FAITH HOUSING AUSTRALIA

National Regulatory System for Community Housing (NRSCH)
Future Directions for the NRSCH Submission

1. Introduction

Faith Housing Australia (FHA) welcomes the opportunity to contribute to the review of the National Regulatory System for Community Housing (NRSCH).

FHA is a national peak body representing faith-based and mission-driven community housing providers (CHPs), alongside organisational members spanning development, finance, advisory, and service delivery. FHA's membership reflects a cross-section of the community housing ecosystem, including providers delivering housing across the continuum from crisis and transitional accommodation through to social and affordable housing.

Collectively, FHA members provide more than 62,000 tenancies and support approximately 83,000 clients through Specialist Homelessness Services (SHS) annually. Many members operate across multiple jurisdictions and are increasingly engaged in complex delivery models involving partnerships, structured finance, institutional investment, and Special Purpose Vehicles (SPVs).

This submission is informed by direct engagement with FHA members operating across multiple jurisdictions and delivery contexts. It reflects both operational experience within the current regulatory framework and a broader assessment of the system's alignment with the evolving role of the community housing sector in national housing policy.

FHA's perspective is informed not only by provider experience, but by the intersection of land, capital, and delivery. Our members operate at the point where regulatory settings directly affect the feasibility of new housing supply.

FHA's intent is to provide a constructive, evidence-informed, and forward-looking contribution. The submission recognises the foundational role of the NRSCH in establishing sector credibility and consistency, while identifying areas where reform is required to ensure the system remains fit for purpose in a period of significant structural change.

2. Executive Summary

The NRSCH has been instrumental in establishing a nationally recognised framework for governance, accountability, and regulatory assurance within the community housing sector. It has supported sector growth, strengthened organisational capability, and provided confidence to governments and stakeholders.

The regulatory framework is no longer solely a sector governance instrument. It is now a component of national economic infrastructure. As Commonwealth investment in housing scales, and as institutional capital becomes increasingly engaged, the regulatory system directly influences capital pricing, delivery timelines, and the risk profile of public investment. In this context, regulatory design becomes a fiscal and economic policy consideration, not only a sectoral one.

However, the sector is now undergoing a structural transition. This transition is characterised by the introduction of large-scale national funding mechanisms, increasing participation of institutional capital, the growing use of structured finance and Special Purpose Vehicles (SPVs), and a broader expectation that community housing providers will contribute materially to national housing supply.

These developments have altered the operating environment in which regulation occurs. The current regulatory system, while robust in its original design, is increasingly misaligned with the scale, complexity, and national orientation of the sector.

This submission advances three central propositions. First, incremental improvements to the existing system will not be sufficient to address the structural misalignment that has now emerged. Second, that a clearer articulation of the future regulatory architecture is required to guide reform. Third, that a phased transition pathway provides the most credible and practical means of achieving this alignment.

The submission therefore responds directly to the consultation questions, identifies systemic constraints based on member experience, proposes design principles for a future system, and outlines a phased approach to reform.

Absent structural reform, the current system risks becoming a constraint on the very outcomes it was established to support—introducing delay, increasing cost, and weakening the regulatory signal required for large-scale capital deployment. This is a point of system recalibration, not incremental adjustment.

This submission sets out a coherent pathway from diagnosis to implementation. It outlines a regulatory approach that is more efficient and consistent, while better positioned to support the scale, complexity and capital requirements of the contemporary housing system. This is not a departure from the intent of the NRSCH, but an evolution necessary to ensure it remains effective in a fundamentally changed operating environment and supports the continued development of a nationally consistent regulatory system.

Absent structural alignment, the system is likely to experience increasing delivery friction, higher transaction costs, and elevated risk premiums applied by capital markets. This will reduce the efficiency of public investment, increase the fiscal cost of achieving housing outcomes, and constrain the system's capacity to deliver housing at scale.

3. System Context: Structural Change in the Sector

The regulatory system was originally designed for a sector that was comparatively smaller in scale, more locally oriented, and less exposed to complex financing arrangements. At that time, regulatory emphasis was appropriately placed on governance, tenant outcomes, and organisational capability within a relatively stable delivery environment.

The contemporary context differs significantly. Community housing providers are now operating within a national policy framework that is explicitly oriented toward supply expansion. Funding mechanisms such as the Housing Australia Future Fund (HAFF) have introduced new expectations regarding delivery scale and financial structuring. Providers are increasingly engaging with institutional investors, forming partnerships across sectors, and utilising SPVs to deliver projects at scale.

As Commonwealth investment in the sector increases, a structural asymmetry is emerging. Financial exposure is increasingly national in scale, while regulatory authority remains primarily jurisdictional. Over time, this misalignment has the potential to limit system visibility and consistency, and may affect the efficiency with which public investment is deployed. T The effectiveness of major Commonwealth funding initiatives is increasingly dependent on the efficiency and credibility of the regulatory system through which delivery occurs, particularly as programs are deployed at scale.

These developments have introduced a level of structural complexity that was not anticipated in the original design of the regulatory system. The system now operates across a set of dimensions where sector reality and regulatory calibration are not fully aligned.

Dimension	Contemporary Sector Reality	Current Regulatory Response
Scale	Rapid expansion driven by national supply programs (e.g. HAFF)	Processing and assessment capacity remains incremental and time-bound
Capital	Increasing use of institutional capital and complex financing structures	Limited depth in financial oversight, particularly forward-looking metrics
Delivery Structures	Use of SPVs, joint ventures and partnership delivery models	Predominantly entity-based registration and supervision framework
Geography	National operating footprint across multiple jurisdictions	Jurisdiction-based regulatory administration
Risk Orientation	Exposure to market, delivery and financing risks requiring real-time monitoring	Predominantly retrospective and compliance-focused oversight

Table 1. Misalignment between sector operating context and regulatory response

This misalignment reflects the pace of sector evolution rather than a deficiency in the original system design.

This transition represents a regulatory inflection point: a system designed for a smaller, locally-oriented sector is now being asked to govern a nationally significant, capital-intensive asset class. Regulation is no longer operating at the margins of the system; it is now a core component of the housing delivery infrastructure, directly shaping the efficiency, cost and risk profile of housing supply.

4. Member Experience and System Constraints

The observations in this submission do not reflect a failure of regulatory practice. Registrars have demonstrated a high level of professionalism and commitment within the current framework. The issues identified arise from structural limitations in system design rather than the performance of individual jurisdictions.

FHA members consistently report that aspects of the current regulatory system are increasingly acting as a binding constraint on delivery, directly affecting project feasibility, capital deployment, and participation in national funding programs.

Registration processes are frequently cited as a primary issue. Timeframes extending to twelve months are not uncommon, particularly where applications involve complex structures or new entities. These delays are increasingly misaligned with funding cycles and can directly affect project feasibility and participation in national funding programs.

Members also report variability in interpretation across jurisdictions. This includes differing advice, evolving evidentiary expectations, and reliance on individual interpretation rather than clearly codified standards. This creates uncertainty and increases administrative burden.

The treatment of SPVs represents a further area of friction. While SPVs are now a standard feature of contemporary housing delivery, the regulatory system remains largely oriented toward single-entity models. This results in duplication of registration processes and an expansion in the number of regulated entities without a commensurate increase in risk oversight.

In addition, members note that the system remains predominantly retrospective in its regulatory approach. While governance and compliance are well established, there is comparatively limited emphasis on forward-looking financial monitoring. A more proportionate and targeted approach to monitoring—

particularly in relation to liquidity, debt exposure, and concentration risk—would support earlier identification of emerging issues without introducing unnecessary regulatory burden.

Finally, there is limited regulatory visibility of long-term asset sustainability, including maintenance liabilities and lifecycle costs. As the sector grows, these factors become increasingly material to both tenant outcomes and financial resilience.

This will reduce the efficiency of public investment, increase the fiscal cost of achieving housing outcomes, and constrain the system's capacity to deliver housing at scale.

5. Design Recommendations for Evolution of the NRSCH

These recommendations represent practical interventions that can be implemented within the existing system architecture, while reducing duplication and supporting transition toward a more structurally aligned regulatory model.

FHA considers that the evolution of the NRSCH should be guided by a set of practical design recommendations that can be implemented progressively.

A formal national guidance framework should be established to support consistent interpretation and reduce reliance on case-by-case judgement. Registration processes should be restructured into differentiated pathways reflecting provider type and delivery model. Group-based regulatory recognition should be introduced to better align oversight with actual risk structures.

A more structured and proportionate approach to financial monitoring should be developed, incorporating forward-looking indicators where appropriate. A national data standard and integrated platform should be developed to improve system insight. Finally, streamlined pathways for SPVs should be introduced to reduce duplication while maintaining oversight.

Importantly, these reforms are intended to improve the effectiveness and efficiency of the regulatory system, rather than increase regulatory burden.

6. Design Principles for a Future System

A future regulatory system should be guided by the following integrated design principles:

- **System-governed:** A system with clear governance architecture and accountability for regulatory outcomes, including defined roles for national coordination, consistent decision-making authority, and transparent lines of responsibility across jurisdictions.
- **Nationally anchored:** A system established on a clear national foundation, with consistent standards, interpretation and clear national accountability across jurisdictions, reducing fragmentation and enabling efficient multi-state operation.
- **Purposive:** A system explicitly designed to serve public investment stewardship, tenant protection and sector integrity with equal weight, ensuring that regulatory architecture, standards and oversight mechanisms are coherently aligned to all three objectives.
- **Activity-based:** A regulatory perimeter defined by the management of social and affordable housing and the vulnerability of tenants served, rather than the source of capital funding alone.
- **Proportionate:** Regulatory settings calibrated to the level of financial, delivery and tenant risk, including where risk is held at group or project level, ensuring regulatory effort is concentrated where it is most material rather than applied uniformly.

- **Enterprise-based:** A system that regulates at the level of the enterprise, incorporating group structures, SPVs and material third-party relationships, rather than relying on individual entity-based oversight.
- **Systematised:** Digitally enabled, standardised processes and assessment settings that reduce manual interpretation, improve consistency, transparency and predictability, and provide predictable pathways for registration, compliance and growth.
- **Forward-looking:** A model that incorporates continuous monitoring, early warning indicators and, where appropriate, scenario-based assessment of financial, delivery and asset-related risks, shifting from retrospective compliance toward proactive risk management.
- **Capital-enabling:** A regulatory framework that provides credibility, predictability and transparency to support institutional investment, recognising that regulation functions as a key signal of sector risk and stability.
- **Tenant-centred:** A system that maintains a clear focus on tenant outcomes, including safety, service quality, housing stability and sustainment. This includes recognising the role of tenancy support in sustaining outcomes, reducing tenancy breakdown, and avoiding repeat experiences of homelessness as a core measure of system effectiveness.

These principles are intended to operate as an integrated framework, with each reinforcing the others and collectively addressing the structural limitations identified in the current system.

A central consideration is the calibration of regulatory intensity. Regulatory effort should be explicitly risk-calibrated, directing attention toward areas of material financial and delivery risk, rather than applying uniform compliance across the system.

Regulatory intensity should be determined by the nature, scale, and complexity of activities being undertaken, rather than organisational classification alone. This is particularly important in ensuring that capable providers, including those entering the system or operating at smaller scale, are not subject to unnecessary regulatory friction.

This principle is especially relevant in the context of SPVs and project-based delivery models, where risk is often more appropriately understood at the group or project level. These principles provide the foundation for how a reformed regulatory system would operate in practice.

7. Reform Directions and System Operation

The proposed reforms are intended to establish a regulatory system that operates coherently across the full lifecycle of providers and projects. In practice, this requires a system that supports providers through entry and growth, applies proportionate and risk-based supervision, and incorporates defined escalation and intervention pathways where risks emerge.

A nationally coherent regulatory signal is now essential not only for regulatory effectiveness, but also for maintaining investor confidence and enabling sustained institutional participation in the sector as an asset class.

In capital markets terms, regulatory inconsistency is priced as risk, directly influencing the cost and availability of capital. Even where individual providers are strong, system-level uncertainty increases required returns and reduces capital availability at scale.

FHA proposes an evolution toward a model comprising a stronger national regulatory layer, supported by jurisdictional delivery, within a nationally coherent framework that enables consistent application across all jurisdictions. Over time, this framework should support broader national alignment of regulatory participation, enabling a more consistent and integrated system across Australia.

Within this model, regulatory settings must operate consistently across the provider lifecycle, ensuring that expectations at entry align with ongoing supervision, and that regulatory responses adapt as organisational scale, complexity and risk evolve over time.

This requires a clearer centre of regulatory authority, with defined accountability for system-wide outcomes and the capacity to provide consistent interpretation and coordination.

The national layer would provide standard setting, guidance, and data coordination. Jurisdictions would retain operational roles. Regulation would occur at both entity and group level as appropriate, reflecting where risk is held in practice across organisational and project structures.

This lifecycle can be understood across the following core regulatory functions, which together define how the system operates in practice:

- **Entry and Registration:** Entry pathways should be clear, time-bound and proportionate to the scale and complexity of proposed activities. This includes streamlined approaches for project-based delivery vehicles such as SPVs, and clarity on regulatory expectations from the outset, to reduce uncertainty and provide consistent guidance for new and expanding providers.
- **Ongoing Supervision and Monitoring:** Ongoing supervision should be risk-based and continuous, supported by standardised data, early warning indicators and consistent interpretive approaches. This would enable regulatory effort to be directed toward areas of greatest material risk, rather than applied uniformly.
- **Event-based Escalation:** The system should incorporate clear and proportionate escalation triggers where risk profiles change, including rapid growth, increased delivery complexity, or emerging financial stress. These triggers should prompt proportionate increases in regulatory engagement, ensuring that oversight adapts dynamically to evolving risk.
- **Intervention and Managed Failure:** The regulatory framework should include clear and proportionate pathways for graduated intervention where risks materialise. This includes the ability to require corrective action, increase the level of regulatory engagement where required, and, where necessary, facilitate managed transitions of housing assets and tenancies to alternative providers, where continuity cannot be maintained within the existing structure. These mechanisms are essential to ensuring continuity of housing for tenants, maintaining confidence among funding partners and investors, and protecting overall system integrity.

These operational settings directly influence capital behaviour. Regulatory consistency, transparency and forward-looking supervision reduce uncertainty for lenders and institutional investors, supporting more efficient capital pricing and enabling the scaling of community housing delivery through increasingly sophisticated financing structures, while maintaining system integrity and tenant outcomes.

8. Reform Roadmap

This roadmap translates the proposed design principles and operating model into a sequenced implementation pathway. It is designed to improve system performance in the near term, strengthen coordination and capability over time, and position the system for longer-term alignment with national housing policy and investment settings.

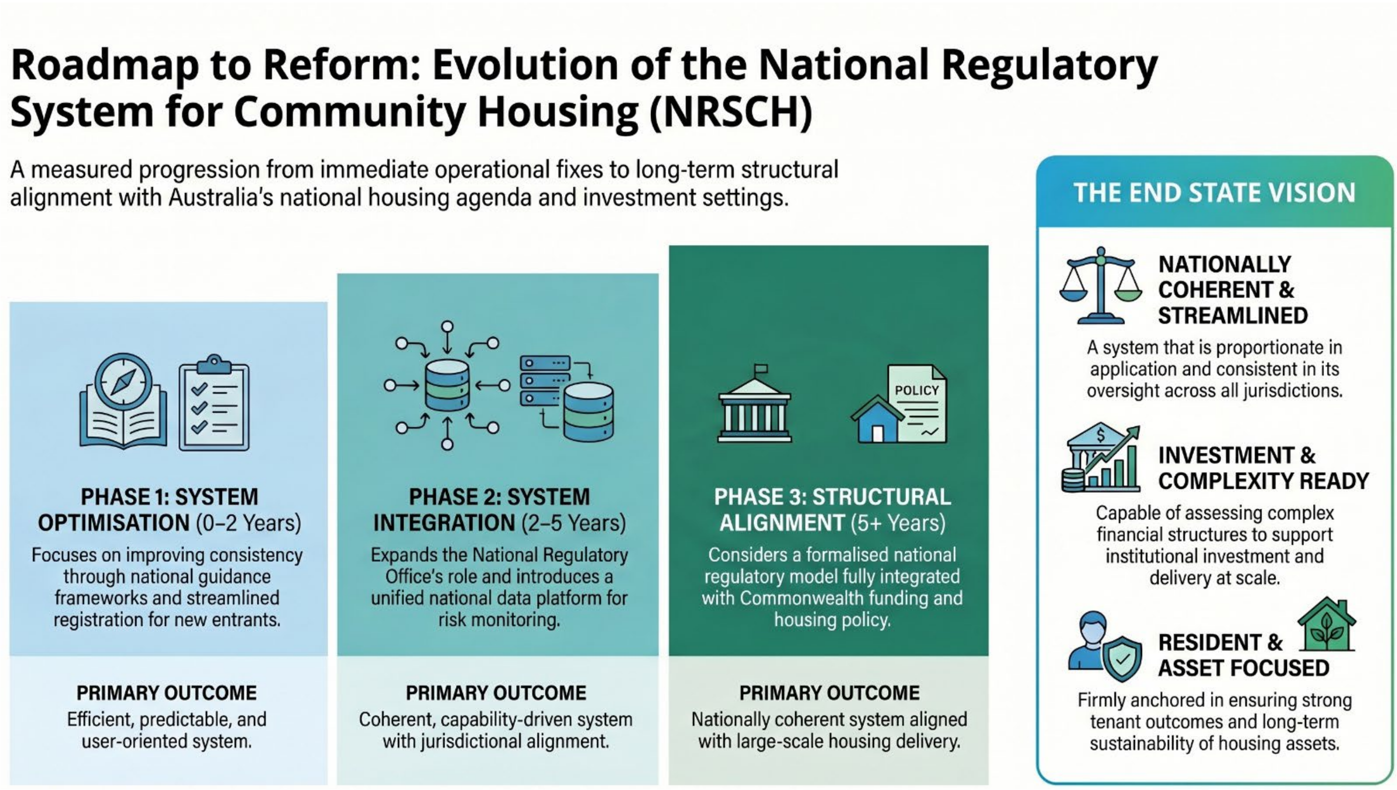

Diagram 1. Reform Roadmap

Phase 1: System Optimisation (0–2 Years)

Improving performance within the existing framework

In the immediate term, reform should focus on addressing operational inefficiencies and improving consistency within the current system architecture.

Key actions in this phase include the establishment of a formal national guidance framework to support consistent interpretation of the regulatory code, alongside the introduction of defined service benchmarks for registration processes. These measures will improve predictability and reduce administrative burden.

Registration processes should be supported by the introduction of structured pathways that differentiate between new entrants, existing providers, and SPVs linked to regulated entities. This will enable more proportionate assessment processes and reduce duplication.

Initial steps should also be taken to strengthen financial insight through the development of proportionate early warning indicators and more structured monitoring approaches. In parallel, work should commence on standardising core data definitions across jurisdictions.

The outcome of this phase is a more efficient, predictable, and user-oriented regulatory system that better supports delivery within existing settings.

Phase 2: System Integration (2–5 Years)

Strengthening national coordination and capability

The second phase focuses on building a more integrated and coordinated regulatory system, supported by enhanced national capability.

During this phase, the role of the National Office should be expanded to include formal responsibility for guidance development, coordination of interpretation, and system-wide data oversight. This will provide a clearer centre of gravity for the system without displacing jurisdictional regulators.

Group-based regulatory recognition should be introduced, allowing regulators to assess risk at both entity and organisational levels. This will align regulatory practice with contemporary delivery structures and reduce unnecessary duplication associated with SPVs.

An integrated national data platform should be developed to support consistent reporting, improved system visibility, and more effective risk monitoring. Financial oversight approaches should be further refined and embedded in a proportionate manner, including the use of scenario analysis for larger or more complex providers.

The outcome of this phase is a more coherent and capability-driven system, with stronger alignment across jurisdictions and improved ability to respond to sector complexity.

Phase 3: Structural Alignment (5+ Years)

Aligning regulatory architecture with national housing systems

The final phase involves consideration of longer-term structural alignment between regulatory arrangements and national housing policy and funding frameworks.

By this stage, the regulatory system should be capable of operating as core economic infrastructure, enabling large-scale housing delivery and capital deployment in alignment with public policy objectives.

As the sector continues to scale and becomes more closely integrated with Commonwealth funding mechanisms, there is a case for reviewing the overall structure of the regulatory system. This may include consideration of a more formalised and nationally consistent regulatory model across all jurisdictions, with enhanced statutory functions at the national level.

At this stage, regulatory oversight would be more fully integrated with system-wide data, financial monitoring, and policy settings. The regulatory system would operate as part of a broader housing delivery infrastructure, supporting both market confidence and public policy objectives.

Importantly, this phase should be informed by the outcomes of earlier reforms and subject to further consultation.

The outcome of this phase is a nationally coherent, proportionate, and forward-looking regulatory system that is fully aligned with the scale and ambition of Australia's housing agenda.

Sequencing Logic

The sequencing of reform reflects a deliberate progression:

- **Phase 1** addresses immediate performance constraints
- **Phase 2** builds coordination, capability, and system integration
- **Phase 3** enables structural alignment once foundations are established

This approach ensures that reform is both practical and credible, avoiding disruption while enabling meaningful evolution.

A more structurally aligned regulatory system would improve delivery efficiency at scale by reducing transaction costs, strengthening regulatory certainty for capital, and enabling faster mobilisation of Commonwealth-funded programs. At the same time, proportionate and forward-looking monitoring would support earlier identification of emerging risks. Together, these effects would improve the performance of public investment and the system's capacity to deliver housing outcomes.

End State Vision

The roadmap supports the transition to a regulatory system that is:

- Nationally coherent in its coordination and oversight
- Proportionate and streamlined in its application
- Capable of assessing complex organisational and financial structures
- Supportive of institutional investment and delivery at scale
- Anchored in strong tenant outcomes and long-term asset sustainability

In this end state, regulation operates not only as an assurance mechanism, but as a core enabler of housing delivery, system integrity, and long-term investment.

9. Conclusion

The NRSCH has been foundational to sector development. However, the sector is now operating in a fundamentally different context. The regulatory system must evolve in a way that is commensurate with its role in enabling national housing supply, supporting institutional investment, and protecting tenants at scale. Without this evolution, the system risks constraining the outcomes it is intended to enable.

This evolution should be measured but sufficiently ambitious to align with national housing objectives. A proportionate, streamlined, and forward-looking system will support both tenant outcomes and housing delivery at scale.

Appendix A: Direct Response to Consultation Questions

This appendix provides Faith Housing Australia's detailed responses to the consultation questions set out in the NRSCH Future Directions Paper. These responses are aligned to the structure of the paper and should be read in conjunction with the main submission, which provides broader system context, analysis, and reform proposals.

Section 1: System Purpose and Objectives

Q1. Is the purpose of the NRSCH still appropriate?

FHA considers that the core purpose of the NRSCH remains appropriate and continues to provide a necessary foundation for ensuring provider capability, tenant protection, and sector credibility. The system has been effective in establishing baseline governance expectations and supporting sector development. However, the way in which this purpose is operationalised requires evolution to reflect the increasing scale, complexity, and national significance of the sector. In particular, the regulatory system must now also explicitly support delivery at scale and align with national funding and investment frameworks.

Q2. Should the objectives of the system be updated?

There is merit in refining the system's objectives to better reflect the contemporary role of community housing providers. While existing objectives appropriately emphasise governance and tenant outcomes, they do not explicitly recognise the sector's role in contributing to national housing supply or engaging with institutional capital. Updating the objectives to reflect these dynamics would provide a clearer mandate for regulatory evolution without undermining the system's core purpose.

Q3. Is the balance between tenant protection and sector growth appropriate?

The conceptual balance between tenant protection and sector growth remains appropriate. However, in practice, the system is increasingly experienced as placing greater weight on compliance processes than on enabling delivery. This is particularly evident in areas such as registration and structural approvals. A more proportionate and streamlined approach would improve this balance by maintaining strong protections while reducing unnecessary friction that may constrain housing delivery.

Section 2: System Architecture

Q4. Is the current system architecture fit for purpose?

The current architecture remains broadly functional but is increasingly under strain and not fully aligned with the scale and complexity of the contemporary sector. The federated model, supported by a national code, has delivered consistency at a foundational level. However, it does not provide a sufficiently strong mechanism for system-wide coordination or timely resolution of interpretive issues. As the sector becomes more interconnected and nationally oriented, the limitations of this architecture are becoming more apparent.

Q5. Are roles and responsibilities clear?

Roles and responsibilities are formally defined but are not always clear in practice. In particular, there is ambiguity around where authority sits in relation to interpretation of standards and resolution of cross-jurisdictional inconsistencies. This can lead to variability in decision-making and uncertainty for providers operating in multiple jurisdictions.

Q6. Is there sufficient national coordination?

National coordination exists but is not sufficiently formalised to ensure consistent outcomes. Current arrangements rely heavily on informal collaboration and shared intent rather than structured mechanisms. While this has functioned to date, it is increasingly challenged by the complexity and pace of sector activity.

Q7. Should national functions be strengthened?

There is a clear case for strengthening nationally coordinated functions. This includes expanding the role of the National Office in guidance development, interpretation, and data coordination. Strengthening these functions would improve consistency and system responsiveness without requiring a shift to full centralisation.

Section 3: National Office

Q8. Is the role of the National Regulatory Office appropriate?

The role of the National Regulatory Office is appropriate in concept but limited in its current scope. As the system has evolved, the need for stronger coordination and guidance has increased, but the capacity of the National Office to fulfil this role has not kept pace.

Q9. Should the National Office take on additional functions?

FHA considers that the National Office should take on expanded and more clearly defined functions to provide a clearer centre of regulatory authority and improve system-wide consistency, particularly in relation to the development of national guidance materials, coordination of regulatory interpretation, and support for system-wide data initiatives. These functions would enhance consistency and reduce reliance on jurisdiction-specific interpretation.

Q10. How can the National Office improve consistency?

Consistency can be improved through the development and dissemination of detailed guidance materials, including case-based examples and standardised evidentiary requirements. In addition, structured forums for cross-jurisdictional discussion and resolution of interpretive issues would support alignment in regulatory practice.

Section 4: Registration

Q11. Are registration processes effective?

Registration processes are effective in ensuring baseline capability but are often experienced as slow and administratively complex. This limits their effectiveness and is increasingly misaligned with contemporary delivery and funding timeframes.

Q12. Are timeframes appropriate?

Current timeframes are not aligned with contemporary delivery expectations. Extended processing periods can directly constrain participation in national funding programs and delay project commencement, reducing overall system efficiency.

Q13. Are requirements clear?

Requirements are not consistently clear, particularly in relation to evidentiary expectations. This leads to iterative engagement between applicants and regulators, increasing administrative burden and uncertainty.

Q14. Should processes be streamlined?

There is a strong case for streamlining processes, particularly for providers with established track records and for entities linked to regulated organisations. Streamlining should focus on reducing duplication rather than lowering standards.

Q15. Should there be different pathways?

Differentiated pathways would better reflect the diversity of applicants and reduce unnecessary burden. This includes pathways for existing providers expanding operations and for SPVs linked to regulated entities.

Section 5: Regulatory Practice

Q16. Is regulatory practice consistent?

Regulatory practice is not consistently applied across jurisdictions, particularly in areas requiring interpretation of standards. This creates challenges for providers and reduces confidence in the system.

Q17. What drives inconsistency?

Inconsistency is driven primarily by reliance on interpretation in the absence of detailed national guidance, as well as differences in local practice and resourcing.

Q18. How can consistency be improved?

Consistency can be improved through the development of national guidance, structured coordination mechanisms, and clearer escalation pathways for resolving interpretive differences.

Section 6: Risk and Compliance

Q19. Is the system sufficiently risk-based?

The system incorporates risk considerations but remains predominantly compliance-oriented. There is limited emphasis on forward-looking and proportionate risk identification, particularly in relation to financial resilience and delivery risk.

Q20. Are compliance requirements appropriate?

Compliance requirements are generally appropriate but can be duplicative, particularly where multiple entities are involved within a single organisational structure.

Q21. Is the balance between compliance and risk appropriate?

The balance is increasingly weighted toward retrospective compliance rather than proactive risk management.

Section 7: Financial Oversight

Q22. Is financial oversight adequate?

Financial oversight is adequate at a baseline level but not sufficiently structured to support forward-looking oversight in a more complex and capital-intensive sector.

Q23. Are early warning mechanisms sufficient?

Early warning mechanisms are limited and could be strengthened through the introduction of proportionate financial indicators and more structured monitoring approaches.

Q24. Should financial monitoring be enhanced?

Financial monitoring should be enhanced in a proportionate and risk-based manner, focusing on areas of material risk and larger or more complex providers.

Section 8: SPVs and Structures

Q25. Are SPVs adequately addressed?

SPVs are not fully accommodated within the current regulatory framework, resulting in inefficiencies, duplication, and misalignment with contemporary delivery structures.

Q26. Should SPVs be regulated differently?

A more proportionate approach is warranted, recognising that risk is often managed at the group level rather than the individual entity level, consistent with how risk is structured and managed in practice.

Q27. How should group structures be treated?

Group-based regulatory approaches should be introduced where appropriate, allowing regulators to assess risk holistically rather than on an entity-by-entity basis.

Section 9: Data and Reporting

Q28. Is current data collection effective?

Data collection is comprehensive but not optimised for system-level insight or comparability across jurisdictions.

Q29. Are reporting requirements appropriate?

Reporting requirements can be burdensome and would benefit from greater alignment and standardisation.

Q30. Should data be standardised?

Standardisation would significantly improve usability and support both regulatory and policy objectives.

Q31. How can data be better used?

Data can be better utilised through improved integration, analysis, and feedback mechanisms that inform both regulators and providers.

Section 10: Sector Scope

Q32. Is the scope of the system appropriate?

The current scope is appropriate and aligned with the purpose of the system.

Q33. Should new participants be included?

Expansion should be approached cautiously to ensure that sector integrity is maintained.

Q34. What risks arise from expansion?

Risks include dilution of mission focus and reduced emphasis on tenant outcomes.

Section 11: Regulatory Approach

Q35. Is the regulatory approach proportionate?

The system would benefit from a more explicitly proportionate approach, particularly in relation to scale and complexity of activities.

Q36. How should proportionality be applied?

Proportionality should be applied based on the nature, scale, and complexity of activities rather than organisational classification.

Q37. Should regulation be streamlined?

Streamlining is appropriate where risk is well understood and managed, particularly in the context of SPVs and group structures.

Section 12: System Performance

Q38. Is the system performing effectively?

The system performs adequately at a baseline level but is increasingly under strain as sector scale and complexity increase.

Q39. What are the key performance issues?

Key issues include timeliness, consistency, and alignment with delivery requirements.

Q40. How can performance be improved?

Performance can be improved through better guidance, coordination, and process efficiency.

Section 13: Future Reform

Q41. Are incremental reforms sufficient?

Incremental reforms are necessary but will not fully address the structural misalignment that has now emerged.

Q42. Should more structural reform be considered?

Structural reform should be actively progressed alongside incremental improvements as the sector continues to evolve.

Q43. What should be prioritised?

Near-term priorities should focus on operational improvements and strengthening coordination.

Section 14: Transition and Implementation

Q44. How should reform be implemented?

Reform can be supported through a staged approach that balances ambition with stability.

Q45. What are the risks of reform?

Risks include disruption to system operations if changes are introduced too rapidly or without sufficient coordination.

Q46. How can risks be managed?

Risks can be managed through phased implementation, clear communication, and ongoing engagement with stakeholders.

Section 15: Broader Considerations

Q47. How should the system align with national policy?

Greater alignment with Commonwealth funding and policy settings will be required over time as the sector becomes more nationally oriented.

Q48. What is the long-term vision for the system?

The long-term vision is a nationally coherent, proportionate, and forward-looking regulatory system that supports housing delivery at scale, enables institutional investment, and protects tenants over the long term.

Appendix B: Illustrative System Frictions and Delivery Impacts

This appendix provides a small number of illustrative examples drawn from FHA member experience. These examples are included to demonstrate how system characteristics described in the main submission manifest in practice. They are not intended to attribute fault to individual jurisdictions or regulatory officers, but rather to highlight structural dynamics within the current system.

B1. Registration Timeframes and Alignment with Delivery Cycles

FHA members have reported instances where registration processes for new entities or structural changes have extended to approximately twelve months. This is particularly evident in cases involving complex delivery models or Special Purpose Vehicles (SPVs) established for specific projects.

In one example, a provider seeking to establish a new delivery vehicle to participate in a funding round experienced a protracted registration process that extended beyond the timeframe of the funding opportunity. While the provider ultimately met the required standards, the delay created uncertainty and constrained its ability to participate effectively in the funding process.

This example highlights a broader structural misalignment between regulatory timeframes and contemporary delivery expectations. As funding programs increasingly operate within defined time windows, the ability of the regulatory system to respond in a timely and predictable manner becomes critical to enabling housing supply.

It also underscores the importance of introducing clearer service benchmarks and structured registration pathways that can accommodate different types of applicants, including those linked to existing regulated entities.

B2. Variability in Interpretation Across Jurisdictions

Members operating across multiple jurisdictions have reported differences in how regulatory requirements are interpreted and applied. These differences may relate to evidentiary expectations, assessment processes, or the level of detail required to demonstrate compliance with particular standards.

In one case, a provider undertaking similar activities in two jurisdictions was required to provide materially different documentation to satisfy equivalent regulatory requirements. This resulted in duplication of effort and increased administrative burden, despite the underlying activity being consistent.

This example illustrates the impact of reliance on interpretation in the absence of consistently applied national guidance. While professional judgement is an important aspect of regulatory practice, variability in its application can create inefficiencies and reduce confidence in the system.

Strengthening national guidance settings and coordination mechanisms would support greater consistency while maintaining appropriate flexibility.

B3. SPVs and Entity-Based Regulatory Burden

The increasing use of SPVs has introduced complexity into regulatory processes. FHA members have reported that SPVs established for discrete projects are often required to undergo full registration processes, even where they are wholly controlled by an already regulated parent entity.

In one example, a provider delivering multiple projects through SPVs was required to register each entity individually, resulting in a significant increase in compliance workload. While each entity met the necessary standards, the duplication of process did not materially enhance oversight, as risk was effectively managed at the group level.

This example highlights the limitations of an entity-based regulatory model in the context of contemporary delivery structures. It also demonstrates the potential benefits of group-based regulatory approaches and streamlined pathways for SPVs linked to established providers.

Concluding Note

These examples demonstrate that the challenges identified in this submission are not theoretical. They reflect practical experiences arising from the interaction between a maturing sector and a regulatory system designed for an earlier stage of development.

Each example also points to a corresponding reform opportunity, reinforcing the case for a more proportionate, streamlined, and forward-looking regulatory approach that improves effectiveness without increasing unnecessary regulatory burden. These examples reinforce the need for reform to be structural rather than incremental.

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