



Angelina Yannuccelli
Director
Social Housing Regulation Review

Date: 11 July 2021

Dear Angelina

Social housing in Victoria – Background and scoping paper

Thank you for sending the Community Housing Industry Association (CHIA) this background paper. Our state colleagues at CHIA VIC have led the community housing sector's response and so these comments are provided as a complement to their submission. I have in particular identified questions that a second issues paper might consider. I have also focused my comments on the non-government housing sector.

The paper provides a good summary of current housing provision for low-income households in Victoria, together with useful background information about the regulatory environment. It would have been even more useful to provide information about the operation of the current regime and the comparison with the NRSCH. The absence of an impartial assessment of the national system was a shortcoming of the NRSCH review as it was difficult to assess what wasn't working, why it wasn't working and what was required to ensure the system met future challenges,

Together, the paper and the review's terms of reference prompted me to make the following points.

Regulatory Purpose

Prudential v tenant outcomes (and value for money)

It is laudable that the Victorian review aims to focus on tenant centred outcomes. From our perspective such a focus does not preclude 'prudential' considerations such as financial viability and governance but places equal weight on asset management, and tenancy services. Recent conversations with investors suggest that they are very concerned about the performance and reputational risk from being associated with an organisation that fails its tenants. The increased interest in ESG reporting requirements is one obvious example of these broader concerns.

One concept from the English regulatory system that may be worth exploring is that of 'value for money'. While it can be defined in narrow financial terms if expenditure is related to the services delivered, it could be a valuable measure to help identify where resources are well or not so well deployed.

There is a foundation on which to build in Australia. [Research](#) on cost effectiveness was undertaken by City Futures Research Centre (CFRC), UNSW for AHURI and CHIA NSW built on the methodology to collect data in its HouseKeys benchmarking service.

What is being regulated

This seems obvious but worth making clear that regulation is covering functions associated with building and maintaining homes and providing a tenancy management service; not individualised support / social services. Housing providers may be required to respond sensitively to individual needs but they also need to balance individual outcomes with broader community responsibilities; whether this is ensuring income is collected to deliver services, or ensure a housing block / estate is a safe and pleasant environment for all residents. We'd also argue that regulation is separate from complaint resolution mechanisms.

Consumerist focus?

Reference to Productivity Commission report on Human Services implies endorsement of a view that social landlords should attempt to maximise choice over service provision. The most important housing choice – choice of property – is very difficult to achieve in a non-market system. Regulatory frameworks can however emphasize the principle that social landlords should configure their services in a customer-focused way. Offering repairs appointments is an example.

Nevertheless, the reality that social housing tenants can be offered little real choice over services is an argument against the importation of the term 'customer' into social housing. A customer is someone who can exercise consumption choices. However, it is a reasonable aspiration that social housing tenants are treated *as if* they were customers – in other words treated with respect, as well as politeness.

The meaning of tenant centred

This leads us to defining tenant centred which can mean different things to different stakeholder groups. Arguably the focus in Australia has been on individual tenant views as expressed through tenant surveys, rather than the degree to which tenants' perspectives inform decisions that impact on their homes and / or services received. While emphasising the latter in future regulation is important the support and resources to enable tenants to participate in a meaningful way will be critical. There are no comparable bodies to [TPAS](#) currently operating in Australia to support tenants and their housing providers develop participatory mechanisms.

Regulatory Form and Function

Understanding the resources and expertise available to deliver the desired regulatory purpose is critical as this will inform the options respondents put forward to address the desired outcomes. One fundamental question is whether the regulatory regime should be one that provides reasonable confidence that all registered providers meet a set of minimum standards (essentially the current risk-based compliance regime) or, one that seeks to determine current provider performance and aims to raise overall standards (akin to the inspection regimes that existed in the UK). The latter recognises that while outcomes focused measures of assessment sound sensible, they can miss a lot. High tenant satisfaction, low rent arrears, and responsive repairs services tell only part of the story,

An inspection regime is however, expensive but if its outcomes are desirable and resources are tight, the review should canvass opinions on potential options that are currently feasible including:

- How other parts of broader performance system – such as industry standards – could complement regulation
- Hybrid options that combine risk-based compliance with targeted activity (short notice inspections, in-depth thematic investigations) that focus on systemic challenges or topical issues for all or parts of the sector.

Regulatory Status

Housing regulation has a low profile and hence status. We want to see this tackled as it is in the sectors interests that external stakeholders understand its value. The review’s remit tackles some of the issues that contribute to this including:

- The lack of good data and information in an accessible format. The Victorian regime has recently introduced individual performance snapshots, which is an improvement on the national system. However, basic contextual information on property numbers for example is not available in a consistent standardised fashion.
- Communications are internally focused on participants not on the stakeholders who rely on regulators
- Governments and agencies do not place weight on regulators findings and often compensate for perceived weaknesses by developing alternative performance requirements.
- There is no independent governance of any of the three regulatory regimes
- We argue that one national regulator would be in a stronger position to engage as equals with other government policy makers agencies and investors

We encourage the review to make improving the visibility and status of regulation a priority.

Regulation in the Future

The risk of a stock take is that respondents navel gaze rather than anticipate the future challenges / issues. A complementary paper scanning the future environment is essential; including.

Understanding the future providers of social and affordable housing.

Both the Big Housing Build and Commonwealth policy are driving not just changes in existing ‘traditional’ Community Housing Organisation (CHO) behaviour but the emergence of new players and different structures. This is visible in Victoria with one SPV already registered. If as anticipated the NHFIC review opens up the possibility of the organisation lending to non registered non profits this will be aimed at entities such as Nightingale, Assemble and other ‘build to rent’ subsidiaries of large developers - a very different breed than those identified in the paper.

Victoria is also likely to see an increase in the number of registered organisations, particularly those operating in multiple jurisdictions. Many will have head offices outside Victoria, and be involved in multiple projects across Australia.

Being clear what are the major risks / challenges facing the housing sector.

Climate change is obvious one. The BHB is ambitious on what it wants to achieve and the Commonwealth Trajectory to Zero for Residential Buildings will apply to existing social housing. We know from colleagues in the UK that the costs are substantial and impacting on other of their activities. CHIA and CHIA VIC are both involved in projects to examine the impact and issues arising.

Other clear risks that CHOs will need to manage include NHFIC refinancing and the tendency for governments to shift the risk burden to providers. Understanding these risks will also suggest what skills and expertise the registrar's office will need.

Finally, CHIA strongly supports one national regulatory scheme. We recognise that the NRSCH can be improved. We hope that this review assess the reasons why the Victorian government has not joined the NRSCH and provide an opportunity for an open discussion with all stakeholders about future participation. Do you foresee this topic being one of the future consultation papers or workshops.

We look forward to participating in future discussions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Wendy Hayhurst', with a stylized flourish at the end.

Wendy Hayhurst, CEO