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# VCOSS submission to the Review of the National Regulatory System for Community Housing

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A strong regulatory framework should provide prudential and operational oversight of community housing organisations in all jurisdictions in Australia. Victoria operates a community housing regulatory scheme that is independent from the National Community Housing Regulatory System (NCHRS). There are some major and minor differences between the operation of the Victorian and National schemes.

Regardless of whether Victoria engages with the NCHRS, the regulatory system should allow community housing organisations to more effectively focus on delivering sustained, high quality tenancy and support to people experiencing vulnerability. The decision for Victoria to join the NCHRS lies with the state government. VCOSS holds reservations about for-profit housing businesses being regulated under the same system as not-for-profit organisations.

## Australia needs strong community housing regulation

A strong community housing regulatory framework can deliver good outcomes for tenants, ensure the sustainability and growth of the sector and provide appropriate oversight of the sector to government and private investors.

Governments in several jurisdictions in Australia continue to provide funding to the community housing sector and have used jurisdictional regulators, via the NCHRS or otherwise, to retain prudential oversight over decisions to invest funds and transfer former public housing stock. State governments rightly value the role of the regulation in maintaining the performance and operating requirements of community housing organisations.

Over the past decade, the Victorian Government has engaged in a continuous asset management transfer of the management and/ or ownership of properties from public housing to community housing organisations. Victoria has also launched a social housing growth fund worth \$1 billion. Based on the scale of asset transfer and additional funding investment in social housing, it follows that the Victorian Government would seek to retain control of the financial regulatory oversight of community housing organisations who have access to the fund.

The community housing sector needs financial, quality and performance oversight. The current state regulatory approaches can improve their quality and performance oversight.

## Tenant voice and quality outcomes for tenants must be prioritised

The current national regulatory scheme is largely focussed on prudential regulation. Given the nature of the community housing sector and its focus on providing housing to vulnerable people, there is scope for the regulator to provide more direct oversight of quality and tenant outcomes, and give tenants a stronger voice to contribute to good practice and development of the sector.

Increasingly, state governments have focused the allocation of social housing to people who have difficulty finding and maintaining a tenancy. Community housing services often recognise and are configured around the needs of people experiencing vulnerability, helping them to maintain a tenancy in complex circumstances.

A best-practice regulatory framework should focus on the reason for the existence of community housing: to provide housing for those who find it difficult to access housing in the private market. While governance, growth and expansion of the community housing sector is important, the experience and quality of service for tenants is the most important aspect of a regulatory scheme for community housing.

Tenants are often the least visible stakeholder in policy debate about regulation but have the most immediate interest in the condition, amenity, location, security of tenure and cost of their housing. Access to information about policies, the reasons for decisions and the ability to assert their rights, for example to have complaints, reviews of decisions and grievances dealt with fairly and promptly must be core outcomes of a regulatory framework. Regulation has a primary role to

play in protecting the interests of tenants and providing them with a voice.

A best practice regulatory system can provide a valuable source of data on tenancy services and provider quality. Data can be used to track improvements and areas of concern in the sector. VCOSS acknowledges that a regulatory system is not a substitute for an industry-led quality and outcome improvement approach. However, a best-practice regulatory framework must include elements that that establish the quality and performance of regulated organisations. VCOSS is in favour of community housing regulators adopting a more proactive role in capturing tenant data that include indicators of service quality. The regulator should provide transparency in community housing organisation performance outcomes, including both positive and negative performance.

## Oppose the inclusion of for-profit providers within a community housing regulatory framework

94% of the rental housing market is privately operated (ranging from rooming house operators to owner-investors to larger scale property services). The inclusion of for-profit providers in a community housing regulatory system in Victoria would be a significant move away from current practice, where for-profit businesses are ineligible for registration.

VCOSS opposes the introduction of for-profit providers in the community housing regulatory system in Victoria.

Not-for-profit providers do not deliver dividends, allowing them any surplus back into the services that they deliver to support people to access and maintain tenancies.

For-profit, housing businesses are not required to re-invest profits to deliver better support to tenants. Public money invested in community housing should not leak out as profit into the pockets of private investors.

One purpose of registration within a community housing regulatory system is to identify appropriate entities to which government funding for community housing might be provided under legislation or policies of a jurisdiction.<sup>1</sup>

Community housing organisations engage and comply with a regulatory system in part to access Commonwealth and State incentives and funding, including access to capital at cheaper-than-market rates via the state-based and affordable housing bond aggregators.

The inclusion of for-profit housing businesses in the regulated community housing system would enable businesses to access government funding streams of financial incentives that should be targeted to not-for-profit community housing providers.<sup>2</sup>

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<sup>1</sup> National Regulatory System for Community Housing, Regulatory Framework, 2017, pg. 12

Supply constraints mean that most entries into social housing come from the priority list of applicants. Eligibility for the priority waiting list is often based on additional criteria relating to personal safety, extreme hardship and homelessness. For the country as a whole, three out of four new allocations of social housing in any year are for priority tenants.<sup>3</sup>

The role of community housing is inconsistent across jurisdictions in Australia due to differing state government policy settings. In some states, community housing organisations don't provide social housing, which remains the remit of public housing (i.e. state-owned and operated housing) but do deliver affordable housing to people who may not be able to afford the private rental market.

A best practice regulatory system can provide oversight for community and affordable housing and be flexible enough to allow for different policy settings and uses of community housing across jurisdictions but should not include for-profit businesses.

<sup>3</sup> Australian Productivity Commission - Inquiry report - Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services, 2018, Chapters 5-7. pg. 179