



Managing risks associated with the winding down of NRAS incentives

The purpose of this communication is to advise that depending upon your organisations circumstances, your Registrar may be seeking supplementary information to assess if any unintended consequences could arise from the end of the National Rental Affordability Scheme (NRAS) rounds.

In the 2014-15 Budget, the Government announced it would not progress with any further NRAS rounds and that the scheme would be capped at 38,000 allocations. In coming years, many Community Housing Providers (CHPs) that were successful applicants for properties funded under the NRAS will begin to see financial incentives associated with the scheme cease as the 10 year funding timeframe for each NRAS round is reached. Other providers offer fee for service management of NRAS properties and will be affected by the ending of NRAS incentives.

The Registrars have been monitoring how relevant CHPs are making appropriate provisions/plans to prepare for the winding down of the NRAS incentives as part of their ongoing Compliance Return process under the National Regulatory System for Community Housing (NRSCH). The cumulative view is that the sector is planning for the wind-down and is diversifying in response. The Registrars will continue to monitor this response.

You may not need to adjust your annual returns which indicate plans, business strategies, financial forecasts, scenario testing and policies potentially related to NRAS. However, as the standard compliance assessment of providers' performance now includes the NRAS cut off in their 10 year forecasts, Registrars would like to engage providers more specifically on how they plan to treat the transition and to that effect may ask specific questions in the upcoming Tier1/2 assessment round in order to form a national view on any necessary funding/policy changes.

Specifically, your Registrar may ask providers that are receiving NRAS incentives or managing NRAS properties and tenancies on behalf of other providers or private developers to share their plans about what they will do with: a) properties they have control over and b) tenancies of all NRAS properties.

Financial viability is critical to the sector, however, there may be some unintended consequences of planned diversification which adversely impact the provision of affordable housing in the broadest sense. Hence, what – if anything – is to occur to affordable housing properties and tenancies is important for Registrars to understand and your assistance in contributing to this knowledge would be welcomed. As a group, Registrars are concerned to ensure that negative impacts are minimised and we will feed any assessed systemic information back to the sector and through to our funding and policy colleagues.

Should you have any queries regarding this matter please feel free to contact your assigned NRSCH regulatory analyst.