ See the Data Needs report work.

2 Context

The purpose of this section is to provide background information regarding the formation of the NRSCH; the purpose of the current regulatory framework; and the Review process to date.

2.1 NRSCH Context

2.1.1 Background

In December 2010, following consultation on a discussion paper canvassing different options for national regulation, Housing Ministers agreed a nationally consistent framework would be enacted in one jurisdiction and adopted and applied by the other jurisdictions.²¹

In 2012, the Housing Ministers signed the Inter-Governmental Agreement for a National Regulatory System for Community Housing Providers to establish the NRSCH.²² This was enacted in the NSW Parliament with the passing of the Community Housing Providers (Adoption of National Law) Act 2012.²³

The NRSCH was established in agreement by the Commonwealth, States and Territories on the 2nd August 2012. Its establishment was to ensure a well-governed, well-managed and viable community housing sector, in addition to a reduced regulatory burden for multi-jurisdictional community housing providers (CHPs). The NRSCH commenced in 2014. It was not adopted by Victoria or Western Australia, with both Victoria and WA adopting their own regulatory systems.²⁴

2.1.2 Purpose of the NRSCH Regulatory Framework

The NRSCH is a regulatory system designed to contribute to a well governed and managed community housing sector and provide a platform for the ongoing development and viability of the community housing sector across Australia. The NRSCH is designed to identify, monitor and respond to risks that have consequences for tenants; funders and investors; community housing assets; CHP organisational risks; and the reputation of the sector.

A regulatory framework is in place for CHPs for the primary purposes of:²⁵

- **Protecting vulnerable tenants and improving tenant outcomes** – providing assurance to governments and tenants that CHPs have the organisational capability and capacity to manage their portfolios effectively and sustainably

²¹ Joint Communique – Meeting of the Housing Minister's Conference, 16 December 2010. Available at: <https://formerministers.dss.gov.au/1017/joint-communique-meeting-of-thehousing-ministers-conference-melbourne>.

²² FACS – Review of the National Regulatory System for Community Housing: <https://www.facs.nsw.gov.au/about/reforms/NRSCH/review-of-the-national-regulatory-system-for-community-housing>

²³ FACS – Review of the National Regulatory System for Community Housing: <https://www.facs.nsw.gov.au/about/reforms/NRSCH/review-of-the-national-regulatory-system-for-community-housing>

²⁴ Victoria's Regulatory system is set by the Housing Registrar under the *Housing Act 1983*; whereas WA operate under the *Community Housing Regulatory Framework* (introduced in 2016).

²⁵ See Section 3.2 of the IGA

- **Protecting government assets and funding** – to ensure that regulated providers continue to develop on a sustainable foundation and that regulated CHPs can diligently manage government funding and assets
- **Facilitating private sector investment** – providing investors with the confidence to invest into CHPs, while also providing assurance of CHP creditworthiness

In support of the regulatory principles set out in the IGA, a set of objectives were established at the point of the NRSCH's implementation. These objectives have guided the NRSCH's development into its current state. The key objectives of the NRSCH have been described thematically below:

Table 4: NRSCH Objectives^{26 27}

Topic	Description
Regulatory Consistency	Provide a consistent regulatory environment to support the growth and development of the community housing sector
Housing Product Development	Pave the way for future housing product development
Reduce Regulatory Burden	Reduce the regulatory burden on CHPs working across jurisdictions
Level Playing Field	Provide a level playing field for CHPs seeking to enter new jurisdictions
System Implementation	Implement a system that is interpreted and implemented in ways that are: • Proportionate – reflecting the scale and scope of related activities; • Accountable – able to justify regulatory assessment and be subject to scrutiny • Consistent – based on standardised information and methods • Transparent – clear and open processes • Flexible – avoiding unnecessary prescriptions and impositions on how CHPs organise their business and demonstrate compliance with performance requirements • Targeted – focused on the core purposes of improving tenant outcomes and protecting vulnerable tenants, protecting government funding and equity, and ensuring investor and partner confidence

To ensure CHPs comply with the National Law, the National Regulatory Code was developed. The National Regulatory Code consists of the following seven (7) performance outcomes which all registered CHPs are required to comply with:^{28 29}

1. **Tenant and housing services** – the CHP is fair, transparent and responsive in delivering housing assistance to tenants, residents and other clients
2. **Housing assets** – the CHP manages its community housing assets in a manner that ensures suitable properties are available in the present and future

²⁶ NRSCH Regulatory Framework: https://www.nrsch.gov.au/__data/assets/file/0004/420871/NRSCH-Regulatory-Framework-_Amended-27-July-2017.pdf

²⁷ NRSCH Tier Guidelines: https://www.nrsch.gov.au/__data/assets/file/0005/288230/D_Tier_Guidelines.pdf

²⁸ Note – these requirements are in addition to all other regulations (applying to landlords, incorporated entities, etc.) due to the presence of government support – a form of grant acquittal for CHPs

²⁹ NRSCH Regulatory Framework: https://www.nrsch.gov.au/__data/assets/file/0004/420871/NRSCH-Regulatory-Framework-_Amended-27-July-2017.pdf

3. **Community engagement** – the CHP works in partnership with relevant organisations to promote community housing and to contribute to socially inclusive communities
4. **Governance** – the CHP is well-governed to support the aims and intended outcomes of its business
5. **Probity** – the CHP maintains high standards of probity relating to the business of the CHP
6. **Management** – the CHP manages its resources to achieve the intended outcomes of its business in a cost-effective manner
7. **Financial Viability** – the CHP is financially viable at all times

2.1.3 Sector Overview

Since the formation of the NRSCH in 2014, the CHP sector has changed and evolved significantly in response to market dynamics and in order to continue to deliver high quality social and affordable housing and associated services to people on very low, low or moderate incomes. This was reinforced during the Review consultation process where participants considered the overarching purpose and objectives of regulation.

Further, the sector has grown, both in number of providers and assets managed. An Australian Housing and Urban Research Institute (AHURI) report in 2016 noted a total of 323 registered CHPs in Australia. There are now approximately 357 registered CHPs in Australia spread across Tier 1, Tier 2 and Tier 3 equivalent accreditation.³⁰ This is in addition to approximately 600 CHPs which are not registered.³¹

In addition, community housing has more than doubled between 2008-09 and 2016-17, from 39,800 to 82,900 dwellings.³² As the sector grows, it is important that the sector and providers are able to build capacity, remain financially viable and respond to the needs of their client base wherein tenant outcomes are prioritised.

Further, the CHP sector is a diverse group in terms of organisation type, capacity, maturity and scale of operations. As such, the Review is timely and provides an opportunity to ensure that the regulatory framework is fit for purpose for key stakeholders in the sector going forward. This will safeguard the seven performance outcomes, ranging from tenant outcomes, to the governance and financial viability of CHPs.

2.2 The NRSCH Review Process to Date

The need to undertake a review of the National Regulatory System for Community Housing (NRSCH) is prefaced under an Inter-Governmental Agreement (IGA)³³ and has been identified as a priority, on a consistent basis, by interested stakeholders within the community housing sector.

Following the 2017-18 Mid-Year Economic and Fiscal Outlook (MYEFO), the Commonwealth and State and Territory governments, through the Housing and Homelessness Senior Officials' Network, established a National Regulatory System

³⁰ See the NRSCH National Provider Register, VIC Housing Registrar and WA Register Housing Provider lists.

³¹ AHURI, Profiling Australia's affordable housing industry, August 2016

³² Australian Institute of Health and Welfare (AIHW), *Housing assistance in Australia 2018*.

³³ Review to be undertaken after five years. See Clause 8.1 of the IGA.

for Community Housing (NRSCH) Working Group (Working Group) (comprising representatives from the Commonwealth, New South Wales (NSW), Victoria (VIC), Queensland (QLD), Western Australia (WA), South Australia (SA) and the Australian Capital Territory (ACT) Governments)³⁴ to review the NRSCH (the Review). Additionally, the Commonwealth Government committed \$1.1 million to a review of the NRSCH in the 2017-18 MYEFO.

The Review is to:³⁵

- Assess whether the purpose and objectives of the IGA and National Law have been met
- Assess whether the NRSCH has been implemented effectively to achieve those objectives
- Identify options to update the NRSCH to support sector growth
- Identify options to update the NRSCH to support the financing of community housing
- Assess what changes to the NRSCH, or other options for a future national regulatory system, might be required to support the introduction of the affordable housing bond aggregator (AHBA)
- Assess what changes to the NRSCH, or other options for a future national regulatory system, might be required to support any future decision for Victoria and Western Australia to join up to a National system

The review was anticipated to follow a three-stage process, as set out below and published on the NRSCH review website:

*Table 5: The NRSCH Review Process*³⁶

Stage	Description
Stage 1 (August 2018 – December 2018)	• Develop a Discussion Paper summarising the current design and operation of the NRSCH and examining the key differences and impact of separate regulatory systems in Victoria and Western Australia. • Discussion Paper publicly released.
Stage 2 (January 2019 – July 2019)	• Develop an Options Paper outlining potential NRSCH reforms, informed by public submissions and consultation from the first stage. • Options paper publicly released.
Stage 3 (August 2019 – November 2019)	• Produce a Final Report detailing reform recommendations, informed by public submissions and consultation from the second stage. • Final Report presented to Housing Ministers.

The review process to date has been subject to flexibility in order to capture the necessary inputs required to inform the recommendations and options for reform. Accordingly, the following table and diagram lists the relevant papers and reports which have been (or will be) completed for the purpose of finalising the NRSCH review process.

³⁴ NRSCH Review Discussions Paper: http://www.nrsch.gov.au/_data/assets/pdf_file/0009/644760/NRSCH-Review-Discussion-Paper.pdf

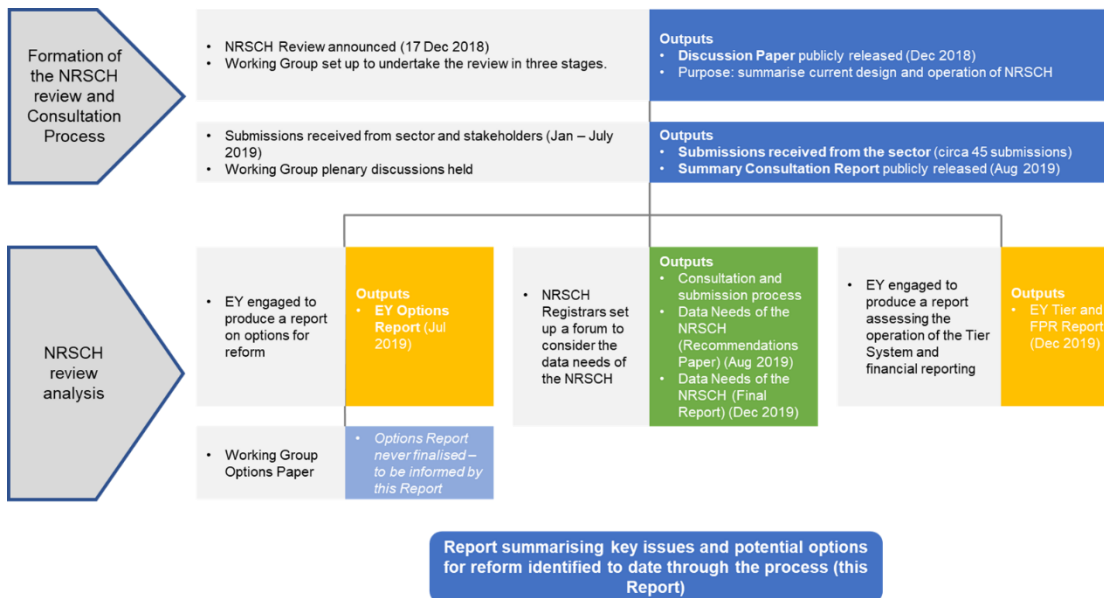
³⁵ NRSCH Review Discussions Paper: http://www.nrsch.gov.au/_data/assets/pdf_file/0009/644760/NRSCH-Review-Discussion-Paper.pdf

³⁶ Review of the National Regulatory System for Community Housing: <https://www.facs.nsw.gov.au/about/reforms/NRSCH/review-of-the-national-regulatory-system-for-community-housing>

Table 6: NRSCH Review Reports and Papers completed to date

Document	Completion Date	Responsible Party
Discussion Paper	December 2018	Working Group
Options and Analysis Paper	July 2019	EY
Working Group Options Paper	Not Finalised	Working Group and DSS
Summary Consultation Report	August 2019	Working Group
Data Needs of the NRSCH (Recommendations Paper)	August 2019	Registrars
Data Needs of the NRSCH (Final Report) ³⁷	December 2019	Registrars
Tier Structure and Financial Reporting Requirements (Final Report)	December 2019	EY
Review of the National Regulatory System for Community Housing (NRSCH) – Potential Future Reform Options	This Report	EY, NSW Government and DSS

Figure 2: Key Reports and Papers completed (to date)



This Report adopts the following approach to bringing these various workstreams and interim work products together into a summarised and synthesised report:

- Set out and group by topic and theme the key concerns with the operation of the current system identified through the consultation and various workstreams;
- Identify from the work undertaken to date the potential reforms which respond to these key concerns; and
- Consider these potential reforms against a quadrant matrix so as to inform the reader of the relative complexity of implementation against the relative impact the reform is anticipated to have.

³⁷ As part of this process, a consultation process was undertaken with respect to the data needs of the NRSCH (see Appendix A to this Report (Feedback on the Data Needs Recommendation Paper) and the Financial Performance Reporting (FPR) requirements (see Appendix B to this Report (Overview of FPR submissions))

3 Key insights from the review process

The purpose of this section is to provide an overview of the insights and learnings from the process that has accompanied the NRSCH Review to date, including the Discussion Paper and accompanying consultation process; and the NRSCH Review analysis undertaken concurrently last year (for example, comprising of the Data Needs analysis, Options Analysis and analysis on the Tier system and FPR requirements).

3.1 Overview

Following the release of a Discussion Paper from the NRSCH Working Group in December 2018, submissions were invited from the sector, with submissions closing in April 2019. Submissions were received from 45 stakeholders comprising 10 CHPs³⁸, 22 peak bodies, four (4) NGOs, two (2) tenant unions and seven (7) organisations classified as other.³⁹

Additionally, AHURI were engaged by DSS to facilitate 12 roundtable sessions. These sessions were held as part of the consultation process with key stakeholders' representative of each State and jurisdiction; registrars; the Indigenous community housing sector; industry peaks; and financiers and developers.

The consultation process that followed the Discussion Paper canvassed a wide range of issues relevant to the NRSCH, including policy principles; design considerations; the operation of the NRSCH in practice; and current and future challenges.

Additionally, a range of analysis pertinent to the NRSCH review was undertaken concurrently last year. This included analysis and consultation^{40, 41} led by the NRSCH Registrar group relating to the Data Needs of the NRSCH; and detailed considerations of the options relating to the Tier system and FPR requirements, supported by a targeted consultation process (completed by EY in consultation with the NSW Department of Communities and Justice (DCJ) and the Commonwealth Department of Social Services (DSS)).

Key insights from the review process to date can be broadly grouped into three sub-categories:

- Scope and span of regulation
- Efficiency and effectiveness of regulation
- Transparency of regulation

The following sections provide further detail with respect to these three sub-categories, including potential reform approaches for consideration in the future state.

³⁸ Five (5) Tier 1 CHPs, Four (4) Tier 2 CHPs and one (1) Tier 3 CHP.

³⁹ Other category includes government bodies (such as the NSW AHO, QLD Department of Housing and Public Works), registrar bodies (NSW and NRSCH) and research organisations such as AIHW.

⁴⁰ Noting that 18 consultation submissions were received from stakeholders on the data needs of the NRSCH (detailed at Appendix A of the Data Needs Report).

⁴¹ Additionally, 6 CHPs were consulted with respect to the FPR component of the data needs of the NRSCH program of work (detailed at Appendix B of the Data Needs Report).

3.2 Insights from the review process

Key insights from the review process by sub-category are set out below in the following sections.

3.2.1 Scope and span of regulation

Review analysis and sector feedback indicates that while regulation is a necessary component of a functional community housing regulatory system, there are a range of improvements that should be considered going forward with respect to the scope and span of regulation, including the organisations subject to regulatory oversight.

Importantly, all key work products and consultations produced as part of the review to date have considered the scope and span of regulation; both under the current regulatory framework and looking forward to potential future reform options. Therefore, the detail provided (overleaf) can be summarised into the following themes and associated reform considerations regarding the scope and span of regulation. It should be noted that this list is not exhaustive and while reflective of several key points relevant to this category, all potential reform approaches in this context may not have been considered.

Table 7: Review analysis and sector views on the scope and span of regulation

Issue	Discussion and analysis	Potential reform(s)
The NRSCH is an opt-in regulatory system. Not all providers of community housing are currently opting in.	▶ Some respondents⁴² called for NRSCH registration to be mandatory for CHPs. ▶ The principal rationale for this is that the inherent risks in the operations of unregulated providers cannot be measured, managed and mitigated to the same level as regulated providers. This implicitly creates a two-layer system where tenants of unregulated providers do not have the same level of certainty over the financial and operational capabilities of their provider. In particular, Working Group discussions supported the need for assets subsidised through Government funding to be subject to regulatory protections. ▶ Submissions indicated that unregulated providers were not uncommon in the system. Both in the Indigenous Housing sector (as noted below) and in QLD where consultation indicated that approximately 40 QLD CHPs have opted not to be registered.	▶ 1.0: Make regulation mandatory for all providers delivering community housing activities
Affordable housing is currently not regulated under the NRSCH. An increasing number of affordable housing providers are for-profit. The NRSCH is not currently set up to regulate for-profit providers on a consistent basis.	▶ Stakeholders generally agreed that all social and affordable housing should be regulated under the same system. Further, feedback indicated that consideration of for-profit providers is particularly important in the affordable housing context. This was reinforced through consultations⁴³, where regulatory coverage and consistency – and the ability to differentially regulate – were highlighted as priorities. ▶ Supportive respondents ranged from CHPs, Peak Bodies and Registrars; indicating that support for this premise is not confined to an individual stakeholder group. However, it is noted that the sentiment may differ if the consultation audience included a broader cross section of additional affordable housing and for-profit provider types (such as private landlords) ▶ The rationale supporting this view included the following: ▶ Consistency of regulatory requirements, service provision and data reporting⁴⁴ across social and affordable housing and not-for-profit (NFP) and FP providers (including across jurisdictions and noting that many CHPs deliver social and	▶ 2.0: Expand the NRSCH to cover providers of an agreed and harmonised definition of regulated affordable housing (including for-profit providers)

⁴² See the CHIA WA submission, Foundation Housing and Tenants Victoria submissions (for example).

⁴³ For example, 92.6% of respondents to the Discussion Paper (or 25 responses) indicated that all community and affordable housing providers should be regulated – with only two (2) responses in disagreement. Similarly, 96.3% of people that answered (or 26 responses) indicated that there needs to be a national and consistently applied approach to social and affordable housing regulation – with one response in disagreement.

⁴⁴ Including potential benefits from a performance reporting and benchmarking perspective (see the Data Needs Report and Discussion Paper submissions (e.g. Foundation Housing submission)).

Issue	Discussion and analysis	Potential reform(s)
	affordable housing product and/or should be subject to accountability for affordable housing delivery where government assistance is provided)^{45 46} ▶ Ability to better support a pathway and transition for clients between different housing types⁴⁷ ▶ While most respondents indicated both social and affordable housing should be covered, views indicated that the framework and performance requirements should be tailored / different for different types of providers (including NFP and FP organisations; noting that these organisation types typically have different commercial mindsets). This includes the terminology used for housing provider types (i.e. CHP to be retained for NFP providers with registered providers retained for for-profit and affordable housing providers) and tailoring performance reporting requirements to be reflective of risk.⁴⁸ ▶ Further, the term “affordable housing” is not well defined and potentially describes a range of housing services that should remain outside the purview of the NRSCH. ▶ In addition, the extent to which affordable housing is already covered under the ambit of the NRSCH across jurisdictions is variable. For example, all social and affordable housing assets of a Victorian CHP are within the scope of the VRS, with the NRSCH having technical differences about what assets are included and how they are defined.⁴⁹ Within the NRSCH, affordable housing is included in NSW (within the NSW Community Housing Eligibility Policy)⁵⁰; whereas QLD is less prescriptive around affordable housing and notes that providers must (for example) be actively pursuing community housing opportunities or have secured committed funding.⁵¹ This lack of consistency in definition and application across NRSCH jurisdictions is sub-optimal.	

⁴⁵ See the Bridge Housing submission (for example). For example, rent setting was referenced as an example in the accountability context.

⁴⁶ See the NSW Registrar and Regional Housing submissions (for example).

⁴⁷ See the Churches Housing submission (for example).

⁴⁸ See the Coast2Bay and CHIA NSW submissions (for example).

⁴⁹ See the Discussion Paper, p18.

⁵⁰ <https://www.facs.nsw.gov.au/download?file=333253>

⁵¹ <https://www.business.qld.gov.au/industries/service-industries-professionals/housing-accommodation/community/registration/national/eligibility>

Issue	Discussion and analysis	Potential reform(s)
The NRSCH is not adequately set up to accommodate Indigenous housing providers, with the result that many Indigenous organisations are not opting-in to registration.	▶ There is some support evidenced in the submissions for reforms to the NRSCH to better address the requirements of Indigenous housing and ICHOs. Additionally, issues were discussed further at a dedicated roundtable session with Aboriginal housing providers and stakeholders (facilitated by the Australian Housing and Urban Research Institute (AHURI)). ▶ Some respondents⁵² called for an increased focus on cultural competency to ensure that the NRSCH is cognisant of key aspects of Indigenous housing and does not lead to a loss of identity for ICHOs; and the ability for the NRSCH to posit an appropriate and more nuanced regulatory approach for ICHOs (such as through modularisation and/or segmentation approaches). However, this issue was not directly addressed by a large cross-section of respondents to the various consultation processes completed to date. ▶ The roundtable session provided further insights including the need for a tailored approach to different asset types with respect to form and quality (such as housing in remote communities); further consideration of how a regulatory framework addresses dispossession and repossession; and the potential for a gap analysis exercise to support the transition of ICHOs to the NRSCH.⁵³ ▶ The rationale for these views is primarily relating to drivers relating to service provision and incentivising ICHOs to register under the NRSCH. Further, there is evidence⁵⁴ that the eligibility and reporting requirements can be burdensome for ICHOs and this has a flow-on effect in registration uptake. For example, flexibility regarding exit options (currently problematic due to the wind-up clause structure)⁵⁵ may assist with alleviating this issue. ▶ In addition, consideration of a modular / segmentation approach (discussed in section 3.2.2) may facilitate implementation of this reform including tailoring the reporting requirements applicable to ICHOs and providers servicing Indigenous tenants.	3.0: Expansion of the NRSCH to better cover and address the requirements of Indigenous housing and ICHOs, including: ▶ Provisional form of registration – with flexibility associated with eligibility requirements – to assist with registration uptake and capacity building as ICHOs transition to the NRSCH⁵⁶ ▶ Inclusion of cultural competency⁵⁷ for: - o non-Indigenous providers within the performance outcomes and evidence requirements - o Registrars to undertake assessments of; and ▶ Modified wind-up clauses to recognise other wind-up provisions to preserve assets in the Indigenous Housing sector.

⁵² See the NSW Aboriginal Housing Office, NSW Aboriginal CHIA and Regional Housing submissions (for example)

⁵³ Aboriginal Housing Providers Roundtable Session – 26th March 2019.

⁵⁴ AHURI, Profiling Australia's affordable housing industry, August 2016. For example, only nine (9) Indigenous Community Housing Organisations (ICHO) were registered under the NRSCH – with only two (2) at Tier 2 or equivalent – as at August 2016.

⁵⁵ See the Regional Housing submission (for example).

⁵⁶ As a method to building towards full registration. See section 2.2 of the Discussion Paper Consultation Summary Report.

⁵⁷ Ibid.

Issue	Discussion and analysis	Potential reform(s)
	▶ As noted above, additional consultation is important with respect to this topic and the accompanying issues. This is particularly important as the work products produced to date have not undertaken detailed analysis in the Indigenous Housing context.	
The NRSCH does not currently extend to measuring organisations across tenant-centred measures and outcomes	▶ A significant number of respondents highlighted the importance of tenant engagement and tenant outcomes and that these should be prioritised and potentially expanded as part of the reform agenda. This was reinforced through the Discussion Paper consultation process wherein 100% of respondents (or 32 responses) indicated that NRSCH registered providers should have to consult tenants and report on tenant outcomes. ▶ Specifically, submissions noted that more granular measures could be considered for measuring tenant-centred outcomes; such as establishing baseline measures of desired tenant outcomes⁵⁸. These include tenancy turnover rates and the underlying reasons for tenancy turnover; tenant satisfaction measures⁵⁹; property maintenance surveys; and considerations on tenant diversity. ▶ The rationale in support of an increased focus on tenant-centred measures and outcomes include increased transparency and publication of data by registrars and CHPs (discussed further in section 3.2.3 of this report and a key focus of the Data Needs Report); greater communication and engagement between CHPs and tenants; and expanding what is considered for this performance reporting requirement including establishing baseline measures for reporting on tenant outcomes (to inform benchmarking).	▶ 4.0: Expansion of the NRSCH to cover an increased set of tenant-centred measures and outcomes
Community housing tenants lack a dedicated and effective forum under the ambit of the NRSCH for raising tenant protection issues.	▶ Tenant outcomes and the protection of tenant interests under the NRSCH were a key focus across the submissions received and the review analysis completed to date. ▶ The NRSCH currently follows a two-step mechanism for the protection of tenant interests including appeals to the CHP and if not resolved, follow up with the relevant local body or Registrar.⁶⁰ However, this approach is considered capable of improvement based on stakeholder submissions.	▶ 5(a): Establishing an ombudsman⁶⁴ under the ambit of the NRSCH to provide tenants with an improved voice in their experience with community housing. ▶ 5(b): Expanding the scope of the Registrar's powers to investigate

⁵⁸ See the CHCSA submission (for example).

⁵⁹ Noting that CHIA NSW also run an independent tenant satisfaction survey (see <https://communityhousing.org.au/services/tenant-satisfaction-surveys/>)

⁶⁰ See: https://www.nrsch.gov.au/_data/assets/pdf_file/0006/637683/NRSCH-Complaint-handling-fact-sheet-for-tenants.pdf

⁶⁴ Noting that consideration as to whether this takes place within the remit of the NRSCH or outside of the NRSCH is ongoing.

Issue	Discussion and analysis	Potential reform(s)
	► Specific feedback included concerns that the existing tenant protection processes may not be set up to best facilitate access to the most vulnerable tenant cohorts. Further, feedback noted that tenants do not always have access to an independent and effective dispute resolution suited to the needs of community housing tenants, with this of particular concern in the NT.⁶¹ ► In this context, several submissions noted that the establishment of an Ombudsman function could assist with providing tenants with access to strong consumer protection measures.⁶² Views varied as to whether this function should be a part of the regulatory system (like Victoria)⁶³ or separate (i.e. independent to the NRSCH). ► Further, several stakeholder roundtables noted that the current processes for addressing tenant complaints and handling disputes could be improved to help with clarity going forward. For example, this could be facilitated through an expansion of the scope of the Registrar's powers to enable investigation of individual complaints to make binding recommendations.	individual complaints and make binding recommendations.
The dynamic nature of the global and macroeconomic environment CHPs operate in is changing and requires increased understanding and oversight from Regulators	► The current global and macroeconomic environment is uncertain with the impact of pandemics, cyber-crime, terrorism and natural disasters (for example) presenting challenges for the community housing sector. ► For example, the COVID-19 pandemic continues to evolve and has occurred subsequent to the majority of reform work taking place; with material impacts evident to the CHP sector from a health, financial, economic and tenant safety perspective. ► Accordingly, there are opportunities to expand and futureproof the NRSCH through an ongoing and dynamic evolution of the regulatory toolkit.	► 6.0: Expansion of the NRSCH regulatory toolkit to better cater for the diverse risks of the community housing sector

The potential reforms identified above are considered in further detail in section 4 of this Report.

⁶¹ Noting the exclusion of CHP tenants from the Residential Tenancies Act.

⁶² CHIA NSW submission.

⁶³ CHIA VIC submission.

3.2.2 Efficiency and effectiveness of regulation

Review analysis and sector feedback indicates that there are a range of improvements that should be considered to assist with the improved efficiency and effectiveness of the NRSCH going forward. This includes a focus on consistency and harmonisation across jurisdictions; the regulatory structures used; and the applicable performance reporting requirements.

Importantly, all key work products and consultations produced as part of the review to date have considered the efficiency and effectiveness of regulation; both under the current regulatory framework and looking forward to potential future reform options. Therefore, the detail provided (overleaf) can be summarised into the following themes and associated reform considerations regarding the efficiency and effectiveness of regulation. It should be noted that this list is not exhaustive and while reflective of several key points relevant to this category, all potential reform approaches in this context may not have been considered.

Table 8: Review analysis and sector views on the efficiency and effectiveness of regulation

Issue	Discussion and analysis	Potential reform(s)
The timing, format and scope of reporting requirements and key performance indicators varies across jurisdictions; and in particular across NRSCH jurisdictions, Victoria and Western Australia. This causes significant administrative burden for organisations operating across State borders and may be constraining the number of organisations willing to expand operations into another State.	▶ The NRSCH was established in 2014 with NSW, QLD, SA, TAS, ACT and the NT signing up as participating jurisdictions. Victoria and WA did not elect to join the NRSCH at the time and have maintained separate regulatory frameworks that share some similarities with the NRSCH in practice. ▶ Accordingly, not all jurisdictions operate on the NRSCH which presents challenges for providers in accommodating different regulatory frameworks and the changes applicable to different systems (such as different reporting periods and the minimum data required to meet the relevant performance and evidence outcomes). This is particularly the case where providers operate in a NRSCH jurisdiction as well as Victoria and/or WA (such as large-scale Tier 1 CHPs). There are also the related issues wherein external stakeholders such as investors, governments and tenants have to familiarise themselves with multiple systems – potentially leading to uncertainty and a lack of confidence in the regulatory framework.⁶⁵ ▶ Consistency and harmonisation at a national level are prominent topics evident throughout the submission responses⁶⁶ and the review work products released to date. ▶ The rationale in support of this view include consistency in regulatory requirements; alleviating the regulatory burden for CHPs (particularly those operating across multiple jurisdictions) and harmonisation of the performance and reporting requirements.	▶ 1(a): Establishment of a single independent national regulator across all jurisdictions under a single uniform national law ▶ 1(b): Undertake a program of work leading to the accession of Victoria and WA to the NRSCH, or similar national regulatory system, under a reformed and harmonised regulatory regime. ▶ 1(c): Establish an Advisory Council (or Harmonisation Body) to help drive a continuous programme of harmonisation activities between NRSCH and non-NRSCH jurisdictions. (These potential reforms are to a degree mutually exclusive, further discussion of the detail and interdependencies between them is provided in Section 4 of this Report.)
There is variance in the regulatory requirements applicable to CHPs at an intra-NRSCH level. This can lead to an administrative burden for organisations operating across jurisdictions and the	▶ Similar to the issues identified above, the analysis and feedback to date has noted that jurisdictional variances at an intra-NRSCH level exist under the current system. ▶ Variances include differences in the definition of community housing assets⁶⁷ and the treatment of financial information (such as debentures in the South Australian context).⁶⁸ Additionally, feedback from the NRSCH Registrar group also noted that there can be inconsistent implementation of the NRSCH across jurisdictions due to housing policy variance; as a result, benefits are	▶ 2.0: Expand role of NRSCH National Office to continue to pursue activities to maintain ongoing harmonisation of regulatory policy across NRSCH regulators.

⁶⁵ See CHIA WA submission for example.

⁶⁶ See the Bridge Housing, CHIA NSW, CHIA WA, YWCA and Foundation Housing submissions for example.

⁶⁷ As set out on the NRSCH website (https://www.nrsch.gov.au/states_and_territories/jurisdiction-policy).

⁶⁸ For further information: NRSCH Review – Tier Structure and Financial Reporting Requirements Report, pg. 48.

Issue	Discussion and analysis	Potential reform(s)
need for regulators to account for jurisdictional differences.	limited to registered providers in a single state with issues in the context of duplication of reporting requirements and inconsistencies in the types of providers registered and regulated. ▶ Accordingly, there is potential scope for reform in this context to support the forums and processes currently in place to further harmonise requirements at an intra-NRSCH level.	
There is perceived tension between the location of the regulatory functions across jurisdictions, including the extent to which this function is separate from commissioning and/or funding functions of Government.	▶ A number of submissions stressed the importance of separation and independence at the regulatory level. The rationale for this is the potential for perceived conflicts between the regulatory role and policy / funding roles and the desire for these functions to operate at an arm's length basis. ▶ Some of these submissions noted that there should be investigations into whether a national regulator – with State base deputies – that is independent of policy and funding agencies would promote more accountable and transparent governance arrangements.⁶⁹ ▶ However, it should be noted that the Registrars are currently functionally independent while not structurally independent in some cases from the government funding and commissioning bodies. ▶ For this reform, it should be noted that there may be competing considerations: such as the potential benefits from real and perceived independence (e.g. from the perspectives of the sector) compared with opportunities for closer cooperation on harmonisation of reporting initiatives through regulators being embedded in the commissioning and funding departments.	▶ 3.0: Restructure regulators so that they are separate and independent from commissioning/funding functions of Government and report directly to a minister
CHPs are required to report data across a range of funder and regulatory systems including the ACNC, ASIC, NHFIC and other funding arrangements. The timing and format of these	▶ A number of submissions (to the Discussion Paper and Data Needs project) noted that duplication and inefficiencies are currently caused by the current NRSCH reporting process and system; duplication with other regulatory bodies; and duplication with government funding contracts. ▶ Further, the reporting burden issue was noted as impactful where a CHP operates across jurisdictions⁷⁰ and/or is structured such that it is required to report to multiple regulatory regimes (e.g. ACNC, ASIC, Office of the Registrar of Indigenous Corporations (ORIC) etc).	▶ 4(a): Undertake a program of work between the NRSCH, other regulators, funders and data collectors to better align reporting requirements ▶ 4(b): Undertake a program of work to implement data sharing mechanisms between the NRSCH and appropriate parties

⁶⁹ See CHIA NSW submission for example.

⁷⁰ See the YWCA submission for example.

Issue	Discussion and analysis	Potential reform(s)
reporting requirements are not aligned.	▶ The Data Needs Report has also considered this topic in significant detail including the potential opportunities that data sharing and harmonisation of data collection may unlock⁷¹; the importance of data integrity and the quality controls underpinning reporting⁷²; and the approaches that could be considered in relation to the timing of data collection. ▶ Accordingly, the potential reforms for this topic can be considered from the perspective of what information is reported and when is it reported; how that information is shared; and how that information can be relied upon.	
The operation of the Tier system is problematic and has perverse consequences. In particular: ▶ Tier is a measure of risk, but perversely often operates as an eligibility requirement for funding and financing; ▶ Tier determination criteria operate sub-optimally meaning there is both insufficient differentiation of organisations between, and poor uniformity within Tiers; ▶ The differential regulation which is activated between Tier 1 and 2 is not aligned to	▶ Discussion Paper submissions consistently noted that the Tier system could benefit from refinement to better segment and categorise providers based on their activities and risk profiles. This is reinforced through the consensus evident in responses wherein 100% of respondents believe that the Tier system is not currently fit for purpose (with size and development activities the key factors that currently influence tier designation) and could benefit from refinements to better consider risk. ▶ The rationale underpinning these views include: (1) The functionality and operation in practice of Tier classifications provide a sub-optimal framework for differentiating organisations by risk profile in a diverse sector. This is driven by size and development activities being the primary blunt metrics used to assign Tier designation but also by the corporate structure test for Tier 1, which leads to the perverse outcome that organisations with less transparent structures are retained below Tier 1 notwithstanding their size and operations. This creates a confused membership delineation between Tiers 1 and 2.⁷³ (2) The differential regulation switched on at each Tier is not targeted or reflective of the different risk profiles of organisations within those Tiers. Considerations here include differential evidence requirements between Tiers (e.g. tenant survey results not required from Tier 3s); the minimal difference in compliance requirements between Tier 1 and Tier 2; and considerations as to	▶ 5.0: Increase Regulator resourcing to improve capacity to engage with organisations differentially on a risk-based approach ▶ 6(a): Review and re-align Tiering criteria to create better uniformity within, and differentiation between Tiers.⁷⁷ ▶ 6(a): Review and re-align FPR against Tiers to better respond to differential risk profiles within Tiers. ▶ 6(b): Replace the Tier system with a Modular / Segmentation approach whereby reporting is aligned to modules or segments based on provider typology and operations ▶ 6(c): Replace the Tier system with a system relying on individualised regulatory engagement plans (Some of these potential reforms are to a degree mutually exclusive, further discussion

⁷¹ See section 12 of the Data Needs Recommendation Paper (for example).

⁷² See section 10 of the Data Needs Recommendation Paper (for example).

⁷³ See the EY Report (NRSCH Review: Tier Structure and Financial Reporting Requirements) for further details.

⁷⁷ Noting that this reform considers targeted reforms comprising improving the differentiation between Tier 1 and Tier 2; and a reassessment of the regulation requirements of each Tier.

Issue	Discussion and analysis	Potential reform(s)
the differences in risk profile of organisations within those Tiers.	whether the reporting requirements are tailored and commensurate with the size and scope of the majority of Tier 3 providers.⁷⁴ (3) Misperception around what the Tier structure is intended to represent (a risk rating), with Tier instead frequently used as a proxy for performance and eligibility for funding and financing⁷⁵; and (4) The regulatory burden and compliance associated with each Tier from the perspective of CHPs and the regulators in fulfilling their monitoring and compliance objectives⁷⁶. ▶ Submissions indicated that more targeted considerations of risk – including through segmentation approaches – could provide Registrars with better understanding and insights; and flexibility within the system to respond to the diversity in operations and scale of the provider market. ▶ Additionally, the EY Report focusing on the Tier system and FPRs and the Data Needs Report both considered this issue in detail, with the consultations accompanying these work products affirming the points above regarding refinements to the application and structure of a tier approach. These reports set out potential reform considerations spanning from retaining and improving the tier structure with improved resourcing; to refining the tier structure to better address organisational risk profile; through to widespread reform options such as the introduction of a modular / segmentation approach and/or individualised approach (e.g. as evident in Scotland and the UK).	of the detail and interdependencies between them is provided in Section 4 of this Report)
The current Financial Performance Reporting (FPR) requirements are sub-optimal: ▶ The standardised approach to reporting provides the regulators with a lack of a comprehensive risk	▶ Submission responses⁷⁸ noted the potential for improvements and rationalisations to be made to financial performance reporting requirements under the NRSCH going forward – with proportionality a consistent topic. ▶ Accordingly, feedback provided insights into the following elements of the FPR process: (1) The current regulatory approach to financial performance does not appear to provide a detailed analysis of the financial risks that CHPs are exposed to, nor methods to consider changing trends in business models	▶ 7.0: Revise the FPR requirements to align with the new accounting standards (<i>already in implementation</i>) ▶ Establish a modular / segmentation approach to the FPRs (considered in the context of the Tier reforms in section 4) ▶ Review the content of the FPR reporting requirements between the NRSCH, other regulators and State funding agencies

⁷⁴ Ibid.

⁷⁵ Ibid.

⁷⁶ Ibid.

⁷⁸ Inclusive of consultations relevant to the Discussion Paper, Data Needs Report and the EY Report on the Tier System and FPRs.

Issue	Discussion and analysis	Potential reform(s)
picture for CHPs (such as limited early warning of emerging financial issues) ▶ A disconnect between the activities and commercial structures of CHPs and the requirements applicable at the tier level; and ▶ Duplication in reporting with other parties and issues concerning the timing of reporting.	(2) The current standardised approach to FPR reporting does not provide the NRSCH with the optimum information required to assess threats to financial viability (3) Potential disconnects between the activities and commercial structures of CHPs and the requirements applicable at the tier level. In this context, consideration of a more tailored and flexible approach (i.e. modular approach) that has proportional financial reporting and evidence requirements for organisations based on their operating activities – was proposed.⁷⁹; and (4) Duplication of FPR reporting requirements with other regulatory environments (including similar information being required in different formats by different parties)⁸⁰ ▶ Similar to the Tier system, this theme was explored through analysis and consultations within the NRSCH Data Needs Report and the EY Report focusing on the Tier system and FPRs. ▶ Further, the Data Needs Report indicates that the NRSCH Registrars have commenced action relevant to this theme including revising the FPR requirements to the new accounting standards⁸¹ as a priority for implementation in 2020 (supported by consultations) – with consideration of a modular approach to the FPRs to follow as Phase 2 of that program of works. Other refinements already in implementation include additional ratios for debt raising; inclusion of tax and for-profit measures; and expansion of development and financing measures to understand mixed tenure developments.	<i>(considered in the context of the reporting reforms (see 3(a)) in section 4)</i> ▶ Review the timing of the FPR reporting requirements between the NRSCH, other regulators and State funding agencies <i>(considered in the context of the reporting reforms (see 3(a)) in section 4)</i>
The structure of regulatory data reporting systems present challenges for data entry and usability for providers	▶ A small number of submissions to the Discussion Paper voiced concerns in relation to the structure of the NRSCH data reporting platform (CHRIS system). Concerns were noted in the context of the user interface (such as limited / singular access points within an organisation and issues / opportunities for improved automation and linking of systems); potential for duplication of information; inconsistencies in guidance within CHRIS and guidelines; and the time it takes to complete and upload reporting requirements	▶ 8.0: Implement system improvements to the CHRIS platform to assist with data collection and monitoring

⁷⁹ See the CHCSA submission (for example).

⁸⁰ See the Bridge Housing submission (for example).

⁸¹ E.g. the accounting standard changes affecting NFPs as announced by the Australian Accounting Standards Board (AASB) in 2018.

Issue	Discussion and analysis	Potential reform(s)
	▶ In addition, concerns were raised about the relatively compressed time CHRIS is open for each year, with longer reporting windows allowing CHPs to spread the compliance burden over the year.⁸² ▶ Additionally, concerns were noted by some respondents in relation to lack of alignment between the format of how data is reported in CHRIS and the format of reporting for a CHPs' internal governance requirements; the added complexity of accommodating the VRS (or CHIMES system) and State-based systems for funding contracts (e.g. for multi-jurisdictional providers) and the timing of reporting periods (considered in the previous section). ▶ The Data Needs Report has considered issues relating to the CHRIS portal, including the potential for the system to be opened year-round. This proposal was broadly supported in targeted consultations where benefits include making final reporting more user-friendly and a less time-consuming process.	
The current reporting requirements for Tier 3 providers present challenges for the sector and regulators in assessing risks and issues. This is due to the long periods between regulatory engagements and the historical relevance of data collected.	▶ A number of issues were raised in the submissions and review analysis regarding the reporting requirements of Tier 3 CHPs. This includes feedback that requirements can be disproportionately high for Tier 3 CHPs; perceptions that the regulatory costs of compliance outweigh tangible benefits;⁸³ and cautions that any additional regulatory requirements may detract from Tier 3 providers staying or registering under the NRSCH.⁸⁴ ▶ Notwithstanding the above, the current regulatory approach for Tier 3 CHPs can also pose difficulties for regulatory bodies given that regulation and oversight is undertaken on a less frequent basis (i.e. every two years). This can result in a limited visibility of risk issues faced by Tier 3 CHPs due to the time between assessments. ▶ To further interrogate this issue, a Pilot Program was established in 2019 among Tier 3 providers in NSW in response to a consultation process in 2018. This Program seeks to ascertain whether a segmentation approach would be appropriate / proportionate and/or reduce the regulatory burden on providers. As part of this, consideration of annual reporting is also within scope (noting that regular reporting may not necessarily be more	▶ 9.0: Increase the frequency of Tier 3 CHP reporting requirements to annual

⁸² Various submissions including Access Community Housing, Regional Housing, CHCSA and Powerhousing.

⁸³ See the CHCSA submission.

⁸⁴ See the Access Community Housing submission.

Issue	Discussion and analysis	Potential reform(s)
	burdensome provided that the requirements are tailored and noting that this provides scope for organisations to build up their internal functions). ► Therefore, potential reforms to this issue are predicated on the basis that a more flexible and tailored regulatory approach for Tier 3 regulation should be considered.	
The current system provides limited assurance on the integrity of data around which regulators base their regulatory assessments.	► This issue was explored in detail as part of the Data Needs project. For example, there are currently no powers for regulators to undertake audits of the data collection, storage and reporting methods implemented by providers. Therefore, the integrity of data provided relies on the providers' quality assurance processes.⁸⁵ ► Submissions broadly supported initiatives that support increased data integrity, provided that data reviews are not unduly burdensome on providers. In addition, a Government agency noted that good data is indispensable for good regulation and decision making. ► As a result, the development of initiatives to improve data integrity were recommended as a priority for implementation in the Data Needs Final Report.	► 10.0: Expand the powers of the regulator and provide appropriate resourcing to enable them to undertake spot checks and audits of provider's data collection, storage and reporting systems

The potential reforms identified above are considered in further detail in section 4 of this Report.

⁸⁵ Ibid.

3.2.3 Transparency of regulation

Review analysis and sector feedback to date indicates that there is strong support among key sector stakeholders for increased transparency regarding the publication of data, performance benchmarks and guidelines and procedures.

All key work products and consultations produced as part of the review to date have considered the transparency of regulation; both under the current regulatory framework and looking forward to potential future reform options; with the Data Needs work completed by the Registrars' group placing a primary focus on this area. Therefore, the detail provided (overleaf) can be summarised into the following themes and associated reform considerations pertaining to the transparency of regulation. It should be noted that this list is not exhaustive and while reflective of several key points relevant to this category, all potential reform approaches in this context may not have been considered.

Table 9: Sector views on the transparency of regulation

Issue	Discussion and analysis	Potential reform(s)
The current data collected and reported by the Registrar is limited in its ability to provide a complete picture of the CHP sector	▶ A range of submissions to the Discussion Paper noted that there are potential for amendments to the regulatory framework and reporting processes that would enable key stakeholders to better understand the diversity of operations of organisations within the sector. ▶ Similarly, key stakeholders – ranging from the Registrars to Peak Bodies⁸⁶ – have acknowledged that work can be done to improve the understanding within the sector regarding the diverse nature and heterogeneity of the CHP market. Steps taken to address this will help in responding to concerns or assumptions about the sector; such as misrepresentation of what the tiers represent (e.g. as a proxy for performance). ▶ The development of an Environmental Scan was recommended as a solution in this context in the recently released Data Needs Report and supported by consultations undertaken for that work. Importantly, the first edition of this publication was released in January 2020 – indicating that this reform is well developed. This document is intended to be an annual publication going forward.	▶ 1.0: Publish a sector trends report (or Environmental Scan) that covers key sector information
The current data reporting processes do not provide a sufficiently detailed picture of the performance of the sector	▶ A number of submissions⁸⁷ to the Discussion Paper and the Data Needs Report supported the compilation and reporting of performance-based data to assist with the benchmarking of providers across the sector. For example, 97.1% of respondents to the Discussion Paper (or 34 responses) indicated that the NRSCH regulators should be required to report publicly on performance benchmarks and outcomes. ▶ The rationale underpinning this view includes the notion that while a range of data is reported to the Registrar and other key stakeholders (such as State funding agencies), the method in which this is made available through current publications is limited⁸⁸; and not always made publicly available to inform meaningful comparisons regarding provider benchmarks and performance.⁸⁹	▶ 2.0: Compile and publish benchmarking report(s) that covers key benchmarking and performance

⁸⁶ For example, CHIA referenced the UK model wherein the Regulator publishes materials relevant to risks and insights within the sector.

⁸⁷ See the Bridge Housing submission (for example).

⁸⁸ Such as the limited details made available on the National Register on the NRSCH website – as noted in the Data Needs Report.

⁸⁹ For example, performance benchmarks may be reported based on a target sample size within tiers and/or at a geography level – rather than across the entire sector.

Issue	Discussion and analysis	Potential reform(s)
	▶ Additionally, the differential evidence requirements under the current tier system can result in some data being reported disparately by some rather than all providers.⁹⁰ Consequently, this can raise further uncertainty in a benchmarking or comparison context. ▶ Further the Data Needs Report noted that the development of benchmarking reports – in consultation with a segmentation approach – may allow for the Registrars to test and validate initial outputs for data and also, give CHPs a greater insight into their business and their performance in comparison to similar organisations and the sector.⁹¹ These reports could potentially supplement the incremental improvements made to the publication of sector data (such as the 2018-19 Annual Report). ▶ These reports could potentially focus on financial and/or service delivery benchmarks in the first instance. Additionally, the Scottish Regulatory system provides a relevant case study to consider in this context. ▶ Additionally, the Data Needs Report recommended that there is a need to investigate the establishment of a common and consistent data set that is comparable across providers and is available to reporting agencies/ bodies. This is important in the context of this issue.	
Broader operational data is required to better understand the challenges, risks and opportunities faced by CHPs in operating and maintaining assets	▶ As noted above, a number of submissions support reforms to the NRSCH that would support key stakeholders (such as the regulators, governments and funders) in better understanding the operating environment of CHPs. For example, submissions noted that this issue can – in part – be attributed to the current nature of the data that is reported⁹² and misperceptions about what the tier system represents (see above). ▶ Revisions to the tier system and performance reporting requirements (including revised data reporting requirements) were flagged as potential approaches to address this issue. ▶ However, while revised and/or increased reporting of key sector information was supported, this was put forward in the context of	▶ 3.0: Implement broader data acquisition measures including asset data

⁹⁰ Including tenant survey results and financial plans only required to be reported at the Tier 1 and Tier 2 level.

⁹¹ NRSCH Data Needs Final Report (section 4.2.4).

⁹² Such as the relevance of some financial metrics reported (see CHCSA submission for example).

Issue	Discussion and analysis	Potential reform(s)
	balancing reporting requirements and the regulatory burden of CHPs compared with the resourcing requirements for the regulators to be able to accommodate increases in requirements. ▶ The NRSCH currently collects data against the seven (7) performance outcomes. However, feedback related to the Data Needs Project suggests that the Registrar has acknowledged that improvements can be made to better understand operations of CHPs⁹³. Further, the Registrars have identified clear areas where tangible improvements can be made in this area. This includes more detailed asset data to inform potential segmentation approaches⁹⁴ and the potential for whether further data may assist regarding CHP financing and/or property developments (in the growth context; noting the interrelationship with NHFIC). ▶ Importantly, consultation feedback related to the Data Needs Project indicates that revisions to collection of community housing asset data would involve negligible costs for most CHPs – as this information is already maintained internally and for other parties.	
Stakeholders misunderstand the purpose of the Tier systems and use it as a proxy for performance	▶ As noted above at section 3.2.2, several submissions cited concerns regarding how the Tier system is interpreted by key stakeholders. This includes the Tier system being misrepresented as a proxy for performance (e.g. in the funding and development context). ▶ Accordingly, potential exists to better communicate the intended operation of the Tier system to key stakeholders. For example, this could be done through a combination of mediums, including workshops and written guidance notes made available on the NRSCH website.	▶ 4.0: Improved stakeholder communications to better communicate the intended operation of the Tier system

The potential reforms identified above are considered in further detail in section 4 of this Report.

⁹³ Including that the current Community Housing Asset Summary and Performance Report has proven inadequate in providing NRSCH Registrars with a clear understanding of the challenges, risks and opportunities faced by CHPs (Data Needs Recommendation Paper)

⁹⁴ Referenced as an implementation priority in the Data Needs Report.

4 Analysis on potential reforms

The purpose of this section is to draft potential reform approaches – inclusive of implementation considerations – following review of the insights provided as part of the work products produced for the NRSCH review to date.

4.1 Approach

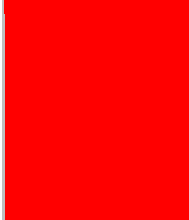
The approach to assessing the draft potential reform approaches has considered the three (3) sub-categories set out in section 3 of this Report (namely the (1) scope and span of regulation; the (2) efficiency and effectiveness of regulation; and the (3) transparency of regulation), and the following factors:

- **Anticipated impact** – comprising the potential impact of reform activities on an issue identified by affected stakeholders
- **Anticipated complexity** – comprising the potential level of complexity, time and disruption that is expected to be entailed in implementing reform activities

Accordingly, each draft potential reform has been considered against the above factors on a quadrant scale, with impact and complexity viewed on a spectrum of low to high (i.e. low impact, high complexity).

In addition, each potential reform covered in this section has been colour coded in accordance with a traffic light legend rating scale. Further details on this approach is explained in the table below:

Table 10: Potential reforms – categorisation approach

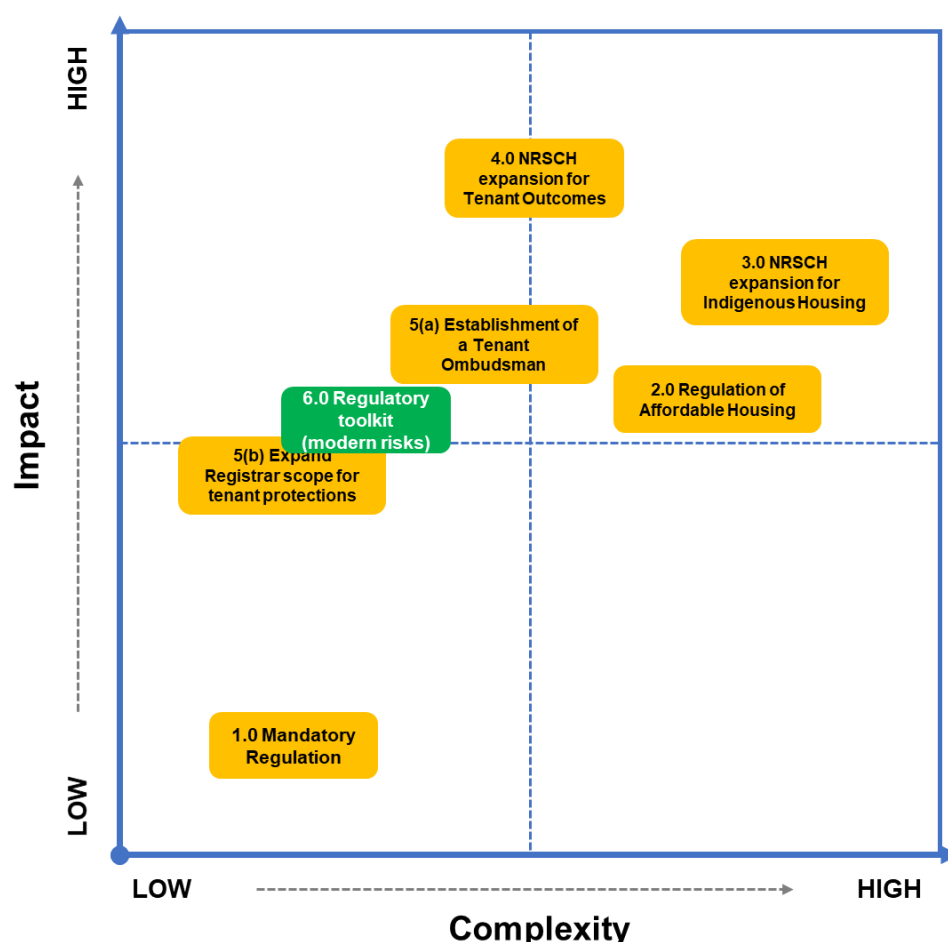
Legend	Description
	► Sector feedback and analysis undertaken to date suggests that there is a strong basis for substantiating this potential reform, with limited or minimal additional consultation or analysis required to substantiate a recommendation.
	► Sector feedback and analysis undertaken to date suggests that while there is some evidence or support for substantiating this potential reform, the consultation undertaken did not canvass the views of all affected parties and/or there are implications to undertaking the reform which have not been fully explored or analysed. Accordingly, further consultation and analysis is recommended to better substantiate the merits of this reform
	► While this potential reform has been identified as responding to an identified issue in the analysis undertaken to date, it has not been tested with stakeholder groups and/or there are material implications to undertaking the reform which have not been fully explored or analysed. Further analysis and consultation are recommended to better substantiate the merits of this potential reform.

4.2 Potential Reforms – Scope and Span of Regulation

As noted in the previous sections, a range of potential reforms have been identified as part of the summation and synthesis process from the work products produced to date.

The draft potential reforms for the scope and span of regulation sub-category are plotted on the diagram below with respect to potential impact and complexity:

Figure 3: Potential reforms (Scope and Span of Regulation)



The rationale for the rating of these potential reforms is discussed in the table below:

Table 11: Analysis (Scope and Span of Regulation)

Potential Reform	Analysis
1.0 Make regulation mandatory for all providers delivering community housing activities (see 1.0 Mandatory Regulation in Figure 3) ⁹⁵	Overview of the potential reform ► Mandatory regulation for all providers delivering community housing activities as a condition of either accessing social housing waiting lists or accessing Government subsidies. Assessment ► It is a relatively simple reform to mandate registration as a condition of access to subsidies and systems (e.g. wait lists). ► Given most CHPs and all larger providers are already opted-in to regulation, this reform will have a relatively low impact.

⁹⁵ For further information: NRSCH Consultation Summary Report, pg. 16

Potential Reform	Analysis
	Discussion ▶ As noted in Section 3.2.1, unregulated providers undertake activities where the risk exposure is invisible to the regulator. This is particularly the case where such providers are in receipt of Government subsidies, but their assets are not captured by the regulatory protections. It may also expose vulnerable tenants to risks not covered by the NRSCH or other regulatory systems. ▶ However, it is also noted that the broader housing system is unregulated, and a range of mainstream tenant protections already exist. Mandatory regulation could constrain supply if some unregulated providers choose not to register. ▶ The NRSCH currently operates a ‘whole of enterprise’ review of a regulated organisation’s activities.⁹⁶ Organisations with small housing portfolios as part of larger operations (e.g. homelessness NGOs) may face a disproportionate regulatory burden. Further, mandatory regulation might mean some organisations consider the need as to whether creation of new standalone entities is required (e.g. split affordable and social provision, split social and private provision). ▶ Due to these considerations, this potential reform has been classified with an amber rating; noting that there are competing considerations and further analysis is recommended.
2.0 Expand the NRSCH to cover providers of an agreed and harmonised definition of regulated affordable housing (including for-profit providers) <i>(see 2.0 Regulation of Affordable Housing in Figure 3)</i>	Overview of the potential reform ▶ Expanding the NRSCH – inclusive of the eligibility and associated reporting and evidence guidelines – to cover providers of an agreed definition of regulated affordable housing (including for-profit providers). ▶ This definition could seek to cover an agreed incremental subset of affordable housing at the transition point from Social Housing, either defined by rent, variance to Social Housing rent, or income eligibility. Assessment ▶ The success of this potential reform is dependent on the ability of the NRSCH to differentially regulate different provider types. This may require adoption of a modularisation / segmentation of provider approach described in Section 4.3 below. Because of this, and because of the need to adequately consider what type of affordable housing will be captured and what level of regulation will apply, this reform is considered to have a high degree of implementation complexity. ▶ It is anticipated this reform will have a relatively high impact in the scope and scale of providers and tenants brought into the NRSCH, however the detail of this will depend in part on the definition of affordable housing adopted and the differential regulation applied. Discussion ▶ As noted in Section 3.2.1, there is strong sector support for extending the coverage of the NRSCH to affordable housing providers to assist with consistency in service provision and regulatory accountability. It is noted however this consultation may not have fully canvassed the view of the breadth of existing affordable housing providers in Australia. ▶ It is noted that not all of the rationale for regulating social housing applies unequivocally to the broad spectrum of

⁹⁶ For further information: NRSCH Review – Tier Structure and Financial Reporting Requirements Report, pg. 50

Potential Reform	Analysis
	affordable housing. In particular, Government does not always have a legacy stake in the asset base or a direct role in funding new stock. Equally, the rationale for protecting a more vulnerable tenant base from provider insolvency is less obvious with a more diverse affordable housing tenant base. As a result, Government's role in social housing as provider of last resort may not apply to affordable housing. ▶ Successful implementation will require careful consideration of what segment of the diverse affordable housing market is intended to be captured. For the reasons provided above, it is unlikely to be all housing provided at below market rent. The setting of this definition will require a detailed market analysis and consultation to understand what type of providers will be captured. Targeting regulation at affordable housing at the transition point from social housing is likely to better aligned with sector feedback and with tenant protection objectives of regulation. ▶ The 'whole of enterprise' approach to regulation under the NRSCH may be problematic where organisations operate a small affordable housing portfolio as part of a broader business. This issue is likely to be more prevalent in the more diverse affordable housing provider market, which ranges from large for-profit organisations to individual investors under NRAS. ▶ Further, the extent to which affordable housing is currently covered within the ambit of NRSCH jurisdictions should be considered as part of this reform – both in terms of consistency in definition and application. As noted in section 3.2.1, some NRSCH jurisdictions clearly mandate affordable housing within their eligibility policies (such as NSW) whereas others, are less prescriptive in their requirements. ▶ The role of NHFIC should also be considered in this reform. This is important given the purpose of the Bond Aggregator in assisting with the financing and development of affordable housing for CHPs and the ability to ensure that affordable housing is retained for intended purposes. While there are planning and contractual routes to achieving this, regulation could be supplemental. ▶ Noting these considerations, this potential reform has been classified with an amber rating; noting that there are material competing considerations and further analysis and consultation is recommended.
3.0 Expansion of the NRSCH to better cover and address the requirements of Indigenous housing and ICHOs <i>(see 3.0 NRSCH expansion for Indigenous Housing in Figure 3)</i>	Overview of the potential reform Expand the coverage of the NRSCH to attract all ICHOs under the system. This potential reform could seek to expand and tailor the eligibility and performance reporting requirements (e.g. through modularisation and segmentation approaches) to better represent the needs of ICHOs and Indigenous people. Examples include: ▶ Provisional form of registration – with flexibility associated with eligibility requirements – to assist with registration uptake and capacity building as ICHOs transition to the NRSCH⁹⁷ ▶ Inclusion of cultural competency.⁹⁸ - o non-Indigenous providers within the performance outcomes and evidence requirements

⁹⁷ As a method to building towards full registration. See section 2.2 of the Discussion Paper Consultation Summary Report.

⁹⁸ Ibid.

Potential Reform	Analysis
	- o Registrars to undertake assessments of; and ► Modified wind-up clauses to recognise other wind-up provisions to preserve assets in the Indigenous Housing sector. Assessment ► The success of this potential reform – including the extent to which it can be tailored for Indigenous organisations – is dependent on the ability of the NRSCH to differentially regulate different provider types. This may require adoption of a modularisation / segmentation of provider approach described in Section 4.3 below. There are a range of additional considerations to be addressed including support and transition assistance for Indigenous organisations to register under the NRSCH; cultural competency; and a flexible application of the wind-up clause. Consequently, this reform is considered to have a high degree of implementation complexity. ► It is anticipated this reform will have a relatively high impact in the scope and scale of Indigenous providers and tenants brought into the NRSCH as well as providing additional scope for ICHOs to access government funding programs. However, this will depend in part on the scope of revisions applied in the Indigenous housing context and the differential regulation applied. Discussion ► As noted in Section 3.2.1, ICHOs are not strongly represented under the current NRSCH, with the reduced registration uptake influenced by a range of factors including conflicting legal obligations; insufficient capacity building and cultural competency practices; and transition considerations (e.g. from the Provider Assessment and Registration System (PARS) to NRSCH). ► A range of revisions to the NRSCH were outlined within the review work products and the roundtable sessions including flexibility in the application of specific requirements (including eligibility and the wind-up clause) and modifications to the performance outcomes to better address cultural competency. ► Therefore, this reform may provide benefits for ICHOs such as increased access to government funding programs / opportunities; and benefits to governments and tenants that the provision of Indigenous community housing is being regulated to an equivalent financial viability and service quality to the wider system ► From an implementation perspective, this potential reform may need to consider substantial revisions from a regulatory and registration perspective, to better account for Indigenous mobility, kinship obligations, distinctive household compositions, cultural practices and the unique identity of Australia's first peoples. In addition, consideration of a modular / segmentation approach (discussed in section 3.2.2) may facilitate implementation of this reform including tailoring the reporting requirements applicable to ICHOs. ► Further, provisional registrations should be considered in line with annual minimum datasets and the connection to tailoring an appropriate regulatory burden on ICHOs. ► Any changes should be flexible and factor in the unique service delivery models of ICHOs including the changes in asset bases and stock types managed (e.g. in remote communities). It was

Potential Reform	Analysis
	also noted that many ICHOs are concerned about the potential loss of identity that may be encountered through changes to the NRSCH and/or other community housing regulatory systems that do not account for the unique operating environment that ICHOs work within. ▶ Cultural considerations should also apply to non-ICHO providers as well if these CHPs are servicing Indigenous tenants. ▶ Further, it was noted in Section 3.2.1 that Indigenous community housing was not considered in a detailed manner in the work products produced to date as part of the Review. Therefore, this potential reform has been rated as amber, with additional analysis and consultation recommended to firm up the specifics of any future reform.
4.0 Expansion of the NRSCH to cover an increased set of tenant-centred measures and outcomes⁹⁹ (see 4.0 NRSCH expansion for Tenant Outcomes in Figure 3)	Overview of the potential reform ▶ Expand and bolster the existing NRSCH service quality and tenant outcomes measures. ▶ Examples of areas where this could be expanded from the current state include tenant satisfaction rates; tenancy turnover rates; positive exits; maintenance surveys; and consideration of tenant diversity. ▶ To facilitate this reform, consideration may need to be given to establishing baseline measures¹⁰⁰ for specific tenant data and outcomes and adopting a continuous benchmarking approach which measures providers against an improving quality standard. Assessment ▶ The potential impact of this reform is considered moderate to high, noting that an increased focus on providing improved service quality to tenants is directly conducive to tenant outcomes and satisfaction with the service of CHPs. ▶ Complexity is considered moderate. This is due to a range of factors including the need to define and consult on what agreed additional tenant measures could be included within the reporting requirements; definition of outcomes and how these will be evaluated; and the extent to which revisions impact upon the regulatory burden of providers. Discussion ▶ Reforms targeted at facilitating improved tenant outcomes and increased accountability in safeguarding tenant outcomes strongly resonate with the sector. ▶ The extent to which this reform can be delivered is reliant upon the ability of the sector to meet the associated performance requirements and subsequent to that, the ability of the regulator to provide relevant data across selected outcome domains (see section 4.4 for more detail). Key considerations – from an implementation perspective – should be given to a range of factors, including: ▶ The extent to which this reform increases the regulatory reporting burden required of providers. ▶ Development of a service quality and tenant outcomes reporting templates and guidance note – similar to the financial

⁹⁹ For further information: NRSCH Review Consultation Summary Report, pg. 7 & 9-10

¹⁰⁰ See CHCSA submission (for example).

Potential Reform	Analysis
	viability guidance note provided under Performance Outcome 7 for Financial Sustainability¹⁰¹. ▶ Frequency of reporting on tenant outcomes – noting that the current thresholds for tenant / resident surveys on satisfaction is that they are undertaken at least every two years¹⁰². ▶ The applicability of reporting on tenant outcomes across all Tiers and provider types (noting that satisfaction surveys are not mandatory for Tier 3 CHPs) ▶ Whether current models and surveys in use around the sector can be applied more broadly and formalised within the NRSCH. This includes the independent tenant satisfaction survey and benchmarking service run by CHIA NSW which over 30 CHPs participate in. ▶ Given the support for this reform revealed in the consultations and workstreams, but the complexity yet to be unpacked in what is entailed in an expanded Tenant Outcomes performance requirement, this reform has been categorised as amber.
5(a) Establishing an ombudsman ¹⁰³under the ambit of the NRSCH to provide tenants with an improved voice in their experience with community housing ¹⁰⁴ (see 5(a) Establishment of a Tenant Ombudsman in Figure 3)	Overview of the potential reform ▶ Establish an Ombudsman under the ambit of the NRSCH to address tenant complaints and assist with tenant protection structures. ▶ This could include the creation of governance structures such as an Ombudsman function to focus on providing tenants with an improved voice. Assessment ▶ The impact of this proposed reform is considered moderate to high. For example, similar structures do not currently exist in all NRSCH jurisdictions (e.g. NT). Further, this reform shares close links with tenant outcomes and accordingly, the implementation of a reform similar to this may assist with tenant satisfaction. ▶ The complexity associated with establishing better protections under the ambit of the NRSCH (e.g. an Ombudsman function) is considered moderate. Key factors to consider include where this position is housed; the cost of the position; and the extent to which revisions are required to regulations and legislations to provide clear and enforceable powers for the created governance structure. Discussion ▶ As noted in Section 3.2.1, this potential reform could provide an enhanced framework for providing tenants with access to strong and consistent consumer protection processes. ▶ In implementing this potential reform, consideration should be given to where this governance structure should sit and the extent to which this role is covered and/or duplicated with other regulatory schemes. For example, the governance structure could be housed within the NRSCH regulatory structure or independent to the NRSCH. ▶ This potential reform has been categorised as amber noting that the consultation and analysis undertaken to date on this

¹⁰¹ <https://www.nrsch.gov.au/publications/financial-reporting-guidance>

¹⁰² NRSCH, *Evidence Guidelines – Performance outcome 1 subsection (g) “Maintaining satisfaction with the overall quality of housing assistance”*, January 2014.

¹⁰³ Noting that consideration as to whether this takes place within the remit of the NRSCH or outside of the NRSCH is ongoing.

¹⁰⁴ For further information: NRSCH Consultation Summary Report, pg. 10

Potential Reform	Analysis
	specific issue has been limited and may benefit from additional, targeted discussions.
5(b) Expanding the scope of the Registrar's powers to investigate individual complaints and make binding recommendations. (see 5(b) <i>Expand Registrar scope for tenant protections in Figure 3</i>)	Overview of the potential reform ► Expansion of the scope of the Registrar's powers to investigate individual complaints and make binding recommendations. ► This reform is an alternative to 5(a) in addressing tenant protections. Assessment ► The impact of this proposed reform is considered moderate. This reform shares close links with tenant outcomes and accordingly, the implementation of a reform similar to this may assist with tenant satisfaction. ► The complexity associated with this reform is considered low to moderate. Distinct from 5(a) above, this reform does not consist of creating a new governance structure; rather expanding the scope of the existing NRSCH Registrar positions. Discussion ► As noted in Section 3.2.1, this potential reform could provide an enhanced framework for providing tenants with access to strong and consistent consumer protection processes. ► In implementing this potential reform, consideration should be given to examining the best practice for appropriate level of Registrar and regulator involvement with tenants, including investigation of complaints; and how to expand the existing scope of Registrars to manage tenant concerns, as well as tenant participation (e.g. to avoid conflicts of interest and perceived biases). ► This potential reform has been categorised as amber noting that the consultation and analysis undertaken to date on this specific issue has been limited and may benefit from additional and targeted discussions.
6.0 Expansion of the NRSCH regulatory toolkit to better cater for the diverse risks of the community housing sector (see 6.0 <i>Regulatory toolkit (modern risks) in Figure 3</i>)	Overview of the potential reform ► Expansion of the NRSCH to cover a modern set of risks for the community housing sector. ► This could include the development of a regulatory toolkit (expanding on existing materials) for the purpose of providing guidance and the ability to better understand, risks pertaining to pandemics (e.g. COVID-19), cyber-crime, terrorism and natural disasters. Assessment ► The impact of this proposed reform is considered moderate to high. This reform is critically important in the current environment for two purposes: to enable the sector to better respond to modern risks and secondly, to enable the regulators to better understand and have oversight of these risks. ► The complexity associated with this reform is considered low to moderate noting that the scope of this reform is focused on the development of toolkit(s) and/or guidance material. Further, there is considerable interest and analysis being progressed in this context (such as COVID-19 response materials) that can be leveraged in the NRSCH context. Discussion ► As noted in Section 3.2.1, the current global and macroeconomic environment is uncertain with the impact of pandemics, cyber-crime, terrorism and natural disasters (for

Potential Reform	Analysis
	example) presenting challenges for the community housing sector. This is particularly relevant for the COVID-19 pandemic which has the potential for material impacts to the CHP sector from a health, financial, economic and tenant safety perspective. ▶ Accordingly, there are opportunities to expand and futureproof the NRSCH through an ongoing and dynamic evolution of the regulatory toolkit. ▶ This potential reform has been categorised as green given the importance of this issue in the current environment.

4.3 Potential Reforms – Efficiency and Effectiveness

As noted in the previous sections, a range of potential reforms have been identified as part of the summation and synthesis process from the work products produced to date.

The draft potential reforms for the efficiency and effectiveness of regulation sub-category are plotted on the diagram below with respect to potential impact and complexity:

Figure 4: Potential reforms (Efficiency and Effectiveness of Regulation)

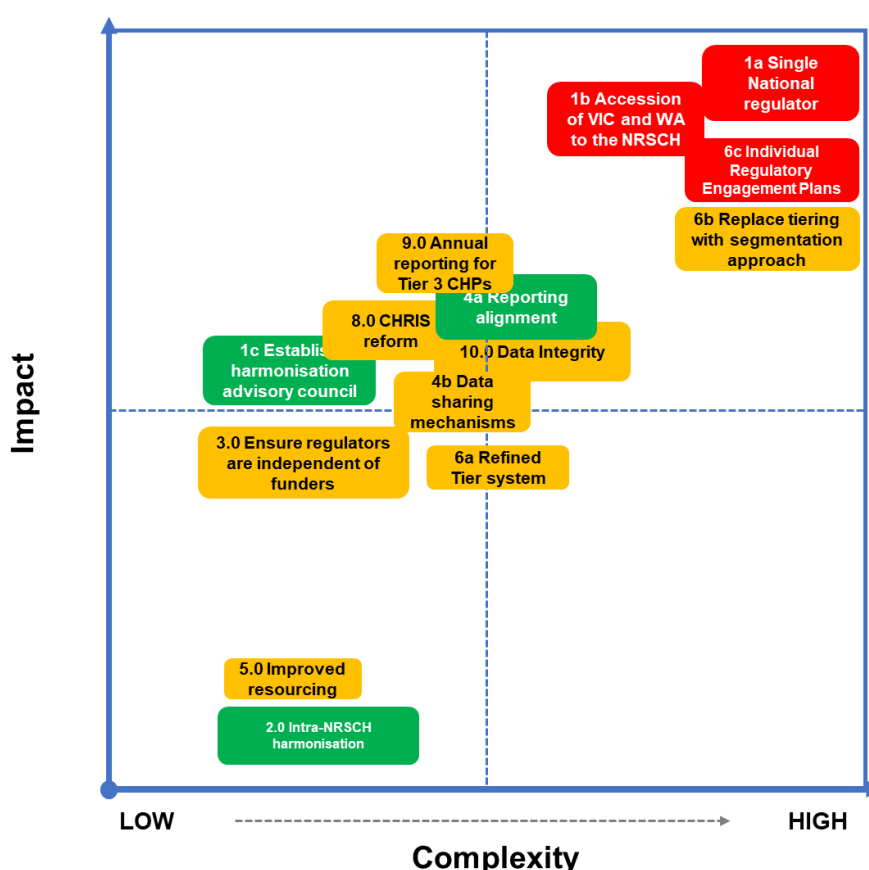


Table 12: Potential reforms (Efficiency and Effectiveness of Regulation)

Potential Reform	Analysis
1(a) Establishment of a single independent national	Overview of the potential reform

Potential Reform	Analysis
regulator across all jurisdictions under a single uniform national law (see 1a Single National Regulator in Figure 4)	▶ This reform would replace the current NRSCH State Regulators and Victorian and WA systems with a single harmonised national law with a single national regulator operating across jurisdictions. ▶ The single national regulator may have deputies in the States to assist with certain functions, but regulatory practice development, information gathering, assessment and reporting would be conducted at a centralised level. Assessment ▶ This reform involves replacing the existing regulatory regimes in all states with a single national law, which will involve a very high degree of complexity and disruption. ▶ The potential impact of this reform is considered high. A primary reason for this is the potential benefits to the sector arising from national consistency in regulatory approach both at implementation and into operation of the new system. Discussion ▶ As noted in section 3.2.2, a wide range of submissions showed strong support for national consistency of regulation, and greater harmonisation of approach even within NRSCH jurisdictions. There is however limited exploration in the submissions and the subsequent analysis undertaken in the workstreams on the optimal way of achieving national harmonisation and of centralised vs state-based implementation of those regulatory functions. ▶ The work undertaken to date indicate there are mixed views on whether a supra-state regulator would provide the optimal nexus between the level of Government where a risk is borne and where it is regulated. ▶ This potential reform comprises system wide change across all jurisdictions and would require the support and cooperation of all States and the Commonwealth. Significant work may need to be undertaken to determine what features of a national system NRSCH and non-NRSCH jurisdictions would need to see in order to support this reform. ▶ Further, there are a range of legal complexities associated with implementing this reform. This reform would likely require establishment of a uniform law to replace and supersede the current legislative instruments. This would require extensive drafting and consultation with the jurisdictions to ensure that the scope and risks covered within the legislation meet the needs of all States and Territories.¹⁰⁵ ▶ Because of these considerations, this potential reform has been classified with a red rating; noting that there are significant and material competing considerations, legal and political hurdles to be overcome and that further analysis and consultation would be essential.
1(b) – Undertake a program of work leading to the accession of Victoria and WA to the NRSCH, or similar national regulatory system,	Overview of the potential reform Undertake a program of work to understand what reforms to the existing NRSCH system Victoria and WA would need to see in order to accede. Based on the consultation and work

¹⁰⁵ As a uniform law may not be conducive to addressing local sector conditions differentially where it is appropriate to do so.

Potential Reform	Analysis
under a reformed and harmonised regulatory regime. <i>(see 1b Accession of VIC and WA to the NRSCH in Figure 4)</i>	undertaken to date it is anticipated this would include – as a minimum: ▶ The signing of a bi-lateral agreement with each state¹⁰⁶ ▶ Collaboration between the jurisdictions to understand each jurisdictions' strategic design preferences¹⁰⁷ and the barriers for VIC and WA entry into the NRSCH ▶ Consultations with and agreement amongst VIC, WA and all NRSCH jurisdictions to ascertain the collective features across all regulatory frameworks that should be included in a harmonised system Assessment ▶ This reform involves undertaking a program of work to replace the existing Vic and WA regulatory regimes with a reformed NRSCH regime, which will involve a high degree of complexity. ▶ The potential impact of this reform is considered high. A primary reason for this is the potential benefits to the sector arising from national consistency in regulatory approach. Discussion ▶ As noted above, a wide range of submissions showed strong support for national consistency of regulation, and greater harmonisation of the regulatory approach; even within NRSCH jurisdictions. This approach would reduce disruption and complexity by leveraging the existing National Regulatory System framework and maintain State regulators so that a nexus is held between where risks are borne and where they are regulated. ▶ The submissions received and analysis undertaken show however that in order to attract non-NRSCH jurisdictions into the NRSCH, a significant program of reform to the NRSCH would need to be mapped out, agreed and undertaken. ▶ Because of these considerations, this potential reform has been classified with a red rating; noting that there is significant further analysis and consultation required to proceed.
1(c) – Establish an Advisory Council (or Harmonisation Body) to help drive a continuous programme of harmonisation activities between NRSCH and non-NRSCH jurisdictions. <i>(see 1c Establish harmonisation advisory council in Figure 4)</i>	Overview of the potential reform Establish an Advisory Council (or Harmonisation Body) with membership across NRSCH and non-NRSCH jurisdictions with the objective of pursuing initiatives to harmonise regulation across NRSCH and non-NRSCH jurisdictions over time. Potential areas of focus would include: ▶ Eligibility requirements and transition processes between tiers (or from Provider to Association in the Victorian context) ▶ Performance and data reporting requirements (including sharing of benchmarking data) ▶ Compliance and monitoring approaches Assessment ▶ The establishment of a harmonisation body is a relatively straightforward reform to implement.

¹⁰⁶ See the Bridge Housing submission – this submission noted this process was similar to the National Housing and Homelessness Agreement (NHHA).

¹⁰⁷ See the NSW Registrar submission.

Potential Reform	Analysis
	► The harmonising impact of this reform will depend on the ability of the body to drive cooperation and agreement between jurisdictions over time, and consequently will not have a direct or immediate impact. However, there is potential value in the approach both in providing a forum for converting easy harmonisation ‘wins’ – but also as a means of exploring and documenting the more complex issues which would need to be overcome for any more comprehensive reform, such as 1(a) or 1(b) discussed above. On that basis, impact has been assessed as medium. Discussion ► As noted above, a wide range of submissions showed strong support for national consistency of regulation, and greater harmonisation of approach even within NRSCH jurisdictions. While the impact of this reform is contingent on continuing intra-state cooperation, it has value as a preliminary step in driving increased national harmonisation over time. ► Because of the strong support for harmonisation indicated in the submissions and the relatively low competing considerations identified associated with this reform, this reform has been coded as green.
2.0 – Expand role of NRSCH National Office to continue to pursue activities to maintain ongoing harmonisation of regulatory policy across NRSCH regulators. <i>(see 2.0 Intra-NRSCH harmonisation in Figure 4)</i>	Overview of the potential reform ► Expand the scope for the NRSCH National Office to continue to pursue activities to maintain ongoing harmonisation of regulatory policy across NRSCH regulators. ► The potential areas of focus would include the activities noted above under reform 1(c) and would consist of reformed inter-state governance functions and appropriate resourcing increases to enable the National Office to better fulfil this function (as noted in reform 5.0 below). Assessment ► A national body to perform this function already exists, therefore this is considered low in terms of complexity. ► Therefore, this reform would be low from a complexity perspective and low to moderate from an impact perspective. Discussion ► This reform would build on the functions already in place through the NRSCH National Office that has overseen the reform process to date. ► It is noted that some degree of regional differentiation is likely to be appropriate across jurisdictions (e.g. to reflect the unique operating environments of providers in each State and Territory). Accordingly, harmonisation should balance this and the need for increased consistency. ► Further, a degree of ongoing harmonisation already happens through various forums, including the existing role of the Analytics, Intelligence and Reporting Community of Practice. ► Central to this proposed reform are the resourcing requirements of the regulators. Specifically, consultation submissions¹⁰⁸ referenced that increased resourcing to

¹⁰⁸ See the NRSCH Registrars submission (for example).

Potential Reform	Analysis
	National office can importantly assist with moving beyond a secretariat function to better enhance harmonisation across jurisdictions. ▶ There are also examples of differences in regulatory application across NRSCH jurisdictions that may warrant further harmonisation. This includes differences in the application of State policy impacting on the NRSCH; differences in the definition of community housing assets¹⁰⁹; and the treatment of financial information such as debentures in the South Australian context.¹¹⁰ ▶ Consideration may need to be given to the administration and logistics associated with this Group, including cadence of meetings, representation and priorities following the completion of the NRSCH review. Priorities may involve an expansion of the scope for harmonisation activities (such as sector wide consultation activities and pilot testing). ▶ For the reasons above, there is the potential to do more in this space and to formalise this role under a central point from a governance perspective. Accordingly, this reform has been coded as green.
3.0 Restructure regulators so that they are separate and independent from commissioning/funding functions of Government and report directly to a minister. <i>(see 3.0 Ensure regulators are independent of funders in Figure 4)</i>	Overview of the potential reform ▶ Restructure state regulators so that they are separate and independent from commissioning/funding functions of Government and report directly to a minister. Assessment ▶ This reform is considered to be moderate to low from an impact perspective with the main benefits relating to the potential for improved accountability in governance arrangements. ▶ This reform is considered to be moderate to low from a complexity perspective; noting that while the process for considering what is required to improve separation and independence from commissioning and funding functions is relatively straightforward, implementation activities may be more complex (see discussion below). Discussion ▶ This proposed reform has the potential to convey accountable, independent and transparent governance arrangements to assist with confidence from key stakeholders in the sector. ▶ Key implementation considerations include the need to work through the appropriate structure, representation and working arrangements that the Registrar and Board functions should encompass. Accordingly, a degree of consultation is required to firm up this reform as well as consideration of what is required from a drafting and legislative perspective. ▶ It should be noted that the Registrars are currently functionally independent while not structurally independent in some cases from the government funding and commissioning bodies. ▶ For this reform, it should be noted that there may be competing considerations: such as the potential benefits from real and perceived independence (e.g. from the

¹⁰⁹ As set out on the NRSCH website (https://www.nrsch.gov.au/states_and_territories/jurisdiction-policy).

¹¹⁰ For further information: NRSCH Review – Tier Structure and Financial Reporting Requirements Report, pg. 48.

Potential Reform	Analysis
	perspectives of the sector) compared with opportunities for closer cooperation on harmonisation of reporting initiatives through regulators being embedded in the commissioning and funding departments. ▶ Therefore, it is envisaged that this reform could exist under the current approach (NRSCH, VIC and WA) but potentially operate more efficiently through a single regulatory framework. Therefore, consultation is likely to be beneficial to substantiate what is required to work towards this (e.g. see 1(b) above). ▶ Because of these considerations, this potential reform has been classified with an amber rating; noting that there is significant further analysis and consultation required to proceed.
4(a) Undertake a program of works between the NRSCH, other regulators, funders and data collectors to better align reporting requirements. (see 4a Reporting alignment in Figure 4)	Overview of the potential reform ▶ Undertake a program of work between the NRSCH, other regulators, funders¹¹¹ and data collectors¹¹² to better align reporting requirements. ▶ The intention of this proposed reform is to work with these parties to better align reporting requirements including periods to facilitate compliance, the content of reporting requirements (see FPR discussion in section 3) and ultimately, reduce the regulatory burden on CHPs. Assessment ▶ This reform is considered to have a moderate impact to the current state, with potential future state benefits including more synergies in the reporting approach required from CHPs from the NRSCH and other relevant parties. ▶ Similarly, this reform is considered to have a moderate degree of complexity. This is due to the need to have targeted discussions regarding what reporting requirements can potentially be harmonised and the associated level of oversight each regulator requires to fulfil their regulatory objectives. Discussion ▶ As noted in section 3.2.2, a range of submissions supported practices conducive to better aligning the CHP reporting requirements under the NRSCH; with reducing the regulatory burden imposed on CHPs (as well as the potential for duplication) a primary underpinning rationale for this reform. This is based on feedback wherein stakeholders noted that there can be a degree of reporting overlap between ACNC, ASIC, ATO and AIHW reporting requirements that increase regulatory burden.¹¹³ ▶ The content of reporting requirements is an important consideration for this reform. This is relevant in the FPR context where substantially similar information is required in different formats by different regulatory bodies (such as the format of financial information, financial forecasts and management plans). ▶ The timing of reporting requirements is similarly important. In the FPR context, this relates to the extent to which end of year reporting, FPR reporting (including the window to complete reporting on CHRIS in line with the other

¹¹¹ E.g. VRS, NHFIC, ACNC and State Funding agencies.

¹¹² Such as AIHW and the ABS.

¹¹³ See CHCSA submission for example.

Potential Reform	Analysis
	performance outcomes) and CHPs' own internal requirements can be harmonised. ▶ From an implementation perspective, discussions are required between the NRSCH and other funders / regulators to map out what is required to better align reporting requirements. This could include a memorandum of understanding to avoid duplication and consider reliance on the level of oversight and assessment.¹¹⁴ ▶ In the context of data collection and alignment, harmonisation across regulators and data collection agencies will require a collaborative approach in order to align definitions and data formats. ▶ These implementation and harmonisation activities mentioned above may be best facilitated by an adequately resourced NRSCH National Office; noting that this reform is a dynamic and ongoing exercise (rather than a point in time exercise). ▶ Additionally, the impact of other reforms proposed in this Report should be noted. This includes the segmentation approach (see reform 6(b) below) and current initiatives (such as the outcomes of the Tier 3 Pilot Program¹¹⁵). ▶ Noting the strong sentiment in support of this reform and the limited competing considerations identified, this reform has been categorised as green.
4(b) Undertake a program of work to implement data sharing mechanisms between the NRSCH and appropriate parties¹¹⁶ <i>(see 4b Data sharing mechanisms in Figure 4)</i>	Overview of the potential reform ▶ Implementation of mechanisms to promote increased data sharing between the NRSCH and appropriate parties. ▶ Central to this potential reform is the establishment of privacy and communication protocols that would allow regulators to share assessments of CHPs across jurisdictions; and the NRSCH to share and access data (e.g. de-identified data) from other appropriate parties (such as NHFIC, State Governments and ACNC). Assessment ▶ This reform is considered to have a moderate impact to the current state, with potential future state benefits similar to identified for 4(a) above. This includes the potential for more synergies in the reporting approach required from CHPs from the NRSCH and other relevant parties. ▶ This reform is considered to have a moderate degree of complexity. This is due to the need to have targeted discussions regarding what data can be shared and on what basis (noting that sharing commercial in confidence information and information that may prejudice a legal matter was not supported in submissions to the Data Needs Project)¹¹⁷. Discussion ▶ As noted in section 3.2.2, the ability to share data across the NRSCH and other regulatory bodies is supported from the consultation processes and review works to date. Reasons for this include reducing the potential for double

¹¹⁴ See CHIA NSW submission for example.

¹¹⁵ A Pilot Program was established in 2019 among Tier 3 providers in NSW in response to a consultation process in 2018. This Program seeks to ascertain whether a segmentation approach would be appropriate / proportionate and/or reduce the regulatory burden on providers.

¹¹⁶ For further information: Data Needs of the NRSCH – Recommendations Paper, pg. 37-39

¹¹⁷ See 4.2.8 of the Data Needs Final Report.

Potential Reform	Analysis
	reporting and assisting with the reporting burden for CHPs and the associated compliance costs. ▶ The Data Needs Report considered the types of data where this reform may be applicable and beneficial. This includes location and geospatial data (noting the adoption of standard data definitions for this, with AIHW) and consideration of the financial and development data required by the NRSCH and NHFIC.¹¹⁸ ▶ This reform could comprise development of partnerships between the NRSCH and other bodies (such as NHFIC, ACNC, AIHW and State funding agencies) to streamline and reduce the regulatory burden. ▶ The establishment of the NHFIC provides an opportunity to pilot this reform, given the closely interrelated links between NHFIC and the NRSCH; particularly in the FPR context (see reforms 6(a)-(c) below for further details) ▶ To facilitate this potential reform, there may be potential scope to consider increasing the powers for Registrars to exchange information with other parties. This was recommended in the Data Needs Report as a consideration for the broader NRSCH review. A review of the statutory functions would be required in this context to ascertain what data can be appropriately shared with other parties (e.g. NHFIC) ▶ There is support for this reform in both the consultations undertaken to date and the work undertaken under the Registrar's workstream. There are however material complexities to unpack with regard to what data is shared, with whom and the extent to which that data is identified, with some submissions voicing concerns on these issues.¹¹⁹ For these reasons, this proposed reform has been categorised as amber.
5.0 Increase Regulator resourcing to improve capacity to engage with organisations differentially on a risk-based approach¹²⁰ (see 5.0 Improved Resourcing in Figure 4)	Overview of the potential reform ▶ Engagement with regulators as part of the NRSCH review indicates that there is flexibility and functionality within the existing system for regulators to engage with organisations on a risk based basis based on individual risk profiles, but that in some jurisdictions they may be constrained by resourcing in their ability to do so. ▶ Increased resourcing for regulators in jurisdictions where this is required would be targeted at providing regulators with an increased capacity and capability to engage more consistently where required and provide supplementary resourcing for bespoke risk-based assessments of operations. Assessment ▶ Identifying the required resourcing by jurisdiction is a relatively low complexity reform to implement. ▶ While this reform would be expected to increase the capacity of regulator's to adopt a more risk based approach to regulation within the confines of the existing system, it does not address systemic issues with the collection and

¹¹⁸ See chapter 12 of the Data Needs Recommendation Report - acknowledging that there may be cases where regulatory and/or commercial reasons may inhibit parties from choosing to share information.

¹¹⁹ See the CHIA submission to the Data Needs work.

¹²⁰ For further information: NRSCH Review – Tier Structure and Financial Reporting Requirements Report, pg. 7-9

Potential Reform	Analysis
	assessment of data under the Tier based system, and consequently is only expected to have a moderate impact. Discussion ▶ The relative rigidity of the Tier system in driving the regulatory engagement approach and its limitations in enabling a risk-based approach to regulation was a feature of submissions. Contributions from regulators however indicated that the system does have flexibility to accommodate a more risk based differential level of engagement, and that the key constraint in adopting this approach more fulsomely is capacity. ▶ Some sector submissions also referenced the need to improve capability of regulator teams, in order to better enable a granular and nuanced understanding of their business. ▶ Some regulators in smaller jurisdictions did not share this view and considered they were adequately resourced to undertake their functions. ▶ Given the broader system constraints to a risk-based approach, any increase in regulator funding should be supported by a detailed cost benefit analysis aimed at quantifying the additional benefit increased resourcing could deliver. ▶ Because of the need for further analysis to substantiate the benefit associated with this reform, this reform has been coded as amber.
6(a) Refine the Tier system by:¹²¹ ▶ Review and re-align Tiering criteria to create better uniformity within, and differentiation between Tiers ▶ Review and re-align FPR against Tiers to better respond to differential risk profiles within Tiers (see 6a Refined Tier system in Figure 4)	Overview of the potential reform This reform entails reforming the Tier membership criteria to create better uniformity within and differentiation between Tiers. In particular, this would need to consider: ▶ The role of governance criteria and corporate structure in restricting otherwise larger organisations with development activities to Tier 2; ▶ Broader risk factors associated with financing or operations which are currently not considered and could be used to create meaningful differentiation between Tier 1 and 2. ▶ A reassessment of the regulatory requirements of each tier to better respond to differential risk profiles within those Tiers. For example, tenant survey results and the provision of financial plans only apply for Tier 1 and Tier 2 CHPs; and debt financing arrangements and covenants are an evidence requirement for Tier 1 CHPs only in the context of the <i>Housing Assets and Governance</i> performance outcome. Assessment ▶ Implementing this reform will require further development of the required changes to the Tier criteria, the resulting risk profile of organisations within those Tiers and the level of regulatory engagements that should respond to those risk profile. There is some complexity to this scope of work, and some complexity to the resulting stakeholder management issues particularly where the reform results in organisations moving between the reformed Tiers. As a result, this reform has been ranked as moderately complex.

¹²¹ For further information: NRSCH Review – Tier Structure and Financial Reporting Requirements Report

Potential Reform	Analysis
	▶ The impact of this reform is constrained by the limited ability to differentiate between providers which a Tier system provides. Accordingly, although this may help mitigate some specific perverse features, the capacity of this reform to deliver a more risk-based approach overall is considered relatively marginal. Discussion ▶ This reform comprises either an alternative to or an intermediate step on the pathway to the more structural reforms of the Tier system described at 6(b) and 6(c). ▶ The reform seeks to respond to review analysis and sector feedback relating to the current perceived shortcomings with the Tier system – such as improving the risk-based approach to regulation and removing perverse outcomes relating to Tier designation (including the corporate structure and wind-up clause features¹²² of the current system whereby these components may otherwise impact upon a CHP attaining Tier 1 status even where they have large portfolios and undertake development activities). ▶ While there is relatively strong support in submissions for reforming the Tier system, the detail of these reforms is likely to attract a range of views from impacted system participants. This will require significant additional analysis and consultation and as a result, this reform has been coded as amber.
6(b) – Replace the Tier system with a Modular / Segmentation approach whereby reporting is aligned to modules or segments based on provider typology and operations¹²³ <i>(see 6b Replace tiering with segmentation approach in Figure 4)</i>	Overview of the potential reform ▶ This potential reform would involve replacing the Tier system approach with a modular approach to segmenting the sector. This would involve developing a pre-determined set of regulatory modules or segments, each comprised of a range of bespoke and tailored regulatory engagement features. ▶ Modules would be stackable and would respond to particular risk profile segmentation of providers – for example there might be regulatory engagement modules structured around debt raising, development activities, cohorts (including Indigenous), regionality, for profit activities, etc. Assessment ▶ Because this reform entails the wholesale reform of the Tier system and the scoping and content design of a series of segmentation modules, it is assessed as having a relatively high degree of complexity. ▶ By reforming the central systemic constrain to adopting a regulatory engagement plan which is more tailored to the risk profile of particular provider activities, this reform has a relatively high impact potential. Discussion ▶ This reform responds to consistent feedback that the current Tier-based regulatory approach does not

¹²² In practice, this can result in larger organisations (often with land) being placed at Tier 2 or Tier 3 status – despite significant development activity – due to organisations being unwilling to implement a wind-up requirement that requires assets to go to another registered CHP, rather than back to the parent entity (e.g. in the faith-based context). See NRSCH Review – Tier Structure and Financial Reporting Requirements Report, pg. 50 for further details.

¹²³ For further information: NRSCH Review – Tier Structure and Financial Reporting Requirements Report, pg. 93 and NRSCH Review Consultation Summary Report, pg. 12-13

Potential Reform	Analysis
	appropriately cater for the variance in risk profile between providers. ▶ A modular or segmentation approach to regulation has formed the basis of analysis and recommendations across various streams of the NRSCH review. The approach has been specifically raised in a number of submissions¹²⁴, was considered a preferred option in the EY Tier Structure and Financial Reporting Requirements Report as an option for reforming the tier system and has been favourably analysed in the Regulator's Data Needs Report as a reform to the FPR. ▶ The Data Needs Report considered this reform in some detail, including through analysis and a targeted consultation exercise. Potential segments under consideration for an "intelligence-led" approach include business risk profiles, ownership structures and geographic locations. Importantly, that Report recommends that additional consultation is undertaken with the sector to test the composition of the segments that could be developed. ▶ This reform will likely present significant complexities for CHPs and regulatory bodies to adapt to changing reporting requirements and the education required to appropriately monitor segments. Consequently, transition approaches may be appropriate, such as trialling or piloting segmentation approaches for specific performance requirements (e.g. financial) to evaluate changes. ▶ On the basis that there is strong support for this reform across multiple streams of the NRSCH review process, but that significant additional analysis and consultation is required to develop the detail of the reform, this reform has been coded as amber.
6(c) – Replace the Tier system with a system relying on individualised regulatory engagement plans¹²⁵ (see 6c Individual Regulatory Engagement Plans in Figure 4)	Overview of the potential reform ▶ This reform is an alternative to reform 6(b) and would involve replacing the Tier system approach with a tailored regulatory approach for CHPs comprising individualised regulatory engagement plans. ▶ The Tier system would be replaced with a base level of annual reporting for all CHPs. This base level of reporting will inform the development of a tailored regulatory engagement plan for each CHP. An organisation's tailored regulatory engagement plan will be re-assessed and updated (if necessary) at the end of each reporting year. ▶ This may include reducing the intensity of the individual regulatory plan for a given period and using self-assessments where the risk assessment of that CHP warrants it.¹²⁶ Assessment ▶ As this reform entails the greatest degree of change and would consist of a full system reform, both the impact and complexity ratings are considered high. Discussion ▶ Similar to reform 6(b) this reform responds to consistent feedback that the current Tier-based regulatory approach

¹²⁴ For further information: NRSCH Review Consultation Summary Report, pg. 12-13

¹²⁵ For further information: NRSCH Tier Structure and Financial Reporting Requirements Report, pg. 95

¹²⁶ Noting that the self-assessment approach aligns to a degree with the VRS.

Potential Reform	Analysis
	does not appropriately cater for the variance in risk profile between providers. ▶ The proposed reform adopts a similar approach to that adopted by the Scottish community housing system in 2018, which was consistently referenced by submissions¹²⁷ as a model the sector viewed as potentially beneficial.¹²⁸ ▶ Detailed consultation would be required to better substantiate this potential reform; noting that the consultations to date have focused on the current state of the NRSCH and the potential for a segmentation approach. ▶ Given the significant additional analysis and consultation that would be required to develop the detail of this proposed reform, this reform has been coded as red.
7.0: Revise the FPR requirements to align with the new accounting standards ¹²⁹	Overview of the potential reform ▶ Revision and tailoring of the FPR requirements to align with the new accounting standards (affecting NFP organisations) ▶ As noted in the Data Needs Report, this reform is currently in place¹³⁰ with CHPs responding to changes as part of the FY20 changes. Further, this reform has recently been tested through a targeted consultation as part of the Data Needs Report program of works. Feedback as part of that process indicates that providers are broadly supportive of the changes¹³¹ and at varying stages of maturity to accommodate changes in line with the accounting standards. ▶ Therefore, this reform has not been plotted on the diagram above. ▶ Any further changes to the FPR requirements have a compliance burden cost to CHPs and therefore, this needs to be factored in. Consequently, any further refinements should be bundled with broader structural reform (such as segmentation approaches).
8.0 Implement system improvements to the CHRIS platform to assist with data collection and monitoring ¹³² (see 8.0 CHRIS reform in Figure 4)	Overview of the potential reform ▶ Implement system improvements to the CHRIS (Community Housing Regulatory Information System) platform to assist with data collection and monitoring. ▶ System improvements may involve how CHRIS is structured and/or when the system is open and operational for CHPs to input in required information and data. Assessment ▶ The impact of this reform is considered moderate as improvements made to the regulatory data reporting systems have a clear link to alleviating the regulatory burden required of CHPs. ▶ There is a moderate degree of complexity associated with this reform. While opening the CHRIS portal year-round is noted as beneficial, there is a need to understand more

¹²⁷ Examples include Tenants' Union NSW, Tenants Queensland, Tenants Victoria, CHIA NSW, and National Shelter,

¹²⁸ For further information: NRSCH Review Consultation Summary Report, pg. 10

¹²⁹ For further information: NRSCH Tier Structure and Financial Reporting Requirements Report, pg. 7

¹³⁰ Noting – as referenced in section 3.2.2 – that other refinements are already in implementation including additional ratios; inclusion of tax and for-profit measures; and the expansion of development and financing measures to understand mixed tenure developments.

¹³¹ Noting that providers expressed some concern around lead-in time and the treatment of historical financial information.

¹³² For further information: NRSCH Review Data Needs Recommendations Paper, pg. 14, 27, 32-33

Potential Reform	Analysis
	clearly where system improvements can be made (e.g. to address mismatches between systems that CHPs utilise). Discussion ▶ Feedback relevant to the CHRIS system was generally two-fold in the consultations held and submissions received to date. This included timing and interface considerations where it was noted that the compressed timeframe for completing and uploading data is not conducive to a user-friendly reporting process (e.g. mismatches with provider systems). It is also noted that the current process confines access to a limited number of users from an organisation able to access the CHRIS system. ▶ Therefore, reforms relating to the data reporting systems currently utilised within the NRSCH may assist in responding to consistent feedback relevant to the regulatory burden on CHPs. ▶ Several submissions to the Discussion Paper cited a mismatch between CHRIS and their own internal reporting systems. Acknowledging that internal systems are likely to vary across providers, further consultation may be required to ascertain consistent trends. ▶ Where system improvements relate to IT costs (e.g. operating platforms or portal updates), the cost for implementing any changes should be considered prior to progressing reforms. ▶ Noting the above, this reform has been classified as amber.
9.0 Increase the frequency of Tier 3 CHP reporting requirements to annual (see 9.0 Annual reporting for Tier 3 CHPs in Figure 4)	Overview of the potential reform ▶ Revisions to the Tier 3 CHP reporting requirements to tailor requirements and include annual reporting provisions. Assessment ▶ The impact of this reform is considered moderate to high as appropriate revisions to the Tier 3 reporting requirements have the potential to positively impact a large cross-section of registered NRSCH providers as well as providing increased visibility of risks and issues to regulators. ▶ There is a moderate degree of complexity associated with this reform. This is due to the need to balance and test modifications to reporting requirements in the context of potential increases to regulatory burden as well as transitional factors regarding when reforms could be introduced. Discussion ▶ Submissions and analysis indicate that there are a range of issues with the current Tier 3 reporting and regulatory approach. This is currently impacting on both the sector (from a proportionality and value perspective) and the regulators (from an oversight and visibility perspective) with the differential biennial reporting requirements a factor. ▶ Further, the differential reporting requirements for Tier 3 CHPs can impact on regulatory burden – where biennial reporting at the Tier 3 level can actually be more challenging than annual due to the likelihood for staff turnover, consistency and systems. Accordingly, annual reporting may assist with building internal functions within CHPs to complete reporting internally (e.g. rather than engaging external assistance to complete the FPR requirements).

Potential Reform	Analysis
	▶ This reform is likely to be most optimally implemented in combination with broader reforms around rationalising the FPR requirements (noted above); the outcomes of the Tier 3 Pilot study; and a segmentation / individualised regulatory approach. The combined factors of these reforms should assist with reducing the regulatory burden associated with more regulator reporting. ▶ Noting the above, this reform has been classified as amber.
10.0 Expand the powers of the regulator and provide appropriate resourcing to enable them to undertake spot checks and audits of provider's data collection, storage and reporting systems (see 10.0 Data integrity in Figure 4)	Overview of the potential reform ▶ Development of initiatives to improve data integrity ▶ This is considered to include providing Regulators with expanded powers and scope (including resourcing) to undertake audits of data collection, storage and reporting provided by CHPs. Assessment ▶ The impact of this reform is considered moderate to high given the importance of improved data integrity and the corresponding confidence that provides key stakeholders involved in the regulatory process with information and performance. ▶ There is also a moderate level of complexity associated with this proposed reform. This includes further analysis as to the scope and frequency of data audits and spot checks and targeted consultation with the sector to communicate intended approach. Discussion ▶ As noted above at 3.2.3, there are limited scope and powers for regulators to assess the assurance associated with data provided by CHPs. This is due to the current self-reporting process and the absence of data audits and spot checks. ▶ The Data Needs Project considered this issue and associated reform in considerable detail. Key implementation considerations include the need to identify limitations with data quality and accessibility and work with providers to assess gaps over time; and the need to communicate clearly and transparently with the sector around how data reviews will take place.¹³³ ▶ The concept of self-assessment compared with regulator assurances should also be factored in as part of this reform. ▶ Consequently, this proposed reform has been categorised as amber (noting the points above).

4.4 Potential Reforms – Transparency of Regulation

As noted in the previous sections, a range of potential reforms have been identified as part of the summation and synthesis process from the work products produced to date. Many of the individual reforms below are driven through improvements in the collection and synthesis of additional data from system providers and thus there are likely to be process and scale efficiencies in developing a data collection reform package with a wider ambit.

¹³³ See 4.2.6 of the Data Needs Final Report.

The draft potential reforms for the transparency of regulation sub-category are plotted on the diagram below with respect to potential impact and complexity:

Figure 5: Potential reforms (Transparency of Regulation)

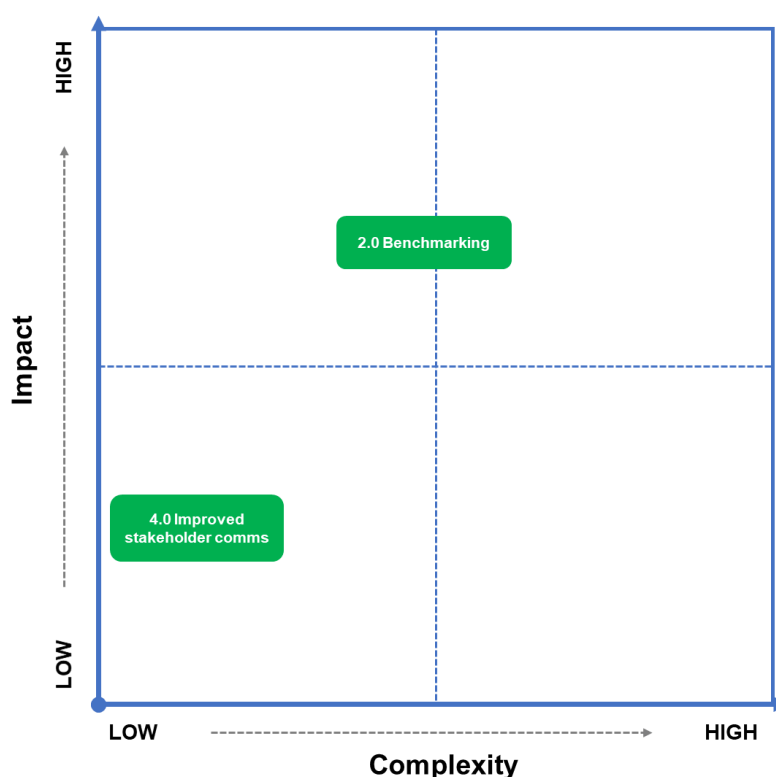


Table 13: Potential reforms (Transparency of Regulation)

Potential Reform	Rationale
1.0 Publish a sector trends report (or Environmental Scan) that covers key sector information ¹³⁴	Overview of the potential reform ► Publish an annual sector trends report (or Environmental Scan) that covers key sector information at regular intervals (across all jurisdictions) ► It is noted that the Registrars have already begun to implement this reform with the first edition of the NRSCH Environmental Scan was published in January 2020. This reform, which is relatively uncomplex to implement and will have a moderate impact, is well developed and underway. ► Therefore, this reform has not been plotted on the diagram above.
2.0 Compile and publish benchmarking report(s) that covers key benchmarking and performance ¹³⁵ (see 2.0 Benchmarking in Figure 5)	Overview of the potential reform ► Publish benchmarking reports that cover key benchmarking and performance data at regular intervals. ► This report(s) would be designed to provide detailed information on sector benchmarks and performance and the ability to track trends over time (for example, through annual reporting). Assessment

¹³⁴ For further information: NRSCH Review Data Needs Recommendations Paper, pg. 14, 27, 32-33, and NRSCH Review Consultation Summary Report, pg. 11

¹³⁵ For further information: NRSCH Review Data Needs Recommendations Paper, pg. 28

Potential Reform	Rationale
	▶ The potential impact of this reform is considered to be medium to high given the positive impact benchmarking data can have on understanding provider performance. ▶ Complexity is considered moderate for this reform due to the need for additional analysis and consultation to understand what performance data can be appropriately benchmarked and comparability of data. Discussion ▶ As noted in section 3.2.3, there is support for increased transparency related to benchmarking where there is an appropriate level of comparability between providers and portfolios. ▶ Benchmarking can contribute to a range of benefits; including providing CHPs with increased visibility as to where they sit from a performance perspective as well as increased funder and regulator confidence. ▶ Subject to further consultation and analysis, the Data Needs Report notes that benchmarking reports could initially focus on individual performance outcomes, such as financial and/or service delivery benchmarks. ▶ As noted in the Data Needs Report, while there is support for increased transparency around benchmarks and performance, further consultation with the sector is recommended as necessary to establish the proposed inclusions for benchmark reports if reports are made public. ▶ Because of the relatively broad support for this reform and the limited competing considerations, which are amenable to mitigation if properly implemented, this reform has been coded as green.
3.0 Implement broader data acquisition measures including asset data ¹³⁶	Overview of the potential reform ▶ Implement broader data acquisition measures including asset data. This includes (but not limited to) asset management data points including repair response rates, geospatial data (i.e. property locations according to rurality/metropolitanism), number of properties under management, and tenant exits. ▶ The Data Needs Report has provided detailed materials on this potential reform. This includes indications that broader data acquisitions will better enable Registrars to understand the challenges, risks and opportunities faced by a CHP. Further, that report notes that current measures – such as the Community Housing Asset Summary and Performance Report – are not optimally supporting an understanding of a CHP's operating environment. ▶ Therefore, enhanced collection of property level data (as set out under s 15-2(i) of the National Law) was recommended as an implementation priority within this work product. ▶ It is noted that the Registrars have already begun to implement this reform as confirmed in a discussion with the Chair of the Registrars Forum. ▶ Therefore, this reform has not been plotted on the diagram above.
4.0 Improved stakeholder communications to better communicate the intended	Overview of the potential reform ▶ Establish improved stakeholder communications to better communicate the intended operation of the Tier system.

¹³⁶ For further information: NRSCH Review Data Needs Recommendations Paper, pg. 23-24

Potential Reform	Rationale
operation of the Tier system¹³⁷ (see 4.0 Improved stakeholder comms in Figure 5)	Assessment ▶ The impact of this reform is considered low to moderate and would serve the primary purpose of better informing stakeholder confidence regarding what the Tiers represent and how they differentiate between providers. ▶ There is a low level of complexity associated with this proposed reform as the proposed reform is limited to stakeholder communications (e.g. via mediums such as workshops and NRSCH website materials). Discussion ▶ A number of submissions note that there is scope to remediate any concerns, misperceptions or assumptions about what the Tier system currently represents. This includes the perceived view that the Tier system is akin to a proxy for performance. ▶ Therefore, improved stakeholder communication – led by the Registrars – can play an important and low-cost role in providing clearer information to assist with stakeholder understanding and confidence in the NRSCH. ▶ Key supporting reforms to assist with improved stakeholder communications include the Environmental Scan (noted above) and other key sector updates provided on the NRSCH website and/or to external stakeholders (such as the NRSCH Annual Reports). ▶ Consequently, this proposed reform has been categorised as green given the relative simplicity associated with implementation.

¹³⁷ For further information: NRSCH Tier Structure and Financial Reporting Requirements Report, pg. 7-8 & 90-92

5 Conclusion

The NRSCH Review to date has progressed through a number of stages, with contributions by the Department, Working Group, NRSCH Registrars, and their advisors. Based on previous reports and papers by the aforementioned contributors, in combination with extensive stakeholder consultation, a greater understanding has been obtained of the scope, span, effectiveness, efficiency and transparency of the regulatory framework. These insights have been critical in the development of potential reforms.

The approach to developing and assessing potential reforms has been based on combinatory analysis of previous reports, stakeholder consultation and an analysis of regulatory processes in the NRSCH and other jurisdictions. This has culminated in the presentation of reform options. These options vary according to complexity, impact on the regulatory system and the degree to which support for these measures has been canvassed with stakeholders to date.

While detailed implementation considerations and the implementation pathway associated with each proposed reform (e.g. time and cost implications) have not been analysed as part of this Report, this section has considered how each reform may be categorised.

In order to provide an actionable reform pathway, and based on the analysis undertaken under Section 4, the reforms considered can be categorised as follows:

Table 14: Reform categorisation approach

Category	Reforms included in this category	Recommendation
Immediately actionable	Reforms which have had strong support and few or no competing considerations evidenced in the consultation and work undertaken to date, and which have been scored low to moderate in complexity of implementation.	Proceed to detailed development and implementation of the reform.
Further development and consultation recommended	Reforms which have had support and relatively few competing considerations evidenced in the consultation and work undertaken to date, and the impact of which is anticipated to be commensurate to the complexity involved.	Proceed to further development of the reform with a view to engaging in further targeted stakeholder consultation on implementation.
Further work required in order to determine whether to proceed	Reforms where significant competing considerations have been identified in the consultation and work undertaken to date, and which have relatively low expected impact or relatively high associated complexity.	Further detailed and targeted analysis required in order to determine on whether to proceed with these reforms.

On the basis of this approach, each reform has been mapped and considered in Section 4 of this report against this proposed reform pathway as follows.

Table 15: Categorisation of proposed reforms

Category	Reforms
Immediately actionable	• Expansion of the NRSCH regulatory toolkit to better cater for the diverse risks of the community housing sector (see Section 4.2, Reform 6.0) • Establish an Advisory Council (or Harmonisation Body) to help drive a continuous programme of harmonisation activities between NRSCH and non-NRSCH jurisdictions. (see Section 4.3, Reform 1(c)) • Expand role of NRSCH National Office to continue to pursue activities to maintain ongoing harmonisation of regulatory policy across NRSCH regulators (see Section 4.3, Reform 2.0) • Undertake a program of work between the NRSCH, other regulators, funders and data collectors to better align reporting requirements (see Section 4.3, Reform 4(a)) • Increase Regulator resourcing to improve capacity to engage with organisations differentially on a risk-based approach (see Section 4.3, Reform 5.0) • Revise the FPR requirements to align with the new accounting standards (<i>already in implementation</i>) (see Section 4.3, Reform 7.0) • Publish a sector trends report (or Environmental Scan) that covers key sector information (<i>already in implementation</i>) (see Section 4.4, Reform 1.0) • Implement broader data acquisition measures including asset data (<i>already in implementation</i>) (see Section 4.4, Reform 3.0) • Improved stakeholder communications to better communicate the intended operation of the Tier system (see Section 4.4, Reform 4.0)
Further development and consultation recommended	• Expansion of the NRSCH to better cover and address the requirements of Indigenous housing and ICHOs (see Section 4.2, Reform 3.0) • Expansion of the NRSCH to cover an increased set of tenant-centred measures and outcomes (see Section 4.2, Reform 4.0) • Expanding the scope of the Registrar's powers to investigate individual complaints and make binding recommendations (see Section 4.2, Reform 5(b)) • Restructure regulators so that they are separate and independent from commissioning/funding functions of Government and report directly to a minister (see Section 4.3, Reform 3.0) • Undertake a program of work to implement data sharing mechanisms between the NRSCH and appropriate parties (see Section 4.3, Reform 4(b)) • Refine the Tier system¹³⁸ (see Section 4.3, Reform 6(a))¹³⁹ • Replace the Tier system with a Modular / Segmentation approach whereby reporting is aligned to modules or segments based on provider typology and operations (see Section 4.3, Reform 6(b))

¹³⁸ Through reviewing and re-aligning Tiering criteria to create better uniformity within and differentiation between Tiers; and reviewing and re-aligning FPR against Tiers to better respond to differential risk profiles within Tiers.

¹³⁹ Note that this reform should only be pursued to the extent broader structural reform of the Tier system is either not being pursued or is anticipated to take place over a longer time horizon.

Category	Reforms
	• Implement system improvements to the CHRIS platform to assist with data collection and monitoring (see Section 4.3, Reform 8.0) • Increase the frequency of Tier 3 CHP reporting requirements to annual (see Section 4.3, Reform 9.0) • Expand the powers of the regulator and provide appropriate resourcing to enable them to undertake spot checks and audits of provider's data collection, storage and reporting systems (see Section 4.3, Reform 10.0) • Compile and publish benchmarking report(s) that covers key benchmarking and performance (see Section 4.4, Reform 2.0)
Further work required in order to determine whether to proceed	• Make regulation mandatory for all providers delivering community housing activities (see Section 4.2, Reform 1.0) • Expand the NRSCH to cover providers of an agreed and harmonised definition of regulated affordable housing (including for-profit providers) (see Section 4.2, Reform 2.0) • Establishing an ombudsman under the ambit of the NRSCH to provide tenants with an improved voice in their experience with community housing (see Section 4.2, Reform 5(a)) • Establishment of a single independent national regulator across all jurisdictions under a single uniform national law (see Section 4.3, Reform 1(a)) • Undertake a program of work leading to the accession of Victoria and WA to the NRSCH, or similar national regulatory system, under a reformed and harmonised regulatory regime (see Section 4.3, Reform 1(b)) • Replace the Tier system with a system relying on individualised regulatory engagement plans (see Section 4.3, Reform 6(c))

6 Appendix A – Information Sources

The following information sources were referenced to inform the analysis set out within this Report:

Table 16: Information Sources

Title	Description	Author and Date
Discussion Paper	▶ Summary of the current design and operation of the NRSCH; ▶ Examination of key differences between the NRSCH and the Vic and WA regulatory systems; and ▶ Provision of context to allow interested parties to provide submissions on how the NRSCH could be improved	▶ Working Group (Dec. 2018)
Options and Analysis Paper	▶ Outline options to reform the regulation of community housing in Australia based on submissions from key stakeholders and information obtained from the Department of Social Services	▶ EY (Jul. 2019)
Working Group Options Paper	▶ Outline options to reform the regulation of community housing in Australia (not finalised)	▶ Working Group and DSS (not finalised)
Summary Consultation Report	▶ High level summary of issues raised through the Discussion Paper submissions and roundtables; ▶ Areas include the NRSCH purpose, regulatory burden and compliance issues, role of a national framework, and issues outside a national framework.	▶ Working Group (Aug. 2019)
Data Needs of the NRSCH (Recommendations Paper)	▶ Recommended improvements that can be made to the data capabilities of the NRSCH at an operational level by Registrars.	▶ Registrars (Aug. 2019)
Data Needs of the NRSCH (Final Report) ¹⁴⁰	▶ Final report on recommended improvements that can be made to the data capabilities of the NRSCH. ▶ Informed by consultation on the previous Recommendations Paper.	▶ Registrars (Dec. 2019)
Tier Structure and Financial Reporting Requirements (Final Report)	▶ Assessment of the appropriateness, effectiveness and efficiency of the current tier structure and financial reporting requirements for community housing providers under the NRSCH.	▶ EY (Dec. 2019)

¹⁴⁰ As part of this process, a consultation process was undertaken with respect to the data needs of the NRSCH (see Appendix A to this Report (Feedback on the Data Needs Recommendation Paper) and the Financial Performance Reporting (FPR) requirements (see Appendix B to this Report (Overview of FPR submissions))