



**nsw Federation of
Housing Associations inc**

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Manager
Philanthropy and Exemptions Unit
Indirect, Philanthropy and Resource Tax Division
The Treasury
Langton Crescent
Parkes ACT 2600

BY EMAIL: NFPReform@treasury.gov.au

Dear Sir/Madam –

Re: Development of Governance Standards Consultation Paper and Draft Financial Reporting Regulations

Thank you for the opportunity to comment on the consultation paper *Development of Governance Standards* and the *Australian Charities and Not-for-profits Commission Regulation 2012* exposure draft regarding financial reporting.

About community housing

The Federation is the industry peak body for community housing providers in NSW. Community housing providers are not for profit, charitable organisations whose principal business is the management and development of long term rental housing for low to moderate income households. This is reflected in the primary purpose of community housing providers, which is usually expressed in terms of the relief of poverty by providing housing and related services to relieve housing stress.

The Federation's core members manage over 29,000 tenancies, which constitute the vast majority of community housing in NSW. With the ongoing transfer of properties from the public sector to community housing, and the related increase in leveraging activity, the industry is growing rapidly.

In order to offer subsidised rents to low and moderate income households, community housing receives funding and other support from all three levels of Government. This may include grant funding, concessions on taxes and levies, eligibility of tenants for rent assistance, and other

forms of subsidy. All of the Federation's core members are registered charities with Public Benevolent Institution (PBI) status endorsed by the Australian Taxation Office (ATO). As companies, they are subject to regulation by the Australian Securities and Investment Commission (ASIC).

Regulation of the community housing industry in light of the proposed governance standards

In addition to mainstream corporate regulation, community housing providers in NSW are regulated by the NSW Registrar of Community Housing under an industry-specific regulatory code which has been in place since 2008. All NSW community housing providers, including new entrants, are required to be registered, which includes assessment against the regulatory code every three years. This approach to regulation is an accepted and valued part of the community housing industry in NSW, and is considered complementary to voluntary accreditation against the National Community Housing Standards and the specific requirements embedded in contracts with funding bodies.

Three aspects of the regulatory framework are relevant in this context:

- The regulation of community housing providers ensures proportionate, risk-based oversight of their viability, which is the most effective way to ensure that the public subsidies are not put at inappropriate risk;
- Community housing providers are required to maintain a suitable level of surplus to manage commercial risk;
- Community housing providers are required to undertake the appropriate level of gearing to increase the supply of community housing.

Commonwealth, State and Territory Housing Ministers have agreed to establish a national regulatory system for community housing. The development of this system is well advanced, and various state-based regulatory codes are expected to be replaced by a new national code in the second half of 2013. The evidence guidelines are being currently finalised in consultation with the industry.

The Federation supports the governance standards which are proposed to form part of the Australian Charities and Not-for-profits Commission (ACNC) regulatory framework. The Federation considers that the standards proposed in the consultation paper are consistent with those already in place with for not-for-profit organisations, including community housing providers. The Federation also supports the approach to financial reporting outlined in the exposure draft of the ACNC regulation, noting that this is very "light touch" compared to the more detailed regulation on these matters embedded in our industry-specific regulatory codes.

The main rationale for creation of a single national regulator for the not-for-profit sector is to reduce the regulatory burden and compliance costs for organisations. Both the NSW and draft national regulatory codes for community housing include standards relating to governance and financial reporting. It is therefore important that the development of the ACNC's standards is undertaken in close consultation with the development of the new national community housing regulatory system, in order to avoid the risk of duplication or inconsistency.

In this context, the Federation is pleased to acknowledge the ACNC's practical initiatives designed to minimise duplication to various regulatory bodies. In particular, we consider that the charity passport is likely to be an effective way to achieve this goal. We are also aware that the Department of Families, Housing, Community Services and Indigenous Affairs and the ACNC are working on a Statement of Intent, in order to address the issue of regulatory duplication for

community housing providers, and we would encourage the development of a Memorandum of Understanding between the two parties.

In addition, the Federation recommends that the future development of the ACNC evidence guidelines takes into account the governance standards and evidence guidelines of the national community housing regulation as the most effective way of reducing regulatory duplication between the two regulatory systems.

If you have any inquiries in relation to these comments, please do not hesitate to contact me.

Yours sincerely –

Lucy Burgmann

Dr Lucy Burgmann
Chief Executive Officer
NSW Federation of Housing Associations