Part 3

Sector Performance (Non- financial)

Annual Report 2021-2022

NATIONAL REGULATORY SYSTEM
COMMUNITY HOUSING
A joint initiative of Commonwealth, State and Territory Governments

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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 four reports to be issued for the NRSCH reporting period 2021-2022. 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 compliance with the National Regulatory Code.

All non-financial data reported is data held as at 30 June 2022 unless otherwise specified or unless comparisons with previous years have been made. 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.

In this report, Part 3 – Sector Performance – Non-Financial performance measures are presented. The report firstly provides performance data for Tier 1 and Tier 2 providers and then Tier 3 providers.

To learn more about the status of the NRSCH in a particular state or territory, as well as local policies and news, please visit https://www.nrsch.gov.au/about-us/how-we-regulate.html.

For further information about the Regulatory Framework and how Registrars deliver their functions under the NRSCH please visit https://www.nrsch.gov.au/about-us.html.

Sector Performance Overview

The National Regulatory Code (NRC) requires registered providers to be well-governed, financially viable and to perform in compliance with standards to deliver quality housing services.

The NRC sets out the performance requirements that registered providers must comply with in providing community housing under the Community Housing Providers National Law (the National Law). It does not prescribe how providers should run their business but rather focuses on the achievement of outcomes in the following areas:

1. Tenant and housing services
2. Housing assets
3. Community engagement
4. Governance
5. Probity
6. Management
7. Financial viability

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

Table 1: Compliance assessments completed by Tier 2021-2022

Tier of registration	No. of assessments
Tier 1	46
Tier 2	39
Tier 3	68
Total	153

This year we continue to report Tier 3 providers separately from Tier 1 and Tier 2 providers. This is because some of the key metrics used to measure performance do not provide a meaningful picture when applied to Tier 3 providers because of their diversity and size. To illustrate, a provider with two properties holding one vacancy at 30 June will report a 50% occupancy rate; well below the target value of 97% but an acceptable performance measure based on the individual provider circumstances.

Where satisfaction measures are indicated, the sector wide target value or threshold is shown. The target value is not a benchmark. It does not reflect good or bad performance and is adopted by Registrars to elicit a response from providers.

Continuous improvement of data

The data contained in this report is provided by registered providers through the Community Housing Regulatory Information System (CHRIS). The NRSCH regulatory approach relies on registered providers to self-report accurate and up to date data, therefore reporting is limited to only information which a provider has entered into CHRIS.

Registrars are committed to enhancing data integrity. This year enhancements were made to CHRIS to improve data integrity as it relates to property data. This included streamlining the ability to link duplicate properties (properties owned by one registered provider but managed by another registered provider) and improving functionality for providers by identifying properties that have missing mandatory data.

Reporting Methodology

In providing metric data, only the latest metric data collected for the financial year ending 30 June 2022 was assessed.

The data that follows, where possible, compares performance between Tier 1 and Tier 2 CHPs, and plots each assessed provider so that the reader can identify highest, lowest and median performance and the target value or threshold.

PERFORMANCE – TIER 1 & TIER 2 PROVIDERS

This section provides an overview of the performance of Tier 1 and Tier 2 providers based on the most recent data collected and measured against the target values or thresholds.

At the end of June 2022 NRSCH Registrars were responsible for the regulation of 41 Tier 1 providers and 42 Tier 2 providers. They represent almost 27% of all registered providers. Although Tier 1 and Tier 2 providers are fewer in numbers than Tier 3 providers they dominate nationally by the number of tenancies and assets managed.

Tier 1 and Tier 2 provider must complete a Compliance Return every year. The periodic assessment seeks to ensure ongoing compliance with the National Regulatory Code and constitutes the minimum level of oversight that will be applied.

The NRSCH has established metrics and indicators to measure operational performance. Data submitted by registered providers is used to calculate the key performance metrics. Most metrics have target values or thresholds to ensure regulatory activity is targeted at performance outcomes and requirements. The target values do not in isolation determine compliance. Rather they provide a starting point to assess performance. Where results are below the target value providers are encouraged to provide an explanation. The metrics and indicators provide a transparent level of performance as a starting point against which performance results can be assessed.

Community housing properties are well managed

Tenant satisfaction with activities undertaken by providers are largely measured through Performance Outcome 1 (Tenant and Housing Service) and Performance Outcome 6 (Management). These are captured in the following metrics:

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

Registrars also use other key indicators to assess the management of the community housing sector including

- Complaints management
- Eviction rate
- Rent outstanding
- Occupancy rates; and tenancy turnaround times.

CHPs report consistent levels of tenant satisfaction

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. Many providers outsource their tenant surveys to the Community Housing Industry Association (CHIA) NSW who provide a tenant satisfaction and benchmarking service. This is an independent tenant satisfaction survey that meets NRSCH requirements.

Tenant satisfaction represents the number of tenants satisfied with the overall quality of housing services. It is calculated by expressing satisfaction with the overall quality of housing services as a percentage of surveys returned.

Figure 1: Sector trends in tenant satisfaction with overall quality of housing services

Figure1 shows tenant satisfaction with overall quality of housing services is predominantly above the nationally agreed target value of 75%. However in the past two years Registrars have noted a slight decline in tenant satisfaction for some providers. In this reporting period less than 10% of providers had below threshold satisfaction results.

Analysis shows that the Tier 1 providers involved in the NSW Social Housing Management Transfer (SHMT) program reported lower levels of tenant satisfaction with the overall quality of housing services. This program resulted in the management of a large number of public housing properties in NSW being transferred to CHPs. SHMT providers were initially required to utilise the NSW Land and Housing Corporation maintenance contractors under existing contract arrangements. This limited SHMT provider's control of quality, timeliness and cost management of repairs and maintenance. Anecdotal evidence suggests that this was a major contributing factor in declining tenant satisfaction. Some providers in the SHMT program have separated survey results for tenant involved in the SHMT program and noted tenants not involved in the management transfer had higher levels of satisfaction. During 2022 responsibility for maintenance will be transferred to the CHP. Providers anticipate an improvement in satisfaction levels.

Anecdotal evidence also suggests that lower overall levels of life satisfaction bought on by isolation, school and work closures and restrictions on participation in community and family during the COVID pandemic may have had an indirect impact on survey results. Registrars will continue to monitor changes in the level of tenant satisfaction.

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.

Figure 2: Sector trends for urgent repairs completed within timeframe 2020-2022

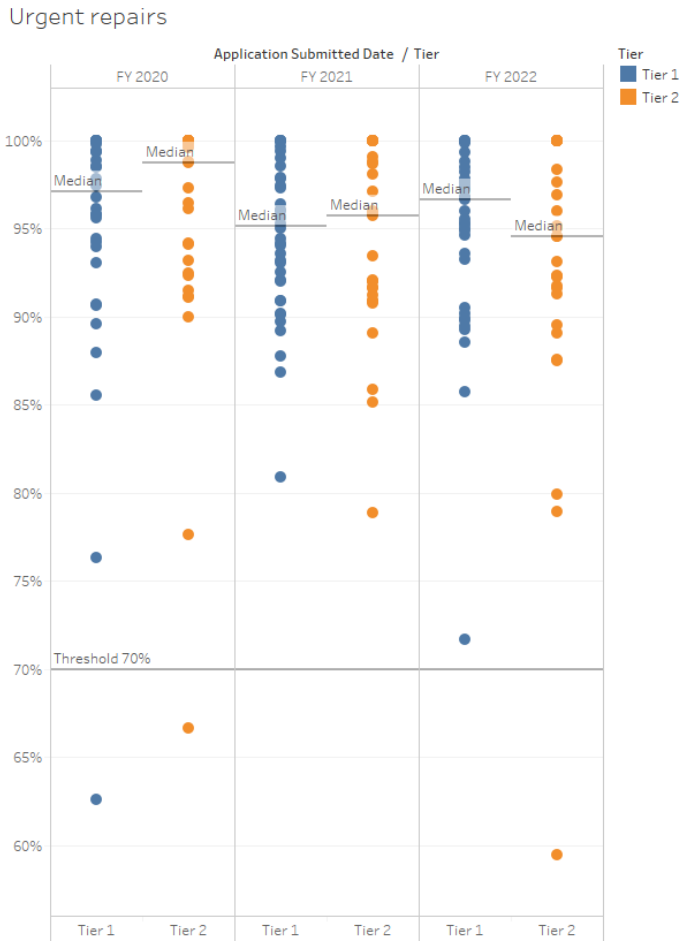


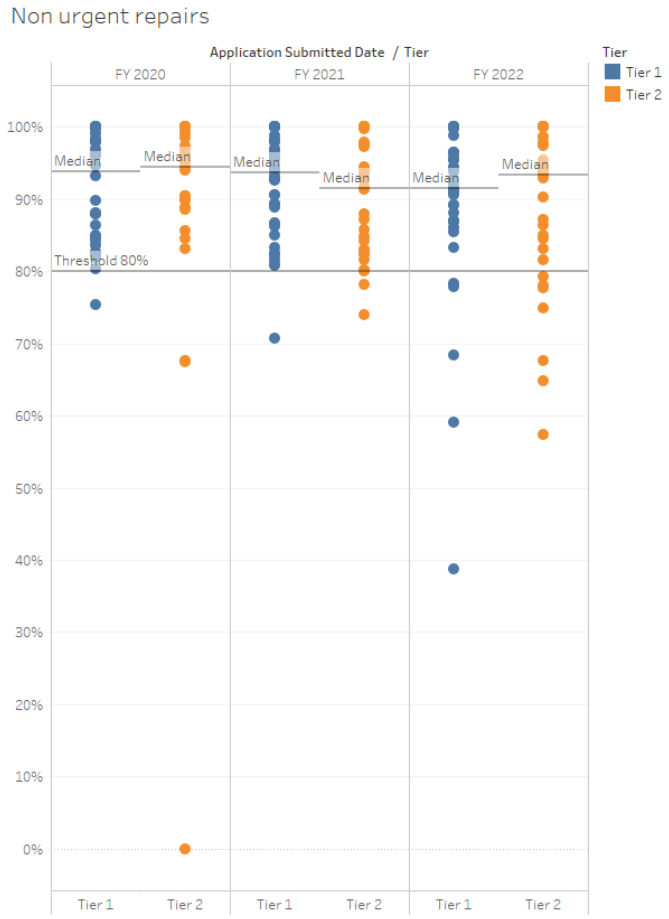
Figure 2 shows sector trends are relatively consistent with previous years where most providers have been responsive in addressing urgent repair requests for tenants. In 2022 providers collectively received over 58,000 urgent repair requests. Almost 95% of urgent repair requests were completed within the agreed timeframe.

There were two Tier 2 providers reported as operating below threshold. One of these has been removed from the graph. They had an urgent repair completion rate of 59%. This was because internal administrative processes meant that there were delays in closing work orders which inflated the completion time for urgent repairs. The provider reported that all urgent repairs were, in fact, completed within timeframe. The provider is designing and implementing additional data integrity checks to identify poor completion time recording and provide a more accurate measure of actual performance

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.

Figure 3: Sector trends for non- urgent repairs completed within timeframe 2020-2022



Taking into consideration tenant satisfaction and urgent repairs the results in Figure 3 indicate relatively good performance. Providers responded to over 187,000 non-urgent repair request with almost 90% completed within the agreed timeframe.

Results below the target value of 80% completion rate shown in Figure 3 were attributed to the NSW SHMT program, administrative processes resulting in poor completion time recording and the impact of COVID -19 lockdowns.

Providers reported that COVID-19 restrictions in the first part of the year had an adverse impact on the ability to undertake non-urgent repairs. For example, maintenance teams were sometimes restricted in their ability to complete works of a non-urgent nature during lockdown periods, in order to comply with safe work guidelines and health orders. For some CHPs this led to a backlog of non-urgent repairs as they had to be deferred, resulting in completion rates deteriorating.

Anecdotal evidence also suggests access to appropriate trades people and supply chain issues were a contributing factor to below threshold results.

Maintenance systems remain effective

As anticipated the delays in the completion of non-urgent repairs are reflected in tenant maintenance satisfaction. 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.

Figure 4: Sector trends for tenant maintenance satisfaction 2020-2022

Figure 4 shows a trend of decreasing satisfaction with maintenance for Tier 1 providers. Results below the target value of 75% were predominantly influenced by providers participating the NSW SHMT program. It is expected that these results will improve as the management of maintenance moves from the NSW Land and Housing Corporation's Asset Maintenance Service to the community housing provider.

One provider noted that key staff had left the organisation and a new maintenance team and system was implemented during the 3 months leading up to the survey period. This contributed to lower satisfaction results. To address these issues the provider has now employed additional staff and improved communication with tenants.

Despite the current trend almost 87% of providers reported tenant satisfaction with maintenance services. Maintenance systems have largely remained effective during a period of frequent disruption including COVID restrictions, natural disasters and trade and supply chain issues demonstrating the agility of the community housing sector.

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. Evictions relate to a breach of a tenancy agreement and are essentially driven by tenant behavior such as a failure to pay rent or anti-social behavior. Exits are defined as the ending of a tenancy and includes evictions.

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

Figure 5: Sector trends for evictions 2020-2022

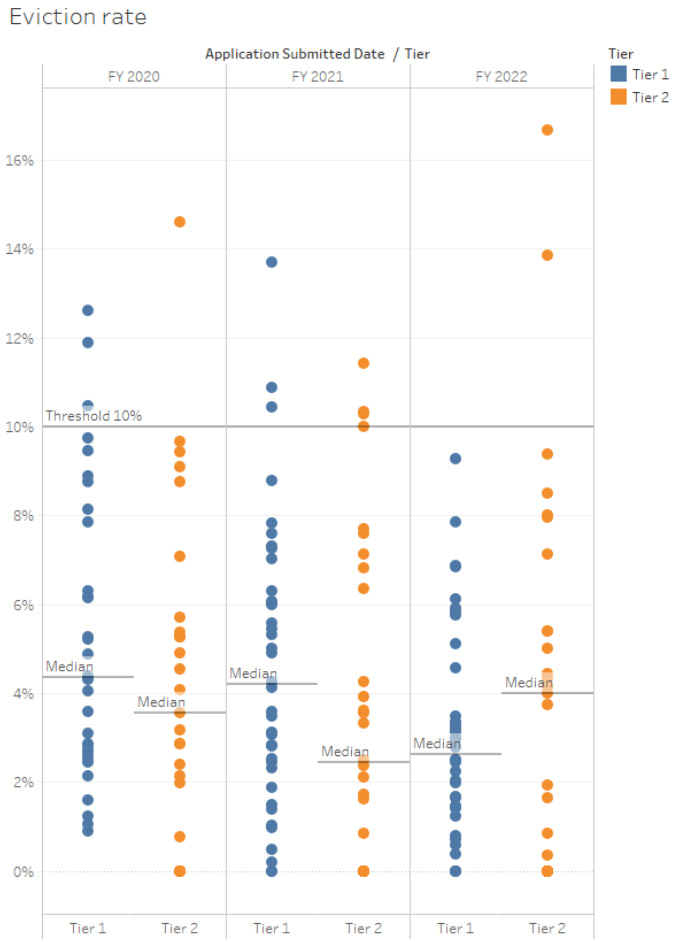


Figure 5 shows the median rate of eviction has declined in 2022 with most providers reporting lower levels of evictions (or below threshold target value of 10%).

Providers with higher evictions (or operating above threshold) have noted definitional issues with how the eviction rate is currently calculated. Results will tend to be higher than threshold as the eviction rate is calculated against annual exits, rather than all tenancies. The overall number of exits from community housing properties tends to be lower because the majority of tenants require ongoing long term housing assistance reducing the possibility of exits out of housing programs.

There is an expectation that providers will link tenants to support services to help the tenant meet their obligations under the tenancy agreement and sustain the tenancy as long as practicable. One Tier 2 provider operating above the target value noted that there was a gap in service from mental health, drug and alcohol, domestic violence and outreach homelessness support in the region. The result has been a lack of early intervention and ongoing outreach support to assist tenants to successfully maintain their tenancy contributing to the increased rate of evictions for anti-social behavior and rent arrears.

When rent arrears, occupancy and tenancy turnover metrics are considered in combination it demonstrates that the community housing sector manages its resources in an effective manner evidenced by the implementation of appropriate management structures, systems, policies and procedures.

Rent Outstanding

This threshold represents the rent outstanding for current and former tenants as a percentage of total potential income. Rent outstanding is a key performance measure of a CHPs rent collection and arrears management policy and practices. Policies and procedures ensure action is taken to recoup rent outstanding, holding the tenant accountable to the terms of their tenancy agreement without placing the tenant in financial hardship.

Figure 6: Sector trends for rent outstanding 2020-2022

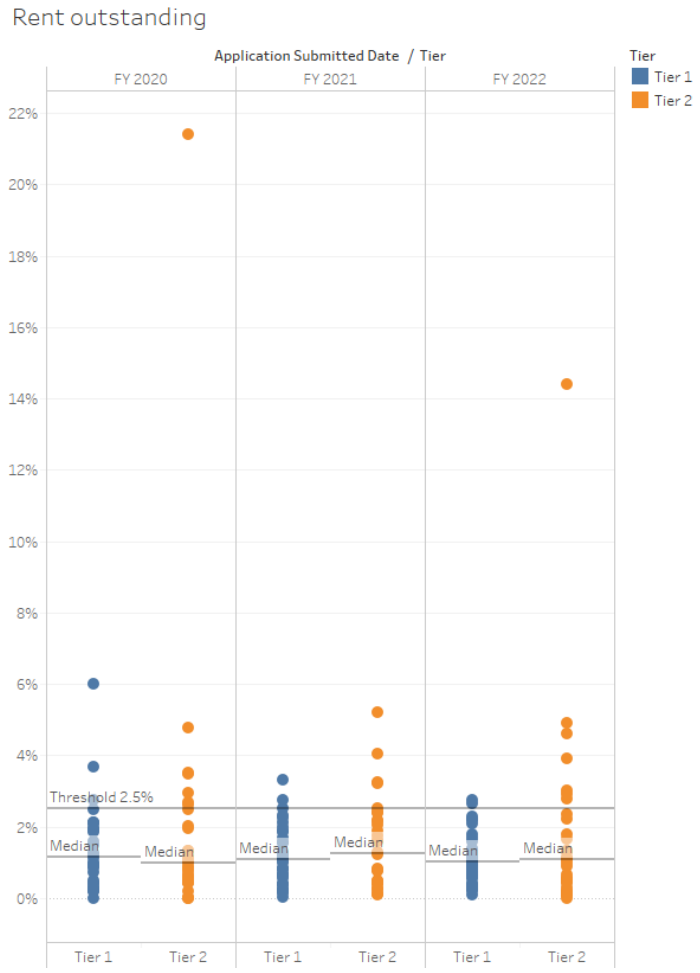


Figure 6 shows that Tier 1 and Tier 2 providers perform consistently in the management of rent arrears. It shows a low proportion of rental arrears with the majority of providers recording arrears below the national threshold.

There were, however, a small number of CHPs that had rental arrears that exceeded the 2.5% threshold. In many cases the higher levels of rent outstanding is a consequence of the CHP focusing on sustaining tenancies and working with tenants to address arrears. Most providers have demonstrated improvements in the management of rent arrears particularly as it relates to current tenants. Former tenant debt is more difficult to address.

Higher levels of rental debt over a longer period may also be reflected when providers hold tenants to account by implementing repayment instalments, instead of writing off the rent owed by the tenant as rent forgone.

Occupancy

Occupancy rate is calculated by measuring the number of occupied units as of 30 June as a percentage of the total tenancy units.

Figure 7: Sector trends for occupancy based on providers assessed during the year 2020-2022

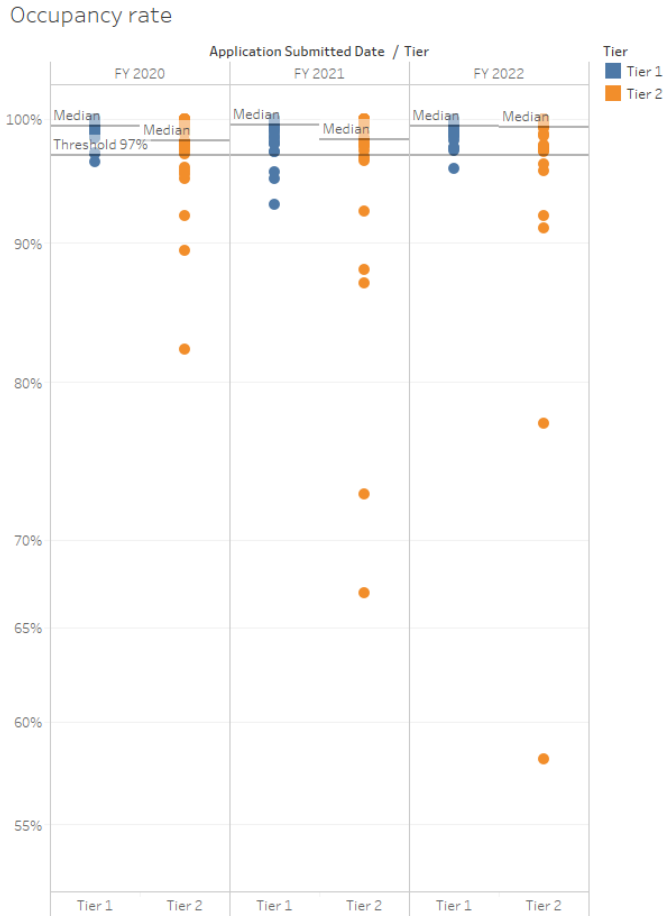


Figure 7 shows that the occupancy rates for Tier 1 and Tier 2 CHPs were high, which demonstrates that CHPs are utilising properties effectively.

One Tier 2 provider with results below the target value of 97% was an aberration as the CHP had released a number of new dwellings that were unoccupied as of 30 June.

There were some Tier 2 providers genuinely below the target value for occupancy rates. One contributing factor is providers managing different program types that require matching of tenants to properties resulting in vacancies with elevated occupancy rates.

Other factors influencing occupancy rates above the threshold include:

- High numbers of tenants housed through transitional programs for terms ranging from 3-24 months resulting in many properties being vacated or re-tenanted on several occasions during any year.
- Delays in end of tenancy repairs and cleaning to void properties due to the unavailability of contractors and materials resulting in longer vacant periods generally during COVID restrictions.

Tenancy Turnaround Tenantable

Tenancy turnaround is a measure of how long it takes to fill a vacant tenantable property. A property is defined as tenantable when it is in a fit and habitable condition for occupation by a new tenant. The target for tenantable property turnaround is 14 days.

Figure 8: Sector trends for the number of days lost due to a property being vacant based on the actual number of vacant tenantable properties relet

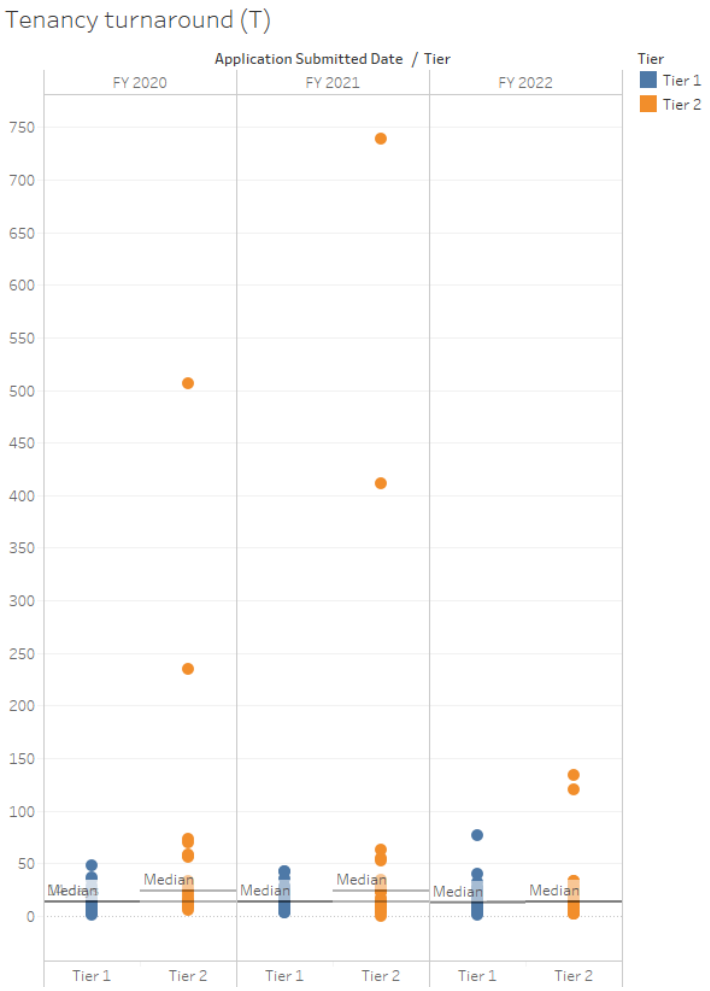


Figure 8 shows that there were challenges in achieving the tenancy turnaround (tenantable) threshold in the reporting year. However the median result was 14 days.

Providers operate within different business models which may distort metric data. For example, the owner of a property leased by the CHP may have specific requirements, such as a longer term lease, which may result in it taking longer to match a tenant to the property.

Many CHPs have portfolios that include crisis, transitional and long-term housing programs. Crisis programs typically turnover at a higher frequency, have differing allocation processes, higher support needs and vacant maintenance requirements that have adverse impacts on turnaround times.

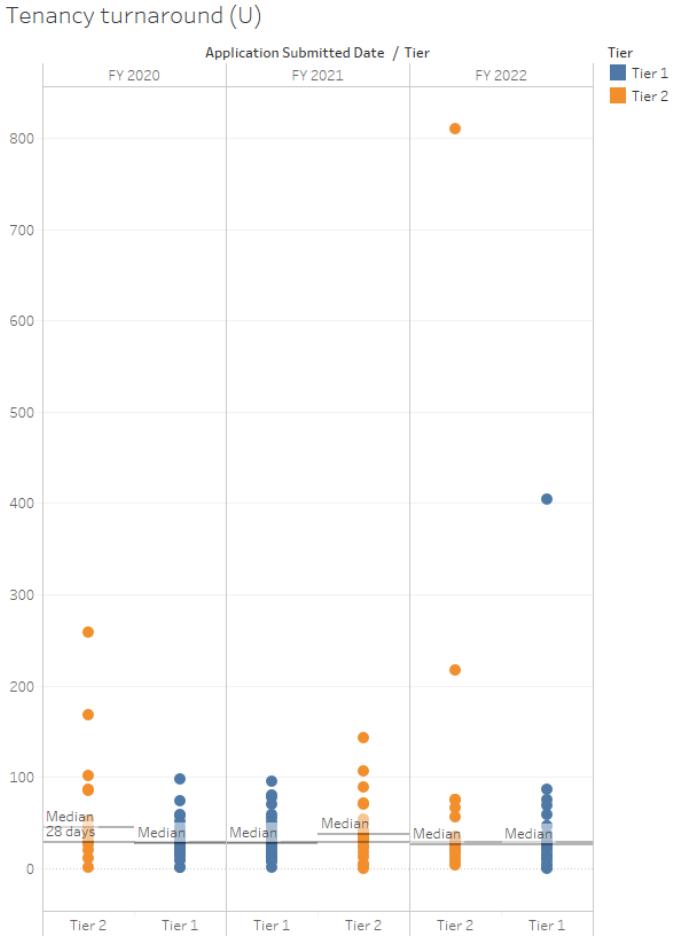
Another common theme for high turnaround times occurred for CHPs that operated in regional and remote areas. There is often a mismatch between supply and demand meaning properties remain vacant for longer periods of time.

COVID-19 restrictions affected the ability to tenant some properties and also the mechanisms for receiving referrals. Prospective tenants delayed moving if they had COVID or restrictions impacted their ability to view or accept a vacant property in a timely manner. Tenancy turnaround times were also impacted by the suspension of regular property inspections during COVID restrictions resulting in escalating problems that would have normally been identified and addressed prior to the voiding of the property; such as leaks under sink.

Tenancy Turnaround Untenantable

A property is defined as untenantable when a refurbishment is required before a new tenant can take up residence. The target for untenantable property turnaround is 28 days.

Figure 9: Sector trends for the number of days lost due to a property being vacant based on the actual number of vacant untenantable properties relet



As noted in previous years, results for untenantable turnaround times are mixed. Almost 46% of providers met the target of 28 days for untenantable property turnaround with over 21% of providers assessed reporting that they had no untenantable properties during the period.

Delays identified in the completion of non-urgent repairs were also reflected in tenancy turnaround (untenantable). This suggests access to trades were a contributing factor to delays in bringing a property to standard and suitable for letting. Other reported factors contributing to delays included:

- The age of the dwelling and the extent of repairs required to bring it to a tenantable standard
- Insurance claim processes for repairs to properties that are untenantable due to tenant damage or natural disaster. This occurs when a property is owned privately but leased or managed by the provider.
- Unprecedented rain events over the reporting period also caused major leaks, internal damage and resulted in backlogs securing trades, roofers, carpet drying services and plasterers.

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 such as asbestos in older properties it is not unexpected to see variations in results.

DIVERSITY IN THE SECTOR – TIER 3 PROVIDER PERFORMANCE

At the end of June 2022 NRSCH Registrars were responsible for the regulation of 229 Tier 3 providers. This section looks at the results reported by 67 providers who undertook a standard compliance assessment during 2021-2022[1]

Tier 3 providers are diverse in their size and operations. They can be small providers delivering a range of services including specialist disability services, rehabilitation, domestic and family violence, health care and youth services. They can also be larger organisations with community housing a small component of their activities. Tier 3 providers face a lower level of performance requirements and engagement. This reflects the fact that Tier 3 providers are involved in activities that mean they manage a lower level of risk based on:

- Operating at smaller scale, meaning any serious non-compliance has the potential to impact on a smaller number of assets and tenants.
- No ongoing development activities or one-off and/or very small scale development activities.

In some states and territories the number of Tier 3 providers are reducing as providers merge to take advantage of economies of scale and opportunities within state schemes.

Tier 3 providers account for 73% of all registered providers

Trends in data show the number of registered Tier 3 providers in South Australia has reduced by almost 48% since June 2019. In comparison the number of Tier 3 providers in New South Wales has grown by 10% over the same period. The growth of Tier 3 providers in New South Wales can be attributed to a local initiative to increase the number of Aboriginal and Torres Strait Islander Community Controlled Organisations registered under the NRSCH.

NSW Tier 3 Market Segmentation Pilot

The NSW Registrar continues to pilot a varied engagement process with low-risk Tier 3 providers that reduces the regulatory burden on the smallest providers in the subsector. There are currently 73 providers participating in the pilot.

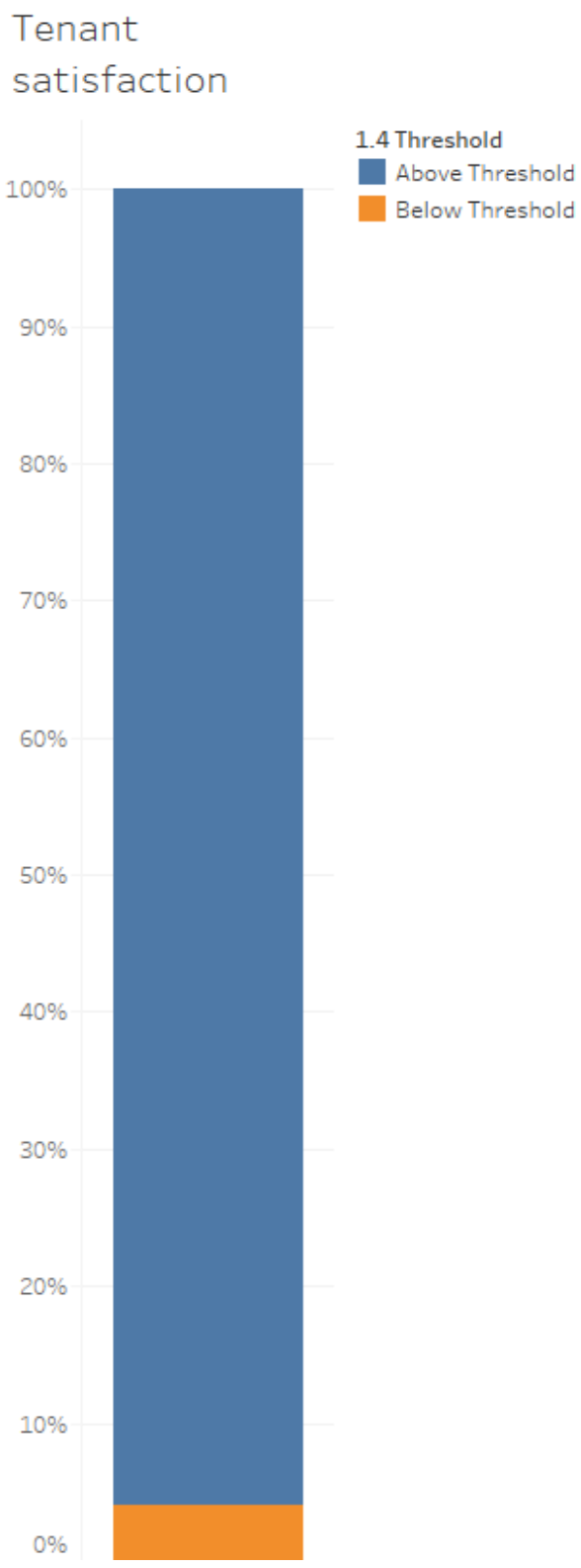
Reporting rationale

The diversity of Tier 3 providers means that traditional metric reporting that is applied to Tier 1 and Tier 2 providers may be distorted when looking at aggregate data for smaller more specialised Tier 3 providers. Presenting comparative data with Tier 1 and Tier 2 CHPs without detailed explanation may provide a false representation of performance. Some of the issues include:

- Providers with a small number of properties may distort results, for example a single vacancy can have an adverse impact on occupancy rates.
- Nomination rights and specialist services may mean that properties are vacant for a longer period to ensure the right tenant is matched to the property.

[1] Excludes 73 providers currently participating in the NSW Tier 3 Market Segmentation pilot who may have undergone a compliance assessment in the reporting period

Figure 10: Tenant satisfaction with overall quality of housing services provided by Tier 3 providers



Tier 3 providers manage tenant and assets well

Tenant and Housing Services and Management Performance Outcomes largely measure the level of satisfaction tenants have with activities undertaken by providers including:

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

Other key indicators include:

- Rent arrears
- Occupancy rate

This Tier 3 report focuses on these key metrics.

Tenants are satisfied

The satisfaction with overall quality of housing services represents the number of tenants satisfied with overall quality of housing services as a percentage of surveys returned. The target indicator for this metrics is >75%.

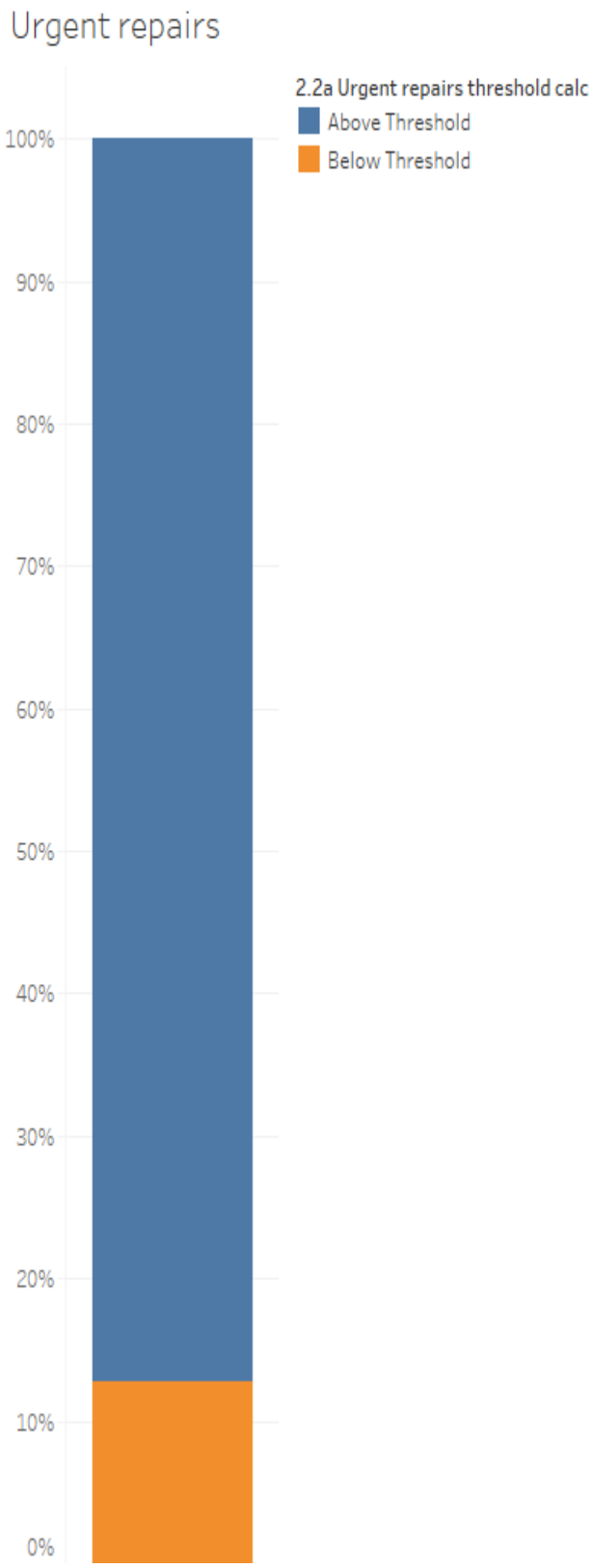
Whilst Tier 3 providers are not required to survey their tenants some providers assessed in the last 12 months had issued tenant satisfaction surveys. Almost 84% of providers who surveyed tenants reported 100% tenant satisfaction with the quality of housing services.

Over 98% of tenants who returned a survey reported satisfaction with the overall quality of housing services. Surveys provide a mechanism for the collection of insights, issues and input from tenants about their experience with a CHP. The feedback can be used to guide improvements and empower positive change within an organisation

Tier 3 providers are responsive to repair requests

Responsiveness to urgent and non-urgent repair requests are an indication of a provider's performance. They reflect how an organisation manages tenancies and assets and when considered with the results of tenant satisfaction surveys demonstrate how tenants believe providers are responding.

Figure 11: Tier 3 provider results for urgent repair requests completed within timeframe



Urgent repair completion

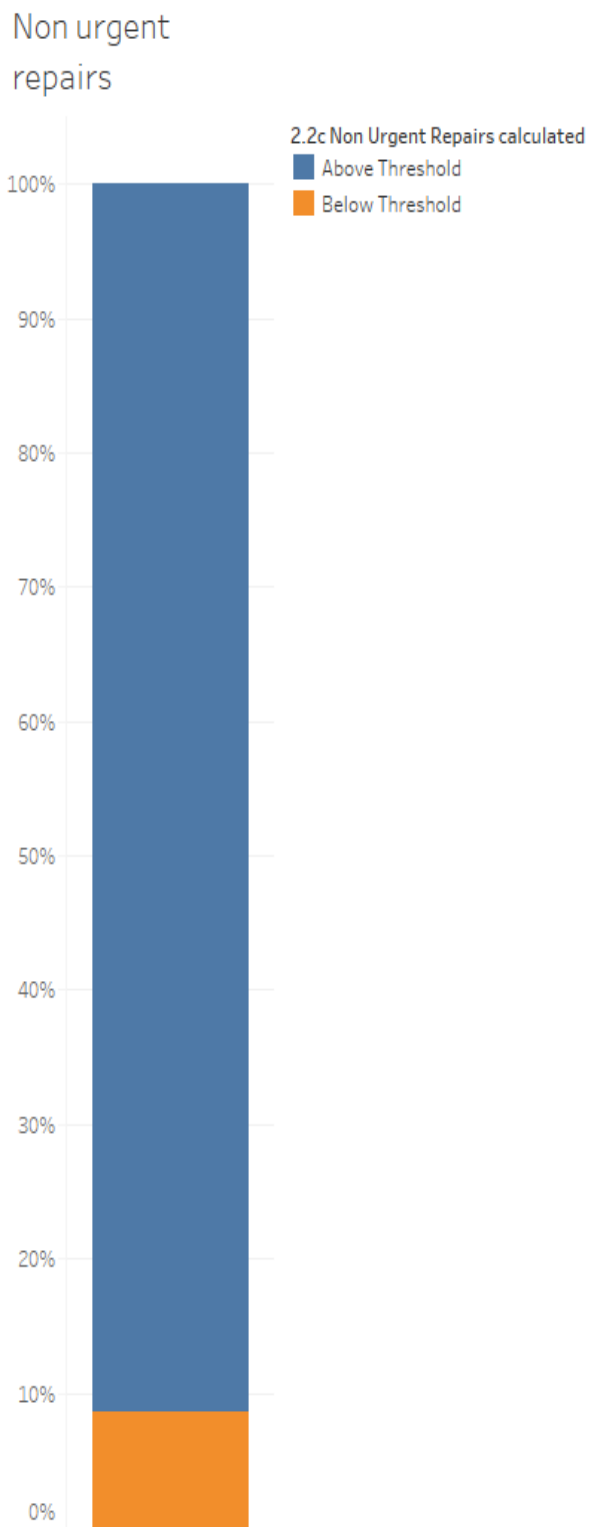
Providers can use their own definition of urgent repairs except where this is specified as part of a contract or agreement with another agency. This metrics represents urgent repairs completed within jurisdictional requirements as a percentage of urgent repairs requested including requests outstanding from the previous year.

Tier 3 CHPs reported consistent results for the completion of urgent repairs with most CHPs having completion rates above the agreed target indicator of 90% completed within the agreed timeframe.

Almost 18% of providers assessed in the reporting period reported the receipt of no urgent repair requests. Of those providers who did report requests for urgent repairs over 92% completed the repairs in the agreed timeframe. Tier 3 providers assessed in the reporting period reported 2,465 urgent repair requests with 2,335 completed within timeframe.

Providers who reported a below target value result for the completion of urgent maintenance were largely an aberration. An individual provider receiving a small number of urgent requests can distort results. In some cases delays in completing one urgent repair request can place a provider below the target value. Other providers reported that there were limitations in reporting as their system did not distinguish those jobs that were attended and made safe within timeframe but environmental or supply issues prevented immediate completion. For example, an urgent roof leak was attended by the contractor to make safe and tarp the roof to prevent further water ingress. However the repair could not be completed whilst it was raining reflecting a delay in the completion of urgent repairs.

Figure 12: Tier 3 provider results for non-urgent repair requests completed within timeframe



Non urgent repair completion

Figure 12 shows that Tier 3 CHPs recorded consistently high completion rates for non-urgent repair requests. The majority of CHPs comfortably exceeded the threshold of 90%.

Similar to urgent repair requests almost 15% of the providers who were assessed in the reporting period reported no non-urgent repair requests. One provider noted the information in relation to maintenance was not available but they had entered into an arrangement with an external provider to complete all planned and preventative maintenance from 1 July 2022. Reporting was a key component of the agreement. Other providers managed properties on behalf of investors but did not have responsibility for maintenance. Registrars continue to monitor these arrangements to ensure appropriate Asset Maintenance Plans are in place.

Over 96% of providers who reported non-urgent repair requests were above the agreed target value. During the reporting period assessed Tier 3 providers received 7,989 non- urgent repair requests with 7,614 completed within the agreed timeframe.

Providers who reported a below target value result for the completion of non-urgent repairs sited system issues and the small number of non-urgent repair requests (and their potential to distort results) as contributing factors to the overall outcomes.

Occupancy Rate

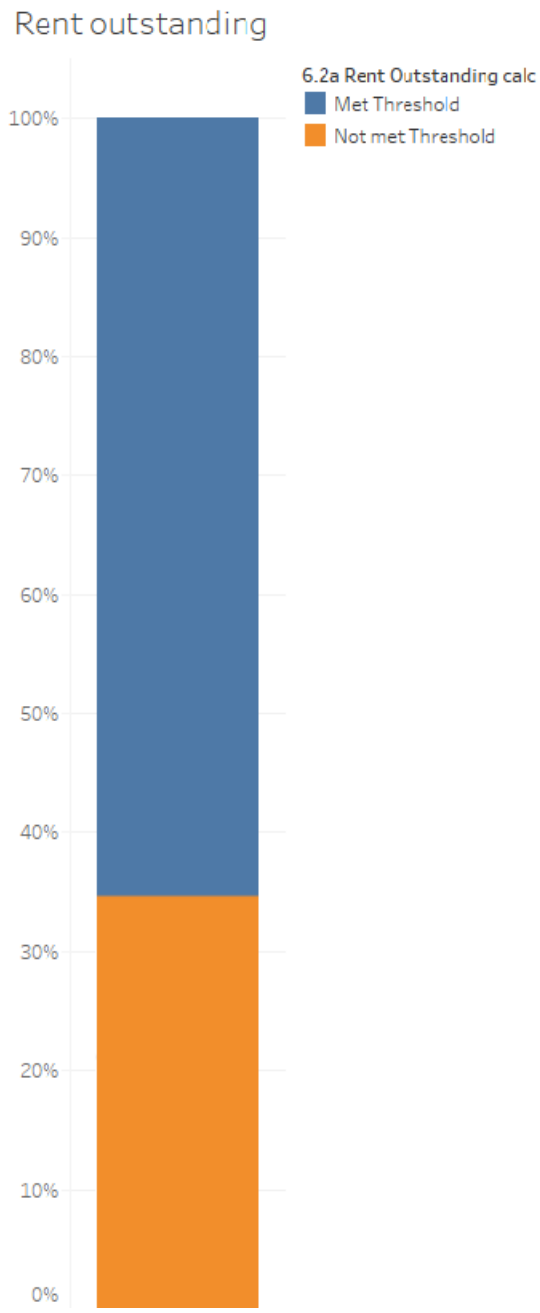
The occupancy rate metrics represents occupied units as a percentage of the total number of tenancy units.

The current target indicator for occupancy is 97%. Over 45% of assessed Tier 3 providers reported no vacant tenantable tenancy units in the reporting period.

Of those providers who reported vacant tenantable tenancy units over 41% met or exceed the target value. Providers who returned low occupancy rates generally had a small number of properties where a single vacancy adversely impacted on occupancy rate results. Tier 3 providers who manage specialised program types that require matching of tenants to properties can result in vacancies with elevated occupancy rates. Likewise for remote areas where supply of housing can exceed demand.

Rent outstanding

Figure 13: Tier 3 provider results for rent outstanding as a proportion of potential rental income



This metrics represents rent outstanding from current and former tenants as a percentage of total potential income. The target indicator for rent outstanding is less than or equal to 2.5% of total potential income.

Over 45% of Tier 3 providers assessed reported no rent outstanding. Of the providers who reported rent outstanding almost 65% met or exceeded the target indicator.

Figure 13 shows that rent outstanding is a challenge for some Tier 3 providers due to specialised services, length of tenure and former tenant debt. Providers with a higher proportion of rent outstanding reported:

- An increase in rent had been applied and a number of tenants had not updated their direct debits to the new rent changes
- Smaller organisations providing crisis/transitional housing are impacted by tenant's inability to pay two weeks rent in advance with delays of up to 17 days for Centrepay deduction processing. Whilst tenants are asked to contribute additional funds to reduce start up arrears over time tenants who leave the accommodation after a short period of time don't have the opportunity to repay the debt fully.
- Breaches in repayment plans for former tenant debt are harder to manage.

Registrars will monitor rent outstanding to ensure it is managed in an effective manner evidenced by the implementation of appropriate systems, policies and procedures.

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