

A Response to  
The Review of the National Regulatory System  
for Community Housing Discussion Paper

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## 1. INTRODUCTION & EXECUTIVE SUMMARY

Faith-based housing providers are at the forefront of providing community and affordable housing solutions. They are also heavily involved in the delivery of FACS-sponsored services to the community.

This paper will respond to the following questions raised in the review discussion paper:

- Q1. Is regulation still required and relevant for the community housing sector? Why/why not? What do you think regulation of this sector should aim to achieve?
- Q2. Should community housing regulation apply to all forms of affordable housing, including for-profit providers? What modifications to the NRSCH would be required to appropriately support their inclusion?
- Q4. What is the impact (positive or negative) of having three different regulatory systems across Australia? Would there be benefits in WA and Victoria joining the NRSCH?
- Q15. How could CHPs' data-reporting requirements be better streamlined to reduce compliance burdens, including overlap with other regulatory systems?
- Q21. Is the current risk management approach to the NRSCH appropriate given the current and emerging community housing environment? Do you think the current tiered registration system is adequately targeted and flexible enough to capture the level of risk for CHPs of varying sizes? How could this be improved?
- Q23. How has the NRSCH impacted CHPs' decisions to enter new jurisdictions? Have barriers to entry been reduced? Has it encouraged registration across participating jurisdictions?
- Q24. What role should the NRSCH have in building organisational capacity in the sector?

This paper has been written in consultation with Churches Housing's members, the faith-based housing providers.

## EXECUTIVE SUMMARY

Churches Housing believes that the Church sector has a lot to offer to the vulnerable in terms of social and affordable housing. The current regulatory environment contains hurdles and challenges that limit (or prevent) the church sector from fully participating in the Community Housing sector.

Whilst the regulatory system is intended to a means of managing risk, it is not viewed this way by funding bodies or corporate entities.

Our recommendations broadly fit within two categories.

The registration system should be enhanced, so that it views both;

- an organisations risk profile, and
- its capacity and/or performance to deliver services

The requirement to be a “Company Limited by Guarantee” be either removed or broadened to allow other organisations (such as churches) to be registered as Tier 1 Community Housing Providers.

## 2. WHO WE ARE

Churches Housing Inc. (CHI) is the peak body for the ecumenical church and its faith-based community housing providers in the area of affordable and community housing. Churches Housing sees the church ministering to their communities through the development of affordable community housing. We do this by:

- **Providing consultation, information, inspiration and education** in the area of affordable housing to churches of all denominations
- **Brokering partnerships** between churches, government and businesses to facilitate the development of affordable housing
- **Networking faith-based Community Housing Providers** with one another, the sector and the church
- **Advocating for affordable housing** as a representative of the ecumenical church to government at all levels.

Initially begun as Churches Community Housing in 1996, Churches Housing continues to represent the major Christian denominations engaged in the construction, supply, management and ministry of affordable housing across a broad spectrum of needy and disadvantaged people including low-income earners, refugees, the aged and elderly, the disabled and many other vulnerable groups. Churches Housing represents the Catholic, Anglican, Uniting, Baptist, Pentecostal and Orthodox churches. Churches Housing attracts most of its funding from a grant from the Department of Family and Community Services NSW.

### 3. DISCUSSION

#### 3.1. Regulation of Community Housing

##### 3.1.1. Relevance and extension of regulation

One of the things we have noticed as we talk with our members about the sector is that it is still seen as three separate silos: Social, Affordable and Market Rental. Two current challenges may have the effect of causing greater fragmentation in the sector.

- 1) The introduction of initiatives such as Build-to-Rent and the general desire of for-profit organisations wanting to enter the sector will add another much-needed opportunity to increase supply. It will also increase the complexity of the sector with questions such as whether this new supply could be used for Affordable and Social housing. We support these innovations provided they also have the same regulatory controls that existing CHPs have. We believe that if new players in the sector do not have to have the same standards and regulation, the sector and tenants will wear the cost.
- 2) The regulated system should encourage pathways between the various levels of housing. At “The Future of Social Housing in NSW: Consultation” with the Hon. Pru Goward MP in December 2017, we asked for more discussion on breaking down the silos and seeing housing as a continuum from Homelessness through Social and Affordable housing to Market Rental and Ownership. We offered the idea of a new sliding-scale rent subsidy policy and a system that does not have tenants having to move each time their financial status changes. This was seen as too difficult to implement.

The Greater Sydney Commission, in its own definition of Affordable Housing, has removed moderate-income earners from the Affordable rental housing definition. We believe this would be detrimental for the sector, particularly in its public perception. Removing moderate incomes from Affordable Housing definitions will result in essential service workers, who are affected by unaffordable housing, being ruled out. The effect will be an even bigger gap between subsidised Social housing and market rental, enshrining the current silos in concrete. It may also serve

to reinforce the public perception that affordable housing is simply social housing under another name.

### **Recommendation**

That the scope of the NRSCH regulatory system be expanded to include all providers of Community and Affordable housing both for-profit and non-profit organisations.

### **Recommendation**

That the definition for Affordable Rental Housing continue to include those households with moderate income.

#### 3.1.2. Three different regulatory systems

Some of our member organisations operate across states including WA and Victoria and have moved towards running them on a national or multi-state basis. Having different standards to adhere to in different states makes their task of compliance more difficult. An example is The Salvation Army which has separate housing companies throughout Australia, created as a result of the three different regulatory systems. Likewise, the St Vincent de Paul Society has stayed out of Victoria for that reason. The society wants to expand, but it is not yet ready to take on unnecessary barriers of duplication, difficulty and cost.

### **Recommendation**

That WA and Victoria both join the NRSCH and remove unnecessary barriers which are preventing organisations from expanding their operations to these states.

## 3.2. Operation of the NRSCH

#### 3.2.1 Streamlining of data reporting requirements

Many of CHI's members operate across several regulatory systems, e.g. aged care, NDIS, community housing. These can be burdensome and operate on different schedules. Much of the information is duplicated but cannot be used in other submissions because of the timeframe difference.

## Recommendation

That the NRSCH work with other regulatory bodies to reduce the burden of compliance reporting by acknowledging and accepting compliance data already submitted to another regulatory body.

### 3.3. Current and Future Challenges

#### 3.3.1. Appropriateness of Risk Management Approach

Although risk is a significant factor and should always be the backbone of the regulatory system, it has been observed in recent times that the tier to which an organisation belongs is becoming the criteria for entry into new government housing contracts, whether it be the something such as the vesting of public housing or SAHF.

This single dimensional rating (i.e. Tier 1, 2 or 3) is often wrongly interpreted by funding bodies, some State Governments, external parties and within organisations to judge performance capability. We know it is a measure of risk, however it is most often interpreted as a measure of capacity. Large church providers of housing, because they are underwritten by their respective church bodies, will fall into the category of a Tier 2 as their risk profile is very low. Vinnies, for example, has found this has prevented it from even applying for funding in South Australia and that Tier 1 status is misinterpreted by financial institutions as being desirable.

If “Registration” is going to be the ticket for entry into future programs we think that the classification system needs to be revised. We are proposing a registration assessment based on a two-dimensional rating against each of the 7 performance outcomes.

1. Risk  
Ratings: Extreme, High, Moderate, Low
2. Capacity/Capability  
Ratings: Exceeds, Meets, Working towards/Almost meets, Does not meet

Adopting a system such as this would then allow for a simplified procurement system which currently costs CHPs large amounts which could be better invested in housing.



## Recommendation

That the NRSCH adopt a two-dimensional registration assessment system based on risk and capacity/capability.

### 3.3.2 Barriers

Closely related to the above inadequacy of the tier system is the barrier caused by the ruling that only those CHPs incorporated as either a company limited by shares or a company limited by guarantee under the Corporations Act, can be classified as Tier 1<sup>1</sup>. We would like this restriction changed to also include those organisations constituted by act of parliament. Church organisations often come with significant assets, large land holdings and low debt levels. Some church organisations have started their own companies limited by guarantee to contribute to housing. This has often been an unnecessary burden because these companies are underwritten by the parent, which was often constituted by an act of parliament.

Given that, “As part of the Productivity Commission’s inquiry into the increased application of competition, contestability and informed user choice to human services, a range of community housing providers (CHPs) expressed a desire for reform of the NRSCH”<sup>2</sup>, this would be one way of enacting fair competition and contestability for applicants.

## Recommendation

That the NRSCH remove the restriction for Tier 1 to include organisations that are constituted by act of parliament.

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<sup>1</sup> NRSCH Tier Guidelines

<sup>2</sup> NRSCH Review Discussion Paper introduction

## CONCLUSION

Faith-based housing providers are currently having significant impacts in NSW through winning bids in the Social and Affordable Housing Fund and will be delivering most of the housing for vulnerable people offered under SAHF. Faith-based providers have significant land holdings coupled with high development capacity while maintaining a very low-risk profile. It is ironic that this keeps many of these organisations from maintaining Tier 1 status, when Tier 1 status is increasingly a requirement for participation in both government-initiated schemes as well as consideration by financiers. By classifying organisations by both risk and capacity, this will give a more realistic perception of the status of a housing provider to those outside of the immediate sector.