



Financial performance reporting for providers

Fact Sheet

This fact sheet explains how providers can demonstrate financial viability for the purposes of registration and ongoing compliance and how financial viability will be assessed under The Community Housing Regulatory Framework (Framework). It supplements the Performance Outcome 7: Financial Viability Guidance Note.

Regulatory requirements

The National Regulatory Code (Code) sets out the performance outcomes and requirements that must be met by registered community housing providers under the Framework. Performance Outcome 7 of the Code concerns the Financial Viability of registered providers.

Community housing providers must demonstrate their capacity to comply with the Code on application and, once registered, must demonstrate ongoing compliance with the Code.

Financial viability

The community housing provider must be financially viable at all times. Financial viability is the ability to generate sufficient income to meet operating payments, debt commitments and, where applicable, to allow for growth, while maintaining service levels.

Assessment of financial viability

Performance and assessment data will be used to inform a risk-based assessment of all registered providers to determine compliance with the Framework and Code. This will determine the level of regulatory engagement and, where necessary, action.

The assessment of financial viability is an integral process involving analysis of historical and forecast financial data and a review of the strategic/business plan, risk management plan, and other information that support the Community Housing Registration Office's financial analysis.

The financial analysis considers the audited financial statements and the financial performance report (FPR) to produce ratio and trend analysis, to compare the overall performance of the provider with the budget and prior year(s), and to understand the assumptions underlying the forecast.



To place these results into a broader context, the provider's strategic and business plans are used in order to understand the environment in which they operate and the strategic objectives as well as their perspective on business growth (where applicable) and any risks around operating and growth activities. The financial viability assessment also requires information around financial plans including funding arrangements, and sensitivity and scenario testing. Other considerations are a provider's capital structure, its liquidity and treasury management practice. The provider's risk management plan is also key to understanding what risks have been identified and associated mitigation strategies.

A range of evidence sources are set out in the Financial Viability Guidance Note. They are not intended to be prescriptive or exhaustive and the provider may use alternative business evidence or data.

Evidence of financial viability

Ongoing compliance with the financial viability outcomes of the Code will be assessed through a review of the documents submitted by the provider and according to the provider's registration tier.

The Evidence Guidelines describe the performance outcomes and examples of evidence sources for assessing providers against the performance outcomes and requirements for different types of providers (classified as Tier 1, 2 and 3 providers).

The approach taken to assessing viability is proportionate to the tier of the registered provider as follows:

- Tier 1 housing providers are expected to submit two years of historical and ten years of forecast information.
- Tier 2 housing providers submit two years of historical and ten years of forecast information.
- Tier 3 housing providers submit two years of historical and two years of forecast information.

Financial performance reports

As part of their Registration Application, the provider will prepare a Financial Performance Report (FPR) with financial and non-financial information. The FPR contains a suite of financial measures that are used to analyse organisational performance. This Microsoft Excel spreadsheet features:

- instructions for use and definitions
- financial worksheets with historical and forecast sections
- development and funding assumptions



- ratio analysis, trend analysis and charts (automatically generated from data entered), and
- some non-financial measures.

Income and expenditure is segmented into business activities, and separates owned from managed assets and housing business from other business activities to give the Community Housing Registration Office a clear understanding of the provider's ability to meet debt covenants and any significant reliance on other segments to cross-subsidise operating performance. Documents can be attached with the FPR as supporting evidence.

Financial performance requirements and measures

For financial viability, the performance requirements are:

- ensuring a viable capital structure
- maintaining appropriate financial performance
- managing financial risk exposure

Each financial performance requirement has an associated set of:

- Performance indicators
- Thresholds: as an indicative guide to measuring performance results against the Code outcomes and requirements
- Recommended evidence sources to demonstrate capacity
- Recommended evidence sources to demonstrate ongoing compliance.

The financial viability measures are a suite of indicators and a supplement to the Evidence Guidelines in assessing a provider's financial performance against the Code. There are eleven key measures and associated ratios used to measure financial performance, as well as six measures to assess financial operating performance. See the Financial Viability Guidance Note for details of associated measures.

Other relevant information

A number of structural factors that have implications for the provider's financial position and performance are taken into account during assessment, such as the:

- asset management and maintenance plans
- level of involvement in support housing activities
- level of involvement in diverse business activities



- level of involvement in contract income, rather than asset based activities.
- level of involvement in property development
- the number and nature of any affiliated entities
- financial policies and procedures.

Addressing issues

The first course of action where an issue is identified is discussion by the Community Housing Registration Office with the registered provider to obtain an accurate and comprehensive understanding of the issue and whether it is of regulatory concern i.e. it impacts on the provider's compliance or capacity to comply with the Code.

Where it is established that an issue is a concern, the Community Housing Registration Office will if appropriate make a recommendation in the assessment report that the provider resolves the issue in a timely and logical manner. In circumstances where the Community Housing Registration Office is not satisfied with the response from or progress made by a provider in resolving an issue, they may issue a notice of non-compliance or other enforcement action as set out in the Framework.

Confidentiality

All financial information submitted to the Community Housing Registration Office will be treated as confidential. However, the Community Housing Registration Office may share the information internally with relevant areas of the Department of Communities.

For more Information

For more information on the requirements of the Framework, please visit Community Housing Regulation website [Housing investors and partners - Community Housing Organisations \(www.wa.gov.au\)](https://www.wa.gov.au) to access the Community Housing Regulatory Framework and additional guidance material.

Or contact the Community Housing Registration Office via e-mail registrar@communities.wa.gov.au