



Recorded Transcript

Management Performance Standard

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Management Performance Standard	Martin Farmer Community Housing Regulatory Authority

The transcript below was captured at the live webinar and includes minor grammatical adjustments for the readability of the audience.

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TE MATAPIHI
HE TIROHANGA MO TE IWI TRUST

Introduction | Te Matapihi

Jen Deben

Welcome everyone, now we are moving on to our presentations from the Community Housing Regulatory Authority and dare I say it, it is double trouble today with Martin Farmer and John Bolsover, so Martin I did introduce yesterday and I think I let everybody know the depth of experience that Martin brings to the Authority in terms of his mahi on supporting to develop the regulatory framework and also on the operational side as well on delivering it to communities and to community housing providers. Welcome to you both, I will pass over to Martin who was going to be sharing about the management performance standards today. Kia ora.

Management Performance Standard | Community Housing Regulatory Authority

Martin Farmer

Kia ora team, good morning, everybody, morena, ko Martin Farmer tōkū ingoa, it is great to be back Jen and to be discussing this next part of the performance standards with you. I will be speaking a little bit about the management performance standards, but I am very much second fiddle to John today because he will be talking about the financial viability performance standards which, as you know, are a critical component of the assessment of applications for registration. Before I begin though I would just like to mihi out to Christian, what an absolutely fantastic presentation that was, really impressive, as I approach my 50th year on the planet it is great to know that the younger generation very much have these things in hand, and I would just like to touch on a couple of things that he said in his presentation. Yesterday I spoke about governance and the need to provide a strategic plan for the entity that is becoming registered and as a part of that it should show an understanding of housing demand in the area of operations and I think that Christian's presentation showed a really encyclopaedic understanding of that housing demand in the rohe, he spoke about the separation of services which I will be speaking a little bit about in the management performance standard and the need for long term planning.

Social housing, one of the key aspects of what we do as a Regulatory Authority is give assurance that organisations will be viable over the long term. Social housing is a long-term game. Some of the people who are in public housing hopefully can move out of public housing and along the housing continuum at a time which suits them but for some people there will always be a need for social housing, so we want to ensure that registered providers are around for the long term. He spoke about don't overthink it, don't try and be the best in class, we absolutely want organisations to put their best food forward, but he did land on a really good point there. Regulation and registration are about a minimum set of performance standards so it is a kete that providers, once they are in, they can access various funding opportunities. So put your best food forward but don't overthink the application, as Christian advised. Excellent, thanks again for that Christian it was really fascinating for me to see the other side of that equation from the applicants' perspective so I will move on now to the management slides.

You will see down the bottom of that slide that this presentation was going to be given by Grace Gentiles-Devery. Unfortunately, Grace is not well today. Hopefully it not this awful Covid thing that is going around at the moment, but I will be stepping in for Grace today. Just before I get started a word about Grace. She is one of our senior Regulatory Advisers and a really valued member of our team. She has an accounting background and before John came on board Grace was the Authority's Financial Adviser, so she assessed all of the audited financial statements that we received from applicants and also as part of annual monitoring.

So, there are four management performance standards which you must be thrilled about after yesterday's governance marathon. I will provide further information on each of these but essentially what they are is performance standard 2A that the provider must have appropriate accountability measures in place in respect of decision making and service delivery. regard to affordability, access to information and access to services. 2D, that there is an appropriate organisational structure and systems in place to achieve business outcomes. That will sound a little bit confusing and a bit of a word salad at the moment, but I will go through each in a bit more detail in the next few slides, so you all know what you need to provide. But if you strip all the wordiness out of them, what we are assessing on each of these is what you see on the screen right now. We are looking for accountability policies and procedures, that outcome for tenants are measured and that there is an organisational structure in place and systems to support that.

Now I said that there were four management performance standards but there are only three listed on this slide. That is because one of the management performance standards we do not currently assess as part of the application process. The one that we don't assess is performance standard 2C and that states that a provider must be able to demonstrate that Crown funding provided for housing services is used for the provision of tenancy services and we can't assess that until a provider achieves registration because until they achieve registration they can't access the IRRS and until they access the IRRS we can't tell how they are using that so it is bit of a chicken and egg situation but we do assess that particular standard as part of our annual monitoring one a provider is registered and all we look for is that income related rent subsidy income is stated separately in the audited financial statements either in the income statement or in the accompanying notes to the financial statement so it is a fairly easy standard to meet. Now, I will just go through the standards that we do assess at the time of registration.

The first of these is 2A and that is about accountability measures and there are two components to meeting that performance standard and you will need to provide a decision-making framework and policies. Specifically, we require a delegations policy and that includes a delegations schedule. The schedule will need to cover financial expenditure delegations, so that is who can spend money on specific things, to what limits, and any sign off that is required as part of that and it should also include both capital and operating expenditure and the delegation schedule should also include non-financial matters. It is up to you, depending on the scale and size of your organisation what non-financial matters you include in there, but it is such things as who can make recruitment decisions, and things like who can speak about the organisation in the media on behalf of the organisation. So that is one component of what we require. The other is policies that include regular management reviews and reporting to the board by management. So that is essentially regular reporting that happens at board meetings and will include things like the CEO's report, the finance report and any ad hoc reports that are required so for example if your organisation is undertaking a particular development and that needs ad hoc reporting to the board there should be some policies around how that happens.

The second thing we require under these performance standards is measuring outcomes for tenants. We look specifically at three different aspects of measuring outcomes for tenants, we look at affordability, we look at access to information and we look at access to services. Under affordability you will need to provide rent setting policies to us that are designed to ensure that rent levels are monitored and reviewed by management. There is a slight balancing act to be achieved in rents remain affordable to the tenant group while at the same time maintaining the financial viability of the organisation. If you have more than one tenure type, for example, income related rent subsidy and affordable rental tenancies we would look to see that you had separate policies and procedures for setting rent levels in respect of both so for IRRS tenancies that would be a contractual process with HUD's funding team that would be covered in that but we would expect to see some outline of how rent is set in respect of those properties and if you offer affordable rental housing as well we would expect you to have a system and process in place for determining what is an affordable rent and the usual way of doing that would be to use MBIE's bond data or another way would be a desktop review of rents for similar properties in that particular area by going on, for example, Trade Me, and doing some sort of desktop exercise but you should have a policy around how that exercise is done to make sure that it is done in a consistent manner and regularly reviewed by management.

The second component is access to information and what we expect to see there is that you have policies which require regular review of the types of information that are provided to tenants, usually through, for example, the tenant handbook and policies should also include monitoring provisions to make sure that the information provided to tenants remains useful to them. For example, in a tenant handbook and there is some overlap in this management section, between what we require and what we require later on in tenancy management, but we do require that you do look at that information that you provide to make sure it is still relevant. So, for example there has been a number of changes to the Residential Tenancies Act in respect of the types of amenities that have to be available and smoke alarms, that sort of thing, and we would expect to see that as those new requirements come online that they are included in the information that is provided to tenants.

The final component is access to services, so the applicant will have policies for directing and referring tenants to find support services to help sustain their tenancy and those support services can be things like budgeting, mental health services etcetera and policies should help tenants to access support but not to influence tenants' choice of support services. If an applicant offers support services as part of its wider operations, the Authority expects to see an appropriate separation between the provision of those housing services and any other support services that are offered. That separation is required to protect you and tenants, and we have a guidance note about it on our website if you do require any further information on that. I just thought I would show a little bit more about what the separation means in practice. What we expect to see is that there is no blurring of housing and other services so, for example, there should not be a requirement in a tenancy agreement that requires a tenant to accept support services and there should not be any obligation on tenant to accept support services in

exchange for the housing that they are receiving, the sole question should be for a housing provider, does this tenant have a housing need and if so that is it.

The focus is on the need for the home and the community housing provider then links tenants to appropriate support services, either internally through another part of the organisation or to external support services and the organisational structure that you have in place should support that separation and we realise, we've received a lot of feedback on this, so I am really interested to hear your comments and questions in respect of this, that it can be a bit alarming, especially for Māori providers who are invested in the overall wellbeing of whanau in the houses and this might also be a good one for Christian, if he is still there, to come on and comment on whether he found that separation of services requirement quite onerous in preparing his application. But please be aware that we are not saying that you can't offer support services and housing services but that you just need to be a bit careful about how you do so. This is a slide that Fiona Fitzgerald spoke to at the last wananga that we gave and it shows how a family centred approach can be achieved and by family centred I mean how support services can be offered through a registered CHP in addition to housing services so in this slide the registered CHP is the green L shape in the top right hand corner and it offers both housing and support services but what that slide is designed to show is that there is a clear separation between the housing services and the support services and in this case the CHP offers education and employment services.

So, the housing services part of the business only provides tenancy management and property and asset management, and these two sides of the business do not share personal tenant information between them. Also, you can see that from the housing business down to the whanau in the house there is a tenancy agreement and that's just for the housing services, there cannot be any provisions in the tenancy agreement that the tenant must accept support services as a condition of the tenancy and the benefit of doing it this way is that firstly it keeps you safe in respect of various pieces of legislation so for example the health and disability commissioner's code has a specific provision which says that tenants must be free to choose their support services and who they accept support services from and also from our perspective as a Regulatory Authority one of our legislative functions is to ensure that tenants are appropriately housed and by doing it this way the whanau in the house would obtain their authority to determine how they live within the laws of Aotearoa New Zealand and so we do consider it really quite important.

So the next performance standard is having in place an appropriate organisational structure and policies for achieving business outcomes so to ensure that the operational needs of the business can be met and intended outcomes achieved, applicants are expected to provide evidence that they have a clear organisational structure and in a moment, in one of my last slides, I will show you what we expect from an organisational structure in respect of the supporting documentation for applications and associated with that, role descriptions for the housing specific roles from the CE down to Tenancy Managers and we expect also that the

structure and the policies must align so that the roles stated in the organisational structure must align with the responsibilities set out in the various policies and procedures and this is where we sometimes see a mismatch going on and the reason is we will get an application from someone who has borrowed policies and procedures from another organisation which is totally fine, we encourage you to share knowledge etcetera, so long as the provider we borrowed it from has given their permission to use it but that policy hasn't been adapted to your particular organisation so we will receive an organisational structure chart on the one hand and on the other hand there are policies and procedures that don't refer to the roles within that organisational chart so they do need to match up and finally we need to see that there are systems to support operational activities and what we are particularly looking for here is what sort of information management system do you have in place for tenancy and property management.

Again, this will be something that needs to be entirely appropriate to the scale of your organisation. If you are a small provider, you will not have a dedicated tenancy management system like Chintaro. There is no need for you to go to that expense to acquire something like that. If you've only got a few properties, a simple spreadsheet will be fine. So that is what we require under the organisation structure management performance standard. That is an example of what you need to provide in terms of demonstrating the organisational structure of your organisation. It is really quite simple, it doesn't have to be overly complex and as those purple boxes indicate, we do require role descriptions for those roles that are in that housing space. The other benefit for doing it this way is that it makes it easier for us to see the organisational separation in place between housing services and any other support services that exist so as Christian said, keeping it simple is the best way forward in respect of this. So, if you've got any questions these are the slides that show our contact details. Thank you everybody, so much, for letting me speak, and best of luck with your applications.

Jen Deben

The management one is quite interesting I have always found because when you look at, one, there is a standard in there that you don't need to worry about in your application which is always nice to hear but also quite a few of those you could take care of under other performance standards like the accountability one could come in under some of the documents prepared for governance and those tenancy measurements could be shown in under tenancy management so just wondering if you wanted to say anything more about that?

Martin Farmer

You are absolutely right, particularly about the ones that fall under tenancy management, for example, and we do also look at various aspects of them there. I guess what we are looking at specifically under the management performance standards in terms of affordability etcetera is the review process by which management has oversight of affordability and it is factored into the planning, it is balanced against organisational imperatives and things like that, so we do

look at affordability under management and we also look at affordability under the tenancy management performance standards, for example.

Jen Deben

Yes, and it also lets you know that the cross over between the information of the performance standards, so you don't need to go and think oh I've already done this in governance but now I have to come up with something completely new and different.

Martin Farmer

Excellent, thank you for raising that Jen because it is really important. If you've got affordability policy which covers all the bases we need, we will use that same policy and assess it under management and also under tenancy management. We do not want organisations jumping through hoops and producing additional documentation that they won't be using in their businesses, and which is an annoying thing for them to produce. We want documentation that is clearly set out, which covers all the bases, and which is useful for them in running their businesses so thanks for bringing that up.

Jen Deben

You're welcome. Then we see, just in terms of wanting to pick up a little bit more on the separation of support services, and I notice in chat that Geneva has put in some of their reasoning as well in terms of how they understood that separation from other parts of their charitable arms and I really like the other two reasons that she has given is that in terms of the set up costs of the CHP didn't want that coming from our charitable arms or them to have any associated risk and also the importance of having choice for whanau and acknowledging that some whanau are whakamā to be using iwi services in that they would want that choice to be able to go elsewhere but the reason why Martin did spend a bit of time on it is because it is part of a korero from some registered CHPs that are wanting to raise this with the Authority and talk about it in a bit more depth and so wanting to put out there to the rōpū if there are any patai that you have or any korero on this part we are just going to pause here for a moment and allow you to come in and ask any patai or say your part.

Thalea Tane

Kia ora. Kia ora Jen, kia ora koutou katoa, as the Kāinga Roa Kaiārahi for Te Roroa, one of the key areas that I did want to ask is that we are about to enter into the infrastructure for our social arm, so we are a settled iwi in the Waipoua Forest. Our rohe actually ranges from all the way from Tokatoka maunga or Dargaville sort of Ruawai area all the way across the Kaipara, Waipoua, South Hokianga into Āraiteuru, so almost into Ōmāpere as well so that's actually quite a big territory but I guess from the structural perspective, what I wanted to ask was that, it's probably very similar to what Geneva is talking about, we were looking to create an entity under our social arm but it is actually going to be a separate entity under social housing. Would that be the best way to approach our structure and infrastructure, or could it possibly come

under the whole social entity per se and have a separate unit, I guess, under the social entity itself. I hope I am making myself clear there, this is all quite new to us as well so to give you a heads up, Te Roroa is actually in a space where we are co-creating a social entity for social services for support service and as an example, our Covid-19 team will be placed under our social services arm. Would it be pertinent for our housing unit, per se, to be a separate entity of itself or within that social entity?

Martin Farmer

Thank you for that question, it is a great question. We would recommend that you do have a separate entity for your social housing, to keep it entirely separate and that really does protect you and ensure that there is no unintended cross over between delivery of housing services and the delivery of support services. So, the two points that Geneva raised are both excellent points and we do look to see that you'd need to have separate financial statements for the financial arm which is always beneficial for us for our assessment. Because housing is a long term game, we want to see that the housing arm is viable in its own way so health service contracts and support service contracts tend to be shorter in duration, say 1-3 years, whereas housing, the need for that exists over a far longer timeframe so we get very nervous if we do see housing being propped up by income from other activities so it is always best to separate it entirely and have it under its own entity. I hope that helps. Ka pai, thank you for that. I am just going to lead on to one more question then in terms of what you are saying there. So Te Roroa actually has 19 houses, we are by default, a social housing unit already, so this was part of our treaty settlement hand back. Most of our whanau are our tenants and so of course, by default, our rental is already at the lower end, much lower end, so we are actually looking to move those assets because through an imposed structure from the Government, the structure we had to come up with was a commercial one. These are not commercial houses, and they need to be moved across and I can speak with conviction, and I have been mandated to speak with conviction on our social housing side of things, they need to move across into a social housing structure. Is there any way that your organisation can help us to move or transition these houses into a full blown social housing organisation or entity because there are a lot of complexities when it comes to treaty settlements, hand backs, where houses are involved and I dare say we are not the only iwi that have come across this, have you created any pathways for other iwi to move these assets across into their social housing new entity?

Martin Farmer

We don't personally, as a regulatory authority we exist solely for the purpose of registration and monitoring providers against those performance standards, I'm just wondering though Michaela, and John if you can't speak to this as well, is there something to do with our TKKO team where they would have some resource available to assist in that?

Michaela Reilly

We do have other providers that have done this, we obviously aren't able to discuss what they've done or how they've done it, but yeah, it's not an unfamiliar scenario, there are some issues associated with it as Marty just said, TKKO would probably be a really good source of advice, but we would be happy to talk privately about it too. It's very individual, your circumstances could be quite different from some others, so I wouldn't want to say any more than that really. Yeah, we can probably help, but others can help too, yes.

Martin Farmer

I would also add to that in terms of TKKO's ability to help, they would be a great source of advice, I'm not sure about other assistance that they could provide, but I do understand that they may be placed to provide other assistance when it comes to that as well. So, you can get in touch with us afterwards and we can try and progress this a little bit with you. And from financial perspective we do understand a lot of these organisations are not for profit organisations, and have arrangements in place, I mean to a certain degree you do need to be commercially viable over a period of time, it's good for your whānau and your organisation, but we do understand that you're not for profit in many instances. Definitely.

Jen Deben

Kia ora, so we have one more question which is coming from Robert and then we'll be moving over to John's presentation of financial viability. Kia ora Robert.

Robert Macbeth

Kia ora Jen, hey Marty, so it's a related question to the korero we've been having, so Tauhara North Number two trust has created a subsidiary, Tauhara North Kāinga Limited, it's within the group, it's a subsidiary of the charitable company arm, and being a resource based Ahu Whenua trust, the entity has significant commercial operations and of course it's got its charitable arm as well, as an entity within the group, we get of course a lot of our administrative and management services from the group, you know the finance team, HR, and I was just wondering, when we put in our application as Tauhara North Kāinga, do we actually have to have a whole lot of those policies around petty cash and HR or can we rely on the group policies, or do we have to have service level agreements in place between the subsidiary and the parent?

Martin Farmer

Really good question, I was going to say you could probably do either of the second two, there might be scope for you as well to provide policies and procedures, not all, okay, so I'm trying to unpack this in my mind and go through. So, a number of policies in respect of petty cash etcetera, we don't need to see those policies, it's not to do with the performance standards, we don't want to get weighed down in assessing those. In respect of policies that are more significant that are located elsewhere in the group structure, the back office finance policies etcetera, there could be a couple of ways to do it and one of those for example could be if we

received those policies and they were in the name of whatever entity within the group structure they're in, but we had a letter from the parent organisation saying that it agreed to gift you the use of those policies that would be fine as well. Ka pai.

Jen Deben

Thank you, Robert, and thank you for that Martin.