Housing Legislation Amendment Bill 2022

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17 November 2022

Committee Secretary
Community Committee
Parliament House
George Street
Brisbane Qld 4000

BY POST/EMAIL – cssc@parliament.qld.gov.au

Dear Committee Secretary

RE: HOUSING LEGISLATION AMENDMENT BILL 2022

The Urban Development Institute of Australia Queensland (the Institute) appreciates the opportunity to provide feedback on the Housing Legislation Amendment Bill 2022 (the bill) to the Community Support and Service Committee (the committee).

The bill proposes to amend the *Housing Act 2003* and the Housing Regulation 2015 to establish a charitable donation deed model in Queensland. The bill also proposes to amend the *Retirement Villages Act 1999* (RV Act) to implement certain reforms relating to standardised requirements for retirement village financial statements and budgets. The Inquiry Overview states that the purpose of the bill is 'to increase transparency, accountability, and consistency of financial reporting in Queensland retirement villages'.

The Institute is supportive of initiatives that will enable the provision of more affordable housing as recently explained in our submission to the Queensland Housing Summit 'Breaking Point Tackling the Queensland Housing Crisis'. The changes to the *Housing Act 2003* will provide a tool for a non-profit organisation to enable the supply of safe, secure, appropriate and affordable housing in Queensland and is therefore supported in principle.

Regarding the proposed changes to the *Retirement Villages Act 1999*, and as noted in our previous submission dated 25 August 2022 to the Department of Communities, Housing and Digital Economy on the draft bill, the Institute supports more consistent financial reporting as part of a suite of reforms aimed at improving consumer protections and increasing transparency in the relationships between village operators and retirement village residents. However, the Institute still remains concerned that the draft bill places greater obligations and costs on operators.

The philosophy of transparency and compliance is supported and will ultimately serve to proactively promote trust and open relations between residents and operators. However, this needs to be carefully balanced so that the additional obligations do not increase compliance costs resulting in an increase in the housing costs for residents. Changes should also be presented in a way that is easy for residents to understand.

The Institute has reviewed the bill and notes that some of the concerns raised in our previous submission dated 25 August 2022 have been partly addressed. These are noted below.

Transitional provisions

Transitional provisions have been included in the bill which clarifies when provisions under the 'former Act' (being the current *Retirement Villages Act 1999*) will continue to apply. There are several provisions that will continue to apply in the 2022-23 financial year after the commencement of the amendments to the Act and then the new provisions apply in the 2023-24 financial year. For example, section 113, which is about the provision of annual financial statements and audit reports, will continue to apply for annual financial statements for the 2022-23 financial year. The bill should clearly indicate when each new obligation commences, in order to avoid confusion for operators and residents across the sector.

The Institute believes that the transitional provisions do not go far enough. The main section that impacts operators, being section 113AA, does not have a transitional provision. This section requires 'financial documents' including budgets to be in the approved form and contain prescribed information as set out in the regulations.

As the draft regulations have not formed part of the consultation, there is insufficient detail to determine how this will be implemented. Irrespective of the consultation on any draft regulations, if those regulations commence before 1 July 2023, then operators will need to comply from 1 July 2023. This gives operators insufficient time to prepare documents that achieve compliance. At this stage, there is no written assurance from the State that those regulations will not commence before 1 July 2023. The Institute requests assurance the regulations will not commence prior to 1 July 2023 to provide certainty to operators.

Quantity surveyor

The scope of the 'financial documents' that are to be in an approved form or in a form prescribed by regulation has been expanded to include the independent quantity surveyor's written report. It is important that any specific requirements imposed by the regulations on the form and content of these reports is subject to reasonable consultation with advisors and the sector to ensure they are suitable and practical for use by quantity surveyors. It is also noted that new statutory requirements may increase quantity survey report costs which ultimately will be passed on to residents.

Further to the increase in costs, a quantity surveyor will not have any prior knowledge of the village, and there are only a limited number of quantity surveyors who are sufficiently experienced in the field of retirement villages. In regional Queensland this would likely be impractical, given the size of some markets.

Financial requirements

Whilst the bill does not impose any particular requirements for financial documents itself, the list of possible requirements that may be prescribed for financial documents by regulation (as set out in sections 113AA(1) and (2)) indicates that a relatively high level of detail is envisaged. If the regulations do prescribe an unreasonably granular detail, then negative consequences are likely, including:

- increased length and complexity of financial documents, leading to confusion for residents. This is contrary to the stated purposes of the reforms, being to increase transparency, accountability, and consistency of financial reporting in Queensland retirement villages
- significant administrative burdens and processes on operators, particularly small operators who may not be as well equipped to prepare complex documents in-house or be able to afford specialist accounting advisors to do so
- excessive compliance costs, which will need to be recovered from residents via the relevant budgets and will increase their costs of living.

Overall, the likely result will be an imbalance between the costs of compliance, and the benefit obtained by residents. Smaller operators or villages will likely suffer a greater impact from detailed requirements, as they may need to engage external professionals to prepare the documents at a material additional cost. By contrast, larger operators are more likely to have access to internal or other resources to assist with compliance. It is important that the state does not introduce excessive and costly compliance burdens on smaller operators and drive up costs for residents. The committee should carefully consider whether each potential requirement to be prescribed under regulation is necessary to achieve the objective of the bill or will they unnecessarily complicate or cause excessive costs and administration burden for operators, resulting in greater costs for residents.

Conclusion

The Institute thanks the committee for the opportunity to provide feedback on the bill in addition to the feedback we previously provided to the Department of Communities, Housing and Digital Economy on 25 August 2022. We note that several comments and changes requested in our previous submission have not been adequately addressed and we reiterate our former concerns in this submission.

While the changes to the *Retirement Villages Act 1999* intend to increase transparency, accountability, and consistency of financial reporting in Queensland retirement villages, the changes will result in an increase in financial and reporting burden to village operators.

The Institute requests additional consultation on the regulatory detail when it is provided in the regulations noting sufficient time is needed to provide feedback and incorporate the changes.

Should any of the matters in this letter require further clarification or if you wish to discuss, please contact Policy Advisor, Marianne Hocking at [redacted] or [redacted].

Yours sincerely,
Urban Development Institute of Australia Queensland

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Kirsty Chessher-Brown
Chief Executive Officer