

National Industry Development Framework for community housing



Contents

1. Introduction	2
2. Purpose of the Framework	3
3. National Context	4
Outcome 1: Governance, risk management, and strategic planning	4
Outcome 2: Construction and development	6
Outcome 3: Finance	8
Outcome 4: Regulation – meeting requirements of the National Regulatory Code	10
Outcome 5: Workforce development	11
Appendix 1	13
Appendix 2	14
Glossary	15

1. Introduction



The community housing sector in Australia is in a period of growth and transition. Commonwealth, state and territory governments have supported the growth of the sector as it provides a flexible, local delivery mechanism for social housing. An overview of the growth in community housing is provided in Appendix 1.

The reform agenda set out in the National Affordable Housing Agreement (NAHA) places significant emphasis on the community housing sector as a key component of an integrated social housing system. In 2009 it was identified that a national industry development strategy was required to build the capability of housing providers. Housing ministers agreed this would be supported by a national regulatory system to facilitate the expansion of the sector while protecting the interests of tenants and the investments of government.

In December 2010, Housing Ministers agreed to the key elements of a new national regulatory system for community housing. The new system aims to provide a consistent regulative environment to support the growth of the community housing sector. Transition to the new system is due to commence on 1 January 2014. An overview of the development of a National Regulatory System for Community Housing (NRSCH) is provided in Appendix 2.

The Inter-Government Agreement (IGA) on implementing the national regulatory system includes a commitment that governments work together to support and maintain a national focus on industry development within their policy making and funding agencies.

2. Purpose of this document

This framework is designed to provide guidance for states and territories to apply as appropriate to their local contexts, in accordance with their policy and funding settings. The framework outlines principles that underpin industry development required to support the National Regulatory System for Community Housing in the short to medium term.

The community housing sector in each state and territory has developed under different conditions and over different timeframes. Each jurisdiction has adopted different policy and funding approaches, resulting in sectors that are different in size and structure.

Notwithstanding this, there is an opportunity to develop a National Industry Development Framework to align with and support the localised industry development goals of state and territory governments and of the Commonwealth. The framework takes a national approach to industry capacity and provides high-level guidance for the development of locally appropriate jurisdictional strategies.

The framework is aimed at providers that have the potential to contribute to the growth and development of community housing. The framework also recognises the diversity of the community housing sector by identifying opportunities for capacity development and mechanisms for quality improvement. This diversity includes the indigenous community housing sector that may require particular approaches to industry development.

The framework prioritises five key areas of development that are critical to a strong community housing industry:

1. Governance, risk management, and strategic planning
2. Construction and development
3. Finance
4. Regulation – meeting requirements of the National Regulatory Code
5. Workforce development.

The framework outlines the skills and settings required to position the community housing sector to take on new growth and development opportunities and appropriately manage the concomitant risks and responsibilities. It identifies areas of development required to strengthen the capacity of the industry at the organisation and industry-wide level.

The framework provides guidance on the roles and responsibilities of different parts of the industry, including governments, mediating/peak organisations, and providers. By positioning development approaches in terms of overall industry capacity, new models of delivery, including group structures, may emerge to address gaps within and across jurisdictions.

3. National context¹

Outcome 1: Governance, risk management and strategic planning

Governance, strategic planning, and risk management are key requirements of growing community housing organisations. As the sector develops, it becomes increasingly important to provide assurance to stakeholders that providers are capable in these key areas.

The National Regulatory Code sets out performance requirements that providers must meet in these key areas under the national system. The new system sets out three tiers of registration with requirements under each tier proportionate to the scale of the provider's operations and the risks inherent in these.

Governments, peaks and providers will all play a key role in capacity and industry development under the new arrangements. This may include providing advice to specialist and small organisations regarding their options, such as further developing skills in governance, asset management and tenancy management, or entering into partnerships.

Governance

Good governance is fundamental to sound operating practice, particularly as organisations operate in an environment of increased responsibility, independence, and enhanced regulatory requirements. Community housing providers are increasingly adopting improved governance structures and processes at a board and management level as a platform for expanding capacity and increasing specialisation within and between organisations.

¹ Principles and strategies are provided as guidance, applicable to jurisdictions where appropriate to local policy

Governments, peaks and providers will all play a key role in capacity and industry development under the new arrangements.

Community housing boards are increasingly moving towards skills-based membership, made up of directors with specific expertise relevant to specialised areas of business. These areas of expertise include financial, legal, construction and development and risk management. In line with increasing board expertise and responsibilities, there is an increasing need for training and performance review of board members.

Risk management

Government plays a key role in risk management and maintaining the reputation of the sector by setting policy and contracting frameworks. The NRSCH provides assurance to stakeholders including funders, lenders, investors and tenants, that the community housing sector is well managed.

Providers are responsible for managing risk to the organisation, to clients and to funders. Many providers have developed risk management capability through meeting regulatory system requirements and through in-house project management. As organisations take on more complex projects and enter specialised areas of business, the level of sophistication of risk management policies and practices has increased accordingly.

Strategic planning

Community housing providers are responsible for setting strategies for their business, taking into account their commitments with government funders and other financiers. As the sector expands and develops, some providers will be taking on greater strategic asset planning and management responsibilities.

State and territory governments are responsible for setting policy and contracting requirements regarding the strategic planning responsibilities of providers. To support this outcome, governments are identifying opportunities to maximise leveraging outcomes in the design of funding programs and resource allocation policies. The balance sheets of providers assisted under these new program arrangements are growing, enabling them to leverage private finance and deliver more affordable homes.

Community housing providers must undertake strategic planning to ensure that all the social housing assets they own or manage are used effectively and efficiently in the delivery of social and affordable housing outcomes in Australia. Providers undertake strategic planning to ensure they are doing the business of the organisation, its constitution, core objects and stakeholders.

At an organisational level, a strong strategic planning process identifies the key challenges facing an organisation and facilitates the development of strategies to meet those challenges. Reporting requirements under government contracting frameworks and the NRSCH set minimum standards for strategic planning in the sector.

Principles:

- Providers should operate under the expert guidance of skilled boards
- Boards should strategically lead organisations
- Providers should operate with increased autonomy and less reliance on government
- Providers should operate robust businesses with the capacity to take on specialised roles and responsibilities
- Providers should enter new partnerships and relationships.

Development strategies for governments to support these principles:

- Jurisdictions develop and implement policy and contracting frameworks appropriate to local contexts
- Jurisdictions develop national policy and funding instruments where appropriate (e.g. Tripartite Deeds)
- Regulatory and government policy frameworks in place that recognise diversity and manage risk in an integrated way
- Regulatory and government policy frameworks in place to provide assurance to stakeholders and other partners that the sector is sustainable and viable.

Development strategies for providers:

- Providers recruit and retain skilled board members
- Performance of boards is regularly assessed
- Boards undertake comprehensive risk and strategic planning.

Development strategies for mediating/peak organisations:

- Facilitate the exchange of information and expertise between providers.

Outcome 2: Construction and development

As part of a national trend supported by governments in Australia, the not-for-profit housing sector is increasingly being targeted to play an expanded role in the delivery of social and affordable housing.

In some jurisdictions, new social housing assets for the community housing sector have traditionally been developed or acquired by public housing authorities and later transferred to the management of community housing providers. Community housing providers predominantly focused on tenancy and property management, and had a limited role in the direct delivery or acquisition of new homes. In other jurisdictions, organisations have been directly funded for acquisition and construction resulting in them having title, and responsibility for tenancy and property functions from the outset.

Recently, significant opportunities have emerged to directly fund providers to undertake procurement activities, including through the National Rental Affordability Scheme (NRAS) and the Social Housing Growth Fund. These programs allocate funds directly to providers through competitive allocation processes that test value for money in relation to the development/procurement of specific properties in the market, and capture equity and/or debt contributions from providers.

Building on these approaches, some government agencies have introduced programs to transfer public housing assets to the management and ownership of community housing providers. Under some of these schemes, community housing providers contribute debt and equity, as well as other development capabilities.

The direct procurement of stock by providers has significant benefits. Community housing providers provide a cost-effective way for delivering housing, as they can borrow funds to invest in new housing; and access income streams and tax concessions not available to public housing authorities.

Principles:

- The number of providers with capacity to undertake more complex roles as developers, either directly, in partnership, or by procuring services should be increased
- The opportunities for direct procurement and development of new social and affordable housing properties by providers should be increased
- The providers' ability to make cost savings through in-house or brokered development and construction capacity, capitalising on leveraging and tax concessions should be maximised.
- Opportunities for providers to partner with other organisations should be increased.

Strategies for governments to support these principles:

- Develop policies that ensure the efficient and accountable allocation of resources
- Develop policies that increase certainty about the availability and timing of resources
- Assess policy options regarding the transfer of redevelopment sites to providers
- Assess policy options regarding direct funding to community housing providers for the development and acquisition of properties
- Assess policy options to utilise planning levers to create incentives for growth
- Ensure funding cycles and unit delivery targets are appropriately set for direct delivery by non-government providers
- Ensure reporting and compliance requirements capture agreements between government and providers about what will be delivered as a result of direct funding.
- Undertake periodic reviews of government policies, contracts and legislation to ensure these levers do not impede the efficiency of providers' business operations in relation to construction and development activity

- Engage with the finance and development industries to share information and provide updates about the community housing industry
- Develop mechanisms for public provision of industry information, including performance information.
- Develop national data and reporting systems to provide accountability and transparency.

Development strategies for providers:

- Providers' skills-based boards include members with experience in construction and development
- Providers utilise group approaches to construction and development.
- Providers develop good working relationships with construction and development companies.

Development strategies for mediating/peak organisations:

- Promote information sharing between organisations
- Engage with the finance and development industries to share information and provide briefings regarding the community housing industry
- Produce and disseminate procurement and development resources.

Community housing providers provide a cost-effective way for delivering housing.

Outcome 3: Finance

Accessing finance through financial and capital markets is a key component in realising the potential of community housing providers to increase the supply of social housing faster than is possible by governments alone.

Engagement with the finance industry is growing, and opportunities to partner with financiers in the delivery of social and affordable housing are increasingly being realised by providers. In some jurisdictions, community housing providers now have the opportunity to leverage their assets for development in various ways including:

- Borrowing against the cashflow or the equity of properties over which they have title
- Raising development loans against the value of land purchased using government funds to build the dwellings, and
- Borrowing against the income of newly developed properties to finance subsequent stages or developments elsewhere.

Providers are looking to a range of financial institutions to secure ongoing investment in community housing. Organisations pursuing growth opportunities are required to meet lenders' assessment processes, and provide assurances of financial capacity to potential financiers.

All providers must prepare and regularly update financial performance reports, including an analysis of the financial viability of the organisation over the short to medium term. Under the NRSCH, tier 1 providers face more rigorous reporting requirements. They must demonstrate their ability to generate sufficient income to meet operating payments, debt commitments and, where applicable, the achievement of growth targets while maintaining service levels.

Principles:

- Lenders should have a high level of understanding of the sector, and be able to enter into financial agreements with providers and other partners with favourable terms due to increased confidence in the sector.

Providers are looking to a range of financial institutions to secure ongoing investment in community housing.

Development strategies for governments to support these principles:

- Develop resource allocation policies and settings to maximise leverage potential in the sector
- Develop agreements such as Tripartite Deeds or other mechanisms which set out the responsibilities and secure the interests of providers, financiers and government
- Undertake initiatives to increase awareness of the sector to financiers, providing assurance that the sector is viable and sustainable.
- Assess and undertake an appropriate role in brokering relationships
- Develop policies that increase certainty about the longevity of funding
- Develop policy settings that provide certainty about the role and expectations of the community housing sector.

Development strategies for providers:

- Undertake rigorous strategic and risk management planning
- Develop relationship networks with financiers, including in partnership with other providers
- Assess benefits of negotiating agreements with financiers in partnership with other providers.

Development strategies for mediating/peak organisations:

- Assess and undertake an appropriate role in relationship brokering and information sharing, including the possibility of developing group structures for negotiation
- Advocate to extend the profile of the sector with key industry stakeholders
- Develop cross-jurisdictional partnerships and relationships to extend and deepen financial opportunities in the sector.

Outcome 4: Regulation – meeting requirements of the National Regulatory Code

A key driver of industry development in the short to medium term will be the introduction of national regulation.

Under the NRSCH, providers are registered on an opt-in basis, subject to funding requirements of state and territory governments. This will enable localised approaches by government agencies to continue so that industry and sector development strategies are responsive and appropriate in each jurisdiction.

A key principle of the new regulatory system is to provide for a clear separation between regulatory activities and policy and funding activities. The impact of the new system is anticipated to be greater in those jurisdictions that have not previously had a statutory regulatory system embodying the principle of separating regulation from policy and funding.

The reported experience of jurisdictions with existing regulatory systems is that smaller and specialist providers may need additional assistance to transition into a new regulatory environment. Alternatives to regulation may also need to be identified by jurisdictions.

Transitional arrangements for community housing providers are being developed. Issues and challenges regarding the impacts of implementation for providers have been considered in the Operating Guidelines and will continue to be as procedures are further developed. The community housing sector will be engaged by Registrars nationally to ensure transparency about the requirements of registration and ongoing compliance under the new system.

Peaks and mediating organisations will also play a key role where it is identified that further support is required to enable providers to respond to the requirements of the new system. Mentoring by larger organisations will be an additional valuable mechanism.

Principles:

- Eligible providers should have a clear understanding of the requirements of registration and ongoing regulation under the NRSCH
- Organisations should understand the options that are available to them, following the introduction of the new system.

Development strategies for governments to support these principles:

- Jurisdictions develop policies that promote partnerships between providers to preserve the diversity of the sector.

Development strategies for providers:

- Larger providers enter into partnerships with specialist and small housing providers with expertise in the delivery of housing services.

Development strategies for mediating organisations:

- Provision of information so that organisations understand the options that are available to them, following introduction of the new system
- Facilitate the exchange of information and expertise between providers regarding the process of registration under the NRSCH.

A key principle of the new regulatory system is to provide for a clear separation between regulatory activities and policy and funding activities.

Outcome 5: Workforce Development

The growth and changing nature of the community housing sector has significant training, development and human resource management implications for providers.

A skilled and effective workforce is essential for the ongoing growth and development of the community housing sector. As a consequence, workforce development has an important role in underpinning and supporting the achievement of the other key outcomes of the National Industry Development Framework.

The growth and changing nature of the community housing sector has significant training, development and human resource management implications for providers. These include the recruitment, training and performance review of boards, ensuring adequate induction for all new staff, catering for the needs of smaller providers, rural/regional and cross jurisdictional providers and engaging staff with specialist skills in new areas of business.

For example, as community housing providers take on more complex projects and enter specialised areas of business, the board and senior management needs to lead the organisation with sophisticated skills in risk management policies and practices, have strong strategic planning processes and an understanding of government contracting frameworks.

To undertake housing development, providers are required to utilise a range of skills specific to property development, for example identifying appropriate development sites, and managing building projects. These are specialist skills requiring related management expertise and organisational capacity such as information systems and reporting.

Community housing providers are also increasingly entering complex financial arrangements which require them to undertake their own due diligence processes. Providers need to continue to expand their skills and knowledge in borrowing processes as well as implementing risk and sound budget management.

Peak organisations will play a key role in developing an industry led approach to workforce development.

Principles:

- Providers, government and peak organisations should invest in, and be committed to the development and maintenance of a well informed and skilled community housing workforce
- The number of providers with capacity to undertake more complex roles as developers, either directly, in partnership, or by procuring services should be increased
- Providers' property development experience and skill should be increased
- Providers should be skilled in assessing and negotiating terms of financial agreements.

Development strategies for governments to support these principles:

- Jurisdictions undertake and fund where appropriate sector development strategies that are suitable and responsive to local contexts
- Jurisdictions develop national workforce policy and funding instruments where appropriate
- Jurisdictions undertake capacity development strategies targeted at specialist and small providers
- Jurisdictions ensure the efficient and accountable allocation of resources.

Providers develop construction and development skills through a range of methods

Development strategies for providers:

- Board members and staff undertake necessary training
- Providers mentor specialist and small housing providers, providing advice and support
- Providers develop construction and development skills through a range of methods such as brokering, mentoring from experienced providers, or developing in-house capacity
- Providers further develop their project management skills and capabilities
- Providers further develop knowledge and financial skills, including negotiation of financial agreements.

Development strategies for mediating/peak organisations:

- Provision of training and resources to guide national best practice in governance, construction and development, risk management and strategic planning
- Provision of training and information to providers to increase their knowledge and financial skills
- Provision of training and resources to guide providers in understanding the requirements of registration and ongoing regulation.

Appendix 1 Community housing sector growth

The community housing sector in Australia has grown significantly in recent years. Between 2003 and 2012, the number of homes in the community-managed sector increased by almost 36,000 dwellings nationally to 61,600 properties.²

The recent growth in community housing has been achieved through capital investment by the Commonwealth and states and territories, including the Nation Building and Economic Stimulus initiative.

The second major source of growth has been through a program of transferring management of properties from government to community housing providers in some jurisdictions. This has been a key strategy to grow the community housing sector and enhance the sector's viability.

In May 2009, housing ministers agreed that jurisdictions and the Commonwealth will develop, over time, a large scale not-for-profit sector comprising up to 35 per cent of social housing by 2014.

The proportion of mainstream social housing properties managed by community housing providers has been increasing. At 30 June 2012 community housing providers managed more than 15% of social housing dwellings, up from the 7% of 8 years earlier.³ This proportion varies between jurisdictions.

As at 30 June 2012, there were 752 community housing providers managing around 61,600 properties across Australia. Although the community housing sector comprises a large number of providers, the overwhelming majority of properties are managed by a small percentage of providers.⁴



² Steering Committee for the Review of Government Service Provision Report on Government Services 2012, table 16A.3

³ Ibid.

⁴ Steering Committee for the Review of Government Service Provision Report on Government Services 2012, table 16A.7

Appendix 2

The National Regulatory System for Community Housing

The NRSCH is being developed through an applied law scheme, where the National Law will be enacted in New South Wales (the host state) and adopted by the other jurisdictions.

Transition to the new system is anticipated to commence on 1 January 2014 following a six-month Phase 1 of national testing and evaluation.

The NRSCH sets consistent performance outcomes in key areas and facilitates the further development of organisations, enabling some to take advantage of growth opportunities on a national scale.

The new system aims to provide a platform to grow the industry, create a level playing field for community housing providers Australia-wide, and better protect tenants through consistent national standards for providers and their services. The NRSCH will also allow for the inclusion of for-profit government funded housing providers to address developments in affordable housing delivery.

The NRSCH will secure the reputation of the community housing sector as a viable industry, providing accountability, consistency and transparency with the establishment of:

- A national public register
- A single National Regulatory Code, and
- A consistent approach to regulatory intervention across jurisdictions.

Each state and territory will have a Registrar or appoint a Registrar from another jurisdiction to apply the National Law and regulate providers within their state or territory.

The new system recognises the diversity of the not-for-profit sector as well as manages risk by setting out three tiers of registration, with requirements under each tier subject to a different level of regulatory requirements, proportionate to the scale of the provider's operations and the risks inherent in these.

Housing providers will be registered in one of three tiers:

- Tier 1: housing providers with asset procurement and development functions (and the ability to grow social and affordable housing supply through construction, purchase or acquisition) and/or complex tenancy and property management functions that operate at scale)
- Tier 2: housing providers typically involved in moderately complex asset and tenancy management activities
- Tier 3: housing providers typically involved in small-scale tenancy management activities.
- Further detail is available in the Tiers Guidelines.

The National Regulatory Code sets out the performance requirements that registered providers must meet under the national system. The Code will not prescribe how providers should run their businesses, but rather will focus on the achievement of outcomes in areas including:

- Tenant and housing services
- Housing assets
- Community engagement
- Governance
- Probity
- Management
- Financial viability.

The new system also seeks to minimise the regulatory burden on housing providers and allow new entrants into the sector.

There is a clear separation between regulatory activities and policy and funding activities under the new system, whereby registration, monitoring and compliance assessments undertaken by Registrars are independent.

Funding, policy and contracting arrangements will remain outside of the regulatory system and will remain the province of government agencies.

Glossary

Community housing

Housing for people on a very low, low or moderate income or for people with additional needs that is delivered by non-government organisations.

Community housing provider

An organisation that delivers social or affordable housing for people on lower incomes and housing-associated services covered by the social and affordable housing policies of government policy and funding agencies.

Inter-Government Agreement (IGA)

A joint ministerial agreement, signed by Australian housing ministers in November 2012, which commits governments to proceeding with the National Regulatory System for Community Housing and outlines the basis for its establishment and operation.

National Law

The state and territory based legislation through which the NRSCH is being introduced. The National Law is enacted in the host jurisdiction, New South Wales, and either applied or adopted by participating jurisdictions.

National Register of Community Housing Providers

A single national database with the details of all registered community housing providers that is made publicly available.

National Regulatory Code

The performance requirements that registered housing providers must comply with in providing community housing.

National Regulatory System for Community Housing (NRSCH)

A national system of registration, monitoring and regulation of community housing providers to encourage the development, viability and quality of community housing to promote confidence in the good governance of registered community housing providers so as to:

- facilitate greater investment in the sector
- make it easier for community housing providers to operate in more than one participating jurisdiction, and
- identify appropriate entities to which government funding for community housing might be provided under other legislation or policies of a jurisdiction.

Tiers Guidelines

- Guidelines for the application of the three-tiered registration system based on risk, whereby different levels of regulatory oversight apply to providers based on the scale and scope of their community housing activities.

Please note: Some common terms may have slightly different definitions in different jurisdictions that reflect variations in their legislation and/or existing terminology.

For more information

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

