

# Part 1

## NRSCH Overview

Annual Report 2021-2022



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# About this document

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

All data reported is sourced from returns submitted by 30 June 2022 that have been finalised. It should be noted that whilst all data in this report is the most recent information held by the NRSCH its currency may date back to June 2020.

The Annual Overview will be released in four discrete parts progressively between August and October 2022

In this report, Part 1 – NRSCH Overview, you will find an overview of the providers we regulate and our regulatory activities during 2021-2022.

Part 2 – Regulator’s Report provides an annual update on the work of regulators including project delivery and key initiatives.

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

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

For further information about the Regulatory Framework and how Registrars deliver their functions under the NRSCH please visit the NRSCH website [www.nrsch.gov.au](http://www.nrsch.gov.au)

## Acknowledgement of Country

We acknowledge and pay respect to the past, present and future Traditional Custodians and Elders of this nation and the continuation of cultural, spiritual and educational practices of Aboriginal and Torres Strait Islander peoples.

# National Regulatory System for Community Housing

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## Our vision



A well governed, well managed and viable community housing sector that meets the housing needs of tenants and provides assurance for government and investors.

## Our objectives



- To provide a consistent regulatory environment to support the growth and development of the community housing sector
- To pave the way for future housing product development
- To reduce the regulatory burden on housing providers working across jurisdictions
- To provide a level playing field for providers seeking to enter new jurisdictions

## Our regulatory principles



Proportionate – reflecting the scale and scope of regulated activities

Accountable – able to justify regulatory assessments and be subject to scrutiny

Consistent – based on standardised information and methods

Transparent – clear and open processes

Flexible – avoiding unnecessary rules about how housing providers organise their business and demonstrate compliance with the National Regulatory Code

Targeted – focused on the core purposes of improving tenant outcomes and protecting

# Message from NRSCH Registrars

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## We are pleased to share the first of four planned statements for the reporting year 2021-2022.

This year was set to be the year to focus on COVID recovery and the shift to new norms in the post lockdown environment. But the community housing sector have continued to navigate the challenges of the ongoing pandemic, natural disasters, construction supply chain issues and rising costs. Despite the challenges the sector has evolved and remained agile and resilient.

This report only represents a portion of the work conducted by community housing providers in meeting their performance requirements and delivering safe, secure and affordable housing solutions. But there are many stories of the impact community housing providers have on improving lives, supporting tenants and strengthening communities that sit alongside regulatory requirements.

Each year we, as Registrars, set ambitious goals to improve the administration of the NRSCH whilst continuing to deliver our primary functions. This year we have worked to improve data integrity and transparency with enhancements to the regulatory information system and an expansion of the information available on the National Register for Community Housing Providers.

Over the next 12 months Registrars will work collaboratively to look at the barriers to registration for Aboriginal community controlled organisations and seek solutions in partnership with our stakeholders. We will deliver a new NRSCH website with improved accessibility that reflects industry best practice and investigate opportunities for real time performance reporting.

During 2022-2023 we will also commence a process of assessing business need and the options for the future of the Community Housing Regulatory Information System (CHRIS). The system is now eight years old and whilst there have been several enhancements to the system since it was implemented a need for greater efficiency and flexibility is driving an assessment of system viability.

Throughout the year our regulatory staff and the staff of the National Office have remained flexible and responsive to the changing environment seeking new ways to deliver services and ensure a safe workplace. Their dedication and resilience has been, and continues to be, outstanding.

Finally, we would like to acknowledge Kate Kent, former Tasmanian Registrar and Mark Francis, former Chair of the Registrars Forum and Queensland Registrar for their significant contribution to the NRSCH. From July 2022 Michael Pervan, Secretary, Communities will undertake the functions of the Tasmanian Registrar whilst all Communities Tasmania's functions are transitioned to other parts of the State Service in a staged approach between July and October 2022. Terence Green will continue to perform the functions of the Queensland Registrar until the Registrar's position is filled on a permanent basis.

As always, we welcome feedback and acknowledge the ongoing valued input of registered community housing providers. Feedback can be lodged by emailing the NRSCH National Office  
[NRSCHNationalOffice@facs.nsw.gov.au](mailto:NRSCHNationalOffice@facs.nsw.gov.au)



# SECTION 1: WHO WE REGULATE

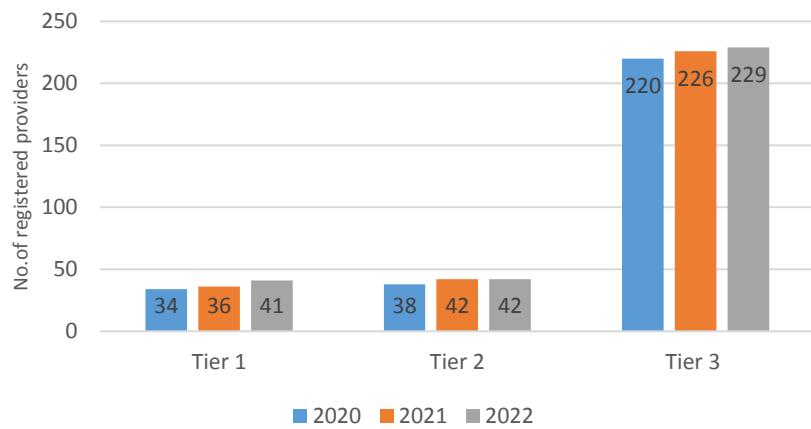
At the end of June 2022 NRSCH Registrars were responsible for the regulation of 312 providers. These providers managed over 106,000<sup>1</sup> tenancies with over 22,600<sup>2</sup> new tenancies created in the reporting year.

The NRSCH regulates providers of community housing. Community housing providers are organisations that deliver social or affordable housing and related services to people on very low, low or moderate incomes. This includes social and affordable housing, Aboriginal and Torres Strait Islander community controlled organisations, for profit organisations and other specialist housing providers. Community housing providers are generally, but not always, not-for-profit organisations that reinvest any surplus revenue into new housing, better services or improving properties.

At the end of June 2022 NRSCH Registrars were responsible for the regulation of 312 providers.

Regulation holds registered providers accountable for complying with the National Law. The governing bodies of registered providers are responsible for ensuring their own good governance, quality tenancy and asset management, and financial viability.

Figure 1: Trends in the registration of community housing provider



Tier 1 and Tier 2, although fewer in numbers continue to dominate nationally by the number of tenancies and assets managed.

Tier 3 registered community housing providers operate at a smaller scale of property and tenancy management and have no ongoing development activities or have one-off or very small scale development activities. They account for over 73% of registered providers operating nationally.

<sup>1</sup> This figure was derived from the most recent information submitted by community housing providers. It reflects tenancies for 298 providers. Newly registered providers may not, initially, have tenancies recorded. There is a potential for a relatively small number of tenancies to be duplicated. This occurs when one CHP manages the property and another CHP owns the property and both record tenancy information

<sup>2</sup> Tenancies that were allocated during the year either to existing or new/ upgraded tenancy units. This excludes tenancies that transferred from one dwelling to another dwelling, regardless of whether they have a new tenancy agreement in place.

Table 1: Registered community housing providers by Tier and jurisdiction

	Tier 1	Tier 2	Tier 3	Total
ACT	1	2	11	14
NSW	25	20	133	178
NT	-	5	4	9
QLD	5	6	71	82
SA	6	8	10	24
TAS	4	1	-	5
<b>TOTAL</b>	<b>41</b>	<b>42</b>	<b>229</b>	<b>312</b>

## Improved reporting of community housing assets

Under Section 15(i) of the National Law a community housing provider (CHP) must keep a list of all of the provider's community housing assets in a form approved by the Primary Registrar. In 2020 providers were invited to submit property based asset data. Providers' submitted information for each individual community housing asset owned or managed. The objective of the property data collection was to enhance regulatory analysis by improving insights and inform understanding of performance and risks that cannot be fully understood by aggregate level reporting of housing assets. The data provided in this section is based on the information entered and maintained by providers.

### Data improvement strategy

Regulatory staff and registered providers have worked to improve the quality of property data over the past 12 months. However, there are some issues that continue to impact on the accuracy of reports. Registrars will continue to work with providers and provide appropriate guidance to improve the quality of data. Some issues identified during the analysis of property data that may be reflected in reports include:

1. Discrepancies in the recording of properties owned by one registered CHP but managed by another registered CHP.

Providers record properties owned or managed by the organisation. When properties are owned by one registered CHP and managed by another registered CHP a property may appear twice in the system. Specific data fields are used to identify when the same property is recorded by two different entities. This helps to maintain accuracy in reporting the number of CHP properties by excluding duplicates from the property count. One method is to identify managed properties with an owner type of Registered CHP. Some issues with the recording of data have been observed leading to an over representation of properties in this category. There are currently over 9600 records potentially affected. There is some doubt about the validity of the data and an assumption that many of these properties are not in fact managed by one registered CHP and owned by another registered CHP. For this reason these properties have been included in the property count until further investigation is undertaken.

Another method of identifying when the same property is recorded by different entities is the linking of properties. Linked properties are only counted once. However, not all related properties have been linked and some data integrity issues have been noted. There are currently 958 linked properties. These properties have been excluded from the total reported CHP properties.

Remediation of property records has commenced in consultation with providers. To support the improvement of property data detailed guidance will be issued and field labels and help text will be improved to assist providers in understanding data requirements.

2. Not all registered providers have property data recorded.

There are 31 registered providers that do not have property data recorded. Some of these are valid scenarios, for example, a parent company has reported property data and therefore the subsidiary company has no assets recorded or providers who are newly registered and have not uploaded property information to date. However, there are some Tier 3 providers who have not uploaded property data following their registration. Regulatory staff are currently working with these providers to ensure an accurate and up to date reflection of total community housing assets is available.

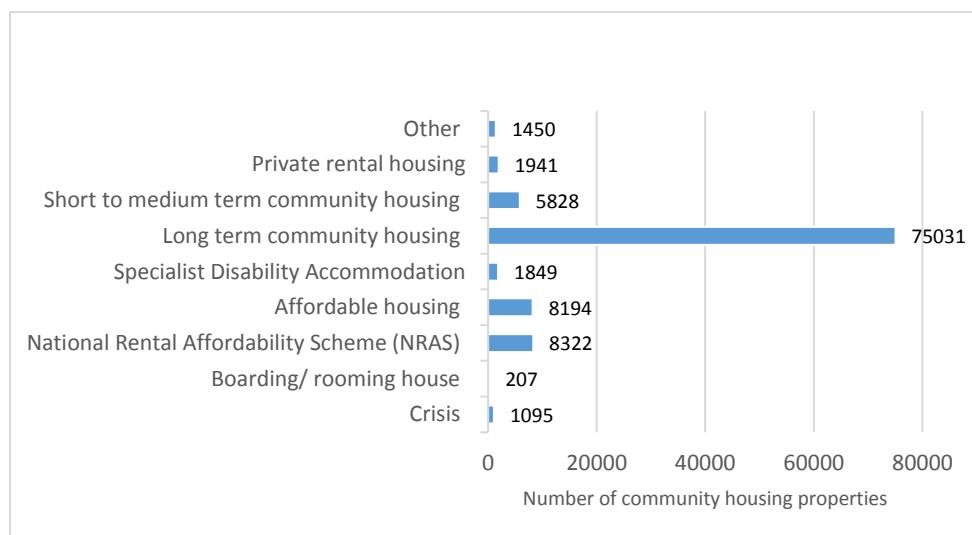
Community housing providers own or manage over 103,800<sup>3</sup> community housing assets. The number of properties owned or managed by community housing providers is not static and changes over time as providers acquire new stock and sell or redevelop older stock.

Community housing is delivered through programs that provide funds to subsidise rents for eligible households. These programs include:

- Long term community housing – Secure and affordable rental housing for people on low incomes with housing needs. Long term community housing makes up over 72% of programs delivered by registered community housing providers
- Affordable housing – Housing that is rented at lower than the market rate, often specifically for essential or key workers who have low to medium income levels. It aims to relieve rental stress and support households that have the potential for income growth or home ownership in the medium term.
- Specialist Disability Accommodation (SDA) – Housing for people with disability and high support needs, allowing increased accessibility and better support delivery.
- Transitional housing – Short term supported housing, aimed at bridging the gap between homelessness and longer term housing

Ownership or  
management of  
over 103,800  
community  
housing assets

Figure 2: Community housing assets owned and managed by program type



<sup>3</sup> This figure is based on the information recorded by community housing providers. This figure potentially under represents properties owned by one registered CHP and managed by another registered CHP. It includes properties with an owner type of registered CHP and excludes linked properties.

## What is a community housing asset?

The definition of what constitutes a community housing asset varies across some states and territories. Under the National Law a community housing asset of a community housing provider means:

1. land vested in the provider by or under the community housing legislation of a participating jurisdiction, or
2. land acquired by the provider wholly or partly with funding provided by a Housing Agency of a participating jurisdiction, or
3. land vested in the provider on which the Housing Agency of a participating jurisdiction has constructed housing or made other improvements, or
4. funds provided to the provider by a Housing Agency of a participating jurisdiction for the purposes of community housing, or
5. any other asset of the provider that is of a class of assets declared by the community housing participating jurisdiction as community housing assets for the purpose of this Law.

## Multi-jurisdictional providers

The NRSCH represents the national system for the regulation of community housing providers across New South Wales, Queensland, South Australia, Tasmania, Australian Capital Territory (ACT) and the Northern Territory. NRSCH registered providers may also operate in Victoria and Western Australia however they are required to meet the requirements of the community housing regulatory system operating within the respective jurisdictions.

There are currently 25 NRSCH registered providers responsible for 34,000 community housing assets who operate in more than one jurisdiction. Of these providers, 15 operated in another NRSCH jurisdiction only. There are ten providers who are registered under the NRSCH but also have properties in Victoria and/or Western Australia.

This accounts for almost 1300 community housing assets owned or managed by a multi-jurisdictional provider.

To make it easier for providers registered under the NRSCH to operate in more than one NRSCH jurisdiction and to reduce regulatory burden and red tape, multi-jurisdictional providers only need to deal with one NRSCH Registrar. NRSCH Registrars from the jurisdictions that the registered provider is operating in appoint a Primary Registrar. The Primary Registrar is typically, but not always, the Registrar for the jurisdiction in which the provider has most of its community housing stock.

Providers registered under the NRSCH will have their registration recognised in Western Australia subject to any conditions set out by the Western Australia Registrar.

40% of NRSCH  
multi-  
jurisdictional  
providers had  
properties in  
Victoria and/ or  
Western Australia

# SECTION 2: OUR ACTIVITIES

This section of the report relates to our registration and compliance related activities during 2021-2022

The National Regulatory Code (NRC) within the National Law sets out the performance outcomes that must be demonstrated by all registered providers. The Tier of registration is determined by an entity's level of risk arising from the scale and scope of its community housing activities, which in turn determines the intensity of regulatory engagement and oversight.

The NRC requires CHPs to be well-governed, financially viable and to perform in compliance with standards to deliver quality housing services.

## New registrations

Providers must meet a number of standard conditions of registration, as well as other requirements identified as applying to that provider on the National Register to become and remain registered under the NRSCH. The provider must also comply with any relevant requirements under the state or territory community housing laws in the jurisdiction in which they operate.

Table 2: New registrations by tier and jurisdiction 2021-2022

	Tier 1	Tier 2	Tier 3	Total
ACT				
NSW	2	3	8	13
NT		1	3	4
QLD				
SA				
TAS	2			2
<b>TOTAL</b>	<b>4</b>	<b>4</b>	<b>11</b>	<b>19</b>

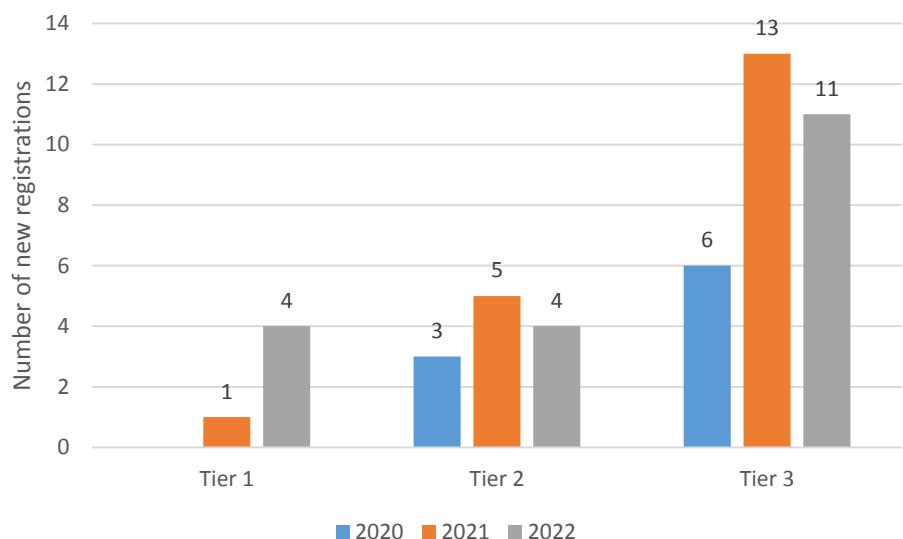
During the reporting period the NRSCH registered 19 community housing providers. This figure is consistent with previous years. In addition, there were 16 providers seeking to gain registration and scheduled for assessment.

New government initiatives and local policy settings in some states and territories are encouraging new entrants. In Tasmania, two newly registered community housing providers were established primarily to manage government owned assets under the Community Housing Growth Program (CHGP).

In New South Wales the Registrar has partnered with the Aboriginal Housing Office to increase the level of Aboriginal community housing providers. As a result of this initiative there has been a growth of Tier 3 providers in New South Wales.

Similarly, the Northern Territory Registrar is working with organisations delivering housing and associated services across the jurisdiction with a particular focus on working with Aboriginal organisations preparing to undertake registration to manage safe, appropriate and sustainable housing for Aboriginal communities.

Figure 2: Trends in new registrations over a three year period



## Consistent trends in provider initiated cancellation of registration

During the year nine providers applied to have their registration cancelled. This consisted of one Tier 1 provider, two Tier 2 and six Tier 3 providers across ACT, New South Wales, Queensland and South Australia. This is consistent with the trend for providers to merge with other registered community housing providers to benefit from economies of scale.

Cancellations of registration have been offset by the growth in the registration of new providers during the year.

## Assessing ongoing compliance of providers

Once registered, CHPs must submit evidence supporting their suitability to remain registered in the NRSCH to their Primary Registrar for assessment on a regular basis. This assessment seeks to ensure ongoing compliance. Tier 1 and Tier 2 providers must complete a compliance assessment every year whilst Tier 3 providers must complete a compliance assessment every two years.

During the reporting period, 153 standard compliance assessments were completed nationally representing 49% of all registered providers. This figure excludes the compliance assessments of 73 providers currently participating in the NSW Tier 3 Market Segmentation pilot. These providers have been excluded to achieve uniformity in reporting and due to the variance in the methodology associated with the assessment.

Table 3: Standard compliance assessments completed in 2021-2022

Standard compliance assessments	
Tier 1	46
Tier 2	39
Tier 3	68
<b>TOTAL</b>	<b>153</b>

Many jurisdictions recommenced site visits after they were temporarily suspended during the COVID lockdown period. Registrars continue to monitor the situation and respond to ensure the health and safety of regulatory staff, community housing provider staff and their tenants.

## Overall high levels of compliance for all performance outcomes

Community housing providers must demonstrate compliance with each Performance Outcome. The National Regulatory Code (NRC) sets out the performance requirements that registered CHPs must comply with in providing community housing under the National Law. The possible results of the assessment for any performance outcome are:

- Compliant – The provider has demonstrated ongoing compliance with the performance outcome, or in the case of registration has demonstrated the capacity to comply.
- Compliant with recommendations - The provider has demonstrated a level of compliance with a Performance Outcome but needs to take further action to reach complete compliance. The action required will generally fall into one or more of the following categories:
  - Relatively minor and the issue can be resolved in a short period,
  - The deadlines for the provider reaching compliance are reasonable and likely to be met i.e. evidence of progress has been seen,
  - The overall impact on financial viability and services to residents is relatively insignificant,
  - Accepted by the provider and can be completed by the provider i.e. they have the resources, track record, expertise
- Non-compliant - The provider has not demonstrated capacity to comply (registration) or has not demonstrated on-going compliance with performance outcomes.

Registrars may also make observations. Observations may relate to best practice or be indicators of potential areas of improvement or issues of concern that may not strictly relate to the assessment of compliance. Assessment observations are identified as improvement opportunities and are included in the provider's determination report. Observations relating to improvement opportunities may not require regulatory engagement prior to the next scheduled assessment.

Table 4 shows the outcome of the assessment of each performance outcome. An individual compliance assessment may result in a number of recommendations in one or more performance outcomes. Those with an outcome of compliant did not receive any recommendations.

Table 4: Outcome of assessment against Performance Outcome 2021-2022

	Compliant	Compliant with Recommendations	Non-compliant	% Compliant
Performance Outcome 1 - Tenant and Housing Services	88	63	2	98.6%
Performance Outcome 2 - Housing Assets	104	48	1	99.3%
Performance Outcome 3 - Community Engagement	149	4		100%
Performance Outcome 4 – Governance	114	38	1	99.3%
Performance Outcome 5 - Probity	103	50		100%
Performance Outcome 6 – Management	121	32		100%
Performance Outcome 7 - Financial Viability	119	36	1	99.3%

## Assessing overall compliance with the National Regulatory Code

Once an assessment has been completed a decision is made about overall compliance with the National Regulatory Code (NRC). Providers who are found non-compliant with a Performance Outcome may not necessarily have a final overall judgement of non-compliant.

The level of engagement with a provider who has a final judgement of non-compliant will reflect the scale and scope of risk to the community housing provider. If the matter is not serious or urgent, the Registrar will endeavour to work cooperatively to encourage the provider to remedy non-compliance before a Registrar takes enforcement action. This may be in the form of an investigation or targeted assessment.

Of the 153 standard compliance assessments completed only two providers had a final overall judgement of non- compliant. A notice of non-compliance was issued to one provider. This provider has since returned to compliance. The other provider successfully applied to have their registration cancelled. This occurred in July 2022.

## Targeted assessments – encouraging providers to remedy non-compliance

Certain events or the outcome from the last assessment may trigger additional compliance assessments outside of the normal cycle. A targeted compliance assessment may be sought where a recommendation is required to be addressed sooner than the next standard assessment. A targeted assessment is a planned engagement with the provider. It is commonly a compliance check of one or more performance outcomes or performance requirements.

Targeted assessments are a reflection of more active engagement by regulators rather than a decline in performance in the sector.

Table 5: Sector trends – number of targeted assessments 2020-2022

	2020	2021	2022
Tier 1	-	1	1
Tier 2	1	3	3
Tier 3	21	8	9
<b>TOTAL</b>	<b>22</b>	<b>12</b>	<b>13</b>

During 2021-2022 13 targeted assessments were completed for ten providers.

The focus of targeted assessments was distributed relatively equally across all performance outcomes with four of the ten providers assessed against all performance outcomes. Only one provider was found to be non-compliant following a targeted assessment. That provider has since applied to have their registration cancelled.

The majority of providers address concerns in a timely manner and as a result any incident that damages or may damage the reputation of the community housing sector is dealt with in a prompt and effective manner.

## Providers subject to regulatory enforcement due to non-compliance

Registrars encourage compliance by providing guidance on the performance and legal requirements that providers must meet under the National Law and the National Regulatory Code.

During 2021-2022 seven enforcement actions were taken against four providers. One provider returned to compliance after the initial enforcement action; two providers applied for the cancellation of their registration under Section 16(1)(a) and the Registrar cancelled the registration of one provider under Section 16(3).

The case studies demonstrate how Registrars use enforcement powers to ensure tenants and community housing property are protected in the event that a provider does not comply with the National Law.

### Case 1 - Notice of Non-compliance

A Tier 3 provider participating in their first full compliance assessment since registration failed to provide the Registrar with the necessary assurance that the organisation was meeting the conditions of its registration as a community housing provider.

The assessment found gaps in the providers tenant and housing services which resulted in a Notice of non-compliance being issued. The Notice also triggered a targeted assessment to address identified non-compliance.

The provider proactively addressed the matters outlined in the Notice of non-compliance and provided the necessary evidence to demonstrate it is meeting its conditions of registration as a community housing provider. Based on the assessment of evidence submitted the Registrar found that the provider had returned to compliance within 2 months of the issue of the Notice of non-compliance.

The preferred approach is the use of a staged and escalated approach to bringing providers back to compliance.

This approach recognises that early, open and cooperative enforcement can bring about the quickest and most effective return to compliance in the majority of cases, and is least intrusive into the affairs of independent providers.

However, there are occasions when a provider may be unable or unwilling to sufficiently address issues of non-compliance, of where compliance is significant and the Registrar may use enforcement action to cancel registration.

#### Case 2 – Escalating approach to non-compliance

Following a routine compliance assessment the Registrar adjusted the level of regulatory engagement for a Tier 2 provider.

A Registrar issued a Notice of Non-compliance under Section 18 of the National Law. This was followed by Binding Instructions pursuant to Section 19 of the National Law. The provider had been granted repeated extensions without showing any improvement in submitting compliance returns and evidence on time.

The Registrar subsequently issued a Notice of intent to cancel registration on the basis that the provider had not addressed the matters identified in the Notice of non-compliance, had not complied with the Binding Instructions and had failed to comply with the community housing legislation in a number of requests.

In a meeting with the Registrar the provider confirmed its inability to provide the required evidence of compliance. The provider sought agreement to request their cancellation of registration under Section 16(1)(a) of the National Law. Taking into consideration the tenants of the provider and relevant interests the registration of the provider was subsequently cancelled at their request.

Registrars may move to any level of enforcement response permitted by the National Law, if the circumstances warrant it. A serious and urgent matter requires the Registrar to take enforcement action to ensure that tenants and community housing assets are appropriately protected.

#### Case 3 – Cancellation of registration

A Registrar received advice from a third party that a Tier 3 provider was implicated in a police investigation.

This matter was considered serious in nature and required urgent action due to the potential reputational harm; and adverse impact on tenants. Following the issue of a Notice of intent to cancel registration, the provider failed to respond or provide any evidence to assure the Registrar the provider was compliant with community housing legislation. The Registrar moved to cancel the registration of the provider under Section 16 (3) of the legislation.

The registration of a provider will only be cancelled once all tenancies and each community housing asset of the entity in each participating jurisdiction has been transferred or otherwise dealt with in accordance with the community housing legislation of a participating jurisdiction that applies to the tenancies and asset.

## **For more information**

For more information on the National Regulatory System for Community Housing, please visit:  
[www.nrsch.gov.au](http://www.nrsch.gov.au)