

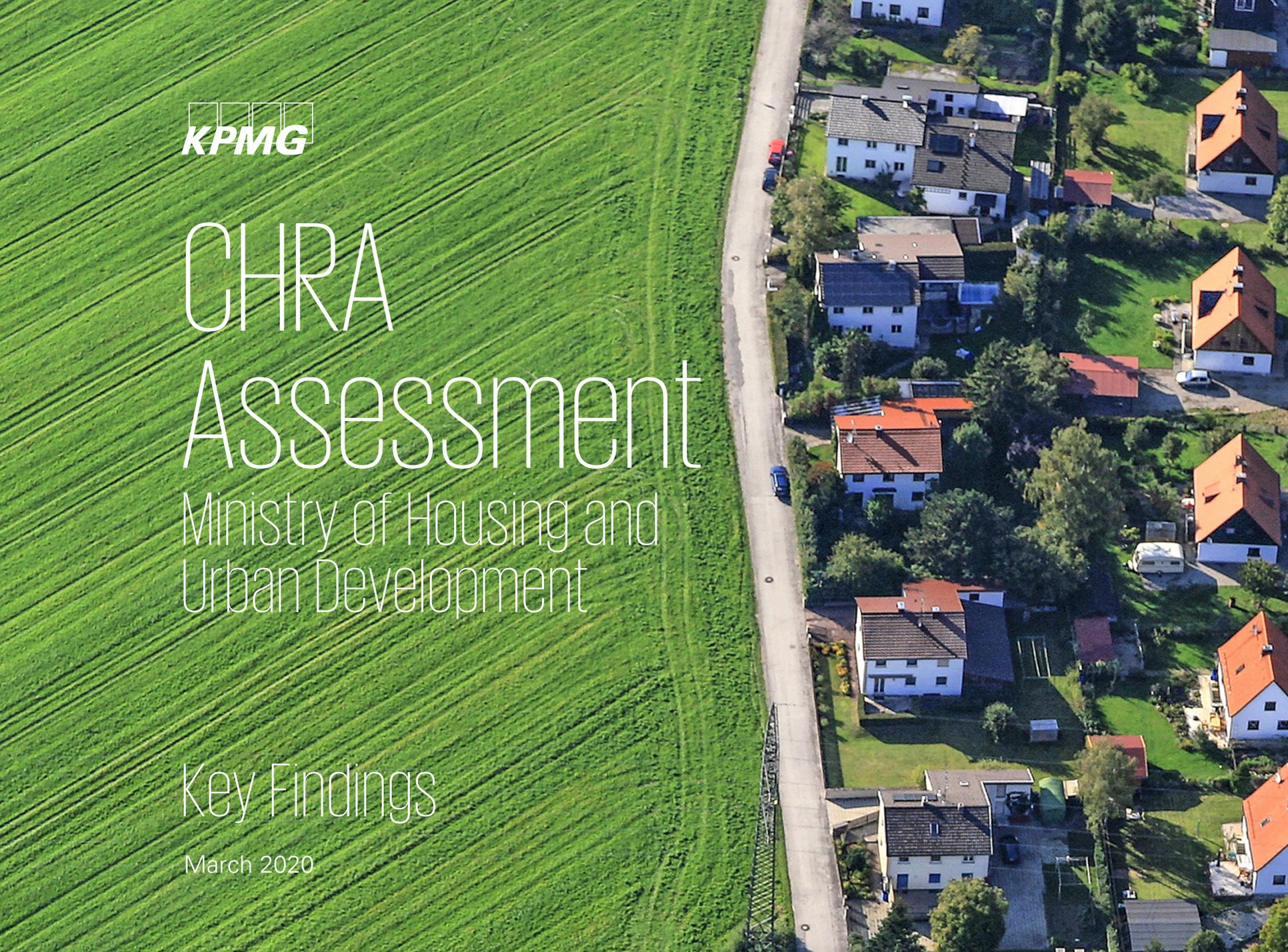


CHRA Assessment

Ministry of Housing and
Urban Development

Key Findings

March 2020





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PROSPERITY

We passionately believe that the flow-on effect from focusing on helping **fuel the prosperity** of our clients significantly contributes to ensuring that our communities, and ultimately our country and all New Zealanders, will enjoy a more prosperous future.



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28 February 2020

Dear Stephanie,

Community Housing Regulatory Authority Review

Thank you for the opportunity to undertake a current state assessment of the Community Housing Regulatory Authority (CHRA), and to identify opportunities to enhance the effectiveness of the function within the team itself and in its engagement with the sector.

Our work has included the following components:

- Reviewing and analysing documentation and data detailing the current state of CHRA, including the Business Plan, process maps, guidance notes, and examples of evaluation reports and annual reviews;
- Engaging with CHRA team members and external stakeholders to understand the current activities CHRA undertakes and any risks, issues and opportunities for improvement; and
- Compiling and analysing all documentation and information sourced and establishing key findings, recommendations and next steps.

This document provides a summary of our work and documents our recommendations and next steps.

Kind regards,

Peter Chew
Director, Advisory



Inherent Limitations

- *This report has been prepared in accordance with our Engagement Letter dated 04 September 2019. The services provided under our engagement letter ("Services") have not been undertaken in accordance with any auditing, review or assurance standards. The term "Audit/Review" used in this report does not relate to an Audit/Review as defined under professional assurance standards.*
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Background

The Community Housing Regulatory Authority (CHRA) was established through the Social Housing Reform Programme and has been operating as the regulator of social housing in New Zealand since 2014. Initially forming a part of MBIE, CHRA now sits within the System Performance Group at the Ministry of Housing and Urban Development.

At its inception, CHRA was intended to:

- Register and regulate Community Housing Providers (CHPs) to ensure their tenants are appropriately housed; and
- Support the growth of a fair, efficient and transparent community housing sector.

The social housing landscape has changed significantly since 2014. The change in Government coupled with the housing crisis saw a move in focus from understanding the cost of the sector, to ensuring that enough social housing is provided to meet demand.

In particular, there has been a growing focus on providing emergency and transitional housing, which encompasses placement in housing and provision of appropriate support services. This has reduced government focus on the social housing sector.

CHRA considers that the focus should be on long-term social housing. Currently there is a bottleneck in which households receiving emergency and transitional housing support do not have anywhere to go at the end of the 12 weeks of emergency / transitional housing support.

At the same time, the type of landlord seeking registration as a Community Housing Provider (CHP) has changed. At CHRA's inception it was expected that the number of CHPs would level out, and the existing CHPs would expand their housing portfolio to meet demand. Instead, the CHP sector has yet to mature, which KPMG understands is because sustained capital funding for registered CHPs has not been available. Consequently, the CHP sector has few entities capable of delivering large-scale new social housing.

While the increasing number of providers is seen by some as encouraging, there is a question around whether the sector is attracting landlords that have the capacity to provide appropriate social housing. The introduction of direct leasing in the sector has also created a discrepancy in the level of regulation housing providers across the sector are governed by: CHPs are required to meet regulatory performance standards at least annually,

whilst some private developments have received capital funding without having to meet any requirements beyond an appraisal of the initial proposal.

This significant change within the sector has not, in KPMG's opinion, removed the need for a regulator with CHRA's objectives; if anything it has strengthened the requirement for an organisation which supports independent providers who can meet community housing needs.

The role and function of CHRA has not been reviewed since its inception. In September 2019 KPMG was commissioned to undertake an assessment of CHRA and its role in the community housing sector. In particular, in the course of our work we have looked to answer the following questions:

- 1 **How does CHRA's current activities align to its purpose and vision?**
- 2 **What are CHRA's flows of activity across the system?**
- 3 **How does CHRA link to other organisations within the sector?**
- 4 **What are the opportunities for improvement within CHRA and across the sector?**

Scope and Approach

Scope

The scope of this work was a review of the current state of the CHRA, including gaining an understanding of CHRA's current activities, allocation of staff effort across those activities, and CHRA's role within the social housing sector. The review of CHRA's activities covers the activities encompassed in the value chain on page 9. The review includes how CHRA interacts with other parts of HUD, but excludes an in-depth review of any other functions.

Approach

To understand the current state and provide recommendations for improvement, the following approach was applied:

Current state analysis

- Identify current CHRA activities
- Understand the apportionment of current staffing time to each key activity
- Understand how CHRA engages with other organisations / entities across the sector

Future state analysis

- Identify opportunities for efficiencies within current process, as well as to enhance CHRA's effectiveness across the sector.

Gap analysis

- Identify key tasks to be completed to establish future state.

Recommendations and Next steps

- Present findings
- Recommend next steps to be completed to establish future state.

Current State Analysis Approach

KPMG's approach to the current state analysis comprised four key steps as outlined below:

1

Review of current state documentation and data

KPMG completed a desktop review of key CHRA documents, including the Business Plan, process maps, guidance notes and example evaluation reports and annual reports. This also included sourcing data relating to the registration and monitoring processes.



2

Stakeholder Interviews

Interviews were carried out with a number of CHRA's stakeholders, including CHPs and representative bodies for CHPs, to understand:

- How they engage with CHRA
- Positive elements of their engagement with CHRA
- Opportunities for improvement for their engagement with CHRA and across the social housing sector.



3

Internal Workshop

An internal workshop was carried out with the CHRA team to understand the activities CHRA currently carries out, how staff apportion time across those activities, and opportunities for improvement.



4

Analysis

A review and analysis was conducted of data collected from the workshop, interviews and data analysis.

Recommendations and next steps were developed regarding the future state of CHRA.



Key Findings

A summary of the key findings of our review is shown below. Further detail on these findings is provided on pages 9 – 21. Our recommendations and suggested next steps are shown on pages 22 – 29.

- **CHRA's core activities are closely aligned to its purpose and vision, and the team is well-respected in the sector:** Each of CHRA's core value-chain components are linked to its purpose of registering and regulating Community Housing Providers and providing assurance that NZ's community housing sector is fair, efficient and transparent (see pages 9 and 10). This should lead to the outcome that all New Zealanders who require access to community housing are housed in safe, secure, long-term housing. In addition, CHRA stakeholders engaged by KPMG noted that the CHRA team are professional, and capable of working to meet the intended outcomes. However, it was identified that a lack of capacity within the team can reduce the teams' ability to meet demand effectively (see pages 15-17).

- **The CHRA teams' focus on registrations at the expense of other core activities reduces their overall effectiveness and potentially exposes them to risk:** CHRA's only externally assessed KPI relates to the processing time of applications. This, coupled with the increasingly complex nature of applications, means that the majority of the team's time is spent on processing applications for registration (46%). As a result, less time is spent on the annual monitoring process (18%) and other value-adding activities such as engaging with the sector (<1%). While registering CHPs is undeniably a critical component of CHRA delivering on its vision, arguably the most important activity in ensuring that housing is safe, secure and long-term, is to monitor the performance of current CHPs. In addition, key stakeholders engaged with, including CHPs, identified that they wish to have higher engagement with CHRA but that this is not currently possible due to a lack of capacity within the team. Indeed, while the CHRA Business Plan allows for an annual onsite visit to all CHPs, this rarely happens due to capacity constraints.

- **The current Social Landlord classification is not meeting market demand:** The current framework only allows for one Social Landlord classification. Providers sometimes have to amend their plans to separate their non-housing services from their CHP operations to meet the requirements of Class One registration. CHRA may in future investigate establishing additional classes of registration, potentially including a new class of registration for smaller providers wanting to undertake development functions, particularly if they receive capital funding. Peak bodies and CHPs themselves expressed a keen desire for additional classes of registration that would allow housing providers which offer wrap-around support services to also access Income Related Rent Subsidies (IRRS).

Key Findings

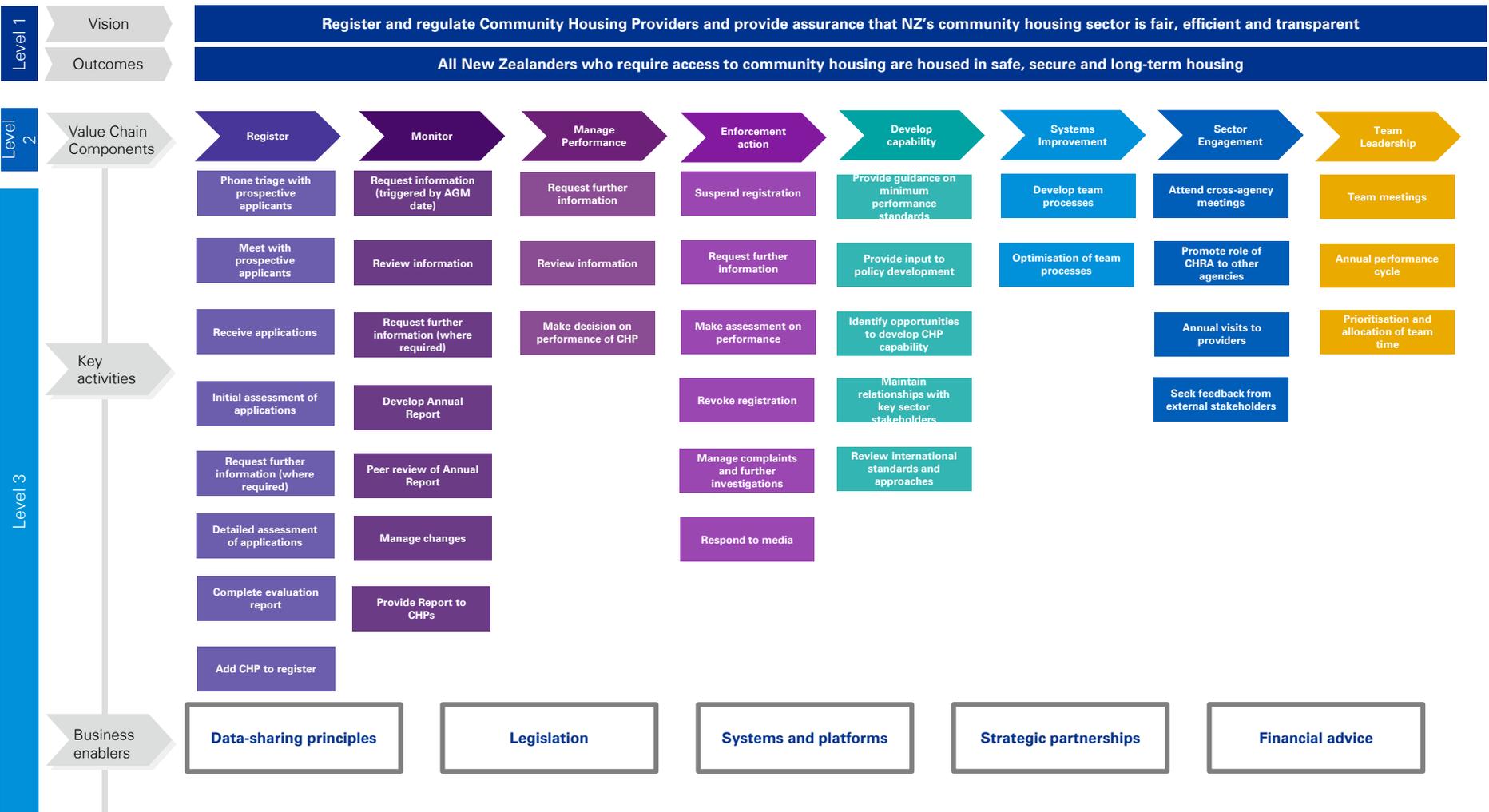
- **The demand for the CHRA teams' services currently exceeds capacity, however streamlining processes, and utilising automation and short-term resource may help to alleviate pressures:** The average annual demand (comprised of new applications for registration and number of CHPs to be monitored) has increased year-on-year since 2016 while team resource has not increased to the same degree (see page 15). This has impacted on the time taken to complete the registration process and annual monitoring process. KPMG believes there are some opportunities to streamline processes, automate and digitise aspects of registration, and potentially to apply risk stratification to registration and monitoring which may reduce the time taken to meet demand and align effort more proportionately to where risk lies, thereby increasing overall effectiveness. There may also be a need to consider whether additional resource would enable CHRA to respond to increasing demand, and to engage more effectively with the wider community housing sector.
- **There is a need for CHRA to confirm the scope of its role in the sector, to ensure that CHPs are appropriately supported and other key stakeholders engaged with without overstepping its remit as a regulator:** A number of stakeholders have expressed a desire for CHRA to provide other services to support CHPs. This includes sharing performance benchmarks and examples of best practice. However, this may be in conflict with CHRA's role as regulator and its need to maintain independence (both perceived and actual). Stakeholders argue that CHRA should consider what additional activities it could provide that would add value to CHPs and the wider sector, however CHRA must balance this desire against its core responsibility as an impartial regulator. Guidance may be sought through reviewing the role other regulators play internationally (e.g. in the UK and Australia).



How do CHRA's current activities align to its purpose and vision?

CHRA Value Chain

To gain an understanding of the activities that CHRA carries out, KPMG has adopted a value chain approach. This illustrates the core components of activity that the team carries out to give effect to its purpose and vision, the subsequent activities that are carried out within each component and the enablers that support the delivery of the components.



Current activities: Key Findings

To develop the CHRA value chain and gain an understanding of how effectively the current activities are carried out and align with CHRA's purpose and vision, we engaged with the CHRA team to understand what they do, whether the focus of their efforts relates to giving effect to its purpose and vision, and where there are opportunities for improvement.

Our findings are summarised below:

— **The core components of the CHRA value chain all relate closely to its purpose:**

CHRA's purpose is to register and regulate Community Housing Providers and provide assurance that New Zealand's community housing sector is fair, efficient and transparent, and to ensure that tenants are appropriately housed. CHRA has structured its core activities to enable this, primarily by registering and monitoring CHPs and carrying out enforcement action when appropriate to ensure that the standard of housing available is safe, secure and long-term. At the same time, CHRA aims to stay engaged with the social housing sector so it can appropriately regulate it, while developing the capability of its team and systems to ensure that the best possible service is being provided.

— **The CHRA team is not always able to focus on the activities that bring the most value:**

CHRA's only external KPI requires applications from prospective CHPs to be evaluated within 90 days of receiving the application. Because of this requirement, the CHRA team often prioritise processing applications over other work. While registering CHPs is undeniably a critical component of CHRA delivering on its vision, arguably the greatest risk to the Crown is in

monitoring registered CHPs to ensure their viability over the longer term, and the delivery of appropriate housing services.. The monitoring process is often significantly delayed due to the teams' need to focus on processing applications. In addition, while annual on-site visits to each CHP are allowed for in the Business Plan, capacity constraints mean this rarely occurs. This presents the risk that current CHPs that house tenants may not be receiving appropriate, timely oversight. An example of this is a four month delay in reviewing documentation submitted by a CHP as part of the annual review process. When the monitoring activity was carried out there were found to be significant concerns with how the CHP was operating, which in turn led to its suspension and eventual removal from the register in 2019. This example highlights the importance of monitoring activity in mitigating risk and ensuring all New Zealanders who require access to housing are housed in safe, secured and long-term housing. It also highlights where external KPIs are driving focus on activities which do not necessarily deliver the most value, or have the highest risk associated with them.

— **The current Social Landlord classification is not meeting market requirements:** The CHRA team sees themselves as an enabling regulator, rather than a prohibitor. However, due to the constraints of the current regulatory framework there are instances where providers have to amend their plans to separate non-housing services from their CHP operations. For example, Māori providers may wish to provide support services as well as accommodation, which is outside of the framework for a Class I Social Landlord. An increasing number of property developers are interested in investing in this sector, however the current Class I Social Landlord classification is not suited to for-profit organisations. If further classes of Social Landlord were created it may enable CHRA to play a more enabling role.

Current activities: Key Findings (continued)

- **Limited market presence impacts the quality of applications:** Increasingly, prospective CHPs are referred to CHRA by the purchasing team within HUD. However, potentially due to a lack of understanding of CHRA's purpose, the entities are often not fit for registration as a Class I Social Landlord. This results in extra work for the CHRA team and causes frustration for relevant entities and the purchasing team. At the same time, CHRA receives a number of enquiries or applications from entities independently or through referrals that are not appropriate for registration. The converse of this is that CHRA may be missing out on entities that would be appropriate for registration because they are not aware of, or are not appropriately referred to, CHRA.
- **CHRA may not be sufficiently providing for Māori tenants:** Kaupapa Māori organisations currently comprise 27% of CHRA's provider register, and these organisations' kaupapa is a factor in the assessment of their application. However, current performance standards do not require providers to demonstrate the ability to engage with and provide services that are culturally aligned and meet the needs of Māori tenants, and accordingly providers are

not monitored against this. There is an opportunity to consider including this in the regulatory framework.

- **There is a significant key person risk with financial viability assessments:** Establishing financial viability is a key component in ensuring the long-term viability of applicants and registered CHPs. This is relevant during registration and the annual monitoring process. CHRA currently outsource this capability through an informal arrangement with MBIE. There is no contract, Service Level Agreement or other performance agreement in place between HUD and MBIE, and no plan in place if the current financial advisor leaves MBIE or if the arrangement otherwise ends. This raises a significant risk to CHRA, especially as there is currently no internal capability that could carry out this task.

Recommendations

- **Identify opportunities for efficiency within the registration process:** this would enable staff to spend more time monitoring entities.
- **Consider additional classes of social landlord registration** to expand the remit of eligible entities.
- **Review KPIs** to ensure they focus on key regulatory risks (i.e. both applications for registration **and** annual monitoring with the primary focus on monitoring).
- **Identify opportunities to engage further with the sector** to provide clarity of purpose and organisations suitable for registration.
- **Consider addition of performance standard relating to Māori tenants' needs.**
- **Formalise relationship with MBIE:** to ensure the ongoing provision of a financial analyst, including the establishment of SLAs. Alternatively, identify capability within HUD to provide this support on an ongoing basis.



What are CHRA's flows of activity across the system?

CHRA Value Chain: Team Time

KPMG analysed the core activities that the team undertakes, and then mapped individual team members time across the activities. This enabled us to identify where team effort is primarily focused:



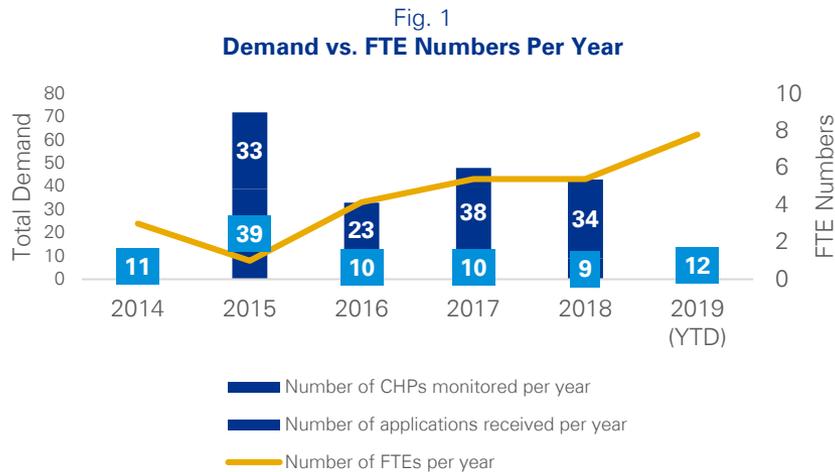
Team Member	Register	Monitor	Manage Performance	Enforcement Action	Develop Capability	Systems Improvement	Sector Engagement	Team Leadership
Fiona Fitzgerald	32.5%	-	12.5%	10%	-	20%	5%	20%
Martin Farmer	30%	30%	15%	10%	-	15%	-	-
Adelaide Brown	70%	20%	5%	-	5%	-	-	-
Julie Garnham	100% ¹	-	-	-	-	-	-	-
Karen Belt	-	-	-	-	20%	80%	-	-
Grace Murphy	70%	-	20%	-	-	10%	-	-
Ruby Pullen	-	60%	10%	-	-	30%	-	-
Michaela Reilly	65%	35%	-	-	-	-	-	-
Average	46%	18%	8%	3%	3%	19%	<1%	3%

The data shows that most of the team's effort is currently focussed on registering new CHPs (46% of the average team member's time), followed by the monitoring function (18%). While Enforcement Action is shown as accounting for an average of 3% of team member's time, this is due to the recent suspension and removal of a CHP and is not illustrative of a standard period within the team. A limited amount of time is spent on sector engagement (<1% currently).

¹ Julie is a new member of the team and her time is currently being spent learning about the evaluation process

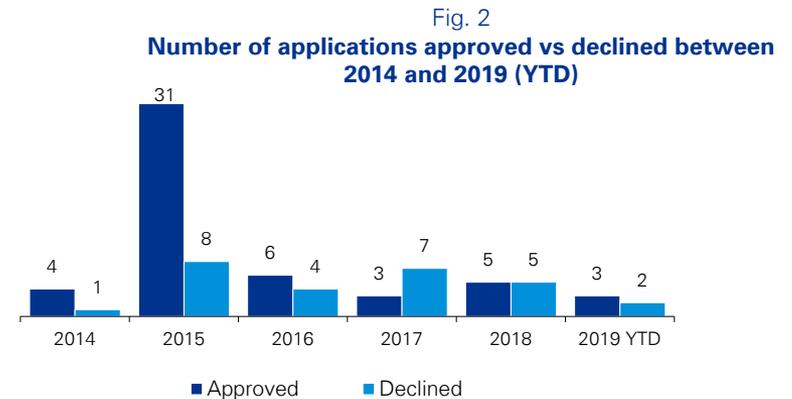
Current trends in CHRA activity

Utilising data provided by the CHRA team, KPMG carried out analysis to further understand trends in demand and team activity. Our findings are shown below:



The data shows that demand, comprised of the number of applications for registration and the number of CHPs which are monitored, has increased by over three times between 2014 and 2018 (a total of 11 applications and CHPs monitored in 2014, and 48 applications and CHPs monitored in 2018). This is compared with an increase of just over two times the number of FTEs in the same period (from 3 FTEs to 7.8 FTEs)¹. Total demand in 2019 YTD has reduced, with no monitoring completed YTD. KPMG understands this is driven by the increase in registrations, and requirement to spend time working to resolve a performance issue with one CHP, rather than a lack of demand for monitoring activity.

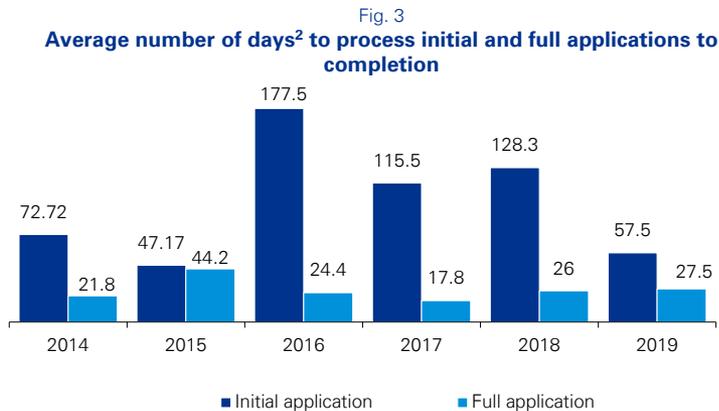
It should be noted that the number of CHP applications peaked in 2015 (39), and has stayed relatively steady since, with ~10 applications received each year between 2016 and 2018. The peak in 2015 is due to the number of 'deemed' CHPs that were transferred over to CHRA's remit at its inception.



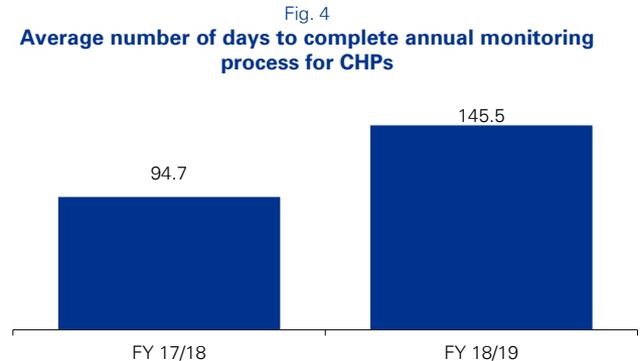
The data shows that overall the number of applications being declined is decreasing. This suggests that there is improved upfront screening, better guidance or support for providers or there are more appropriate providers applying.

The overall number of applications both approved and declined has reduced over this period, which is at odds with the CHRA team who have reported that the number of enquiries CHRA receives from prospective CHPs has been increasing. This possibly suggests that a number of prospective CHPs decide not to proceed with an application after making an initial enquiry. As this process requires a significant amount of time and effort from CHRA staff members, the team should consider whether there are opportunities for efficiencies within the enquiries process.

Current trends in CHRA activity (continued)



The length of time taken to process initial applications peaked in 2016 (177.5 days on average), and has decreased by 67% since then. The length of time taken to process full applications has remained consistently lower than initial applications. Anecdotally, a number of CHPs submit applications without the correct documentation, which results in frequent engagement between the CHRA team and the applicant. These results suggest that once all documentation is provided for an application, the amount of time taken to process is lower (on average 27 days as opposed to 99.5 days to process an initial application). This suggests there is an opportunity to identify how to ensure applicants understand what documentation to submit, and the requisite quality, prior to submitting their application.



Across the past two financial years there has been a 53.6% increase in the amount of time it takes to complete the annual monitoring process for CHPs. This is likely due to:

- An increase in the number of CHPs to monitor;
- Diversion of staff time from monitoring activity to registration;
- Significant time taken in FY18/19 to respond to issues with a CHP which resulted in revocation of registration; and
- Lack of resource within the team.

These findings suggest there is a need to review whether the current level of resource within the team is appropriate to meeting growing demand, provide responsive service to CHPs and engage effectively with the wider sector.

²The average number of days for each year was established by taking the mid-point in the day-range provided (i.e. when the day-range of 30-50 was provided, the mid-point of 40 was taken to establish the average).

Current activities: Key Findings

Our findings are summarised below:

- **Team time is focused on managing applications:** Processing registrations is the single activity which accounts for the highest proportion of the CHRA teams' time (48%). Anecdotally, the number of prospective applications is increasing. While this is not evidenced in our analysis (see Fig. 2), it is possible that more entities are enquiring or making it to the early stages of the application process before withdrawing.
- **The registration process is highly manual and time-consuming:** The CHRA team is heavily involved in the registration process, triaging initial enquiries, meeting with CHPs and advising them on their applications. Often, applications will be received without key documentation and there will be multiple interactions between the applicant and CHRA. Anecdotally, KPMG understands the sector knowledge required to run the registration process makes it difficult to utilise contract or short-term resources to support during periods of peak demand. Consequently, staff workload can exceed capacity and delivery of work is often delayed.
- **CHP applications are becoming more complex:** Most pre-existing CHPs with significant operating histories have already been registered. This leaves newly established CHPs seeking registration, some of which lack sufficient policies and processes to meet the defined Performance Standards. Anecdotal feedback suggests developers may be creating shell companies to hold risks associated with development activities while passing IRRS income through to a parent company. The legislation does not exclude for-profit organisations considering bespoke funding proposals, or subcontracting out of specific functions, however CHRA must assess related-party agreements and arrangements to ensure compliance with Performance Standards. This process is complicated for the prospective CHPs and requires more hands on engagement from CHRA staff as they advise on the appropriate documentation and carry out a detailed review of the documentation that is submitted. The changing and more complex nature of organisations applying for registration is taking up a greater proportion of the team's time, leaving them with limited resource for other activities.
- **CHRA's only KPI is linked to registration timeframes:** CHRA's only external KPI relates to the timeframe for processing applications. Previously, this stated that all applications from prospective CHPs had to be evaluated within 60 days of receiving the application. This was extended to 90 days as the KPI was often not met. In an effort to meet this requirement, the CHRA team often prioritise processing applications over other work, in particular the annual monitoring process.

Current activities: Key Findings (continued)

- **The focus on registrations is reducing CHRA's ability to focus on other core activities such as monitoring and sector engagement:** Arguably, the greatest risk to the Crown is in monitoring registered CHPs to ensure their viability over the longer-term, and the delivery of appropriate housing services.. However, the focus on registration means that monitoring currently amounts for only 18% of total team time. In addition, staying engaged in the wider sector is important to ensure CHRA has strong relationships with key sector bodies and is aware of issues impacting the sector. A strong presence in the sector is also likely to result in fewer inappropriate referrals and improve inter-departmental working. However, less than 3% of the team's time is currently spent on sector engagement. While team members within CHRA have different focus areas across the value chain, the team is often called to respond to new applications or non-routine work (i.e. the enforcement action that occurred in 2019) in place of monitoring or engagement activity.
- **Over-servicing may be impacting on the capacity issues within the team:** CHRA monitors CHPs through the annual assessment of five performance standards: governance; management; financial viability;

tenancy management; and property and asset management. Each year there is a deep dive focus on a particular standard, which reduces the ability to easily replicate the process each year. CHRA takes a proportionate approach to CHP monitoring. This requires, in regard to monitoring, assessors to have a detailed understanding of individual CHPs.. This means that monitoring is a detailed and time consuming job, and requires significant knowledge of the sector. The lack of proportionality of the assessments also raises the risks that some entities may be over-serviced.

- **Bottlenecks at a leadership level may be impacting on efficiency and contributing to slipping timeframes:** The current team structure is largely flat, with all monitoring reports requiring review and approval by the team manager. This can cause bottlenecks where work may wait for an extended period to be approved, causing delays to its overall progression. There is an opportunity to delegate some review and sign-off approvals to experienced members of the team, releasing capacity for the team manager to engage more in the sector.
- **The lack of a customer-centric application process may be causing extra work for**

the team: There is no way for applicants to access information on the status of their application other than by contacting the CHRA team. This causes uncertainty for applicants, and is likely to increase workload for the CHRA team as they may divert from high priority work to answer queries from applicants.

Current activities: Key Findings (continued)

Recommendations

- **Identify opportunities to digitise elements of registration process:** to improve efficiency of process and enable staff to focus on other high-value tasks. This could be through the introduction of smart forms for new applications, introducing a Customer Relationship Management system, and/or automating elements of the application process.
- **Develop framework and criteria** to identify which applications are simple, which are complex and the likely time taken to process each type of application, thereby ensuring effort is focussed disproportionately on the areas of highest risk.
- **Agree standardised delegated approvals across processes** and review the volume of reviewers and approvers to help with current bottlenecks. This could include the empowering individuals through the reintroduction of 'account management' roles with named individuals holding key relationships with different CHPs.
- **Review resourcing structure of CHRA team** including identifying where short-term staff could be utilised to perform low-value activities during periods of high demand.
- **Identify opportunities to simplify the monitoring process:** including increased risk stratification, thereby ensuring effort is focused proportionately in the areas of highest risk.



How does CHRA link to other organisations within the sector?

Engagement across the sector

To gain an understanding of CHRA's role within the sector, KPMG engaged a number of CHRA's external stakeholders, shown below.

The key themes that emerged from this engagement are outlined on the following slide.

Name	Organisation
Wayne Knox	Te Matapihi
Chris Glaudel	Community Housing Aotearoa
Scott Figenshaw	Community Housing Aotearoa
Neil Porteous	Tāmaki Housing Association
Brennan Rigby	Independent Māori Statutory Board
Barbara Brown	Kahui Tu Kaha
Te Ropu Poa	E Hau Ora o Ngapuhi
Ricky Houghton	He Korowai Trust
Paul Sheeran	Waiohiki Trust

KPMG also engaged with the following stakeholders from within HUD (in addition to the CHRA team):

- Jane White
- Julia Pearce

Stakeholder engagement: Key Findings

Our findings are summarised below:

- **The CHRA team is knowledgeable, passionate and easy to engage with:** All stakeholders were quick to comment that they find the CHRA team to be highly knowledgeable about the community housing sector, passionate about community and social housing and have high integrity. Peak bodies (Community Housing Aotearoa and Te Matapihi) understand the need for the CHRA function, and believe it is working as intended, evidenced by the recent de-registration of an under-performing CHP.
- **Regulatory change is required to deliver better outcomes for tenants and New Zealand:** Stakeholders generally felt there would be significant value in introducing new classes of registration to offer more options in the sector. A number of stakeholders, often representing the views of Māori providers, believe the current requirement to separate landlord and wrap-around services does not allow for provision of kaupapa Māori services, and is not Treaty compliant. These stakeholders believe that separating housing and support services does not consider the person or their whānau in its entirety, and is therefore not aligned with Māori values.
- CHA and Te Matapihi believe HUD should assess the requirement for and benefits of policy change (including restricting Class 1 registration to not-for profit providers).
- **Engagement with CHPs is primarily reactive rather than proactive:** CHPs would value more regular engagement with CHRA, including face-to-face visits. Individuals interviewed by KPMG felt that more proactive engagement would help build and strengthen existing relationships, and enable more informal monitoring to take place. Stakeholders believe the reason more proactive engagement does not take place is due to a lack of capacity within the team.
- **The team could provide further value through sharing of good practice and benchmarks:** A number of stakeholders believe there would be value in CHRA sharing best practice and benchmarking information amongst CHPs. This is similar to information provided in other jurisdictions (e.g. United Kingdom, Australia), but also includes guidance on providing appropriate support to Māori tenants. There is an opportunity to standardise how outcome information is collected and reported to enable comparison across the sector.
- The sharing of good practice must be carefully balanced with the requirement to remain impartial and neutral as regulator.
- **Smaller providers struggle with registration and monitoring requirements:** Smaller providers struggle with the administrative requirements of registering as a CHP. This includes the resource (staff and financial) required to develop additional policies and procedures, amend their organisational structure, and share information required as part of their application. Some providers perceive the time and effort involved in registering and being monitored as not being offset by the IRRS funding available as a CHP, and therefore do not seek registration.

Recommendations:

- **Consider additional classes of social landlord registration** to meet sector demand and expectations.
- **Confirm role of CHRA in developing capability across the sector**, including the provision of best practice guidance to CHPs.
- **Identify opportunities to support smaller scale organisations** to become registered and maintain standards. This could be in collaboration with Community Housing Aotearoa.



Recommendations and Next Steps

What are the opportunities for improvement?

Through engagement with the CHRA team and its stakeholders, and review and analysis of key documents and data, KPMG has identified 10 recommendations for improvement.

In the following section each recommendation is outlined alongside the corresponding case for change and expected benefits. The suggested timeline for implementation of each recommendation is also shown below, and is based on the following scale:

Short term – <3 months

Medium term – 3 – 9 months

Longer term – >9 months

	Recommendation	Suggested Timeline
1	Identify opportunities for efficiency within the registration process	Short term
2	Assess the requirement for and benefits of introducing additional class(es) of registration	Long term
3	Review KPIs to ensure they drive focus on highest-risk CHPs and the most value-add activity	Short term
4	Confirm the role of CHRA to engage further with CHPs and the wider social housing sector	Medium term
5	Consider addition of performance standard relating to cultural responsiveness	Long term
6	Formalise relationship with MBIE to ensure the ongoing provision of a financial analyst. Alternatively, identify capability within HUD to provide this support on an ongoing basis	Short term
7	Develop framework and criteria to identify which applications are simple, which are complex and the likely time taken to process each type of application	Medium term
8	Agree standardised delegated approvals across processes and review the volume of reviewers and approvers	Medium term
9	Review resourcing structure of CHRA team	Short term
10	Identify opportunities to simplify the monitoring process	Short term

What are the opportunities for improvement?

1 Recommendation One: Identify opportunities for efficiency within the registration process

Current State	Impact	Action Points	Expected Benefit
<ul style="list-style-type: none"> — The CHRA team focuses primarily on processing applications to register new CHPs 	<ul style="list-style-type: none"> — CHRA staff spend the majority of their time processing applications at the expense of other high-value activities 	<ul style="list-style-type: none"> — Review of registration process map to ensure accurate and relevant 	<ul style="list-style-type: none"> — Reduction in time spent on processing applications
<ul style="list-style-type: none"> — Current registration processes may not be Treaty compliant (i.e. engaging Māori as equal partners in the process) 	<ul style="list-style-type: none"> — Current team resource is insufficient to meet growing demand 	<ul style="list-style-type: none"> — Review of application documentation — Review options for digitisation, including the use of smart forms, a CRM system or automating elements of the application process. This would include ensuring that options meet risk requirements for HUD 	<ul style="list-style-type: none"> — Increased time available to spend on monitoring and engaging in the sector
<ul style="list-style-type: none"> — The registration process is currently highly manual and time-consuming for staff 	<ul style="list-style-type: none"> — Limited time is spent on other key value-adding or high-risk processes such as monitoring CHPs or engaging with the sector 	<ul style="list-style-type: none"> — Identification of waste or non-value adding areas — Identify elements of the registration and / or monitoring process that may be appropriate for automation 	<ul style="list-style-type: none"> — Increased number of CHPs applying with the correct documentation on the first time.
<ul style="list-style-type: none"> — The application process to become a registered CHP is time-consuming and requires applicants to provide significant documentation 	<ul style="list-style-type: none"> — Some small scale organisations are deterred from applying to be registered 	<ul style="list-style-type: none"> — Identify opportunities to make application material more user friendly. This may include collaborating with or otherwise engaging with Community Housing Aotearoa to provide support. — Review opportunity to reduce application process for small-scale organisations. — Engage with the sector to identify how to best attract small scale organisations. — Engage with the Māori housing group to understand how to adopt a kaupapa Māori approach throughout the registration process 	<ul style="list-style-type: none"> — Reduced risk to CHRA

What are the opportunities for improvement?

2 Recommendation Two: Assess the requirement for and benefits of introducing additional class(es) of registration

Current State	Impact	Action Points	Expected Benefit
<ul style="list-style-type: none"> There is only one class of Social Landlord Class I registration requires providers to separate housing services from other support services 	<ul style="list-style-type: none"> Some prospective CHPs are not able to register due to the restrictive nature of the classification, while others contort themselves to fit the classification. 	<ul style="list-style-type: none"> Canvas sector opinion for palatability of further classifications Review classification framework in international jurisdictions to identify options for change Identify and, where possible, quantify likely benefits of introducing additional classes of registration Engage with Policy team to determine key next steps 	<ul style="list-style-type: none"> Increased number of CHPs able to provide housing in the sector More tenants able to be housed in appropriate housing.

3 Recommendation Three: Review KPIs to ensure they drive focus on highest-risk CHPs and the most value-add activity

Current State	Impact	Action Points	Expected Benefit
<ul style="list-style-type: none"> CHRA has one externally assessed KPI, related to the elapsed time for processing new applications. 	<ul style="list-style-type: none"> The focus of the CHRA team is on processing of applications, to the detriment of other value-adding activities, such as the annual monitoring process. 	<ul style="list-style-type: none"> Confirm highest value-adding activity provided by CHRA Engage leadership to gauge appetite for revising KPIs Agree new KPIs to capture full impact of CHRA team activity Agree how to monitor and report against revised KPIs 	<ul style="list-style-type: none"> Team activity focused on highest risk and greatest value-adding activity Greater visibility of impact and activity of CHRA team

What are the opportunities for improvement?

4 Recommendation Four: Confirm the role of CHRA to engage further with CHPs and the wider social housing sector

Current State	Impact	Action Points	Expected Benefit
<ul style="list-style-type: none"> CHRA has limited capacity to engage with the sector or build relationships with current CHPs 	<ul style="list-style-type: none"> Stakeholders across the sector would like greater engagement with CHRA Some providers are inappropriately referred to CHRA. Resource is required to respond to these enquiries which could be more productively spent on other activities 	<ul style="list-style-type: none"> Understand resource implications of engaging more with CHPs and the housing sector (what is the impact on FTE numbers if CHRA conducted an annual monitoring visit for example) 	<ul style="list-style-type: none"> More informal monitoring takes place through regular visits Improved relationships between CHPs and CHRA Risks and issues are identified early CHRA has certainty on its role in the sector.

5 Recommendation Five: Consider addition of performance standard relating to cultural responsiveness

Current State	Impact	Action Points	Expected Benefit
<ul style="list-style-type: none"> There is currently no performance standard (metrics used to measure CHPs' performance) that specifically relates to cultural responsiveness. 	<ul style="list-style-type: none"> CHRA may not be adequately assessing the effectiveness of CHPs to provide appropriate housing to Māori and other ethnic groups. 	<ul style="list-style-type: none"> Run working groups or deliver a survey on cultural responsiveness for tenants to understand key success criteria for housing Seek advice from Māori CHPs on how to best service Māori tenants Develop a performance standard to assess providers' cultural responsiveness. 	<ul style="list-style-type: none"> Housing is provided that is safe, secure and long-term to all, irrespective of their ethnicity.

What are the opportunities for improvement?

6 Recommendation Six: Develop succession plan to mitigate key person risk with financial assessments.

Current State	Impact	Action Points	Expected Benefit
<ul style="list-style-type: none"> Assessments of financial viability (a performance standard in the annual monitoring process) is carried out by an MBIE employee on an informal basis. 	<ul style="list-style-type: none"> If the employee were to leave MBIE, or MBIE decided to stop the arrangement, there would be no capability within the CHRA team to assess financial viability. As a result, the monitoring process would not be able to accurately assess performance of CHPs and their long-term viability. 	<ul style="list-style-type: none"> Agree succession plan to mitigate key person risk Identify individual(s) in-house to upskill in undertaking financial assessments Develop handover plan and agree with MBIE resource 	<ul style="list-style-type: none"> CHPs are accurately assessed to ensure their ability to provide safe, secure and long-term housing to all tenants.

What are the opportunities for improvement?

7 Recommendation Seven: Develop framework and criteria to identify which applications and monitoring activities are simple, which are complex and the likely time taken to process each type of application or complete monitoring activity.

Current State	Impact	Action Points	Expected Benefit
<ul style="list-style-type: none"> All applications currently go through the same application process, regardless of the size of the organisation or the risk profile attached to it. The CHRA team take a proportionate approach to monitoring, however this is not well understood by CHPs and there may be scope to refresh this 	<ul style="list-style-type: none"> CHRA staff spend the majority of their time processing applications at the expense of other high-value activities. Smaller CHPs feel that the level of monitoring scrutiny they are subjected to is excessive 	<ul style="list-style-type: none"> Review previous applications to identify common traits across types of applicants Review monitoring activity to identify common traits across CHPs Develop a criteria to assess applications Develop criteria to assess monitoring activity Develop risk stratified processes for low, medium and high risk applications and monitoring activity 	<ul style="list-style-type: none"> Improved allocation of work Increased time spent on other high-value activities

8 Recommendation Eight: Agree standardised delegated approvals across processes and review the volume of reviewers and approvers.

Current State	Impact	Action Points	Expected Benefit
<ul style="list-style-type: none"> A number of important processes have a single approval point within CHRA 	<ul style="list-style-type: none"> A bottleneck is created where progression of work can be delayed as it awaits approval. 	<ul style="list-style-type: none"> Review the current approval process and assess appropriateness against considerations such as risk. Identify low-risk approvals that may be delegated within the team. Review how 'account management' roles (where named individuals hold key relationships with different CHPs) are working, and identify opportunities to strengthen these roles. 	<ul style="list-style-type: none"> Reduced delays Increased ownership of work across the team

What are the opportunities for improvement?

9 Recommendation Nine: Review resourcing structure of CHRA team.

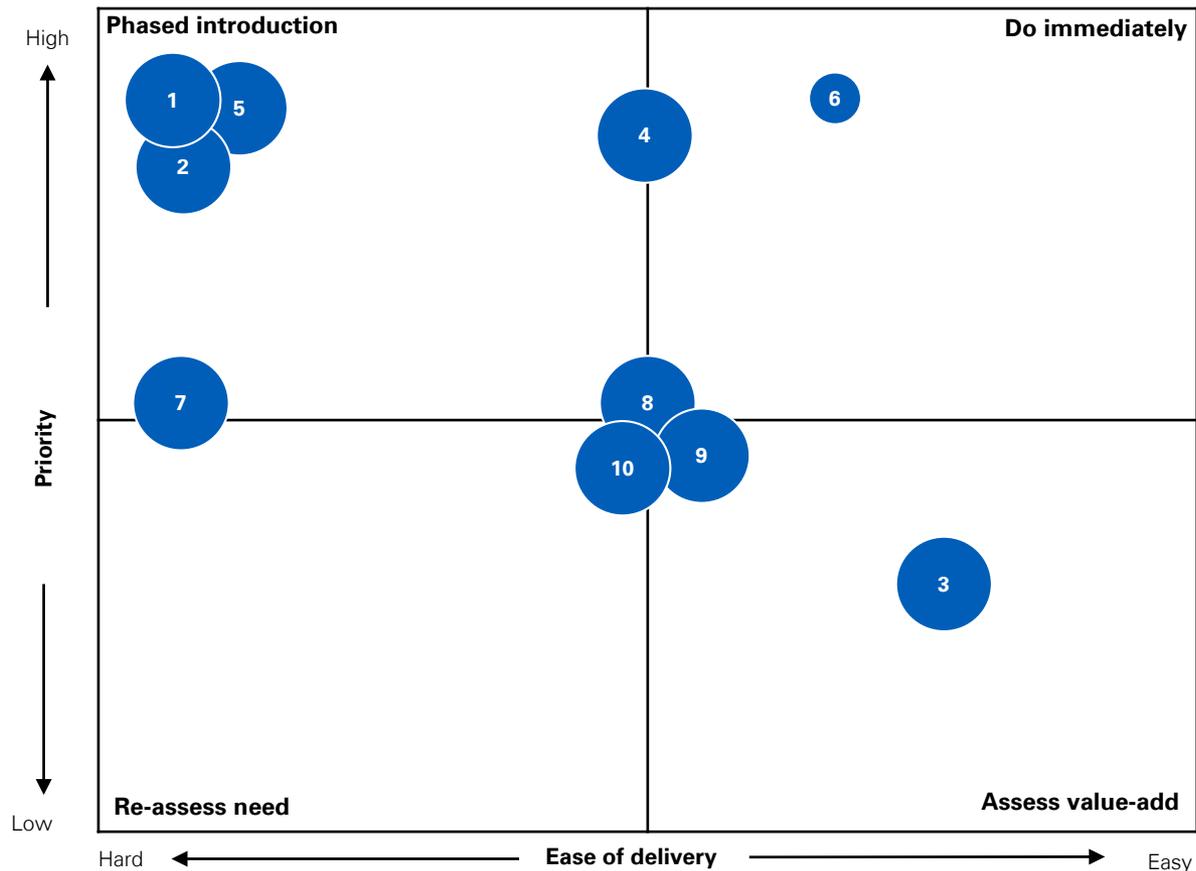
Current State	Impact	Action Points	Expected Benefit
<ul style="list-style-type: none"> CHRA staff struggle to meet demand The perceived specialised nature of tasks results in limited use of short-term resourcing to support staff during periods of peak demand. 	<ul style="list-style-type: none"> There are often delays to the processing of applications or the completion of the annual monitoring process Demand often exceeds the capacity of CHRA staff, causing overworking and stress. 	<ul style="list-style-type: none"> Identify periods of peak demand across the calendar year Identify low-risk activities that could be delegated to short-term staff Develop induction material to support short-term staff during periods of high-demand Consider whether additional resource is required within the team. 	<ul style="list-style-type: none"> Reduced delays Reduced workload and stress for CHRA team.

10 Recommendation Ten: Identify opportunities to simplify the monitoring process

Current State	Impact	Action Points	Expected Benefit
<ul style="list-style-type: none"> All prospective CHPs go through the same level of scrutiny during the application process There is a deep-dive focus on a different performance standard each year. 	<ul style="list-style-type: none"> The monitoring process is a time-consuming task Some CHPs feel the level of scrutiny they are subjected to is excessive CHPs often wait a significant period of time for the results of the monitoring process, and risks may not be addressed as early as they could be. 	<ul style="list-style-type: none"> Develop baseline framework to effectively measure performance of all CHPs Formalise and explain framework used to assess risk profile of each CHP, and alter level of scrutiny applied to reflect this Identify appropriateness of only deep-diving into large or high-risk CHPs each year. 	<ul style="list-style-type: none"> Reduced workload for CHRA team Reduced likelihood of delayed delivery of annual report

Prioritised opportunities

The graphic below shows the prioritisation of opportunities, based on discussion with the CHRA team and our understanding of the priority, ease of implementation and scale of benefit associated with each opportunity. Our suggestion is that CHRA begin work to implement each of the recommendations in the top two quadrants; “do immediately” and “phase introduction”, and assess whether to implement the recommendations in the “assess value-add” quadrant



Note: the size of bubbles represents the expected benefit, with larger bubbles representing greater benefit.

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