

Senate Economics References Committee
Finance for the not-for-profit sector
ANSWERS TO QUESTIONS ON NOTICE
FAMILIES, HOUSING, COMMUNITY SERVICES AND
INDIGENOUS AFFAIRS
Monday 1 August 2011

Hansard Page: 1/8/2011 – p1-8

Senator Stephens asked:

Can you give us a quantum of how much additional financial support was given to organisations during the Global Financial Crisis to keep those organisations afloat?

Answer:

As a consequence of the Global Financial Crisis, FaHCSIA provided an additional \$134,936,671 in financial assistance to not-for-profit organisations. This covers the period 2008-2011. This included:

- \$4,446,671 in 2008-09 for Australian Disability Enterprises;
- \$90,000 in 2008-09 to support Youth Insearch;
- \$50,000,000 in 2009-11 to support projects such as the Community Development Financial Institutions pilot, no and low interest loans and matched savings schemes. This funding was used to support service delivery during the Global Financial Crisis.; and
- \$80,400,000 in 2009-11 for emergency relief and commonwealth financial counselling. This funding was used to support service delivery during the Global Financial Crisis.

Senator Bishop asked:

What are the developments to date, the growth to date, the impact to date, the impediments to date and the potential solutions to the ongoing growth of the government's social housing model?

Answer:

See Attachment A

Please list all other Branches/Offices/Departments Consulted:

1. All FaHCSIA Branches
2. Community Housing Policy, Social Housing Branch, FaHCSIA

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The Community Housing Sector

Community housing is generally defined as housing provided to low to moderate income households by not-for-profit organisations which are subsidised by government. The scope and functions of individual community housing providers range from mainly tenancy management on behalf of state housing authorities to fully integrated affordable housing associations which develop, build and manage social and affordable housing.

There is a large and growing shortage of affordable rental housing for low income households in Australia, evidenced by the nearly half a million dwellings that were both affordable and available to lower income rental households in 2007-08¹. Public housing has traditionally provided the safety net for those unable to find affordable accommodation in the private sector. However the number of new allocations to public housing has been in decline over the past five years from almost 31,000 in 2003-04 to 20,000 in 2009-2010. The Australian Institute of Health and Welfare puts this down to low tenant turnover and a reduction in the number of public housing dwellings. The result has been increased rationing of public housing, with three quarters of the 20,000 newly allocated tenants of public rental housing in 2009-2010 classified as being in greatest need. Unmet demand is evidenced by a public housing waiting list of over 200,000 applicants as at 30 June 2010².

In this environment governments have recognised the benefits of growing the community housing sector. These include the capacity of not-for-profit housing providers to borrow against their housing assets to deliver stock growth, greater competition and innovation within the social housing sector, and greater scope for a mixture of social and affordable housing which allows for increased rental income and avoids the social problems attached to high concentrations of social housing. Community housing providers have access to a range of additional financial sources including a range of government grants and subsidies, tax concessions, donations, income from commercial activities, and in some cases substantial existing equity. Community housing providers may also offer experience in coordinating support services to high needs tenants such as the aged, people with disabilities and the homeless.

Nationally there are approximately 950 mainstream community housing organisations managing almost 46,000 social housing dwellings and a further 400 Indigenous Community Housing Organisations managing over 19,000 social housing dwellings. The sector is highly concentrated with the largest 45 organisations managing 63 per cent of all tenancies³.

The sector has grown significantly over the past five years, and now forms more than 11% of social housing dwellings, up from 7% of seven years ago⁴. At the top end of

¹ The National Housing Supply Council, *2nd State of Supply Report 2010*, Commonwealth of Australia, Canberra.

² Australian Institute of Health and Welfare 2011, *Housing Assistance in Australia 2011*. Cat. no. HOU 236. Canberra: AIHW.

³ AIHW unpublished data 2010

⁴ Ibid.

the sector, the number of organisations with more than 500 dwellings has more than doubled⁵. A new class of large scale community housing provider is emerging boosted by government funding and assisted by private debt, which is strategic and growth oriented, and has been successful in acquiring and/or developing sizable housing portfolios, including through partnerships with the private sector. Growth has been assisted by mergers, acquisitions and group arrangements.

State and territory government affordable housing policies have supported not-for-profit housing sector growth including through capital grants and subsidies, support for growth providers, creation of special purpose housing companies, and transfers of property management (and some cases title) of public housing assets to community housing providers.

The Commonwealth Government's Nation Building and Jobs Plan Social Housing Initiative is investing \$5.6 billion over three and a half years to deliver an enormous boost to public and not-for-profit community housing. Under this initiative 19,600 new public and community housing dwellings will be built. In addition around 80,000 repair and maintenance projects have benefited from repairs and maintenance works, including approximately 12,000 social housing dwellings that would have become uninhabitable without this work. Implementation is well on track with almost 19,300 new housing dwellings under construction, of which almost 15,500 have been completed as of July 2011.

Significant growth of the not-for-profit community housing sector has also been fuelled by the National Rental Affordability Scheme under which successful applicants receive incentive payments (or tax offsets) over ten years in return for renting out new properties to low and moderate income earners at (at least) 20% below the market rate. Importantly for not-for-profit community housing providers, NRAS improves cash flow which can provide not-for-profit housing providers with the capacity to service private debt. Some community housing providers have been able to couple NRAS with government capital grants to extend their leveraging potential. It should be noted that the National Rental Affordability Scheme (NRAS), is the responsibility of the Department of Sustainability, Environment, Water, Population and Communities.

The Commonwealth has also contributed to the funding and growth of not-for-profit housing providers via capital funding for new social housing under the Social Housing National Partnership Agreement, Commonwealth Rent Assistance paid to tenants of not-for-profit housing providers, and Commonwealth tax exemptions for charities.

The sustainable growth of the not-for-profit community housing sector must however be managed through robust regulation to give assurance to government funding bodies and ensure the quality of housing services provided to tenants. Robust and nationally consistent regulation is also expected to give assurance to bank lenders and investors thereby fuelling further social housing sector growth.

Under the National Affordable Housing Agreement regulation of the not-for-profit housing sector is the role of state and territory governments. However not all jurisdictions have introduced statutory regulation of not-for-profit housing providers and among those which have, there are differences in regulatory requirements. Differences in jurisdictional approaches to regulation mean additional costs and regulatory complexity for housing providers operating in more than one jurisdiction, and a lack of a level playing field for providers seeking to enter new jurisdictions.

⁵ AIHW unpublished data 2010

COAG reforms

Under the National Affordable Housing Agreement (NAHA) and the Nation Building and Jobs Plan National Partnership Agreement (NBJP), governments have committed to a significant reform agenda with a number of reforms involving the community housing sector. These include enhancing the capacity and growth of the not-for-profit housing sector, supported by a nationally consistent provider and regulatory framework (NAHA), and the introduction of a national regulatory and registration system for not-for-profit housing providers to enhance the sector's capacity to operate across jurisdictions (NBJP).

In May 2009, Housing Ministers agreed to national targets for the growth of the not-for-profit housing sector:

- jurisdictions and the Commonwealth develop over time, a large scale community housing sector comprising up to 35 per cent of social housing by 2014; and
- up to 75 per cent of dwellings constructed under Stage 2 of the Nation Building and Jobs Plan Social Housing Initiative be transferred to community housing providers by 30 July 2014, and;

In their report to COAG in November 2009, Housing Ministers noted that the scale and timing of increasing the proportion of social housing stock held by community housing will vary across jurisdictions depending on the maturity and capability of the sector and the strength of the supporting regulatory systems.

Commonwealth Consultations on the Regulation and Growth of the Not-for-Profit Housing Sector

In April 2010, the then Commonwealth Housing Minister released a discussion paper on the regulation and growth of the not-for-profit housing sector which canvassed options for national regulation. The discussion paper also invited feedback on the growth of the not-for-profit housing sector including through private financing, protecting the interests of tenants, and strengthening Indigenous community housing. More than 280 people participated in public consultation sessions held in all capital cities and Newcastle, Wollongong and Cairns. Separate workshops were held with state and territory community housing regulators, Indigenous Community Housing Organisations, church groups, and the residential property development and banking sectors.

Among the banking sector there was general support for a consistent national regulatory framework which gives assurance to lenders that not-for-profit housing providers continue to meet minimum governance and prudential standards. National consistency was said to decrease compliance costs for housing providers and make it easier for banks which operate nationally, to better understand the operations of not-for-profit housing providers and assess credit risk.

While there was widespread support for a national regulatory system that could provide greater confidence in the community housing sector from across all stakeholder groups, there was no consensus as to the preferred model.

Development of a National Regulatory System

In late 2010, Housing Ministers reviewed the results from the Commonwealth consultations and agreed on a model of national regulation of all housing providers under a federated model. Housing Ministers determined that the new regulatory

system should have capacity to include for-profit housing providers in future, as required.

Housing Ministers agreed to the core elements of the National Regulatory System as being:

- National Regulatory Code
- Common registration and body corporate requirements
- Tiers of registration (which are proportionate to risk)
- Mutual recognition (so that housing providers only need register once), and,
- Lead Registrars (so that providers operating in more than one jurisdiction only have to deal with one registrar).

The objectives underpinning the National Regulatory System as agreed by Housing Ministers are to:

- provide a consistent regulatory environment to support the growth and development of the not-for-profit sector;
- provide an avenue for expansion of regulation of the for-profit sector to prepare for future housing product development;
- reduce the regulatory burden for housing providers working across jurisdictions;
- provide a level playing field for providers seeking to enter new jurisdictions.

The agreed purpose of regulation is to:

- improve tenant outcomes and protect vulnerable tenants
- protect government funding and equity; and
- ensure investor and partner confidence.

Under the new system it is anticipated that state and territory based registrars will undertake regulation of housing providers, although there will be a single National Regulatory Code which sets out the standards against which housing providers will be regulated. A newly created National Regulatory Council will ensure the consistency and integrity of the National Regulatory System and provide opportunities for industry and stakeholder input. Importantly the new system will reduce red tape by requiring housing providers to register only once, and to deal with a single registrar, even if they operate in more than one jurisdiction. A single national register of housing providers will achieve the same purpose as mutual recognition.

The principles underpinning the new system provide for regulatory requirements which are principle-based, outcome-focused and proportionate to the scale and scope of the regulated activities. Importantly state and territory governments retain responsibility for housing policy and funding decisions, which will remain separate from national regulation. There will be ongoing engagement between jurisdictions in regard to the funding and policy controls needed to support the sustainable growth and development of the not-for-profit housing sector.

The national regulatory system is to be implemented through nationally consistent legislation which will need to be passed by each state and territory parliament. It will require the drafting of a national law to be enacted in one state and then applied or adopted by the remaining states and territories. The introduction of an applied law scheme will increase the likelihood of national consistency of the law over time. Housing Ministers have agreed in principle to enter into an intergovernmental agreement which commits them to the implementation of the National Regulatory System and sets out the governance framework. Housing Ministers are working towards introducing national uniform legislation in all states and territories by December 2012.

To date there have been two targeted forums of housing providers and other key stakeholders, including representatives from the banking sector, to test the design specifications for the new system, in preparation for the planned public consultations which are planned to occur later in the later part of 2011. The public consultation process will be widespread and involve consultation sessions in different jurisdictions, online information and opportunities for written submissions.

In June 2011 Commonwealth and State and Territory Housing Ministers agreed in principle to draft specifications for the national regulatory system for public consultation. A regulatory impact statement is being prepared and a draft will be put out for public consultation. An exposure draft of the national legislation will also be released for public consultation once it has been developed.

Australian Charities and Not for Profit Commission

In May 2011 the Assistant Treasurer announced the establishment of an Australian Charities and Not-for-profits Commission which will commence operations from 1 July 2012. The Commission will initially be responsible for determining charitable tax status, implementing a 'report-one use-often' framework for charities, and establishing a public information portal by 1 July 2013. The long term objective is the creation of a single national regulator for the whole of the not-for-profit sector, recognising that the agreement of state and territory governments will be required as the Commonwealth does not have constitutional power to achieve this alone.

There is alignment in the principles underpinning both the national charity and not-for-profit regulatory system and the national regulatory system for housing providers, in particular a reduction in regulatory burden and streamlined data collection and reporting requirements. At the same time there are unique elements in what each system is trying to achieve with the regulatory focus of the Australian Charities and Not for Profit Commission being to improve governance, accountability and transparency, whereas the focus of the National Regulatory System is on determining adherence to agreed national performance standards relating specifically to the delivery of housing assistance.

Officials from the Commonwealth Treasury and the Department of Families, Housing, Communities and Indigenous Affairs are working together in designing and implementing their respective regulatory systems to avoid any unnecessary duplication or overlap.