NIfHA Response to Consultation

Date: 13 December 2013
Consultation: Charity Commission (NI)
Interim Reporting Requirements for Charities

Introduction

The Northern Ireland Federation of Housing Associations (NIFHA) represents registered and non-registered housing associations in Northern Ireland.

Collectively, our members provide 40,000 homes comprising general needs, specialist and supported accommodation. In addition, each year, Co-ownership Housing supports hundreds of first-time buyers to get their foot on the housing ladder through their successful shared ownership scheme. Further information is available at www.nifha.org.

Housing associations are both charities and Industrial and Provident Societies (as required by the Department for Social Development). They are not-for-profit social businesses who increasingly borrow significant amounts of private finance to deliver public benefit in meeting housing need, supporting their tenants and investing in communities.

General Comments

NIFHA welcomes this opportunity, on behalf of our members, to comment on the Charity Commission Northern Ireland's (CCNI) proposed interim reporting requirements. NIFHA is committed to working with CCNI to facilitate effective reporting and monitoring for housing associations.

Please note where relevant our comments are referenced using the numbering in the consultation and associated Annual Monitoring Return documents.

NIFHA's primary concern in relation to the interim reporting requirements is ensuring that housing associations are not subject to onerous reporting and monitoring given the significant levels of scrutiny that already apply to the sector. Housing associations are already regulated by the Department for Social Development (DSD) and, in where supported housing is provided, by the Regulation and Quality Improvement Authority (RQIA). They are also subject to scrutiny by the Northern Ireland Audit Office (NIAO). Those associations that provide Supporting People (SP) services also experience regular external reviews by the Northern Ireland Housing Executive as part of the SP regime.

We recognise, however, the value of having a "dynamic and well governed charities sector" and welcome the fact that one of our members was included in the pilot registration process as this has offered useful learning for the sector as a whole.

Specific Responses
NIFHA has tailored our comments around the objectives outlined in the consultation document rather than the more detailed questions in the response form.

1. NIFHA is the trade body for housing associations and does not have charitable tax status. However, we are responding to this consultation on behalf of our members. The housing association movement is a diverse one, ranging from organisations managing small numbers of properties and not undertaking any development activity to large organisations with significant stock portfolios (approx. 5,000 units), who are developing new homes and providing a number of other services.

2. The collective asset base of the Northern Ireland housing association movement is over £3 billion, the annual turnover in 2012-13 was £185 million and the sector has an operating surplus of £48.7 million. Last year alone housing associations raised £125 million in private finance to invest in the development of new homes and maintenance of existing properties. The sector employs around 3000 people. The housing association movement makes a significant contribution to the local economy and, while it works to deliver social outcomes for public benefit, housing associations must also operate in an increasingly commercial environment.

3. NIFHA welcomes CCNI's approach in being constructive and proportionate when promoting compliance with charity law. We support the drive to provide greater information about the charity sector and on individual charities and to provide an up-to-date register of charities in Northern Ireland. However, while housing associations act for charitable or social purposes and benefit from charitable status for tax purposes with HMRC, they operate in a significantly different way than traditional charities.

   Housing associations do not fundraise or seek donations for their work. Instead they receive capital grant for new housing development from DSD (administered by the Northern Ireland Housing Executive) which is supplemented by private finance. Rental income is used to service repayment of grant and private borrowing commitments. There is already strong oversight and scrutiny both from DSD and private lenders to ensure that housing associations manage their property and funds appropriately. Housing association finance arrangements are increasingly complex and unique to each individual organisation. NIFHA would, therefore, welcome clarification on where CCNI sees its role in overseeing proper conduct, management and appropriate use of property and funds in relation to DSD and other lenders and investors.

Given the commercially sensitive nature of housing associations' activities, particularly in relation to development, NIFHA has some concerns about the nature of the information that will be collected as part of the interim reporting requirements. We would welcome additional detail on how that information, with special reference to financial information, will be made available and to whom, i.e. 'interested parties'.

4. NIFHA would value more information on objective 3.2 as outlined in the consultation document. We would be keen to learn how this would work in practice as we believe it has potential to impinge on or overlap the regulatory and monitoring role of the DSD.

5. We also note the CCNI has shared a proposed financial return (Section B) which at this point is voluntary. Our members have advised us information requested is in a format that does not lend itself to easy extraction from HA financial statements.

   Housing associations are required to prepare and submit a detailed Annual Regulatory Return to the DSD. They must also provide quarterly and annual financial returns. It would be helpful in reducing the already considerable bureaucratic demands on housing associations if these returns could be shared with CCNI by its sponsoring body DSD in its capacity as regulator of the housing association movement. An alternative approach would be for 'a system of passporting' based on approval by the DSD as lead regulator for registered housing associations.

   NIFHA would also welcome a further discussion with CCNI as to the expectation that audited accounts and trustee reports should be provided to the Commission.

6. All registered housing providers in the UK use the Housing SORP which provides essential guidance on, and interpretation of, accounting standards for the sector. This takes into account the particular accounting standards and methods of financial reporting necessary for the housing association sector, to which general rules may not easily apply. NIFHA would therefore be concerned by the expectation that organisations registered with CCNI should provide any financial information using the Charities SORP. The Housing SORP is currently under review and housing associations have spent the last two years preparing to implement the new SORP in line with IFRS and FRS102. DSD has been working with associations to ensure that financial reporting meets these new standards. It would not be reasonable therefore to expect that housing associations adopt a new system of reporting for the purposes of registration with CCNI, given that it may not meet regulatory standards or accepted practice across the UK social housing sector.

NIFHA's members have queried the proposal (A19) to request personal details of the 'preparer of accounts'. In particular they are seeking clarity on whether this refers to individual members of staff and, if so, the purpose for which such personal information is required.

NIFHA has concerns about the proposal to provide information on total income and total spending. In particular, the suggestion (A21) that housing associations as charities would have to report all capital expenditure each year would impractical given the nature of their work. The development of new social and affordable housing necessitates significant capital expenditure on land, consultants, materials, construction, existing properties etc. NIFHA does not feel that it is appropriate or necessary for CCNI to receive information on these assets as outlined in the consultation document. It would add exponentially to the already considerable burden of bureaucracy experienced by associations. This expenditure is a core aspect of housing association business and is already scrutinised in detail by DSD as the regulatory authority for the sector. There are also issues of commercial sensitivity, for example, with regard to the purchase of land for future development. It is not clear from the consultation document why this information is being asked for and to what purpose.

The questions posed at A25 – A27 also raise potential concerns for our member associations, in particular on the level of detail required and the context in which this information will be used.

NIFHA is currently working with DSD to introduce the capacity for housing associations to pay Board members and trustees if they consider it appropriate to do so. This is an option across the rest of the UK housing sector, although the choice to offer remuneration is at the discretion of individual Boards. Given the increased levels of private finance and complex borrowing arrangements in the sector, rigorous regulatory requirements and the need to provide high-quality service delivery, it is crucial for associations to have knowledgeable, skilled and competent Boards. Some of our members, particularly larger and developing housing associations, may therefore wish to offer some form of remuneration in order to attract high calibre Board members.

NIFHA would be concerned, although the consultation does not explicitly preclude the payment of trustees, at the implication (5.1.9) that charities should not pay trustees and Board members. As we have made clear throughout this response, housing associations are social businesses as well as charities and operate in a complex commercial environment.

It is standard practice for housing associations to offer board members reimbursement of out-of-pocket expenses but not all avail of this option.

However, we would be keen to see the format for calculating overall governance costs (as indicated in Section B) as this could be very different to basic information on expenses.

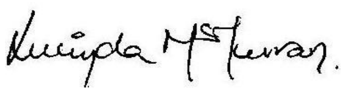
Associations may supply individuals with equipment to help them carry out their board role, for example, a tablet to enable more efficient and effective management of the often significant quantity of Board papers. It is not clear whether the questions of ‘transactions with trustees’ includes the provision of such assets. Again clarification would be welcomed

We believe that further consideration must be given to how these objectives and reporting requirements impact on housing associations as distinct from other charities. Crucially, we believe these discussions should include representation from DSD.

Conclusion

NIFHA welcomes the opportunity to respond to the CCNI consultation on Interim Reporting Requirements. We look forward to engaging further with CCNI on the points raised in this consultation response and working with them to ensure that the final reporting requirements are suitable for housing associations.

Submitted on behalf of NIFHA by:



Lucinda McMurran
Corporate Services Manager