

Part 3

Sector

Performance -
Non Financial
2018 - 2019



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About this document

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

This is the third part of a series of reports issued in 2019 using data obtained from compliance activities in the 2018/19 period.

Part 1 – NRSCH Overview
Released July 2019

Part 2 – Our Performance
Released August 2019

Part 3 – Sector Performance – Non financial
Released November 2019

Part 4 – Sector Performance – Financial
Released November 2019

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

SCOPE OF REPORT

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

To learn more about the NRSCH, as well as local policies and news please visit https://www.nrsch.gov.au/states_and_territories/jurisdiction-policy. For further information about the Regulatory Framework, regulatory principles, and how Registrars deliver their functions under the NRSCH please visit <https://www.nrsch.gov.au/publications/nrsch-framework>.

Key Findings

- Registered community housing providers continue to demonstrate that they are well governed and well managed.
- Providers reported improved numbers of responses and levels of satisfaction from their tenants – performing well above thresholds. This includes metrics relating to urgent repairs, maintenance and overall satisfaction.
- Eviction rates continue to be low as a proportion of exits.
- Management of rent arrears has improved from last year, with all but 3 providers below the 2.5% threshold.

A well-governed community housing sector

All registered providers must demonstrate that they are well-governed to support the aims and intended outcomes of their mission. This includes;

- Ensuring coherent and robust strategic, operational, financial and risk planning;
- Ensuring effective, transparent and accountable arrangements and controls are in place for decision making to give effect to strategic, operational, financial and risk plans; and
- Complying with legal requirements and relevant government policies.

This year, Registrars have been placing particular importance on the strategic planning, financial and risk planning activities of providers. This has been necessitated by a number of key events on both a jurisdictional and national level which include:

- Large scale stock transfers
- Issuance of capital assistance grants (State and Federal)
- The National Housing Finance Investment Corporation's (NHFIC's) issuance of its first construction loans
- The beginning of the winding up of National Rental Affordability Scheme (NRAS) incentives
- Opportunity for expansion into Specialist Disability Accommodation (SDA)
- Royal commissions into Aged Care (ongoing) and Disability Services (soon to commence)

All these present planning and execution challenges which can have significant and long-lasting impacts (both positive and negative) on a provider's operations. Providers with current and planned exposure to these or other circumstances may be required to produce additional evidence such as planning or scenario testing to assure Registrars that risks are being adequately identified, monitored and mitigated.

A well-managed community housing sector

The key measures for assessing the management of the community housing sector are derived from evidence provided for Tenant and Housing Services and Management Performance Outcomes. These largely measure the level of satisfaction tenants have with activities undertaken by their providers including:

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

Other key indicators include:

- complaints management
- eviction rates
- rent arrears
- occupancy rates; and
- tenancy turnaround times.

The data that follows, where possible, compares performance on these measures between tiers, and plots each assessed provider such that the reader can see highest, lowest and median performance.

Where satisfaction measures are indicated, the sector wide threshold is shown. The threshold is not a benchmark – it is not reflective of good or bad performance. The threshold rather is a measure adopted by Registrars to elicit a response from the provider.

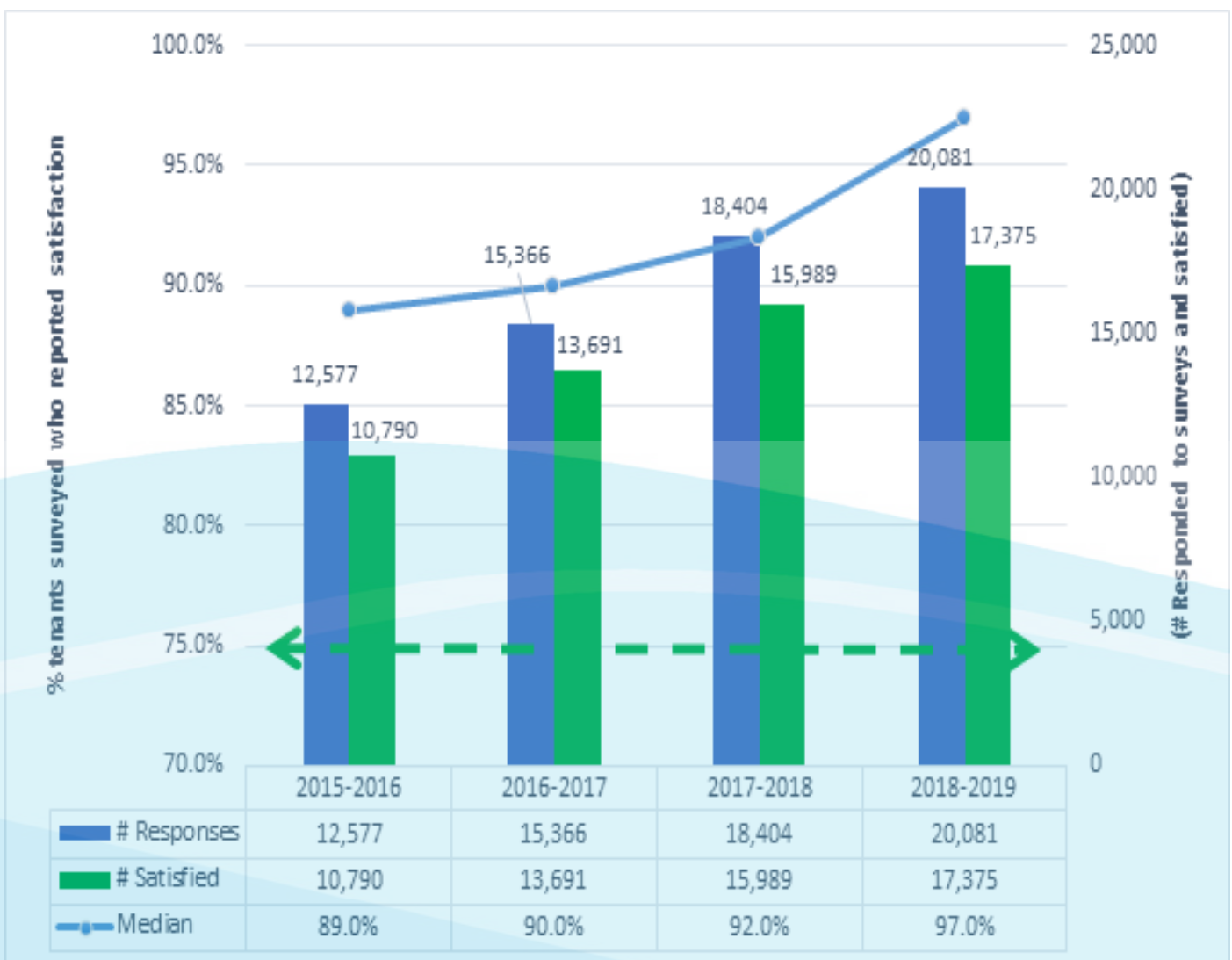
As reported in the NRSCH Overview¹, tenancies across all jurisdictions grew by approx. 19,500 as at the end of June 2019 due to a mix of organic growth of existing providers, 23 new providers and large-scale stock transfers. Due to timing of these events and the timing of tenancy specific measures such as surveys, maintenance requests and exits, a lag will exist in the measuring and reporting of data. As a result, it is expected that a full compliment of data relating to the categories examined below will not be available until next year's report.

¹ https://www.nrsch.gov.au/_data/assets/pdf_file/0005/671189/Annual-Report-2018-2019-Part-1-23072019.pdf

Tenants are satisfied

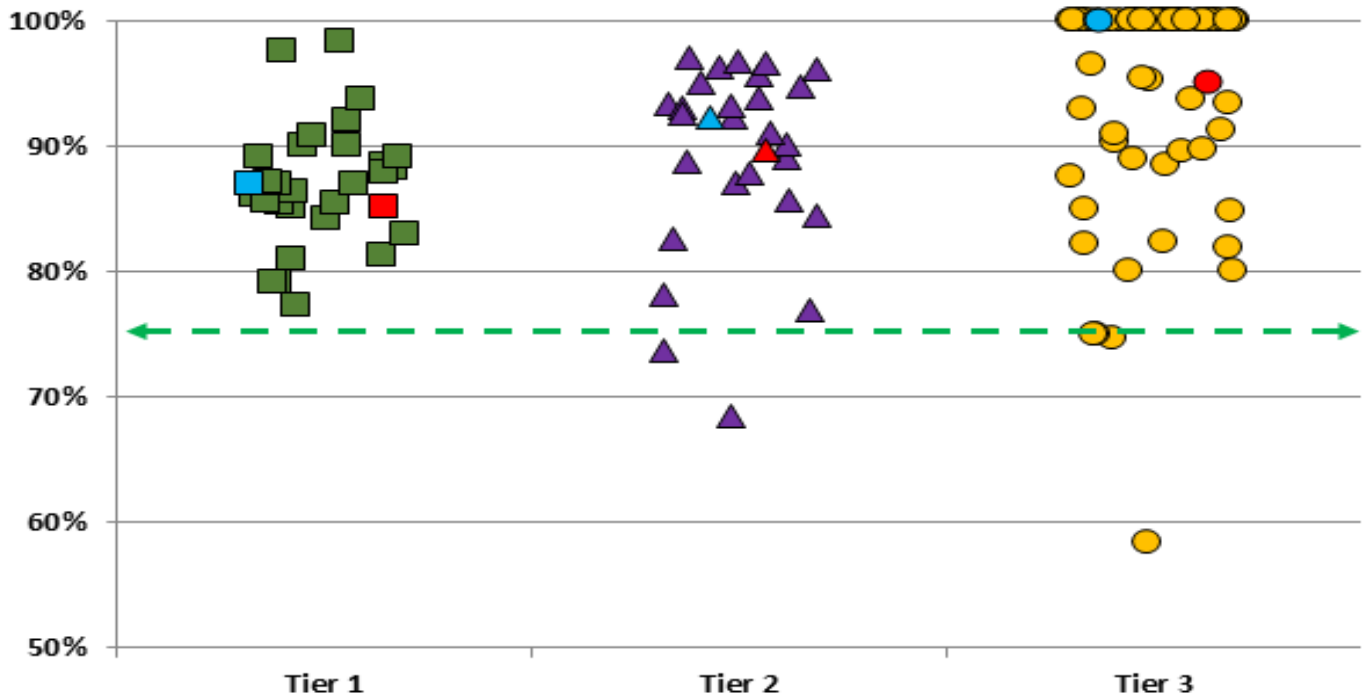
Tier 1 and Tier 2 providers are required to survey their tenants and/or residents at least every two years. Some providers undertake annual surveys. Tier 3 providers are not required to meet this threshold however some Tier 3 providers do survey their tenants. Our assessments have indicated that providers operate in a way that leads to high levels of tenant satisfaction. This is evidenced by performance against satisfaction with overall quality of housing service. The trend lines over the last four years demonstrate that tenant satisfaction is consistently well above the nationally agreed threshold of 75%. This is also consistent with tenant satisfaction rates with maintenance services and property condition.

Figure 1: Sector trends 2015-2019 for satisfaction with overall quality of housing services based on providers assessed during the year.



Figures this year show a continuation of the positive trend in both the numbers of respondents (up by 9.1% on the previous year) and median satisfaction rate – up 5 percentage points. Tier 1 and 2 providers continue to make up the majority of response numbers (89%) due to the relative numbers of tenants and tenancy surveys being optional for Tier 3 providers.

Figure 2: Provider results of satisfaction with overall quality of housing services 2018-2019



Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

This reporting period has seen a slight shift in figures for Tier 2 and 3 providers. This year, two Tier 2 providers have fallen below the 75% threshold (compared to Nil in the previous year). Some improvement has been noted in the Tier 3 cohort with the number of providers well below thresholds reducing to one from 3 a year earlier.

The spread of results for Tier 3 providers reflects the diversity of their business, their clientele and size of operation and also the often specialised nature of their services.

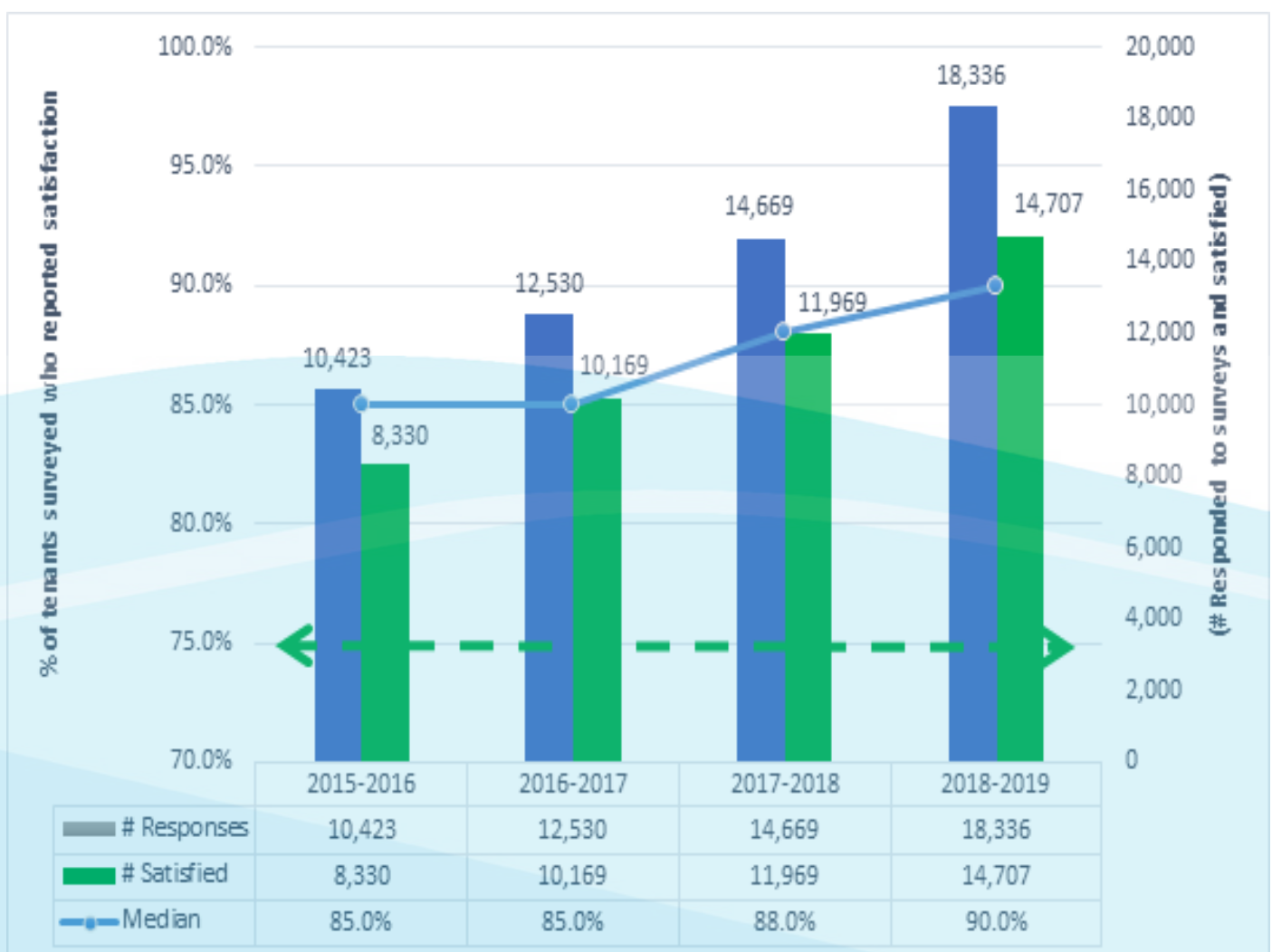
Community housing properties are well managed

When maintenance satisfaction and maintenance performance metrics are analysed in combination it demonstrates the sector has effective maintenance systems.

Where providers have responsibility for maintenance, 93.5% of providers met the threshold levels of tenant satisfaction with maintenance services.

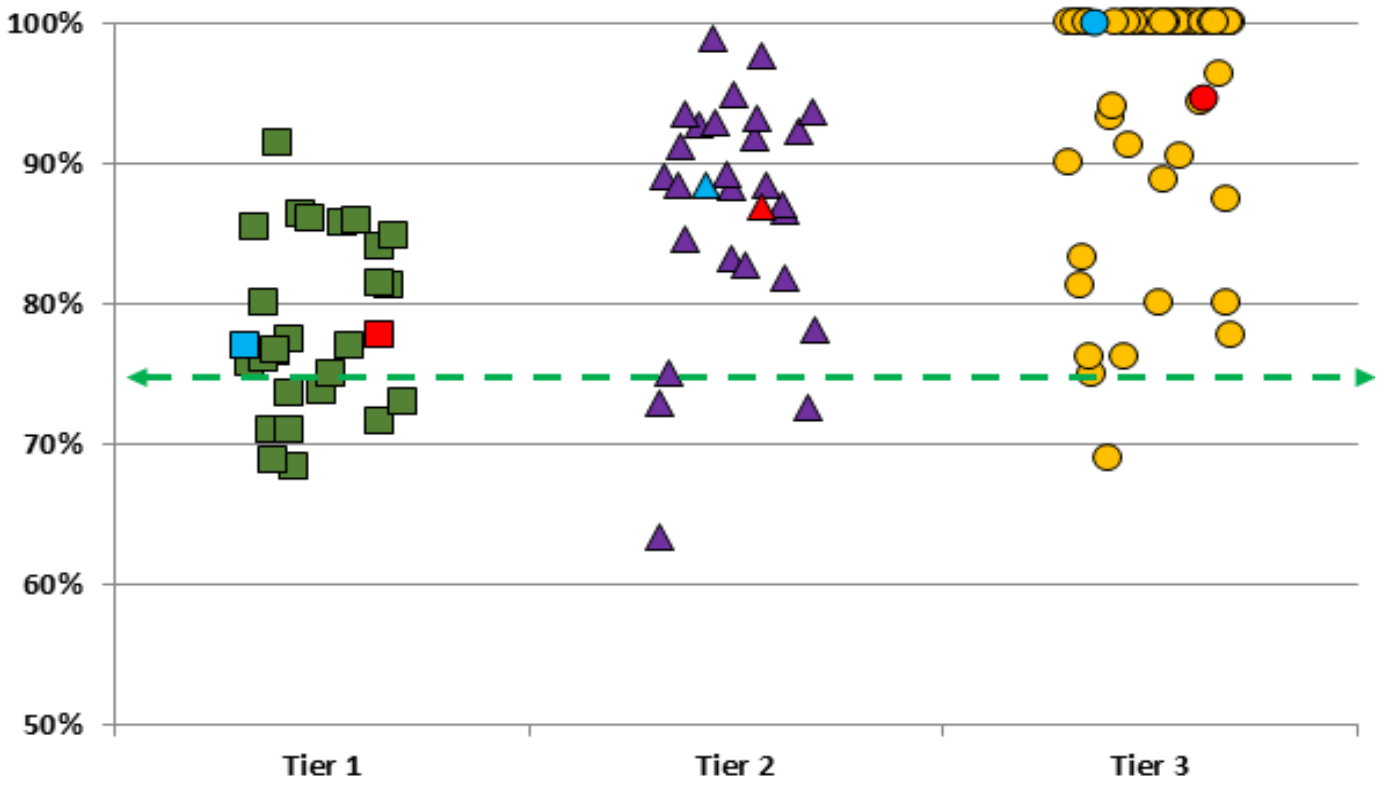
Satisfaction with maintenance services represents tenants who have expressed satisfaction with maintenance services as a percentage of those answering the question in the survey issued by the provider. The threshold is set at 75% of survey respondents being satisfied with maintenance. Tenants of providers nationally continue to reflect performance well above this baseline threshold.

Figure 3: Sector trends 2015-2019 for satisfaction with maintenance based on providers assessed during the year.



Following a similar trend to the overall quality of housing services (Figure 1), numbers of responses and satisfaction with maintenance performed by providers has increased in the 18-19 period. However, a breakdown of results by Tier (Figure 4) shows 13 providers nationwide (eight Tier 1, four Tier 2 and one Tier 3) falling below the 75% threshold, up from 7 in the previous year. While this appears contradictory at first, it is worth noting that the degree by which most providers have fallen below threshold this year (3-5%) is substantially higher than the 8-10% of the comparative period last.

Figure 4: Provider results of tenant satisfaction with maintenance 2018-2019



Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

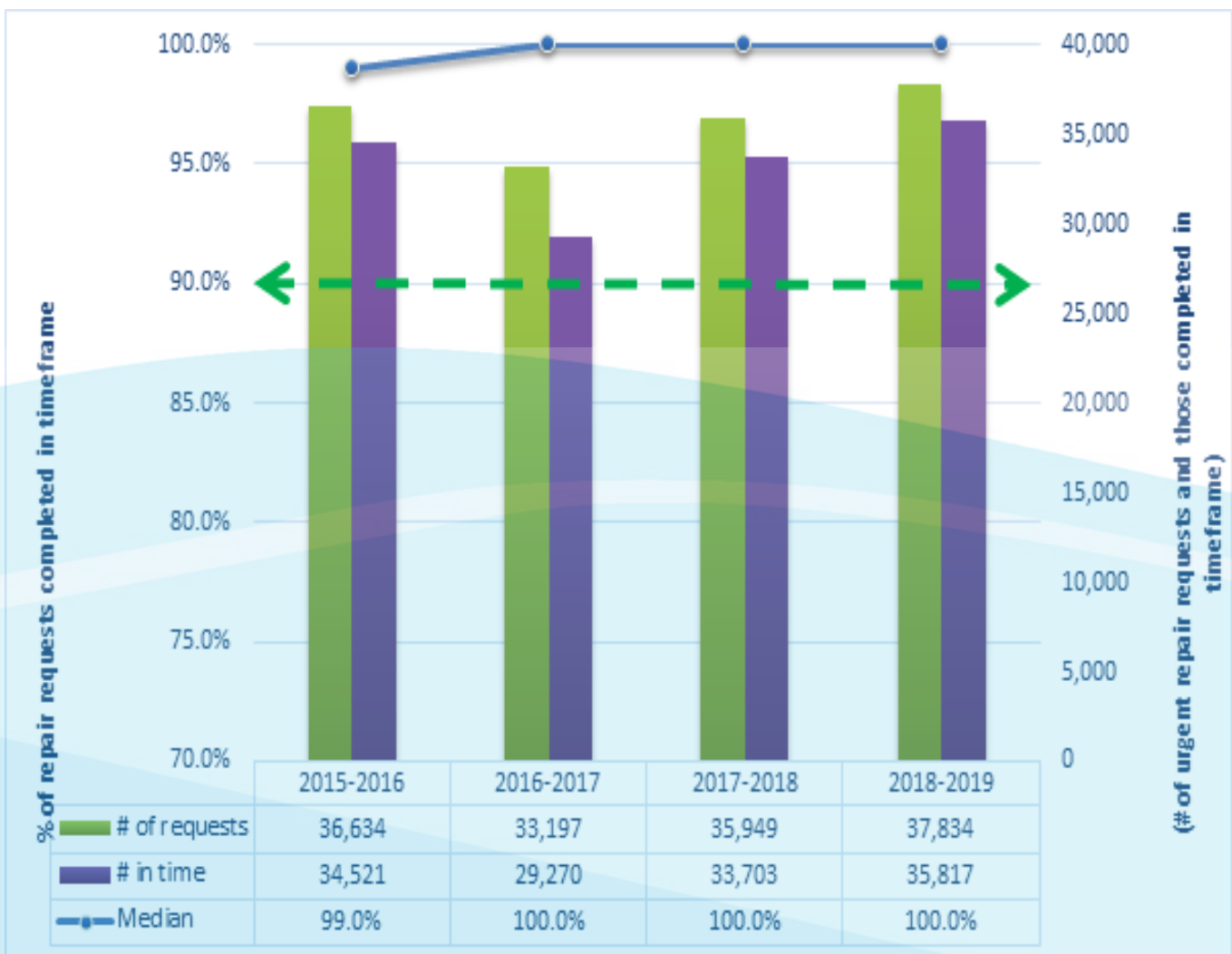
Responsiveness to urgent repairs

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

Of the figures returned to Registrars it appears that CHPs continue to consistently respond to urgent repairs above the agreed threshold of 90%. These results when considered with satisfaction with repairs demonstrate that tenants believe providers respond effectively (by time and outcome) to serious repairs that have a health or safety impact.

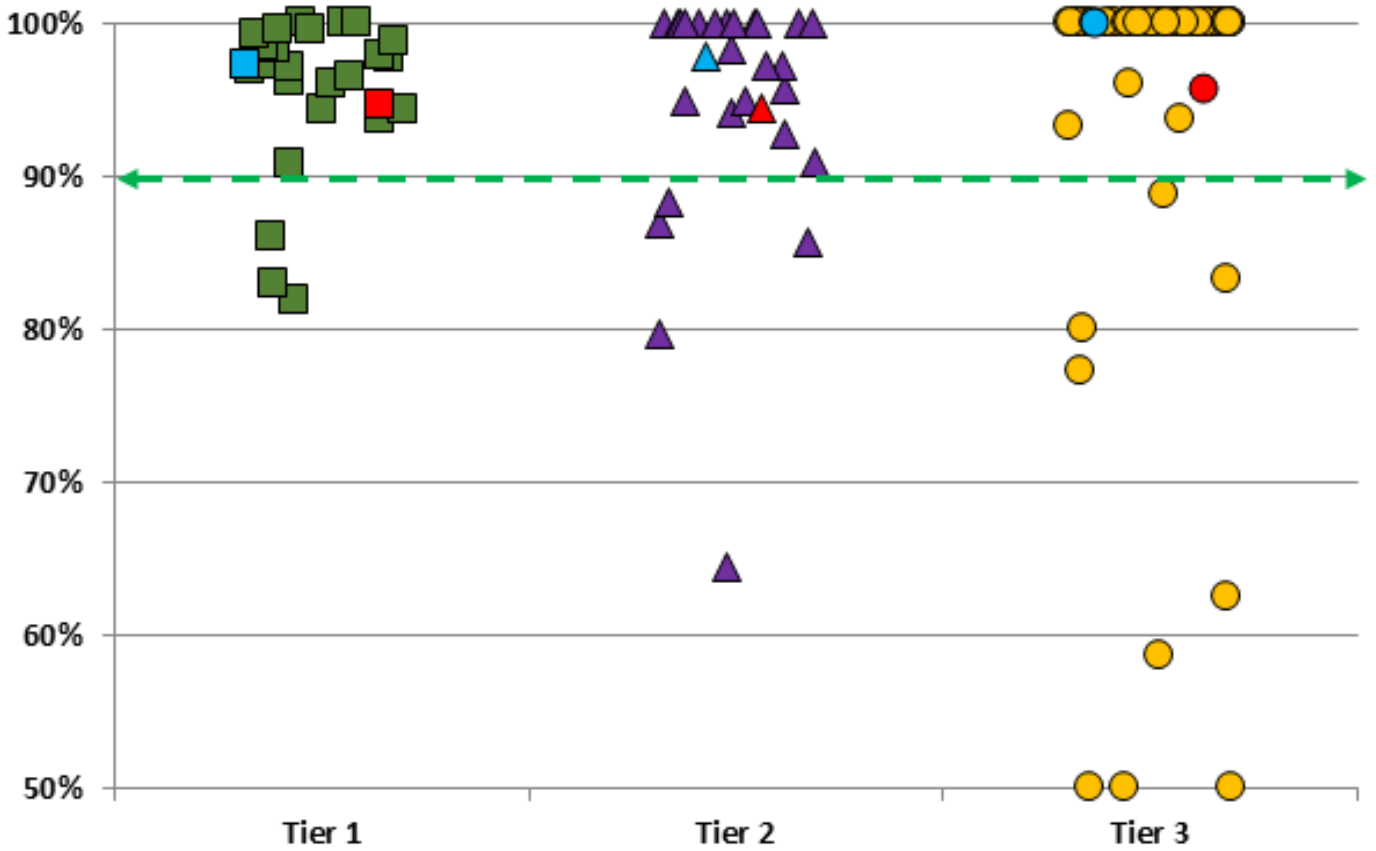
Of note is that these figures reflect work conducted by other businesses in the community and therefore having some impact on local businesses, the broader economy, as well as the reputation of the sector.

Figure 5: Sector trends 2015-2019 for the completion of urgent repairs based on providers assessed during the year



Responsiveness to urgent repairs (Figure 5) in 2018-19 (94.7%) fell slightly compared to the previous year (95.8%) albeit on larger volumes of surveys and responses. These results are supported by Figure 6 which shows five Tier 2 providers (one in 2017-18) and nine Tier 3 providers (five in 2017-18) falling below the 90% threshold.

Figure 6: Provider results for urgent repair requests completed in timeframe by tier 2018-2019



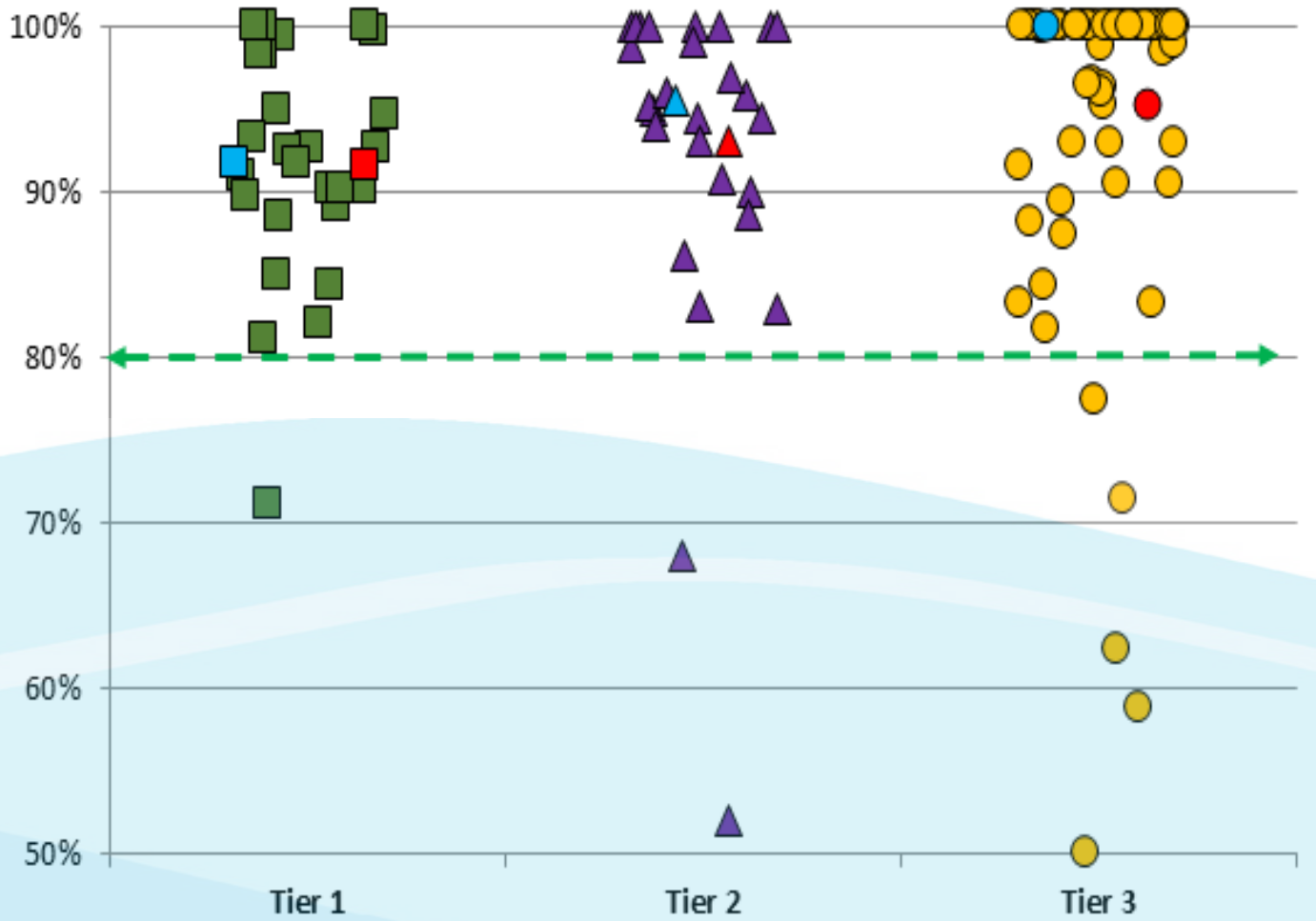
Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

Responsiveness to non-urgent repairs

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

Providers consistently respond to non-urgent repairs above the nationally agreed threshold of 80%. These results when considered with satisfaction and urgent repairs indicate good performance.

Figure 7: Provider results for non-urgent repairs completed in timeframe by tier 2018-2019



Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

Responsiveness to non-urgent repairs (Figure 7) by providers across all tiers indicates a high completion rate with both median and weighted averages exceeding 90% against a threshold of 75%.

E

Eviction rates continue to be low as a proportion of exits

An eviction is defined as a warrant or order for vacant possession and the subsequent termination of a tenancy. Eviction data is useful to the extent that rates are compared between like providers.

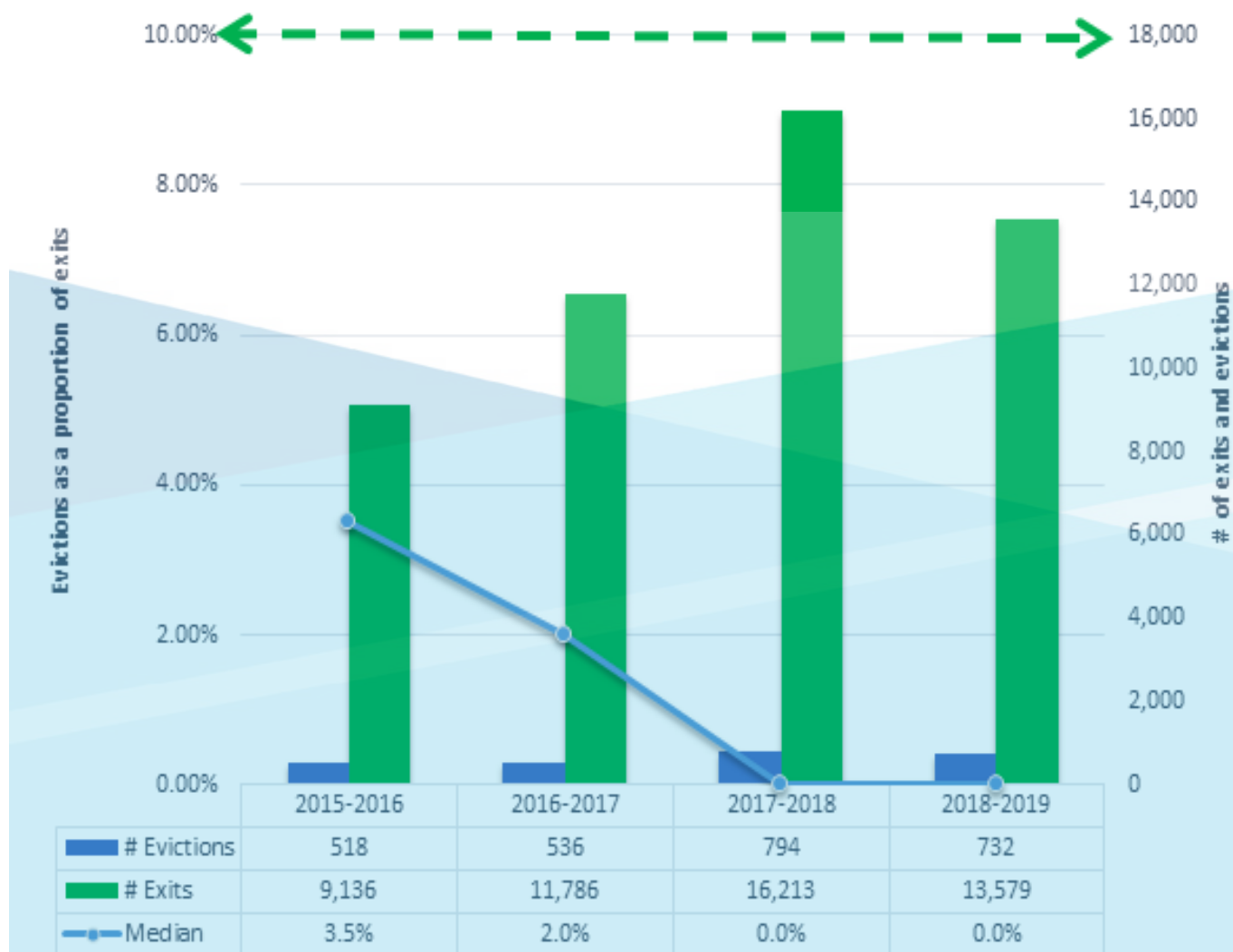
The difficulty in making such comparisons is that essentially evictions are driven by tenant behaviour - such as not meeting obligations to pay rent or breach of the tenancy agreement.

There is an expectation that all providers make linkages for tenants to support services they might need. In remote and rural locations this can be difficult due to a lack of services.

Exits are defined as the ending of a tenancy including evictions. The proportion of evictions as a percentage of exits remains low. Data reflects that providers have appropriate systems in place for tenancy termination, when required.

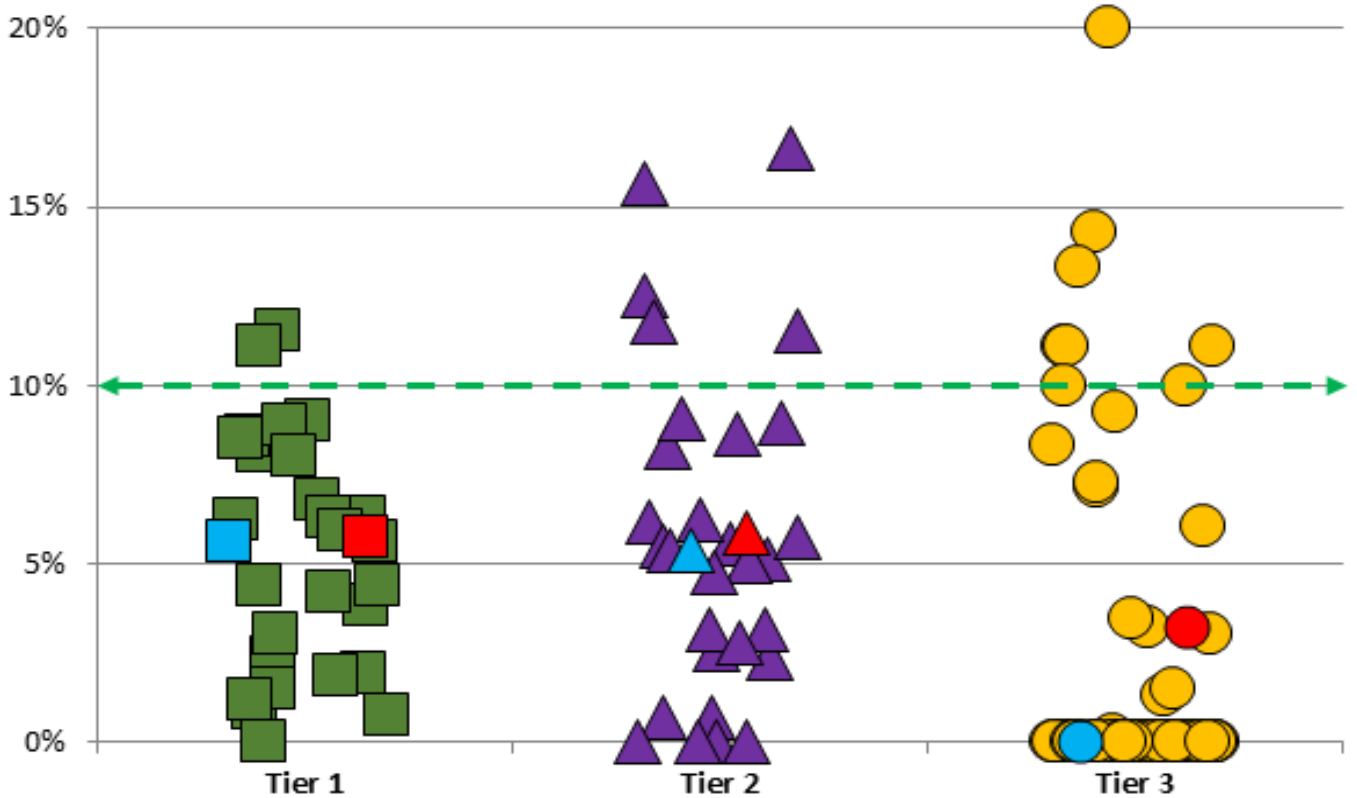
The eviction rate is derived from those tenants evicted as a percentage of the total number of exits for the year.

Figure 8: Sector trends 2015-2019 for evictions as a percentage of exits based on providers assessed during the year



Despite increases in the total number of tenancies in 18/19, the total number of evictions in 2018-19 (732) fell from the previous year, as did the number of exits (2,632 or 16.2%). The percentage of evictions against total exits for the year rose (5.39% in 18/19 and 4.9% in 17/18). Although not a positive development, this figure is still well within the historical range of 4.55% - 5.67%.

Figure 9: Provider results for eviction as a percentage of total exits 2018-2019



Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

Analysis of evictions by Tier in Figure 9 shows a consistent pattern from the previous (17/18) year. This includes a wide spectrum of results for Tier 3 providers who, due to the wider variety of housing services they offer (as a cohort), and their tendency to specialise in a single type of service provision (e.g. transitional accommodation) will invariably lead inconsistent results when comparing provider performance within this Tier.

M

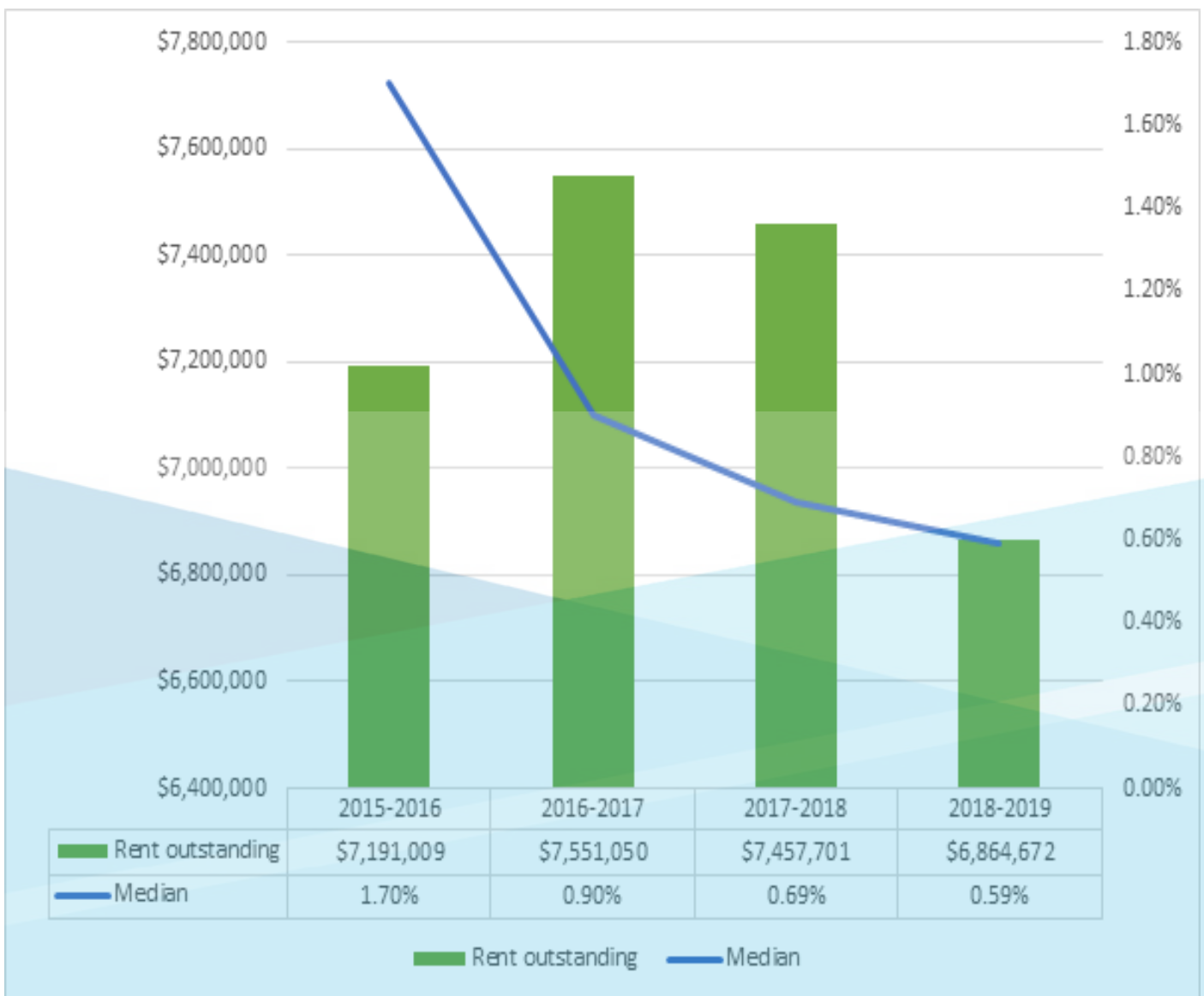
anagement of rent arrears

The rent outstanding threshold represents the rent outstanding from current and former tenants as a percentage of total potential rental income.

Over 94% of all providers assessed met the threshold for rent outstanding which is set at $\leq 2.5\%$ of total potential rental income or had no rent outstanding recorded.

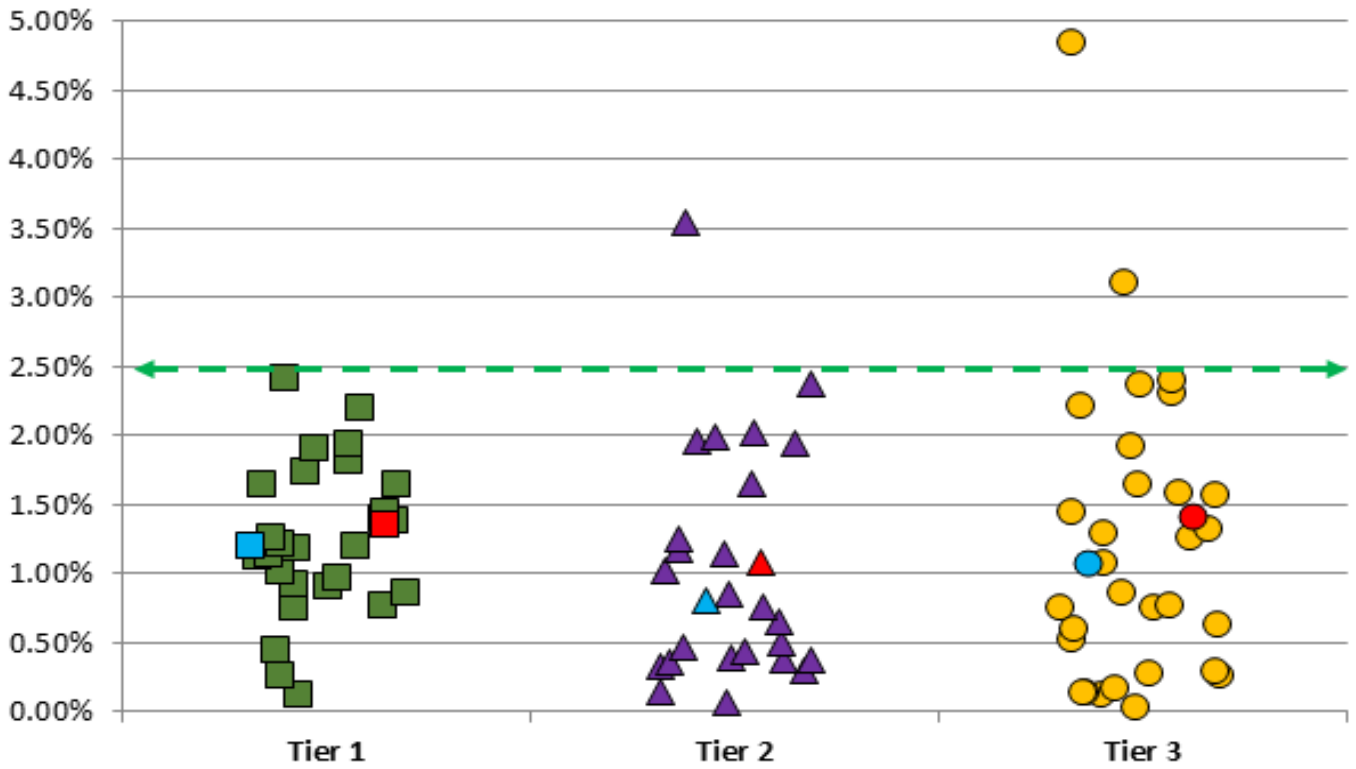
Whilst there has been an increase of 19,500 in the number of tenancies managed by CHP's, rent outstanding has dropped almost 8% during the reporting period.

Figure 10: Sector trends 2015-2019 for rent arrears and rent outstanding based on providers assessed during the year



Median Rent Outstanding continued its downward trend in 2018-19. This appears due to a sector-wide trend of greater focus by providers on ensuring rents are paid on time- which includes the use of automatic deductions. This is further supported by the Tier breakdown in Figure 11 which shows all but three providers above the 2.5% threshold. This compares favourably against 2017-18 figures which showed a total of 10 providers above threshold.

Figure 11: Provider results for rent outstanding as a proportion of total potential rental income 2018-2019



Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

The occupancy rate threshold represents occupied units as a percentage of the total number of tenancy units. Over 79% of all providers assessed met the threshold for occupancy or recorded no vacant tenatable units. The threshold for occupancy is 97% of properties are inhabited.

Figure 12: Sector trends 2015-2019 for occupancy based on providers assessed during the year

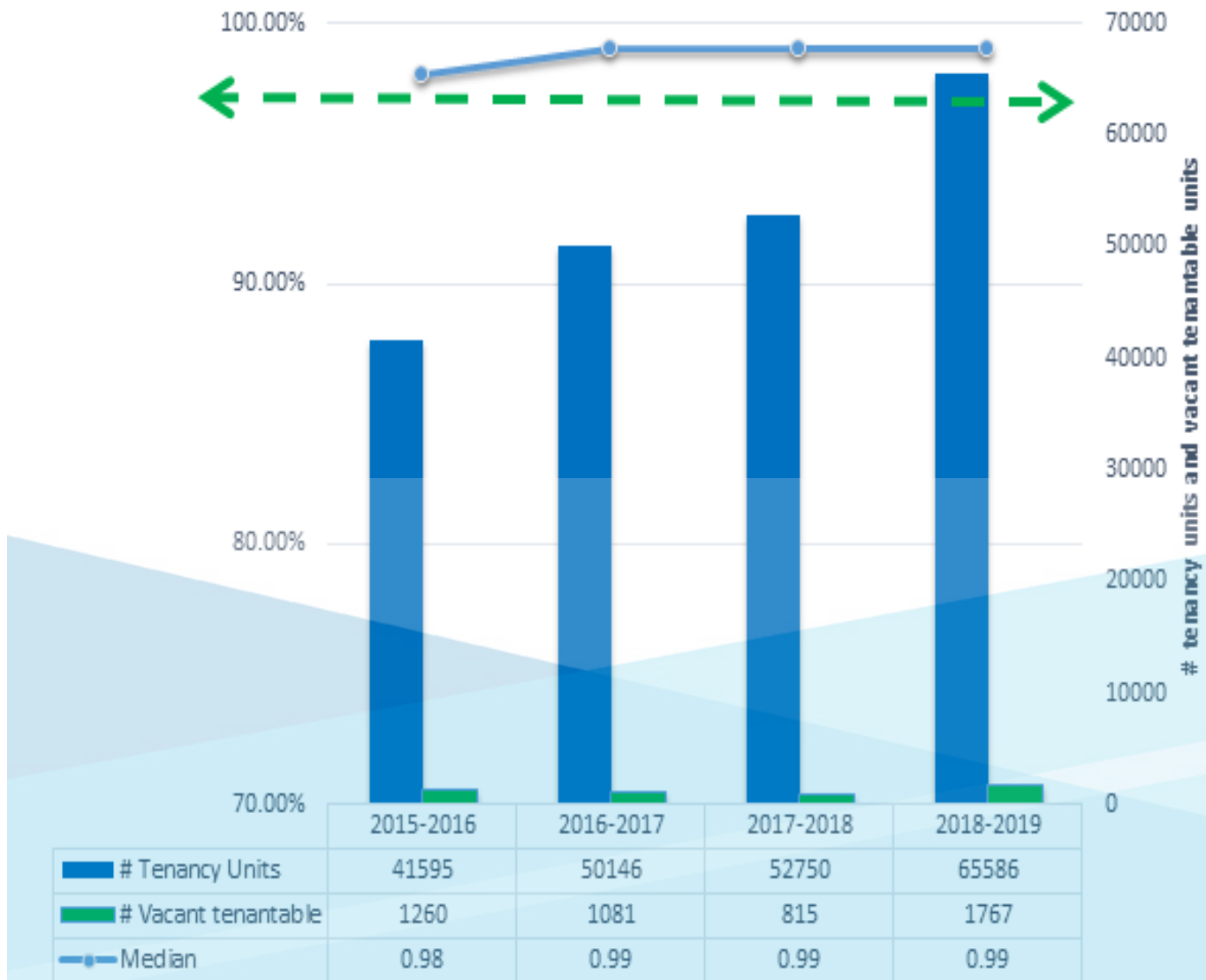
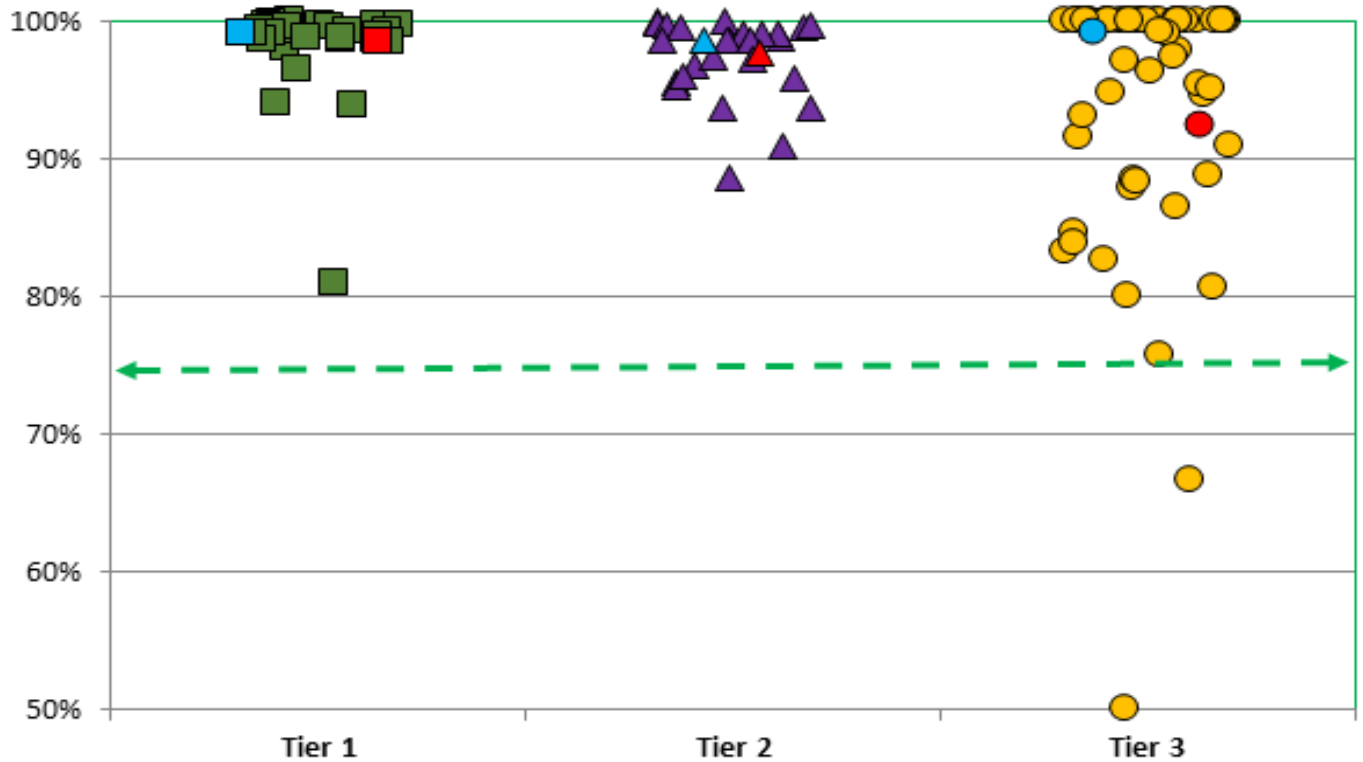


Figure 13: Provider results for occupancy rate 2018-2019



Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSCH thresholds.

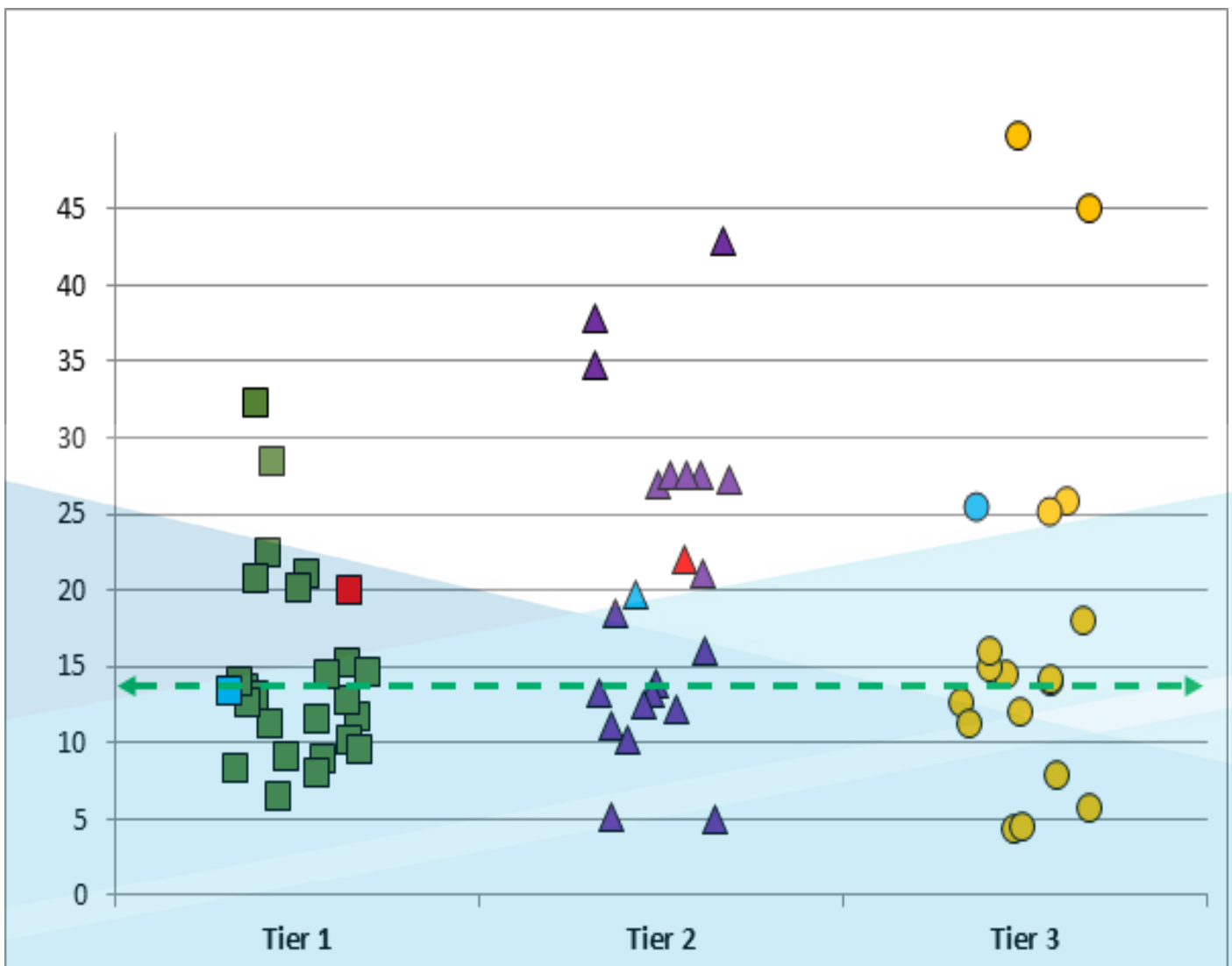
Figure 13 presents provider results based on the total tenancy units minus vacant tenancy units divided by total tenancy units. Providers who return low occupancy rates generally have a small number of properties where a single vacancy can have an adverse impact on occupancy rate results.

There is confusion, for some providers, over definitions which can lead to anomalies in reporting tenancy units. Registrars have committed to providing further guidance on residents, tenants and tenancy units. It is anticipated that this will lead to improvements in reporting.

Tenancy Turnaround Tenantable

A property is defined as tenantable when it is in a fit and habitable condition for occupation by a new tenant. This is a measure of how long it takes to fill a vacancy. This measure is separate to that period during which a refurbishment or repairs and maintenance must be carried out. This measure is an efficiency measure as it shows how long it takes to fill a true vacancy. Tenancy turnaround (tenantable) threshold represents the average calendar days tenantable properties are vacant. This is determined with reference to the total number of actual vacant tenantable properties re-let.

Figure 14: Provider results for the number of days lost due to a property being vacant based on the actual number of vacant tenantable properties re-let 2018-2019



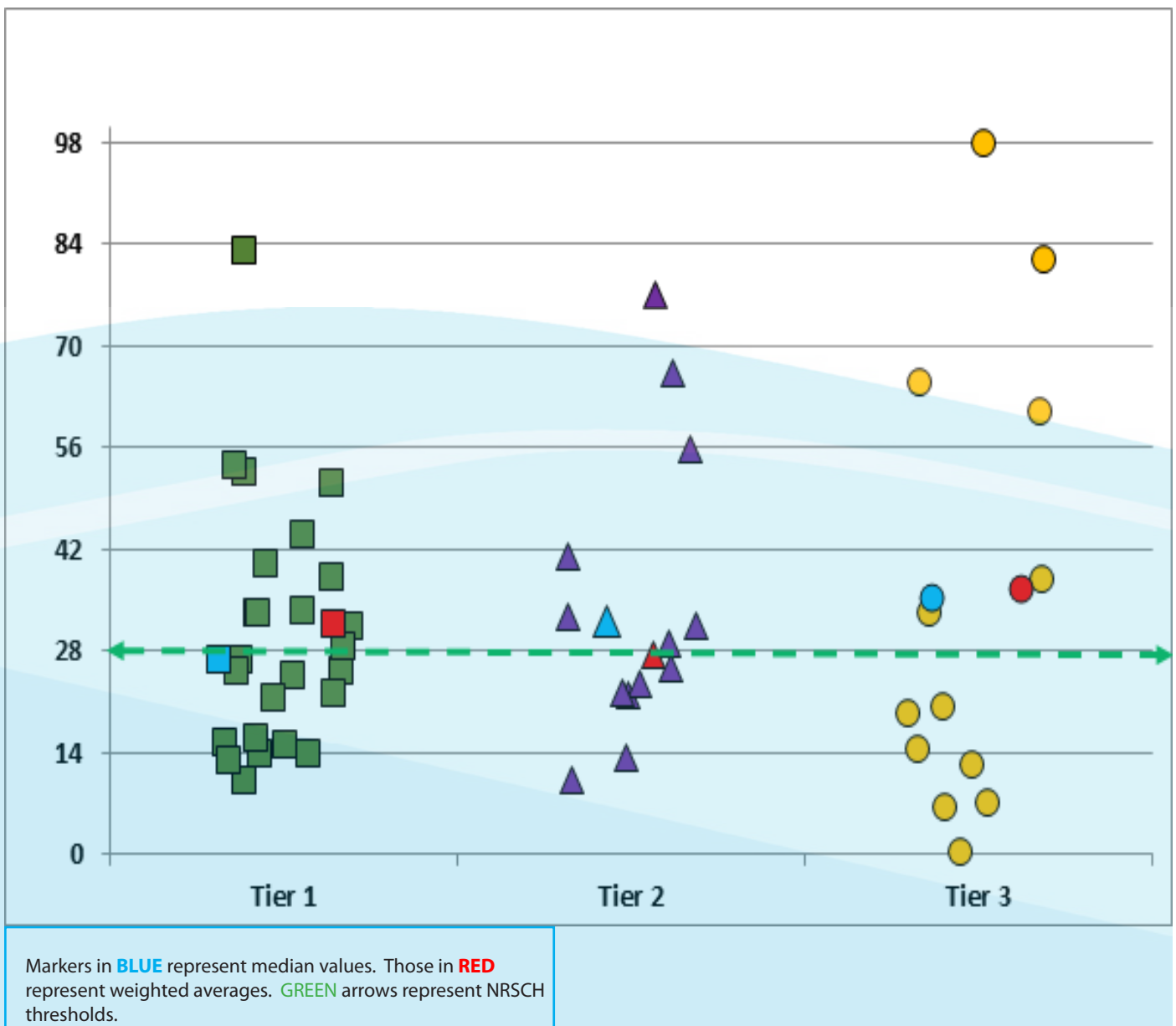
Markers in **BLUE** represent median values. Those in **RED** represent weighted averages. **GREEN** arrows represent NRSC thresholds.

Tenancy Turnaround Untenantable

A property is defined as untenantable when a refurbishment is required before a new tenant can take up residence. Tenancy turnaround (untenantable) is a count in days a property is not available to be occupied. It is a separate measure to the time taken to fill a vacancy. The threshold represents the average number of days lost due to the property being untenantable. It is determined with reference to the total number of actual vacant untenantable properties re-let.

2018 – 19 results (Figure 15) show mixed results, compared to 2017-18, with no clear discernible pattern. Given the nature of events which can lead to vacant untenantable properties such as weather and other adverse events, excessive property damage and legacy issues from building materials (e.g. asbestos) in older properties it is not unexpected to see these figures fluctuate on a yearly basis.

Figure 15 : Provider results for the number of days lost due to a property being untenantable based on the actual number of vacant untenantable properties re-let 2018-2019



For more information

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