



**Response to the  
Review of the  
National Regulatory System for Community Housing  
(NRSCH)**

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# COAST2BAY HOUSING GROUP'S RESPONSE

## Introduction

Coast2Bay Housing Group is an award-winning not-for-profit community and affordable housing provider. Established as a QLD regional housing council in 1991 we are an independent not for profit company guaranteed by Shares, the majority of which are held by partner not for profit entities.

We are governed by a skills-based Board of nine expert non-Executive Directors drawn from a range of disciplines and sectors and managed by a professional team of 35.

Coast2Bay Housing Group was registered under the NRSCH on 25 August 2014. We have been subject to four annual assessments for compliance since this date.

Coast2Bay Housing Group manages or provides NRAS compliance services for 1,000 properties that supply affordable, safe and appropriate tenancies from the northern edge of Brisbane to Gympie.

We operate programs providing long term, transitional and community managed studio housing units. We are the largest provider registered under the National Registration Scheme for Community Housing (NRSCH) in our region.

In 2017 we established a not for profit business Purpose Real Estate (trading as Purpose Property Management and Sales) as a wholly controlled separate entity and registered charity. It is an affiliated entity under the NRSCH system.

Our organisation leads the way in developing and managing community and affordable housing by working with partners in government, the private sector and the community to expand housing options for people who face barriers in the private housing market place. In addition, Coast2Bay Housing Group has developed disability housing and specialist housing for people with high and complex needs.

Coast2Bay Housing Group is committed to working with the NRSCH team and registrar in Queensland in order to build better housing and sustainable communities. We would characterise our relationship with the NRSCH as very positive.

Coast2Bay Housing Group welcomes the opportunity to provide feedback to the review process. Our overall assessment of the NRSCH is

- That there is a definite and continuing need for a national regulatory system operating with more maturity and confidence
- That by and large the introduction of the NRSCH has been a positive development in national policy and for the sector
- That improvements should be made to NRSCH to provide a better framework for the sector in Australia and our comments in this paper are largely directed at identifying areas for improvement and should be read in this context.

## **A. Overall Comments regarding the NRSCH in Queensland.**

The implementation of the NRSCH and the role of the Registrar in Queensland has been largely determined by the uniqueness of the Community Housing Sector in Queensland compared to other jurisdictions in Australia.

There are a relatively low number of Tier 1 providers (2 of which are multi – jurisdictional), a larger group of Tier 2 providers almost all regionally based and a very large number of Tier 3 providers as well as a significant number of very small and micro providers who remain unregistered. In addition, there are a relatively large number of Indigenous Community Housing Providers, the majority of which have not yet achieved registration.

All Tier 1 and 2 providers have successfully implemented the regulatory requirements of the NRSCH into their systems and processes, despite significant duplication and overlap with the monitoring systems operated by the Queensland Government.

In the first 5 years of NRSCH operation a significant proportion of the NRSCH teams' efforts in the State have been focussed on supporting Tier 3 providers and those unregistered providers to gain registration. This has largely been dictated by the Queensland Government policy team and has been supported by the activity of QShelter in their role of building capacity across the sector.

It would be fair to say that whilst many Tier 3 providers have benefitted from this focus, overall a significant proportion of unregistered providers remain in place at this point in time. This must be a concern not only to the sector but to the NRSCH team and State Government.

It could be argued that the focus on Tier 3 providers has resulted in less focus and attention to maturing the NRSCH for larger providers and in particular those who aspire to greater strength and capacity as outlined in the National Industry Development Framework (NIDF). This has been a missed opportunity and a potential waste of valuable resources in the NRSCH system as it has been applied in Queensland.

The relationship with the Registrar and the sector has not always been easy, partly due to some of the issues raised in the operation of the NRSCH assessment process (as highlighted in the more detailed comments in this response).

Nevertheless, in the last year relationships have significantly improved as a maturity of understanding has grown. We would welcome participation in more round tables facilitated by the Registrar so issues for the sector and those between the sector and the Registrar can be addressed in a constructive way.

We believe that the NRSCH should in the future be far more focussed on providing a framework that allows Community Housing Providers in Queensland to continue to give significant added value in their approach by

1. Maximising revenue through a variety of sources including capture of CRA assistance payments.

2. Maximising leverage by using housing assets as security against private finance to grow stock
3. Maximising the advantages that charitable status with GST exemptions can give
4. Providing greater and more innovative borrowing capacity through the NHFIC and other mechanisms
5. Providing flexibility and responsiveness to local needs
6. Sourcing philanthropic recipients
7. Partnering for greater capacity and responses across other social policy areas such as the NDIS
8. Delivering newer housing stock in areas where poor stock exists
9. Providing housing that is better matched to demographic profile and more locally focussed
10. Cementing significantly high levels of tenant satisfaction compared to those in public and private housing options, particularly tenants with complex needs

In short, the Community Housing sector in Queensland has unique advantages that can assist in improving housing outcomes for all Queenslanders. The Community Housing Sector brings innovation and responsiveness. Our structures can amplify the investment made by government. Community Housing Providers are able to attract private and institutional investment. We deliver and manage community and affordable housing in an efficient and effective way. The provision of affordable housing is our core business and we operate with commercial sophistication.

In short, we need a more mature NRSCH system designed for the future development of the sector and a system supports this and achieves the aspirations set out in the National Industry Development Framework.

## B. Regulation of Community Housing

### 1. Is regulation still required and relevant to the Community Housing Sector. Why / why not. What do you think regulation of this sector should aim to achieve?

Yes, regulation is still required. Overall our view is that the current NRSCH has achieved a great deal for the sector and gone a long way to meet the overall objectives of the IGA.

Overall, our view of is that regulation should be focussed on **all of the outcomes** from the NIDF, and should support the sector and Governments to develop policy to achieve this.

Overall, our view of the achievement of outcomes from the NIDF has been mixed since the inception of the NRSCH. Whilst the framework itself is largely directed at State Governments, we believe the NRSCH has a major role in supporting the sector and the development of Government policy to achieve the aspirations of the NIDF.

Specific comments under the NDIF are as follows:

#### i) Outcome 1 – Governance and Risk Management

From our perspective, the principles of skills-based boards; strategic leadership; autonomy from Government; robust business development; and partnership development has always been strong and not necessarily been enhanced by the introduction of the NRSCH in the

case of Coast2Bay Housing Group. The NRSCH may have validated an existing framework but certainly not enhanced it.

Development of strategies from the State Government to support these principles has been poor, uncoordinated or non-existent. The Regulator should have a greater role in providing independent advice to the State Government to ensure Outcome 1.

## ii) Outcome 2 – Construction and Development

These principles have largely not been secured in Queensland. The introduction of the NRSCH in Queensland has not secured strategies from the Queensland Government to support these principles. Although the recent announcement of the 'Partnering for Growth' strategy may provide an opportunity for this.

## iii) Outcome 3 – Finance

The principle of the NRSCH providing assurance and understanding from the Finance sector has not been achieved. From our experience there is little understanding in the finance sector of the NRSCH and in particular the Tier structures.

We feel strongly that the State Government has not used the NRSCH system to provide strategies to maximise leverage in the development process. A role for the Regulator in Queensland to achieve this has been a missed opportunity post the implementation of the system since 2014.

## iv) Outcome 4 – Regulation

In our view, overall this outcome and the principles have been achieved.

## V) Outcome 5 – Workforce Development

These principles and supporting strategies have, by and large, not been achieved.

Our view is that the NIDF is a good document with strong and aspirational principles and strategies that should be embraced for the future.

### **2. Should community housing regulation apply to all forms of affordable housing, including for profit providers. What modifications to the NRSCH would be required to appropriately support their inclusion.**

The current regulation framework should extend to affordable housing delivered by not for profit providers.

We question the validity and suitability of a regulatory system that aims to provide a single framework that covers not-for-profit and for-profit providers.

This review should make recommendations to the Federal Government on a way forward in this area that preserves and enhances the strength of the not-for-profit providers and provides a more meaningful framework applicable to the profit providers.

Our view is that not-for-profit providers can provide a better, more comprehensive, set of community outcomes in perpetuity and national policy should be designed to enhance this.

We would support a review of the NRSCH system and key objectives and outcomes in the Inter Government Agreement that specifically addresses the complexity and conflict around the issue of for-profit providers.

**3. What do you think the vision for regulation of the sector should be moving forward and how could the design and operation of the NRSCH support this? What role should the NIDF have in the NRSCH**

Overall, our view of is that regulation should be focussed on all of the outcomes from the NIDF, should support the sector and Governments to develop policy to achieve this. See our response to question 1.

**4. What is the impact (positive and negative) of having three different regulatory systems across Australia? Would there be benefits in WA and Victoria in joining the NRSCH.**

The impact is negative. The system is not truly national. It has been an impediment to achieving national consistency and cohesion for the sector. Costs of regulation have been higher as a result. Victoria and WA should be brought into the scheme through a system of transition and harmonisation

## **C. Design of the scheme**

**5. Are the purpose and objectives of the NRSCH and the IGA still relevant? Do they appropriately address current and future challenges?**

Overall our view is that the current NRSCH has achieved a great deal for the sector and gone a long way to meet the overall objectives of the IGA and these are still relevant.

However more emphasis is needed to ensure that the framework does truly provide

- a regulatory system to support the development of the sector
- a truly national system with the inclusion of WA and Victoria to capture Federal initiatives and resources more easily
- policy that paves the way for future industry development

Coast2Bay Housing Group is extremely disappointed that the review of the NRSCH and the Terms of Reference for the working group specifically exclude the prospect of regulation of Public Housing.

In line with key recommendations from the Productivity Commission, we believe a consistent and standard NRSCH should apply to the delivery of public housing. This would provide a

level playing field and allow for national policy makers to shape social policy in housing around findings and data from such an enhanced system.

For too long, the State-based systems of policy development combined with resource allocations, funding model design; direct service delivery; and control and regulation of the Community Housing Providers has disadvantaged the Community Housing Sector and advantaged the Public Housing systems. This has resulted in poorer outcomes for tenants and communities.

A new National Regulatory system should apply equally across the Social and Affordable Housing spectrum.

**6. Is there sufficient flexibility in the NRSCH to achieve its purpose and objectives?**

No, the system is a 'one size fits all system' across each Tier and this will not be satisfactory for the future. Greater variance by Tiers and across Public Housing and for-profit providers will be needed, whilst identifying key metrics and standards that will need to be consistently applied across the more differentiated elements.

**7. Are there existing forms of regulation that overlap with the NRSCH?**

Yes, there is an overlap with ACNC requirements, Accountancy/Audit Standards and in Queensland the regulatory burden from the State Government (Community Housing and Charity Regulations)

Despite broad announcements in Queensland that the NRSCH would end areas of duplication in monitoring, assessment and compliance, this objective has not been achieved. As a result, a significant additional burden has been placed on providers in Queensland. This has, by and large, created a double and triple compliance system and used up valuable resources in maintaining it, resources that could have been directed to developing the sector.

**8. Is there any other role the NRSCH should be undertaking that it is currently not?**

The focus should be on delivering more of the original objectives that still remain aspirational (see response to question 1)

Too often, it has felt as though the creation of the NRSCH has been an impediment to the growth in the sector. We question the application of a risk-based approach that is focussed on the past performance and appears designed to encourage risk averse boards as opposed to ones that can accurately assess and mitigate future risks; encourage healthy risk appetite that can support necessary growth.

**9. Is the current design of the NRSCH conducive to efficient and effective regulation of the sector? Could the design of the NRSCH be improved or streamlined?**

Overall our view is that the design of the Charter is good. Whilst the initial operation of the system for regulation was immature, we have seen year-by-year a gradual improvement in



confidence and expertise through the annual assessment process for compliance. However, more maturity is needed.

Notwithstanding this, there have been some areas of frustration in the actual implementation of the NRSCH policy and procedures. These are:

i) **Operation of the CHRIS upload system**

Despite an aim to reduce the number of documents required each year for uploading, our experience has been that large amounts of documents are continually uploaded each year unnecessarily. This is time consuming and frustrating. The process should be cumulative.

ii) **Confusion between Regulatory System vs Quality Assurance Systems**

On occasions, there has been confusion with some analysts in regard to their role as officers in a regulatory system. The system itself is not a quasi-quality assurance system. A lack of understanding of the difference between these two models has created an unnecessary tension in the annual assessment for compliance process. More understanding and training is required for analysts.

iii) **Formal email notifications**

Formal notifications through the CHRIS system do not always arrive. This needs to be fixed.

iv) **Inappropriate requests for engagement with Board Directors**

Early in the application of NRSCH annual assessment for compliance, specific engagement with Board Directors was requested; including suggested attendance at Board meetings. This was seen as wholly inappropriate and soon abandoned for providers that were compliant. Again, this provided unnecessary tension in the annual assessment process.

v) **Lack of knowledge of the Community Housing Industry by individual Analysts**

To truly regulate effectively, individual analysts need to have a high degree of understanding, not just of the sector, but also how independent public companies are run and what role Directors play in the leadership of organisations with specific reference to fiduciary duties. Our experience with some individual analysts has been mixed in this area, particularly early in the establishment of the annual assessment for compliance process. A greater emphasis on skill and knowledge development for analysts may assist in the future.

vi) **Manufactured recommendations**

Our view is that specific recommendations in outcome areas have, in some instances, been unnecessarily manufactured after annual assessment process. Identifying very minor issues



and building these up to require a recommendation. We are unsure of the motivation for this approach but we would welcome greater consistency and discussion on when and in what circumstances a recommendation is merited.

**10. Is there currently sufficient oversight over the operation of the NRSCH?**

Individual Community Housing Providers are unaware of what formal oversight there is. What does appear to be the case is that the Regulators themselves provide their own oversight, by means of national forums. As such there is difficulty in making an assessment against this question.

**11. Should the NRSCH be modified to better regulate smaller CHP's,**

Yes, for Tier 3 providers and for micro providers.

**12. Are the indicators and thresholds in the Evidence Guidelines appropriate for demonstrating compliance with the National regulatory Code?**

The indicators need some review. They are also subject to continuous adjustment through definitional changes. This has made it difficult to look at trends over time and impacted on the development of KPI's that can align with the NRSCH on a year by year basis.

**13. Are Registrars enforcement and investigative powers sufficient to protect tenants and public assets allocated to CHP's**

Yes. Although here again more maturity in this role will be required.

## **D. Operation of the NRSCH**

**14. Has the NRSCH been implemented in a way that is consistent with its regulatory principles?**

Overall, our view is that only some of the regulatory principles (proportionate, accountable, and transparent), have been successfully applied through the policies and processes that have been developed and implemented. There is still more work to do to enhance the principles of consistent, flexible and targeted approach. A review of the current system should focus on these areas to ensure greater maturity.

Specific areas of concern are

- i) **Providing a flexible system that supports growth in the Community Housing Sector**

This has not been achieved in our view. Too often, it has felt as though the creation of the NRSCH has been an impediment to the growth in the sector. We question the application of a risk-based approach that is focussed on the past performance and appears designed to encourage risk averse boards as opposed to ones that can accurately assess and mitigate risks; encourage healthy risk appetite that can support necessary growth.

## ii) Consistency in Approach

In our view, there is some evidence of an inconsistent approach in application of the NRSCH system. Individual staff members report anecdotally that senior officers in CHP's report different experiences in the application of policy and procedures by jurisdiction through the annual regulatory assessment for compliance. This has led to the view that Queensland has in practice a different approach compared to other states. More could be done to resolve identified inconsistencies. No doubt the Regulators themselves can identify these areas by jurisdiction.

We believe the State-based application is a significant barrier to consistent application. Coast2Bay Housing Group would support the creation of a truly national system possibly through the NHFIC or other Federal Government initiative.

## iii) Independence from State Governments / Accountability

Our experience is that there is not true independence in the NRSCH in respect of relationships with State Governments. Exchange of information; misinformation; local secondment arrangements; hosting arrangements and other overlapping responsibilities all lead to a climate that mitigates against a truly independent role for the NRSCH and for day to day activity and priorities set by the Registrars.

## iv) Accountability Eliminating duplication with State-based Compliance Systems

Despite broad announcements in Queensland that the NRSCH would end areas of duplication in monitoring, assessment and compliance, this objective has not been achieved. As a result, a significant additional burden has been placed on providers in Queensland. This has, by and large, created a double compliance system and used up valuable resources in maintaining it, resources that could have been directed to developing the sector.

## v) Risk systems

The risk analysis process in the NRSCH assessments is always 'backward facing' and not sufficiently differentiated between the Tiers.

We stand by our comments about the risk system creating an unintended consequence of risk aversion with Boards – particularly those at Tier 2 – who aspire and should be supported through the NIDF to graduate to Tier 1.

### **15. How could CHP's data reporting requirements be better streamlined to reduce compliance burden, including overlap with other regulatory systems**

This area should be an area of development under the NRSCH in the coming year. As we have multiple reporting systems the expenditure required to capture data and customise

software is unnecessarily large. Consultation with the sector on how this could be streamlined is needed through workshops and detailed discussions.

#### **16. Does the NRSCH provide sufficient information to stakeholders?**

No. We would support the better use and sharing of data from the NRSCH System, providing that assurance on issues such as consistency in application across jurisdictions is secured.

Coast2Bay Housing Group would welcome the creation of official benchmarking data for help in ensuring continuous improvement in key areas such as metrics on tenancy turnaround; evictions; tenant satisfaction; and other appropriate metrics.

We believe the national register is a good tool and does not need major change, although, it could be developed and enhanced further.

Our view is reporting requirements should be reviewed to ensure unnecessary full annual assessments for compliance are eliminated and areas of duplication in uploading documents is removed. Providers who achieve satisfactory compliance over a number of years could perhaps face a less burdensome approach whilst still following the evidence guidelines. National consultation on this may facilitate a better approach and remove any inefficiencies and duplication in the current 'one size fits all' methodology.

#### **17. Are NRSCH communications with stakeholders effective in demonstrating the purpose, operation and performance of the NRSCH and relative performance of CHP's**

Communications are constrained by the following practical difficulties.

##### **i) Financial Viability (FPR)**

We have experienced significant frustration with use of the FPR and what appears to be Queensland specific interpretations of national definitions. Significant energy and resources have been unnecessarily spent in resolving issues on an annual basis. Inappropriate use of State-based finance summaries as opposed to audited accounts has not helped.

##### **ii) Operational Guidelines**

We have had a varied approach to the annual assessments for compliance since 2014 and felt that a more targeted approach should have been adopted in order to improve communications with stakeholders.

##### **iii) Tier Guidelines**

We believe the Tier Guidelines are a fairly blunt instrument and need revising. They are unsatisfactory. Although correctly applied in Queensland they have not assisted in achieving

a sufficiently detailed analysis of the status and situation of Coast2Bay Housing Group. We consider ourselves to operate a Tier 1 compliance standards and yet don't meet the specific definitions in the current Tier system. There is little information on the process for a review of Tier and movement between Tiers seems open to arbitrary assessment. It also seems impractical for organisations to oscillate between Tier 1 and Tier 2 depending on the scale and timing of development projects. We believe the Tier Structure needs fundamental review after a process of consultation with the sector

#### iv) Evidence Requirements

There may be a need for a review and simplification of these requirements for the future.

#### **18. Does the NRSCH provide CHP's with clear guidance and feedback regarding registration, compliance assessment and enforcement? Are there any issues with the operation of CHRIS?**

In broad terms Yes.

Despite an aim to reduce the number of documents required each year for uploading, our experience has been that large amounts of documents are continually uploaded each year unnecessarily. This is time consuming and frustrating. The process should be cumulative – year on year – and uploads could be done throughout the year for core documents.

#### **19. How has the NRSCH affected tenant outcomes? Have tenant outcomes improved?**

There has been a limited number of tenant outcomes through the NRSCH. The focus on complaints and tenant satisfaction has had a limited impact. Overall significantly more emphasis should be made in improving tenant outcomes, improving community engagement and in measuring tenant and housing services.

### **E. Current and Future Challenges**

#### **20. Should the NRSCH be modified to better regulate ATSI CHP's**

Yes. We currently assist an Aboriginal Association and believe that a close alliance between providers could be one mechanism to assist Indigenous providers in the NRSCH. Registrars should work with peak bodies to help achieve similar models for other providers.

#### **21. Is the current risk management approach to the NRSCH appropriate? Does the tiered system adequately capture risk. What improvements could be made.**

No. A much more flexible approach is needed. The NRSCH should commission specialist and technical input to recalibrate and reset the risk frameworks within the NRSCH system.

#### **22. Has the NRSCH reduced regulatory compliance costs for multi-jurisdictional and multi-functional CHPs'**

Coast2Bay Housing Group does not fit these categories so is unable to comment.

**23. Has the NRSCH impacted CHPS decisions to enter new jurisdictions?**

Coast2Bay Housing Group is unable to comment.

**24. What role should the NRSCH have in building the organisational capacity in the sector?**

See response to question 1.

**25. Could CHP's data reporting better support increased investment in the sector.**

Coast2Bay Housing Group would welcome the creation of official benchmarking data for help in ensuring continuous improvement in key areas such as metrics on occupancy, tenancy turnaround; evictions; tenant satisfaction; and other appropriate metrics. A revised financial assessment would also aid greater investment possibly mirroring a credit rating agency score system.

**26. Has the NRSCH impacted sector growth and development?**

No and this is major issue. See response to question 1.