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# NRSCH Q & A

*Performance outcome 7 – Financial Viability*

**Section 7b. Metric on assets: The return on the asset will always be less than what a provider would get if the money was invested in a financial institution or an investment product. This is especially true if the provider used surplus to build/ buy an asset as opposed to borrowing for the purchase or build. How is this acknowledged in the trend analysis threshold?**

> Considered in the context of the organisation; The Registrar will not dictate how a provider is to run their business so if a provider decides a low return is acceptable and the provider remains financially viable and can demonstrate compliance with the regulatory code this would be considered as part of the assessment

*Source: CHFA website*

**Will the Financial Performance Report (FPR) linked to the application form and relevant Performance Outcomes such that financial information in the FPR populates appropriate areas in the application form? For example, will the information provided in the FPR provide the rent arrears percentage in Performance Outcome 6?**

> The FPR is separate and is saved separately for the financial analysts to undertake their enquiries. As such, it will not be used to calculate data values for different Performance Outcomes other than financially calculated ratios.

*Source: CHFA website*

**What is the framework that a Registrar will use to determine that an organisation is viable if their outcomes do not meet the threshold or fall outside a range? What is an acceptable 'margin of deviation' - 5%/10%? How is that determined or what framework is used in case by case decisions?**

> There is no set margin of deviation. The Registrar will use a range of factors to consider whether the organisation is viable. The most critical is whether there are sufficient liquid assets to meet liabilities as they fall due. There is a clear legal requirement that organisations are not in a position where they can't pay their bills (or are 'trading while insolvent'). Apart from that, Registrar will discuss the reasons for figures outside the range and establish what the organisation is doing to manage the situation. The decision on what should happen next would depend on the evidence that an organisation can provide that the situation is understood and under control and that it is working to improve things

*Source: CHFA website*

**Trends analysis: clarification that the analysis is based on past information ( i.e. previous 3 years financials) and does not include future projections?**

The items in the data set such as the tenancy turnover will consider the historical data and trends (once system has that historical data). The accumulation of historical data over time will build the data sets for trend analysis.

*Source: CHFA website*

**What are the assumptions of drivers of growth (in relation to impact on business)? What is important to show in calculations?**

The Registrar's requirements are not prescriptive. Community housing providers have different business models and this will determine what drives its growth. Assumptions of drivers of growth may include for example to the number of new community housing units (owned and managed), the community housing units mix, number of FTE staff, interest rate, its rental income, specific inflation rates for income and operating expenses, etc.

*Source: CHFA website*

**How do providers determine the proportion of operating costs?**

The approach to determine the proportion of operating costs will be entirely up to the community housing provider and it is assumed based on what each part of their business ' uses or consumes'. It is recognised that apportionment may in some circumstances be based on estimates where costs are not directly attributable to one part of the business. The approach chosen by the community housing provider should be based on a sound rational decision and consistent year after year.

*Source: CHFA website*